

Business Insurance

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profile issue**

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Brokers' growth stalls

Despite aggressive new business efforts in 1987, the 20 largest U.S.-based commercial insurance brokers as a group saw their revenue growth cut in half last year compared with the boom days of 1986.

The combined gross revenues of the Top 20 U.S.-based brokers totaled \$6.2 billion in 1987, only a \$568.9 million increase in 1987 compared with a record \$1 billion increase in revenues in 1986. Their average growth rate was only 10.2% in 1987 compared with 22.2% in 1986.

The reason: growing competition among commercial insurers, driving down premiums and thus brokers' commissions. And the outlook for 1988 revenue growth among the brokers is worse.

This year's *Business Insurance* report on the commercial insurance brokerage business includes financial and management information on 248 insurance brokerages in the United States and abroad. These

brokers generated 1987 revenues of \$9.7 billion, a 13% increase from the \$8.6 billion in revenues reported by 241 brokerages for 1986.

The 235 U.S.-based brokers listed employed 88,618 people and generated revenues of \$7.4 billion by placing an estimated \$55 billion in insurance premiums as well as selling risk management and employee benefit consulting and other management services.

An analysis of the Top 20 U.S. broker rankings begins on page 3. A report on the salaries paid the top executives at nine of these brokerages that report compensation information to the Securities and Exchange Commission begins on page 10.

Articles on the 20 largest U.S.-based brokerages, including significant events in 1987 and their strategies for the future, begin on page 16. These 20 brokers placed an estimated \$47 billion in premiums in 1987.

BI also ranks the next 80 largest U.S.-based brokers in a chart on page 3. A brokerage needed \$5.3 million in 1987 gross revenues to make the list this year com-

pared with \$4.5 million last year. The combined 1987 revenues of these 80 brokers was \$840.1 million, an 11% increase from 1986 revenues of \$755 million. They employed 10,427 people, and placed an estimated \$6 billion in insurance premiums. Their revenues per employee averaged \$80,572.

Financial and management information about these 80 brokers and another 136 brokers in the United States and Canada is reported in an alphabetical listing of the companies beginning on page 89. Reports on the No. 21-No. 25 ranked brokers, which often move into the Top 20, begin on page 86.


In addition, *BI* ranks the 20 largest commercial insurance brokers in the world on page 3 and profiles the 12 market leaders based outside the United States in articles beginning on page 123. Among them are seven British, two French, a West German, a Dutch and a Canadian broker.

A geographical index of all the U.S. offices of the U.S.-based brokers begins on page 115.

Top 20 U.S. brokers: 1987 performance

Company	Ranking		Gross revenues (000)			Employees			Rev./Employee	
	1987	1986	1987	1986	Change	1987	1986	Change	1987	1986
Marsh & McLennan Cos. Inc.	1	1	\$2,178,100	1,830,000	19.0%	22,700	19,900	14.1%	\$95,952	\$91,960
Alexander & Alexander Services Inc.	2	2	1,180,000	1,140,000	3.5	17,000	18,000	-5.6	69,412	63,333
Johnson & Higgins	3	3	690,380 ¹	647,587 ¹	6.6	7,575 ¹	7,180 ¹	5.5	91,139	90,193
Fred S. James & Co. Inc.	4	4	478,700	466,000 ²	2.7	6,487	6,429	0.9	73,794	72,484
Corroon & Black Corp.	5	6	392,199	370,554 ²	5.8	4,200	4,100 ²	2.4	93,381	90,379
Frank B. Hall & Co. Inc.	6	5	385,966	390,857	-1.3	5,000	5,550 ²	-9.9	77,193	70,425
Rollins Burdick Hunter Co.	7	7	223,500	170,000	31.5	2,777	2,205	25.9	80,483	77,098
Arthur J. Gallagher & Co.	8	8	134,656	121,347 ²	11.0	1,628	1,494 ²	9.0	82,713	81,223
Jardine Emmett & Chandler Inc.	9	9	95,000 ³	82,000 ⁴	15.9	1,045	1,078	-3.1	90,909	76,067
Bayly, Martin & Fay International Inc.	10	10	79,400 ³	92,700 ³	-14.3	959	1,150	-16.6	82,795	80,609
Republic Hogg Robinson Inc.	11	11	57,775 ³	48,035 ³	20.3	757	671	12.8	76,321	71,587
Hilb, Rogal & Hamilton Co.	12	12	36,097	30,576 ²	18.1	470	430 ²	9.3	76,802	71,107
ABI Management Inc.	13	20	34,309 ³	22,729 ³	50.9	416	279	49.1	82,474	81,466
FBS Insurance	14	14	33,500 ³	29,200 ³	14.7	291	374	-22.2	115,120	78,075
Poe & Associates Inc.	15	13	30,979	34,120	-9.2	545	517	5.4	56,842	65,996
Walter Kaye Associates Inc.	16	15	29,958 ³	28,758 ³	4.2	320	334	-4.2	93,619	86,102
Financial Guardian Group Inc.	17	21	29,749 ³	22,927 ⁴	29.8	354	307 ²	15.3	84,037	74,681
McDonough Caperton Insurance Group ⁵	18	19	28,384 ³	23,884 ³	18.8	488	452	8.0	58,164	52,841
B.R.I. Coverage Corp.	19	18	27,100 ³	23,900 ³	13.4	215	176	22.2	126,047	135,795
Robinson-Conner Inc.	20	16	26,500 ³	28,150 ³	-5.9	465	450	3.3	56,989	62,556
Totals/averages			\$6,172,252	\$5,603,324	10.2%	73,692	71,076	3.7%	\$83,209	\$78,699

¹BI estimate ²Restated ³Brokers report, no public records ⁴Restated; broker's report, no public record ⁵Information stated for fiscal years ended April 30, 1988; April 30, 1987



“Either you take
charge of change
or change takes
charge of you.”

*Bob Hatcher, J&H Chairman, on
insurance industry change:*

The insurance crunch disturbed a lot of traditional relationships between insurers and insureds.

Corporations found themselves in the kind of fixes the usual ideas couldn't solve.

That's the kind of change that really puts you to the test.

One of our responses was to take the

lead in developing alternative market programs. Some people in the industry raised their eyebrows at that.

But traditional insurance isn't the only game in town.

Clients know that. We know that.

So we are making sure our thinking matches theirs.

In the long run, the industry's going to be better off.

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Ashland Oil's D&O policy covers \$69 million award to fired execs

ASHLAND, Ky.—Ashland Oil Inc. will appeal a \$69 million wrongful termination award to two former executives.

The award is covered by Ashland's \$75 million directors and officers liability policy written by a unit of The Home Group Inc., an Ashland spokesman said.

Bill E. McKay Jr., former corporate vp, and Harry D. Williams, former vp and lobbyist, sued Ashland after they were dismissed in 1983 for protesting

Continued on next page

NAIC advises states to bar sale of CDWs

By MEG FLETCHER

NEW YORK—Rental car companies should not be permitted to hold customers liable for accidental damage to a rental car, the National Assn. of Insurance Commissioners agreed last week.

A model law approved Friday by the full NAIC prohibits rental car companies from selling controversial collision damage waivers, under which—for a \$7 to \$13 daily fee—customers are released from liability if the car is damaged.

Instead, the model law makes rental car companies assume the risk of most accidental damage to their vehicles as a business expense. Although rental car companies are likely to pass that cost on to customers by increasing base rental rates, observers say competition is expected to help keep overall rental car rates low in the states that adopt the model law.

"I feel like we have addressed a major concern of the consumers of the various states in the most direct and simple manner that we possibly could," said Richard D. Rogers, deputy director of the Illinois Insurance Department, who spearheaded the proposal. "It's only the first step, but it is the biggest step."

State legislatures now can consider the model. The model law "is certainly an improvement over what we have now," said Howard Greene, associate legislative director for the Risk & Insurance Management Society Inc. in New York.

CDWs offer "tremendous potential for abuse" because courts have ruled that CDWs are not insurance and therefore cannot be regulated by state insurance officials, explained NAIC President John Washburn, the Illinois insurance director.

In addition, consumers have complained that CDWs may duplicate existing business or personal auto insurance or contain significant exclusions (*BI*, Dec. 21, 1987; March 9, 1987).

The final version of the model law says a renter or any other person allowed to use the vehicle could be found liable for damages and loss-of-use charges if a vehicle is damaged due to "willful and wanton misconduct," while driving while intoxicated or under the influence of illegal drugs or while engaging in a "speed contest."

Additional exceptions added to the model act protect rental car companies by making a renter liable for damage if the rental transaction is based on information supplied by the renter "with the intent to defraud the rental company."

In addition, the renter is liable if damage arises out of use of the vehicle to carry persons or property for hire or if the vehicle is used in the commission of a felony or other serious crime. And, the renter can be liable if the vehicle is used outside of the United States or Canada without authorization.

The model law also prohibits rental car companies from requiring or requesting security for damages—such as a credit card, line of credit or deposit—during the rental period or pending the resolution of any dispute.

"Security may be allowed, but only in such amounts to reasonably insure payment on the account or security for return of the automobile," the model says.

In addition, the model prohibits rental car companies from suing a renter who is a U.S. resident in a court outside the United States.

A rental car company that violates the model act's provisions or intent can be fined between

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Antitrust litigation mounts; 10 new states sue insurers

By DEBORAH SHALOWITZ and MICHAEL BRADFORD

SAN FRANCISCO—The antitrust litigation pending against the property/casualty insurance industry is now bigger, but the attorneys general's case is not any stronger, say defendants and legal experts.

The 10 new lawsuits state attorneys general filed last week pose no greater threat to the industry than the nine similar suits brought in March, they say.

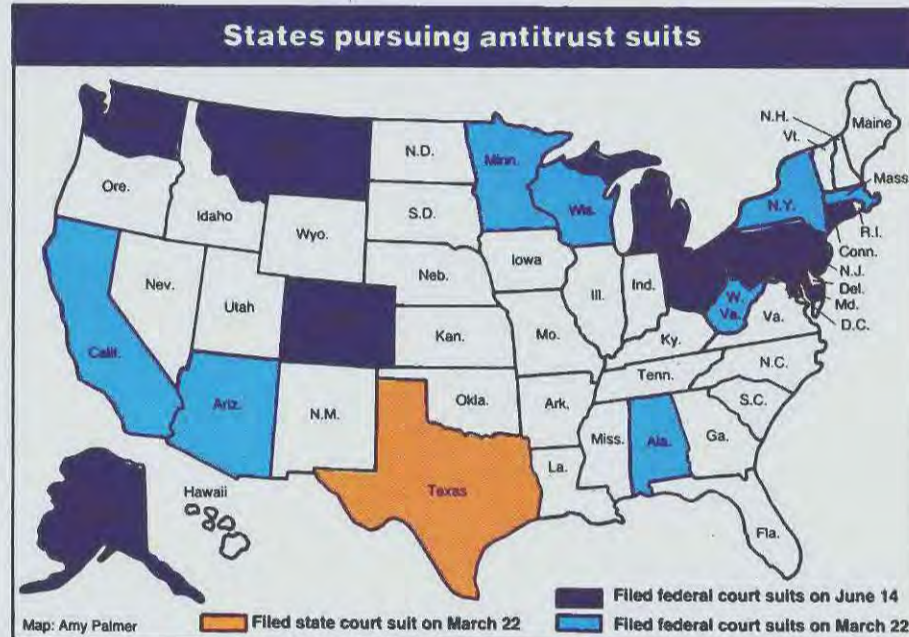
Furthermore, the new suits did not surprise insurers, reinsurers, industry groups and individuals named in the suits, who again denied violating antitrust laws.

The attorneys general in the 10 states that filed antitrust lawsuits last Tuesday said in interviews that they have uncovered evidence in their states of restricted coverage availability and high rates that could have resulted from insurers' violations of antitrust laws.

The suits filed last week in U.S. District Court in San Francisco are largely identical to the first nine and contain essentially the same allegation: that the insurance industry conspired to manipulate the U.S. commercial liability market.

Last week's suits were filed by attorneys general in Alaska, Colorado, Connecticut, Maryland, Michigan, Montana, New Jersey, Pennsylvania, Ohio and Washington.

State attorneys general in Alabama, Arizona, California, Massachusetts, Minnesota, New York, West Virginia and Wis-



consin brought actions in March. A similar suit also was filed in state court in Texas (*BI*, March 28).

The attorneys general are bringing the civil actions on behalf of municipalities in their states and the general welfare and economy of their states.

The defendants in the new states are nearly identical to the 31 defendants named in the March suits. They include: Hartford Fire Insurance Co., a Hartford

Insurance Group unit; Allstate Insurance Co.; Aetna Casualty & Surety Co. and CIGNA Corp.; the Insurance Services Office Inc., the Reinsurance Assn. of America, several U.S. reinsurers, Lloyd's of London managing agencies, British reinsurers and reinsurance brokers.

Lloyd's underwriter Robin A.G. Jackson and former Lloyd's Chairman Peter Miller also are named in all of the suits,

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Subcommittee guts McCarran

By DEBORAH SHALOWITZ

WASHINGTON—For the first time ever, a full House committee will consider a bill that would virtually strip insurers' current limited exemption from federal antitrust law.

The House Judiciary Committee's Monopolies and Commercial Law Subcommittee on Wednesday approved the proposal that would, among other things, make subject to antitrust law:

- Insurance price fixing or the development and publication of recommended rates and the sharing of data regarding expenses and profits.

However, the bill would still allow insurers to share information on paid losses and incurred-but-not-reported losses.

- Tying the sale of insurance to any unrelated insurance product.

- Allocating specific markets or customers among competing insurers.

- Activities that would force competitors out of specific markets.

The bill also would:

- Allow companies with more than \$20 million in annual premiums to engage in joint loss trending activities for three years after the proposal's enactment. Insurers with less than \$20 million in premium could trend for five years after enactment.

- Give the Federal Trade Commission and the Justice Department authority to investigate possible insurer antitrust violations.

The bill is expected to be considered this year by what many call a "receptive" Democratic-controlled Judiciary Committee.

The House subcommittee proposal was approved by an 8-6 margin, with all of the Republicans on the panel and one Democrat voting against the measure.

"The insurance industry views defeat of this measure as its highest legislative priority," said Peter Lefkin, federal affairs

counsel for the American Insurance Assn. in Washington.

"The enactment of this legislation would create economic and legal dislocation for insurers and their customers alike, and we are hard-pressed to see any benefits to be derived from its implementation," he said.

Mr. Lefkin noted that the proposal, sponsored by Rep. Jack Brooks, D-Texas, has not been the subject of any hearings and began circulation in draft form only last week.

The bill would amend the McCarran-Ferguson Act, the 1945 federal law giving insurers limited immunity from federal antitrust law and granting states primary regulation of the industry.

Some experts speculated that the subcommittee's action on Wednesday may in part be related to the recent antitrust lawsuits filed by 19 state attorneys general against the insurance industry (see related story) and a Senate subcommittee hearing last Tuesday on the antitrust lawsuits.

Six of the eight representatives voting in favor of the legislation are from five states that have filed antitrust lawsuits against the insurance industry: California, New Jersey, Ohio, Texas and West Virginia.

At the Senate hearing, Sen. Howard Metzenbaum, D-Ohio, announced that the 10 lawsuits would be filed in federal court in San Francisco about three hours before they actually were filed.

The senator, who last year introduced a bill to repeal McCarran-Ferguson, said he hopes "the states' bold attempt to show that (higher rates and reduced coverage) were the result of an illegal conspiracy will move Congress to see more clearly the merit of repealing this antiquated special interest exemption."

Massachusetts Attorney General James M. Shannon, one of the plaintiffs in the lawsuits, said at the Senate subcommittee hearing: "After years of operating under the McCarran Act exemption, this industry seems to have lost the ability to

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Ashland covered by D&O policy

Continued from previous page
illegal foreign payments Ashland allegedly made to Middle East oil contractors to obtain crude oil.

A jury in the U.S. District Court for the Eastern District of Kentucky in Covington on June 10 awarded Mr. McKay \$14.4 million in compensatory damages and \$1.25 million in punitive damages and Mr. Williams \$7.7 million in compensatory damages and \$1.75 million in punitive damages. The compensatory awards were trebled under provisions of the federal Racketeer Influenced and Corrupt Organizations Act.

M&M mothballs quake insurer

NEW YORK—Marsh & McLennan Cos. Inc. has "mothballed" Quake Holdings Ltd., a Cayman Islands holding company that was to provide earthquake coverage through a Barbados captive.

Earthquake Loss Fund Insurance Co. Ltd. was to provide 10-year non-cancelable earthquake policies with limits of at least \$75 million excess of at least \$25 million (BI, Sept. 28, 1987).

However, as earthquake coverage became available in the softening commercial property insurance market, Quake was unable to attract the capital investment it needed to get started, explained Philip Brown, executive vp of M&M Inc.

Plans to activate Quake were abandoned last month, but the Cayman corporation will be maintained in case the market tightens again and interest in the facility revives, he said.

Asbestos claims facility closes

PRINCETON, N.J.—The U.S. members of the Asbestos Claims Facility last week voted to dissolve the revolutionary claims-handling organization just four days shy of its three-year anniversary.

London members of the facility have until June 30 to vote on the proposal to disband the organization on Oct. 3 (BI, May 30).

The vote will enable some members of the facility to begin work on structuring a new, smaller claims-handling organization and allow seven larger asbestos producers that have asked to withdraw from the facility to begin handling their own claims as of Sept. 1, said Lawrence Fitzpatrick, acting chief executive officer.

Allstate to sell life, health units

NORTHBROOK, Ill.—Allstate Insurance Co. is selling the bulk of its money-losing group life and health insurance business to concentrate on its individual life insurance business.

The insurer, a unit of Sears, Roebuck & Co., has put on the block two divisions that sell group life, health and dental packages to Sears employees and to employers with 50 to 2,000 employees.

Together these two divisions, which account for 65% of Allstate's group life and health business, generated 1987 revenues of \$923 million and generated a pretax loss of \$20 million.

VDT safety bill becomes law

HAUPPAUGE, N.Y.—The nation's first law requiring employers to safeguard employees who work on video display terminals was enacted last week in Suffolk County, N.Y., after the county Legislature overrode the county executive's veto 13-5.

County Executive Patrick G. Halpin vetoed the proposal on June 10 "because he was convinced medical and scientific evidence did not show a clear safety risk associated with the terminals," said a spokesman for Mr. Halpin.

The law, which affects businesses with more than 20 VDTs and provides special treatment for workers who operate a VDT more than 26 hours a week, requires employer-paid vision care by mid-September, 15-minute breaks from VDT work within six months and ergonomic work stations by 1990 (BI, June 13; May 30).

Gas station can be liable: Court

SAN DIEGO—Service stations that sell gasoline to drunk drivers can be held liable for injuries or damages to third parties caused by the drivers, a California Court of Appeal has ruled.

The 4th District Court of Appeal on June 6 sent back to Superior Court a suit against a Shell Oil Co. service station that sold gasoline in July 1983 to a drunk driver who later struck and killed a motorcyclist. A passenger in the driver's car also was killed in the accident.

The suit, filed in spring 1984 on behalf of the motorcyclist's two daughters, seeks unspecified compensatory damages, but no punitive damages, said plaintiffs' attorney Daral Mazzarella of Thorsnes, Bartolotta, McGuire & Padilla of San Diego.

In 1967, a 3rd District Court of Appeal ruled in a similar suit that a service station was not liable for selling gasoline to an intoxicated driver.

However, "there have been some real changes" in California case law since then, Mr. Mazzarella said. For example, a Los Angeles radio station that sponsored a contest in which the first listener to arrive at an announced location would receive a prize was held liable for the death of a driver who was struck and killed by a listener speeding to reach the prize location.

Product liability bill amended

WASHINGTON—One major amendment was added to the federal product liability reform bill before it was approved 30-12 last week by the House Energy and Commerce Committee.

In its final day of markup, the committee decided that toxic torts should be tried under the same standards as other product liability lawsuits unless a state enacts a law by Jan. 1, 1989, specifically exempting such suits from the standards.

The product liability reform legislation, H.R. 1115, establishes a

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Tobacco award raises insurance questions

By DOUGLAS McLEOD

NEWARK, N.J.—Tobacco companies could face insurance coverage problems similar to those faced by asbestos manufacturers in the wake of a landmark product liability award against Liggett Group.

A federal jury in Newark, N.J., last week ordered Liggett to pay \$400,000 in damages to Antonio Cipollone, whose wife, Rose, died of lung cancer in 1984.

While clearing Liggett and two other cigarette makers of conspiracy charges, the jury found that Liggett wrongly implied in advertisements before 1966 that smoking was safe. Warnings about the health risks of smoking became mandatory in 1966.

The verdict was the first in more than 300 tobacco liability cases to deal a cigarette maker even a partial defeat, and a new wave of lawsuits is expected to follow.

If successful, the suits could create a variety of insurance problems for tobacco companies.

Product liability insurance covering health risk has been largely unavailable to most cigarette makers for roughly a decade, and several large companies now self-insure their product exposures, sources say.

The extent to which these companies are covered by policies written in the 1970s and earlier is uncertain. Several U.S. and London market insurers wrote such coverage, some of which may have been on a claims-

made basis, sources say.

And, tobacco companies with several years of occurrence-based policies could, like asbestos manufacturers before them, face another problem: resolving how coverage over several policy years would be triggered and how defense costs—if covered—would be apportioned among the policies.

In addition, whatever coverage is available to cigarette makers may not be enough if damage awards do become more frequent and severe.

For example, RJR Nabisco, parent of R.J. Reynolds Tobacco Co., noted in its 1987 annual report that the insurance coverage available to it is "substantially less" than the damages sought in product liability claims against the company.

Mr. and Mrs. Cipollone sued Durham, N.C.-based Liggett, New York-based Philip Morris Inc. and the Lorillard Inc. unit of New York-based Loews Corp. before Mrs. Cipollone, a lifelong smoker, died of lung cancer at age 58.

The six-person jury in U.S. District Court in Newark found that Liggett had violated an "express warranty" in its advertising that smoking was safe. Pre-1966 ads for its L&M brand, for example, declared that the cigarettes were "Just What the Doctor Ordered."

Mrs. Cipollone smoked Liggett's L&M and Chesterfield brands before 1966.

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Raymark asbestos claims combined into class action

By STACY ADLER

ATLANTA—Financially strapped Raymark Industries Inc. is gambling the company in the largest-ever asbestos class-action suit in the United States.

At Raymark's request, U.S. District Judge Robert L. Vining Jr. of Northern District of Georgia on June 10 consolidated some 35,000 pending bodily injury claims against the asbestos producer into one class action because of the company's limited resources.

In addition, an estimated 65,000 future claims that Raymark faces will be consolidated into the litigation under his order.

Judge Vining also stayed all litigation pending against Raymark in both federal and state courts until the cases are consolidated into this giant class-action suit.

The only larger class-action suit ever assembled in the United States was the Agent Orange litigation, which included more than 75,000 Vietnam veterans who claimed injury from exposure to the defoliant during the war.

Raymark and the lead plaintiffs' attorney agree the ruling will facilitate the resolution of claims against the asbestos producer.

However, plaintiffs attorneys whose cases are affected by the judge's stay order contend the judge does not have authority to stay their cases.

Judge Vining cited Raymark's limited resources to pay claimants as the main reason for certifying the class-action asbestos bodily injury suit.

Currently, some 34,900 lawsuits, seeking more than \$33 billion in damages, are pending against Raymark in federal and state courts in 44 states, the Virgin Islands and Guam, according to the court.

However, Raymark has potentially only \$109 million in liability insurance remaining—assuming it wins its coverage disputes—and a book value of approximately \$60 million to pay an ever-increasing number of claims, according to the court.

Raymark was a unit of Raytech Corp. in Trumbull, Conn., until Raytech sold it last month for \$1 million to Asbestos Litigation Management Inc., a unit of Litigation Control Corp. in Barrington, Ill.

About 45% of Litigation Control is controlled by Craig R. Smith, president and chief executive officer of Raytech, which makes fasteners, brake linings and other products.

Raytech was created in 1986 to shield the company

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✓ A thin margin separated 20th and 21st place in the BI rankings of largest U.S. brokers. **PAGE 86**

✓ Debate on what changes should be made in the Texas workers compensation system during the 1989 legislative session already is heating up. **PAGE 137**

✓ A firm cannot recover on a "key man" life insurance policy it took out on its president because he lied on the application about his smoking habit. **PAGE 138**

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Spotlight report

Market competition stunts top brokers' revenue growth

Commercial insurance accounts are switching brokers, playing musical chairs to the competitive chants circling the commercial insurance marketplace.

The broker with the best price lands the account, and that's often a competing broker, many brokerage chief executive officers say.

"There has been a lot of account movement (between brokers) in the past two years. The public is so irritated with what's happening to the industry that they'll talk to the next broker who walks in their door," observes Richard M. Miller, president and chief executive officer of Corroon & Black Corp.

Daniel P. Kuzio, senior vp of Robinson-Conner Inc., calls it "an eroding of client loyalty."

There are plenty of brokers trying to lure new accounts in an attempt to offset reduced commissions on cheaper renewal insurance premiums. And, despite brokers' efforts to contain the amount of business they lose, current clients do move to a more competitive broker with a more competitive market.

The result: churning of accounts, with continued movement of accounts from independent agents and regional brokers to the largest brokers and account swapping among the biggest brokers.

Today's commercial insurance marketplace is a far cry from a mere two years ago when new clients were flocking to the big brokers, desperate for capacity and believing that the expertise and market muscle of the major alphabet houses was

their best leverage in the tight commercial insurance market. Coverage, not price, was the motive to switch brokers during the tight commercial market of late 1984 through early 1987.

"In the hard market the issue is: Can you place the business? In the soft market you can place it, but so can 20 other people," says Charles E. Keller, president of Republic Hogg Robinson Inc.

The competition among insurers driving down premiums cut the revenue growth of the Top 20 brokers in half in 1987 compared with 1986. Gross revenues among the Top 20 grew only \$568.9 million, or 10.2%, to \$6.2 billion compared with a \$1 billion, or 22.2%, gain in 1986.

In 1985, when capacity was tight and insurance prices were skyrocketing, the Top 20 brokers' revenues grew 22.5%, or \$863.1 million, to \$4.7 billion.

The Top 20's 1987 rate of revenue growth most resembles their 1984 performance, the last year of competitive pricing in the commercial insurance market, when their collective revenues grew \$357.8 million, or 11.1%. This suggests that contrary to insurers' pronouncements, property/casualty insurance rates fell fast and far in 1987.

Analyzing only the retail brokerage revenues of the Top 20 brokers, the picture of falling premiums and dwindling commissions is even clearer: only an 8% gain in 1987 to \$3.6 billion compared with a 23% gain to \$3.4 billion in 1986 (see chart, page 4).

Commissions are so squeezed that even Johnson & Higgins, the staunchest defender of commissions as the proper basis for compensating for

Continued on next page

The Top 20's 1987 performance most resembles their 1984 performance, the last year of competitive pricing.

Sedgwick slips past A&A to No. 2

The big news concerning the world's largest insurance brokerages is not which company is the biggest, but which ranks No. 2.

Marsh & McLennan Cos. Inc. again holds the No. 1 spot in the *Business Insurance* ranking of the world's brokerage companies based on 1987 revenues of \$2.18 billion.

However, Sedgwick Group P.L.C., aided by the

strength of the British pound against the dollar, narrowly knocked Alexander & Alexander Services Inc. out of the second spot in the rankings. A&A had held the No. 2 spot since *Business Insurance* first ranked the Top 20 world brokers in 1983.

Sedgwick moved into second place this year based on 1987 revenues of \$1.22 billion, or about \$40 million more than A&A, whose revenues totaled \$1.18 billion last year.

However, had it not been for currency exchange rates, A&A would still be in second place. A&A's revenues grew 3.5% last year, while Sedgwick's revenues increased by only 1.2% in terms of British pounds.

Sedgwick had ranked No. 6 in *BI*'s first ranking of the world brokers in 1983. It moved up to fifth place in 1984 and then back to sixth place in 1985, primarily because of a weak British pound. But the broker moved up to No. 3 in 1986 and 1987 based on recovering exchange rates and its acquisition of Fred S. James & Co. Inc.

Two brokers entered the Top 20 this year. Gras Savoye S.A. of France ranked No. 18 based on 1987 revenues of \$82.08 million. It is the Paris-based broker's first appearance in the Top 20.

Gras Savoye barely beat out the other newcomer, Sodarcac Inc. of Montreal, for 18th place. Sodarcac, which reported \$82.06 million in 1987 revenues, had ranked 20th in 1986, but dropped out of the world Top 20 last year.

Falling from the Top 20 this year were Stewart Wrightson Holdings P.L.C. and Lowndes Lambert Group Ltd. Stewart Wrightson, which held 12th place last year, was acquired by seventh-ranked Willis Faber P.L.C. Lowndes Lambert, which placed 20th in last year's rankings, reported revenues of \$73.5 million in 1987, which was not enough to hold its place in the rankings.

Business Insurance ranks foreign brokers on revenues from insurance and reinsurance brokerage, Lloyd's underwriting agency income and interest and investment income, and does not include shares of profits from associated companies or unconsolidated subsidiaries.

The next 80 largest U.S. brokers

Company	1987 gross revenues
21. John L. Wortham & Son	\$25,469,000
22. Brown & Brown Inc.	\$25,017,533
23. Rhulen Agency Inc.	\$24,103,493
24. McGriff, Seibels & Williams Inc.	\$22,290,250
25. Collier Cobb & Associates Inc.	\$21,000,000
26. Frank Crystal & Co. Inc.	\$20,425,000
27. The Kornreich Organization	\$19,200,000
28. Frankel & Co. Inc.	\$19,145,000
29. Lawrence Agency Corp.	\$17,364,000
30. Near North Insurance Agency Inc.	\$17,250,000
31. Meeker Sharkey Financial Group Inc.	\$16,277,000
32. The Lockton Insurance Agency Inc.	\$16,200,000
33. Cal-Surance Associates Inc.	\$15,294,500
34. Robert F. Driver Co. Inc.	\$14,800,000
35. Tanenbaum-Harber Co. Inc.	\$14,550,000
36. Keenan & Associates	\$13,800,000
37. Rebsamen Insurance Inc.	\$13,660,051
38. Andreini & Co.	\$13,351,000
39. Haas & Wilkerson Inc.	\$13,117,000
40. Kendall Insurance Inc.	\$13,000,000
41. Roanoke Agency Inc.	\$12,900,000
42. J. Smith Lanier & Co.	\$12,612,863
43. Anco Corp.	\$12,559,724
44. Marshall & Sterling	\$11,929,585
45. NIA Ltd./The NIA Group	\$11,590,000
46. Palmer & Cay/Carswell Inc.	\$11,503,966
47. The Leavitt Group	\$11,214,000
48. Riehle Agencies	\$10,998,000
49. Holmes, Murphy & Associates Redland Group	\$10,900,000
51. Mahoney & Wright Insurance Agencies	\$10,777,000
52. Associated Agencies Inc.	\$10,500,000
53. Daniel & Henry Co.	\$10,265,000
54. Insurance Management Associates Inc.	\$10,200,777
55. ISU/Hastings-Tapley Insurance Agency Inc.	\$10,073,807
56. Alliance Brokerage Corp. Amalgamated Programs Corp.	\$10,000,000
58. Thomas E. Wood Inc.	\$9,700,000
59. Seaboard Financial Group	\$9,681,250
60. MacIntyre, Fay & Thayer Insurance Agency Inc.	\$9,295,023
61. Schwartz Brothers Insurance Agency Inc.	\$8,831,345
62. Meadowbrook Inc.	\$8,800,000
63. The Graham Co.	\$8,400,000
64. The McElroy-Minister Co.	\$8,386,098
65. Kelter-Thorner Inc.	\$8,200,450
66. Glenn, Nyhan & Associates Inc.	\$8,114,241
67. James Econn & Co.	\$7,636,970
68. The Loomis Cos. Ltd.	\$7,450,000
69. Van Gilder Insurance Corp.	\$7,400,000
70. Mammel/Schropp/Swartzbaugh/Engler & Jones	\$7,347,962
71. Anderson & Anderson Insurance Brokers Inc.	\$7,215,000
72. Saldana & Associates Inc.	\$7,120,000
73. Dann Brothers Inc.	\$7,115,000
74. R.C. Knox & Co. Inc.	\$7,100,000
75. Fred A. Moreton & Co.	\$7,039,000
76. Insurance & Risk Management	\$6,950,000
77. Wharton/Lyon & Lyon	\$6,790,000
78. Van Beurden & Associates Insurance Services Inc.	\$6,681,702
79. Seitlin & Co.	\$6,527,955
80. Ulrich Voorhees Warner Associates	\$6,448,000
81. Mack & Parker Inc.	\$6,296,500
82. Richard N. Goldman & Co.	\$6,200,000
83. North American Insurance Agency Inc.	\$6,184,000
84. Sander A. Kessler & Associates Inc.	\$6,175,656
85. The Talbert Corp.	\$6,134,000
86. Bolton & Co.	\$6,100,000
87. Lasher-Cowie Agency Inc.	\$6,033,000
88. Boynton Brothers & Co. S.H. Gow & Co. Inc.	\$6,000,000
90. The Woodsmall Cos.	\$5,934,000
91. John P. Tilden Ltd.	\$5,761,194
92. Berwanger Overmyer Associates (BOA)	\$5,746,716
93. Palmer Goodell Insurance Agency Inc.	\$5,722,000
94. Hylant MacLean	\$5,700,000
95. Valley National Co. Insurance	\$5,602,341
96. Laub Group Inc.	\$5,600,000
97. Curtis Day & Co.	\$5,591,271
98. Association Administrators & Consultants Inc.	\$5,550,000
99. O'Gorman & Young Inc.	\$5,475,000
100. Robertson-Ryan & Associates Inc.	\$5,303,000

Source: Brokers responses to *BI* survey; no public records

Charts: Amy Palmer

Top 20 world brokers

Company	1987 gross revenues (in millions)
1. Marsh & McLennan (U.S.)	\$2,178.0
2. Sedgwick Group (U.K.)	1,223.7 ¹
3. Alexander & Alexander (U.S.)	1,180.0
4. Johnson & Higgins (U.S.)	690.4 ²
5. Corroon & Black (U.S.)	392.2
6. Frank B. Hall (U.S.)	386.0
7. Willis Faber (U.K.)	373.4 ¹
8. Minet Holdings (U.K.)	235.9 ¹
9. Rollins Burdick Hunter (U.S.)	223.5
10. Jardine Insurance Brokers (U.K.)	207.0 ¹
11. C.E. Heath (U.K.)	168.4 ^{1,3}
12. Bain Clarkson (U.K.)	164.7 ¹
13. Hogg Robinson (U.K.)	162.2 ¹
14. Arthur J. Gallagher (U.S.)	134.7
15. Faugere & Jutheau (France)	111.3 ¹
16. Jauch & Hubener (W. Germany)	106.2 ^{1,2}
17. Hudig-Langeveldt (Netherlands)	87.0 ¹
18. Gras Savoye (France)	82.1 ¹
19. Sodarcac (Canada)	82.1 ¹
20. Bayly, Martin & Fay (U.S.)	79.4

¹ Converted to U.S. currency at applicable exchange rate
² *BI* estimate.
³ For fiscal year ending March 31, 1987

Source: *BI* survey

Top 20 U.S. commercial retail brokers

(Based on 1987 estimates; in millions of dollars)

	1987	1986	Percent change
1. Marsh & McLennan Cos. Inc.	\$958	\$824	16%
2. Alexander & Alexander Services Inc.	708	707 ¹	N/M
3. Johnson & Higgins	490	473	4
4. Fred S. James & Co. Inc.	335	317 ¹	6
5. Frank B. Hall & Co. Inc.	255	254 ¹	N/M
6. Corroon & Black Corp.	239	226 ¹	6
7. Rollins Burdick Hunter Co.	179	141	27
8. Arthur J. Gallagher & Co.	74	70 ¹	6
Jardine Emett & Chandler Inc.	74	63 ¹	17
10. Bayly, Martin & Fay International Inc.	56	66	-15
11. Republic Hogg Robinson Inc.	40	31	32
12. ABI Management Inc.	30	20	53
13. Hilb, Rogal & Hamilton Co.	26	21 ¹	20
14. Walter Kaye Associates Inc.	24	23	3
15. John L. Wortham & Son	23	23	N/M
BRI Coverage Corp.	23	20	13
17. Financial Guardian Group Inc.	22	17	32
18. Collier Cobb & Associates Inc.	20	19	5
19. McGriff, Siebels & Williams Inc.	17	15	13
Frenkel & Co. Inc.	17	15	12
McDonough Caperton Insurance Group	17	14 ¹	23
Totals	\$3,628	\$3,359	8%

¹ Restated

N/M-Not meaningful

Source: BI survey; brokers' responses

Top brokers

Continued from previous page
 brokerage services, is beginning to think of asking clients to pay fees. "I think we will be driven to it even if we did not want to be," said Robert V. Hatcher Jr., chairman and chief executive officer.

While most brokers bemoan the rate cutting by commercial insurers as too much too soon and destabilizing if not financially reckless, most say there is little they can do to prevent it.

A client wants the best price, says Richard M. Page, chairman and chief executive officer of Fred S. James & Co. Inc. Therefore, "churning is an effect of the cycle—it's not a cause of the cycle," he contends.

Going for the lowest price can, in the long run, create more disruption, brokers point out.

"If you are willing to sell out your long-term relationships for a

Robinson-Conner's Daniel P. Kuzio attributed the slow growth to 'an eroding of client loyalty.'

few up-front, short-term dollars, you are going to lose," warns Bernard H. Mizel, president and chief executive officer of ABI Management Inc. Insurers offering deals that were unavailable or that charged unacceptable rates when the market was hard "are always the first ones out when things get tough," he says.

But there is a bright side to the newly competitive property/casualty insurance market. In the words of Robert H. Hilb, president of Hilb, Rogal & Hamilton Co.: "Our sales staff has smiles on their

faces. Two years ago, there were cases where you found no one willing to write anything. Now, insurers are coming to us looking for new risks. Risks can be marketed with a number of insurance carriers that have fine programs."

Frustrated with the roller-coaster ride their income takes in the cyclical market, brokers continue to search for more stable sources of income, such as selling employee benefits products and consulting services.

Even with successful new business efforts in both property/casualty brokerage and new products and services, the Top 20 brokers for the most part anticipate finishing this year with relatively little growth in revenues compared with 1987. The continuing premium decrease is taking just too large a toll.

Four of the Top 20 brokers suffered revenue losses in 1987, the most since 1983, when commercial insurance brokers were walloped by continuing rate competition among insurers, lower interest rates and a stronger dollar against foreign currencies that reduced profits from overseas expansions.

The 1.3% drop in revenues at Frank B. Hall & Co. Inc. allowed Corroon & Black Corp. to move up to No. 5 for the first time on a scant revenue gain of 5.8% to \$392.2 million in 1987.

It was the third fall in the ranking in four years for Hall, which just four years ago ranked as the third-largest U.S.-based broker, based on 1983 revenues.

Hall, whose revenues slid to just below \$386 million, admits that management changes and internal reorganization allowed too much renewal business to slip away while new business production fell short.

Now, Hall says, account retention is back up above 90%, new business development programs are in place, and the broker is going on the acquisition trail.

The only other movement in the Top 20 rankings occurred in the second tier. Significantly, it involved the return of an old Top 20 alum and the rocketing rise of last year's No. 20 broker.

Financial Guardian Group Inc. moved into the 17th spot from No. 21 last year with a 29.8% increase in revenues to \$29.8 million. After several years of down-scaling its operations, Financial Guardian is solidifying its basic strength: servicing middle-market commercial brokerage clients.

Financial Guardian had been among the Top 20 for nine years running until last year.

Four-year-old ABI Management Inc. jumped to No. 13 from No. 20 on the strength of acquisitions, reporting 1987 revenues of \$34.3 million. ABI did not restate its 1986 revenues to reflect the 1987 acquisitions, producing a 50.9% revenue gain in 1987.

McDonough Caperton Insurance Group moved up a notch to No. 18 with an 18.8% increase in revenues to \$28.4 million. The property/casualty and employee benefits specialist boasts that nearly all of the growth was internal, producing its best new-business year ever.

Falling the most in the ranking was Robinson-Conner Inc., which barely held onto No. 20 this year, dropping from No. 16 last year. It blamed the soft market for its 5.9% drop in revenues to \$26.5 million in 1987.

Poe & Associates Inc.'s revenues fell 9.2% in 1987, dropping the broker to No. 15 with just less than \$31 million in revenues from 13th based on 1986 revenues of \$34.1 million. Poe blames the soft insurance market and switching a book of professional liability business to claims-made from occurrence coverage last year for the drop in revenues.

Continued on page 6

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Spotlight report

Top brokers

Continued from page 4

Walter Kaye Associates Inc. fell one notch to No. 16 with a scant 4.2% revenue gain. The firm also blamed lower rates for its slow growth.

B.R.I. Coverage Corp., despite a better-than-average revenue increase of 13.4% to \$27.1 million, slipped a notch to No. 19, nudged by Financial Guardian's big leap.

Stability in rankings reigned among the other Top 20 brokers, though their performance was uneven.

Among those who grew the most in revenues, 1987 acquisitions and extraordinary new business development generally were the cause.

But several brokers also acknowledged that hefty contingent commissions, paid in 1987 on the highly profitable policies written in 1986, helped boost revenues.

Even with only a 10.2% gain in

'In the hard market the issue is: Can you place the business? In the soft market you can place it, but so can 20 other people,' says Charles E. Keller, president of Republic Hogg Robinson Inc., the 11th-largest U.S. insurance broker.

overall revenues in light of falling premiums, the Top 20 brokers clearly are continuing to gain market share.

The second-best performer in the Top 20 was No. 7 Rollins Burdick Hunter Co., with a 31.5% increase in revenues to \$223.5 million.

Eleventh-ranked Republic Hogg Robinson Inc. turned in the fourth-best performance after Financial Guardian's 29.8% gain, increasing revenues 20.3% to \$57.8 million.

Marsh & McLennan Cos. Inc. cranked out only the fifth-best performance in 1987, with a 19%

increase in revenues. But its \$348.1 million revenue gain is more than the \$34.4 million in combined 1987 revenues of the brokers ranked No. 11 through No. 20.

Hilb, Rogal & Hamilton Co. was just behind McDonough Caperton in revenue growth, sporting an 18.1% increase to \$36.1 million and maintaining its spot as the 12th-largest broker.

Ninth-ranked Jardine Emett & Chandler Inc. also reported credible growth, after more than two years of consolidation activity in merging the operations of the for-

mer Jardine Insurance Brokers Inc. and Emett & Chandler Inc. The 15.9% increase to \$95 million in revenues in 1987 is based on restating 1986 revenues down to \$82 million to reflect divestitures of non-retail brokerage operations.

FBS Insurance, the insurance brokerage unit of First Bank System, benefited from sizable new accounts through referral from its parent company, helping boost revenues 14.7% to \$33.5 million. It maintained its No. 14 spot.

Arthur J. Gallagher & Co. hung onto its eighth-place position in the Top 20 with 11% revenue growth to \$134.7 million.

Five of the Top 20 eked out growth less than the 10.2% average.

Johnson & Higgins, the world's largest privately held insurance broker, is estimated by *Business Insurance* to have increased its revenues about 6.6% to \$690.4 million. Growth figures included in

J&H's annual review aided *BI* in making the estimate.

Alexander & Alexander Services Inc., entrenched as the second-largest U.S.-based broker at almost double the size of J&H, squeaked out a 3.5% revenue gain to \$1.2 billion in 1987 revenues.

Fred S. James & Co. Inc., again the fourth-largest broker, reported only a 2.7% revenue gain, having restated its 1986 revenues to reflect its 1987 acquisitions.

The worst 1987 performance was turned in by Bayly, Martin & Fay International Inc., which suffered a 14.3% loss of revenues to \$79.4 million. Despite the drop in revenues, BMF retained its spot as the 10th-largest U.S. broker.

And, BMF says, the restructuring and office closings that cost the brokerage revenues in 1987 have made it a more efficient broker that can now concentrate on developing new business.

When only commercial retail brokerage revenues are considered—excluding activities like wholesale and reinsurance brokerage, claims administration, consulting services and personal lines brokerage—the Top 20 ranking changes among the brokers in the second tier (see chart, page 4).

The most significant changes: John L. Wortham, which fell off the Top 20 based on 1987 revenues to No. 21, moves back into 15th place, and three of the Top 20 are edged off the chart. Larger in retail brokerage than FBS Insurance, Poe & Associates and Robinson-Conner are: Collier Cobb & Associates Inc., McGriff, Siebels & Williams Inc. and Frenkel & Co. Inc.

BI bases the Top 20 broker rankings on total gross revenues, recognizing that risk and employee benefit managers often rely on their retail broker for more services than insurance placement.

It took in excess of \$5.3 million in gross revenues for a broker to make the Top 100 this year, compared with \$4.5 million last year (see chart, page 3).

While there was some movement among the next 80 brokers, only four qualified for the first time to rank among the Top 100: Berwanger Overmyer Associates; Palmer Goodell Insurance Agency Inc.; Hylant MacLean; and Robertson-Ryan & Associates Inc.

Supplying revenues for the first time, though they would have qualified last year, are: Amalgamated Programs Corp.; Dann Brothers Inc.; Van Beurden & Associates Insurance Services Inc.; and Valley National Co. Insurance.

One broker that ranked among the Top 100 last year was acquired by Corroon & Black: W.K.P. Wilson & Son Inc.

Five brokers on the list last year were too small this year: Variable Protection Administrators Inc.; Sullivan Co. Inc.; Blumencranz Klepper & Wilkins; J.H. Silver-Smith Inc.; and John D. Williams Co.

Two brokers among the Top 100 last year did not return questionnaires this year: Marion A. Allen Inc. and South Continental Insurance Agency.

Not included in the rankings is ISU Corp., the largest independent agency franchise organization, because its member agencies are individually owned.

ISU's 372 members at year-end 1987 reported combined gross revenues of \$407.1, compared with 439 members generating \$487 million in revenues in 1986.

ISU has committed to a "true franchise system," including use of common systems and presenting a national image, said Thomas J. Ryan, chairman, president and chief executive officer. Some ISU members were not prepared to make such a commitment, he said.

As a group, ISU members would rank No. 5 if ISU qualified.

—By Kathryn J. McIntyre

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Opinions

Hit the brakes

WE'RE RELIEVED that cooler heads prevailed when the House of Representatives earlier this month declined to consider a bill establishing a new \$30 billion long-term home health care program.

The legislation, proposed by Rep. Claude Pepper, D-Fla., would have smacked employers with \$3 billion in new Social Security payroll taxes annually over the next five years to finance home health care benefits for the elderly and the chronically disabled. Employees would have picked up the remaining \$15 billion in costs.

The program was to be financed by subjecting all wages to the Medicare portion of the Social Security tax.

The Pepper legislation was sidetracked after congressional powerhouses, like House Ways and Means Committee Chairman Daniel Rostenkowski, D-Ill., justifiably complained that the bill bypassed normal committee reviews.

Indeed, despite the bill's purported \$30 billion price tag, it never was reviewed by the Ways and Means Committee, which is supposed to clear all tax-related legislation, and the Energy and Commerce Committee, which has jurisdiction over health care-related bills. Instead, the bill skipped straight to the House floor as part of a political deal between Rep. Pepper and House Speaker Jim Wright, D-Texas.

House members wisely recognized that this was not the sort of proposal that should be rushed, and they rejected its consideration by a substantial margin.

Those who studied the legislation saw all sorts of pitfalls. For example, while the measure would have created a huge entitlement program overnight, there was no evidence that there would be sufficient professionals to provide quality home health care. No doubt passage of the legislation would have given rise to fly-by-night firms capitalizing on the increased demand for these services.

In addition, there were no credible estimates of the program's cost. Rep. Pepper put the cost at \$30 billion over five years, while Rep. Hal Daub, R-Neb., placed the five-year cost at more than \$72 billion. That kind of disparity tells us no one really knew the extent of the tab.

If costs exceeded revenue, as many think would have been likely, the elderly would have been hit with deductibles and coinsurance requirements. Ultimately, these copayments could have exceeded



the benefits to the elderly. In short, the program really might have been a hoax on the elderly.

And, the bill would have only covered home health care, not nursing home care, which is far more financially threatening to retirees.

The Pepper legislation failed to recognize the role employers are beginning to play in promoting long-term health care coverage among their employees. While just a handful of employers now offer such coverage through payroll deduction plans, the number is growing (*BI*, May 30).

We urge Congress next year to clarify the tax-favored status of employer-provided long-term health care benefits. That would allow employers to subsidize or pay premiums without employees incurring any adverse tax consequences.

We also hope that congressional leaders take to heart their sermon that benefits-related legislation must be reviewed before enactment.

Rep. Rostenkowski's own Ways and Means Committee has passed a slew of measures affecting employee benefits, like the COBRA health care continuation provisions, that have caused no end of problems for employers because members and staff acted too hastily.

Legislation affecting benefits—be it a long-term health care bill, COBRA or Section 89 non-discrimination rules for welfare plans—are too important to ram through Congress.

Letters

Answer to A.R.M. exam question lacks foundation

To the editor: After reading the May 23 article "The Cost of Limited Fire Safety" by the Insurance Institute of America, I can understand why many people are frustrated with the Associate in Risk Management examinations. The questions are vague and the answers given in the article are sometimes without foundation.

First, what is "too little money" on fire detection/suppression system equipment? Has a spending limit been set? If so, who set the limit? The author's opinion of "too little money" might greatly differ from

mine. The exercise asks the reader to explain why—specifically with reference to each of the four elements of an organization's cost of risk control—would this retailer's decision to spend less on fire detection/suppression equipment tend to raise its overall cost of risk. Just because a company spends "too little money" does not mean that it will suffer more small fires, which will lead to a larger fire. You cannot provide a proven basis for that statement.

Increasing its insurance premiums because the retailer fails to qualify for fire safety premium credits is specific and can be proved. The other examples are speculations, not specifics. Besides, reducing its risk control costs might offset increases in insurance.

Second, the article asks the reader to "describe three specific ways in which the retailer's underinvestment in fire detection/suppression equipment for its stores could have adverse economic effects throughout the economy, raising

other organizations' cost of risk."

This question also is poorly worded and the answers given are based on speculation rather than fact (except one answer concerning the retailer's fire insurance premiums). A single fire in a community will not cause the public fire department to increase its outlays. Furthermore, if the author of this article in all his divine wisdom is so naive to think that entrepreneurs will be deterred from opening competing stores, then he knows very little about big business.

There are solutions to this problem. The first solution would be to employ an individual who can properly word the questions and develop meaningful answers. Another solution would be to change the A.R.M. examination from essay to multiple choice. If the examination were changed to multiple choice, individuals taking the exam would not be left in the dark trying to figure out what the examiner wants as an answer.

Nikola Drobnic
Aliquippa, Pa.

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The image shows two astronauts in white space suits with red stripes on the arms, floating in a dark blue space filled with numerous bright, out-of-focus stars. One astronaut is positioned slightly above and to the right of the other, both appearing to be in a weightless state. The astronaut on the right is holding a large, unfolded map or document that features a grid and some text, including the words "WORLD SUMMARY". The overall scene conveys a sense of exploration and navigation in a vast, dark environment.

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Top brokerage execs' 1987 compensation

(Based on cash compensation and bonuses)

Name Brokerage	1987	1986	% change	1987 net income (in millions)	% change
Frank J. Tasco Marsh & McLennan Cos. Inc.	\$1,126,429	\$1,098,521	2.5%	\$302.1	24.2%
Patrick G. Ryan Rollins Burdick Hunter Co.	658,447	561,769	17.2	N/A	N/A
John A. Bogardus Alexander & Alexander Services Inc.	612,192	1,118,132	(45.2)	68.4	58.3
Robert F. Corroon Corroon & Black Corp.	450,000	912,998	(50.7)	44.4	2.1
Peter T. Pruitt Frank B. Hall & Co. Inc.	378,120	364,442	3.8	(66.9)	N/M
William F. Poe Poe & Associates Inc.	270,500	285,023	(5.1)	1.5	(66.4)
Robert E. Gallagher Arthur J. Gallagher & Co.	245,000	225,000	8.9	16.2	4.5
Robert H. Hilb Hilb, Rogal & Hamilton Co.	232,967	210,027	10.9	3.4	87.9
Donald R. Weber Financial Guardian Group Inc.	203,600	190,500	6.9	1.1	26.2

Source: Securities and Exchange Commission documents N/A-Not available N/M-Not meaningful

M&M chairman lands top broker paycheck

By KATHRYN J. MCINTYRE

The chairman of the world's largest insurance broker also larded the largest brokerage pay in 1987: Frank J. Tasco, chairman of Marsh & McLennan Cos. Inc., was paid \$1,126,429 in cash compensation in 1987.

In fact, three other M&M executives earned more in cash compensation in 1987 than the highest-paid executives of any of the other leading insurance brokerage companies for which compensation information is published.

Mr. Tasco was the only insurance brokerage executive whose pay is disclosed in public documents to receive more than \$1 million in 1987.

In 1986, one other insurance brokerage executive broke \$1 million and two others came close, with the benefit of cash incentive awards. All three received only salaries as cash compensation last year, cutting their pay by about half.

Mr. Tasco and the other top executives at each of the companies—except for one company reporting a hefty net loss for 1987 whose top executive had his salary trimmed—received generally modest raises in 1987, according to public records available for nine of the largest U.S. brokers.

Raises—or cuts in pay—bore little resemblance to corporate income performance at the largest U.S. insurance brokerages in 1987 (see chart).

And, with stock prices generally lower this year than last year for the publicly traded brokers, the executives' stock holdings in their companies are worth less this year than last year. The big exception: Corroon & Black Corp.

The other M&M executives whose 1987 cash compensation outpaced the leaders of the other insurance brokers are: A.J.C. Smith, 53, president of M&M Cos. Inc., \$958,850; Robert J. Newhouse, 63, chairman, M&M Inc., \$817,841; and Robert Clements, 55, president M&M Inc., \$670,200.

M&M's proxy also discloses the following awards of stock made to Mr. Tasco, 60, during the three-year period ending Dec. 31, 1987: 18,800 shares under a restricted stock plan; 16,040 shares under the incentive plan; 60,000 shares under the stock option plan at an average exercisable price of \$35.958; and 26,930 shares subject to previously granted options for which stock appreciation rights were granted at an average exercise price of \$16.5625.

Mr. Tasco made \$1.4 million during the three year-period exercising stock options or SARs.

In total, Mr. Tasco owned 188,752 shares of M&M stock as of March 1, including 78,000 shares subject to exercisable stock options and 46,695 shares over which he did not exercise sole voting and investment power.

M&M stock was trading at \$53.88 on June 9, compared with \$63 on June 10, 1987.

Messrs. Smith, Newhouse and Clements also were awarded restricted stock, shares under the incentive plan and stock options and SARs.

M&M adopted a new incentive and stock award plan this year, in which 1,800 employees initially will be eligible to participate.

John A. Bogardus, 60, who stepped down as chief executive officer of Alexander & Alexander Services Inc. in May 1987 in preparation for his retirement, took a 45.2% pay cut in 1987 to \$612,192.

Mr. Bogardus' 1986 pay of \$1,118,132 included \$570,015 in incentive compensation.

During 1987, Mr. Bogardus was granted the option to purchase 40,000 shares of A&A stock at an average price of \$25.38.

Mr. Bogardus, who retired as chairman last month, will receive an annual retirement benefit of \$106,240 under the company's basic retirement plan and \$241,593 under the company's supplemental retirement benefit plan for a total of \$347,833. He remains a director of A&A.

Mr. Bogardus held 179,592 shares of A&A stock under beneficial ownership as of March 1.

A&A stock was trading at \$22.38 on June 9, compared with \$25.13 on June 10, 1987.

Tinsley H. Irvin, 54, who became chief executive officer in addition to president of A&A in May 1987, was paid \$489,068 in 1987, includ-

Continued on page 14



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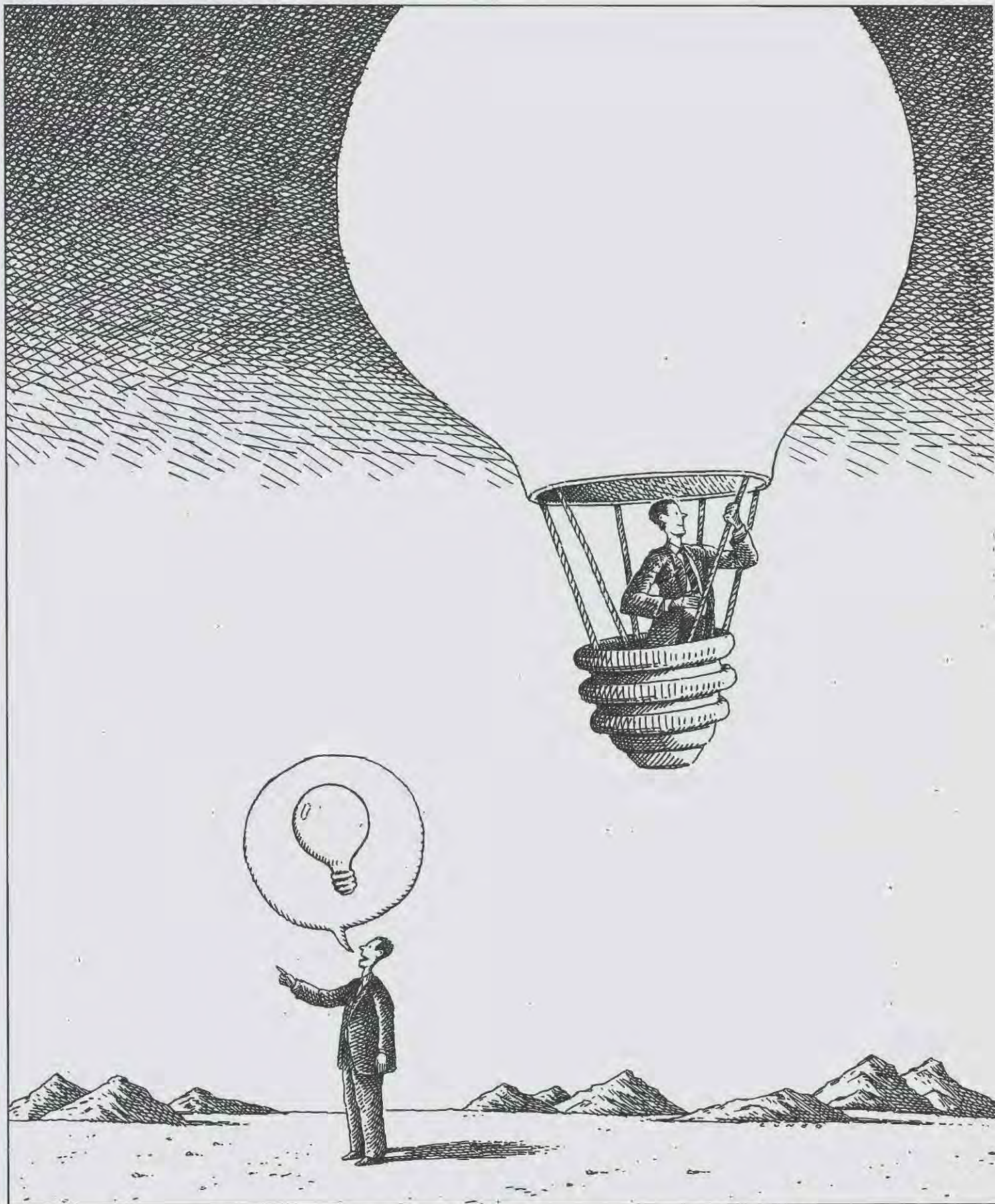
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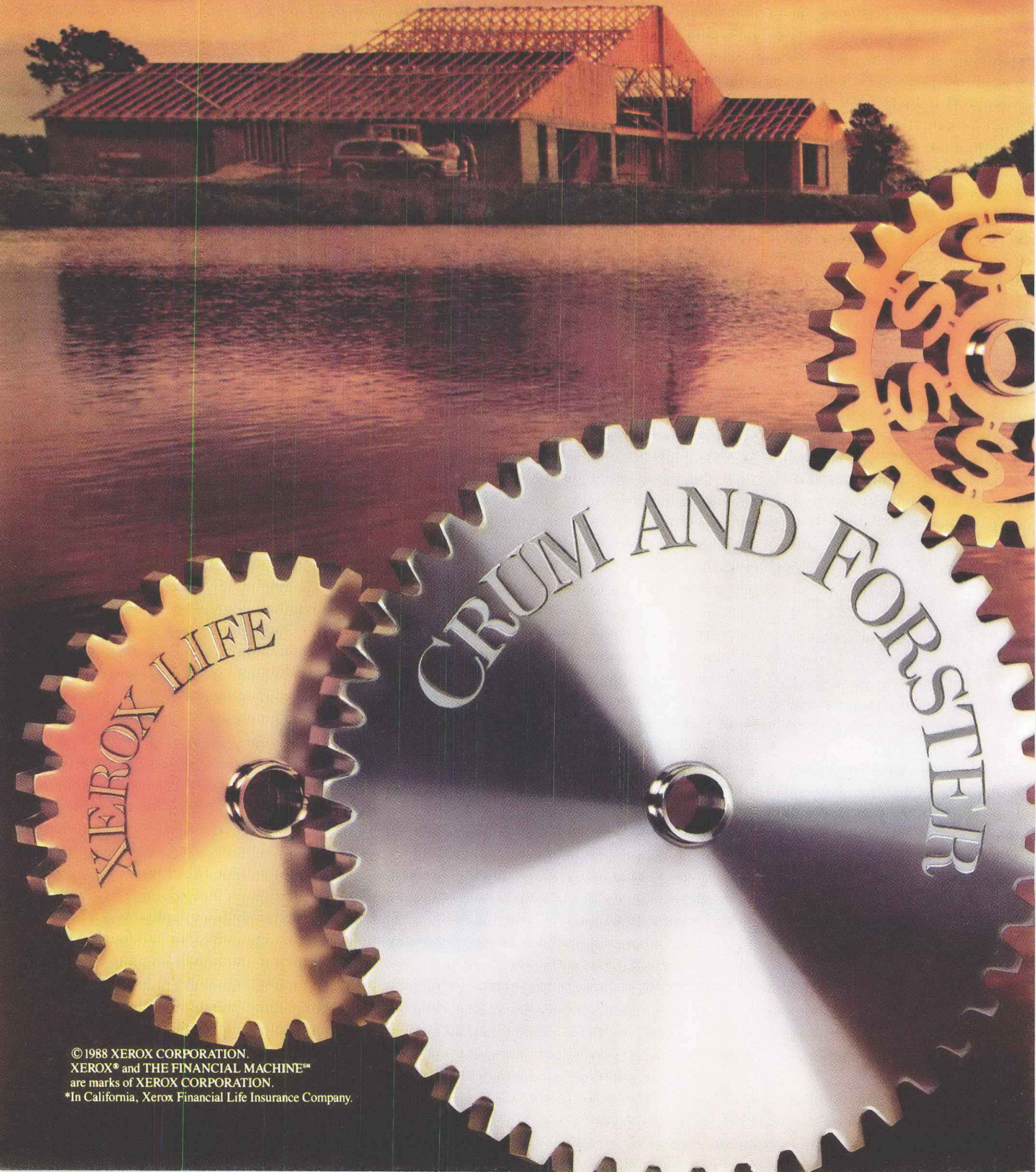
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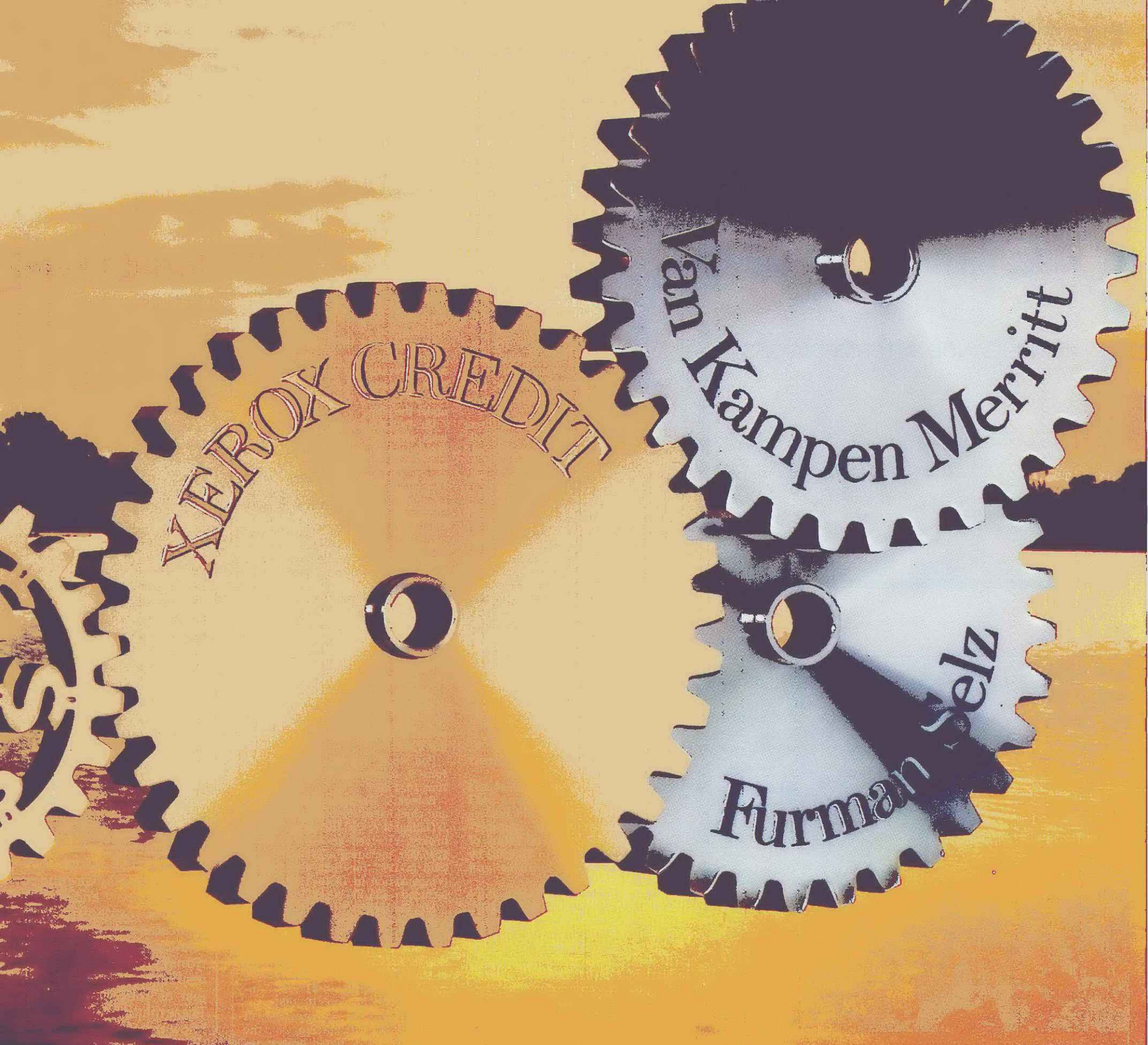
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Broker paychecks

Continued from page 10

ing reimbursement for certain travel-related expenses. He earned \$890,328 in 1986, including \$441,983 in incentive compensation.

During 1987 Mr. Irvin was granted options to purchase 33,300 shares of A&A stock at an average price of \$25.38.

Mr. Irvin, who became chairman at the second-largest U.S. broker when Mr. Bogardus retired, held 93,381 A&A shares under beneficial ownership as of March 1.

In addition, A&A Executive Vp William M. Wilson was paid \$512,465 last year, including incentive compensation of \$163,304.

Mr. Wilson also was granted options to purchase 18,300 shares of A&A stock at an average price of \$25.38. Mr. Wilson did not hold any A&A shares under beneficial ownership as of March 1.

A&A this year replaced its three executive incentive plans with one plan and informed its executive officers that they would receive no salary increases in 1988. In addition, the company adopted a change-of-control provision to make outstanding awards generally exercisable or payable in full if the company is acquired, a tender offer is made for its stock or a merger is approved.

Robert F. Corroon, 65, chairman and chief executive of Corroon & Black Corp. during 1987, also had his cash compensation cut in half in 1987 compared with 1986, down to \$450,000.

However, his 1986 cash compensation of \$912,998 included incentive bonuses and awards totaling \$512,998. His base salary was \$400,000 in 1986.

Mr. Corroon stepped down as chief executive of Corroon & Black Jan. 1, succeeded by Richard M. Miller, 56. Mr. Corroon continues as chairman of the fifth-largest U.S. broker.

Mr. Miller, who as president and chief operating officer was paid \$360,000 in 1987, also did not receive any incentive cash compensation in 1987. In 1986, his salary of \$320,000 was boosted to \$716,802 by annual incentive bonuses and awards.

Under Corroon & Black's long-term incentive plan adopted in 1986, Mr. Miller has received options to purchase 19,510 shares and Mr. Corroon has received options to purchase 24,380 shares, both at an average price of \$28.60. The options under this plan, also awarded to other executives, are not yet exercisable.

Both executives also received restricted stock awards under the plan—15,000 shares each. And, they received performance shares under the plan: 6,190 shares to Mr. Corroon and 4,955 shares to Mr. Miller.

Mr. Miller is the only director to own more than 1% of the company's stock with his 210,307 shares representing 1.1% of the company's stock as of March 15. Mr. Corroon is the beneficial owner of 164,835 shares of Corroon & Black stock.

Corroon & Black stock was trading at \$32.13 on June 9, compared with \$29.75 on June 10, 1987.

Exercising stock options, Mr. Corroon made \$315,279 and Mr. Miller made \$229,963 during the period from 1985 to 1987.

Rollins Burdick Hunter Co. Chief Executive Officer Patrick G. Ryan, who is also chairman and chief executive officer of Aon Corp., RBH's parent, received a 17.2% raise in 1987 to \$658,447 in cash compensation, exclusive of fully vested benefits received during the year. RBH is the seventh largest U.S.-based broker.

Mr. Ryan, 50, held 8,694,580 shares of Aon stock as of Feb. 22, including shares held by his wife. They own 13.4% of the company's stock.

Aon stock was trading at \$25.13 on June 9, compared with \$25.38 on June 10, 1987.

Mr. Ryan was not granted nor did he exercise any stock options during 1987.

Among the highest-paid executives at the other brokerages, their cash compensation did not vary much from 1986.

Peter T. Pruitt, 55, earned a 3.8% raise at Frank B. Hall & Co. Inc. with 1987 cash compensation of \$378,120. Mr. Pruitt, president and chief operating officer, replaced John F. McCaffrey as the highest-paid Hall executive when Mr. McCaffrey resigned July 31, 1987, as chief executive officer of Hall. Mr. McCaffrey earned \$284,704 at Hall in 1987.

Saul P. Steinberg, 48, chairman and chief executive officer of Hall, receives no compensation from Hall. However, he earned \$4.27 million in compensation from Reliance Group Holdings Inc.

During 1985 through 1987, Mr. Pruitt received or deferred performance awards and restricted awards with a fair market value of \$317,856. Mr. McCaffrey received \$300,965 under the plan.

Mr. Pruitt has an employment contract with Hall, now the sixth-largest U.S.-based broker, at an annual base compensation of \$360,000. The contract terminates July 31, 1990.

Hall also adopted a change-in-control provision amendment to its stock option plan.

William F. Poe, 56, chairman and chief executive officer of Poe & Associates Inc., took a slight pay cut to \$270,500 in 1987 from \$285,023 in 1986.

Poe & Associates, the 15th-largest U.S. based broker, suffered a 66.4% drop in net income in 1987 to \$1.5 million.

Mr. Poe neither received nor exercised any stock options during 1987. As of March 22, Mr. Poe held 1,060,851 shares of Poe stock, or 28.8% of the outstanding shares, including 33,750 shares under stock option to be purchased by the end of this month.

Poe stock was trading at \$9 on June 9, compared with \$12.25 on June 10, 1987.

Robert E. Gallagher, 65, president and chief executive officer of Arthur J. Gallagher & Co., the eighth-largest broker, received an 8.9% raise to \$245,000, including a \$25,000 bonus paid in 1987 for 1986 service. His compensation in 1986 of \$225,000 included a \$25,000 bonus.

Mr. Gallagher did not receive or exercise any stock options in 1987.

He held 902,856 shares of Gallagher stock under beneficial ownership, or 8.3% of outstanding stock, as of March 11. On June 9, Gallagher's stock was trading at \$17.13, compared with \$21 on June 10, 1987.

Robert H. Hilb, 61, president of Hilb, Rogal & Hamilton Co., the 12th-largest U.S. based broker, received a 10.9% raise in 1987 to \$232,967 in cash compensation.

Mr. Hilb also received an option in April 1987 to purchase 4,000 shares of Hilb, Rogal stock at an exercise price of \$9.075. The option expires April 17, 1992.

In March 1986, Mr. Hilb received an option to purchase 16,000 shares at \$2.75. The option, which expires March 18, 1991, was not exercised in 1987.

Mr. Hilb held 243,000 shares in the company, or 7.36%, as of Dec. 31, 1987.

Hilb, Rogal stock was trading at \$11 on June 9. Hilb, Rogal went public July 15, 1987, at \$11.

Under an employment contract, Mr. Hilb will be paid at least \$250,000 annually between 1988 and 1992.

At Financial Guardian Group Inc., Donald R. Weber, 54, received a raise to \$203,600. Mr. Weber is chairman, president and chief executive officer of the 17th-largest U.S. broker.

Mr. Weber held 76,465 shares under beneficial ownership as of Dec. 31, 1987, or 4.2% of the company's stock. No recognized market exists for Financial Guardian stock. The most recent appraisal determined its fair market value to be \$9.28 at year-end 1987, a 12% increase from \$8.23 at year-end 1986.

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Marsh & McLennan Cos. Inc.

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	1987	1986
Premium volume	NA	NA
Gross revenues	\$2.18 billion	\$1.83 billion
Brokerage: Retail	44%	45%
Reinsurance	14%	18%
Personal lines	1%	1%
Services	35%	29%
Invest. income	6%	7%
Employees	22,700	19,900
Rev./Employee	\$95,952	\$91,960
Offices	444	450

Marsh & McLennan Cos. Inc. is positioning itself for overseas growth while it weathers another tough period for the insurance brokerage business.

Revenues at the world's largest

insurance broker hit \$2.2 billion last year, up 19% from \$1.8 billion in 1986.

Like most brokers, though, M&M saw its revenue growth slow last year and in the first quarter of 1988 as the soft property/casualty market squeezed insurance and reinsurance commissions and fees.

Instead, much of M&M's new revenues have come from its consulting and investment management operations, which have reported double-digit growth rates compared with the single-digit expansion of insurance services.

A significant part of the consulting and insurance services growth is attributable to a flurry of acquisitions in 1986 and early 1987: M&M spent more than \$200 million in that period buying 11 brokerage and consulting firms.

This activity has also slowed in the last year, however, with M&M making only a few acquisitions for stock and a small amount of cash.

As it absorbed its earlier acquisitions and faced the pressures of the soft market, M&M last year reorganized its brokerage operations to improve communications among its offices and facilitate growth in what it sees as an overseas market ripe for expansion.

Under the reorganization:

- Marsh & McLennan Inc., M&M's New York-based brokerage unit, will be responsible for brokering activities in the Western Hemisphere and Japan. The unit is headed by Robert Clements, chairman, and David D. Holbrook, president.

- Marsh & McLennan Bowring, a London-based unit, will handle brokerage services elsewhere in the world. Philip L. Wroughton was named chairman.

- Marsh & McLennan Worldwide Services, a new unit, was formed to oversee the activities of M&M's specialized industry groups and to coordinate support services

for all of the firm's roughly 444 offices worldwide, including global insurance marketing, risk management, captive management, loss control and other services.

John T. Sinnott was named president of the new unit and Messrs. Clements and Wroughton were named co-chairmen.

It was "our feeling that we had within the organization tremendous client resources," said Frank J. Tasco, chairman and chief executive officer of M&M Cos., explaining the restructuring. "In our view, we were not getting the maximum benefit out of those resources."

"We didn't have a system to make sure that we delivered all of our ability to take insurance to the market and all of our ability in relation to particular industries where specialization is vital," added A.J.C. Smith, president of M&M Cos.

One by-product of the restructuring

has been a marked improvement in communication among M&M offices, Mr. Tasco said.

"This game, above all, is internal communication," he observed. "Any time you can do anything to enhance it or improve it, you are taking a big step forward in delivery of services."

The reorganization—which followed 18 months of study—was also undertaken with a view toward the elimination of

trade barriers in Europe in 1992 and what M&M sees as a trend toward the opening of insurance markets to international competition in other parts of the world (BI, May 16).

"Coincident with this plan was that 1992 in Europe is upon us, and we felt that this structure, in addition to maximizing our own resources, was very consistent with what's going to happen in Europe when the trade barriers go down," Mr. Tasco explained.

"The term 'multinational' was originally probably limited to United States corporations. Now we have multinationals all over the world: Australia, Germany, France, England, New Zealand, Sweden," Mr. Tasco said. "Those multinationals look for a firm like ours that can provide those worldwide services. Our current setup gives us a unique position to provide those services."

"When you see an opportunity, you organize yourself to take advantage of it," summed up Robert J. Newhouse Jr., vice chairman of M&M Cos.

Other developments at M&M Cos. in the last year include:

- The acquisition of Temple, Barker & Sloane Inc., a Lexington, Mass.-based management consulting firm, late last year. The purchase, for M&M stock, was accounted for as a pooling of interest.

M&M also acquired Saliba & Co., a Los Angeles-based insurance broker, during the first quarter of 1988.

This relatively light acquisition activity followed the binge of acquisitions in 1986 and early 1987 that included insurance brokers Lawton-Byrne-Bruner of St. Louis; Martin Hayes & Co. Inc. of Nashville, Tenn.; Montgomery & Montgomery of Los Angeles; and Fenchurch Insurance Brokers Pty. Ltd. of Australia; New York entertainment insurance specialist R.A. Boyer Inc.; employee benefits consultant A.S. Hansen Inc. of Deerfield, Ill.; professional liability program manager ENCON Holdings Inc. of Ottawa, Ontario; McKesson Environmental Services Inc. of San Francisco; corporate identity consulting firm Lippincott & Margulies Inc. of New York; actuarial consultants McGinn Associates of Anaheim, Calif.; and Duncan C. Fraser & Co., based in London.

- A slowdown in the firm's efforts to "make markets" by forming policyholder-owned insurers as an alternative to commercial insurance.

While M&M has had huge successes with alternative markets such as A.C.E. Insurance Co. Ltd. and X.L. Insurance Co. Ltd., the soft market has slowed further growth of such facilities.

For example, one M&M-sponsored facility, Cayman Islands-based Quake Holdings Ltd., was shelved last month when adequate

Continued on page 18



Mr. Smith



Mr. Tasco

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Continued from page 16
 earthquake coverage became available from traditional property markets (see story, page 2).

"It is a source of some comfort to us that we have had the ability to create those markets where none existed. We expect that is a permanent capability," Mr. Clements said.

- **Adoption** by M&M's board of directors of a "poison pill" takeover defense. Under the plan, shareholders were given rights to purchase preferred stock, exercisable 10 days after a person or group acquires 20% or more of M&M's outstanding shares or begins a tender offer for 30% or more of the shares.



Mr. Clements

- **Considering a possible move.** M&M's leases at its present location expire in 1992 and the company is looking at other Manhattan locations, including a nearby building being vacated by J.C. Penney Co. M&M may lease or buy space in a new building.

- **Dismissal of a \$12.4 million defamation and wrongful termination suit filed against M&M by Richard O. Post Jr., a former vp and head of M&M's investment management group.**

Mr. Post was fired after the brokerage announced the discovery of unauthorized bond trading by some of its treasury department personnel in May 1984. The bond trading produced pretax losses of \$165 million for the firm (*BI*, June 18, 1984).

Mr. Post sued M&M and former Chairman John M. Regan Jr. in U.S. District Court in Manhattan in December 1984, charging that the defendants defamed him in public statements about the bond trading debacle. The complaint sought \$4.8 million in compensatory damages and \$7.5 million in punitive damages for defamation, along with \$100,000 in damages for wrongful termination.

However, a federal judge granted summary judgment in favor of M&M on Jan. 20. Mr. Post has appealed the decision to the 2nd U.S. Circuit Court of Appeals.

- **The departure from Lloyd's of London broker subsidiary C.T. Bowring & Co. Ltd. of five key North American brokers in the last two weeks:** Stephen L.R. Matanle, executive director of Bowring Non-Marine Insurance Brokers Ltd. will become chairman and managing director of Lloyd's broker Gallagher Plumer North America Ltd. And, a team from Bowring Special Risks specializing in banks and financial institutions are moving to Holmes, Johnson & Lessiter, a subsidiary of the Alexander Howden Group Ltd. They are directors Stephen Ambridge, John Howe and Andrew Hall and Bowring broker James Powell.

The 19% growth in M&M's gross revenues last year represented a slowing from previous years' growth rates. Revenues of \$1.8 billion in 1986 were up 31.4% over the \$1.4 billion reported in 1985, and 1985 revenues had risen 23.1% from \$1.1 billion in 1984.

The bulk of M&M's 1987 revenues once again came from its insurance services sector, which includes the insurance brokerage business of M&M Inc. and London-based C.T. Bowring & Co. Ltd.; reinsurance brokerage through Guy Carpenter & Co. Inc. and C.T. Bowring; and the business of Marsh & McLennan Group Associates Inc., which designs and administers various insurance programs for affinity groups, associations and corporations.

Insurance services revenues grew only 8.4% last year to \$1.4 billion from \$1.3 billion in 1986, accord-

ing to M&M's annual report.

About 69% of M&M's insurance services business comes from U.S. sources, while 18% is drawn from the United Kingdom, 6% from Canada and 7% from other international sources.

Despite soft market pressures, new business development and acquisitions pushed worldwide insurance brokerage revenues up 14.6% to \$823 million from \$718 million in 1986.

About 65% of M&M Inc.'s insurance brokerage business continues to consist of jumbo "risk management" accounts, for which the firm's compensation is negotiated.

Some 25% of its business is drawn from middle-market commercial accounts and the remaining 10% represents small commercial accounts and personal lines.

Reinsurance brokerage revenues, meanwhile, dropped 3.3% to \$318 million last year from \$329 million the previous year. Although reinsurance rates remained relatively stable, an increasing number of ceding insurer clients retained larger portions of their books, curtailing that amount of business being brought to the market, the annual report states.

M&M Group Associates' business increased 12.3% to \$128 million in 1987 from \$114 million the previous year, driven by new business, additional business from existing clients and the 1986 acquisition of ENCON. ENCON was acquired by Victor O. Schinnerer & Co. Inc., M&M's Washington D.C.-based underwriting management subsidiary.

The fourth component of insurance services revenue, investment income on fiduciary funds, declined marginally to \$111 million in 1987 from \$112 million in 1986, reflecting lower short-term interest rates.

In addition to insurance services—which produced 63.3% of M&M's total revenues last year—the brokerage drew 22.1% of its revenues from consulting.

M&M consulting units include William M. Mercer-Meidinger-Hansen Inc., the world's largest employee benefits consulting company; Temple, Barker & Sloane, the recently acquired management consultant; Clayton Environmental Consultants Inc.; National Economic Research Associates Inc., which provides litigation support and consulting services on economic issues concerning various industries; and Lippincott & Margulies, the corporate identity consultant.

Overall consulting revenues jumped 44.7% last year to \$482 million from \$333 million in 1986. About half of the growth resulted from acquisitions, several of which were reported as purchases.

Most notable of these acquisitions was Mercer's February 1987 acquisition of A.S. Hansen, previously the ninth-largest U.S. benefit consultant. The Hansen acquisition was accounted for as a pooling of interests.

About 72% of M&M's consulting revenues last year were drawn from U.S. clients, while 13% came from the United Kingdom, 10% from Canada and 5% from other international sources.

Investment management, the third segment of M&M's business, produced 13% of total revenues.

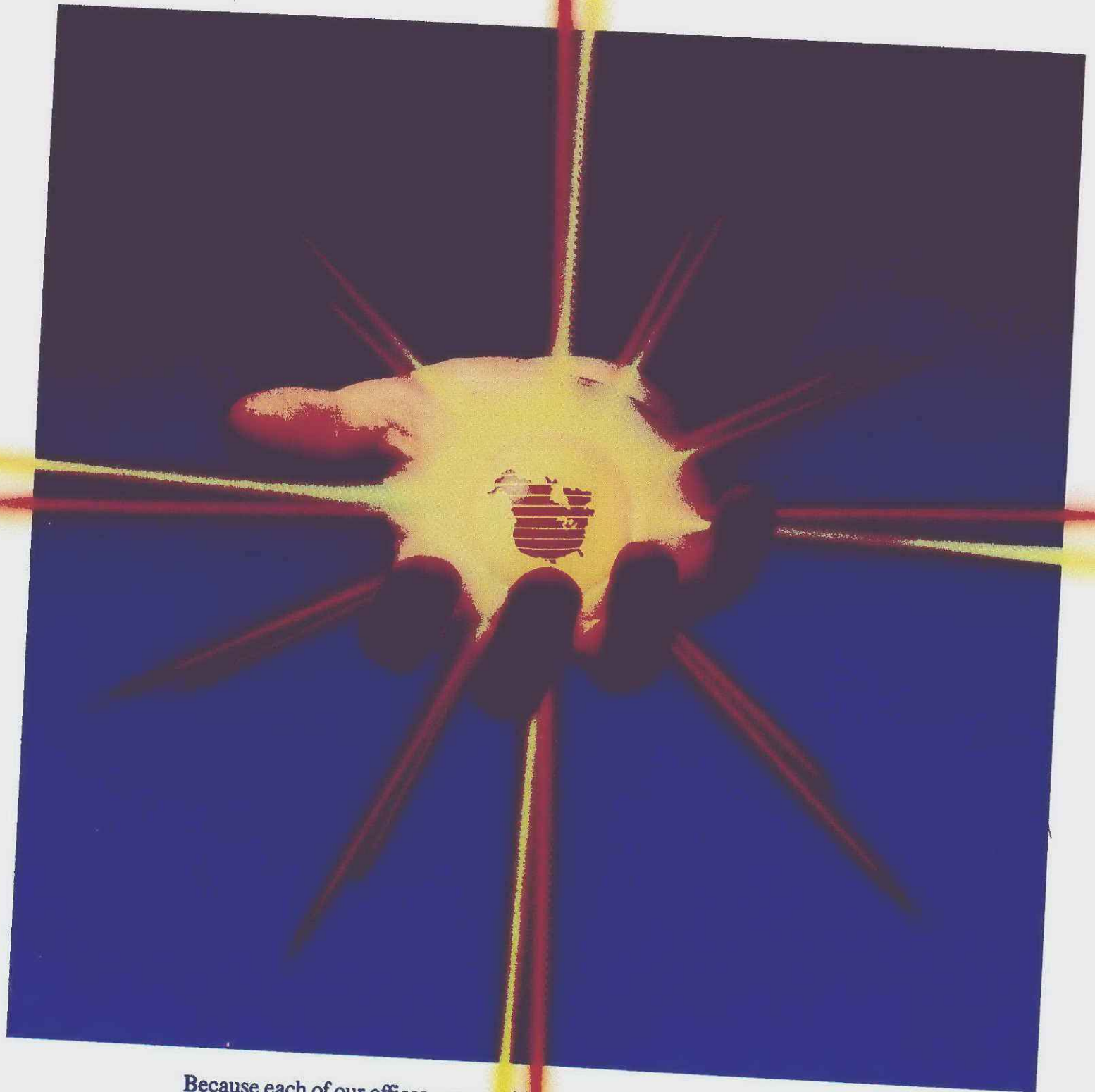
Investment management services are provided through The Putnam Cos. Inc. of Boston, which offers a variety of mutual funds and separate investment accounts to institutional investors and individuals.

Despite the stock market collapse of last Oct. 19, Putnam's revenues for 1987 expanded 43.9% to \$285 million from \$198 million in 1986. The gain reflected an expansion of assets under management—on which fees are based—to \$40.2 billion at year-end 1987 from \$32.4

Continued on page 20

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billion at year-end 1986, though the annual report notes that managed assets had dropped by almost \$2 billion by last Dec. 31 because of the stock crash.

M&M's revenue growth last year, however, was outstripped by a 20.6% increase in its operating expenses to \$1.6 billion from \$1.3 billion in 1986.

Compensation and benefits for M&M employees accounted for \$983 million of last year's operating costs, while all other expenses accounted for \$614 million. As percentages of revenue, salary and benefit expenses equalled 45.8%, while other costs equalled 28.6%.

M&M's acquisitions produced about one-third of the increase in expenses last year, according to the annual report.

In addition, M&M's total staff increased 14.1% to 22,700 employees worldwide at the end of last year from 19,900 employees at the end of 1986.

Most of the staffing increase has been in M&M's consulting units, while staffing in the insurance services sector has remained "static," according to Mr. Smith.

Mr. Tasco added that the soft market is not prompting any drastic expense reduction measures, explaining that M&M has been through soft markets before and that "this is not some critical situation."

A final component of M&M's revenues, interest income on its own corporate funds, increased 19.7% to \$31 million last year from \$25.9 million in 1986, mainly because of higher levels of investable funds.

After adding other income and expenses, M&M finished last year with net income of \$302.1 million, up 24.2% from \$243.2 million in 1986.

Net income per share increased to \$4.06 in 1987 from \$3.30 the previous year. After trading as high as \$71.88 per share during the first quarter of 1987, M&M common stock hit a low of \$43.75 per share during the fourth quarter. As of June 9, 1988, M&M shares were trading on the New York Stock Exchange at \$53.88.

The trends in M&M results that emerged during 1987 accelerated during the first quarter of this year.

Overall revenues increased 5.9% to \$600.4 million for the first quarter from \$567.1 million in the first quarter of 1987.

Insurance services revenues actually declined marginally to \$385 million from \$388 million in 1987's first quarter. Within this sector, insurance brokerage revenues were down slightly to \$227 million from \$230 million in the year-earlier quarter; reinsurance brokerage revenues were unchanged at \$101 million; Group Associates revenues were also unchanged at \$30 million; and investment income on fiduciary funds remained flat at \$27 million.

The decline in insurance brokerage revenues was due mainly to premium reductions and, to a lesser extent, non-renewals, according to M&M's first-quarter statement.

These losses were only partially made up by new business and foreign exchange gains on international business.

Reinsurance brokerage commissions would actually have declined if not for favorable foreign currency translations.

Meanwhile, the consulting sector again showed substantial growth, expanding 43.6% to \$145 million in first quarter 1988 revenues from \$101 million in 1987's first quarter.

But, mutual fund sales at Putnam declined in the first quarter, and investment management revenues dropped 8.5% to \$65 million as of March 31 compared with \$71

million for the same period in 1987.

Interest income on corporate funds also dropped 23.9% to \$5.4 million in this year's first quarter compared with \$7.1 million in the same period last year.

Operating expenses continued to climb, jumping 11.9% to \$433 million in the first quarter from \$387 million in the first quarter of 1987.

Salary and benefit expenses represented \$277 million of the first-quarter costs—47% of revenues—while other expenses accounted for \$156 million, or 26% of revenues.

After other income and expenses, M&M finished the quarter with net income of \$94.1 million, or \$1.28 per share, up slightly from net income of \$92.9 million, or \$1.25 per share, for the same period in 1987.

With an eye toward future growth, M&M continues to focus on its industry groups, through which it provides specialized brokerage and consulting services to

clients in several industries.

Industry groups include financial and professional services, handling coverages for law, accounting and other professional service firms; entertainment, which has grown substantially since the acquisition of R.A. Boyer; marine and energy; chemicals and pharmaceuticals; aviation and aerospace; gas and electric utilities; health care providers; high-tech manufacturing; consumer products and retailing; agribusiness; forest products; and public entities.

The insurance industry is evolving toward industry specialization, according to Mr. Clements, who predicted that underwriting will become more centralized as a result and that this will create more demand for industry-specialized brokerage services.

The softening market—which so far shows no signs of bottoming out and may continue to soften through 1989—is worrisome for

M&M executives because of the potential threat it poses to insurer solvency.

"All brokers are deeply concerned with some of the activity going on in the market right now," Mr. Clements said.

In 1986, M&M formed a Market Information Services unit to help risk management clients evaluate the security of prospective insurers, and the firm continues to invest in this unit to the tune of several million dollars a year, Mr. Clements said.

"We are only seeing the beginning of real efforts by clients to make quality judgments of insurers," he predicted.

M&M shareholders last month elected three new members to the firm's board of directors:

- Frank J. Borelli, senior vp and chief financial officer.
- Mr. Wroughton, chairman of M&M Bowring.
- Peter Coster, who was named

president of William M. Mercer in December after Diljit S. Juneja retired.

The three men replace retiring board members Gilbert A. Cooke, recently retired chairman of C.T. Bowring; Edgar R.H. Bowring, a former Bowring chairman; and Robert S. Hatfield, former chairman of the Continental Group.

Other recent additions to the board include Lawrence J. Lasser, Putnam's president and chief executive officer, elected last September; and R.J. Ventres, chairman and chief executive of Borden Inc., elected in January.

According to documents filed with the Securities and Exchange Commission, M&M officers receiving the highest cash compensation in 1987 were:

Frank J. Tasco.....	\$1,126,429
A.J.C. Smith.....	\$958,850
Robert J. Newhouse Jr.....	\$817,841
Robert Clements.....	\$670,200
Richard H. Blum.....	\$596,132

—By Douglas McLeod



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	1987	1986
Premium volume	NA	\$8.19 billion
Gross revenues	\$1.18 billion	\$1.14 billion
Brokerage: Retail	60%	62%
Wholesale	5%	7%
Reinsurance	7%	7%
Personal lines	3%	3%
Services	16%	9%
Invest. income	6%	6%
Other	3%	6%
Employees	17,000	18,000
Rev./Employee	\$69,412	\$63,333
Offices	300	200

Alexander & Alexander Services Inc. officials say the brokerage left some of its old troubles behind last year while, at the same time, tak-

ing advantage of new opportunities.

The brokerage sold two underwriting units that had drained profits while reaping the benefits of a record year for new business despite the softening commercial property/casualty insurance market, said Tinsley H. Irvin, who became A&A's chairman last month upon the retirement of John A. Bogardus Jr.

"Our new business has increased," said Mr. Irvin, who also is the brokerage's president and chief executive officer. Last year "was a record year, and we're equaling that this year, even when rates and premiums are being reduced by 20% or more."

And, while some past traumas continued to haunt A&A in 1987, management is convinced that these problems have finally been resolved.

In 1987, the company posted a \$10 million loss from discontinued

operations, virtually all of which was attributable to Sphere Drake Insurance Group, one of the underwriting units it obtained when it acquired Lloyd's of London broker Alexander Howden Group P.L.C. in 1982.

But while this was the sixth consecutive year A&A reported losses from discontinued operations related to the Howden acquisition, it also hopefully was the last, said Mr. Irvin, pointing out that the \$10 million charge represents a loss on the sale of Sphere Drake to a group of investors that included Dai-Tokyo Fire & Marine Insurance Co. Ltd.

In addition, A&A last year sold underwriting manager Evanston, Ill.-based Shand, Morahan & Co. Inc. to a group of investors that included Shand officers, Markel Corp. and Fairfax Financial Holdings Ltd. (BI, Oct. 12).

Through Shand, A&A had owned 52% of Evanston Insurance Co., an

unconsolidated subsidiary that had reduced 1986 earnings by \$4.5 million (BI, June 22, 1987).

"We structured the sales to try and insulate A&A" from any further losses due to reserve deficiencies or uncollectible reinsurance, explained Mr. Irvin.

And, in London, A&A, along with other brokers with London operations, contributed to a settlement to members of loss-riddled syndicates managed by PCW Underwriting Agencies Ltd.

A&A's contribution was reduced to approximately \$22.4 million after being offset by the \$24 million it received in 1986 from the settlement of a 4-year-old lawsuit against former Lloyd's underwriter Ian R. Posgate (BI, June 22, 1987; Jan. 19, 1987).

Despite the new-business gains, A&A's 1987 results still reflected the impact of the softening market.

Gross revenues at the nation's second-largest broker increased

only 3.5% to nearly \$1.18 billion from \$1.14 billion the year before, when revenues increased 17.3% from \$967.9 million in 1985.

Pretax operating income declined 44.8% in 1987 to \$60.6 million from \$109.8 million in 1986.

But, largely as the result of proceeds from the sale of real estate in France and the United Kingdom, aftertax income from continuing operations increased 12.5% to \$74.9 million from \$66.6 million in 1986.

And because A&A took only a \$10 million loss from discontinued operations in 1987, compared with a \$24 million loss in 1986, the brokerage posted a 58.3% increase in net income to \$68.4 million last year from \$43.2 million.

For the first quarter of 1988, A&A posted a 5.2% increase in gross revenues to \$283.4 million from \$269.5 million.

Operating income increased 25.3% to \$18.8 million from \$15 million, while net income increased 14.6% to \$16.5 million from \$14.4 million.

A&A's business has increased, but "at whose expense it's hard to tell," said Mr. Irvin. "Generally, I think it's at the expense of local, regional brokers, but business has been moved within the major brokers also," he said.

Earnings for the rest of this year will be affected by the softening market, said Mr. Irvin. "We think our revenues will increase but modestly," he said, adding, "We forecast our profits will increase, but not dramatically."

A&A reports its business in three segments:

- Insurance Services, including retail, wholesale and reinsurance brokerage; risk analysis; and captive management and self-insurance services.

Revenues from this segment increased 3.3% in 1987 to \$974.5 million from \$943.3 million in 1986, although operating income declined 36.9% to \$79.7 million from \$126.2 million.

- Human Resource Management Consulting—formerly called employee benefits and management consulting—which includes a variety of services such as actuarial and consulting services for pension, compensation and benefit plans; communications consulting; management consulting; and association marketing.

This segment posted a 14.9% increase in revenues to \$121 million from \$105.3 million in 1986, while operating income increased 9.6% to \$5.7 million from \$5.2 million in 1986.

- Other businesses, which includes property tax consulting services and investment and other advisory services.

This segment reported an 18.4% increase in revenues to \$23.2 million in 1987 from \$19.6 million in 1986. Meanwhile, operating income declined 38.1% to \$1.3 million from \$2.1 million in 1986.

A&A's retail brokerage revenues were virtually flat between 1987 and 1986. Last year, retail brokerage generated \$708 million, or 60%, of A&A Services' gross revenues, compared with \$706.8 million, or 62%, of its revenues in 1986.

Fees produced by non-brokerage services, such as claims administration and consulting, increased to 16% of revenues, up from 9% in 1986. Wholesale brokerage accounted for 5% of revenues in 1987, compared with 7% in 1986, while reinsurance brokerage produced 7% of revenues in both years.

Revenues from investment income and personal lines remained proportionately unchanged at 6% and 3%, respectively, for both years, while revenues from miscellaneous activities declined to 3% of revenues from 6% in 1986.

Alexander & Alexander Inc.
Continued on next page



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Continued from previous page
 A&A's U.S. retail brokerage subsidiary, produced about \$600 million in revenues last year, including its Alexis claims management subsidiary and other services. That was about a 6% increase from about \$566 million in 1986, pointed out Michael White, chairman and chief executive officer of A&A Inc. and executive vp of A&A Services. He predicts the unit's revenues will rise 3% to 5% this year.

Profits, he said, "were not as great in 1987 as they were in 1986 because of staff additions" made throughout 1986.

However, "Profits will be up in 1988," even though "the bottom

line is that 1988 is going to be a very difficult year in which to improve profits, as will 1989."

Retail brokerage operations moved ahead in 1987, Mr Irvin commented, "but on a much more modest basis than the past two years because of the softening market."

A&A's client base is being more heavily represented by larger, and more global, clients, said Mr. Irvin.

"It's because of the Reed Stenhouse merger; it's because of the globalization of the world economy, and the cross investments throughout the entire free world," said Mr. Irvin, referring to A&A's 1985 acquisition of Reed Stenhouse

Cos. Ltd., which had been the largest Canadian-based broker.

Domestically, A&A's retail brokerage operation has two thrusts, said Mr. White. The first, he said, is business produced by A&A's local offices. "Our other thrust is our national marketing concepts, where we have developed industry-specific organizations to serve the specialized needs of these industries."

These organizations target the aviation, health care, financial products, energy and utilities, construction, railroads and international areas.

Another one of these organizations, which targets Japanese busi-

ness is strengthened by the acquisition earlier this year of Kadowaki Associates International Corp., a Pasadena, Calif.-based brokerage with annual revenues of about \$4.5 million that specializes in insurance brokerage and risk management services for Japanese businesses with U.S. interests (BI, April 1).

The acquisition "certainly enhanced our opportunity for serving Japanese business," said Mr. Irvin.

About \$220 million of the \$370.7 million in revenues generated by A&A Services outside the United States are generated by retail brokerage operations, said William M. Wilson, chairman and chief execu-

tive officer of A&A International, which is A&A Services' non-U.S. retail brokerage unit.

A&A has offices in more than 70 countries.

Mr. Wilson said over the past three years, A&A has increased its presence in Europe "to where we are clearly No. 2" in terms of market share, up from the No. 3 position, and simultaneously "probably has more equity relationships than anyone else."

"We believe strongly that continental Europe is the place to be" in the next five to 10 years, said Mr. Wilson, pointing specifically to the potential opportunities that will be available in 1992, when insurance trade barriers among Common Market countries will drop (BI, May 16).

A&A believes that equity relationships, in which A&A owns a portion of the foreign-based business, are "much stronger" than correspondent relationships, where there is a contractual relationship, said Mr. Wilson.

Mr. Wilson also noted that Canada's insurance market is facing the same softening as the U.S. market, while results from the United Kingdom's are still excellent, though there has been some market softening in Britain as well.

Revenues from all of A&A's operations in the United Kingdom grew 10.9% last year to \$160.8 million from \$145 million in 1986.

A&A also has brokerage offices in the Middle East, Asia, Australia, New Zealand and Latin America.

A&A's wholesale brokering operations include Alexander Howden Ltd., based in London, and Alexander Howden North America, which operates in the United States and Canada.

In 1987, revenues for both operations increased about 20% to \$80 million, while profits also grew, said Mr. White. But revenues and profits are expected to rise only minimally this year because of the soft market.

The company's reinsurance brokerage operations include Alexander Howden Reinsurance Brokers Ltd. in London and Thomas A. Greene & Co. in the United States.

Alexander Howden Reinsurance Brokers enjoyed growth in both revenues and profits in 1987, and is forecasting "continued profits" this year, said Mr. Irvin.

However, while Greene's profits and revenues grew about 20% last year, results are expected to be flat this year due to increased retentions by ceding companies, he said.

"Clearly, the reinsurance market's suffering the same softness as the direct market," said Mr. Wilson, whose responsibilities also include reinsurance brokering and risk management services operations.

A&A's risk management services group includes Anistics, which offers risk management information system services. Free-standing Anistics offices have been opened the past year in Sydney, Australia; Toronto; and London, "and these have been very successful," he said.

Risk management services are "not considered a profit center. It's a service to our brokerage clients," explained Mr. Irvin.

Alexis, the A&A consulting unit that serves self-insurers, generated \$59.5 million in revenues domestically last year, a 21.2% increase from 1986 revenues of about \$49.1 million, said Mr. White.

A&A's Human Resource Management Consulting unit includes Alexander Consulting Group, which offers benefit consulting services. The division posted about \$120 million in revenues in 1987, up 20% from about \$100 million in 1986.

"We expect to see continued
 Continued on page 24



Mr. Wilson

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Continued from page 22

growth in this area," said Mr. White, who also oversees Alexander Consulting Group.

Mr. White said one growing area for Alexander Consulting Group is survey work, including a joint venture launched earlier this year with the Gallup Organization whose primary thrust will be to survey employees on employers' behalf.

"As the labor market for the professional employee becomes more restrictive in the future, it's critical employers understand the needs and desires of their employees and respond to them," said Mr. White.

A&A's financial services unit includes Strategis, an asset valuation and management unit that helps manage and protect firms' financial assets. It posted about \$18 million in revenues in 1987, about the same as 1986, which Mr. White termed "unsatisfactory."

A&A also operates TIFCO, a

U.S.-based premium financing facility that posted \$31.8 million in revenues in 1987, down 14.1% from \$37.0 million in 1986, and \$5.3 million in 1987 net income, down 20.9% from \$6.7 million in 1986.

A&A is considering selling TIFCO, Mr. Irvin said, partially because its "growth is being impacted because of our ownership—some of our competitors are reluctant to do business with a premium finance company owned by another broker."

A&A made a total of seven domestic acquisitions in 1987, including Kadowaki Associates, and two so far in 1988.

The 1987 acquisitions are: J.J. Francis & Associates in Cherry Hill, N.J.; Landmark Insurance Corp. in Fort Myers, Fla.; Miami-based Inter-American Insurance Group; Associated General Agency in Beachwood, Ohio; Federman-Bachrach & Associates Inc. in Beverly Hills, Calif.; and Potash As-

Purchasing the brokerage's own stock is the 'best buy we can' make, says Tinsley H. Irvin.

sociates in New York.

Francis, Landmark, Associated and Federman were accounted for on a pooling basis, while the other acquisitions were purchases.

Earlier this year A&A acquired Siegfried Insurance Agency and Wilcox, Jones & Rogers, both in Tulsa, Okla. Both firms were merged with Alexander & Alexander Inc. of Tulsa (BI, April 1).

In Belgium, A&A purchased the outstanding shares of Alexander Menage & Jowa, which will become a wholly owned subsidiary trading under the name Alexander

Stenhouse Belgium International SA/NY. A&A also increased its ownership of Dutch insurance broker Bekouw Mendes Yolding, B.V. to 75% from 30%.

A&A and Banco de Bilbao Group merged brokerage operations in Spain, creating the second-largest brokerage entity in the country, according to Mr. Wilson. The group will operate under the name Gavia Alexander S.A.

In Norway, Alexander & Alexander A/S was created as a subsidiary of Alexander Stenhouse A/S of Denmark.

A&A also became 50% owner of Brazilian insurance broker MacFarlane & Associates, which will change its name to Alexander MacFarlane Ltda.

Other significant events at A&A were:

- The company began a successful expense reduction program.

"We've rationalized the manage-

ment structure, reducing first corporate overhead considerably and, secondly, restructuring our operations to reduce layers of management and basically controlling salary increases, and reducing staff, basically through attrition."

The net effect, said Mr. Irvin, is that A&A reduced its workforce by 1,000 employees to 17,000 in 1987. As a result, revenues per employee rose 9.6% to \$69,412 from \$63,333 in 1986.

"I think we're at a steady state right now. We don't expect any dramatic increases, though," he said of the employee count.

As a result of A&A's expense control program, said Mr. Irvin, "We were able to reduce our expenses from a 15% increase (in 1986) to a 10% increase in 1987," including only a 1.4% increase in the fourth quarter of 1987.

In the first quarter of 1988, expenses increased 4%, more than half of which was attributed to adverse currency exchange rates.

- The company introduced a 3 million-share stock buyback program last year.

Referring to A&A's stock buyback program, Mr. Irvin noted about 2.5 million of the 3 million authorized shares of A&A have been repurchased so far.

"Very simply, we think our shares are undervalued" and purchasing the brokerage's own stock is the "best buy we can" make, said Mr. Irvin.

Shares of A&A stock were trading at \$22.38 per share on June 9, down from \$25.13 a year ago.

- The consolidation of its 1985 Reed Stenhouse acquisition continued successfully.

While integrating Reed Stenhouse's operations with A&A's has been a major task, the results have been positive, noted Mr. Wilson, who had been chief executive officer at Reed Stenhouse when it was acquired by A&A.

Reed Stenhouse had 180 offices in 33 countries at the time of the acquisition, with little overlap of A&A operations (BI, June 24, 1985).

"I think '87 going into '88 was a continuation of what we set out to achieve four years ago, when we started serious discussions between A&A and Reed Stenhouse to come together," he said.

In another move, A&A last year created a 15-member Operations Board staffed by senior management that will guide long-range planning, coordinate A&A's strategic business units and develop its operational policy, said Mr. Irvin, who serves as its chairman.

Among management changes, Paul E. Rohner joined A&A Services as senior vp and chief financial officer, while Dan R. Osterhaut was named senior vp. In addition, James A. McCormick was appointed president and chief operating officer of A&A Inc., while John W. Hanna was named president and chief operating officer of Alexander Howden North America Inc.

R. Allan Durward was appointed chief executive officer of Alexander Consulting Group for the United Kingdom and Europe, replacing John D. Loudon, who retired. Graham Bird was appointed managing director for the Alexander Consulting Group Ltd. Australia.

In Canada, James S. Horrick was named chief executive officer of Reed Stenhouse Ltd., replacing Cedrick G.E. Gyles, who continues as chairman.

The cash compensation received by the five highest-paid A&A officers in 1987, according to documents filed with the Securities and Exchange Commission, follows:

John A. Bogardus.....	\$612,192
William M. Wilson.....	\$512,465
Tinsley H. Irvin.....	\$489,068
Ronald A. Iles.....	\$446,326
Michael K. White.....	\$443,120

—By Judy Greenwald

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3

Johnson & Higgins

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	1987	1986
Premium volume	NA	NA
Gross revenues	\$690,380,000*	\$647,537,000*
Brokerage: Retail	71%	73%
Wholesale	1%	1%
Reinsurance	8%	7%
Services	19%	18%
Invest. income	1%	1%
Employees	7,575	7,180
Rev./Employee	\$91,139*	\$90,193*
Offices	99	96

* B/ estimate

After realigning several of its consulting and brokerage operations, Johnson & Higgins is pursuing a three-year plan to expand its domestic brokerage presence.

In the last year, J&H, the world's

largest privately held insurance broker, has:

- Restructured its benefit consulting operations to improve delivery of these services to clients of different sizes
- Combined the resources of four property/casualty units to focus on alternative risk funding programs.
- Reorganized four industry groups providing consulting and brokerage services to the health care and construction industries, public sector clients and financial institutions.

Meanwhile, J&H has targeted 15 medium-sized U.S. cities in which it has no branch offices. The broker plans to open a new office in five of the cities in each of the next three years.

In some of the cities—which J&H executives declined to identify—the firm will acquire established local brokers, while in others it will open its own offices, according

to President and Chief Operating Officer David A. Olsen.

The new offices will handle some large accounts but are also expected to bring new middle-market business to the firm, added Executive Vp Richard A. Nielsen.

"Obviously there are only so many Fortune 1,000 companies in the country," he explained.

New business and additional business from existing clients continued to be a priority at J&H, which—like other brokers—has felt the effects of the competitive property/casualty insurance market.

J&H, privately held by its 34 directors, has traditionally declined to release detailed information about its financial performance.

However, *Business Insurance* estimates that the brokerage's 1987 revenues rose 6.6% to \$690.4 million from \$647.6 million in 1986.

That was much slower growth than the estimated 23.7% growth in 1986 and 26.8% growth in 1985.

Executive Vp Richard E. Meyer points to the soft market as a cause of the slowdown, which was "led mostly by the property area, which just dropped off the end of the table."

Commissions and fees from property insurance business accounted for 15% of J&H's revenues last year, down markedly from 18.9% in 1986. The drop was due both to falling rates and the reclassification of some property business to the firm's separate middle-market accounts segment, Mr. Meyer explained.

Casualty commissions and fees, meanwhile, inched up to 37.6% of revenues last year from 35.6% in 1986.

Unlike last year, casualty insur-

ance rates may lead the downward trend this year, according to Mr. Meyer, who noted that J&H has recently seen 15% to 30% rate reductions on umbrella liability business.

Other J&H business segments include:

- Employee benefit programs, which produced 24.7% of revenues last year, up from 23.4% in 1986.

- Marine and aviation, which continued to decline to 8.9% of revenues from 9.5% in 1986.

- Middle-market accounts, which continued to show growth, expanding to 8.6% of revenues in 1987 from 7.7% the previous year.

- Other sources—including reinsurance and wholesale brokering operations and investment income—which generated 5.2% of revenues, up from 4.9% in 1986.

Despite the soft market's pressure on revenues, Mr. Olsen described 1987 as a good year for both growth and profitability, noting that J&H brokers produced record amounts of new and additional business.

"We were pleased with 1987 results," Mr. Olsen said.

"With no outside shareholders, we share those profits with our performers," he added, explaining that the firm also paid record bonuses to its top producers last year.

At the same time, J&H was able to hold its lost business to less than 3% of the total.

Some of the business was lost to mergers and acquisitions of client companies, while some was lost simply because account managers "weren't paying attention," Mr. Meyer said.

J&H recently set up a centralized Account Management Department to study—and help prevent—losing accounts, Mr. Meyer said. Previously, this analysis was the responsibility of separate account managers in each of the brokerage's divisions.

Revenue growth this year is projected to exceed last year's growth despite expectations of a continuing soft market, according to Mr. Olsen, who pointed out that revenues and profits so far this year are "just about" on target.

He added that he was "surprised" during the budgeting process that this year "is looking as good as it is."

"We are not pessimistic about this year in spite of the rate pressures we have," Mr. Meyer said.

Growth this year will again depend on new and additional business production and control of lost accounts, rather than on the premium increases that produced impressive revenue expansion in 1985 and 1986, Mr. Meyer said.

Roughly 98% of J&H's property and casualty insurance brokerage revenue continues to be earned on a commission basis rather than on a fee basis, according to Mr. Meyer.

Commission levels have increased somewhat in response to shrinking property/casualty premiums, but J&H commissions are still generally in the single digits, Mr. Meyer explained.

Robert V. Hatcher Jr., chairman and chief executive officer, added that J&H will increasingly ask its clients to pay fees rather than commissions to ensure that the brokerage is adequately compensated during shifting insurance market cycles.

"I think we will be driven to it

Continued on page 28



Mr. Olsen



Mr. Meyer

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Professional Liability and Specialty Insurance

Continued from page 26

even if we did not want to be," Mr. Hatcher predicted. "Our attitude toward fees has changed a little bit."

J&H also is trying to keep a lid on salary and employee benefit expenses and last year managed to hold these costs to a slower rate of growth than revenues, said Mr. Olsen.

Expenses grew by an estimated 3% last year. This was an improvement over 1986, which saw a 17% increase in expenses over 1985.

Staff increased an estimated 5.5% to 7,575 employees last year from 7,180 in 1986, and revenue per employee increased marginally to \$91,139 in 1987 from \$90,193 the previous year.

J&H has not been forced to take any drastic expense-cutting measures like layoffs or hiring and salary freezes, officials note.

"But of course we will continue to look very hard at expenses," Mr. Olsen said.

While not forbidding new hiring, J&H has been looking twice at aggressive hiring positions taken by many branch offices in budget discussions and has emphasized "quality hiring" over hiring in numbers, officials say.

The firm also is trying to reduce unnecessary meetings and paperwork, eliminate time-wasting procedures and otherwise take whatever "bureaucracy busting" steps it can to reduce expenses, Mr. Olsen said.

"Our feeling is that it's a lot more fun to grow the top line (revenues) than squeeze the expense line," he said.

While working to rein in expenses, J&H also has taken several steps to improve the quality of its services, an effort J&H executives feel is helped by the firm's private ownership.

"It permits us to focus on fewer audiences, which are our clients and our employees and insurance companies. We don't have to worry about outside interests," Mr. Olsen said, referring to shareholders.

"We don't have to spend our time with poison pills or any of the other things" that executives of publicly held brokers have to consider, he explained.

One of the most significant changes at J&H last year was the complete reorganization of its employee benefit consulting operations.

Previously, J&H provided consulting services through its

brokerage offices and through several subsidiaries, including Kass, Germain & Co., an actuarial consulting firm, and Edward H. Friend & Co., a benefits and casualty risk management consultant.

Benefit consulting activities were coordinated through a National Benefits Office in New York.

However, after a market research project that involved discussions with 150 large corporate clients and prospective clients, J&H earlier this year formed a new subsidiary, A. Foster Higgins & Co. Inc., to provide fee-based benefit consulting services to large corporate clients (*BI*, Dec. 21, 1987).

For smaller clients—generally those with fewer than 1,000 employees—J&H has formed middle-market benefit departments that will operate as part of the middle-market accounts division and will provide consulting services primarily on a commission basis.

The firm also formed J&H Financial Services, which provides benefit-related funding services, including brokering group universal life insurance and corporate-owned life insurance.

With the reorganization, the National Benefits Office was eliminated, and the separate J&H consulting subsidiaries were rolled into Foster Higgins, with the exception of Princeton, N.J.-based Sibson & Co. Sibson continues to operate independently as a compensation and salary planning consultant.

J&H also has formed a new alternative risk management services division, Johnson & Higgins Global Risk Services, by combining the resources of four operating sectors: the Risk Management Services division; the National Casualty Office, which has been combined with the firm's National Property Office; the association accounts unit of Chicago-based Neal Lloyd & Co. Inc., a wholesale brokerage subsidiary; and J&H's U.S. and offshore captive management facilities.

These four operating units will continue to function independently, but the new Global Risk Services unit was needed to coordinate responsibility for various alternative risk management programs, including traditional captives and such "mega-projects" as policyholder-owned offshore insurance facilities, Mr. Meyer explained.

For example, the new unit will coordinate the efforts of J&H's onshore and offshore captive management operations

to prevent them from pulling clients in different directions on the question of the domicile for captive subsidiaries, Mr. Meyer said.

J&H is the largest captive manager in Bermuda—with 160 captives under management—and has management facilities in Barbados, Cayman Islands, U.S. Virgin Islands and various onshore domiciles, including Vermont and Colorado.

The brokerage also opened a captive management facility in Singapore.

Global Risk Services also will more clearly delineate the responsibilities of the National Casualty Office—which will handle the new policyholder-owned alternative facilities—and Risk Management Services, which will provide such "brokerage support" services as captive feasibility and self-insurance studies, Mr. Meyer explained.

J&H has been involved in the formation of several offshore alternative facilities in recent years, including Corporate Officers & Directors Assurance Ltd., which provides primary or excess D&O coverage to a variety of corporations; Financial Institutions Reserve Ltd., which also provides primary or excess D&O coverage to banks; and PRIMEX Ltd., which provides excess general liability coverage to small- and medium-sized chemical companies (*BI*, April 18.)

However, Mr. Meyer noted that the growth and formation of new alternative facilities has slowed as commercial insurance markets have loosened, and J&H is not pushing these alternatives as long as commercial coverage is available.

"The best solution is called insurance. The second best is called alternatives," he observed.

Separately, J&H has reorganized the management structure of four industry groups, designed to provide branch offices with the support of experts on the insurance needs of various industries:

- ConstructionGroup, which provides brokerage and risk management services to the construction industry, dealing with such problems, for example, as asbestos abatement coverage. J&H was involved earlier this year in forming American Safety Risk Retention Group Inc., a Vermont-based facility for asbestos abatement coverage.

- GovernmentalGroup, headed by Allen F. Hyman, former insurance services director for the Texas Municipal League.

Continued on next page

Protection

Continued from previous page

Earlier this year, J&H formed American Governmental Risk & Insurance Programs, a program manager offering property, liability and accident and disability coverages to municipalities and municipal employees.

The Am-Grip program, managed through Houston-based J&H of Texas Inc., is open to all qualified agents and brokers and is underwritten by a commercial insurer with an A-plus rating from A.M. Best Co. J&H declined to identify the insurer.

In addition, J&H formed Governmental Pool Resources Inc., which currently provides management services to municipal pools in Arizona, Connecticut, Ohio, North Carolina, Pennsylvania and Texas.

- HealthGroup, which provides benefit consulting and health care risk management and brokerage services.

- FinancialGroup, which offers risk management and brokerage services to financial institutions, including handling financial guarantee products.

J&H also maintains other industry groups, including a Space Systems Group, handling coverages for commercial satellites; and an oil and gas/energy group, which provides services for energy-related risks, including those involving nuclear power.

Along with the industry groups, J&H continues to foster professionalism through a system of "national practice committees" made up of senior executives in several disciplines, including property, casualty, employee benefits, international, marine, aviation and middle-market accounts.

In addition to the combined National Casualty and National Property Offices, J&H also maintains a National Marine Office staffed with "super-specialists" in those disciplines who assist J&H brokers and clients worldwide in addressing special problems.

In the last year, J&H has opened new U.S. offices in Boise, Idaho, and Las Vegas, Nev., bringing the total number of U.S. branches to 49.

The firm also has 10 offices in Canada and 40 offices overseas: one in Argentina, six in Australia, seven in Brazil, one in Chile, three in Colombia, one in Hong Kong, one in Indonesia, five in Italy, one in Japan, one in Malaysia, three in New Zealand, one in Peru, one in the Philippines, two in Saudi Arabia, one in Singapore, one in Taiwan and four in

Venezuela.

In addition to the overseas offices, J&H operates through a network of exclusive correspondent brokerages known as UNISON.

UNISON members include Jauch & Hubener in Austria and Germany; Caribbean General & Marine Insurance Brokers Ltd. in Barbados; Boels & Begault in Belgium; Universal Brokers S.A. in Bolivia; Bonnor & Co. A/S in Denmark; Ros & Asociados S.A. in Dominican Republic; and Consultores de Seguros Cia. Ltda. in Ecuador and El Salvador.

Also, Gras Savoye in France; Mercury Insurance Agencies Ltd. in Greece; Consultores de Seguros S.A. in Guatemala; Lloyd Armstrong & Ramsey Ltd. and Pension and Investment Consultants Ltd. in Ireland; Allied Insurance Brokers Ltd. in Jamaica; Brockman y Schuh, Agente de Seguros S.A. de C.V. in Mexico; R. Mees & Zoonen Assurantien B.V. in the Netherlands; and Femi Johnson & Co. in Nigeria.

Also, Joachim Grieg & Co. in Norway; Ducruet, Sasso y Greene S.A. in Panama; Boels & Begault Lda. in Portugal; Saldana & Associates Inc. in Puerto Rico; Willis Faber Enthoven (Pty) Ltd. in South Africa; Gil y Carvajal S.A. in Spain; AB Max Matthiessen and SPP Konsult AB in Sweden; Kessler & Co. in Switzerland; Agostini Insurance Brokers Ltd. in Trinidad and Tobago; Al Futtaim Willis Faber (PTE) Ltd. in United Arab Emirates; Willis Faber & Dumas (UK) Ltd. in Great Britain; and Willis Faber Syfrets (Pvt.) Ltd. in Zimbabwe.

UNISON S.A., a Belgian company owned jointly by J&H and members of the UNISON network, recently acquired an equity interest in Bonnor & Co. While no similar acquisitions are on the drawing board right now, other such steps toward "structural unification" of the network may be made as the lifting of European trade barriers approaches in 1992, J&H officials say (*BI*, May 16).

Nevertheless, Mr. Hatcher expressed doubts that the elimination of European trade barriers is going to change the way large corporations buy insurance.

"I don't believe there is going to be a great revelation, a great change in the way business is done," he said, noting that many companies already go to foreign markets for their coverage.

Other J&H subsidiaries include:

- Johnson & Higgins Ltd., a Lloyd's of London reinsur-

ance brokerage unit acquired last year and formerly known as Carter, Brito e Cunha Ltd. The reinsurance unit—which handles non-North American reinsurance placements—is in the process of establishing a new International Special Risks unit to provide facultative property reinsurance for clients with large overseas projects.

Willcox Inc. Reinsurance Intermediaries—a New York-based joint venture between J&H and Willis Faber—handles North American reinsurance business (*BI*, Nov. 16, 1987.)

- Johnson & Higgins Willis Faber (USA) Inc., a syndicate manager on the New York Insurance Exchange. J&H Willis Faber is now running off the business of several syndicates following the shutdown of the exchange last year (*BI*, Nov. 30, 1987).

- Johnson & Higgins/Kirke-Van Orsdel Inc., a joint venture with Des Moines, Iowa-based Kirke-Van Orsdel Inc. that handles association and group accounts, including mass marketing of the group universal life insurance products now overseen by J&H Financial Services.

- Triad Underwriting Management Agency Inc., a Chicago-based underwriting manager.

- Pacific Marine Associates Inc. of San Francisco and Shipowners Claims Bureau Inc. of New York, two marine claims adjusting firms.

In addition to Messrs. Hatcher, Olsen, Meyer and Nielsen, top management at J&H includes Vice Chairman Kenneth A. Hecken and Executive Vp Walter H. Clemens.

The J&H board elected one new director in January, Edward J. Buchwald, who heads the firm's Seattle office. Two other directors—E. Eric Johnson and Kenneth K. Keene—retired at the end of last year.

New York office directors include Norman Barham, S. Robert Beane, George D. Benjamin, Rodney D. Day III, Gilbert H. Dunham, James G. Harlow, Willis T. King Jr., Gardner M. Mundy, Thomas G. Patzau, Richard J. Rice, Burt N. Sempier, J. Kenneth Seward and George H. Shattuck Jr.

Branch office directors include Sam W. Aiena, James D. Altman, Peter A. Bergsten, David W. Bianchi, Robert A. Cameron, William S. Jennings, John P. Keyser, W. Mitchell LaMotte, James W. McElvany, Albert S. McGhee, George F.B. Owens Jr., Martin L. Rayner, Gerald R. Swanson and E. Masie Valentine.

—By Douglas McLeod

4

Fred S. James & Co. Inc.

1285 Ave. of the Americas, New York, N.Y. 10019; 212-333-8900

	1987	1986
Premium volume	NA	NA
Gross revenues	\$478,700,000	\$466,000,000*
Brokerage: Retail	70%	68%
Wholesale	3%	4%
Reinsurance	1%	1%
Personal lines	5%	5%
Services	13%	18%
Invest. income	5%	3%
Other	3%	1%
Employees	6,487	6,429
Rev./Employee	\$73,794	\$72,484
Offices	139	139

* Restated.

1987 was a year of consolidation at Fred S. James & Co. Inc.

"We feel that we successfully completed all the mergers that we made in 1986," said Richard M. Page, James' chairman and chief executive officer.

And, there were several.

In 1986, James' British parent, Sedgwick Group P.L.C., acquired on James' behalf The Crump Cos. Inc., formerly the eighth-largest U.S. insurance broker, for \$307 million. Crump increased James' annual revenues by about \$117 million.

The two other major acquisitions were Knoxville-based Armistead Group in September 1986 for \$32.5 million and Dallas-based Arthur L. Owen Co. Inc. in January 1987

\$16.5 million (*BI*, June 22, 1987). Armistead added revenues of about \$14 million and Owen brought about \$6.4 million in new revenues to James.

Armistead, previously No. 37 in *BI*'s ranking of the nation's Top 100 insurance brokers based on 1985 revenues of \$11.7 million, enhanced James' position in the Southeast. Owen, which had ranked No. 69 based on 1985 revenues of \$6.2 million, specializes in oil and gas and real estate accounts.

James in 1987 also had to digest 10 other smaller acquisitions, Mr. Page pointed out.

"One of our major efforts in 1987 was to consolidate and integrate those firms and form one company," he said. James strived to "make sure that at the end of 1987, we had one company, and we feel very confident that has been the case."

James consolidated multiple brokerage offices in seven cities in 1987 involving as many as 1,000 employees. Among the consolidations were: James, Owen and Crump offices in Dallas; Crump and James offices in San Francisco, Phoenix and Little Rock, Ark.; and Crump and Armistead offices in Knoxville and Nashville, Tenn.

There are only two office consolidations left to complete as a result of the mergers and one is already in the process: the large James and Crump offices in Atlanta now are consolidating under one roof.

Pending the selection of new office space is the consolidation of three offices now located in Fairfield, Greenwich and Norwalk, Conn.

The consolidations involved not only bringing people together under one roof but creating one accounting, filing and tracking system.

In addition, the biggest single consolidation in 1987 in terms of relocating people, records and equipment was the relocation of James' administrative headquarters to



Mr. Page

Memphis, combining workers who had been in Short Hills, N.J., with management information employees who had been in Salt Lake City. About 200 people relocated to Memphis.

While James bolstered its national and international network of offices and increased its employee benefits business, it posted relatively small revenue growth in 1987 compared with 1986 growth.

Due to increasing competition in the property/casualty insurance market, gross revenues grew just 2.7% to \$478.7 million in 1987 from \$466 million in 1986, compared with a 19% increase in 1986 from \$391.5 million in 1985. Revenues were restated for 1986 to reflect the 1987 acquisitions as though they had been part of James throughout 1986.

Revenues per employee averaged \$73,794, up only 1.8% from \$72,484 in 1986. However, the number of employees reported for 1986 was not restated to reflect some smaller acquisitions of books of business in 1987.

A competitive property/casualty insurance market also reduced James' profits in 1987. James does not release income figures, but Sedgwick reports that profits fell from its North American companies, which include not only James but also reinsurance intermediary Sullivan Payne Co. and several other operations.

Profits from Sedgwick's North American companies fell to 33.6 million pounds (\$63.2 million at year-end exchange rates) in 1987 from 55.2 million pounds (\$81.7 million at year-end exchange rates) in 1986.

However, 1987 was the "best new business year we've had in the firm," and it looks like the same will be true of 1988, Mr. Page said of business development at James, the fourth largest U.S. broker.

While James may make additional acquisitions, they will not be a major thrust for the company for now, he said.

"We made all those acquisitions for strategic reasons," either to enhance James' geographic position or acquire specific talents, he explained. "We see no reason to acquire books of business simply to acquire more business."

"We are now virtually everywhere where we want to be geographi-

cally," he said.

James has 139 offices, including full-service retail brokerage offices in 55 cities and satellite retail brokerage offices in another 18 cities, together covering 34 states, Puerto Rico and the District of Columbia. James also has 13 full-service and two satellite wholesale brokerage offices in the United States, and five reinsurance offices in the United States and one in Bermuda. It also has 16 offices in Canada, and specialized operations maintain offices throughout the United States and in Bermuda and the Cayman Islands.

Although James sold its third-party employee benefits claims administration business to the operation's senior management in 1986, it put a "great deal of emphasis" on other employee benefits products and services in 1987, according to Mr. Page. In fact, any additional acquisitions James makes this year are likely to be in the benefits area, he noted.

While about \$25 million in annual revenues were lost with the sale of the benefit TPA business, employee benefits consulting and brokering employee benefit plans grew "quite well" in 1987 and was more profitable. Employee benefits generated 9.6% of 1987 gross revenues, compared with 8% in 1986.

Late last year, James acquired Adolphsen & Co., a Boise, Idaho, agency that specializes in employee benefits and individual executive planning (*BI*, Dec. 7). Earlier

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this year, it acquired Wohlman & Sargent Inc. a Seattle-based brokerage also specializing in employee benefits accounts (BI, April 11).

As part of James' renewed thrust into benefits, it named Carroll Cox president of James Benefits last year. Five regional directors based in Short Hills, N.J.; Atlanta; Portland, Ore.; and Irvine and San Francisco, Calif.; work under him.

James Benefits also is developing a partnership with Sedgwick Tomenson in Canada and Sedgwick worldwide to develop benefits business.

Sedgwick Tomenson, James' Canadian operation, is doing "very well," particularly in the rapidly growing benefits area, Mr. Page said.

James also made an "intensive foray" into the life insurance business last year with the creation of James Financial Services, whose initial mission is to sell corporate-owned types of life insurance products and life insurance to key executives, Mr. Page said. The brokerage expects James Financial to eventually spin off other insurance-related financial products. "Several more are on the drawing board," he said.

Life insurance is one of six market sectors that James plans to focus on in 1988, in addition to utilities, contractors, aviation, financial institutions' products and public entities. All are areas in which James is already strong but also sees considerably more potential growth, Mr. Page said.

James also is considering becoming involved in marketing insurance products for the health care industry, although these plans are still in the research and development stage, he said.

James created its Risk Services Division last year to meet its goal of being a "full-ser-

vice, risk services company," which is necessary to be successful in the current marketplace, Mr. Page said.

The division encompasses James Risk Management Services; James Bermuda, its captive management unit; James Claims Management Services, for self-insured property/casualty claims operations; James Risk Control Services; FPE Group, which provides fire protection services; and James Group Services, which markets insurance on a direct-mail basis to associations. Norman A. Spargo has been named director of the division (BI, Feb. 8).

James also completed the formation of its Production Services Division last year. It enables local offices to draw on expertise within the company from anywhere in the country.

The division "brings together our resources around the country," Mr. Page said. "That has proved to be very successful for us."

As planned, James shed Southern American Insurance Co. last year. The company, which Crump had owned as part of its excess/surplus operations, was sold to a Provo, Utah-based group of private investors. "We have no further responsibilities in connection with it," Mr. Page said, referring to any potential future liabilities.

Crump Re, James' facultative reinsurance operation, did "very well" in 1987, producing a "substantial profit," he said. It placed about \$95 million in premiums in 1987. Earlier this month, Crump Re acquired New York-based facultative broker Insurance Intermediaries Inc., which boosted its annual premium volume 30% to about \$135 million.

Crump Re, which is headquartered in Hartford, Conn., also has offices in New York, Atlanta, Dallas and Minneapolis.

The Crump E&S Group, James' excess and

surplus lines operation, did not fare as well last year, according to Mr. Page. The group handled less than the \$260 million in premium volume it handled in 1986.

"The E&S market is not a business in which you could find many successes during '87," he explained. Authorized insurers in 1987 competed for and regained a lot of the business they had abandoned to surplus lines insurers in the hard market and business that remained with surplus lines insurers generally was priced lower.

S.J. Petrakis Insurance Services Inc., a wholesale brokerage specializing in municipalities, is San Francisco-based.

James' 1985 merger with the Sedgwick Group was the springboard for its international network.

"We just continue to see the benefits of that relationship," Mr. Page said, referring to the Sedgwick acquisition. Sedgwick, the largest broker in Europe, has offices worldwide, making James one of only four brokers that can place business on a global basis.

Sedgwick is the world's second-largest broker, employing 14,000 people in 64 countries.

"We find more and more we are being invited into international competition" for business because the services offered by James worldwide are appreciated by corporate clients, Mr. Page said.

James' relationships with Sedgwick offices are particularly important now because the dollar is relatively weak. This makes U.S. businesses extremely attractive to overseas investors, providing James with additional business opportunities, Mr. Page explained.

And, James has been particularly pleased with Sedgwick Tomenson's property/casualty program in Calgary, Canada's energy center.

In 1987, commercial retail brokerage gen-

erated 70% of James' revenues, up from 68% in 1986. Wholesale brokerage contributed 3% of revenues, down from 4% in 1986.

Reinsurance brokerage accounted for 1% of revenues last year, and personal lines generated 5%—both unchanged from 1986.

Investment income increased to 5% of revenues from 3%, while miscellaneous activities, increased to 3% of revenues from 1%.

Services, including property/casualty claims management, generated 13% of revenues compared with 18% in 1986. Mr. Page explained that this decline was primarily because of the divestiture of James' benefits TPA business.

Analyzing 1987 revenues by line of business, James reports that general liability, umbrella, workers compensation, professional liability and auto insurance generated 36% of James' revenues while property, including commercial multi-peril, accounted for 25.5%. Aviation, marine and related business contributed 6.4% of revenues, while crime and surety and personal lines contributed 6% each. Claims management contributed 10.5% of revenues, while employee benefits contributed 9.6%.

This year, James is confronted with a more competitive property/casualty insurance market, as are all brokers.

The market began to soften about the third quarter of 1986, particularly in property, said Charles Ruoff, a James senior vp. Competition then spread to the commercial multi-peril market and in 1987 began affecting the casualty insurance business.

"Quite frankly, none of us expected the level of competition to exist as it does today," Mr. Ruoff said.

He asserted that the market is declining even faster and more sharply than it did in the previous soft market.

Continued on next page

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Spotlight report

Continued from previous page

And while there were only occasional cases of absurd price decreases initially, "we're running into more and more of these situations," he said.

Exacerbating the problem is churning, or brokers shopping risks around to different markets to get the cheapest coverage. However, "churning is an effect of the cycle—it's not a cause of the cycle," Mr. Page said.

It is not in brokers' best interests to change from one market to another, he said. But, there is little else brokers can do if they give a client a rate and a client asks if that is the best rate, he said.

If a broker were to respond that another insurer's policy could be obtained for 10% to 15% less, the client would only tell him, "Well, go out and come back" with a lower price, Mr. Page explained.

Mr. Ruoff said the market de-

cline has been following a typical geographical pattern, appearing first on both coasts, then moving toward the Midwest.

Asked about the likelihood of the market hardening soon, Mr. Ruoff noted that industry figures show investment income was up 16% for the first quarter, which helped offset the industry's underwriting loss.

"You don't have to be a chartered accountant to see what that means," he said.

When looking at where the industry has made money in the past several years, "it has not come from underwriting insurance," but rather from investment income and capital gains, Mr. Ruoff said.

"It's an industry that tends to focus on the bottom line," he said, adding that he does not know when the industry will produce an underwriting profit.

"I recognize this was a reaction

that was overdue" because prices had gotten out of sync with reality, Mr. Page said, referring to the softening market. "There had to be a downward correction in the rate structure."

But the decline seems to have moved below rate adequacy "and seems to be leading in the direction of another severe hard market cycle," Mr. Page said.

While Mr. Page has spoken out on the need to moderate the severity of the property/casualty cycle, the industry has been "less than impressed," he said wryly.

"We haven't lost heart," he noted, adding that he will continue to press the industry to reduce the severity of market cycles.

Mr. Page noted one difference between the current soft market and previous soft markets is that "clients at every level are much more price-sensitive than they've ever been before. We feel more

than ever before decisions are being made with pricing as a major factor."

Factors such as continuity of coverage and an insurer's service and claims-paying ability have become relatively less important.

Mr. Page said that while profits have been declining for James overall since 1986 because of the soft market, the brokerage is nonetheless increasing its market share, largely at the expense of the small to medium-sized agent, "who simply does not have the market presence" that James has with its network of offices.

"Our expense controls through all of this has been excellent," Mr. Page pointed out.

James does not envision any layoffs but has reduced staff through attrition, including in the office consolidations.

"We just don't see that as the way to manage the business," he said. "You still have to continue to provide research and development efforts on behalf of the client," as well as maintain proper staff levels.

James reported 6,429 employees at year-end 1987.

James is attempting to make itself less vulnerable to market cycles by focusing on employee benefits, risk services, life insurance and fee-based services, Mr. Page explained. "The purpose of that is to give us some stability (so that we can) reinvest in the business."

James views risk retention groups "as another service," Mr. Page noted. Before alternatives such as risk retention groups appeared, when a client who had just been informed that his coverage was lost asked his broker what else could be done, "you sort of stood there with a blank look."

But, risk retention groups "can't be looked at as a panacea, and must be done correctly."

Despite the softening market, "there are still areas in which the market is not where it was in '82 or '83" and where alternatives to the traditional market are still feasible, Mr. Ruoff noted, citing environmental impairment insurance in particular.

Mr. Page predicted that risk financing alternatives will claim 33.5% of the market by 1991, up from 28% currently.

Until about a year ago, many in-

surers did not take these alternatives seriously. Now, though, "we have a number of insurance companies who are quite concerned," Mr. Page said.

James tries to analyze where the market is going one or two years ahead of time.

"We have to give them the best advice as to where things are going," Mr. Ruoff said.

James also advises its clients how to react in light of the softening market, Mr. Ruoff said. For example, the brokerage helps self-insurers decide at what threshold they should come back into the market and where they should set their current retention level.

And, to better service clients, James changed its organizational structure last month, dividing its national business into 11 regions. The director of each region, all of whom had previously managed a profit center in that region, reports to one of four group directors on all of the profit centers in the region.

"The company simply had become too large to manage on a totally horizontal basis" and needed some "vertical structure," Mr. Page explained. "We simply had to push downward the responsibility and control for running the company."

James could not continue to run a full-service operation without more responsibility and authority at the lower levels of the company, he continued. "This is basically an entrepreneurial company," he said.

James' principal officers also include Sidney A. Stewart, vice chairman; James M. Power, senior executive vp; and Kenneth M. Elliott, chairman, president and chief financial officer of Sedgwick Tomenson.

James' executive vps are Quill O. Healey, who manages the Eastern group; Donald K. Morford, who runs the Pacific Northwestern group; Edward B. Morrow Jr., in charge of the Central group; and Gordon E. Noble, in charge of the Pacific Southwest group. C. Richard Peterson is responsible for group services, including day-to-day administration.

Ronald J. Berardi, formerly senior vp and chief financial officer, was promoted to executive vp last year while remaining chief financial officer.

—By Judy Greenwald

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	1987	1986
Premium volume	\$3.39 billion	\$3.24 billion
Gross revenues	\$392,199,000	\$370,600,000*
Brokerage: Retail	61%	61%
Wholesale	14%	14%
Reinsurance	5%	5%
Personal lines	3%	3%
Services	3%	3%
Invest. income	5%	5%
Other	9%	9%
Employees	4,200	4,100*
Rev./Employee	\$93,381	\$90,379
Offices	94	97

New York-based Corroon & Black Corp. wants a running start into the 1990s.
"We are looking to develop a strategy for the next 10 years," ex-

plained President and Chief Executive Officer Richard M. Miller.

"My No. 1 priority for this year is to get this plan in place and operational by Jan. 1," Mr. Miller said. "I believe in planning. If you don't have a plan, an objective and a strategy to make that plan come true, there is no way to get where you intend to go."

A consultant will be selected by next month to review Corroon & Black's organizational structure and functions.

Corroon & Black Chairman Robert F. Corroon explained that the broker's strategic plan for the 1980s addressed five areas: organizational structure, internal growth, mergers and acquisitions, human resources and finances.

The success of the plan is illustrated by the fact that Corroon & Black's gross revenues grew 336% between 1977 and 1987, he said.

However, insurer competition

and the resulting account shopping slowed Corroon & Black's revenue growth in 1987 to 5.8%, which pales in comparison with revenue growth in excess of 20% annually for the prior three years. Corroon & Black's gross revenues rose in 1987 to \$392.2 million from \$370.6 million in 1986.



Mr. Corroon

Co. Inc. to become the fifth-largest U.S. broker in the *Business Insurance* rankings.

Corroon & Black's net income rose 2.1% to \$44.4 million in 1987 from \$43.4 million in 1986. Earnings per share were \$2.34 in 1987, compared with \$2.29 in 1986.

Of Corroon & Black's 1987 gross revenues: 61% were generated by commercial retail brokerage; 14% by wholesale brokerage; 5% by reinsurance brokerage; 3% by personal lines; 3% by non-brokerage services like claims administration and consulting; 5% by investment income; and 9% by miscellaneous activities.

"We saw a significant impact on our results from the softening market in 1987, especially after the first quarter. . . . In 1988, we are continuing to see a deterioration of the rating structure," said John R. Lamberson, executive vp and chief operating officer.

"Over the course of 1987, we basically held our own, after making significant market gains in 1984 through 1986," agreed J. Bransford Wallace, corporate executive vp and chairman of Corroon & Black's Nashville-based Brokerage Services Group.

Mr. Wallace noted that while Cor-

roon & Black did make substantial new business gains, lost business due to competition and lower commissions due to premium reductions kept revenue gains to a minimum.

Like Mr. Miller, Mr. Wallace does not expect this scenario to change in 1988. "We went from an absolutely impossible (hard) market in 1986 to—18 months later—one of the freest, loosest, most irresponsible markets ever," he observed.

In the first quarter of 1988, Corroon & Black's gross revenues increased 3.7% to \$106.1 million from \$102.4 million in the first quarter of 1987. Net income for the quarter of \$87.1 million—compared with about \$14 million in the first three months of 1987—



Mr. Miller

included a non-recurring after-tax gain of \$73.9 million from the sale of Corroon & Black's 29.9% stake in Lloyd's of London broker Minet Holdings P.L.C. (*BI*, Feb. 1; Dec. 14, 1987).

First-quarter 1988 earnings per share, inflated by the Minet sale, totaled \$4.65, compared with 69 cents a share in the first quarter of 1987.

The St. Paul Cos. Inc., which owned 26% of Minet's stock, offered in December to purchase all outstanding Minet shares for 4.75 pounds (\$8.93 at year-end 1987 exchange rate) per share.

In late January, Corroon & Black tendered to St. Paul its 23.3 million ordinary shares in Minet for slightly more than \$200 million.

The sale of Corroon & Black's investment in Minet will have no major impact on its "ability to produce and service international business, although one of the original purposes in making the investment was to build a trading relationship with a major London broker," said Stephen A. Crane, executive vp and chief financial officer, adding that the relationship "has grown to the extent that it was no longer dependent on the investment."

Minet contributed \$9 million to Corroon & Black's earnings in 1987 and \$6 million in 1986.

Now, "we are sitting on a huge pile of cash and we have to decide what to do with it in a manner that will benefit shareholders," Mr. Crane said.

"We're in the process of developing those thoughts right now, but we're not yet able to announce publicly what we're planning to do," he said.

The broker has already spent \$90 million on a stock buyback program, "but this is by no means a strategy that is exclusive of other alternative strategic avenues. We still have a very large amount of free, non-fiduciary cash that is currently invested in money market instruments," he said.

Corroon & Black repurchased 2 million shares of its stock between Oct. 27 and Dec. 3. Then, on Dec. 16, it authorized the repurchase of another 2 million shares. Mr. Crane said that purchase should be completed "at or around the end of the second quarter."

Other uses of the cash could include domestic or international brokerage acquisitions; purchasing other businesses "within the realm of activity of an insurance intermediary"; or other financial strategies such as a corporate recapitalization or declaring an extraordinary dividend, Mr. Crane said.

With more cash on its balance sheet than any other publicly traded broker, Corroon & Black has been tagged by financial analysts and investors as an attractive acquisition candidate.

Mr. Corroon is adamant in saying that "the company is definitely

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Our name means number one.

Continued from page 34
not for sale."

But Mr. Crane stressed that Corroon & Black "will not pursue a strategy that is totally defensive in nature."

Selling its interest in Minet and changes in top management were the most significant events of 1987 for the brokerage, according to Mr. Corroon.

Effective Jan. 1, Mr. Corroon relinquished the title of chief executive officer to Mr. Miller, who was previously president and chief operating officer. Mr. Corroon retains the position of chairman.

Mr. Miller was succeeded as chief operating officer by Mr. Lamberson, who already held the title of executive vp.

"I'm absolutely delighted with what has evolved here," Mr. Corroon said. "There has been a lot of trauma in connection with management successions within the brokerage industry, and I'm pleased with the smooth transition we have experienced."

In addition, Richard A. Maxwell, former president of the Brokerage Services Group, was promoted in October to the new position of corporate executive vp—professional standards and marketing. Executive Vp Joseph O. Estes assumed the role of president of the Brokerage Services Group.

"We are putting heavy emphasis on professionalism and training and (Mr. Maxwell) is overseeing the professional standards part. He is also visiting with all of our carriers—so we can improve our relations with our carriers," Mr. Miller said.

Corroon & Black completed four acquisitions during 1987, which were accounted for on a pooling basis. The broker's 1986 financial results were restated to reflect their revenues.

Three of those acquisitions, which were completed in March 1987, were:

- Poggi-Harrison Agency Inc. in Grand Rapids, Mich., a general property/casualty broker with expertise in the construction field. It is now a satellite office of Corroon & Black of Michigan Inc. in Detroit.

- Roskopf, Rapp & Schmidt Insurance Agency in El Monte, Calif., a construction-oriented broker that was merged with the Pasadena office.

- Contractors Planning Group Inc. in Garden City, N.Y., the largest acquisition made by Corroon & Black in 1987, which is operating as a free-standing profit center. The office also specializes in providing insurance and surety bonds to the construction industry.

In June 1987, Corroon & Black acquired Richardson, Texas-based Thweat & Associates, a "very successful property/casualty agency" that was merged with the broker's Dallas office, Mr. Crane said.

So far this year, Corroon & Black has completed three acquisitions, all of which were accounted for on a purchase basis, and is in the process of completing a fourth.

In January, it acquired W.K.P. Wilson & Son Inc., a large property/casualty agency in Mobile, Ala. It will operate as a separate profit center. Mr. Crane said the office is especially "strong in placing marine coverage for shipping in the Gulf of Mexico."

In April, Corroon & Black completed two acquisitions: Wichita, Kan.-based Dorth Coombs Insurance Inc., which has property/casualty brokerage, employee benefit consulting and actuarial operations; and Stump, Harvey & Cook, a large general property/casualty agency in Hunt Valley, Md., a suburb of Baltimore. Both offices will remain separate profit centers.

Corroon & Black this month is buying The Flamer Cos., a large local brokerage in Los Altos, Calif. "Flamer will be merged with our

San Jose office, more than doubling the size of that profit center," Mr. Crane said.

Corroon & Black also is negotiating two other purchases: a property/casualty brokerage and a benefits and actuarial consulting company, Mr. Crane said. Corroon & Black expects to close the deals within the next month, he added.

Corroon & Black opened a retail brokerage office in Atlanta in early 1987 and sold a "very small" office in Prescott, Ariz., in early 1988.

Three other relatively small "di-

vestitures are currently in the works. . . which collectively amount to about \$1 million in revenues. This comes under the category of fine-tuning and streamlining operations," Mr. Crane explained.

Overall, Corroon & Black has 94 offices, down three from a year ago.

Corroon & Black divides its operations into three divisions: the Brokerage Services Group, which generated 72% of its 1987 revenues; the Benefits and Specialty

Sales Group, which generated 22% of its 1987 revenues; and the Reinsurance Brokerage Group, which generated 6% of its 1987 revenues. The percentage breakdowns were the same in 1987 as in 1986

Mr. Lamberson said that the Benefits and Specialty Sales Group performed well in 1987 and is "ahead of its profit plan" in 1988.

The division's health insurance-related revenues are growing, partially due to health insurance premium increases, he said.

And, he noted, the division's

PENCo. unit, which places property/casualty insurance programs for municipalities, is also performing well, even though rates for municipalities are going down.

The Benefits and Specialty Sales Group is expanding benefits consulting and third-party administration business, and is "looking to make additional acquisitions," Mr. Lamberson commented.

Corroon & Black's Advanced Risk Management Services division, which is a research and de-

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development facility for self-insurance programs, is "doing great and we would stack them up with anyone in the industry," Mr. Lamberson stressed.

Mr. Miller agreed that the "demand for their work continues to increase."

Corroon & Black's Reinsurance Brokerage Group, which includes subsidiary G.L. Hodson & Son Inc., has been less fortunate, Mr. Lamberson noted. However, the division has "acquired several new

pieces of business this year and we're very encouraged at what's happening there," he added.

"We are committed to that segment of our business," he stressed. "We expect its results to improve dramatically by year-end."

"Our Brokerage Services Group, which was impacted by the rate situation, was off budget" by about 10% in revenues. Mr. Lamberson estimated. The Benefits and Specialty Sales and Reinsurance Services groups also were slightly off budget projections for 1987, but

"compared with our 1986 results, on an actual basis, it was a good year."

Corroon & Black also is focusing on expanding its international business. Marnix L.K. Guillaume, vp-international, estimated that 4% of Corroon & Black's retail property/casualty brokerage business is generated outside the United States.

The broker has a correspondent network in 76 countries, including the five founding partners in INTERNET, an international consor-

tium.

In 1987, Corroon & Black added new correspondents in Tokyo; Taipei, Taiwan; Stockholm, Sweden; Antigua and Montserrat, islands in the West Indies; and St. Martin in the Virgin Islands. It lost one correspondent, a Minet affiliate in Thailand that closed its office when the Lloyd's broker was sold.

Corroon & Black prefers to take a financial position in its correspondents. "Except for in the U.K., I am not an advocate of having a controlling financial position in an

affiliate, but I do want a healthy position. Where we do buy a majority position, the affiliate continues to use its indigenous identity," Mr. Guillaume explained.

Corroon & Black's international business is "targeted toward second tier multinationals—the top 2,000 corporations, less the top 500," he said. However, "there are some very large non-U.S. multinationals for whom we handle U.S. business. There are some areas we are more competitive in, such as construction, hotel business or anything related to space technology or aviation," he stressed.

Mr. Guillaume pointed out that Corroon & Black International is targeting three areas:

- The influx of Japanese business into the United States.
- The European Community, in light of its directive allowing cross-border placement of insurance by 1992.
- Latin America.

Corroon & Black's U.S. client base, Mr. Lamberson pointed out, is "the middle-market segment, where commissions or fees are in the \$25,000 to \$100,000 range."

"We do have the capability, in certain offices, to focus on Fortune 1,000 accounts as well. . . and while we don't focus on accounts generating under \$5,000 in commissions, we will write them," he explained.

Approximately 85% of Corroon & Black's retail brokerage revenues were generated by commissions and 15% from fees, the same breakdown as last year.

While last year Corroon & Black had reported that average commissions dropped to 8% of premium during the tight market, Mr. Lamberson said this year commissions vary significantly depending on the type of coverage brokered and it is "almost impossible to venture a range."

Although some securities analysts are not recommending purchase of any brokerage stocks in the softening property/casualty market, they generally have regarded Corroon & Black as one of the more attractive brokerage stocks over the past 18 months.

"We have (maintained) a hold position on their stock and continue to," noted Harvey H. Bundy III, a partner in William Blair & Co. in Chicago. "I like the job their management has done and the expense controls they have put in place; however, I don't want to play in that industry yet. It's too early in the cycle."

However, New York-based Shearson Lehman Hutton Inc. has recommended Corroon & Black's stock since last December based on the value of the company. "We also favored their stock prior to December based on their overall performance and high margins," said research analyst Michael A. Smith.

Corroon & Black stock, which is traded on the New York Stock Exchange, was selling at \$32.13 per share on June 9, up from \$28.13 at year-end 1987.

Corroon & Black reported 4,200 employees at year-end 1987, a 2.4% increase from 4,100 employees at year-end 1986. Revenues per employee increased 3.3% in 1987 to \$93,381 from \$90,379 in 1986.

In addition to Messrs. Corroon, Miller, Lamberson, Wallace, Crane, Estes and Maxwell, top executives of the broker are: Joseph V. Ambrose Jr., senior vp, secretary and general counsel; C. Jackson Blair, senior vp; and Donald R. King, senior vp.

Total cash compensation of Corroon & Black's top five corporate executives in 1987, as reported to the Securities and Exchange Commission, follows:

Robert F. Corroon.....	\$450,000
Richard M. Miller.....	\$380,000
Donald R. King.....	\$327,000
J. Bransford Wallace.....	\$260,000
John R. Lamberson.....	\$230,000

—By Linda J. Collins

I N S U R A N C E



What Counts in Reinsurance is Knowing the Scor.

6

Frank B. Hall & Co. Inc.

549 Pleasantville Road,
Briarcliff Manor, N.Y., 10510;
914-769-9200

	1987	1986
Premium volume	NA	NA
Gross revenues	\$385,966,000	\$390,857,000
Brokerage: Retail	66%	65%
Wholesale	4%	4%
Reinsurance	5%	7%
Personal lines	2%	2%
Services	15%	14%
Invest. income	8%	8%
Employees	5,000	5,550
Rev./Employee	\$77,193	\$70,425
Offices	120	133

Frank B. Hall & Co. Inc.'s chairman says he's confident that Hall can solve its long-standing problems and double its revenues within the next five years to keep in step with the other major U.S.

brokers.

Last year, in the midst of management changes and internal reorganization, Briarcliff Manor, N.Y.-based Hall fell to sixth place among the largest U.S. brokerages, the third time in four years that Hall has slipped a notch in the *Business Insurance* rankings.

Corroon & Black Corp. edged out Hall by \$6.2 million to become the fifth-largest U.S. broker based on 1987 revenues.

Fred S. James & Co. Inc. replaced Hall as the No. 4 U.S. broker in last year's ranking based on 1986 revenues following James' acquisition of The Crump Cos. Inc. And, Johnson & Higgins knocked Hall out of third place in the 1985 rankings based on 1984 revenues.

Hall reported that revenues declined by 1.3% to \$386 million in 1987 from \$390.9 million the previous year. The decline in revenues last year compares with an 8.4% increase in 1986.

But financier Saul P. Steinberg, who took over as Hall's chairman and chief executive officer last summer, is confident that Hall will spring back by the 1990s to become "the competition" for other brokers.

Mr. Steinberg plans to increase Hall's market share "by being better, more assertive and differentiating ourselves from our competition, but in genuine ways, not just words. That's going to take a long time.

"I really expect that it's going to take the next four to five years to accomplish what I hope to accomplish at Hall. Meanwhile, I think that in the next four to five years, Hall will be roughly twice the size it is today and will be operating quite profitably," he predicted.

Reliance Group Holdings Inc., where Mr. Steinberg is chairman and chief executive officer, has invested about \$263 million in Hall since late 1982. Reliance bought

about \$143 million in preferred stock and warranties and about \$120 million in common stock.

Reliance owns 33% of Hall's common stock and 86% of outstanding convertible preferred stock. If Reliance exercised its preferred stock and its warrants, it would own approximately 70% of the then outstanding shares.

"We won't hit our earnings potential for a couple of years out," agreed Hall President and Chief Operating Officer Peter T. Pruitt.

Hall has been plagued with losses since 1984 as a result of discontinued underwriting subsidiaries and a morass of litigation. The broker reported a net loss of \$66.9 million in 1987, following a \$22.5 mil-

lion loss in 1986, a \$190.5 million loss in 1985 and a \$14.5 million loss in 1984. Hall reported a per-share loss of \$4.23 in 1987, compared with a loss of \$1.92 per share in 1986.

Hall's 1987 loss included both a \$23.8 million loss from continuing operations and a \$43.1 million loss on disposal of discontinued insurance and reinsurance brokerage operations in the third quarter.

In the first quarter of 1988, the revenue drain continued. Hall's gross revenues dropped 3.4% to \$102 million from \$105.6 million in the comparable quarter of 1987.

While Hall reported \$5.7 million in net earnings in the first quarter, that was a 27.4% decline from net income of \$7.8 million in the first quarter of 1987.

Earnings per share in the first quarter totaled 7 cents, compared with earnings of 25 cents per share in last year's first quarter.

Despite Hall's past and pending problems, Mr. Steinberg remains optimistic about the broker's future and views a "return to a can-do, winning attitude (as Hall's) biggest achievement in the last year. The morale has had a terrific turn, and that is very important to a successful insurance broker—indeed to any successful company," he said.

According to Mr. Steinberg, the greatest challenge Hall faces in turning itself around is to beef up new business production.

"Our retention levels have come back to very satisfactory levels. We have one of the highest retention ratios historically of the alphabet brokers and we've come back," Mr. Steinberg said, pointing out that Hall again is retaining more than 90% of its clients on renewal, "which is very good."

"Our problem is our new business production is simply not adequate—not acceptable," he said.

Hall did not attract a lot of new business in 1987, Mr. Pruitt conceded. "While we were in the process of realigning our firm, we did not have the time to spend on new business development."

Hall, Mr. Steinberg explained, currently is losing about \$6 million in business each quarter because of account defections and commission reductions. "And, we are writing new business at a rate of about \$5 million a quarter. That's just not acceptable."

Because of that, Mr. Steinberg sees as Hall's short-term mission the need to "get that \$5 million up to \$6 million, \$7 million or \$8 million."

"I know how to do it over the long term. I don't know how to do it so easily over the short-term."

Mr. Steinberg initiated a new bonus incentive plan involving all employees in the fall of 1987 to help step up new business efforts (*BI*, Aug. 24).

To streamline its operations and increase profitability, Hall also reorganized two divisions and sold some of its less profitable branch offices and a claims adjusting subsidiary.

For instance, Hall has consolidated its domestic and international employee benefits consulting operations under the name Godwins International Holdings. David J.D. McLeish, chairman of Hall-Godwins (Overseas) Consulting Co. in London, was moved in February to New York to head the newly consolidated operations with the title of chairman and chief executive officer.

"We feel very strongly that the growth potential in employee benefits consulting is almost endless...not only in the U.S., but in the U.K., because of the increasing emphasis on private pensions," Mr. Pruitt stressed.

"We felt we should consolidate (the operations) under one management, one direction and one name. Godwins is a highly identifiable name with quality in the U.S., so we decided to use that name."

Continued on page 40



Mr. Pruitt



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Mr. Pruitt estimated that the consolidated operations generate \$50 million in annual revenues.

The broker also has restructured its reinsurance brokerage operation, renaming the unit Madison Intermediaries Inc. from Frank B. Hall Re of New York. Thomas J. Kennedy, formerly with New York-based Corroon & Black Corp.'s reinsurance subsidiary, G.L. Hodson & Son Inc., was hired in January as Madison's president and chief executive officer.

"Reinsurance operations at Frank B. Hall left a lot to be desired. It was one of those organizations that had lost its focus and was the genesis for creating a lot of our problems," Mr. Pruitt said. "It really needed to be cleaned up."

However, rather than sell off the unit, Hall's management concluded the company needed to remain in the reinsurance brokerage business to "be a viable, multinational in-

surance broker. We cleaned the management out and hired a young team," Mr. Pruitt said, adding that staff at the reinsurance intermediary has been reduced to about 50 people from about 110.

Restructuring the reinsurance intermediary is "a major financial commitment to us, which will dilute our earnings because we are starting from scratch," he said.

"We got rid of all the business that we had before. A lot of it was junk business. We are building back a quality reinsurance operation, step by step," he added, pointing out that it will take years to build up new business, while honoring runoff obligations on the old business that will total about \$5 million in 1988 alone.

Hall also sold two offices in Alaska, one in Anchorage and one in Fairbanks; an office in Las Vegas, Nev.; a small reinsurance brokerage operation in Philadelphia; and the Stockton division of

Frank E. Hall of California, which marketed a program for new car dealers (BI, Oct. 12).

In addition, Tarrytown, N.Y.-based Adjustco Inc., a claims adjusting facility, was sold in October to Emeryville, Calif.-based Leonard J. Russo Insurance Services Inc. for an undisclosed sum. Adjustco had 32 offices and 350 employees (BI, Oct. 19).

The Stockton division and Adjustco were written off as discontinued operations in 1986 and their revenues were excluded from Hall's 1986 and 1987 revenues.

Holmes Harden, Hall's executive vp and chief financial officer, said that as part of the expense control efforts put in place under Mr. Steinberg, Hall decided to eliminate "operations that had been historically unprofitable and which we felt would make no further contribution to Hall."

Also part of the cost cutting effort, Hall in early fall of 1987

started cutting staff, to eliminate about 500 employees. "Over half of the costs associated with brokerage operations are direct employee expenses. A broker cannot be overstaffed and expect to make money," Mr. Harden said.

Hall's staff totaled 5,000 at year-end 1987, compared with 5,550 at year-end 1986. The staff reduction boosted Hall's revenues per employee to \$77,193 last year from \$70,425 in 1986, a 9.6% increase.

Hall reported 57 domestic offices and 63 international offices at year-end 1987. It also had correspondents with 74 foreign offices.

Hall is finished cutting staff and now is focusing its attention on expansion, Mr. Steinberg said.

"We have some structural efficiencies in Hall that we (still) have to work on, but I'm satisfied that the basic structure should not be tampered with," he explained.

"I'm trying to attract to Hall the best (personnel) in every area. That

standard of excellence will make the difference over the long term, but you have to be consistent. They have to be the best," Mr. Steinberg stressed. "If you get enough of those people around, they make you look awfully smart."

In addition to hiring Mr. Kennedy to head Madison Intermediaries, Hall hired two new regional managers in January:

● W. Travis Oxford, formerly with Alexander & Alexander Services Inc., as senior vp and Southeast regional manager.

● Arvid R. (Dick) Tillmar, formerly with Fred S. James & Co. Inc., as senior vp and Pacific regional manager.

Marvin R. Havin, former Hall Southeast regional manager, was named president of Frank B. Hall & Co. of New York Inc. and metropolitan regional manager last July.

When Mr. Steinberg took over Hall's reins last summer, he brought with him from Reliance George E. Bello, who is now vice chairman of Hall and executive vp and controller of Reliance Group Holdings, and Blair C. Fensterstock, now Hall senior vp and general counsel and vp, assistant general counsel and assistant secretary of Reliance.

Messrs. Steinberg, Bello and Fensterstock are not compensated for their positions at Hall, drawing their salaries exclusively from Reliance, Mr. Pruitt explained.

Mr. Steinberg is adamant that while there is "absolutely" the potential for conflict of interest when an executive holds top positions at both an insurer and a broker, "I bend over backwards to make sure there is no conflict of interest. I keep these two companies completely separate and if they want to do business with each other, they have to earn their way."

According to Mr. Steinberg, Hall expects to start making acquisitions sometime this year.

"My first preference would be to build strength on strength and add acquisitions in those areas where we already have significant capabilities," he said. Hall is looking for acquisition candidates that have expertise in brokerage or employee benefits.

The brokerage also launched an extensive in-house management training program called Project Profit. Mr. Harden explained that the program consists of "a series of management seminars for key profit center managers in the U.S. and abroad. Each seminar lasts a week and is composed of about 25 individuals from all different operations."

This program is to be "followed up with a strategic selling course and other types of management training courses," Mr. Pruitt said, adding: "This is one facet of our reorganization. We will also reemphasize and remotivate our professional training and internal technical training" programs.

Besides the previously mentioned operations, other Hall divisions include:

- Lloyd's of London broker Leslie & Godwin Ltd.
- Hall Aviation, Hall's worldwide aviation brokerage unit.
- Hall's Marine Division, a worldwide marine brokerage unit.
- Sherwood Insurance Services, an excess/surplus lines brokerage.
- Risk Sciences International Inc., an environmental risk management consulting division.
- Intercredit Agency, a unit that arranges export credit insurance for multinational clients.

All of these divisions are performing well and do not require restructuring, Mr. Pruitt noted.

Of Hall's 1987 gross revenues, 66% was produced by commercial retail brokerage, 15% by services like employee benefits consulting, 8% by investment income, 5% by reinsurance brokerage, 4% by

Continued on page 42

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CALIFORNIA BARNEY & BARNEY BOLTON AND COMPANY WOODRUFF, SAWYER & CO.	MINNESOTA BRANDOW HOWARD KOHLER & ROBERTSON INC.	RHODE ISLAND STARKWATER & SUTCLIFF INC.
COLORADO DAY, WEBB AND TAYLOR	MISSISSIPPI FOX, LEBRELL INC.	SOUTH CAROLINA BONTE, VAUGHAN, ASSK & DAVIS INC.
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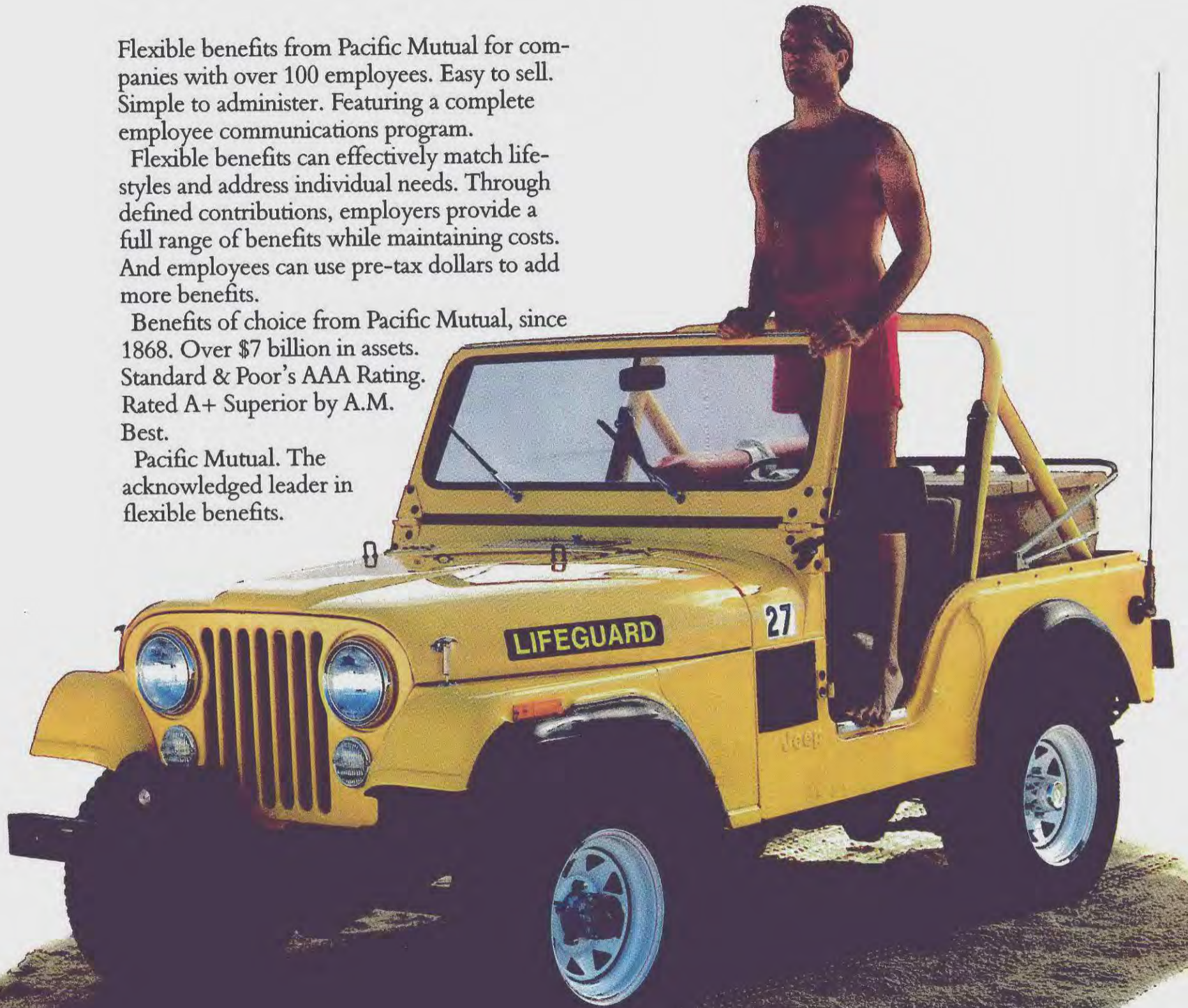
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Spotlight report

Continued from page 40

wholesale brokerage and 2% by personal lines.

While Hall's new management has made changes that it hopes will result in increased growth in coming years, the brokerage still faces several major lawsuits, including:

- Three lawsuits that seek to pierce the corporate veil separating Hall from financial obligations for its discontinued insurance company subsidiary, Union Indemnity Insurance Co. of New York, which is being liquidated by the New York Insurance Department. One of these suits was filed by Insurance Superintendent James P. Corcoran (BI, March 16, 1987).

- A suit brought by two captive insurers against Hall, several Hall subsidiaries, Chicago-based broker Rollins Burdick Hunter Co., and other brokers and individuals, that alleges the defendants conspired to divert premiums from the captives (BI, July 20, 1987).

The suit seeks more than \$70 million in actual damages, punitive damages of \$50 million and treble damages under the federal Racketeer Influenced and Corrupt Organizations Act.

- Two suits alleging that Hall sold securities to Reliance Group Holdings without proper shareholder approval and five suits consolidated into a class action alleging that Hall misrepresented its financial condition to current and prospective shareholders in 1985 and 1986 (BI, June 22, 1987).

The biggest threat to Hall posed by litigation, however, comes from that stemming from the Union Indemnity collapse, which has again forced Hall's auditor, Touche Ross & Co., to qualify the brokerage's financial results.

Union Indemnity was ordered into liquidation in July 1985 after it was found to be insolvent by \$138.5 million at year-end 1984 (BI, July 22, 1985).

In March 1987, Superintendent Corcoran filed a \$140 million suit against Hall, Touche Ross and many Hall affiliates and current and former directors and officers. The suit, which alleges the defendants were responsible for Union's insolvency, also requests punitive damages.

Citing the fact that Mr. Corcoran's suit seeks to recover damages on behalf of all Union policyholders and creditors, the two other suits seeking to hold Hall responsible for Union Indemnity losses have been stayed by a New York State Supreme Court judge and consolidated until he can hear motions pending in the Corcoran case. That hearing is tentatively scheduled for late August.

One of the suits, filed last July by Peapack, N.J.-based American Centennial Insurance Co., Newark, N.J.-based International Fidelity Insurance Co. and Houston-based Ranger Insurance Co., seeks \$30

million in connection with reinsurance they placed with Union Indemnity (BI, Aug. 10).

The other suit, filed last December by the Connecticut State Guaranty Fund, seeks \$3.7 million plus ongoing damages incurred by the state guaranty funds of Connecticut, New Hampshire, Rhode Island and Massachusetts because of Union Indemnity's insolvency.

Joseph C. Tanski, a partner with the law firm of Hutchins & Wheeler in Boston and outside counsel to the guaranty funds, said other state guaranty funds also have indicated a desire to participate in the suit.

Hall filed a motion for dismissal of the Corcoran suit that questions Superintendent Corcoran's authority to file suit on behalf of all Union Indemnity creditors and policyholders. If Hall's motion is granted, the guaranty funds still will be able to pursue their own actions, Mr. Tanski explained.

Both Mr. Steinberg and Mr. Pruitt decline to discuss any pending litigation, except to say that they do not expect it to have a "material" adverse impact.

Mr. Pruitt noted, though, that "there is active dialogue going on between the representative of Frank B. Hall and the representative of the Insurance Department of the state of New York."

In addition to concerns over Hall's operating performance, securities analysts also are wary of recommending purchase of Hall stock until the Union Indemnity litigation is resolved.

"We have rated (Hall stock) as a sell. We would not recommend owning Hall stock," said Michael A. Smith, research analyst for Shearson Lehman Hutton Inc. in New York. However, he noted that Hall "has cleaned up a lot of the problems that were in the footnotes before... and it's a viable, ongoing proposition at this stage."

Harvey H. Bundy III, a partner with William Blair & Co. in Chicago, was a little more pessimistic. "I have felt the question of Hall was one of survival, not investment. I don't spend any time on Hall because it isn't worth it."

However, one analyst is upgrading his assessment of Hall.

"Until recently, we had Hall rated as unattractive, but now we have it rated neutral. It's still a gamble, but the stock is now more fairly valued," said Ira H. Malis, securities analyst for Alex Brown & Sons in Baltimore.

The broker's stock sold for \$4 a share on June 9 compared with \$12.50 on June 10, 1987. The stock had sold for \$14.63 per share on Dec. 30, 1986 and fell to \$2.88 per share on Dec. 29, 1987.

While Hall still faces uncertainties because of pending litigation, the brokerage did settle several legal disputes last year.

For instance, Hall in December settled for \$14.6 million a \$150 million suit originally filed in May 1986 by Omaha, Neb.-based Mutual of Omaha Insurance Co. and its property/casualty subsidiary, The Omaha Indemnity Co., against Hall and two of its subsidiaries (BI, Dec. 7, 1987).

The suit had charged Hall and/or its subsidiaries with breach of fiduciary duties, breach of reinsurance contracts and negligence in connection with brokering reinsurance programs for Omaha Indemnity. Some of the reinsurance was placed with Union Indemnity.

And in February, Hall and St. Louis, Mo.-based Safety Mutual Casualty Corp. entered into an agreement terminating a management contract between SMCC and Insurers Service Corp., a wholly owned Hall subsidiary also based in St. Louis. SMCC agreed to purchase ISC through annual payments made over a 15-year period (BI, Feb. 22).

In addition to Mr. Steinberg, Mr. Pruitt, Mr. Bello and Mr. Harden, Colby Hewitt Jr., vice chairman, is also a principal Hall officer.

Mr. Steinberg is Hall's third chief executive in the past three years.

In August 1985, Hall Chairman, President and Chief Executive Officer Albert J. Tahmouh resigned under pressure and was replaced as chairman and chief executive officer by Executive Vp John F. McCaffrey, with Mr. Pruitt becoming president (BI, Aug. 12, 1985).

Then, last July 31, Mr. McCaffrey resigned and was replaced by Mr. Steinberg.

The cash compensation received by the five highest-paid Hall officers in 1987, according to documents filed with the Securities and Exchange Commission, follows:

Peter T. Pruitt.....	\$378,120
John F. McCaffrey.....	\$284,704
William C. Bartholomay.....	\$260,000
Henry E. Froebel.....	\$255,458
Holmes Harden.....	\$231,738

—By Linda J. Collins

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	1987	1986
Premium volume...	NA	NA
Gross revenues...	\$223,500,000	\$170,000,000
Brokerage: Retail...	80%	83%
Reinsurance...	3%	4%
Personal lines...	3%	2%
Services...	9%	6%
Invest. income...	5%	5%
Employees...	2,777	2,205
Rev./Employee...	\$80,483	\$77,098
Offices...	66	65

Looking to enhance its image as a large-account broker, Rollins Burdick Hunter Co. has expanded its operations through internal growth, acquisitions and the addition of key personnel.

"We've positioned ourselves well with the expansion of our offices and/or skilled people so that we have a strong ability to put together a comprehensive package for major clients," said Patrick G. Ryan, chairman and chief executive officer of the seventh-largest



Mr. Ryan

U.S. broker. "We've always been known as a large-account broker and we've built on and expanded that focus," explained Mr. Ryan, who also is president and chief executive officer of RBH's parent company, Chicago-based Aon Corp.

RBH President and Chief Operating Officer Arthur F. Quern agreed, noting that often when servicing large commercial accounts, members of a team representing several RBH divisions pool their expertise to put the best package together.

"This teamwork concept is one in which we really believe fundamentally. It has worked well for us," Mr. Quern said.

In fact, Mr. Ryan said, the major highlight for RBH in 1987 was that it increased its market share in all sizes of accounts it handles "at a time when there was a lot of pressure to do that" because of increasing competition in the commercial property/casualty insurance market.

Mr. Quern described RBH's target client as a large, Fortune 1,000 corporation, though the broker does service many clients in the "next tier below the Fortune 1,000."

"We were able to expand our relations with existing accounts and still add new business" during this highly competitive period, Mr. Ryan said.

RBH's success is evident from its 1987 revenue growth. Gross revenues jumped 31.5% to \$223.5 million from \$170 million in 1986, the largest percentage increase among the 10 largest U.S. brokers.

RBH's pretax operating profits rose 17.5% to \$29.5 million in 1987 from \$25.1 million in 1986.

The brokerage's revenues per employee rose to \$80,483 in 1987 from \$77,098 in 1986, a 4.4% increase. RBH employed 2,777 people at year-end 1987, a 25.9% increase from 2,205 employees at year-end 1986.

Some 80% of RBH's gross revenues were generated by commercial retail brokerage business, down slightly from 83% in 1986.

Of the remaining 20% of RBH's 1987 gross revenues, non-brokerage services like claims administration and consulting accounted for 9%, up from 6% in 1986; investment income accounted for 5%, unchanged from 1986; reinsurance brokerage operations accounted for 3%, down from 4% in 1986; and personal lines accounted for 3%, up from 2% in 1986.

Approximately 85% of RBH's retail brokerage revenues are commission based, with the remainder being fee based.

For the first quarter of 1988, Aon reported that revenues for its insurance brokerage and related-services operations, which includes RBH, grew 27.8% to \$65.9 million. These operations' pretax operating income grew 17.4% to \$110.9 million.

Mr. Quern estimated that acquisitions accounted for about half of RBH's revenue growth in 1987 and that strong efforts to garner new business were responsible for the other half.

He explained that RBH has in-

creased its presence in certain geographic areas and expanded its services. "We had the advantage of being stronger in some places than we had been in the past" as market competition heated up, Mr. Quern said.

"Most of the new business probably came from other national brokers," Mr. Quern said.

As it had planned, RBH expanded in several directions during the past year, Messrs. Ryan and Quern noted.

One of RBH's goals over the past few years has been to assume a minority position in a Lloyd's of London broker. That goal was realized in March 1988, when RBH invested

in a new Lloyd's broker established by several former key executives of Lloyd's broker Stewart Wrightson Holdings P.L.C. who resigned after Stewart Wrightson was acquired last year by Willis Faber P.L.C. (BI, Nov. 23, 1987).

While Mr. Ryan declined to specify how large of a stake RBH holds in the new Lloyd's broker—Nicholson, Chamberlain & Colls Ltd.—he acknowledged that London estimates pegging RBH's investment at between 35% and 40% are not far off base.

The investment is "working out extremely well. We think they have a real strong base of professionals who are attracting other profes-

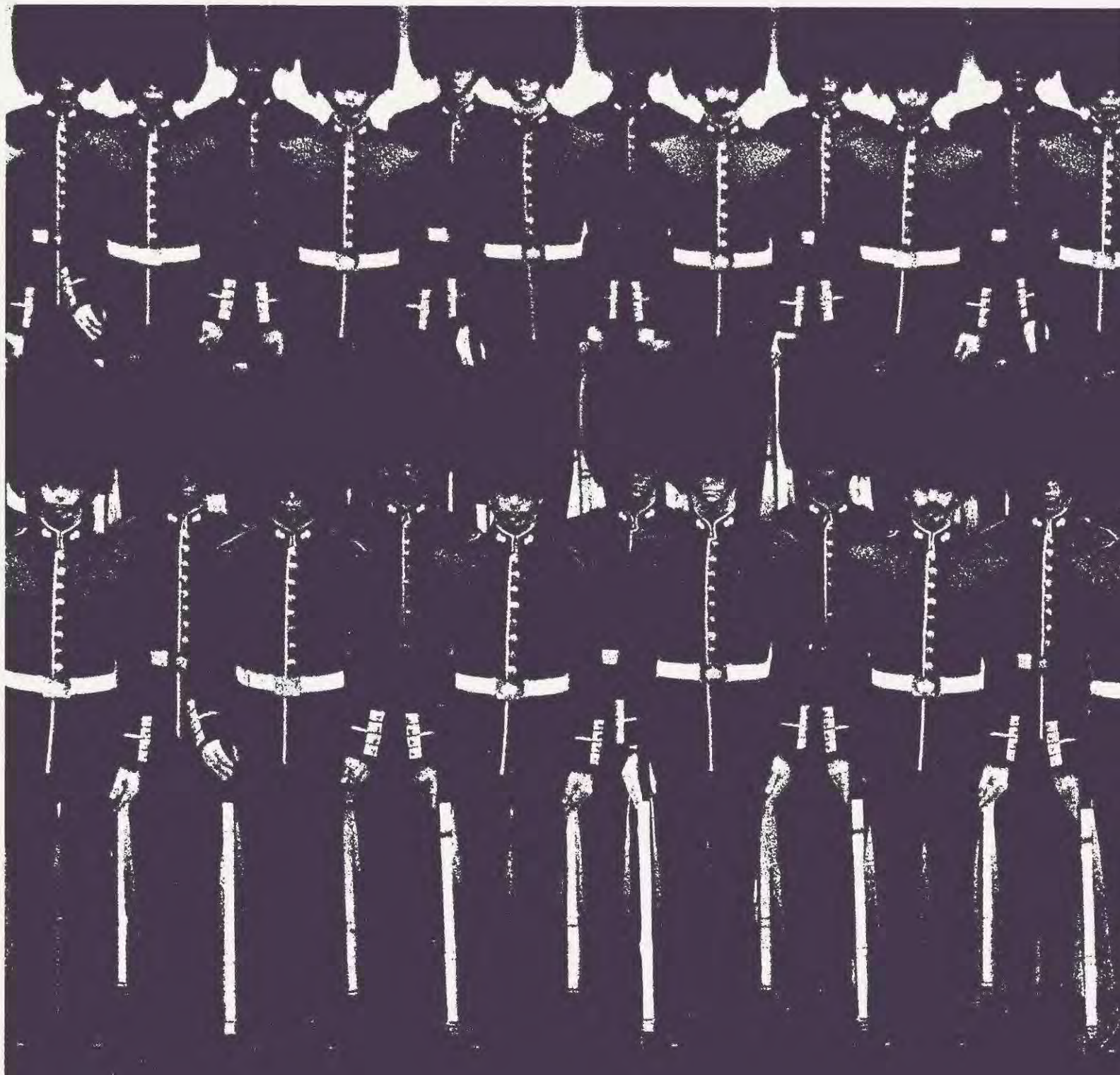
sionals" to their organization, Mr. Ryan said.

RBH has placed substantial business in the London market for more than 50 years, working with various Lloyd's brokers based on an individual client's needs, he pointed out.

"Over the years, as U.S. brokers have acquired ownership of Lloyd's brokers, there has been pressure for RBH to consider the same. We've resisted that, because we like the flexibility" of working with different Lloyd's brokers, Mr. Ryan said.

However, RBH recognized that at some point it would need to invest in a Lloyd's broker so it "would

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Continued from previous page
be firmly entrenched in that market as it continues to contract," Mr. Ryan explained.

When the executives forming Nicholson, Chamberlain & Colls approached RBH, the Chicago-based brokerage saw an opportunity to "have an anchor" in London while still retaining flexibility, Mr. Quern said.

"It was a fulfillment of our strategy in a very effective way," Mr. Ryan said.

Mr. Quern also pointed out that the new Lloyd's broker is particularly strong in aviation insurance, an expertise RBH has been building expertise over the past two

'We've positioned ourselves well with the expansion of our offices and/or skilled people so that we have a strong ability to put together a comprehensive package for major clients,' says RBH Chairman and CEO Patrick G. Ryan.

years. Besides making the London investment, RBH also beefed up several other areas of business.

Aon Corp. last summer acquired Miller, Mason & Dickenson Inc., a large employee benefits consulting operation, to meet RBH's goal of

increasing its employee benefits consulting capabilities.

While the operation is a free-standing unit, its results are included with RBH's as part of Aon's brokerage and related-services operations.

Mr. Ryan said that RBH and

Miller, Mason "work closely together. We're very pleased with the acquisition and expect it to be a real growth part of our business."

RBH's small employee benefits consulting subsidiary, Rollins Brookfield Inc., is being merged into Miller, Mason.

Mr. Quern said RBH's acquisition in April 1987 of Jardine Emmett & Chandler's Los Angeles-based Jardine Claims Management Inc. division and its subsidiaries was "the most significant factor" in the brokerage's 50% increase in its claims administration and consulting revenues.

The Jardine operations were merged with RBH's Chicago-based

Self-Insurers Services Inc. claims management subsidiary, Mr. Quern noted.

While the two companies are still integrating systems and restructuring management, "having the expanded national presence that acquisition gave us has been an important part of getting SIS involved in a number of opportunities where we had associations, affinity groups or some other organization" in need of national claims management capabilities, Mr. Quern said.

Since SIS was already strong in the central United States, while the Jardine unit was strong on both coasts, the acquisition provided SIS with "a balanced geographic spread," he said.

RBH Senior Vp Roger M. Simpson Jr. was appointed president of SIS in October 1987.

To strengthen its reinsurance brokerage business, Cole, Booth, Potter Inc., RBH's reinsurance intermediary subsidiary, opened a Boston office earlier this year and will open offices in Chicago and New York this summer, Mr. Ryan said.



Mr. Quern

RBH also has "put a lot of investment" into its affinity group marketing efforts, including transferring employees from other Aon Corp. subsidiaries and recruiting "high-quality young people and teaching them how to market affinity group programs," Mr. Ryan pointed out.

The unit has built a "state-of-the-art telemarketing installation" in Trevoise, Pa., to further its marketing efforts and has several new programs under development, he said.

And, the broker in April opened subsidiary RBH Management Inc., which conducts captive feasibility studies and offers captive management services.

"We see this as an expanding area as our affinity group services continue to grow," Mr. Quern said.

Patrick H. Hughes, formerly president of RBH's Scarborough & Co. subsidiary, a managing general agent that specializes in coverage for financial institutions, was named president of RBH Management.

Another acquisition made in the past year strengthened RBH's presence in the Southwest and enhanced its marine insurance capabilities simultaneously, Mr. Quern explained.

Last October, RBH purchased Houston-based Adams & Porter International Inc., a brokerage specializing in marine and energy risks.

Mr. Quern said "the real strength" of Adams & Porter, which employed 125 people at the time of the acquisition, "is in the caliber of the people and their commitment to the brokerage business."

RBH also acquired a book of Washington D.C.-based brokerage business from Bayly, Martin & Fay of Virginia Inc., a subsidiary of Fort Worth, Texas-based Bayly Martin & Fay International Inc.

Mr. Quern explained that BMF decided to divest itself of that business. "We had opened up a Washington, D.C., office and felt that with the right kind of approach," the BMF book could be a "very good" book of business for the RBH office, he said.

And, in November Aon created Ryan Risk Services Inc., which "handles all of the outplacement of reinsurance for Aon underwriting facilities and works with other entities within Aon, and specifically within RBH, to develop programs for associations, affinity groups and large clients where reinsurance is a major factor in completing the coverage," Mr. Ryan explained.

Continued on next page



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Continued from previous page

Michael D. O'Halleran, former executive vp of New York-based reinsurance intermediary Thomas A. Greene & Co. Inc., a subsidiary of New York-based Alexander & Alexander Services Inc., joined Aon in November as president of Ryan Risk Services.

RBH also has been working to expand its U.S.-based international operations through its Chicago-based Rollins Burdick Hunter International Inc. subsidiary, according to Mr. Quern.

Last July, David M. Glantz, former vp and manager of the international department of RBH of Illinois Inc., was appointed president and chief executive officer of RBH International to further this effort.

RBH also maintains a small office in Amsterdam to service European-based clients with U.S. operations, which Mr. Quern said is doing "quite well."

When the executives forming Nicholson, Chamberlain & Colls approached RBH, the Chicago-based brokerage saw an opportunity to 'have an anchor' in London while still retaining flexibility, Mr. Quern says.

Another highlight for RBH last year and so far this year has been its success in hiring several prominent key executives.

For example, John F. McCaffrey, former chairman and chief executive officer of Briarcliff Manor, N.Y.-based Frank B. Hall & Co. Inc., in March was appointed senior vp of Aon Corp. and vice chairman and director of RBH.

"John's principal role here is with Aon," Mr. Ryan explained. "His role at Aon, that of marketing and new product development, necessitates his direct involvement in

various subsidiaries. Because of his background, he is obviously spending time in RBH."

"John's knowledge, his stature, his capabilities when they're applied to new product development and brokering opportunities, and the insight he has into the insurance industry are very valuable for RBH and for the other Aon companies," Mr. Quern added.

Mr. McCaffrey's brothers, Thomas and William, both former Hall executives, also joined RBH in March. Thomas McCaffrey, appointed special assistant to the

president, will assist Mr. Quern in several production-related duties, such as helping local RBH offices establish sales management and production plans. William McCaffrey was appointed president of RBH of Michigan Inc. in Detroit.

Former Hall Executive Vp George E. Corde joined RBH in April as an executive vp overseeing national property/casualty accounts, market relationships, account production and Bermuda operations. Mr. Quern called him a "very talented broker who understands how to bring all of an organization's resources to bear" on an issue.

Other key executives who have recently joined RBH are:

- Former Frank B. Hall (Bermuda) Ltd. President Robin Spencer-Arscott, who last month was named chairman of RBH's Bermuda operations.

- John Williams, Hall (Bermuda) underwriting manager, also moved

with Mr. Spencer-Arscott to RBH.

The addition of Messrs. Spencer-Arscott and Williams "expands our capabilities significantly. We've been managing captives and doing related broker activities. This recent change brings us underwriting management capabilities, which rounds out the kinds of things we want to do in Bermuda," Mr. Quern explained.

- Timothy Reath, former chief executive officer of the Eastern region for San Francisco-based Jardine, Emett & Chandler Inc., who was named senior vp—Eastern region for RBH last December. Mr. Reath is based in New York.

In addition to its expansion efforts, RBH also has boosted its marketing efforts to attract large commercial accounts. RBH Senior Vp Frederick Feldman was placed in charge of a new Major Accounts Support Team in March.

Mr. Quern explained that a smaller version of this team has operated from the Chicago office for several years to regularly review major accounts. "We decided to expand that effort," he explained.

The team is "a new tool we're making available to all our offices to help them present our array of services to a prospect or an existing client in a way that fully addresses their needs and goes directly to their problems—to show them how we can respond creatively," Mr. Quern said.

While RBH's typical accounts are Fortune 1,000 corporations, each RBH office is primarily responsible for defining the minimum size client it will service, with no established corporate cutoff, Mr. Quern pointed out.

However, Mr. Quern also acknowledged that if RBH finds that an office has a concentration of small commercial accounts, it may discourage the office from developing new business of that size.

RBH had 66 offices at year-end 1987, up one from 65 offices in 1986. In addition to its acquisitions, RBH is in the process of opening an office in Kansas City, Mo. It closed a small office in Oklahoma City in the third quarter of 1987.

Messrs. Ryan and Quern also pointed out that Aon's corporate name change from Combined International Corp. last year has had a positive effect on RBH.

Before the change, some RBH clients and prospects mistakenly believed that the broker was owned by an insurer, because the parent company's name was similar to its insurance company subsidiary, Combined Insurance Co. of America, Mr. Ryan explained.

"The name Aon has a much more clearly defined mission and has taken this uncertainty out of the equation," he said.

The broker is facing only one major lawsuit, which was filed in June 1987 by Cayman-based captive insurers Philen Insurance Ltd. and Benodet Insurance Ltd. (BI, July 20, 1987).

The suit—which also names the captives' broker, Frank B. Hall & Co. Inc., and several other parties—charges that RBH and subsidiary Rollins Burdick Hunter (Bermuda) Ltd. participated in a conspiracy to divert the captives' funds through a shell company that the RBH subsidiary allegedly set up at Hall's request.

Neither Mr. Ryan nor Mr. Quern would comment specifically on the case, but Mr. Ryan said he did not expect the suit to have a material negative impact on RBH.

The cash compensation of the top officers of Aon Corp. in 1987, as reported to the Securities and Exchange Commission, follows:

Patrick G. Ryan.....	\$658,447
Ronald K. Holmberg.....	\$359,846
H. Robert Powell.....	\$339,846
Raymond I. Skilling.....	\$326,135
W. Clement Stone.....	\$300,000

—By Linda J. Collins

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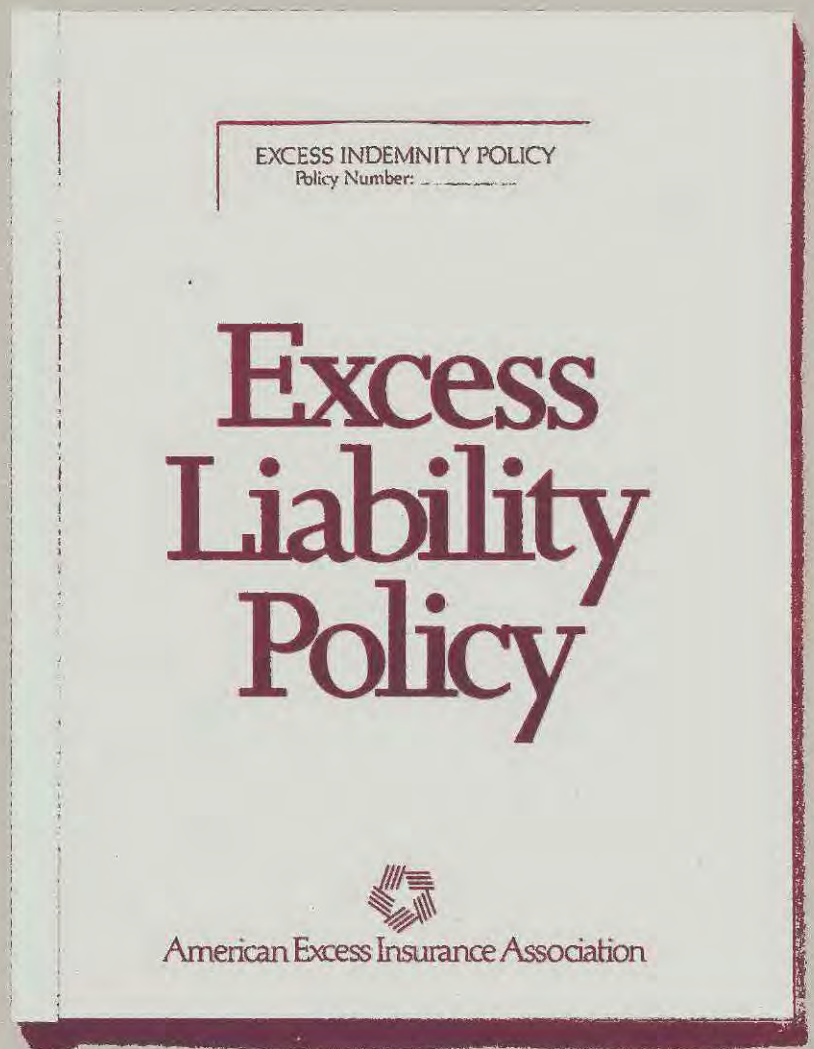
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8

Arthur J. Gallagher & Co.

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	1987	1986
Premium volume	NA	NA
Gross revenues	\$134,636,000	\$121,347,000
Brokerage: Retail	55.2%	58%
Reinsurance	0.6%	0.5%
Personal lines	1%	1%
Services	34.3%	31.3%
Invest. income	8.9%	9.2%
Employees	1,628	1,494
Rev./Employee	\$32,713	\$81,223
Offices	79	77

In an eye-catching show of bravado in the midst of a competitive market, several top executives at Arthur J. Gallagher donned sunglasses at their recent annual meeting to shield themselves from the "glare" of a bright future.

While the softening of the commercial property/casualty insurance marketplace has dampened some clients' enthusiasm for self-insurance, many more are turning to alternatives to traditional insurance in an effort to insulate themselves from market cycles, said Robert E. Gallagher, the brokerage's president and chief executive officer.

"The alternative insurance market in which we play is growing faster than our ability to keep up with it," Mr. Gallagher said, adding that the company stresses providing quality over increasing its market share.

And, Gallagher's prominence in providing self-insurance services, which it markets on an unbundled basis, means its executives predict at least partly sunny skies ahead.



Mr. Gallagher

In addition, the company is basking in the glow of other positive developments in 1987, such as the introduction of new services, two acquisitions and the listing of the company's stock on the New York Stock Exchange.

Even with those successes, however, 1987 "was not a vintage year by our high growth standards," Mr. Gallagher said.

Gallagher's gross revenues increased 11% to \$134.7 million last year from a restated \$121.3 million in 1986 following a pooled acquisition.

The revenue growth helped Gallagher maintain its No. 8 spot for the second consecutive year in the *Business Insurance* ranking of the largest U.S. brokers.

Although the broker's 11% revenue growth was slightly higher than the 10.2% average growth among the other Top 20 brokers, it was less than half of the 24.9% revenue increase Gallagher recorded in 1986 and far lower than the 21% average annual revenue gain the company has produced over the past decade.

Lost business was partly to blame for the restrained growth, Mr. Gallagher said.

Gallagher experienced "a substantial increase" last year in the amount of brokerage business lost either to competitors or to clients who retained more risk, he said. Lost business increased to 7.5% of gross revenues last year from the typical 5% level, he added.

Like revenues, the increase in Gallagher's profits last year was off the pace of previous years.

Net income rose only 4.5% to \$16.2 million in 1987 from \$15.5 million in 1986, compared with a 30% average annual increase each year since 1978.

Earnings per share rose to \$1.45 in 1987 from \$1.38 the previous year.

Rising expenses hurt Gallagher's earnings. Expenses increased by 13.6% last year, compared with the 11% rise in revenues.

Earnings growth also slowed because Gallagher paid higher taxes last year as a result of two acquisitions in the high-tax jurisdictions of California and New York, Mr. Gallagher said.

Gallagher pooled the financial results of Joseph Bobba Co. Inc. of Dublin, Calif., which Gallagher acquired in August 1987 to strengthen its northern California brokerage operations. The newly acquired company was renamed Gallagher Bobba Inc. and relocated to Pleasanton, Calif.

The firm was acquired in exchange for 241,990 shares of the company's common stock.

Gallagher paid \$1.2 million in 1987 to purchase New York-based E&S Intermediaries Inc., which will

Continued on page 50



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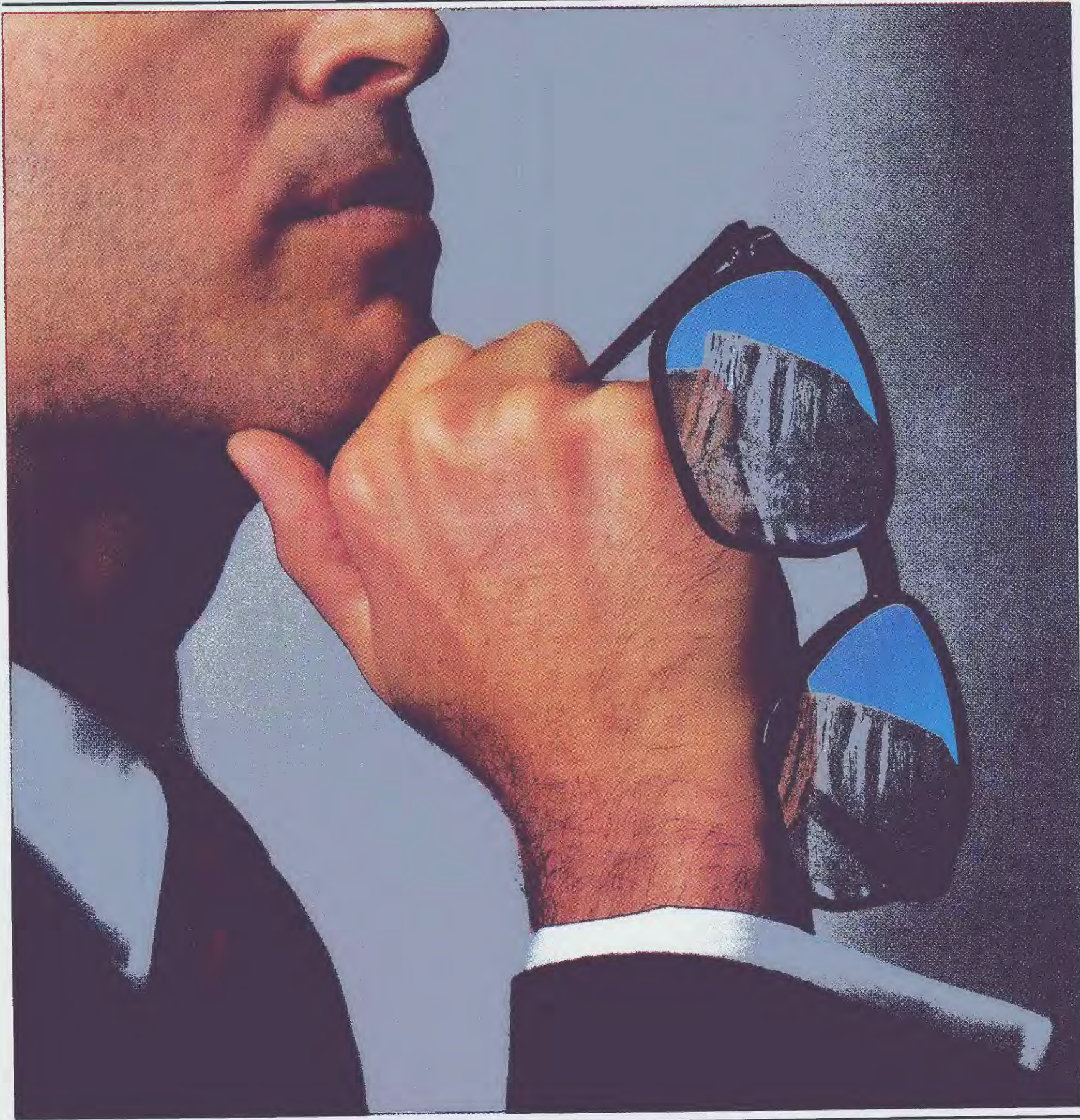
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Spotlight report

Continued from page 48

allow Gallagher to enter the facultative reinsurance brokerage market for the first time. The unit was renamed Arthur J. Gallagher Intermediaries Inc.

The E&S acquisition was reported as a purchase.

Another highlight last year was the listing of Gallagher stock on the New York Stock Exchange.

Gallagher had to undergo a rigorous examination process before the exchange agreed to list its stock, Mr. Gallagher said. "It's one of the most exclusive clubs in the world, and we are in it."

The listing gives the company greater name recognition and will increase shareholders' liquidity, he added.

Gallagher's stock had previously been sold over the counter.

Gallagher also was winner in the courtroom during 1987. The 4th U.S. Circuit Court of Appeals in Richmond, Va., ruled in Gallagher's favor in a contract dispute in which the city of Norfolk, Va., sought \$858,000 from Arthur J. Gallagher & Co. of Illinois.

Gallagher previously had reserved \$1.1 million to cover litigation expenses and any portion of the judgment not covered by its errors and omissions insurance.

The good news for Gallagher is continuing through the first quarter of 1988. First-quarter gross revenues rose 13.5% to \$36.8 million from \$32.4 million in the first quar-

'Strong new business throughout the company, greater than anticipated contingent commissions and expense control disciplines were able to offset the continuing deterioration of our renewal commissions, lost business and a 5% higher year-over-year tax rate,' Mr. Gallagher says.

ter of 1987, while net income rose 16.9% to \$4.1 million from \$3.5 million. Earnings per share rose 6 cents to 37 cents.

"Strong new business throughout the company, greater than anticipated contingent commissions and expense control disciplines were able to offset the continuing deterioration of our renewal commissions, lost business and a 5% higher year-over-year tax rate," Mr. Gallagher said.

But, "the reality of market conditions tempers the usual euphoria experienced when we have favorable results," Mr. Gallagher emphasized, noting that conditions in the commercial property/casualty insurance market will continue to worsen for brokers' income in 1989.

The multifaceted services offered by Gallagher are targeted to specific niches including religious and fraternal groups, governmental entities and educational and non-profit groups.

In addition, the company targets a wide range of commercial and industrial clients,

with some degree of specialization in food, hotel and automobile industries, he said.

Gallagher provides unbundled services and allows clients to freely select which services they need as a way of attracting business in the softening marketplace.

Commercial retail brokerage produced 55.2% of Gallagher's gross revenues in 1987, down from 58% in 1986.

The retail business brokered by Gallagher is primarily casualty insurance, followed by slightly lesser amounts of property insurance. Other lines of business—including marine and aviation insurance—make up very small portions of Gallagher's retail book.

About 85% of Gallagher's retail brokerage business is generated within the United States.

Gallagher now operates three specialized domestic brokerage units:

- Arthur J. Gallagher International Inc., which offers a wide range of overseas services to international and U.S. multinational clients.

- International Special Risk Services, which provides clients access to domestic excess/surplus lines insurers and domestic and international reinsurers.

- Gallagher Marine Services, which places marine insurance and offers related brokerage services.

Among its overseas brokerage subsidiaries is Lloyd's of London broker Gallagher Plumer Ltd. The London company brokers both direct insurance and treaty and facultative reinsurance.

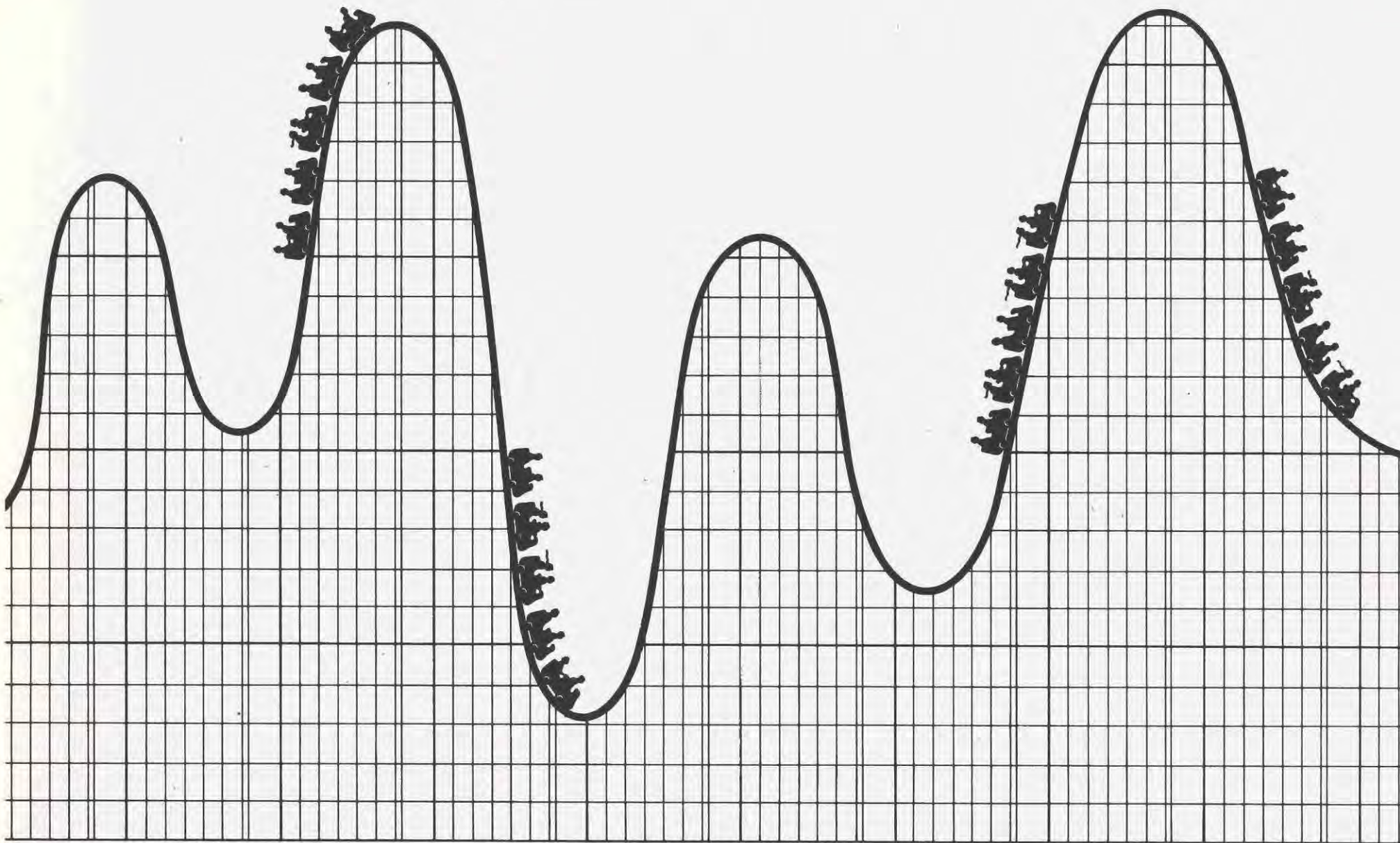
In addition, the broker's Arthur J. Gallagher & Co. (Bermuda) Ltd. subsidiary offers clients access to the Bermuda marketplace. The Bermuda subsidiary also provides offshore captive formation and management services.

Removed from the ranks of brokerage operations in 1987 was UIC Ltd., a joint venture incorporated in Delaware that provided political risk consulting and brokering services. It was sold because it did not mesh with the company's other operations, Mr. Gallagher said.

The bulk of retail brokerage revenues—62.5%—was generated by commissions, down from 64.8% last year. Some 37.5% was generated from fees, slightly more than 35.2% in 1986.

However, a least 65% of Gallagher's gross revenues are generated by accounts that purchase some form of risk management services from Gallagher.

Continued on next page



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Continued from previous page

Some 34.3% of Gallagher's 1987 gross revenues were generated by selling services, which is slightly more than the 31.3% of revenues reported in 1986.

Three of the most profitable Gallagher operations are service-oriented divisions:

- Gallagher Bassett Services Inc., the largest contributor to service income, which celebrated its 25th anniversary in 1987.

Gallagher Bassett provides self-insured clients with an array of services, including claims management, safety management, litigation management, property appraisals and computer information products.

"This service arm is the foundation of our integrated approach to managing risks and sets us apart from our competition," Mr. Gallagher said.

During 1987, Gallagher Bassett added or enhanced several client-focused programs, including: opening six new facilities to process medical-only workers compensation claims; creating a special team to improve its investigation of serious liability claims; and introducing a client satisfaction program in which corporate executive officers personally contact clients.

In addition, Gallagher Bassett established a separate unit to help meet the increasing demand for risk management services internationally.

- Gallagher Risk Data Inc., which ties all of the company's risk management services together through its RISX-FACS Informa-

'Historically, the greatest periods of growth in the employee benefit field have occurred during the soft property and casualty markets. This inverse relationship has a stabilizing effect on Gallagher's earnings,' Gallagher's 1987 annual report says.

tion System and related products.

The division's SELEX-FACS product, which allows clients to generate ad hoc reports, was enhanced last year to allow a client to create a tailored file of claim information on a microcomputer.

In addition, Gallagher Risk Data opened an education center in Rolling Meadows, Ill., to offer clients introductory, advanced and customized courses. The free classes are—or are close to being—filled for the rest of 1988, even though clients pay their own transportation and hotel expenses, Mr. Gallagher said.

- Gallagher Benefits Services Division, which specializes in human resources management products, including all types of employee benefit, deferred compensation and tax shelter programs.

GBS, which lost \$792,000 in 1986, was "rejuvenated" last year and produced more than \$700,000 in pretax earnings. And, in the first five months of 1988, it has generated an \$850,000 pretax gain.

The turnaround came through streamlining management, resolving computer-related problems and plain hard work, Mr. Gallagher said.

"Shareholders benefit from GBS's profitability and its counter-cyclical relationship to the property and casualty market," according to Gallagher's annual report. "Historically, the greatest periods of growth in the employee benefit field have occurred during the soft property and casualty markets. This inverse relationship has a stabilizing effect on Gallagher's earnings."

The remainder of Gallagher's 1987 revenues were generated by investment income, which produced 8.9%, and personal lines insurance sales, which contributed 1% of revenues.

While Mr. Gallagher is reluctant to list clients' names, Gallagher customers are known to include such large companies as American Honda Motor Co. Inc. of Gardena, Calif.; Holiday Corp. of Memphis, Tenn.; Hartmarx Corp. of Chicago; and Hyatt Corp. of Chi-

cago.

A typical client is a medium-sized business that pays between \$15,000 and \$75,000 annually in commissions. However, Gallagher services both large and small clients with no minimum commission.

"We would swim the Chicago River for a commission—underwater!" Mr. Gallagher chuckled.

The average commission rate on a medium-sized account is 10% to 12.5%, he said.

Mr. Gallagher pointed out that the brokerage's revenues have been hurt by the rise in currency rates in countries like Britain, where it has operations. As a result, strict cost controls are in effect there and employees who leave are not being replaced.

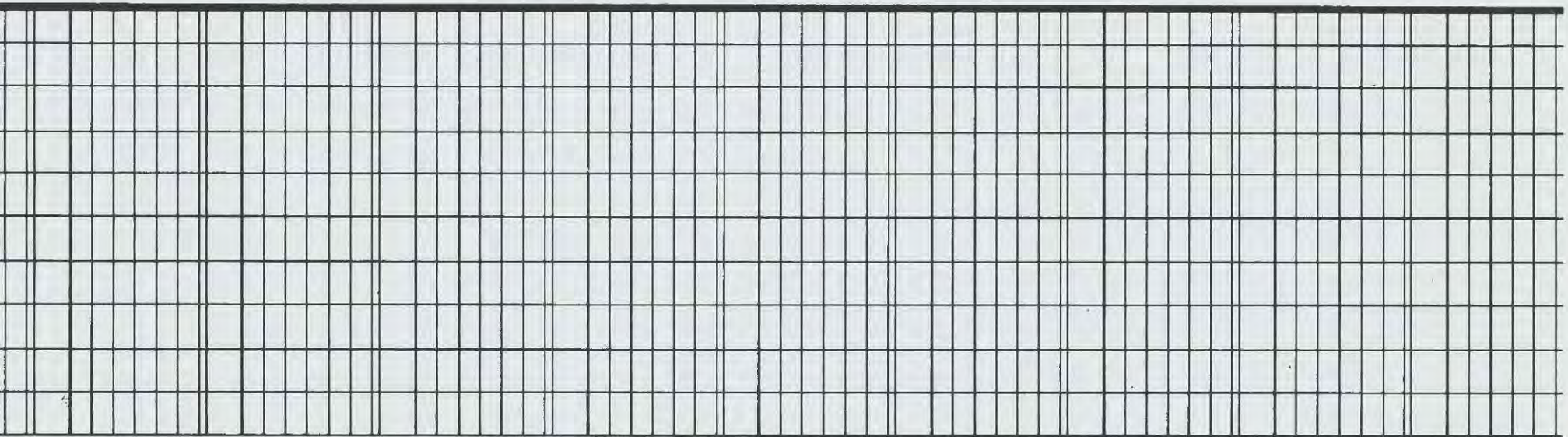
Gallagher operated 79 sales and/or service offices in 1987, two more than in the previous year.

And, in January 1988, Gallagher opened an office in downtown Chicago, where the company had been based before moving to Rolling Meadows more than a decade ago.

Gallagher employed 1,628 people in 1987, a 9% increase from 1,494 in 1986. Gross revenues per employee increased 1.8% to \$82,713 in 1987 from \$81,223 in 1986.

Mr. Gallagher counted among last year's disappointments a companywide management hiring freeze that has been in effect since January 1987. However, the company still is seeking additional sales and marketing staff.

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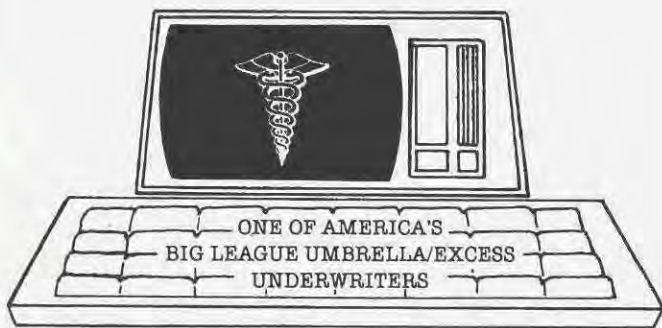
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In addition, brokerage of group health and life insurance programs increased during 1987 as the broker bolstered its efforts in this area, he added.

However, "our excess and surplus lines business is not growing, but that is more a function of the market. Also, this is a far more volatile type of business," Mr. Brown explained.

Other specialty service subsidiaries of Jardine Emmett & Chandler are:

- Glanvill Special Risk Insurance Brokers Inc., which is a wholesale brokerage specializing in placing large, complex risks in the excess/surplus lines markets.

- Pinehurst Management Co. Ltd., which is a Bermuda-based captive management company.

- Risk Management Inc., which specializes in the development and management of captives and self-insurance programs.

Jardine Emmett & Chandler's largest operations, which are in the Los Angeles and San Francisco areas, "continue to grow very aggressively," along with the Chicago, Houston and New York operations, Mr. Brown explained.

The broker has 32 offices, down from 35 in 1986 due to the consolidation of two offices in New York and Schenectady, N.Y., and the completion of divestitures from 1986.

Jardine Emmett & Chandler opened three new offices in Dallas, Philadelphia and Portland, Ore.

While 'there are more people who can play more competitively in the marketplace, if anything, we're putting pressure on others. We don't feel any particular pressure' from other brokers, says George W. Brown of Jardine Emmett & Chandler.

"These new offices are what we call 'scratch start' offices, where we have hired key people to start these offices," Mr. Brown said.

In addition, Jardine Emmett & Chandler acquired Honolulu-based Self & Wong, which is a general insurance brokerage.

The broker's \$20 million in divestitures include operations that were sold in 1986, such as claims administration and mass marketing units, as well as sale of small books of business, Mr. Brown said (BI, June 22, 1987).

Along with these activities, Jardine Emmett & Chandler implemented a strategic plan under which the broker expects, among other things, to maintain a profit margin equal to or exceeding that of its competitors, to grow internally about 15% annually and to invest in personnel through continuing education and performance incentive programs.



Mr. Archer

In personnel development, Jardine Emmett & Chandler introduced its "Professional Standards and Procedures" program, which is an audited performance program designed to reduce the broker's expenses, and its errors and omissions exposure, said Mr. Archer.

"We're particularly proud of this program because its genesis came from the field," Mr. Brown said, adding that the standards and performance requirements in the program were developed by the company's brokers and managers.

Compliance with various professional procedures, as well as outstanding performance, earns employees rewards like company-sponsored trips.

The program already is a success. "The reduction in errors and omissions losses reported companywide just goes to show that loss prevention works," Mr. Archer said.

This program is particularly important because "we have a decentralized management structure that puts tremendous emphasis on our profit center managers. We really are delegating quite a bit of authority and activity to the field," Mr. Brown noted.

Jardine Emmett & Chandler has also "just embarked on a recognition system to highlight the performance of our younger producers. In the 'Golden Thistle Club,' producers are rewarded not only with trips, but they also are brought into executive committee meetings where we can involve and listen to the young people in our firm," Mr. Brown said.

In addition to these programs, "by late summer we will introduce a human resources program that will help us better manage our people principally by better job definitions, appraisals and evaluations," said Mr. Archer.

Along with these programs, Jardine Emmett & Chandler also is making several changes in its management structure, according to the executives.

And, four new members will be added to the Jardine Emmett & Chandler executive committee: James L. Stone, who is president of the broker's Midwestern division and senior vp-corporate; Steven P. Tiberg, who is president of specialty subsidiary, Risk Management Inc., in Los Angeles and senior vp-corporate;

James Sobieski, head of the Los Angeles attorneys unit and senior vp-corporate; and William F. Poland, senior vp-corporate.

"We've really concentrated on bringing our groups together, from a personnel point of view. We are solidifying our offices so that we can be a much stronger producing organization. We consider ourselves to be excellent in the area of service," Mr. Brown asserted.

Mr. Archer acknowledged that "there is a higher level of competition today than there was two years ago. But, that's simply because two years ago, the pressure was on to keep your current business placed. The softer rates are, the more heated the competition."

But, while "there are more people who can play more competitively in the marketplace, if anything, we're putting pressure on others. We don't feel any particular pressure" from other brokers, Mr. Brown added.

"Some 80% of our revenues would come from accounts generating \$25,000 or more in commissions. Our emphasis is in the middle point of the middle market and up," Mr. Archer said.

More than 20% of revenues are generated by fees, he said.

Jardine Emmett & Chandler does not participate in any commission bonus programs with insurers, though activities like this exist to some extent in today's soft market, Mr. Brown said.

"It's interesting that you tend to see that manifest itself as the market reaches the bottom of the price cycle. If any of this type of activity is going to occur, it's probably going to occur in late 1988 and early 1989, which is a sign that the market is going to turn," Mr. Archer explained.

The broker began to notice rate competition in the property insurance market in late 1986.

Also, "there's clearly more capacity for casualty lines in the world, for a price. But those rates have softened selectively. And, the lower end of the pricing scale, like the package policies, have gotten more competitive," Mr. Brown said.

The effect of the soft market on Jardine Emmett & Chandler's operations has been that "it shifts the emphasis from a heavy marketing orientation to more emphasis on sales and service. Management concentrates more on individual employee productivity," Mr. Brown said.

In addition, "it's enabled us to get coverage and limits for our clients that literally was unavailable in the hard market. Another thing is that the soft market also is probably the death blow to the claims-made form, except for specialized liability," commented Mr. Archer.

Jardine Emmett & Chandler will continue on its course of growth and internal quality control, the executives noted.

"For the first quarter of 1988, revenues are as planned and profits are slightly ahead of plan," Mr. Brown said, declining to provide details.

However, "the strongest thing about the company is the excitement we feel about our people. The next several years will bode an exciting growth period for us," Mr. Brown predicted.

In addition to Messrs. Brown, Archer and Barton, key Jardine Emmett & Chandler officers include Paul Hansen, chief financial officer, and Leonard Lawrence, executive vp.

—By Donna DiBlase

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**Bayly, Martin & Fay
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	1987	1986
Premium volume...	NA	NA
Gross revenues...	\$79,400,000	\$92,700,000
Brokerage: Retail...	70.5%	70.8%
Wholesale...	13.1%	10%
Reinsurance...	4.5%	5.9%
Personal lines	3.7%	3.6%
Services...	3.4%	3.8%
Invest. income...	4.8%	5.9%
Employees...	959	1,150
Rev./Employee...	\$82,795	\$80,609
Offices...	36	43

Bayly, Martin & Fay International Inc. is banking on movies, music and gaming to bring some merriment to revenues that are not exactly reveling.

The Fort Worth, Texas-based company has jettisoned its ancillary operations and now is focusing on improving and expanding its entertainment-related brokerage business at a time when revenues from oil and gas accounts have fallen into a dry hole.

BMF Chairman and Chief Executive Officer Greg B. Kent acknowledged that "this year, revenues are going to be pretty tough because of the soft market," adding that "we do have an inordinate amount of business in oil, which isn't growing as fast as the rest of the lines of business."

"But thank God we've got gaming and entertainment and those that are growing."



Mr. Kent

Mr. Kent said revenues "because of the market softening will not be able to increase as much as we had hoped," but he noted that BMF has "some aggressive plans to go out and produce business."

He said he sees the soft market as "an opportunity to be able to go and write more business. I'm not going to kid you in that it also affects revenues, but it is a good time to be in the marketplace, to be perceived by the carriers and the risk management community that you can do the things that are necessary to get the account."

As a result of continued streamlining in 1987 and the softening market, BMF's gross revenues dropped last year to \$79.4 million, a 14.3% tumble from \$92.7 million in 1986.

The 1987 performance follows growth of only 0.9% the year before from \$91.9 million in 1985.

Last year, 70.5%, or \$56 million, of revenues came from BMF's commercial retail brokerage operation. That compares to retail brokerage revenues of \$65.6 million in 1986, which comprised 70.8% of total revenues.

Commissions generated 95.3% of BMF's retail brokerage revenues, while fees were responsible for 4.7% of brokerage revenues.

Altogether, BMF sold or closed 13 of its small brokerage and ancillary operations in 1987. Six of those were sold in the first half of last year (BI, June 22, 1987).

Of the seven operations disposed of in the latter half of 1987, two were retail brokerages based in Italy: BMF Italia in Milan was sold after about 2½ years of operations; and BMF Veneta in Padua was sold about 18 months after it was launched.

BMF also sold its retail operations in Kearney, Neb., Baltimore and St. Louis during the second half of the year along with Compensation Strategies, a San Antonio, Texas-based company formed in 1984 to broker and administer life

insurance and deferred compensation plans. Compensation Strategies also had a branch office in Costa Mesa, Calif.

In addition, BMF closed the Walnut Creek, Calif., office of MarinCo Inc., a wholesale operation that markets municipal liability coverages. MarinCo now operates entirely from its San Antonio, Texas, office.

One retail office, in Oklahoma City, was opened last year.

Altogether, BMF now has 24 retail offices in 18 states.

"It's more efficient to manage the offices that we now have vs. the time it took to manage all the offices we once had," Mr. Kent said. "And we now are going to get down to business and write a lot of new business."

The number of BMF employees fell by 16.6% as a result of the restructuring, to 959 at the end of last year from 1,150 at the end of 1986.

Trimming the workforce along with reduced revenues from opera-

Mr. Kent sees the soft market as 'an opportunity to be able to go and write more business.'

tions sold or closed resulted in a 2.7% gain in revenues per employee to \$82,795 last year from \$80,609 in 1986.

Although BMF has said goodbye to many of its employees who worked in the sold or closed offices, Executive Vp William A. Mizell points out that the brokerage still is interested in finding new, top-quality personnel.

At a time when many brokers are trimming production staffs to reduce expenses, Mr. Mizell said BMF has "expended a lot of time and effort in the last few months... to em-

phasize that we want to hire good solid producers and some account executives."

Mr. Kent said the pruning of BMF's retail operation "begins the building process," for the broker. "Obviously, the first thing we're going to do is maximize our strength areas."

That strengthening means putting muscle primarily into entertainment-related areas. And that mandate, Mr. Kent pointed out, means changes in Los Angeles and New York, where the entertainment business thrives.

"So we're strengthening our Los Angeles office," he noted. "Entertainment is the No. 1 priority there. We have some large, major accounts there that have enjoyed very good service and we just want more large, major accounts in that field."

BMF is making "a major play into the music industry" from its Los Angeles location, said Mr. Kent. The brokerage has hired a full-time pro-

ducer whose job is solely to generate large-risk, music-related accounts.

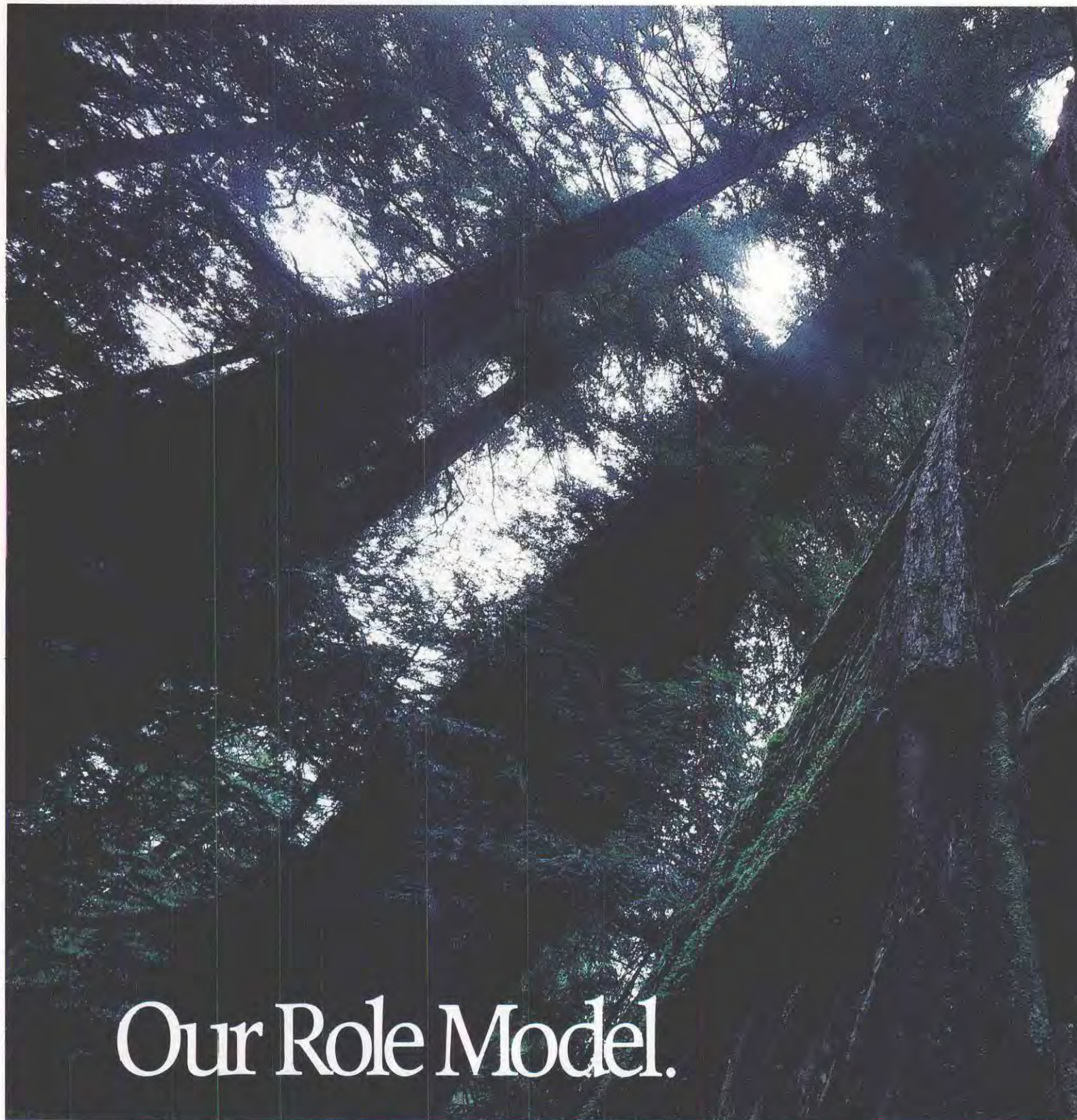
The Los Angeles office has brokered entertainment coverage for such musical talents as Whitney Houston, David Bowie, Pink Floyd, Duran Duran and Julio Iglesias (BI, Feb. 1).

In response to the booming gaming industry, BMF has opened an office in Las Vegas, Nev. That operation joins other offices in the prime gambling cities of Reno, Nev., and Atlantic City, N.J.

"Our office in Las Vegas will obviously give us service capabilities of some of those accounts that have casinos in Atlantic City and also have casinos in Vegas," said Mr. Kent.

To further strengthen its position in the entertainment field, BMF has opened a New York branch of its American National General Agencies Inc., a wholesale operation specializing in entertainment business.

Continued on next page



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Continued from previous page

ANGA also has offices in Los Angeles; Denver; Phoenix, Ariz.; St. Louis; and London.

ANGA serves as an underwriting manager and holds an exclusive marketing arrangement with Chubb Corp. to write entertainment accounts on the East Coast. ANGA and Chubb already had a similar arrangement for entertainment business generated on the West Coast.

"One of the key reasons we opened the New York operation is that the Chubb dealt directly with agents and brokers on the East Coast before and now what they've chosen to do is work exclusively through us on those East Coast op-

erations as well as the West Coast," said Mr. Kent.

Mr. Mizell says getting the underwriting pen from Chubb is "quite a tribute" to the ANGA operation.

Mr. Kent agreed, and added that gaining the ability to underwrite entertainment business for Chubb on both coasts is "a major, major step in our overall plan of a growing entertainment operation."

He pointed out that not only does ANGA benefit from the East Coast arrangement with Chubb but, as a result, ANGA also provides a market for BMF's New York office to place entertainment business along with other retailers.

Wholesale brokerage business contributed 13.1%, or \$10.4 million, of BMF's revenues in 1987, an increase from 10%, or \$9.3 million, in 1986.

Apart from ANGA, wholesale brokerage revenues are generated by San Antonio-based MarinCo.



Mr. Mizell

'Our office in Las Vegas will obviously give us service capabilities for some of those accounts that have casinos in Atlantic City and also have casinos in Vegas,' explains BMF Chairman and Chief Executive Officer Greg B. Kent.

That operation has also seen changes in the past year.

In 1987, MarinCo marketed municipal liability coverage in an exclusive agreement with National Union Fire Insurance Co. of Pittsburgh, Pa., a unit of American International Group Inc.

However, the wholesaler on Jan. 1 entered into a new agreement with Reliance Insurance Cos. of Philadelphia to market the coverage, which provides municipalities with \$5 million in municipal liability limits.

Although Mr. Mizell could not say how many municipalities partici-

pate in the MarinCo program, he said MarinCo "concentrates on cities with populations under 150,000."

Mr. Kent said, "I guess the biggest thing that has happened with MarinCo this year is that they're now writing an occurrence form policy instead of a claims-made policy."

He pointed out that municipal liability coverage was greatly restricted during the hard market of the mid-1980s. "When the market started to soften a bit, we were able to change carriers and get an occur-

rence form, which we're very happy about and should be a competitive edge for us as well."

Around 4.5%, or \$3.6 million, of BMF's gross revenues in 1987 were attributed to reinsurance brokerage operations. That compares to 5.9% or \$5.5 million, of revenues in 1986.

The drop in reinsurance revenues reflects the general slump in that market, Mr. Kent explains, and the decision to run off the business of BMF's Reinco Intermediaries Inc.

a treaty and facultative reinsurance intermediary based in New York.

BMF's other reinsurance operation, National Facultative Services in Hoboken, N.J., has suffered from a current lack of interest in facultative coverage but is "still very much in play," said Mr. Kent.

"The problem obviously with the soft market is the carriers seem to be taking more in-house," he remarked. "They're not buying as much facultative as they were."

An area BMF continues to develop is providing risk management and brokerage services for companies that are formed as a result of leveraged buyouts.

"We just placed a large one about two weeks ago," Mr. Kent said earlier this month. The account is a new operation formed after the buyout of a division of Oakland, Calif.-based Safeway Stores Inc.

Mr. Kent explained that when a division of a major corporation is purchased, it can find itself without risk management services. "That division is used to having a risk manager, claims service person, loss control representatives—a great network of communications. What we do is go in and attempt to replace that communications network and also act as a broker.

"We're expanding that area and it's an area I think we'll be expanding even more," he said.

Personal lines contributed 3.7% of BMF's 1987 revenues, about even with 3.6% in 1986. Non-brokerage services, like claims administration, generated 3.4% of 1987 revenues compared with 3.8% the year before. Investment income generated 4.8% of revenues last year, down from 5.9% in 1986.

Although BMF closed its two retail offices in Italy, it has established a new presence in Europe after Internike, a London-based affiliate of the Nikols Group in Milan, Italy, purchased a 30% interest in BMF (BI, Nov. 2, 1987).

"In December of 1987, we issued a substantial amount of stock in exchange for cash" to bring in Internike as a new shareholder, Mr. Kent explained. The deal was a "new equity" arrangement that expanded BMF's capital base by 40%. Mr. Kent said, adding that the capital is earmarked to fund future growth at BMF.

BMF plans to create a new entity, possibly in the Netherlands, to handle international business generated by the Nikols Group in Europe and BMF in the United States.

Nikols, with revenues of about \$28 million in 1987, has 10 offices in Rome, Florence, Bologna, Turin, Verona and Padua, Italy.

Mr. Kent said BMF aims to build a strong international brokerage operation, but adds that that goal is "step two after getting the U.S. going strongly."

Besides Internike's ownership interest, BMF employees—including Mr. Kent and Mr. Mizell—own another 30% of BMF and Bass Brothers Enterprises Inc. of Fort Worth, Texas, famous for its oil holdings, owns 30%. The remaining 10% of BMF's ownership is held by prior management, including former BMF President Joseph N. Tate.

Apart from Mr. Kent and Mr. Mizell, principal officers of BMF are Jimmy N. McDonald, president and chief operating officer; Samuel Alcorn, senior vp; Gary Rogers, vp-finance and treasurer; and Anthony G. Harris, vp-general counsel.

—By Michael Bradford



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11

Republic Hogg Robinson Inc.

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	1987	1986
Premium volume	NA	NA
Gross revenues	\$57,775,000	\$48,035,000
Brokerage: Retail	70%	64%
Personal lines	10%	14%
Services	18%	20%
Invest. income	2%	2%
Employees	757	671
Rev./employee	\$76,321	71,587
Offices	31	31

The softening commercial property/casualty insurance market has not interfered with Republic Hogg Robinson Inc.'s growth.

The Boston-based brokerage reported gross revenues of \$57.8 million in 1987, a 20.3% increase from \$48 million the previous year. That allowed Republic Hogg Robinson

to hold on to its position as the 11th-largest broker in *Business Insurance's* 1987 ranking of the 20-largest U.S. brokers.

"Frankly, we have hit our budgets for four or five straight years," said RHR President and Chief Executive Officer Charles E. Keller.

For instance, the 1987 revenue growth came on the heels of a 31% increase in revenues during 1986. Revenues increased 11.6% in 1983 to \$28 million; 9.4% in 1984 to \$30.6 million; and 19.8% in 1985 to \$36.7 million.

The key to this steady growth, according to Mr. Keller, is sticking to what the company does best: retail brokerage.

"All brokers are becoming more sophisticated. But the job of the broker is to find the best coverage or the best insurance services for his client. Sometimes brokers think they can outflank everyone by doing it themselves and have

'It is much more difficult' for a broker to grow in a soft market, acknowledges Charles E. Keller, RHR's president and chief executive officer. However, 'we are determined to show an increase in revenue growth regardless of the market.'

gotten into some risk-taking areas. But I see a return to basics," said Mr. Keller.

In fact, RHR sold its newly acquired 50% stake in New York-based HRG Intermediaries Inc., a reinsurance broker.

Last year, RHR bought half of HRG Intermediaries from its parent, London-based Hogg Robinson & Gardner Mountain P.L.C., which retained the other 50%.

"It was not a successful venture and we gave it back at the end of the year," said Mr. Keller, without further comment.

Republic Hogg Robinson's increased emphasis on retail brokerage is evident by the breakdown of its revenues: Commercial retail brokerage operations generated 70% of the company's gross revenues, or \$40.4 million, up from 64%, or \$30.7 million in 1986, despite the softening market.

"Our property/casualty business seems to be growing more quickly than the other businesses," said Mr. Keller.

One factor in the increase in brokerage revenues is that RHR is placing insurance for larger cli-

ents. "We are doing more larger account business," said Mr. Keller, adding that the company now has several accounts that each generate more than \$500,000 in annual commissions.

The better job a brokerage does, the bigger clients it attracts, explained Mr. Keller. And, larger clients produce more revenues for RHR, which generates 96% of its retail brokerage revenues from commissions and 4% from fees.

The average RHR client generates about \$50,000 to \$75,000 in commissions, Mr. Keller said.

"It is much more difficult" for a broker to grow in a soft market, Mr. Keller acknowledged. However, "we are determined to show an increase in revenue growth regardless of the market."

A 5% increase in net new business revenues also helped RHR to grow, said Mr. Keller. And, for the first quarter of 1988, new business is up 10% over first-quarter 1987, he said.

The fact that RHR is handling larger clients whose brokerage needs may be more complex than its smaller customers is putting increased emphasis on RHR's special services division.

The division—which was formed in 1986 and handles all captive and risk retention group work for RHR clients, as well as helps place U.S. risks for foreign multinationals—is just now taking shape, explained M. Renwick Severance, vp-special services.



Mr. Keller

"One of the missions of the special services division is to improve and pull together our resources corporately and nationally in the area of captives, risk retention groups and other sophisticated risk management techniques," he explained.

According to Mr. Severance, the soft market has not damaged the captive market.

"As a general rule, when someone has gone to the effort to set up a captive or made a real commitment to a form of alternative risk financing, they tend to stick with it," he said.

However, the soft market does slow the formation of captives and risk retention groups, he explained, pointing out that RHR has not yet formed any captives for its clients since the division was formed.

Republic Hogg Robinson hopes within the next year to activate a captive management facility in Bermuda or subcontract for captive management services.

Captives "are used less aggressively, but they are still there," Mr. Severance said.

"People like to control their own destiny," said Mr. Severance. "And if the captive concept works for the company that has one, they see it as a form of insulation against the market cycles."

The special services division is "also handling what might best be described as reverse-flow business: coordinating international business that is actually U.S. business coming out of Hogg Robinson in the U.K.," he pointed out.

Mr. Severance said the weak U.S. dollar is prompting businesses based worldwide to target the United States for expansion. Foreign-based companies are either acquiring U.S. companies or they are starting operations in the United States from scratch, he said.

Either way, the company has insurance needs that can be handled through the special services division, he said.

"We would like to think there isn't any kind of business we couldn't handle," he said.

Continued on page 60

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Direct Written Premium	204,876,511
Net Written Premium	141,766,441
Net Operating Income	3,561,280
Total Admitted Assets	352,248,259
Policyholders' Surplus	92,708,661
Combined Ratio	97.0%
NWP/PHS (to 1)	1.53
GWP/PHS (to 1)	2.58
DWP/PHS (to 1)	2.21

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Continued from page 58

Another factor that boosted RHR's retail brokerage revenues was the Jan. 1, 1987, acquisition of Credit Insurance Associates. CIA offers, among other things, export credit insurance to U.S. manufacturers shipping goods out of the country.

CIA revenues, which are included in RHR's retail brokerage operations, accounted for approximately 2% of RHR total revenues.

said Mr. Keller.

CIA has two offices: New York and San Jose, Calif.

Gross revenues produced in 1987 from other services offered by Republic Hogg Robinson, primarily third-party claims administration for self-insurers through subsidiary Penn General Services Corp., dropped to 18% of RHR's overall gross revenues from 20%, even though revenues from PGSC increased to \$10.2 million from \$9.8

million in 1986.

PGSC, with nine offices, is under the supervision of Senior Vp Donald A. Benyas.

Personal lines accounted for 10% of 1987 revenues, down from 14% in 1986, while investment income accounted for 2% of 1987 revenues, the same as in 1986.

While RHR hoped to expand geographically, no potential acquisitions in new areas of the country fit the RHR mold, explained John

J. Welsh, vp-acquisitions and treasurer.

Instead, the brokerage bought two agencies in cities where it was already established.

In July 1987, the brokerage purchased McCutchen, Bradshaw, Dirr Inc. in Deerfield Beach, Fla. McCutchen, Bradshaw, Dirr, a general property/casualty agency, will be merged into RHR's office in Boca Raton, Fla. Mr. Welsh explained.

And, on Jan. 1, RHR purchased Garson-Blau Inc. in Cleveland, another general property/casualty agency. Garson-Blau will be merged with RHR's office in Pepper Pike, Ohio.

By adding senior-level managers through acquisitions in areas where the brokerage already is established, RHR enables its regional managers to concentrate more on regional affairs rather than just developments in one office, explained Mr. Keller.

For example, the acquisition of Garson-Blau will enable Senior Vp Donald F. Bercu to become more involved in developments affecting the entire RHR Midwest region, rather than just those impacting the Cleveland operations.

Similarly, in January 1987, when the broker purchased The Globe Agency in Farmington Hills, Mich., it freed Mr. Benyas, who had been manager of the Detroit office, to take control of PGSC.

The only office that was closed in 1987 was a small Penn General Services office in Falmouth, Maine. RHR maintained the same number of offices in 1987, though, by opening a new office in San Diego.

Many of RHR's 31 offices specialize in brokering certain risks. For example, the New York office specializes in fine arts and ocean

'We would like to think there isn't any kind of business we couldn't handle,' says Mr. Severance.

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cargo insurance; the Burlington, N.C., office specializes in trucking insurance; the Boston office specializes in Chinese-owned businesses; the Los Angeles office specializes in Japan-based businesses; and the Philadelphia office specializes in energy risks and accountants professional liability insurance.

RHR commercial brokerage offices are located in Arizona, California, Florida, Georgia, Hawaii, Massachusetts, Michigan, North Carolina, Ohio, Pennsylvania, Texas and Virginia.

In addition, Republic Hogg Robinson is a licensed excess/surplus lines broker in each of the 12 states in which the company has operations.

The size of RHR's staff increased 12.8% to 757 employees at year-end 1987 from 671 a year earlier. Revenues per employee increased 6.6% to \$76,321 in 1987, from \$71,587 the previous year.

In another development, Republic Hogg Robinson's British parent last summer split its insurance brokerage and travel services divisions into two separate companies (*BI*, June 29).

As a result Mr. Keller is now on the board of directors of Hogg Robinson & Gardner Mountain P.L.C., the name assumed by the brokerage operations after it split from Hogg Robinson Group P.L.C., but no other changes resulted from the spinoff that affect the U.S. operation.

London-based Hogg Robinson, which had owned 50% of Republic Hogg Robinson, purchased the other 50% in June 1985 from LTV Corp. of Dallas.

Other changes in management include the addition of Eugene Oberdorfer II, senior vp in the Atlanta office; and Christopher Van Curan, senior vp-finance.

Other members of senior management include Arnold Bergson, chairman; Louis S. Kohn, senior vp; James Kahn, president of Pension Planning Co.; and William J. Nietschmann, senior vp.

—By Stacy Adler

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**Choosing A Reinsurer
Shouldn't Be A Risk**

12

Hilb, Rogal & Hamilton Co.

6630 W. Broad St., P.O. Box
11027, Richmond, Va. 23230-1027;
804-289-5300

	1987	1986
Premium volume	\$219,000,000	\$183,200,000
Gross revenues	\$36,097,000	\$30,576,000*
Brokerage: Retail	70%	70%
Personal lines	27%	27%
Invest. income	3%	3%
Employees	470	430*
Rev./Employee	\$77,826	\$79,984
Offices	21	17

* Restated.

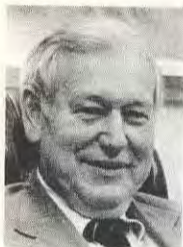
Paced by strong, new growth and acquisitions, Hilb, Rogal & Hamilton Co.'s first year as a publicly owned brokerage also was its best year ever.

Gross revenues climbed 18.1% to \$36.1 million last year from \$30.6 million in 1986, while net income surged ahead 87.9% to \$3.4 million from \$1.8 million.

Hilb, Rogal & Hamilton's earnings equaled \$1.10 per share in 1987, up from 66 cents per share the previous year.

"It was a good year, a rewarding year with a lot of hard work put in by our employees. The results were very gratifying," said Robert H. Hilb, president of the Richmond, Va.-based brokerage.

The high level of growth racked up in 1987 is part of an impressive five-year track record in which revenues and earnings each year have surpassed the previous year's level.



Mr. Hilb

Indeed, last year's revenues were about double Hilb, Rogal & Hamilton's 1983 revenues of \$18.9 million, while its net income of \$3.4 million compares with a

\$349,000 loss in 1983.

That consistent, high level of growth has enabled the company to move into and maintain the No. 12 position in the *Business Insurance* ranking of the top U.S. insurance brokers from the No. 17 position it held in 1983.

Hilb, Rogal & Hamilton also held the No. 12 slot last year.

A key factor in the company's growth has been a clear perception of knowing where to carve a niche in the market.

Since its creation in 1982 after separating from its former parent, Continental Financial Services Corp., Hilb, Rogal & Hamilton has targeted small to medium-sized accounts—those generating between \$50,000 and \$250,000 in annual premiums—in communities where its staff has strong ties.

"In those local markets, our people are the experts. Key players in all HRH agency cities have the roots, family ties and background to be totally accepted in their cities. They are involved leaders in their cities," the company said in its annual report.

"Key personnel within each agency have insurance-related professional credentials. They also know the influential professionals and fellow leaders up and down the main streets of their cities," the report continued.

And, in 1987, Hilb, Rogal & Hamilton extended its presence on more cities' "main streets."

Last year, the company made three acquisitions: Commonwealth Property & Casualty in Richmond, Va.; Coward Insurance Agency in New Orleans and Rice Insurance Agency in Tampa, Fla.

This year, Hilb, Rogal & Hamilton already has made nine acquisitions.

In January, it acquired Crawford & Mitchell Insurance Services in Dallas, Freeman & Associates Inc.

in Fredericksburg, Va., and T.O. Mayer & Associates Inc. in Luthersville, Md.

Then, in April, the company acquired Cannon-Treweek Agency Inc. in Gainesville, Fla.

Last month, Hilb, Rogal & Hamilton acquired five additional agencies in the Dallas-Fort Worth area: Cy Blackburn Insurance Agency Inc., Don Jordan Insurance Services and Wade Insurance Agency, Benson Insurance Agency Inc. and Benson-Cox Life & Employee Benefits Inc.

Most of these acquisitions share a common theme: The agencies recently brought into the Hilb, Rogal & Hamilton fold tend to have between \$1 million and \$2.5 million in revenues with strong producers.

"The acquired agencies have long ties to the community, strong producers and a healthy percentage of personal lines business," Mr. Hilb said.

Some of the acquisitions had spe-

'We are searching diligently for acquisitions to complete our geography. We have prospects in seven or eight Western cities. . .and we'd like to get into the Midwest a little bit more,' says President Robert H. Hilb.

cial attractions. For example, Freeman & Associates' Fredericksburg location is convenient to Hilb, Rogal & Hamilton's Richmond headquarters and also gives the company a greater presence in its home state of Virginia.

T.O. Mayer in Luthersville, Md., is near Baltimore, which is experiencing an economic renaissance, and has given Hilb, Rogal & Hamilton a presence in Maryland for the first time.

The company's Texas acquisitions present more of a risk, though one well worth taking, according to Mr.

Hilb.

He acknowledges that portions of the Texas economy are in poor shape, citing the troubles of the oil-related services and banking industries.

"But we don't feel that the insurance business is in dire straits in Texas, especially if you are not much involved in oil or banking," Mr. Hilb said.

Indeed, Hilb, Rogal & Hamilton's Texas acquisitions have a healthy percentage of personal lines business—generally 25% to 30%—without a heavy preponderance of oil-

related accounts.

And, buying now, when the Texas economy is at low tide, gives the company a running start as the economic climate improves, Mr. Hilb explained.

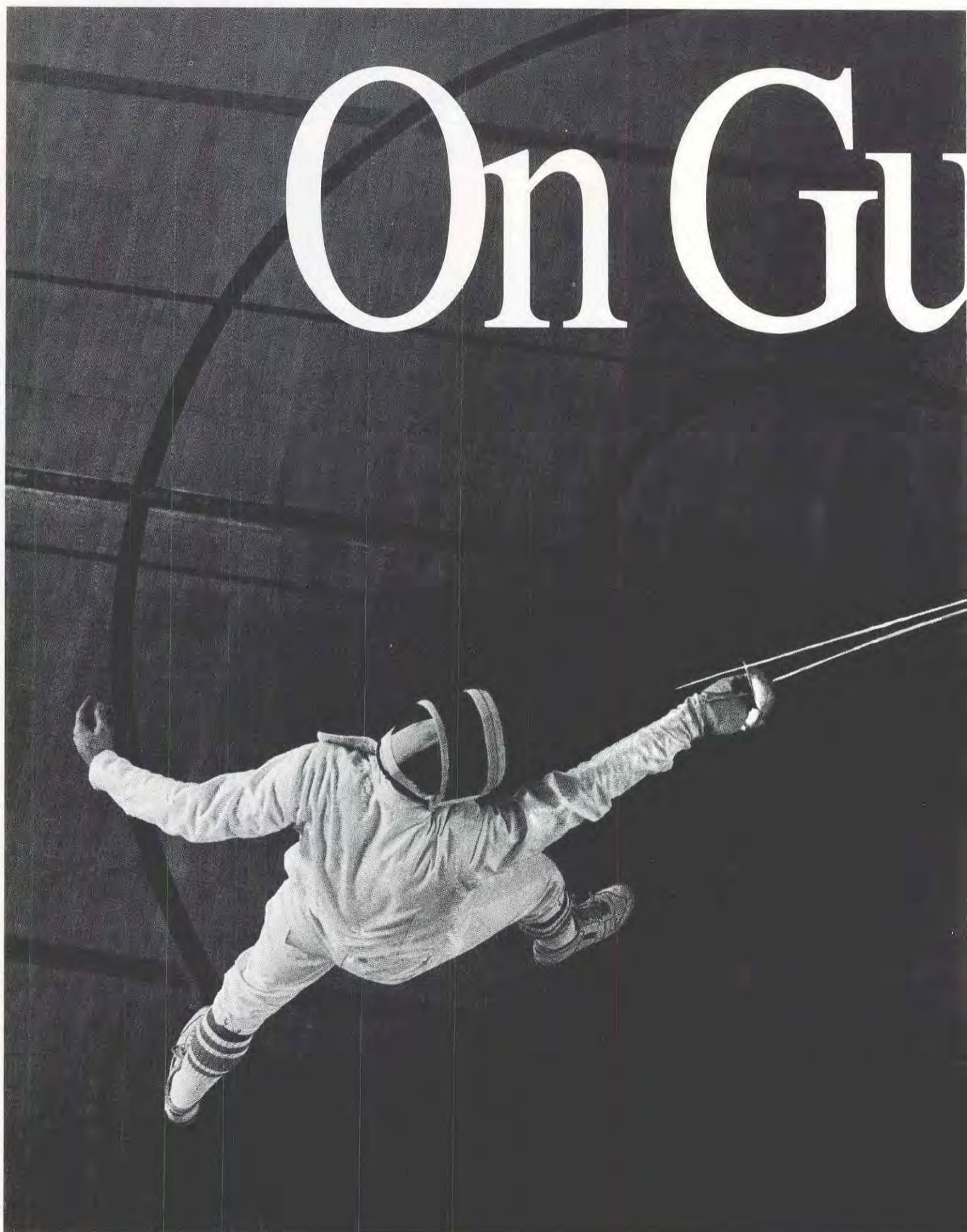
"Everything we've read and heard tells us that things have bottomed out in Texas. If that is true, we think we are well-positioned for good growth," he said.

More acquisitions are on the horizon.

"We are searching diligently for acquisitions to complete our geography. We have prospects in seven or eight Western cities. . .and we'd like to get into the Midwest a little bit more," Mr. Hilb said.

The company now has offices in 21 cities in the following 13 states: Florida, Louisiana, Georgia, Maryland, Alabama, Virginia, Connecticut, Ohio, North Carolina, Michigan, Pennsylvania, California and Texas.

Continued on next page



Continued from previous page

Mr. Hilb said that the brokerage's acquisition bent is driven by a desire to be better, not just bigger.

"The right types of acquisitions make us that much stronger," he said.

Aside from acquisitions, growth raced ahead last year because of an aggressive sales staff. For example, last year there were 46 qualifiers in the company's sales production contest, up from only 32 in 1986. For exceeding sales targets, winners are offered various prizes, including cash and trips.

"The sales staff is very competitive. A contest leads them to work a little bit harder and bring in better results," Mr. Hilb commented.

Still, there was some buffeting at Hilb, Rogal & Hamilton last year.

The company's stock, after its public offering on July 15, 1987, at \$11 a share, dipped as low as \$7.25

The increasingly competitive market means, 'Our sales staff has smiles on their faces. Two years ago, there were cases where you found no one willing to write anything. Now, insurers are coming to us looking for new risks,' says Robert H. Hilb.

following the October stock market plunge.

After the crash, Hilb, Rogal & Hamilton purchased 102,000 shares of its stock in the \$8.75 to \$9 per-share range.

"We felt that the shares at that price were as good or a better investment than making an acquisition," Mr. Hilb said.

That assessment has proved on the mark. The stock has recovered and, as of June 9, it was trading at \$11. Hilb, Rogal & Hamilton stock is traded on the NASDAQ national over-the-counter market.

While the company does not make earnings projections, Mr. Hilb notes that analysts have projected that Hilb, Rogal & Hamilton should earn \$1.30 a share this year compared with \$1.10 per share in 1987.

"We think that is a good projection," he said.

Mr. Hilb notes, though, that business has become very competitive since January. "Pricing on renewal business has been soft," he said.

Predicting how soft the market will get is a difficult call, he ac-

knowledged.

For example, at a recent meeting, there was a wide diversity of opinion among company executives on the direction the market will take in the future.

"Some said the market will get as soft as it did in the early 1980s. Others said that that by the time insurers realize how much more in taxes they will be paying under the Tax Reform Act of 1986, they will stop premium cuts," Mr. Hilb explained.

But an increasingly competitive market means, as Mr. Hilb put it, "Our sales staff has smiles on their faces. Two years ago, there were cases where you found no one willing to write anything. Now, insurers are coming to us looking for new risks."

"Risks can be marketed with a number of insurance carriers that have fine programs."

Hilb, Rogal & Hamilton does business with more than 100 insur-

ance companies. Major insurers include: USF&G Corp.; Crum & Forster; Aetna Life & Casualty Co.; Hartford Insurance Group; Cincinnati Insurance Co.; The St. Paul Cos. Inc.; Travelers Insurance Co.; Great American Insurance Co.; and Continental Corp.

"Companies want to do business with us. They recognize we have a system that delivers quality, volume business," Mr. Hilb said.

While Mr. Hilb said there has been talk of bonus commissions from insurers, nothing has yet come of it.

"We really don't want a one-shot, bonus-type arrangement. We look for long-term relationships with our carriers," he pointed out.

While the soft market may depress premiums in the short run, Mr. Hilb believes the company is well along in its game plan to increase revenues by 15% and profits 20% annually over the next five years.

The company's annual report points out that while it is not immune to the effects of pricing shifts, Hilb, Rogal & Hamilton is partially insulated because 27% of its business is generated from personal lines.

"These are not as susceptible to price fluctuations as the commercial business," the annual report observes.

Commercial retail brokerage contributed 70% of Hilb, Rogal & Hamilton's 1987 gross revenues, while the remaining 3% of revenues is generated by investment income.

"Although a softness in rates has begun, the company's revenues from commissions and fees should not be adversely affected in 1988 due to the company's acquisition strategy and new business programs," the company's annual report adds.

Hilb, Rogal & Hamilton almost always is compensated on a commission basis, with only 1% of gross revenues generated by fees.

With recent acquisitions, Hilb, Rogal & Hamilton now has 550 employees, up from 470 at the end of 1987 and 430 in 1986.

If revenues of companies acquired in 1987 were included for the full year, 1987 gross revenues would total \$40.1 million, explains the company's annual report.

While the property/casualty insurance market is softening, there are no anticipated staff cuts or hiring freezes. "Nothing on the horizon indicates that things will get so severe that we'd have to get into that kind of thing," Mr. Hilb said.

In addition, the company believes it has expenses well under control. Total operating expenses in 1987 rose 12.8% to \$30.4 million. That compares to an operating expense increase of 20.2% in 1986 to \$27 million.

One of the founding members of the company, David W. Hamilton, retired in 1987 from his position as executive vp. He continues as a director.

"Dave Hamilton is the epitome of the Southern gentlemen. There is no finer person I know of in the insurance industry. It was an honor to have him as one of the founders of the company," Mr. Hilb said.

Aside from Mr. Hilb, the company's principal officers include: Alvin Rogal, executive vp; Timothy J. Korman, vp and treasurer; Dianne F. Fox, vp and secretary; and Andrew T. Gabor, vp and controller.

The cash compensation received by the highest-paid officers in 1987, according to documents filed with the Securities and Exchange Commission, follows:

Robert H. Hilb.....	\$232,967
Alvin Rogal.....	\$226,857
Timothy J. Korman.....	\$70,300
Dianne F. Fox.....	\$67,133
Andrew T. Gabor.....	\$62,133

—By Jerry Geisel

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ABI Management Inc.

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	1987	1986
Premium volume	\$290,000,000	\$193,000,000
Gross revenues	\$34,309,000	\$22,729,000
Brokerage: Retail	87%	86%
Wholesale	4%	4%
Personal lines	2%	3%
Services	4%	4%
Invest. income	3%	3%
Employees	416	279
Rev./Employee	\$82,474	\$81,466
Offices	13	12

ABI Management Inc., the fastest rising broker among the nation's Top 20, has an overall management philosophy that belies the speed of its accomplishments over the last few years.

Bernard H. Mizel, president and

chief executive officer of ABI Management, compares the movement of his San Francisco-based operation to that of a turtle: slow, deliberate and always directed to its ultimate destination.

Like the proverbial hare, too many companies have taken the fast lane to short-term success, he said, when a long-range plan would have put them ahead for the long haul.

To avoid this, "we're going to plod along like a turtle," Mr. Mizel said. "But we're not going to be blown out of the water."

Since its inception in 1984, ABI Management has sought to build a network of local and regional brokerages that maintain their individuality while offering small- to medium-sized clients the financial strength, support services and marketing power of a national operation.

"We're looking for consistency," Mr. Mizel explained, while at the

'We're going to plod along like a turtle,' Bernard H. Mizel, president and chief executive officer of ABI Management Inc., said in describing the broker's growth strategy. 'But we're not going to be blown out of the water.'

same time giving each office as much autonomy as possible.

That's where the "turtle" philosophy takes hold: ABI Management only expands when it's buying either a firm that has already established its own profitable niche or one that is providing a new service that makes ABI Management's existing operations more efficient, he said.

ABI Management also tries to minimize the impact of severe swings in the insurance cycle by emphasizing stable relationships between client and insurer, he

said.

Seemingly in contrast to this conservative management style, ABI Management pursued an aggressive acquisition program last year that helped boost it to the No. 13 spot in the *Business Insurance* ranking of the top brokers in the United States.

ABI Management's gross revenues surged 50.9% in 1987 to \$34.3 million from \$22.7 million in 1986, when it was ranked the 20th-largest U.S. brokerage.

The brokerage was counted among the runners-up in *BI's* bro-

ker rankings in 1985, when it generated gross revenues of \$17.7 million.

In addition, ABI Management's premium volume grew substantially last year to \$290 million from \$193 million in 1986, an increase of 50.3%.

Mr. Mizel predicts that continued success in acquisitions and careful market moves should enable ABI Management to soon reach into the Top 10 U.S. brokers with annual revenues of \$100 million.

The privately held company's revenues were 20% above budget in the first quarter of this year, he said.

"Obviously, as trite as this statement is, we are one of the fastest-growing brokerages in the country," Mr. Mizel said.

And, if it's deemed appropriate, the privately held brokerage may go public in three or four years, he added.

To achieve these goals, other acquisitions are in the offing, Mr. Mizel said, and further moves also are in the works to strengthen the presence of ABI Management in Florida.

ABI Management, which has its strongest hold in the West and Midwest, also is planning expansion in such East Coast markets as New York, New Jersey and Pennsylvania, he said.

Currently, ABI Management has 13 offices in six states: Ohio, California, Minnesota, Kansas, Illinois and Florida.

ABI Management was formed almost five years ago by Mr. Mizel with the financial backing of American Financial Group of Cincinnati.

ABI Management's strategy from the beginning was to seek out small brokerages already successful in various regions and give them the support of a large organization while at the same time capitalizing on their local name recognition and reputation.

Mr. Mizel used this strategy successfully in building the former Albert M. Bender Co. into a large regional brokerage house, until it was acquired by securities broker Bache Group Inc. in 1978.

The division was later sold to Jardine Insurance Brokers Inc., where Mr. Mizel served as chairman of the U.S. operation until he left to establish ABI Management.

ABI Management made several acquisitions last year, but two new divisions in particular were significant moves for the broker, according to Mr. Mizel.

Last year, ABI Management bought Frederick Rauh & Co., the largest independent insurance broker in Ohio.

The acquisition created ABI Management's first presence in Ohio, which it had targeted as a major growth market.

And, in its home state of California, ABI Management purchased Gold Cities Insurance Agency in Grass Valley, Calif., a booming region north of Sacramento.

Gold Cities has been the sole broker for municipalities and school districts in the area and presents an opportunity for ABI Management to expand into these lines, Mr. Mizel said.

ABI Management's other 1987 acquisitions included: N.D. Ferris Co. of San Francisco; Great West Co. of Overland Park, Kan.; G. Goddard Co. of San Francisco; H.D. Rom Co. of Los Angeles; D.J. Brady Co. of San Francisco; and J. Allen Co. of Minneapolis.

All of the acquisitions were reported on a pooling basis.

Despite its rapid growth through

Continued on page 66

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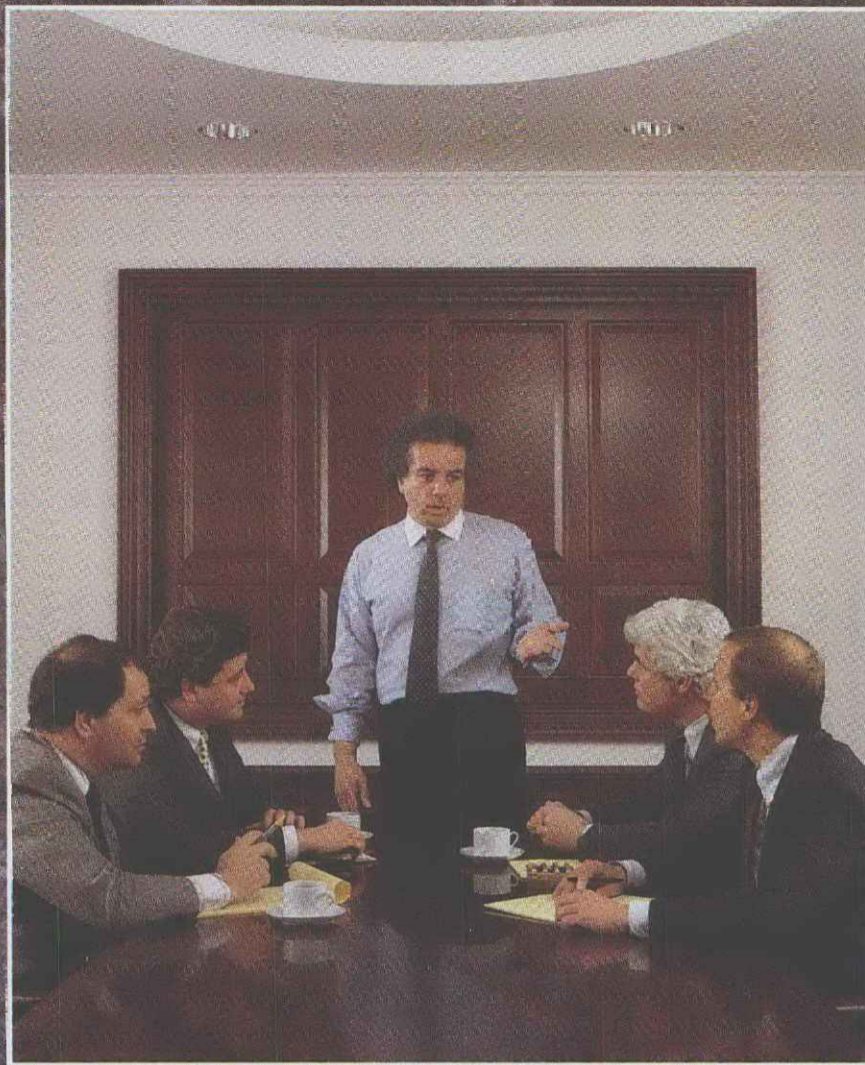
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Continued from page 64

acquisitions, ABI plans to maintain a conservative management approach that emphasizes long-term business over quick deals to gain temporary advantage, Mr. Mizel said.

Although ABI Management locks for the most favorable insurance arrangements when placing coverage for its clients, Mr. Mizel said he prefers an ongoing relationship with insurers that have provided service and demonstrated stability through market cycles.

That approach has benefited ABI Management, which was formed during the last hard market yet continues to prosper in the current soft market.

"If you are willing to sell out your long-term relationships for a few up-front, short-term collars, you are going to lose," he said.

Mr. Mizel has been especially wary of insurers now offering deals that were unavailable or that

ABI Management President and Chief Executive Officer Bernard H. Mizel has been especially wary of insurers now offering deals. 'Every time the market gets like this, they come out of the woodwork and knock on your door,' he says.

charged unacceptable rates when the market was hard.

"Every time the market gets like this, they come out of the woodwork and knock on your door," Mr. Mizel said.

"They are always the first ones out when things get tough. That disturbs me."

Currently, ABI Management has close relationships with Lincoln National Health & Casualty Co. in Fort Wayne, Ind. and American General Life Insurance Co. of Houston.

Other insurance companies with

which ABI Management places business are: Fireman's Fund Insurance Cos. of Novato, Calif.; Maryland Casualty Co. of Baltimore; Great American Insurance Co. of Cincinnati; Northland Insurance Co. of Minneapolis; American States Insurance Co. of Indianapolis; SAFECO Insurance Co. of America in Seattle; and Chubb Corp. of Warren, N.J.

Commission rates, moderated by steady prices for workers compensation insurance, have averaged about 12% during the past year, Mr. Mizel said.

Generally, ABI Management is compensated by its clients on a commission basis with only 4% of its retail brokerage revenues generated by fees.

ABI Management plans to offset declining premium volume during the soft property/casualty insurance market by concentrating on certain areas, such as workers compensation and group life insurance.

Those moves, bolstered by selective business in industries such as transportation, where premiums remain relatively stable, should help stabilize revenues, according to Mr. Mizel.

Currently 75% of ABI's business is property/casualty insurance brokerage, with the remainder split among life and health business and non-brokerage services such as consulting.

In addition, affiliate L.K. Lloyd & Associates in San Francisco and Los Angeles provides financial ser-

vices to ABI Management clients.

ABI Management's focus has been on medium-sized accounts that range from \$10,000 to \$75,000 in annual premiums; however, it has clients with up to \$1 million in annual premiums.

And, because it has acquired local firms, ABI Management's clients tend to be diverse, representing retail, wholesale, manufacturing, broadcasting, transportation and other businesses.

Approximately 87% of ABI Management's 1987 gross revenues were generated by commercial retail brokerage.

The remainder of the broker's revenues came from wholesale brokerage, 4%; personal lines, 2%; non-brokerage services, 4%; and investment income, 3%.

ABI Management also plans to continue its basic management philosophy—allow local brokers to operate with minimal headquarter influence—even though it has an ever-spreading network of affiliates, he said.

"We're a very decentralized company where the presidents of our firms are very much autonomous to do what they please," Mr. Mizel said.

Some functions, such as accounting, are standardized among units to ease management, but local enterprise is encouraged even to the point of playing down or eliminating the parent company's insignia on the affiliate paperwork, he said.

While it has purchased more brokerage firms, the staffing of the ABI Management headquarters has remained small with 19 employees—just enough to oversee the operations, he said.

"We try to keep ABI Management lean so that it doesn't detract from the strengths of our offices," Mr. Mizel said.

When ABI Management acquires companies, the new units typically retain current management to continue their previous winning ways, and then add staff or other upgraded services that they otherwise could not afford to boost business.

Last year's acquisitions added 137 employees to ABI Management's workforce, bringing the total to 416. In 1986, the brokerage employed 279 people. Revenues per employee grew to \$82,474 in 1987 from \$81,466 the year before.

Other ABI Management affiliates include: American Business Insurance Agency of Florida Inc. in Fort Lauderdale, Fla.; American Business Insurance Agency Inc. in Minneapolis and Overland Park, Kan.; Jacobs-Fendig Inc. of Tampa, Fla.; L.K. Lloyd & Associates of San Francisco and Los Angeles; San Francisco Agencies Inc. of San Francisco; Transport Employee Benefits Inc. of San Francisco; American Business Insurance Agency of Illinois Inc. in Schaumburg, Ill.; and Patrick C. Ross Associates Insurance Services in Woodland Hills, Calif.

ABI Management is licensed as an excess/surplus lines broker in Minnesota, Kansas and Illinois.

Officers of ABI Management, in addition to Mr. Mizel, are Vincent H. Tripani, senior vp and chief financial officer; Ed Bowler, vp and national controller; Karen S. Campbell, assistant vp-human resources; and James K. Thomas, assistant vp-data processing.

Two principal officers were transferred during the year. Ronald Brichler, who had served as ABI Management's senior vp and chief financial officer, returned to American Financial Group, and Bruce A. Ricci, senior vp, moved to San Francisco Agencies Inc., an ABI Management affiliate in San Francisco.

Mr. Tripani was promoted from vp and national controller to fill the position vacated by Mr. Brichler.

—By Glenn Huntley

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FBS Insurance

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	1987	1986
Premium volume	\$226,032,000	\$166,533,000
Gross revenues	\$33,500,000	\$29,200,000
Brokerage: Retail	42%	45%
Personal lines	26%	28%
Services	1%	1%
Invest. income	1%	2%
Other	30%	24%
Employees	291	374
Rev./Employee	\$115,120	\$78,075
Offices	21	57

In spite of a year of major divestitures and an increasingly soft insurance market, FBS Insurance increased its gross revenues 14.7% in 1987 and retained 14th place in the *Business Insurance* ranking of the top U.S. brokers.

The main strategy behind FBS

Insurance's growth has been its mass marketing arrangement with First Bank System, its parent bank holding company, through which the brokerage obtains 80% of its new clients.

"The bank relationship is just outstanding," said C. Timothy Morris, managing director-agencies group for Edina, Minn.-based FBS Insurance. "They've adopted us more so than we probably ever thought that they might."

And, FBS Insurance plans to further integrate itself into its Minneapolis-based parent, as First Bank System attempts to acquire other financial service businesses—such as consumer financial planning firms and trust companies—in states in which it is not allowed to own banks, said Mr. Morris.

"That may offer opportunities for us to sell insurance products to other financial service businesses that First Bank Systems might acquire," he pointed out.

The relationship between bank and brokerage spawned some sizable new accounts for FBS Insurance in 1987, with the addition of several major commercial clients, Mr. Morris said.

And, although the economic atmosphere in the brokerage's North Central business region was still "flat," changes in the makeup of the area's business base, as more manufacturing and high-technology companies settled in the Minneapolis-St. Paul area, helped FBS Insurance's performance as well, said Mr. Morris.

FBS Insurance posted gross revenues of \$33.5 million in 1987, a 14.7% jump from 1986 gross revenues of \$29.2 million.

Premium volume also grew, surging 35.7% to \$226 million in 1987 from \$166.5 million the year before.

This strong performance was particularly welcome since the brokerage divested itself of 37

agencies in 1987 alone, as part of a shift to the predominantly urban areas in which its parent bank operates.

FBS began selling its 39 rural agencies, or about two-thirds of all of its agencies, in 1986.

After the divestitures, the brokerage had 21 offices: 13 in Minnesota, three in Montana, four in North Dakota and one in Wyoming.

The divestitures also trimmed FBS Insurance's staff to 291 employees at year-end 1987 from 374 in 1986, and Mr. Morris expects attrition to further pare down the workforce, especially in the home office.

But, on the up side, the 22.2% workforce reduction produced a



Mr. Morris

47.4% surge in revenues per employee to a whopping \$115,120 per employee in 1987 from \$78,075 in 1986.

FBS Insurance first appeared in the Top 20 of *BI's* brokerage rankings at No. 18 in 1985, when it became the first brokerage owned by a bank holding company to be listed (*BI*, June 24, 1985).

Included in the changes FBS Insurance made during 1987 was the revision of its producer compensation system from salary to commission to "put more incentive into our compensation system," Mr. Morris said.

"A lot of our producers, particularly in this region, have been principally salary-oriented because of the relationships and ties with the bank," he noted.

Commissions for FBS Insurance's commercial clients range from \$5,000 to \$75,000, with the low end being primarily in the brokerage's Main Street business, according to Mr. Morris. There are also "a number of accounts (with premiums) well in excess of \$1 million," he added.

However, unexpected losses in the medical and professional area caused a drop in contingent commissions in 1988, Mr. Morris explained.

"We had a much poorer record for (contingent commissions) this year than we had forecasted we would, principally because we had large losses that hurt us more than we had ever anticipated," said Mr. Morris. "We were doing super through the third quarter, but in the fourth quarter we got nailed with some very large losses. So our (contingent commissions) this year were a real disappointment for us."

So far in 1988, contingent commissions are running 50% behind 1987's pace, he said.

FBS Insurance's main thrust for 1987 and beyond was its intensive mass marketing strategy to cross-sell to its parent bank's customers. This program was instituted in personal lines in 1984, and was expanded in 1987 to attract the bank's commercial group accounts.

With a current client base of 140,000—of which 40%, or 55,000, are property/casualty clients—FBS Insurance has a strong presence in the North Central business region.

But the increased competition of the softening insurance market is spurring the brokerage to seek out new business to increase revenues, especially in personal lines.

"There's no question that probably the greatest synergy with the bank" is in personal lines products like life insurance and annuities, said Mr. Morris.

Although personal lines comprised only 26% of FBS Insurance's gross revenues in 1987—down from 28% in 1986 and 31% in 1984—he attributes the lower share of revenues to a gradual increase in miscellaneous activities, such as credit life insurance operations and non-recurring revenues from the divestitures. Other sources produced 30% of FBS Insurance's gross revenues in 1987, up from 24% in 1986.

Investment income and non-brokerage services each accounted for 1% of the brokerage's 1987 revenues.

The brokerage is focusing its personal lines marketing on upscale clients, Mr. Morris said.

"Life insurance is a product that the bank customers relate to easily," he said. "Our objective is to double where we are by next year."

Currently, the placement of individual life insurance comprises only 5% of FBS Insurance's revenues, a figure that the brokerage aims to increase to 20% over the next five years.

FBS Insurance also is stalking mass-market personal lines prospects through an exclusive agreement with Colonial Penn Insurance Co. of Philadelphia to solicit auto,

Continued on page 72



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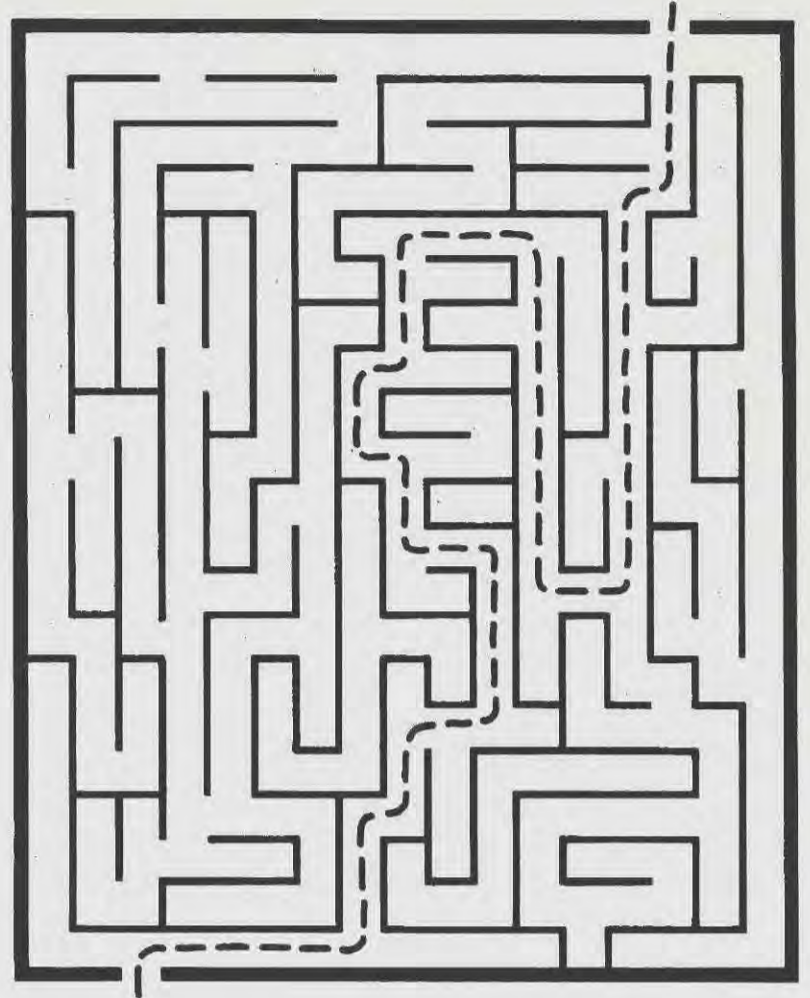
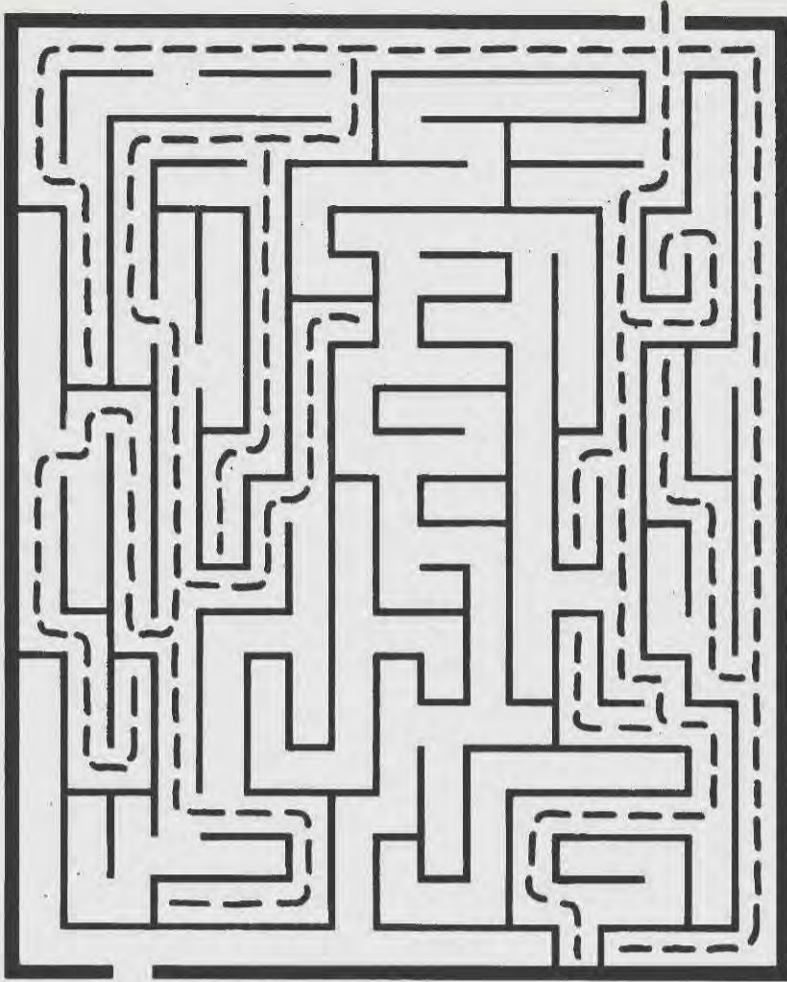
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Continued from page 68
homeowners and umbrella liability clients.

The brokerage is also marketing auto and homeowners insurance to First Bank System employees through an arrangement with Aetna Life & Casualty Co. of Hartford, Conn., said Mr. Morris.

However, FBS Insurance's bread and butter business continues to be commercial retail brokerage, which generated 42% of its gross revenues in 1987, down slightly from 45% in 1986.

The majority—97%—of FBS Insurance's retail brokerage revenues are generated by commissions, with a scant 3% coming from fees.

FBS Insurance does not specialize in any particular lines, except in Montana and North Dakota where it is strong in contractors liability insurance. It counts among its commercial clients typical urban businesses such as hospitals, small municipalities and general

industry.

FBS Insurance also is prospecting the bank's clients to increase its commercial business. The brokerage seeks middle-market commercial customers, which Mr. Morris defines as those generating less than \$150 million in annual sales.

"Typically the new commercial accounts we're soliciting are going to range between \$25,000 and \$500,000 in premium, principally in the metro (Minneapolis-St. Paul) area," said Mr. Morris.

FBS Insurance formed a joint venture last fall with Rollins Burdick Hunter Co., which added its first Minneapolis office in 1987. RBH is the nation's seventh-largest broker (see profile, page 44).

FBS Insurance refers clients with more than \$150 million in sales, or those in specialized industries, to RBH. In turn, both brokerages jointly service the client.

FBS Insurance also purchased

'The relationship with the banker will allow you to get in the door,' says John C. Larson.

two small Minnesota agencies' books of business in 1987 to beef up its Main Street clientele. This strategy keeps overhead down, yet still enables the brokerage to acquire an agency's assets, said Mr. Morris.

Those acquisitions were Moorhead Agency Inc. in Moorhead, Minn., and Erickson Agency Inc. in Minot, Minn.

"With the troubles that the small independent agent is having out there, it's a natural source for us to be able to go out and buy those books of business," he said.

While the idea of a broker and bank teaming up is anathema to many in the insurance industry, who cite unfair competition, coercion and monopolization as hazards of the relationship, FBS Insurance and First Bank System seem mutually pleased with the arrangement.

"The relationship with the banker will allow you to get in the door and that's a tremendous advantage," said John C. Larson, managing director of FBS Insurance's Life/Benefits Group.

"But once you're there, you'd better be able to perform in a superior fashion in the terms of services, products and prices, or you're out the door," he added.

First Bank System, which formed FBS Insurance in 1929, is one of 16 bank holding companies that retained the right to broker insurance under a grandfather clause in the federal 1956 Bank Holding Company Act.

Although there are undeniable benefits for a broker affiliated with a banking system, there are also problems, particularly since further national expansion is limited because of existing banking/insurance laws, said Mr. Morris.

This year, FBS "dodged a bullet" from the Minnesota Department of Commerce, which attempted to restrict the brokerage's activities because of its bank affiliation through restrictions on referrals, said Mr. Morris. The proposal was later rejected by the state Legislature.

First Bank System currently is attempting to establish bases in Colorado, which has targeted passage of a law permitting interstate banking for 1991, said Mr. Larson.

"We don't know that we'll be acquiring insurance agencies in those areas," Mr. Morris said. "We may try to utilize some of the capabilities we've developed here to cross-sell those customer bases through mass marketing, but it's not hurting our strategies right now."

Local legislation has continued to be a problem as well, said Mr. Morris. The liberal benefit structure of Minnesota's workers compensation laws continues to be "a major regulatory issue for us," since many insurers will not write work comp insurance in the state.

But availability is improving this year, said Mr. Morris. "Companies are using (work comp) as somewhat of a loss leader to write other lines of business," he added.

Insurers in the region continued to be aggressively competitive throughout 1987, Mr. Morris noted. Rates first started coming down in the third quarter of last year, and fell severely in the fourth quarter, he said.

The Twin Cities of Minneapolis and St. Paul were "obviously among the first to go competitive because there are larger accounts and more pricing room. We're still seeing competition from the direct writers and regional insurers in the region, which is a major factor in increasing competition," he said.

In fact, property insurance is "just incredibly soft right now; prices are going anywhere from 25% to 40% below what they were last year," he said.

Other lines in which Mr. Morris has noted softening include umbrella liability and directors and officers liability, although he noted that rates for long-tail liability risks are still high.

Like many brokers, Mr. Morris is concerned about the market becoming too soft, too quickly.

"I foresee it; it's coming much faster and is occurring more deeply than we ever thought it would, probably six to nine months faster than we thought it would get to the point where it is," he said.

This may well affect 1988 revenues. Although FBS Insurance had no figures available for its first-quarter performance, Mr. Morris commented that revenues were "about flat (compared with last year's first quarter); we've done some studies in our metropolitan area and on better accounts we're seeing average prices down at least 13% to 15%, and that's after exposure increases."

However, FBS Insurance is still optimistic about growth in 1988. The brokerage is projecting revenue growth at 8% for the year, although Mr. Morris admits that this may be "somewhat optimistic, given the divestitures of the agencies."

Messrs. Morris and Larson report to Mark W. Sheffert, executive vp and head of the Financial Services Division of First Bank System.

—By Laura Mazzuca



Mr. Larson

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Agenda

Keynote Address Monday, August 1
Benefits Communicators — The New Dimension
Wesley Poriotis, Chairman and Chief Executive Officer of Wesley, Brown & Bartle, a management consulting and executive search firm in the benefits and communications field, sets the tone for the 1988 EBC Conference with a look at the benefits communicator as business person, creative artist, benefits practitioner, or all three. Who are they, where are they coming from and what does the future hold?

Employee Assistance Programs
If you don't use it, you lose it. To achieve high participation and maximum value for your company's EAP investment, you've got to do more than just communicate. You've got to market the product to your employees. Hear the strategy applied by one company.

Long Term Care
Problems & Solutions. This session presents a case study from one of the first corporations to introduce long term care as an employee benefit. See this company's success story.

EBC Awards Luncheon
Recognizing outstanding communications programs, Alfred Malecki, Publisher, Business Insurance, presents the 16th Annual EBC Awards. Also shown will be the first place a-v winner.

Concurrent Sessions
These three workshops all on state-of-the-art interactive communication programs are presented as concurrents, giving you the opportunity to attend all sessions. These case studies will be presented by both company and consultant firm. Time will be provided after Monday's sessions for additional demonstrations and informal questions/answers.

#1 Flexible Benefits
Abbott Lab's Flex Benefits System, developed by Alexander & Alexander Consulting Group, gives employees a unique tool for making complex benefit decisions. This direct access, interactive system allows employees to model 'what if' scenarios for health care, flexible spending accounts and their 401(k) plan.

#2 Pension/Profit-Sharing & Retirement Planning
Projecting financial scenarios for employee retirement — Allstate's "Search For Security" program, developed by their consultant, Mercer-Meidinger-Hansen, offers new visions. And because it's educational and fun to use, information is better retained.

#3 Benefits Communication & Management
Becton Dickinson is using technology, developed by their consultant, The Wyatt Company, to communicate and administer its long term savings plan. Employees can sign-up, check account balances, calculate loans and more, in a private, secure, user friendly environment.

401(k) Under Tax Reform Tuesday, August 2
Communicating 401(k) plans and changes to employees within this new tax reform environment can be complicated, even for a seasoned communicator. Here's what has worked — and what hasn't — for one company.

You Be The Judge
A-V Excellence. Presented annually, this energetic session presents audio-visual programs submitted to the EBC Competition. You be the judge — see what other industry professionals are doing in this medium.

Luncheon
Jerry Geisel, BI's Washington Editor, gives you a *View From The Capitol*.

Wellness Programs
Michael Scofield, PhD, leads this panel on effectively communicating the health promotion message to employees. Panelists representing large, medium and small size companies discuss the communication channels needed for a very different benefit area — promoting good health and positive lifestyles. They'll look at what works and what has backfired for their own companies.

Adjournment
Until next year ...

Registration

The BI Conference opens Sunday, July 31, with registration check-in and a cocktail reception from 5-7pm. Sessions begin Monday, August 1 at 8:30am. The conference adjourns Tuesday, August 2 at 3:30pm.

The cost is \$650. A 10% discount is offered to additional registrants from the same company. The fee includes sessions, workbook, educational materials, and scheduled functions.

Payment required with registration. All registrations will be confirmed.
Cancellations must be received in writing. A refund will be made on cancellations received before July 1.

A \$100 service charge will apply to cancellations received after July 1. No refund will be made on cancellations received less than 5 business days prior to the conference. If your plans change, you may substitute another person from your company without penalty.

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Awards Luncheon
A luncheon ticket is included with your Conference registration. A limited number of additional seats are available for the EBC Awards Presentation Luncheon. Additional tickets are \$60 each, available on a first come-first serve-basis; reservations required. Contact Registrar.

Speakers

Craig Bryars
Consultant
THE WYATT COMPANY
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Interactive Communication

Catherine A. Corse
Asst. VP/Mgr., Employee Benefits
BARNETT BANKS INC.
Employee Assistance Programs

Pattie Duca
Mgr. Employee Benefit Planning
BECTON DICKINSON & COMPANY
WORKSHOP #3:
Interactive Communication

Jerry Geisel
Washington Editor
BUSINESS INSURANCE
LUNCHEON SPEAKER:
From the Capitol

Beth Leaman
Vice President
BENEFACETS, INC.
ALEXANDER & ALEXANDER
CONSULTING GROUP
WORKSHOP #1:
Interactive Communication

Alfred Malecki
Publisher
BUSINESS INSURANCE
LUNCHEON SPEAKER:
EBC AWARDS

Karen Manning
VP, Employee Benefits
AMERICAN EXPRESS
TRAVEL RELATED SVCS. CO., INC
Long Term Care

Daniel McCarthy
Asst. VP, Comp & Benefits Planning
ALLSTATE INSURANCE COMPANY
WORKSHOP #2:
Interactive Communication

Kathryn J. McIntyre, A.R.M.
Editor
BUSINESS INSURANCE
OPENING REMARKS

Laurel Nicholson
Principal
MERCER-MEIDINGER-HANSEN
WORKSHOP #2:
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Wesley Poriotis
Chairman & CEO
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KEYNOTE SPEAKER

Robert Schumacher
Director, Corporate Benefits
ABBOTT LABORATORIES
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Michael Scofield
Mgr. Employee Health Promotion
AT & T
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15

Poe & Associates Inc.

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	1987	1986
Premium volume	\$300,000,000	NA
Gross revenues	\$30,979,000	\$34,120,000
Brokerage: Retail	49%	48%
Wholesale	36%	36%
Personal lines	10%	7%
Services	4%	4%
Invest. income	1%	3%
Other	0%	2%
Employees	545	517
Rev./employee	\$56,842	\$65,996
Offices	17	17

Poe & Associates Inc. is predicting a record 1988 after being trampled last year by the softening insurance market, the Oct. 19 stock market crash and an unexpected drain on earnings from a discontinued operation.

The competitive marketplace was partly responsible for hammering Poe's gross revenues down to \$31 million in 1987 from \$34.1 million in 1986. Another reason for the 9.2% dip was the conversion last year of one of the brokerage's large wholesale programs from occurrence-based coverage to the claims-made form.

As a result of last year's revenue

'We had a substantial amount of our assets in the stock market,' says Mr. Poe, explaining that the Oct. 19 crash was the main reason for declining income last year. Investment income generated only 1% of 1987 revenues, down from 3% in 1986.

slide, the Tampa, Fla.-based broker's fell to the No. 15 spot from No. 13 in the *Business Insurance* ranking of the nation's Top 20 insurance brokers.

But a strong first-quarter 1988 showing has management optimistic.

"I think we will have a record year," said Chairman William F. Poe. Growth, he predicted, will be across the board and helping out will be little, if any, additional expenses.

"I don't think we will have any substantial increase in expenses," he said.

Switching the brokerage's Professional Protector Program for dentists to claims-made coverage resulted in a significant loss of revenue last year, Mr. Poe explained.

Because claims-made coverage is less expensive in the first few policy years than occurrence-based coverage, the Professional Protector Program generated only about \$70 million in premiums last year, down from about \$100 million in 1986 when the coverage was still occurrence-based.

Chicago-based CNA Financial Corp. underwrites the program that provides about 35,000 dentists nationwide with medical malpractice liability insurance limits of up to \$1 million.

While the change to a claims-made form reduced revenues from the medical malpractice coverage,

"the softening of the market really affected us on our normal, Main Street-type of business," said Mr. Poe.

Overall, he termed 1987 "disappointing."

In prior years, Poe has not reported premium income for *Business Insurance* broker surveys, but it listed that figure at \$300 million in 1987.

The disappointing 1987 results followed two strong years for the publicly held brokerage. The \$34.1 million in 1986 gross revenues was a 16.8% jump from \$28.7 million the prior year. In 1984, Poe reported \$22.8 million in gross revenues.

Net income last year also tumbled, falling 66.4% to \$1.5 million from \$4.4 million in 1986.

"We had a substantial amount of our assets in the stock market," said Mr. Poe, explaining that the Oct. 19 crash was the main reason the brokerage suffered declining income last year. Investment income generated only 1% of 1987 revenues, down from 3% in 1986.

Poe's own stock fell to a low of \$7 in 1987's fourth quarter from a first-quarter high of \$13.25. The stock was selling at \$9 on June 9.

Despite its reduced earnings, Poe declared a dividend of 10 cents per share for each quarter last year. Poe declared a dividend of 8 cents per share for the last three quarters of 1986.

Another drain on 1987's income was an \$800,000 loss attributed to discontinued Whiting National Insurance Co., a former Poe subsidiary.

Mr. Poe said the loss was unexpected because the brokerage was unaware of an indemnity agreement signed in 1979 that called for Poe to indemnify a ceding insurer if Whiting could not pay reinsurance losses on business written for the insurer.

While he did not name the ceding insurer, Mr. Poe identified the business responsible for the \$800,000 loss as Florida-based workers compensation insurance.

"We thought we had finished any additional losses," related to Whiting, said Mr. Poe. The brokerage last recorded a loss attributable to the discontinued operation in 1984.

Whiting primarily wrote professional liability coverage for dentists and lawyers until it ceased writing new business in 1985. It has been operating only to pay claims from prior business and manage certain investments.

Poe continues to face a potential liability as a defendant in litigation pending in Florida's Dade County Circuit Court. No trial date has been set for the lawsuit, which concerns the 1984 sale of Poe & Associates of Puerto Rico Inc. to J.M. Pepe Alvarez, president of Associated Brokers Inc. in Coral Gables, Fla. (*BI*, June 22, 1987).

Mr. Alvarez is seeking \$4 million in compensatory damages and \$100 million in punitive damages from

Continued on next page



Mr. Poe

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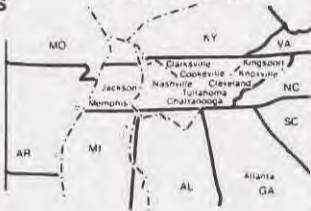


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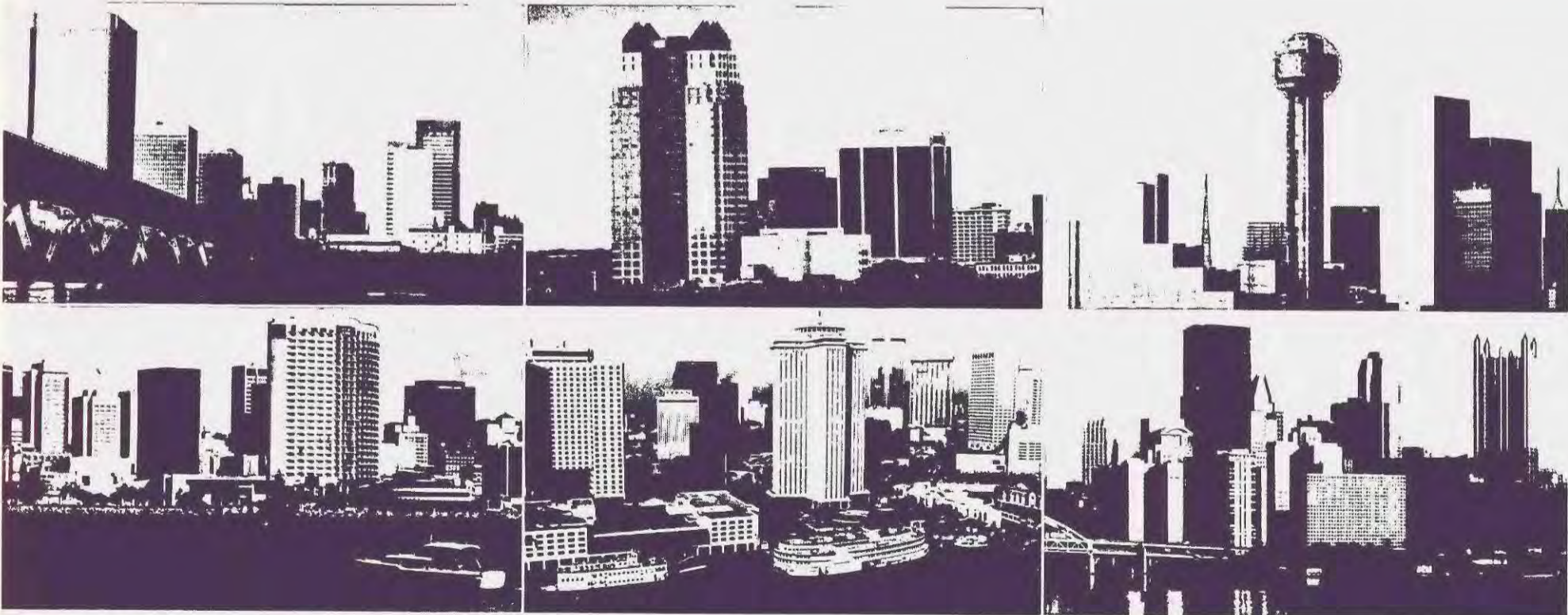
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Continued from previous page

Poe. The suit, which was filed in March 1986, charges that the brokerage, Dependable Insurance Co., and other defendants convinced Mr. Alvarez to buy the Puerto Rico agency by intentionally misrepresenting loss ratios connected to business the company handled.

The Puerto Rico-based company operated as a managing general agency for Jacksonville, Fla.-based Dependable.

Dependable has filed a cross-claim in the case alleging that a release it granted to Poe freeing the brokerage from claims related to the program was fraudulently induced.

In its annual report, Poe said Dependable is seeking to recover losses it may realize under the program plus an unspecified amount of punitive damages.

Poe has denied misrepresenting the loss ratios to Mr. Alvarez and contends it furnished detailed loss ratio information prior to the sale. The brokerage also claims the release given by Dependable was legitimate and bars Dependable from recovery against the brokerage.

Despite the shaky 1987, Mr. Poe's optimism for a record 1988 is bolstered by the brokerage's strong first-quarter performance.

Gross revenues for the first three months of this year totaled \$10.1 million, a 20% increase from \$8.4 million for the first quarter of 1987. Net income is up 55.4% to \$1.9 million compared with \$1.2 million for the first quarter last year.

The brokerage continued to pay a dividend of 10 cents per share for the first quarter of 1988.

Expenses in this year's first quarter have held the line, Mr. Poe said, while a new medical malpractice program and contingency commissions paid on business written last year have boosted income.

When the St. Paul Cos. Inc. pulled out of the medical malpractice market in Florida last year, Poe and CNA helped fill the gap by offering the coverage to the state's doctors. The program, which began Jan. 1, generated first-quarter revenues of approximately \$1 million.

Poe estimates the CNA coverage represents about 80% of the business formerly written by St. Paul.

Contingency commissions have added another significant boost to revenues so far in 1988.

"We had very large (contingency commissions) as compared to normal," Mr. Poe said in explaining the first-quarter performance. "The business that we wrote in 1987 was very profitable for many of our insurance companies."

Poe booked about \$900,000 in contingency commissions on that business, compared with the \$400,000 it received in 1987's first quarter.

Mr. Poe said he expects stellar results for this year despite the continued softening of the commercial property/casualty insurance market.

"I look for a continuing softness, although I don't know how accelerated it will be," he remarked. "It seemed to accelerate in April more than the first three months."

Mr. Poe noted that pricing competition among insurers has spread "pretty much across the board. The lower rates are still on the better business, but the average-to-poor risks are now seeing discounts."

Commercial retail brokerage business accounted for 49% of Poe's 1987 gross revenues, or \$15.2 million. In 1986, that business made up 48%, or \$16.4 million, of Poe's revenues.

The brokerage received 94% of its retail brokerage revenues on a commission basis and 6% on a fee basis in 1987. In 1986, 92% came from commissions and 8% from fees.

Mr. Poe notes that pricing competition among insurers has spread 'pretty much across the board.'

Wholesale business was responsible for 36% of 1987 revenues, the same as in 1986. Those revenues amounted to \$11.2 million last year and \$12.2 million in 1986. Included in those figures is revenue generated by Tampa subsidiary Jordan, Roberts & Co.

Mr. Poe said he expects programs on the wholesale side to do well for the remainder of this year.

A new program developed last year provides \$1 million in primary commercial general liability insurance and a \$5 million umbrella

Continued on next page

"But, we've always handled claims that way..."

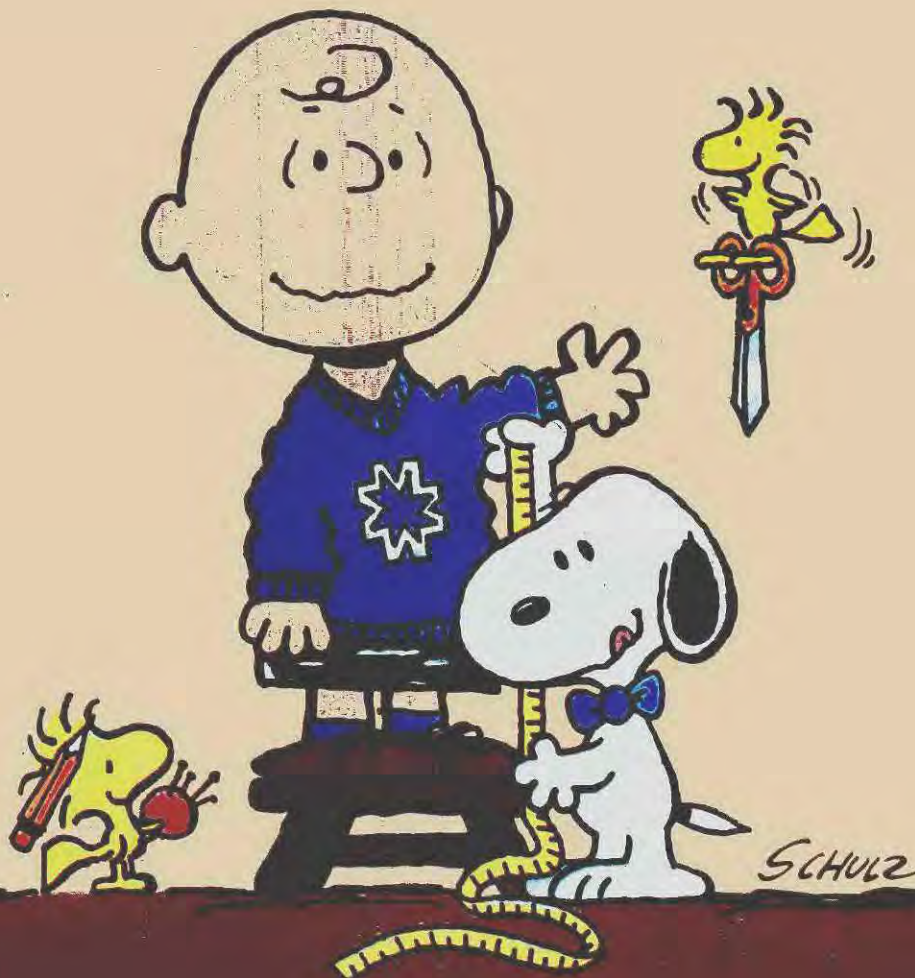
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Continued from previous page

limit for members of the National Beer Wholesalers Assn. based in Falls Church, Va. The coverage is written by CNA.

Although the program is young, Mr. Poe said it is growing and is expected to be profitable.

Earlier this year, Poe introduced a program written by a pool of 30 insurers that provides \$1 million in environmental impairment liability coverage for owners of underground gasoline tanks. The coverage is issued by Amerisure Insurance Co. in Detroit.

The program is "moving slow," said Mr. Poe. Two or three policies have been written, but a lot of business is not expected to be written until the effects of government regulations regarding underground storage tanks become clearer.

Poe's National Lawyers Program, which provides \$1 million in professional liability limits for lawyers, had a good year in 1987, Mr. Poe remarked.

The program, underwritten by CNA, generated \$50 million in premiums last year, up from \$30 million the year before.

"This is not a mature program," Mr. Poe said of the lawyers program. "We anticipate that it will continue to grow."

The National Optometrists Program, which is written by Great American Insurance Co. in Cincinnati, recorded premium levels in 1987 unchanged from the year before. Approximately 6,000 optometrists paid premiums totaling between \$8 million and \$10 million for coverage that provides aggregate professional liability policy limits of \$1 million.

Four percent of Poe's revenues came from non-brokerage services, the same percentage as in 1986. These revenues include revenue from Poe Benefit Services and Poe Risk Management Services, both third-party claims administrators based in Tampa.

Personal lines accounted for 10% of 1987 revenues, up from 7% in 1986.

Poe reported that other sources contributed 2% of gross revenues in 1986 but did not produce any revenues in 1987.

Poe's acquisition activity slowed last year compared with recent years. The brokerage made just one acquisition in March 1987 when it acquired certain assets of Ragolia & Co. Insurance Brokers in Pennington, N.J., and moved those assets to Poe subsidiary O'Connell & Salisbury in New Brunswick, N.J. As a result, the number of offices remained the same, at 17.

Besides its Tampa location, Poe has Florida offices in Fort Lauderdale, Fort Myers, Jacksonville, Lakeland, Miami, Orlando, Tallahassee, Tampa, Venice and Winter Haven.

Poe's workforce increased to 545 last year from 517 in 1986. This increase, coupled with the revenue slide, reduced revenues per employee 13.9% to \$56,842 from \$65,996 in 1986.

National offices are O'Connell & Salisbury; Poe & Associates of Georgia in Norcross; Poe & Associates of North Carolina in Charlotte and Wilkesboro; and Poe & Associates of Texas in Houston.

Besides Mr. Poe, principal officers include V.C. Jordan Jr., president; Martin L. Vaughan III and Bruce G. Geer, executive vps; Earl S. Lipnick and Kenneth M. Sumner, vps; and Donald E. Howerly, treasurer and secretary.

The cash compensation received by the five highest-paid officers in 1987, according to documents filed with the Securities and Exchange Commission, follows:

William F. Poe.....	\$270,500
Earl S. Lipnick.....	\$170,169
V.C. Jordan Jr.....	\$153,935
Martin L. Vaughan.....	\$134,119
Bruce G. Geer.....	\$118,632

—By Michael Bradford

16

Walter Kaye Associates Inc.

122 E. 42nd St., New York, N.Y.
10168; 212-210-9200

	1987	1986
Premium volume.....	\$500,000,000	\$450,000,000
Gross revenues.....	\$29,958,000	\$28,758,000
Brokerage: Retail.....	80%	81%
Wholesale.....	9%	9%
Reinsurance.....	3%	3%
Personal lines.....	1%	1%
Services.....	1%	2%
Invest. income.....	5%	4%
Employees.....	320	334
Rev./Employee.....	\$93,619	\$86,102
Offices.....	6	6

Although Walter Kaye Associates Inc. did not grow in 1987 at the phenomenal rate it had grown in previous years, senior management is pleased with the company's performance.

Revenues for the 36-year-old,

privately held New York-based brokerage grew 4.2% in 1987 to nearly \$30 million from \$28.8 million in 1986. However, this growth was not enough to keep the company from dropping one spot to 16th place in the *Business Insurance* rankings of the 20 largest U.S. brokers.

"We're satisfied with our results," said Lawrence Greenfield, co-president.

"When insurance prices are dropping, we think we're doing a very good job by having any growth."

"We're the only (brokerage) firm in the country that has achieved this level (of revenues solely) with internal growth," contended Co-president Howard Kaye, son of the company's founder and chairman,



Mr. Greenfield

Walter Kaye.

"We're large enough that we have a good deal of the marketplace, but we're not so large that we can't have hands-on control of our accounts," said Howard Kaye.

Walter Kaye Associates' revenues grew 20.1% in 1986, 38% in 1985 and 30.3% in 1984, when it had revenues of \$17.4 million and ranked 19th—its first year in the *BI* Top 20.

But the brakes were on that growth in 1987 because of the competitive market and a general slowing of the economy, explained Messrs. Greenfield and Kaye.

"The euphoria was taken out of the business," commented Mr. Kaye.

1987 was a "stable year, you could almost say boring," said Mr. Greenfield.

Both Mr. Greenfield and Mr. Kaye predicted last year that 1987 would be tough, although Mr. Greenfield speculated revenue growth in 1987 could hit 10% to 15%.

Although first-quarter 1988 revenues are up 7% over the comparable 1987 period, Mr. Greenfield said that "we don't think we'll sustain that the whole year."

Officials of the brokerage agreed that the competitive market will continue for a while, but they declined to speculate on exactly how long.

"I think we're going to be in this for a while," said Mr. Kaye.

Despite not reaching revenue

goals, Messrs. Greenfield and Kaye say they are proud of several accomplishments during 1987.

Revenues per employee rose to \$93,619 in 1987, compared with \$86,102 in 1986. The 8.7% increase in revenues per employee resulted

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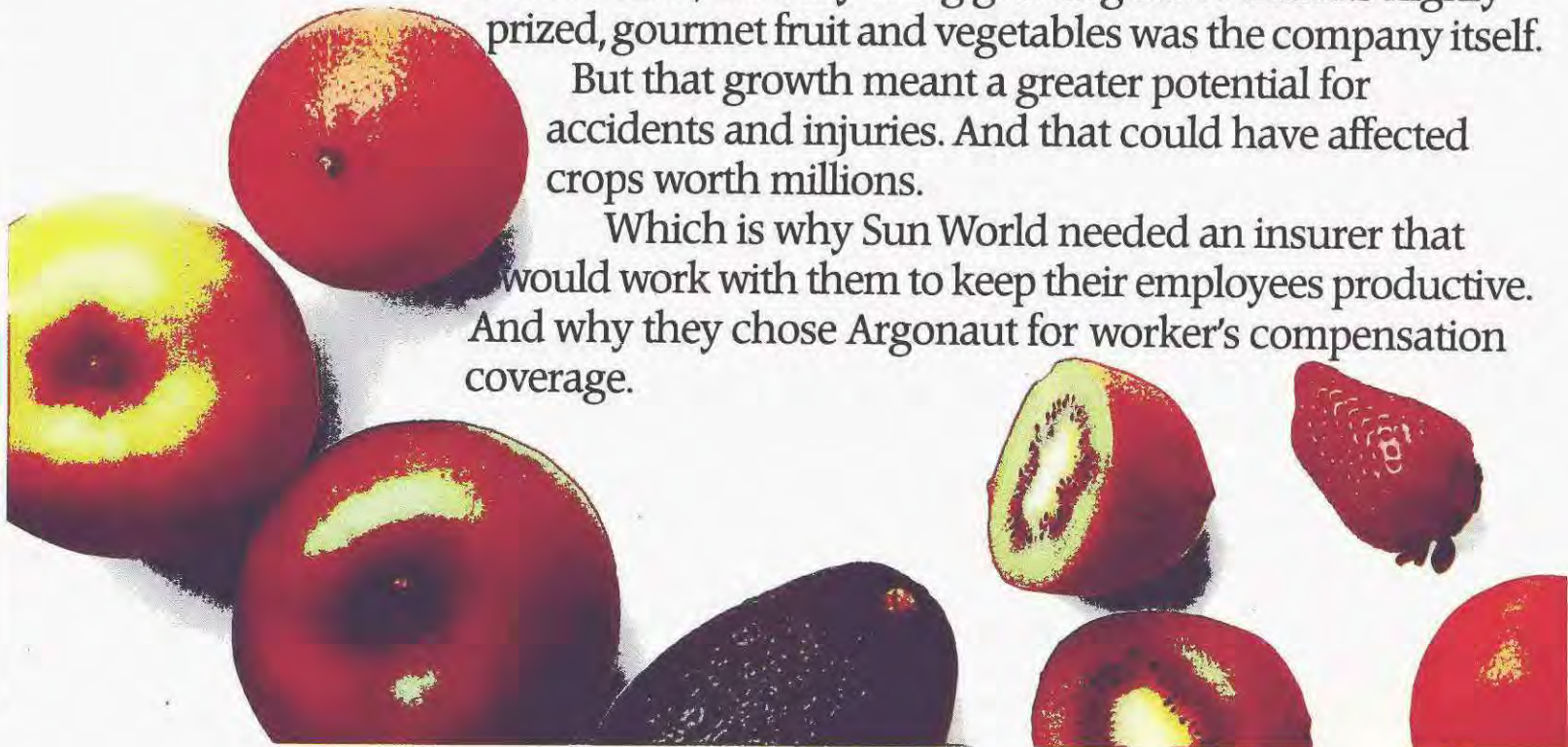
Mr. H. Kaye

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Continued from previous page from the 4.2% drop in employees to 320 in 1987 from 334 in 1986. The decrease primarily was due to attrition, Mr. Greenfield said.

"We're getting more efficient" and "more productive," he said. In comparison with previous years, "we're able to concentrate on how we (conduct business) as opposed to just getting it done," Mr. Greenfield added.

For example, the agency experienced little account turnover, which "permitted us to handle the renewal book of business with better efficiency," he said.

Eighty percent of the company's 1987 revenues were produced from commercial retail brokerage, down from 81% in 1986, and 5% was generated by investment income, up from 4% in 1986.

Other business segments produced the same percentage of gross revenues in 1987 as during the previous year: 9% from wholesale bro-

kerage; 3% from reinsurance brokerage; 2% from fees for non-brokerage services like claims administration; and 1% from personal lines brokerage.

Premium volume increased 11.1% in 1987 to \$500 million from \$450 million in 1986.

Premium volume was distributed among business lines much like last year: about 68% of premium volume came from casualty insurance, including workers compensation and auto insurance; 18% from property insurance; 9% from life and health insurance; nearly 3% from reinsurance; and nearly 2% from personal lines.

Walter Kaye Associates' target markets include restaurants, catalog showrooms, shopping centers and medical/professional liability accounts. The broker also has clients in the real estate, retailing and manufacturing industries.

Walter Kaye Associates did not drop any programs last year, but it

did not enter any new specialties either. "We're always trying to find new products to sell to new people," Mr. Kaye said.

One area that the company plans to concentrate on more in 1988 is employee benefits.

Mr. Greenfield said the brokerage ideally would like to see premiums from group life and health insurance comprise about 15% of total premium volume. He pointed out that health insurance premiums are escalating like property/casualty premiums did a few years ago, so future premium growth can be anticipated.

Mr. Kaye predicted that the company's commissions from employee benefits could grow 20% in 1988 from 1987.

Walter Kaye Associates' employee benefits division may be spun off to form an affiliated benefits consulting company in 1988, Mr. Greenfield said, so that the division could "have its own iden-

tity."

Walter Kaye Associates primarily targets clients that with at least \$250,000 in premium volume, but the company on occasion will consider clients that spend as little as \$100,000 annually on insurance premiums, Mr. Greenfield said.

While the broker generally does not solicit any account generating less than about \$10,000 in commissions, minimum levels are different for companies in the broker's target markets, he noted.

For example, small professional offices and restaurants generating \$1,000 in commissions would be viable clients, Mr. Greenfield explained.

Ninety-eight percent of Walter Kaye Associates' 1987 retail brokerage revenues were generated on a commission basis, while only 2% came from fees, the same breakdown as last year.

Walter Kaye Associates serves approximately 7,000 clients with

six retail brokerage offices. It did not open or close any offices during 1987.

In addition to its New York headquarters, the East Coast offices, each of which is called Walter Kaye Corp., are located in Newark, N.J.; Southport, Conn.; and Cranston, R.I.

During 1987 the Connecticut office moved from a 4,000-square-foot location to a 12,000-square-foot location, Mr. Greenfield said, adding that the broker hopes to further expand that operation in 1988.

The West Coast office is in Beverly Hills, Calif.

The sixth office is American Administrators Corp. in Arlington Heights, Ill., which is a direct-mail company that markets life and health insurance products to associations.

Walter Kaye Associates also has two non-retail brokerage subsidiaries. One company, Claims Administration Corp., based in New York, provides risk analysis and property/casualty claims management services for larger accounts.

In addition, Walter Kaye Associates owns United Administrators Inc., a Cranston, R.I.-based firm formed in 1986 to manage purchasing groups formed under the Risk Retention Act of 1986.

Walter Kaye Associates hopes to acquire a regional brokerage firm during 1988, said Messrs. Kaye and Greenfield.

Last year, the broker looked at three possible acquisitions but did not buy any of the companies, Mr. Greenfield said.

However, making an acquisition is a "higher priority this year; you need to acquire to grow," he continued.

"The pressure in 1988 is to maintain profitability," Mr. Greenfield noted, especially because "we're starting in such a trough in our renewals because of price competition" and expenses have already been pared so much.

"You must constantly be out looking for new business," added Mr. Kaye.

As the market is becoming increasingly competitive, "we certainly have a lot more unsolicited contact with insurers than we ever have," commented Mr. Greenfield.

Although insurance availability and pricing are no longer widespread problems, clients that pursued alternative risk financing mechanisms like captives or self-insurance programs are not returning to the traditional market, according to Mr. Greenfield.

"We have never had a client with a captive or self-insurance (program)" go back to traditional insurance, he stated.

Mr. Greenfield said Walter Kaye Associates may try to expand its claims administration work for self-insurers in the next few years.

"We have more clients interested in controlling their claims," Mr. Greenfield said. He noted that Walter Kaye Associates already performs some "hands-on loss adjustment of third-party liability" for captives, and this is an area that could provide good revenue growth in future years.

Insurance prices seem to be pretty level across the country, with pricing gaps occurring "only for short periods of time" before they equal out, Mr. Kaye said.

Walter Kaye opined that the real problem in the insurance industry today is that there are not enough good people available.

"That's the worst thing in the business: you can't find talented people," he said.

In addition to the Kayes and Mr. Greenfield, officers include: Marc Silverman, executive vp; Richard Bass, Stanley Feinberg, Bruce Guthart and Roger Levey, senior vps; and Frank Shechter and Laura LeValley, first vps.

—By Deborah Shalowitz



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17

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	1987	1986
Premium volume	\$240,000,000	\$190,000,000
Gross revenues	\$29,749,000	\$22,927,000*
Brokerage: Retail	75%	74%
Wholesale	12%	14%
Reinsurance	1%	1%
Personal lines	6.6%	6.3%
Services	4%	3%
Invest. income	1.4%	1.7%
Employees	354	307*
Rev./Employee	\$84,037	\$74,681
Offices	15	14

* Restated; broker's report, no public records.

After several years of concentrating on downscaling its operations, Financial Guardian Group Inc. is solidifying its basic strength—servicing middle-market com-

mercial brokerage clients—and increasing its profits.

And, now that the Kansas City, Mo.-based brokerage is back on track, privately held Financial Guardian is setting some lofty goals: Increase revenues to more than \$75 million within five years and become a publicly traded company.

FG's 1987 performance is "evidence that this company is working," pointed out Donald R. Weber, chairman and chief executive officer of the brokerage.

FG returned to the ranks of *Business Insurance's* 20-largest U.S. agents/brokers with gross revenues of \$29.7 last year, a 29.8% increase over a restated \$22.9 million in 1986. FG now ranks 17th, up from No. 21 last year.

In addition, net income rose 26.2% to \$1.1 million last year from \$881,763 in 1986. Earnings per share rose to 60 cents from 47 cents.

That growth carried over into the first quarter of 1988. Gross revenues for the quarter rose 25% to \$8.4 million from \$6.7 million in 1986, while net income advanced 26.3% to \$547,746 from \$433,517. First-quarter earnings per share rose to 30 cents in 1988 from 24 cents in first-quarter 1987.

Mr. Weber said FG's success is linked to its "A Company of Excellence" program, which was introduced in 1985 as it was reorganizing its operations.

"We went back to a good plan to stay with the basics and stay in the business we know, which is insurance brokerage in the upper mid-market commercial area and special programs such as associa-

tion, franchise and trade classes," Mr. Weber said. "The excellence program has certainly been a big factor, and our success really boils down to the leadership of this company."

The 19-year-old brokerage began tightening its corporate belt almost four years ago, when overdiversification in areas such as reinsurance and wholesale brokerage caused profits to lag, said Mr. Weber.

"We always had our successful regional offices but we were getting involved in so many other things that attention had been diluted," he observed.

So, in a 1984 bite-the-bullet move, FG restructured its management and divested itself of operations that generated \$9 million in revenues, approximately one-third of its 1984 revenue base.

FG also trimmed the fat from its risk management services division, which was made more cost-effective by the relocation of the divi-



Mr. Weber

sion's central management to FG's Kansas City headquarters from its New York office, said Mr. Weber.

By selling off operations unrelated to its core business, FG slowly slid downward in the *BI* Top 20: It ranked 16th based on 1984 revenues of \$23.3 million; 19th based on 1985 revenues of \$21.1 million; and 21st based on 1986 revenues of \$22.4 million before its 1987 climb.

"We knew the divestiture activity would reduce revenues but we did it by design and it's paying off," said Mr. Weber.

With the consolidation completed, FG is now growing both internally and through acquisitions.

About 73% of FG's 24.8% growth in commissions and fees last year was attributable to internal factors, like rate increases and improved production, while 27% was attributable to acquisitions.

During 1987, FG acquired a former Fred S. James & Co. Inc. office in Phoenix, Ariz., which generates \$1.1 million in annual gross revenues; Stone Insurance Brokers in Los Angeles, which produces \$1.3 million in gross revenues; Brain & Fritson Inc. in Kansas City, which produces \$800,000 in gross revenues; and miscellaneous books of business totaling \$75,000 in annual revenues.

The acquisitions of Stone, the James office and Brain & Fritson were reported as purchases in FG's 1987 gross revenues.

The acquisitions also have increased the brokerage's employee roster to 354 at year-end 1987 from 307 the previous year. With a 15.3% increase in employees, revenues per employee only rose 12.5% to \$84,037 in 1987 from \$74,681 the previous year.

And the staff increases are partially responsible for the overall increase in FG's operating expenses in 1987, said Mr. Weber.

Salaries, commissions and employee benefit expenses rose 25.7% last year to \$17.8 million, while total operating expenses rose by 25.7% to \$26.3 million.

But, operating expenses should moderate through employee attrition in acquired branch offices, said Mr. Weber.

In addition, FG's Insurnet computer system, which enables the brokerage to process 75% of the inquiries it receives without paper files, has increased productivity and "significantly reduced expense ratios," said Darrell D. Prater, FG's executive vp, director and chief financial officer.

FG also is concentrating on its internal growth. The brokerage's account retention was strong in 1987, Mr. Weber said, and this was reflected in contingent commissions from insurers, which totaled \$1.3 million in 1987. And, contingent commissions have increased to \$1.7 million this year, he added.

Because of the softening commercial property/casualty insurance market, FG, along with many other brokers, anticipated a decrease in renewal premium rates for 1987 and planned accordingly, Mr. Weber said. Unfortunately, FG only projected a 12% decrease in renewal rates, while the 1987 figure was closer to 20%, he noted, adding that this loss of commission revenue on renewal business means that FG must continue to emphasize new business production.

To do so, FG is concentrating on a "sales center" marketing approach through the addition of producers to existing branches, "making them larger so they have a critical mass level to be able to provide in-house risk management services," said Mr. Weber.

At least eight new producers were added to FG's branch offices in 1987, added Mr. Prater.

Mr. Weber said insurers are "much more aggressive in going after business now," sometimes to the point of careless underwriting.

Continued on next page

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Continued from previous page

However, "I think the companies on the whole are much more intelligent this time," he said.

Another strategy pursued by FG is to more clearly define its specialties, he said. FG specializes in coverage for medical supply firms, trucking companies, fast-food franchises, arenas and oil and gas companies. And, FG's 1987 acquisitions increased its market share, particularly in its fast-food and trucking, said Mr. Weber.

Average commissions for a medium-sized accounts ranged from \$5,000 to \$10,000 in 1987, with FG's largest account producing \$400,000 in commissions, said Mr. Prater. Association programs produce an average of \$800,000 to \$1 million in commissions.

Despite an appetite for larger accounts, FG is not necessarily chasing Fortune 500 companies for business, said Mr. Weber, though he foresees eventual expansion into this market.

"We feel that there is a tremendous opportunity for FG because there are very few mid-market, mid-sized national brokers left," said Mr. Weber.

The brokerage's commercial retail business produced 75% of FG's gross revenues last year, up from 74% in 1986. Wholesale brokerage shrank to 12% of revenues, down from 14% in 1986, as a result of previous years' divestitures and increased retail business.

The brokerage's FG Special Risk Inc. subsidiary, with offices in Texas and Louisiana, is FG's only remaining wholesale unit, said Mr. Weber. FG Special Risk is licensed as a surplus lines broker in Texas, Louisiana, Florida, New York, Illinois, California, Colorado, Michigan, Kansas and Missouri.

Personal lines brokerage represented 6.6% of FG's gross revenues in 1987, up from 6.3% in 1986. Fees from services increased to 4% from 3%, while investment income fell slightly to 1.4% from 1.7%.

FG's goals for 1988 and beyond are ambitious. The brokerage plans to increase its revenues to \$50 million within the next two to three years and to \$75 million within five years, said Mr. Weber.

Part of this growth will be fueled by acquisitions. FG is looking in cities in which it already has branches and also wants a potential acquisition candidate to have expertise in middle-market accounts or specialty programs, he said.

Eventually, "FG wants to be positioned in the major metro areas of the country," said Mr. Weber.

Another specifically targeted area of growth for 1988 and beyond is risk management services, he said. FG projects that services will generate 10% of 1988 revenues, up from 4% in 1987.

FG's clients continue to show an interest in captives, Mr. Weber said, noting that FG performs captive feasibility studies and offers captive establishment and management services.

Mr. Prater added that FG has set up three captives since the beginning of the year.

The brokerage also continues to see growth potential in brokering excess liability and directors and officers liability insurance, said Mr. Weber.

FG, with employees owning 24% of its stock through an employee stock ownership plan, intends to go public within the next two years, he added. FG's determination to go public could even include a merger with a public company as a "strategic partner" as long as FG retains control of its assets, he explained. He added, though, that there are no suitors at present.

As reported on FG's 1987 10-K form, the company's stock was valued at \$9.28 per share at year-end 1987, a 12% increase from \$8.23 per share at the end of 1986.

Among management changes, Frank C. Witthun joined FG as senior vp and director. Mr. Witthun, who worked at Wausau Insurance Cos. for 11 years and at Fred S. James for seven years, oversees various FG offices, errors and omissions issues and strategic planning.

FG now maintains 15 offices in the following states: Alaska, Arizona, California, Colorado, Illinois, Kansas, Louisiana, Michigan, Missouri, New York and Texas, up from 14 last year with the acquisition of a Phoenix, Ariz., office. FG also has a Bermuda office.

The cash compensation received by the five highest-paid FG officers in 1987, according to documents filed with the Securities and Exchange Commission, follows:

Donald R. Weber	\$203,600
Doran R. Oneale	\$183,374
Barry R. Harper	\$179,082
Darrell D. Prater	\$128,700
Norbert F. Koehs	\$125,000

—By Laura Mazzuca



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18

**McDonough Caperton
Insurance Group**

 1 Hilcrest Drive, P.O. Box 1551
 Charleston, W.Va. 25326-1551
 304-346-0611

	1987	1986
Premium volume	NA	NA
Gross revenues	\$28,384,000	\$23,884,000*
Brokerage: Retail	60%	58%
Wholesale	4%	6%
Personal lines	3%	3%
Services	30%	30%
Invest. income	2%	2%
Employees	488	452
Rev./Employee	\$58,164	\$52,871
Offices	17	17

* Restated; broker's report, no public records.

McDonough Caperton Insurance Group has a new president, while its former chief is aiming his sights at a higher office.

W. Marston Becker became pres-

ident of the nation's 18th-largest brokerage when W. Gaston Caperton III resigned in November to seek the Democratic nomination for governor of West Virginia.

Mr. Caperton, who remains chairman of the brokerage, went on to win the May 10 Democratic primary.

Mr. Becker, who formerly was executive vp of the Charleston, W.Va.-based company, makes clear that the change at the top does not mean a change in the brokerage's long-term plans nor will it affect the brokerage's growth.

Last year, McDonough Caperton Insurance Group reported gross revenues of nearly \$28.4 million, up 18.8% from \$23.9 million in 1986. That pushed the broker up one notch to the 18th slot on the *Business Insurance* ranking of the top U.S. brokers.

"We really had a super year. We continued our historical growth rate of about 20% a year. Virtually

all of that was internally generated; all but \$300,000," Mr. Becker said.

"Business was excellent, the best new business year we've had in years, maybe even in the history of the company," added Robert L. Ludwig, president of property/casualty operations for the broker's Charleston, Parkersburg and Huntington, W.Va., offices.

McDonough Caperton's growth moved the broker considerably closer to its goal of generating \$50 million in gross revenues by 1991. "We're one year into a five-year goal and we're on target," Mr. Becker said.

Commercial retail brokerage generated the largest portion of gross revenues at 60%, up from 58% in 1986; fees for non-brokerage services totaled 30%, unchanged from 1986. The balance of revenues came from wholesale brokerage, 4%; personal lines, 3%; investment income, 2%; and reinsur-

ance brokerage, 1%.

Revenues per employee averaged \$58,164, up 10.1% from \$52,841 in 1986. That growth is also on target with the company's goal of \$80,000 in revenues per employee by 1991.

Mr. Becker admits that the broker's mix of business, which includes a large amount of benefit consulting and third-party administration, may make reaching this goal somewhat more difficult than it would for other Top 20 brokers.

"We're continuing work on improving our revenues per employee. But, our revenues per employee are very difficult to measure on a comparative basis with other brokers. Our revenues per employee in our brokerage offices exceed \$80,000 per employee. We do a large volume of third-party claims administration, which is a low revenue-per-employee business. Therefore, our overall average is not comparable with the other primary brokerages," Mr.

Becker said.

Property/casualty brokerage business accounted for about 47%—or \$13.3 million—of McDonough Caperton's revenues last year, said Claudia F. Lindsey, vp-planning and administration. Of the property/casualty brokerage business, roughly 1% is ocean marine, 1% aviation, 1% directors and officers liability, 4% medical malpractice, 7% other professional liability, with the rest falling into the category of "other commercial," Ms. Lindsey said.

About 40% of the broker's revenues were generated by employee benefit services and brokerage activities, including workers compensation claims and benefits administration. The remaining 13% of revenues came from investment income and income generated by the broker's Caperton Special Risks wholesale brokerage unit and its Caperton Systems unit, which markets automated office systems.

Mr. Becker attributed some of the broker's success to a high customer retention rate. "We retain 95%-plus of all our clients on an annual basis," he said.

During the past year, the broker acquired one office and lost another. On Aug. 31, 1987, McDonough Caperton bought Staats-McIntosh Insurance Agency in Huntington, W.Va.



Mr. Becker

Mr. Becker said that the agency generates about \$600,000 in commission revenues annually and gives McDonough Caperton a presence in Huntington, the second-largest city in West Virginia.

A one-man office in Chicago specializing in professional liability risks shut down when the employee took another job. Mr. Becker said there are no plans to reopen the office anytime soon.

Mr. Becker made clear that the broker intends to continue concentrating its energies in the Eastern quadrant of the nation.

"We have done one or more acquisitions for each of the past three or four years, and I expect we'll continue that path," he said. For example, Mr. Becker cited North Carolina—where the broker currently has a small office for its automation systems division—as "an area we see ourselves expanding into over time."

The company has 14 retail brokerage offices in West Virginia, Florida, Georgia, Kentucky, Ohio, Pennsylvania and Virginia.

Mr. Becker has no doubt that McDonough Caperton gained market share as it expanded geographically from its West Virginia base. "I don't think total insurance premiums have gone up 20%. Common sense would tell us that we've gained market share, but I don't have any particular statistics to show that," he said.

As part of its strategy for continued growth, McDonough Caperton formalized the role of its industry groups during the past year, said Ms. Lindsey.

The industry groups—which she describes as, "in essence, ad hoc task forces"—meet quarterly and consist of employees from all offices who have expertise in a particular industry. They meet to exchange product and service knowledge and to suggest how to improve service to the particular industry group.

The broker currently has industry groups focusing on the coal, contracting, health care and oil and gas industries, and additional groups may be formed.

A large portion of McDonough Caperton's growth continues to stem from expansion of its em-

Continued on next page

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employee benefit services.

The broker currently administers benefit claims for more than 200 clients, covering roughly 250,000 lives, said Andrew J. Paterno, president of benefit operations.

McDonough Caperton ranked 11th on BI's list of the 12-largest claims administrators for self-insured clients (BI, Jan. 25).

The company's largest TPA client is the state of West Virginia, with 90,000 lives. The broker generally looks for a TPA customer with a minimum of 200 lives, with the average client having about 1,000 lives, Mr. Paterno said.

During the past year, the broker's employee benefits operations have expanded their market territory to include some Western states, Mr. Paterno said. In addition, the broker is continuing to expand its preferred provider program, MedSelect, in West Virginia. The MedSelect program is underwritten by Greensboro, N.C.-based Pilot Life Insurance Corp.

McDonough Caperton also is continuing to market Dimension Health Inc.'s Dimension PPO in the Miami area.

Mr. Paterno said that McDonough Caperton is anticipating another 20% to 25% growth rate in its employee benefits services division, which generates about two-thirds of its revenues through fees.

On property/casualty brokerage, McDonough Caperton generates about 95% of its revenues from commissions, said Mr. Ludwig.

The average target account generates about \$20,000 to \$25,000 in commissions, he said, although the broker's largest account generates about \$300,000 in annual commissions.

Mr. Ludwig pointed out that virtually all insurers have cut their prices during the past year, with an across-the-board average decrease of 10% to 15%.

"We see our carriers obviously trying to become more niche market players, in trying to stay away from the softening pricing we see today. I think without exception, all carriers say that they're not cutting prices but obviously some of them are," he said.

"I really haven't seen the underwriting guidelines changing much, which is hopefully a very good sign. If they are reducing pricing, they're holding the underwriting guidelines."

Mr. Becker added: "There's no question the market is softening in standard property/casualty business (though) in the last three to six months, in the tougher casualty business, it's been flat rather than softening." He cited product liability as an example of a tough casualty line.

Ms. Lindsey said that in addition to changing its top management, McDonough Caperton changed its corporate structure in 1987.

"McDonough Caperton Insurance Group is all one entity now. We used to be a holding company with separately incorporated profit centers," she said, noting that the change is merely technical and does not affect the operations of the brokerage.

McDonough Caperton also operates Caperton Special Risk Services in Atlanta, which markets difficult-to-place general liability and product liability risks to both domestic and foreign excess/surplus lines markets.

Another unit, McDonough Caperton Professional Liability Services in Charleston, W.Va., specializes in brokering professional liability insurance for attorneys, medical professionals and other professions. The broker also provides captive management services through McDonough Caperton International in Hamilton, Bermuda.

Charleston-based McDonough Caperton Systems provides automated office management systems

for physicians and clinics. The subsidiary also has an office in Charlotte, N.C.

The broker is currently involved in one lawsuit, Mr. Becker said.

Two Ohio health care plans—Cleveland-based Ohio Health Choice Plan and the Academy of Medicine of Cleveland—sued McDonough Caperton Shepherd Group, the broker's former holding company, for the return of \$1.7 million in group health premiums that the broker had not remitted to Ideal Mutual Insurance Co. of New York before that insurer was ordered liquidated in 1985. The money was placed in a trust with a federal court for that court to decide who should get the money.

Mr. Becker said there has been "absolutely no change in status" of the suit during the past year.

McDonough Caperton's top officers include Mr. Caperton, Mr. Becker and Ms. Lindsey.

—By Mark A. Hofmann

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	1987	1986
Premium volume...	NA	NA
Gross revenues...	\$26,500,000	\$28,150,000
Brokerage: Retail	60%	61%
Personal lines	18%	18%
Services	17%	17%
Invest. income	2%	1%
Other	3%	3%
Employees	465	450
Rev./employee	\$56,989	\$62,556
Offices	19	18

As a result of the squeeze of the soft market and several divestitures, Robinson-Conner Inc. dropped four spots to No. 20 in the *Business Insurance* rankings of the largest U.S. brokers.

Erie, Pa.-based Robinson-Conner's gross revenues fell 5.9% last year to \$26.5 million from the \$28.2 million it generated in 1986 when it ranked as the 16th-largest U.S. broker.

The dip in revenues during 1987 comes on the heels of a whopping 56.4% surge in 1986.

The reduction in commissions due to lower premiums in a soft market was one factor that reduced revenues, said President William B. Conner.

The revenue loss could have been, however, Messrs. Conner and Kuzio noted that Robinson-Conner is shielded somewhat from market swings because its largest class of business is workers compensation, a line of insurance whose rates do not necessarily follow the direction of the overall property/casualty cycle.

In fact, 60% of Robinson-Conner's commercial casualty business is workers compensation.

Other types of commercial casualty insurance that Robinson-Conner frequently places include general liability, directors and officers liability, aviation and auto liability coverage.

In addition, the broker places a large amount of package property business.

The broker targets clients that average \$10,000 to \$100,000 in commissions. Currently, Robinson-Conner's average client produces \$10,000 to \$20,000 in annual commissions, but it also has many small accounts that only produce \$1,000 in commissions, according to Mr. Conner.

Another factor reducing revenues in 1987 was "an eroding of client loyalty," said Daniel P. Kuzio, senior vp.

Larger brokers that offer more services can engender greater client loyalty in a softening market, agreed Mr. Conner.

Also contributing to the dip in Robinson-Conner's revenues was the closing of two offices: one in Clearfield, Pa., at the end of 1986, and one in Lexington, Ky., last year.

Although the Clearfield office was very profitable, its manager retired and no suitable replacement was available, explained Mr. Conner.

The office was sold to Burns & Burns Inc., a broker in Clarion, Pa.

The Lexington office was not very profitable, Mr. Conner explained, and was sold to Pat Patterson, the former manager of the office. This sale will enable Robinson-Conner to concentrate its resources in its Louisville, Ky., office, Mr. Conner said.

Robinson-Conner also sold its book of life insurance business that was serviced from the Louisville office to Bruce Cohen, manager of the office's life insurance department. Mr. Cohen is now operating that book of business as a stand-alone operation in Louisville.

Together, these three divesti-

Continued on next page

Continued from previous page and consulting services, including:

- Reinsurance brokerage, through B.R.I. International Agency Inc. Reinsurance brokering accounted for about 3% of B.R.I.'s gross revenues last year, unchanged from 1986.

- Wholesale brokerage, which accounted for 1% of the last two years' revenues. B.R.I. is licensed as a surplus lines broker in New York and New Jersey.

- Captive management through B.R.I. International. The captive unit also manages two B.R.I.-owned offshore insurers, Unisea Insurance Co. Ltd. of Bermuda and a subsidiary, International General Insurance Co. Ltd. of the Cayman Islands.

The two offshore insurers also function as rent-a-captive facilities for B.R.I. clients, though the companies continue to write only a couple of these programs and have seen no growth in this area, Mr. Miller said.

Another B.R.I. unit, Atlantic Security (Cayman) Ltd., also provides management, underwriting, investment and accounting services to offshore insurers and also offers facultative and treaty reinsurance placement facilities.

- Risk management services—including

claims administration, loss control and monitoring of insured and self-insured programs—through its Risk Management Economics and Technical Services divisions.

Risk Management Economics also has shown little growth in the last year, Mr. Miller said.

Unlike many other major brokers, B.R.I. continues to service its clients through a single office in New York.

For many years, B.R.I. maintained a correspondent relationship with Stewart Wrightson Group P.L.C., a Lloyd's of London broker, to service the overseas business of its U.S. multinational clients. After Stewart Wrightson's acquisition by Willis Faber P.L.C. last July, however, B.R.I. shifted its affiliation to Lloyd's broker Bain Clarkson Ltd.

The affiliation with Bain Clarkson gives B.R.I. access to more than 100 offices throughout the world. B.R.I. has roughly 25 international clients with operations in Europe, South America and the Far East, Mr. Miller said.

B.R.I. is currently fighting civil racketeering charges leveled by New York-based Potamkin Cadillac Corp. and 19 other Potamkin dealerships in a suit filed in U.S. District Court for the Southern District of New York (*BI*, June 13).

Separately, B.R.I. filed suit in U.S. District Court in Manhattan Jan. 4 to enforce a non-competitive agreement with Joel Klenert, a former manager in the firm's ocean marine department. According to the complaint, Mr. Klenert—who has formed his own brokerage in Montvale, N.J.—has solicited and taken over the accounts of several B.R.I. clients. In addition to an injunction against Mr. Klenert, the suit seeks an unspecified amount of compensatory damages and \$1 million in punitive damages.

In addition to Mr. Miller, B.R.I. partners include Donald P. Ferrarini, president and chief operating officer; Bruno Rumignani, executive vp and director of marketing; Fred Ghawi, director of ocean marine; James Sweitzer, director of commercial underwriting; Burton Matfus, treasurer; and Herbert Kramer, secretary.

Senior vps include: Matthew A. Murphy, director of administration; John J. Kelly; James J. O'Donnell, director of financial services; Harold K. Ross, production; Roger A. Imperial II, research and development; Mitchell May; Jeffrey M. Insler, director of sales; Clifford B. Miller, production and development; and Joseph Zweig, general manager of reinsurance.

—By Douglas McLeod

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Spotlight report

Continued from previous page
 tures caused Robinson-Conner to lose approximately \$1.5 million in premium volume, or approximately \$225,000 in commissions, according to Mr. Conner.

Mr. Conner also pointed to the depressed Colorado economy as a factor in the dip in revenues last year. Robinson-Conner has offices in Colorado Springs and Englewood, Colo., a Denver suburb.

A soft market also is hard on a small broker's profits, said Mr. Conner, explaining that since smaller brokers often operate on a very lean basis, they cannot cut expenses to compensate for reduced commissions when rates fall.

"The smaller broker's problem is adjusting his expenses for the loss in commission income," agreed Mr. Kuzio. "The smaller broker can't absorb the soft market" the way a larger broker can, he said.

Following the office closures and

divestitures, Robinson-Conner purchased two brokerages: Sosby & Associates in Greenville, S.C., in August 1987, and Cornelius, Johnson & Clark in West Palm Beach, Fla., in April 1988.

Sosby & Associates specializes in placing trucking risks, while Cornelius, Johnson & Clark is a general property/casualty insurance broker.

Other Robinson-Conner offices also specialize in certain risks, including:

- Construction, which is the specialty of the Greensboro and Raleigh, N.C., offices as well as those in Pittsburgh, Colorado Springs and Rochester, N.Y.

- Health care, which is a specialty of the Cleveland, Louisville and Harrisburg, Pa., offices.

Also during 1987, Robinson-Conner relocated its corporate headquarters to expanded offices, giving the broker two Erie locations—one for its brokerage busi-

Robinson-Conner hopes to acquire six to eight new companies by the end of this year.

ness and one for its executive management.

The new corporate office houses 30 members of executive management staff, while the brokerage office is home to 75 sales and support staff.

Located on the west side of Erie, Robinson-Conner's new corporate headquarters are located in a 1,500-square-foot building that cost \$500,000 to renovate, said Mr. Conner.

With the opening of the new headquarters and the two acquisitions, Robinson-Conner now has 19

offices, up from 18 the year before.

Robinson-Conner is a licensed excess/surplus broker in all the states in which it has offices: Pennsylvania, New York, Kentucky, Indiana, Wyoming, Colorado, North Carolina and South Carolina, Ohio, Florida, Tennessee and Arizona.

Commercial retail brokerage generated 60%, or \$15.9 million, of Robinson-Conner's 1987 gross revenues, compared with 61%, or \$17.2 million, in 1986. About 92% of its brokerage revenues was generated on a commission basis and only 8% on a fee basis.

About 17% of Robinson-Conner's overall revenues was generated by non-brokerage services, including third-party claims administration services through Claim Service Inc. in Erie, Pa., and Colorado Notary Assn. unit in Denver.

The increase in fee revenues, according to Mr. Conner, comes from growth in its workers compensa-

tion claims administration subsidiary, Workers Compensation Service Co., which was merged last year into Robinson-Conner's Cleveland office.

Robinson-Conner's workers compensation claims administration service was founded in 1921.

In 1987, Workers Compensation Service Co.'s revenues jumped 17% to \$1.7 million from \$1.5 million in 1986, according to Treasurer Patrick J. Quirk.

Personal lines business generated 18% of the brokerage's revenues last year, the same as in 1986.

Investment income accounted for 2% of revenues, up from 1% in 1986. The increase was due to an improved cash management program and an improved premium collection program.

In 1987, the number of employees increased 3.3% to 465 from 450 in 1986. This caused Robinson-Conner's revenues per employee to fall 8.9% to \$56,989 in 1987 from \$62,556 in 1986.

Other major events that took place at the privately held brokerage during 1987 included a major stock repurchase plan. Robinson-Conner bought back 60% of its outstanding shares. Currently, the broker controls 80% of its stock. The remaining outstanding shares are closely held, said Mr. Conner.

"It was an opportunity for us to get the shares back," explained Mr. Conner. "We think that our business is growing and that it will be very profitable."

Looking ahead, Robinson-Conner hopes to acquire six to eight new companies by the end of this year.

"In 1988, we think there will be a tremendous amount of activity in acquisitions," said Mr. Kuzio.

Currently Robinson-Conner is looking at 10 possible brokerage purchases, he said.

—By Stacy Adler



Mr. Conner

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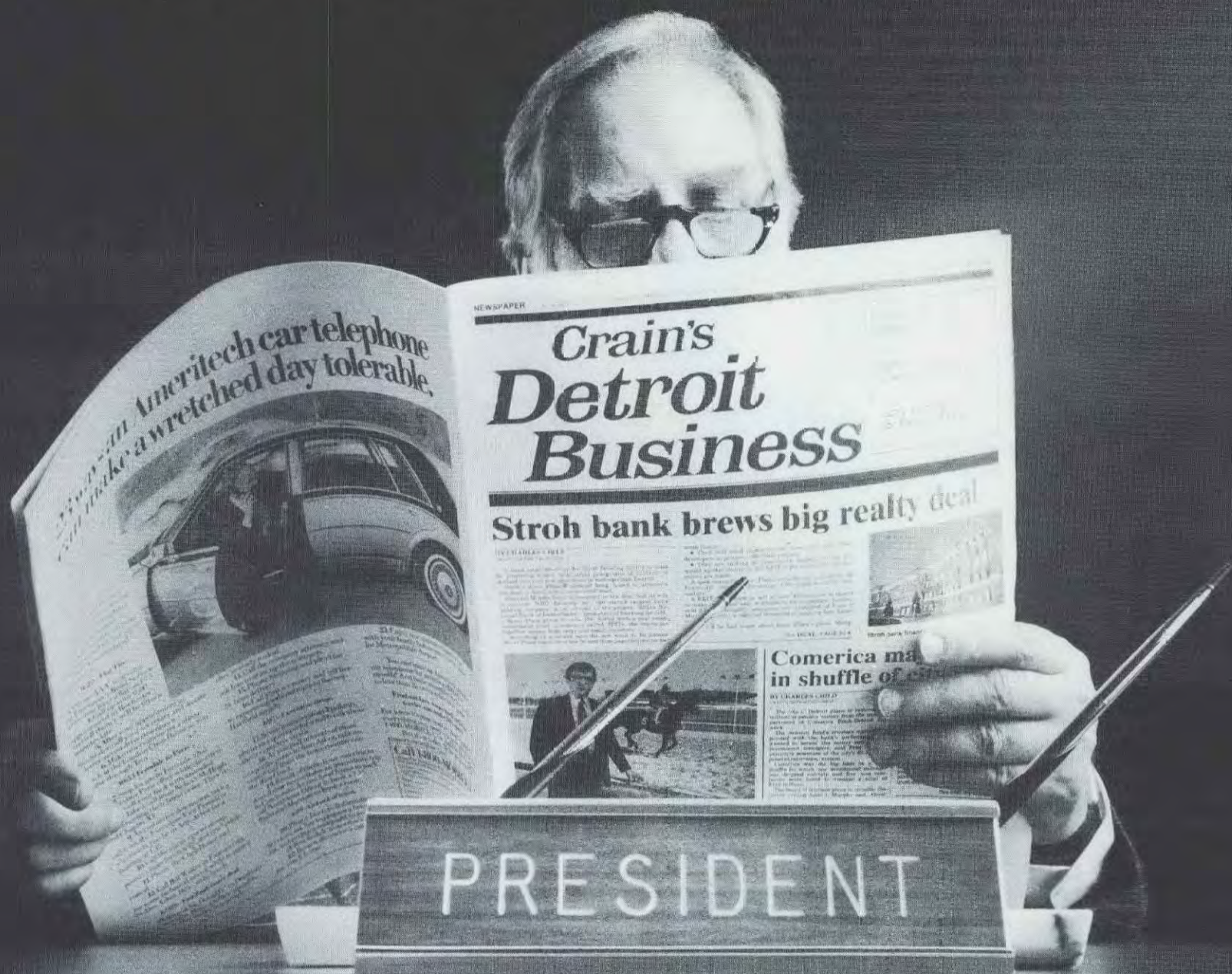
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Wortham slips into runners-up rankings

By BRIGITTE MAXEY

A thin margin separated 20th and 21st place in the *Business Insurance* rankings of largest U.S. brokers.

John L. Wortham & Son, with 1987 gross revenues of \$26 million, just missed overtaking Robinson Conner Inc. for the last spot among the Top 20. Robinson-Conner reported revenues of \$26.5 million.

Houston-based Wortham slipped to 21st place from 17th last year.

Other brokerages just falling short of making the Top 20 include:

- Daytona Beach, Fla.-based Brown & Brown Inc., in 22nd place with \$25 million in gross revenues.

- Monticello, N.Y.-based Ruhl Agency Inc., in 23rd place with

\$24.1 million in gross revenues.

- Birmingham, Ala.-based McGriff, Siebels & Williams Inc., in 24th place with \$22.2 million in gross revenues.

- Charlotte, N.C.-based Collier Cobb & Associates in 25th place with \$21 million in gross revenues.

John L. Wortham & Son

Houston-based John L. Wortham & Son's revenues remained relatively flat in 1987, a phenomenon that Fred C. Burns, managing partner, attributes to the softening insurance market and the oil industry slump.

"Houston's economy has impacted our business. In 1987, our oil-related economy (business) bottomed-out," said Mr. Burns.

But, he has faith that Houston,

the nation's oil capital, is not down for the count. "Houston has a two-sided economy, a downstream side and an upstream side. Whereas the bottoming-out of the oil industry constituted the downstream, Houston's growth in petrochemical manufacturing and its growth in port-related activity constitute the upstream movement," Mr. Burns said.

Wortham's gross revenues increased a scant 2.0% to \$26 million in 1987 from \$25.5 million in 1986, forcing the broker to tumble out of the Top 20 into 21st place. Wortham had ranked No. 17 for the past two years.

Mr. Burns noted the while "we have steady growth in new accounts, overall the rate of our growth is reflective of the price

war going on."

Competition first started appear for property insurance in 1986, he observed. "You could see it on every renewal. The costs were always lower.

"At one time the market was higher than it should have been. That's the way the market is: It goes in cycles from hard market to soft market and you have to learn how to outlast each cycle," Mr. Burns said.

But the competitiveness of the industry has proved to be beneficial to insurance buyers, he noted. "The competition has made us aware of the best (coverage) for our customers."

Mr. Burns noticed competition in casualty lines beginning in 1987. Currently, "all lines are competi-

tive, but for the past year I've seen the casualty lines' competitiveness increase," Mr. Burns said.

Wortham is not pursuing mergers or acquisitions, he stated. It owns three Houston non-retail brokerage subsidiaries: Services for Risk Handling Inc., a risk management consultant; John L. Wortham & Son Investments Inc., a securities brokerage; and John L. Wortham & Son Inc., a managing general agency.

Although Wortham has been hard hit by market softening, Mr. Burns said the firm has not lost market share. "We have lost some large accounts, but we have gained new accounts that make up the difference."

Wortham's premium volume increased 1.6% in 1987 to \$252 million from \$248 million in 1986.

Eighty-nine percent of the brokerage's revenues was generated by commercial retail brokerage, 7% from personal lines brokerage and 4% from investment income.

All of its retail brokerage revenues are generated by commissions.

Mr. Burns said that Wortham will service any client, regardless of size. "We write (business) from the largest companies to personal lines."

Wortham services clients in the oil, gas and chemical industries as well as "a large number of mid-range commercial businesses. Oil and gas are a large portion of our business, but they are not the majority of our business."

In addition to Mr. Burns, principal officers of Wortham include Allen H. Carruth, chairman of the executive committee, and Joseph G. Cutler, Herbert E. Honea, James R. Davis and Robert B. Hixon, partners and members of the executive committee.

Brown & Brown

Even though it trimmed its staff and offices in 1987, Brown & Brown Inc. moved up a rung to the No. 22 spot in *Business Insurance's* ranking of the largest U.S. brokers.

Brown & Brown's gross revenues increased 13.5% to \$25 million in 1987—which includes \$3.4 million generated by new clients—up from \$22 million in 1986.

"We produced a substantial amount of new business, which turned into revenue," said J. Hyatt Brown, chairman and president of the Daytona Beach, Fla.-based firm.

Serving a broad spectrum of clients, Brown & Brown specializes in serving hotels and restaurants, contractors and, though association programs, community health care centers and alcohol and drug rehabilitation centers, Mr. Brown said.

The brokerage also increased its emphasis on employee benefits consulting last year. "For the third quarter in 1987, employee benefits consulting grew more rapidly than property/casualty," Mr. Brown said.

Another strength of Brown & Brown is subsidiary United Self Insured Services of Orlando, Fla., which administers claims for self-insured clients. "United is growing very fast. It is by far the fastest growing of our subsidiaries," Mr. Brown said.

Fifty-seven percent of Brown & Brown's \$25 million in gross revenues was generated by commercial retail brokerage; 16% from services; 15% from personal lines; 9% from wholesale brokerage; and 3% from investment income.

Brown & Brown stopped brokering reinsurance, which had generated 2% of its gross income in 1986.

Continued on next page

How to control

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Transition CoverageSM offers terminating beneficiaries an alternative to COBRA coverage or no medical insurance at all. It's inexpensive major medical protection on a temporary basis for up to six months. And, it requires beneficiaries to opt out of COBRA.

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Continued from previous page

Signaling its exit from the reinsurance business, Brown & Brown closed its reinsurance office in Miami in 1987 because "it could not make any money," Mr. Brown said. He added, however, that the closing had "very little effect on Brown & Brown Inc."

A small personal lines office also was shut down, bringing the number of Brown & Brown offices to 20 at year-end 1987, down from 22 in 1986.

In addition, the firm cut its employee count by 34 to 391 in 1987, from 425 at year-end 1986.

In an effort to head off more office closings in 1988, Mr. Brown said the company "budgeted very carefully in anticipation of the soft market. To battle the soft market we have to write more business."

Brown & Brown is watching prices fall on renewals, Mr. Brown pointed out. For example, general liability and property insurance renewals are being written at a 25% to 30% discount from the manual rate, while auto insurance renewals are 35% to 45% lower than the manual rate, he said.

Halcyon Underwriters, another Brown & Brown subsidiary specializing in underwriting builders risk coverages for dwellings and commercial properties under construction, also is feeling the effects of fierce competition.

"The revenues of Halcyon seem to be flat. I project this flatness to last for the rest of the year," Mr. Brown said.

But he is more optimistic about some of the firm's operations in 1988, especially its employee benefits and self-insured services.

Jim Henderson, senior vp, projected 6% to 8% growth in property/casualty brokerage for 1988, which he called "historically low for our company."

In addition to Messrs. Brown and Henderson, officers of the brokerage include Kenneth Hill, executive vp; H. Van Massey, senior executive vp; and Greg Brewer, Linda Downs and Pete Thomas, senior vps.

Rhulen Agency Inc.

The 54-year old Rhulen Agency Inc. continues to stake its claim as a specialist in recreational and livestock risks.

"When you specialize, you become known in the industry," said Walter A. Rhulen, chairman of the Monticello, N.Y.-based brokerage's executive committee.

Because of the softening market, other insurance brokers are also trying to become "known" in the specialty line field, he said. But this "crowding" has not hurt the agency, Mr. Rhulen added.

Rhulen's gross revenues grew 8.4% to \$24.1 million in 1987 from \$22.2 million in 1986. However, the agency dropped one notch to the No. 23 spot in the *Business Insurance* ranking of the nation's largest brokers.

The greatest portion of Rhulen's 1987 gross revenues—59%—was produced by wholesale brokerage, down a percentage point from 1986, while commercial retail brokerage generated 28% of revenues last year, a gain of one point.

Services produced 5% of gross revenues; personal lines, 2%; and reinsurance brokerage, 1%.

Investment income accounted for 3% of Rhulen's 1987 gross revenues.

Capitalizing on America's health and fitness kick, the Rhulen Agency has seen "significant growth in the areas of health clubs, dance studios, karate schools and summer camps," Mr. Rhulen said. "We cover everything from tap dance to aerobic dance."

Even in the face of a softening market and tough competition, "Our livestock coverage has pretty much remained the same between the years of 1986 and 1987. It ac-

Capitalizing on America's fitness kick, the Rhulen Agency has seen 'significant growth in the areas of health clubs, dance studios, karate schools and summer camps,' Walter Rhulen says. 'We cover everything from tap dance to aerobic dance.'

counts for 25% of our gross revenues," Mr. Rhulen said.

Another Rhulen specialty is the "hard-to-insure" school market.

Rhulen's retail brokerage business has not been hurt badly by the competitive market, Mr. Rhulen said.

But he pointed out that competition is "prevalent in almost any line where there is a large premium volume.

"For instance, I noticed property line competition in May or June of 1987. As of now, it appears to be almost as competitive as at the

height of the soft market."

Lines that appear to be safe from the jaws of competition are "pollution and medical malpractice" liability, said Mr. Rhulen. "Everybody's scared to death" of medical malpractice insurance.

To handle the flood of specialty business between 1983 and 1987 produced by the hard market, Rhulen Agency steadily increased its staff, but last year it trimmed 13 jobs, lowering its employee count to 307 at year-end 1987.

Revenues per employee grew 13% to \$78,513 last year from \$69,513

in 1986.

Ninety-five percent of Rhulen's commercial retail brokerage revenues are produced by commissions, with 5% generated by fees.

Rhulen Agency also closed its South Carolina and Florida offices in 1987.

"We had to close them because of insufficient premium volume," Mr. Rhulen said. As a result, Rhulen had eight offices at year-end 1987.

Rhulen's new association captive, Hypercept Insurance Co., licensed in Tennessee in 1987 to provide environmental impairment liability coverage, is still soliciting industrial members.

The project is a joint venture between Rhulen and Aralie Inc., a Pequannock, N.J.-based risk management consulting firm (*BI*, Aug. 17, 1987).

"We are waiting to get the total number of persons required to operate the company," said Peter L. Rhulen, president of the brokerage.

He said he expects Hypercept to begin writing coverage in July.

Looking to the future, Walter Rhulen said, "We expect for 1988 to be slightly off. So far, we are 5% behind last year's (May) figures."

In addition to the Rhulens, the broker's principal officers include Jesse M. Farrow, chairman and chief executive officer, and Murray Markman, executive vp.

McGriff, Siebels & Williams Inc.

Maintaining its grip on the No. 24 position in *Business Insurance's* ranking of the largest U.S. brokers, McGriff, Siebels & Williams reported that 1987 gross revenues rose 13.4% to \$22.3 million from \$19.7 million in 1986.

Chairman Richard M. Womack attributes McGriff's growth to very stringent cost controls and "a very good sales year. Sales were heavily impacted by heavy commercial ca-

Continued on next page

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Runners-up

Continued from previous page
sualty/property contracts."

Cost controls consisted of "looking at expenses and cutting back on everything that would not hamper business," he said.

As a result, "McGriff is more productive, the operation expense is down, and revenues are up," said Bruce C. Dunbar Jr., president and chief executive officer.

The company employed 281 staff members at year-end 1987, down 12 employees from a year earlier.

And, as a result of the smaller workforce and increased revenues, revenues per employee rose 18.3% to \$79,325 in 1987 from \$67,068 in 1986.

However, Mr. Dunbar conceded that "we've already done what we can do" to hold down costs. The key to growth in 1988 "is in new business."

The brokerage will be seeking additional commercial clients for all types of property/casualty insurance and in McGriff's specialty areas of oil and gas and manufacturing risks. McGriff also specializes in placing directors and officers liability insurance.

Although McGriff's specialty areas contribute a large portion of its revenues, Mr. Womack said the brokerage does not shun other lines of business. "We service all areas of the business, not just our specialties."

All of McGriff, Seibels & Williams' retail brokerage revenues are generated by commissions.

The claims administration department also is growing. "The revenue of our claims department is up, we expected this growth," Mr. Dunbar said.

The breakdown in sources of revenue remained nearly the same in 1987 as in 1986. Commercial retail brokerage accounted for 76.5% of revenues; wholesale brokerage, 7.7%; non-brokerage services such as claims administration and consulting, 6.7%; personal lines, 2.4%; and investment income, 4.7%.

Two percent of McGriff's revenues was produced from real estate and investment services.

Mr. Dunbar noted that McGriff will be increasingly faced with the challenge of operating in a competitive market.

"All areas of insurance are competitive, not just casualty and property," Mr. Dunbar said.

But, the brokerage's location in the Sun Belt states of Alabama and Florida could help restrain costs. "I've always said it was cheaper (to operate) in the South," said Mr. Dunbar.

Another plus for McGriff was Alabama's 1987 passage of tort reforms that are being used as incentives to lure out-of-state businesses (BI, Sept. 14, 1987).

"In Alabama, the climate is good" for the insurance industry because of strong tort reform that, among other things, caps punitive damage awards to \$250,000 in most cases, Mr. Dunbar said.

The 102-year-old company maintains six offices, including wholesale broker Wood & Co. Inc. in Atlanta.

McGriff, Seibels & Williams is licensed as an excess/surplus lines broker in Alabama, Florida and Georgia.

In addition to Messrs. Dunbar and Womack, officers include Bruce S. Denson, executive vp and chief operating officer, and Malcolm K. Miller, vice chairman.

Collier Cobb & Associates

Success in attracting new clients and keeping existing clients has given Charlotte, N.C.-based Collier Cobb & Associates, Inc. the glue to stick in the No. 25 spot of *Business Insurance's* 1987 ranking of the largest U.S. brokers.

The brokerage's gross revenues

increased 5% to \$21 million in 1987 from \$20 million in 1986.

"New business, that's what provided the increase," said W. Eugene Mills Jr., executive vp.

"The climate is better than it's been before. There are more opportunities to quote (business) in the soft market because of the buyers being more price-conscious," said John L. Clarke, executive vp.

"As of now I can say that we are right where we budgeted ourselves to be," Mr. Mills said.

To ensure a steady course, Collier Cobb is placing "more emphasis on producing new clients by developing a more aggressive sales posture," according to Mr. Mills.

Collier Cobb's new sales tactics are described by Mr. Clarke as an "increased sales staff and a more diligent search for new clients."

The company increased its employee count by three in 1987, bringing its total to 310.

The breakdown of Collier Cobb's

'We service all areas of the business, not just our specialties,' says McGriff's Richard Womack.

revenue sources is an exact replica of its 1986 results: Commercial retail brokerage produced 93% of revenues; personal lines, 5%; and investment income, 2%.

About 93% of Collier Cobb's retail brokerage revenues was generated by commissions and 7% by fees.

One of Collier Cobb's specialties involves brokering construction insurance and construction surety bonds. Collier Cobb's specialty in heavy construction includes buildings, water and sewage works and bridge construction.

"Contracting generates 50% to 75% of our gross revenues," Mr. Mills said.

Despite the building slowdown across the United States, Collier Cobb has thrived on its "construction niche," according to Mr. Clarke.

Although revenues rose during 1987, Mr. Mills noted the cost of doing business rose as well. "Our expenses for conducting business were increasing as our market was increasing, but at a slower rate."

The softening insurance market did not go unnoticed at Collier Cobb. "On larger lines, premiums were down. On this level we see competition is going to become more intense," said Mr. Mills.

Mr. Mills predicts the soft market will begin turning near the end of 1988. In anticipation, Collier Cobb will continue to set up alternative risk funding mechanisms.

"Our alternative markets have remained in use" even though the

availability of commercial insurance has improved, Mr. Mills said. Collier Cobb's parent company, Hudson International Inc., operates Collier Cobb Cayman, an offshore captive manager.

Mr. Clarke attributed client allegiance to programs set up by brokers to the desire to find the most coverage for the best price. "If the incumbent broker is providing the best service, most of the original clients prefer to stay with that broker," he explained.

Collier Cobb operates from nine offices in Washington, D.C.; Montgomery, A.A.; Chapel Hill, N.C.; Chicago; Dallas; Houston; Boston; and the John G. Beck Agency in Pittsburgh.

The principal officers of Collier Cobb, in addition to Messrs. Mills and Clarke include: Fitzgerald S. Hudson, chairman; Jaye A. Norem, president; and Neal L. McDuffie and Leonard S. Bullock, executive vps. ■

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ABI Management Inc.

160 Spear St., San Francisco, Calif. 94105; 415-541-0404

See profile on page 64.

The ABOW Cos.

1050 Wilshire Drive, Suite 250, P.O. Box 7007, Troy, Mich. 48007-7007; 313-649-1990

	1987	1986
Premium volume	\$105,800,000	\$88,800,000
Gross revenues	\$3,544,000	\$2,998,000
Brokerage: Retail	85%	84%
Services	14%	15%
Invest. income	1%	1%
Employees	61	53
Offices	1	1

Year founded: 1977.
Brokerage: 99% commissions, 1% fees.
Principal officers: Andrew Aljian, Victor R. Battani, Donald F. O'Keefe, Thomas P. McGraw and William D. Wentworth, principals.

T.J. Adams & Associates Inc.
 2001 Spring Road, Oak Brook, Ill. 60521; 312-572-1550

	1987	1986
Premium volume	\$29,317,323	\$29,573,671
Gross revenues	\$4,449,077	\$4,282,525
Brokerage: Retail	92.5%	92.2%
Personal lines	3.5%	3.8%
Invest. income	4%	4%
Employees	46	44
Offices	1	1

Year founded: 1967.
Brokerage: 97% commissions, 3% fees.

Principal officers: T.J. Adams, president; Edward A. Schell, executive vp; Dennis D. Gamache, vp/general manager; Carl B. Olson and John A. Kegaly, vps.
Licensed excess/surplus broker in: Illinois.

Alexander & Alexander Services Inc.
 1211 Ave. of the Americas, New York, N.Y. 10036; 212-840-8500

See profile on page 21.

Alliance Brokerage Corp.
 990 Westbury Road, Westbury, N.Y. 11590; 516-333-7300

	1987	1986
Premium volume	\$65,000,000	\$46,000,000
Gross revenues	\$10,000,000	\$6,300,000

Brokerage: Retail	80%	79%
Wholesale	2%	2%
Personal lines	7%	9%
Services	9%	8%
Invest. income	2%	2%
Employees	98	94
Offices	5	5

Year founded: 1897.
Brokerage: 95% commissions, 5% fees.

Acquisitions: Mishkin, Barclay & Bassin, New York; Red Hook Agencies Inc., St. Thomas, U.S. Virgin Islands.

Retail brokerage branch offices: Ft. Lauderdale, Fla.; Antilles Insurance Inc., St. Thomas and St. Croix, U.S. Virgin Islands; Antilles Insurance Ltd., Tortola, British Virgin Islands.

Non-retail brokerage subsidiaries: Alliance Benefit Programs Inc., Atlantic Cycle Agency Inc., Alliance Health Management Services Inc., Cycle Insurance Service, Central

Claims Adjustment Inc., all in Westbury, N.Y.; Atlantic Excess & Surplus Inc., U.S. Virgin Islands, Westbury, N.Y.

Principal officers: Herbert N. Zack, chief executive officer/chairman; Michael S. Mishkin, president; Marshall M. Krassner and Kenneth L. Bassin, executive vps; Fredric A. Silberman and Eric Jouett, vps.

Licensed excess/surplus broker in: New York and U.S. Virgin Islands.

The Alper Agency

60 W. Superior St., Chicago, Ill. 60610; 312-642-1000

	1987	1986
Premium volume	\$16,000,000	\$15,000,000
Gross revenues	\$2,600,000	\$2,400,000
Brokerage: Retail	70%	65%
Personal lines	4%	5%
Services	12%	15%
Invest. income	4%	5%
Other	10%	10%
Employees	37	35
Offices	1	1

Year founded: 1966.
Brokerage: 80% commissions, 20% fees.

Principal officers: Howard C. Alper, president; Jay Frank, executive vp/chief operating officer; Russell M. Cortino and Herbert M. Singer, executive vps; John Hamilton, vp-marketing; Richard A. Swaik, vp-auditing; David R. Victoria Jr., vp.

Licensed excess/surplus broker in: Illinois.

Continued on next page

How to use directory

The 1988 directory of agents and brokers is based on companies' responses to a *Business Insurance* questionnaire.

The directory is published as an editorial service; there is no charge for agents and brokers to be listed. However, companies must generate at least \$500,000 of their gross revenues from commercial retail brokering in order to be included in the directory.

Listings begin with the address and telephone number of the company.

Information on premium volume and gross revenues for both 1986 and 1987; and the percentage of gross revenues derived from commercial retail brokerage, wholesale brokerage, reinsurance brokerage, fee-based services, personal lines brokerage, investment income and other activities follows.

The number of employees and offices for 1986 and 1987 also are included.

Next, the year the company was founded and the percentage of commercial retail brokerage generated by commissions and by fees are given.

Acquisitions, locations of retail brokerage branch offices and non-retail brokerage subsidiaries, the parent company (if any) and names and titles of principal officers are included. States in which companies are licensed as excess/surplus lines brokers complete the listings.

If you wish to locate an agent or broker by state, you may refer to the geographic index following the directory listings. Home offices as well as retail brokerage branch offices are included.

The information in each entry was compiled by *Business Insurance* based on data supplied by the agents and brokers. There are no public records available to allow *Business Insurance* to verify the information.



Spotlight report

Continued from previous page

Alpha Aviation Insurance Agency Inc.

377 Route 17, Hasbrouck Heights, N.J. 07604; 201-288-4831

	1987	1986
Premium volume	\$15,715,000	\$12,903,000
Gross revenues	\$2,047,000	\$1,632,000
Brokerage: Retail	96.2%	97.3%
Personal lines	0.4%	0.2%
Invest. income	3.4%	2.5%
Employees	24	19
Offices	2	2

Year founded: 1975.

Brokerage: 99.5% commissions, 0.5% fees.

Retail brokerage branch offices: Hudson, N.H.

Principal officers: Francis P. Brown, president; Eugene F. Duflo, senior vp; Larry Mattiello, Robert Salmon and Thomas M. Deery, vps.

Amalgamated Programs Corp.

85 John St., New York, N.Y. 10038; 212-732-2055

	1987	1986
Premium volume	\$90,000,000	\$65,060,000
Gross revenues	\$10,000,000	\$7,500,000

	90%	90%
Brokerage: Retail	5%	5%
Personal lines	5%	5%
Services	90	60
Employees	1	1
Offices		

Year founded: 1930.

Brokerage: 75% commissions, 25% fees.

Acquisitions: Light & Ruben Inc., New York.

Principal officers: Alexander E. Fisher, chairman; Jeffrey Rubin, president; Richard Eisenberg and Arnold Melman, vps; Jay Levy, secretary/treasurer.

Licensed excess/surplus broker in: New York.

Anco Corp.

16000 Barkers Point Lane, Houston, Texas 77066; 713-496-3400

	1987	1986
Premium volume	\$80,235,000	\$81,979,000
Gross revenues	\$12,559,724	\$13,461,133
Brokerage: Retail	71.3%	69%
Wholesale	2.5%	7.5%
Personal lines	18.9%	18.5%
Services	5.1%	2.5%
Invest. income	1.7%	2%
Other	0.5%	0.5%

	169	199
Employees	4	6
Offices		

Year founded: 1873.

Brokerage: 92.8% commissions, 7.2% fees.

Retail brokerage branch offices: Anco Insurance of Houston, Houston; Anco Insurance of Bryan/College Station, Bryan, Texas; Anco Insurance of Texas, Belton, Texas; Anco Life & Benefits Services Inc., Houston and Bryan, Texas.

Non-retail brokerage subsidiaries: Regional Insurance Management Services Inc., Houston.

Principal officers: M.L. Cashion, chairman; Dick B. Haddox vice chairman; John Van Osdall, president.

Licensed excess/surplus broker in: Texas.

Anderson & Anderson Insurance Brokers Inc.

2495 Campus Drive, Irvine, Calif. 92715; 714-476-4300

	1987	1986
Premium volume	\$58,000,000	\$53,000,000
Gross revenues	\$7,215,000	\$5,800,000

	75%	84%
Brokerage: Retail	6%	3%
Personal lines	13%	10%
Services	6%	3%
Invest. income	70	68
Employees	1	1
Offices		

Year founded: 1953.

Brokerage: 100% commissions.

Non-retail brokerage subsidiaries: Captive Assurance Partners, Irvine, Calif. Cap Managers Ltd., Hamilton, Bermuda

Principal officers: Robert M. Anderson, president; Joseph W. Branston, senior vp-sales; John W. Roblee, senior vp/secretary/treasurer; Gregory W. Springer, senior vp-special products.

Andreini & Co.

220 W. 20th Ave., San Mateo, Calif. 94403; 415-573-1111

	1987	1986
Premium volume	\$112,000,000	\$116,000,000
Gross revenues	\$13,351,000	\$15,552,026
Brokerage: Retail	80%	80%
Personal lines	13%	13%
Invest. income	7%	7%
Employees	190	190
Offices	7	5

Year founded: 1952.

Brokerage: 100% commissions. **Retail brokerage branch offices:** Fresno, Bakerfield, Coalinga, Ventura, Ukiah, Sonora and Orange, Calif.

Principal officers: John Andreini, president; George Andreini, vp/treasurer; Michael Colzani, secretary.

Licensed excess/surplus broker in: California.

Associated Agencies Inc.

651 W. Washington Blvd., Chicago, Ill. 60606-2193; 312-707-9000

	1987	1986
Premium volume	\$120,000,000	\$130,000,000
Gross revenues	\$10,500,000	\$11,813,609
Brokerage: Retail	74%	82%
Wholesale	5%	4%
Reinsurance	1%	1%
Personal lines	9%	8%
Services	11%	5%
Employees	150	150
Offices	3	2

Year founded: 1890.

Brokerage: 95% commissions, 5% fees.

Acquisitions: Pinnacle & Associates, Orange, Calif.

Retail brokerage branch offices: Associated Agencies Inc. of California, Santa Ana Heights, Calif.

Non-retail brokerage subsidiaries: RMSCO Management Services-Benefits, RMSCO Management Services-Casualty, both in Chicago.

Principal officers: Robert M. Schrayner, president; A.A. Freeman, chairman; Irving E. Shainberg and Karen Z. Vacko, executive vps; Robert B. Milum, president-Associated Agencies Inc. of California; James E. Drews, executive vp-Associated Agencies Inc. of California.

Licensed excess/surplus broker in: Illinois.

Association Administrators & Consultants Inc.

19000 MacArthur Blvd., Suite 500, Irvine, Calif. 92715; 714-833-0673

	1987	1986
Premium volume	\$43,218,000	\$43,169,000
Gross revenues	\$5,550,000	\$5,428,000
Brokerage: Retail	42.4%	42%
Wholesale	1%	1%
Services	55.6%	56%
Other	1%	1%
Employees	74	72
Offices	2	2

Year founded: 1972.

Brokerage: 100% commissions.

Retail brokerage branch offices: San Francisco.

Non-retail brokerage subsidiaries: California Insurance Advisors, AA&C Investment Corp., both in Irvine, Calif.

Principal officers: Wallace E. Jeffs, president; Egon A. Bartetzko, executive vp; Irene J. Fortier, senior vp-finance/treasurer; Randall W. Jeffs, senior vp-marketing; Nancy K. Hudson, corporate secretary.

Licensed excess/surplus broker in: California.

Athens Insurance Co.

110 Washington Ave. N.W., P.O. Box 809, Athens, Tenn. 37303; 615-745-3062

	1987	1986
Premium volume	\$14,996,050	\$17,364,165
Gross revenues	\$1,962,817	\$1,982,427
Brokerage: Retail	75.2%	75.3%
Personal lines	23.2%	22.9%
Invest. income	1.6%	1.8%
Employees	30	28
Offices	1	1

Year founded: 1931.

Brokerage: 100% commissions.

Retail brokerage branch offices: Crossville, Tenn.

Parent company: The Plateau Group Inc.

Principal officers: Samuel L. Feezell, president; John W. Dykes Jr., executive vp; Nancy T. Feezell, secretary/treasurer; John R. O'Donnell Sr. and Robert E. Cook, vps.

Licensed excess/surplus broker in: Tennessee.

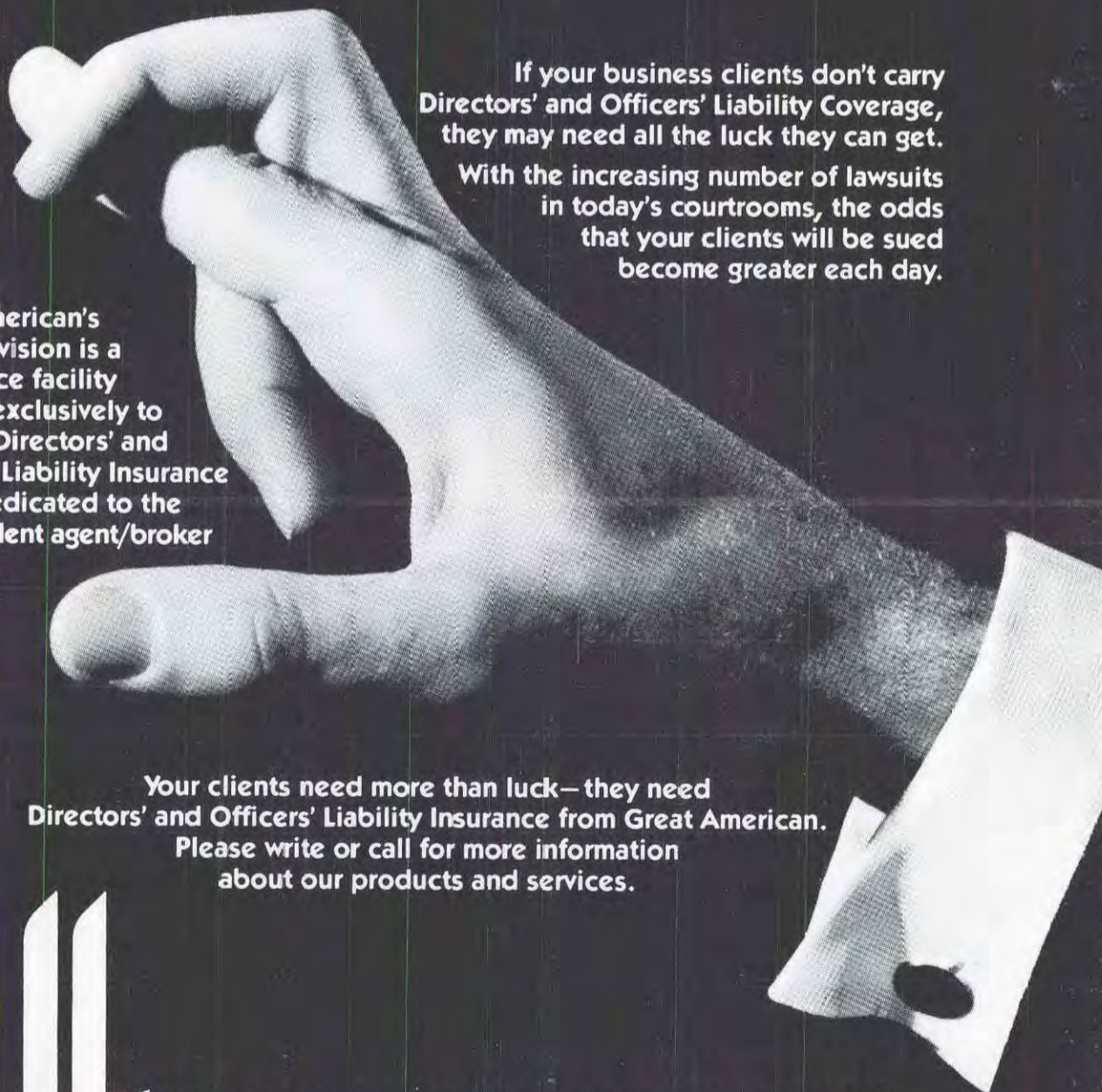
Austin & Co. Inc.

307 Washington Ave., Albany, N.Y. 12206; 518-465-3591

	1987	1986
Premium volume	\$10,800,000	\$9,650,000
Gross revenues	\$1,633,786	\$1,557,459
Brokerage: Retail	79%	72%
Personal lines	18%	25%
Invest. income	3%	3%
Employees	24	22
Offices	2	2

Continued on page 92

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Continued from page 90
Year founded: 1853.
Brokerage: 99% commissions, 1% fees.

Retail brokerage branch offices: Stevenson Agency, Chestertown, N.Y.

Principal officers: Charles M. Liddle III, president; James P. Faughnan Jr., executive vp; Helen K. Rack and Erwin F. Guetig, vps.

Auten & Hagerty Inc.

1915 Southfield Road, Birmingham, Mich. 48009; 313-258-6500

	1987	1986
Premium volume	\$8,000,000	\$5,300,000
Gross revenues	\$1,179,614	\$734,241
Brokerage: Retail	63.5%	72.8%
Personal lines	26.3%	18.5%
Invest. income	1.5%	1.7%
Other	8.7%	7%
Employees	19	17
Offices	1	1

Year founded: 1984.
Brokerage: 97.6% commissions, 2.4% fees.

Acquisitions: William Stone & Associates, Detroit.

Principal officers: Bruce J. Auten, president; Paul E. Hagerty, secretary/treasurer.

Licensed excess/surplus broker in: Michigan.

Invest. income	2%	2%
Other	12%	15%
Employees	50	45
Offices	1	1

Year founded: 1884.

Brokerage: 100% commissions.

Principal officers: James F. Tomchik, president; John P. Bassett, chairman; Brendan T. Shea, treasurer.

Licensed excess/surplus broker in: Connecticut.

The Beck Co.

P.O. Box 37288, Houston, Texas 77237-7288; 713-840-1919

	1987	1986
Premium volume	\$7,000,000	NA
Gross revenues	\$832,000	NA
Brokerage: Retail	80%	NA
Reinsurance	1%	NA
Personal lines	11%	NA
Invest. income	8%	NA
Employees	14	NA
Offices	1	NA

Year founded: 1987.

Brokerage: 98% commissions, 2% fees.

Principal officers: Gary G. Beck, president; David W. Perry, Ted J. Richard, Robert L. Park and Robert E. Paine IV, vps.

Licensed excess/surplus broker in: Texas.

Berwanger Overmyer Associates (BOA)

2245 N. Bank Drive, Columbus, Ohio 43220; 614-457-7000

	1987	1986
Premium volume	\$35,000,000	\$23,000,000
Gross revenues	\$5,746,716	\$3,716,316
Brokerage: Retail	83.2%	71.7%
Wholesale	8%	7.5%
Personal lines	6.5%	9.1%
Services	0.3%	4.5%
Invest. income	0.3%	4.5%
Other	1.7%	2.7%
Employees	78	61
Offices	1	1

Year founded: 1973.

Brokerage: 96% commissions, 4% fees.

Acquisitions: Richard H. Moore Agency, Columbus, Ohio.

Principal officers: Edwin L. Overmyer, president/chief executive officer; Joseph M. Berwanger, executive vp/secretary; Richard H. Moore, executive vp; Jerry L. Esselstein, chief operating officer/treasurer.

Licensed excess/surplus broker in: Ohio.

Biddle & Co.

290 King of Prussia Road, Radnor, Pa. 19087; 215-687-0300

	1987	1986
Premium volume	\$12,000,000	\$8,500,000
Gross revenues	\$1,400,000	\$1,000,000
Brokerage: Retail	47%	38%
Personal lines	46%	55%
Services	2%	2%
Invest. income	5%	5%
Employees	30	24
Offices	1	1

Year founded: 1923.

Brokerage: 98% commissions, 2% fees.

Acquisitions: Narrigan Associates, Radnor, Pa.; John J. Paul Inc., Philadelphia; Carnett Agency Inc., Wayne, Pa.

Retail brokerage branch offices: Philadelphia and Wayne, Pa., opened in 1988.

Principal officers: Frederick A. Tucker, president; Benjamin L. Berry IV, executive vp; Bert M. Fortney, senior vp.

Blumencranz Klepper & Wilkins Ltd.

3000 Marcus Ave., Lake Success, N.Y. 11040; 516-328-8300

	1987	1986
Premium volume	\$55,000,000	\$48,000,000
Gross revenues	\$5,250,000	\$4,830,000
Brokerage: Retail	83%	82%
Wholesale	3%	4%
Personal lines	10%	9%
Services	2%	2%
Invest. income	2%	3%
Employees	52	49
Offices	1	1

Year founded: 1929.

Brokerage: 90% commissions, 10% fees.

Principal officers: Roger A. Blumencranz, president; Aaron A. Wilkins, vp/secretary; Stuart B. Wilkins, Frank Ali and Marc J. Blumencranz, vps.

Licensed excess/surplus broker in: New York.

Continued on page 94

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		714/474-7454
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		619/291-6970
	San Fernando Valley	818/348-7028
		818/348-9056
	San Francisco	415/989-9510
	Stockton	209/948-0555
Colorado	Denver	303/756-7444
Connecticut	Bristol	203/582-6673
	South Windsor	203/282-0881
Florida	Miami	305/966-6433
	Orlando	305/896-2691
	St. Petersburg	813/521-4621
	Tampa	813/287-8783
Georgia	Atlanta	404/266-0004
Idaho	Boise	208/336-7131
Illinois	Chicago	312/346-7576
Iowa	Des Moines	515/224-4511
Kansas	Kansas City	913/451-1151
Maine	Portland	207/774-3857
Massachusetts	Boston	617/439-0060
	Dedham	617/329-8500
Michigan	Detroit	313/645-0500
Minnesota	Minneapolis	612/333-0361
Missouri	St. Louis	314/231-9470
Nebraska	Omaha	402/393-2040
Nevada	Reno	702/323-7297
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	Morristown	201/538-8200
New York	New York City	212/742-9730
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North Dakota	Bismarck	701/223-1112
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Utah	Salt Lake City	801/266-5199
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156 William St., New York, N.Y. 10038; 212-233-7171

See profile on page 82.

Bartlett Agency Inc.

2200 52nd Ave., P.O. Box 970, Moline, Ill. 61265; 309-764-9666

	1987	1986
Premium volume	\$18,000,000	\$15,500,000
Gross revenues	\$2,790,000	\$2,600,000
Brokerage: Retail	86.5%	80.5%
Personal lines	8%	9%
Services	3.5%	7.5%
Invest. income	2%	3%
Employees	37	32
Offices	2	2

Year founded: 1942.

Brokerage: 97% commissions; 3% fees.

Retail brokerage branch offices: Bartlett Hallberg Commercial Insurers Inc., Oak Brook, Ill.

Principal officers: Richard J. Miles, president; Thomas K. Bracke, executive vp; John J. Barrett and Mark Fanning, vps.

Licensed excess/surplus broker in: Illinois.

Bayly, Martin & Fay International Inc.

201 Main St., Suite 1990, Fort Worth, Texas 76102; 817-335-2048

See profile on page 56.

Beal & Associates Insurance Counselors Inc.

5635 E. Thomas Road, Phoenix, Ariz. 85018; 602-990-1111

	1987	1986
Premium volume	\$11,000,000	\$11,000,000
Gross revenues	\$2,647,000	\$2,592,000
Brokerage: Retail	77%	78%
Personal lines	11%	9%
Invest. income	3%	2%
Other	9%	11%
Employees	40	41
Offices	1	1

Year founded: 1958.

Brokerage: 97% commissions, 3% fees.

Principal officers: William A. Beal, president; Thomas W. Beal, vp; Norma J. Beal, secretary/treasurer.

Licensed excess/surplus broker in: Arizona.

Beardsley, Brown & Bassett Inc.

One Lafayette Circle, Bridgeport, Conn. 06605; 203-366-1815

	1987	1986
Premium volume	\$27,500,000	\$25,000,000
Gross revenues	\$4,500,000	\$3,850,000
Brokerage: Retail	65%	60%
Personal lines	21%	23%

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Spotlight report

Continued from page 92

Bolton & Co.

1100 El Centro St., South Pasadena, Calif. 91030; 818-799-7000

	1987	1986
Premium volume	\$44,000,000	\$40,000,000
Gross revenues	\$6,100,000	\$5,300,000
Brokerage: Retail	85%	86.5%
Personal lines	11%	10%
Invest. income	4%	3.5%
Employees	70	60
Offices	1	1

Year founded: 1931.
Brokerage: 100% commissions.
Principal officers: William D. Bolton, chairman/chief executive officer; James A. Bolton, president; John T. Boyle, executive vp; Joseph T. Moyna, vp; Jill A. Pillozzi, vp/ chief financial officer.

Boockford & Co.

One Oakbrook Terrace, Oakbrook Terrace, Ill. 60181; 312-932-4000

	1987	1986
Premium volume	\$32,000,000	\$30,000,000
Gross revenues	\$3,800,000	\$3,500,000
Brokerage: Retail	93%	92%
Personal lines	3%	4%
Invest. income	4%	4%
Employees	39	31
Offices	1	1

Year founded: 1951.
Brokerage: 98% commissions, 2% fees.
Principal officers: William D. Boockford Jr., chairman; William D. Boockford Sr., president; James Schuster, secretary/treasurer; Charles Bretz, vp-operations; Mario Remegi, vp-marketing.
Licensed excess/surplus broker in: Illinois.

Bowers, Schumann & Welch Inc.

Route 31 N., Washington, N.J. 07882; 201-689-1092

	1987	1986
Premium volume	\$30,000,000	\$22,500,000
Gross revenues	\$3,902,626	\$3,024,304
Brokerage: Retail	71.2%	64.2%
Wholesale	2%	2%
Personal lines	18.5%	25.3%
Invest. income	1.4%	1.8%
Other	6.9%	6.7%
Employees	65	55
Offices	3	3

Year founded: 1967.
Brokerage: 100% commissions.
Retail brokerage branch offices: Bethlehem, Penn.; Blairstown, N.J.
Principal officers: Scott Welch, president; Todd Welch, vp-sales/marketing; Glen Welch, vp-commercial services; Mike Azar, vp-finance; Linda Donker, vp-personnel.

Boynton Brothers & Co.

200 Jefferson St., Perth Amboy, N.J. 08862; 201-442-3300

	1987	1986
Premium volume	\$36,000,000	\$32,000,000
Gross revenues	\$6,000,000	\$5,500,000
Brokerage: Retail	84%	84%
Personal lines	10%	10%
Services	2%	2%
Invest. income	4%	4%
Employees	70	49
Offices	3	1

Year founded: 1899.
Brokerage: 96% commissions, 4% fees.
Acquisitions: A.T. Galasso Agency, Cherry Hill, N.J.
Retail brokerage branch offices: Cherry Hill, N.J.; A.T. Galasso Agency, a Division of Boynton Brothers & Co., Camp Hill, Pa.
Principal officers: Michael J. McMahon, president; Edwin Stewart Jr., chairman; Kenneth F. Warchal, executive vp; Wallace Barrett and Robert Sikora, vps.
Licensed excess/surplus broker in: New Jersey.

Brooks & Stafford Co.

75 Public Square, Cleveland, Ohio 44113; 216-696-3000

	1987	1986
Premium volume	\$13,400,000	\$12,000,000
Gross revenues	\$2,100,000	\$1,920,000
Brokerage: Retail	60%	55%
Personal lines	40%	45%
Employees	37	38
Offices	1	1

Year founded: 1849.
Brokerage: 100% commissions.

Principal officers: C.C. Parsons, chairman; R.E. Hutchinson, president; W.J. Coming, first vp; R.E. Kunze, secretary/vp; M.B. Lash, vp.

Brown & Brown Inc.

220 S. Ridgewood Ave., Box 1712, Daytona Beach, Fla. 32015; 904-252-9601

	1987	1986
Premium volume	NA	NA
Gross revenues	\$25,017,533	\$22,049,966
Brokerage: Retail	57%	56%
Wholesale	9%	11%
Reinsurance	0%	2%
Personal lines	15%	14%
Services	16%	14%
Invest. income	3%	3%
Employees	331	425
Offices	30	22

Year founded: 1939.
Brokerage: 97% commissions, 3% fees.

Retail brokerage branch offices: Orlando, Jacksonville, Tampa, West Palm Beach, Delray Beach, Boynton Beach, Fort Meyers, Port Charlotte, Sanibel Island, Sarasota, DeLand,

Eustis, Kissimmee, St. Cloud, Melbourne and Brooksville, Fla.

Non-retail brokerage subsidiaries: MacDuff Underwriters, Daytona Beach, Fla.; MacDuff America, Daytona, Fla.; Halcyon Underwriters and United Self Insured Services, Orlando, Fla.

Principal officers: J. Hyatt Brown, chairman/president; Kenneth Hill, executive vp; H. Van Massey, senior executive vp; Greg Brewer, Jim Henderson, Linda Downs and Pete Thomas, senior vps.

Licensed excess/surplus broker in: Florida, Georgia, Alabama, Texas, Illinois and North Carolina.

Brown-Hiller-Clark & Associates

5500 Euper Lane, Fort Smith, Ark. 72903; P.O. Box 3529, Fort Smith, Ark. 72913; 501-452-4000

	1987	1986
Premium volume	\$12,335,213	\$11,650,429
Gross revenues	\$2,577,237	\$1,377,988
Brokerage: Retail	64%	84%
Personal lines	13%	15%
Invest. income	3%	1%

Other	20%	0%
Employees	54	37
Offices	4	3

Year founded: 1915.
Brokerage: 100% commissions.
Retail brokerage branch offices: BHC of Eureka Springs, Eureka Springs, Ark.; BHC of Oklahoma Inc., Sallisaw and Tahlequah, Okla.; BHC Life & Group Specialists Inc., Fort Smith, Ark.

Principal officers: Sam B. Hiller, president/treasurer; Larry R. Clark, executive vp/secretary; William J. Green, senior vp; Tom Cooley, vp; Gary Winton, president, BHC of Oklahoma Inc.; Joe D. Byars, president, BHC Life & Group Specialists Inc.

Licensed excess/surplus broker in: Arkansas.

Bynum Insurance Inc.

One Riverway, Suite 1500, Houston, Texas 77056; 713-621-1020

	1987	1986
Premium volume	\$8,065,000	\$11,600,000
Gross revenues	\$1,399,535	\$1,275,486

Brokerage: Retail	59.5%	80%
Personal lines	29%	17%
Services	2.5%	1%
Invest. income	1%	2%
Other	8%	0%
Employees	21	20
Offices	1	1

Year founded: 1957.
Brokerage: 97% commissions, 3% fees.

Principal officers: David D. Bynum, president; William F. Duncan, Chuck Robinson and Fred Carpenter, vps; Vincent E. Cook, chief financial officer.

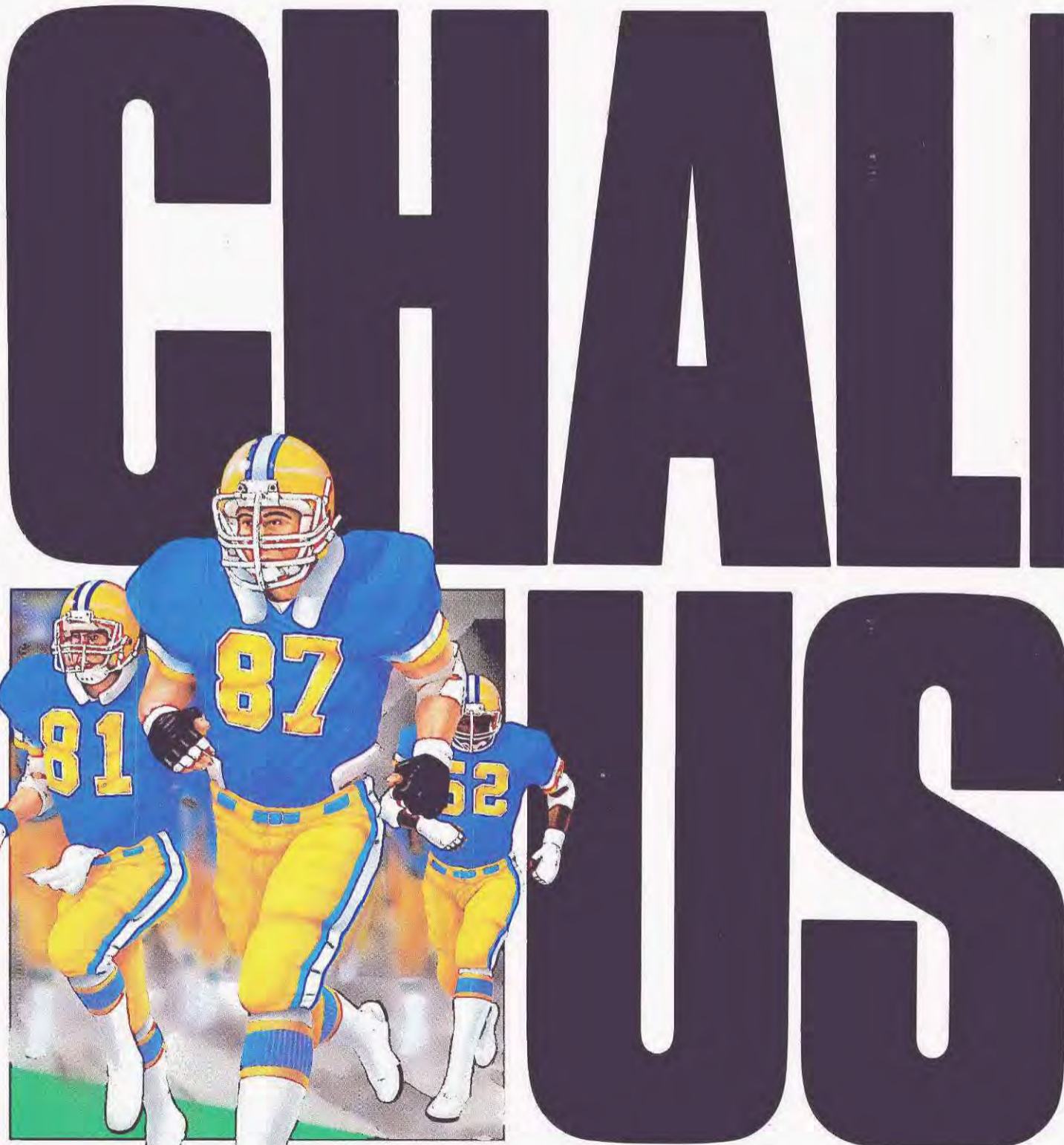
Licensed excess/surplus broker in: Texas.

Byrne, Byrne & Co.

20 N. Wacker Drive, Chicago, Ill. 60606; 312-346-2150

	1987	1986
Premium volume	\$15,100,000	\$14,000,000
Gross revenues	\$1,400,000	\$1,280,000
Brokerage: Retail	85%	85%
Personal lines	10%	10%
Services	5%	5%
Employees	16	16
Offices	1	1

Continued on next page



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Continued from previous page
Year founded: 1898.
Brokerage: 95% commissions, 5% fees.
Principal officers: Thomas J. Byrne, chairman; Richard D. Byrne, president; Stephen J. Byrne, John T. O'Hara and William J. Reif, vps.



CPI Insurance Group Inc.
 1201 Mount Kemble Ave.,
 Morristown, N.J. 07960;
 201-766-6000

	1987	1986
Premium volume	\$29,300,000	\$17,200,000
Gross revenues	\$5,060,000	\$3,625,000
Brokerage: Retail	70%	68%
Personal lines	7%	7%
Invest. income	3%	1%
Other	20%	24%
Employees	42	35
Offices	1	1

Year founded: 1980.

Brokerage: 92% commissions, 8% fees.
Principal officers: Walter P. Killenny, chairman; Kevin W. Conboy and William H. Mulcahy, presidents; David L. Clark, executive vp; Richard J. Schuessler, vp.

Calco Insurance-Brokers & Agents
 1900 Alameda de las Pulgas, San Mateo, Calif. 94402; 415-572-4264

	1987	1986
Premium volume	\$61,000,000	\$50,000,000
Gross revenues	\$5,300,000	\$4,500,000
Brokerage: Retail	90%	90%
Personal lines	10%	10%
Employees	48	48
Offices	7	7

Year founded: 1914.
Brokerage: 100% commissions.
Retail brokerage branch offices: San Francisco, Glendale, Orange and Fresno, Calif.
Principal officers: Chuck Gross, vp/manager; Dan Stahl, assistant vp/marketing manager; Steve Allison, district manager-Orange office; Don

Davis, district manager-Glendale office; Jeff Fong, district manager-San Mateo office; Larry Maciborka, district manager-San Francisco office.

Cal-Surance Associates Inc.
 2790 Skypark Drive, Torrance, Calif. 90505; 213-530-5555

	1987	1986
Premium volume	\$90,335,900	\$75,000,000
Gross revenues	\$15,294,500	\$13,955,800
Brokerage: Retail	74.1%	74.2%
Wholesale	0%	2.1%
Personal lines	1.5%	1.8%
Services	18.3%	16.8%
Invest. income	3.8%	3.7%
Other	2.3%	1.4%
Employees	163	145
Offices	2	2

Year founded: 1962.
Brokerage: 99.2% commissions, 0.8% fees.
Retail brokerage branch offices: Anaheim, Calif.; Cal-Surance Benefit Plans, Torrance, Calif.
Non-retail brokerage subsidiaries: Lancer Claim Services Inc., Anaheim, Calif.; United Network of Insurance Services Inc., Torrance,

Calif.
Parent company: Chartered Financial Services Corp.

Principal officers: Donald E. Martin, chief executive officer; Gleeson Payne, president; M.D. Bogen, chief operating officer-retail sales; Garry N. Nelson, chief operating officer-personal liability division/Lancer Claim Services Inc.; Donald Mehlig, president, Cal-Surance Benefit Plans.

Licensed excess/surplus broker in: California.

Carlin Insurance Agency Inc.
 233 W. Central St., Natick, Mass. 01760; 617-655-0522

	1987	1986
Premium volume	\$20,000,000	\$17,000,000
Gross revenues	\$2,500,000	\$2,200,000
Brokerage: Retail	79%	79%
Personal lines	20%	20%
Invest. income	1%	1%
Employees	40	37
Offices	1	1

Year founded: 1968.
Brokerage: 100% commissions.

Principal officers: Samuel W. Wakeman, president; Rosemary W. Fulham, Kevin M. Daley and Barry D. Rosen, vps; Frank J. Smith, vpsurety.
Licensed excess/surplus broker in: Massachusetts.

Clair Insurance Agency Inc.
 120 W. Germantown Pike, Suite 200, Plymouth Meeting, Pa. 19462; 215-825-5555

	1987	1986
Premium volume	\$33,054,349	\$29,371,949
Gross revenues	\$4,151,163	\$3,636,537
Brokerage: Retail	90%	89%
Personal lines	10%	11%
Employees	56	53
Offices	1	1

Year founded: 1932.
Brokerage: 95% commissions, 5% fees.
Principal officers: Robert A. Clair, president/treasurer; Milton B. Kohn, vp/secretary; David A. Collins and Frank D. Svitek, vps.
Licensed excess/surplus broker in: Pennsylvania.

Collier Cobb & Associates Inc.
 128 S. Tryon St., P.O. Box 31817, Charlotte, N.C. 28231; 704-376-9161

	1987	1986
Premium volume	\$175,000,000	\$160,000,000
Gross revenues	\$21,000,000	\$20,000,000
Brokerage: Retail	93%	93%
Personal lines	5%	5%
Invest. income	2%	2%
Employees	210	207
Offices	9	9

Year founded: 1927.
Brokerage: 93% commissions, 7% fees.
Retail brokerage branch offices: Boston; Washington; Chicago; Dallas; Houston; Montgomery, Ala.; Chapel Hill, N.C.; John G. Beck Agency, Pittsburgh.
Parent company: Hudson International Inc.
Principal officers: Fitzgerald S. Hudson, chairman; Jaye A. Norem, president; W. Eugene Mills Jr., Neal L. McDuffie, John L. Clarke and Leonard S. Bullock, executive vps.

Corroon & Black Corp.
 Wall Street Plaza, 28th Floor, New York, N.Y. 10005; 212-363-4100

See profile on page 34.

Couper-Ackerman-Sampson
 P.O. Box 1970, Binghamton, N.Y. 13902; 607-772-1444

	1987	1986
Premium volume	\$6,500,000	\$6,000,000
Gross revenues	\$1,200,000	\$1,000,000
Brokerage: Retail	65%	65%
Personal lines	30%	30%
Invest. income	5%	5%
Employees	24	25
Offices	2	2

Year founded: 1890.
Brokerage: 100% commissions.
Acquisitions: Security Financial Services Corp., Binghamton, N.Y.
Retail brokerage branch offices: Endwell, N.Y.
Principal officers: John F. Russell, president; Glen F. McNeil, William J. McPhail and Robert H. White, vps.

Frank Crystal & Co. Inc.
 40 Broad St., New York, N.Y. 10004; 212-344-2444

	1987	1986
Premium volume	NA	NA
Gross revenues	\$20,425,000	\$15,713,600
Brokerage: Retail	83%	88%
Personal lines	12%	10%
Services	5%	2%
Employees	137	125
Offices	4	3

Year founded: 1936.
Brokerage: 97% commissions, 3% fees.
Retail brokerage branch offices: Frank Crystal & Co. Inc. (Texas), Houston; Frank Crystal & Co. of Florida, Fort Lauderdale, Fla.; Frank Crystal & Co. Inc. Mid America, Shawnee, Kan.
Principal officers: James W. Crystal, president; Kenneth W. Liebman and Kenneth Gamble, executive vps; Arthur H. Littmann, vp/chief financial officer; William Mann, senior

Continued on next page

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Spotlight report

Continued from previous page
vp; Vincent J. Gandolfo, vp.

Licensed excess/surplus broker in: New York, Texas and Florida.

D

DSI Insurance Services

One California St., Suite 2700, San Francisco, Calif. 94111; 415-772-7033

	1987	1986
Premium volume	\$28,000,000	\$16,000,000
Gross revenues	\$1,900,000	\$1,300,000
Brokerage: Retail	87%	83%
Wholesale	1%	1%
Personal lines	5%	5%
Services	3%	2%
Invest. income	4%	4%
Employees	24	21
Offices	2	1

Year founded: 1985.

Brokerage: 90% commissions, 10% fees.

Non-retail brokerage subsi-

diaries: SHG Ltd., San Francisco.

Principal officers: Scott R. Heldfond, president/chief executive officer; Douglas W. Shorerstein, chairman; Barbara A. Guernsey, executive vp; Ritchie E. Gingrich, senior vp; Salvatore R. Romanc, vp.

Licensed excess/surplus broker in: California.

Daniel & Henry Co.

100 N. Jefferson Ave., St. Louis, Mo. 63103; 314-421-1525

	1987	1986
Premium volume	\$66,066,780	\$61,455,750
Gross revenues	\$10,265,000	\$8,859,847
Brokerage: Retail	68%	70.6%
Personal lines	13%	13.4%
Services	5.7%	4.8%
Invest. income	1.5%	1.2%
Other	12.8%	10%
Employees	190	175
Offices	2	2

Year founded: 1921.

Brokerage: 99% commissions, 1% fees.

Principal officers: C. Peyton Daniel, president/chief executive of-

ficer Charles S. Drew Jr., chairman; John S. Childress, executive vp; John A. Harrison, senior vp; Ronald C. Mueller, treasurer.

Licensed excess/surplus broker in: Missouri.

The Daniels Agency Inc.

Route 22, Box F, Pawling, N.Y. 12564; 914-855-3300

	1987	1986
Premium volume	\$14,000,000	\$11,500,000
Gross revenues	\$2,000,000	\$1,750,000
Brokerage: Retail	75%	75%
Personal lines	25%	25%
Employees	30	28
Offices	3	3

Year founded: 1926.

Brokerage: 100% commissions. **Retail brokerage branch offices:** Poughkeepsie and Brewster, N.Y.

Principal officers: Charles R. Daniels III, president; James A. Keough, senior vp; John Melby, H. Joseph Duffy and Anna Loper, vps.

Licensed excess/surplus broker in: New York.

Dann Brothers Inc.

633 Skokie Blvd., Northbrook, Ill. 60062; 312-564-8700

	1987	1986
Premium volume	\$40,000,000	\$39,500,000
Gross revenues	\$7,115,000	\$6,985,000
Brokerage: Retail	84%	85%
Personal lines	6%	5%
Invest. income	4%	3%
Other	6%	7%
Employees	69	75
Offices	3	3

Year founded: 1929.

Brokerage: 100% commissions. **Retail brokerage branch offices:** Chicago.

Principal officers: Charles Dann, chairman; Armand Dann and Russell Dann, executive vps; Scott Dann, president.

Licensed excess/surplus broker in: Illinois.

Dean S. Davidson Insurance Agency Inc.

4620 N. 16th St., Suite 2C0, Phoenix Ariz. 85016; 602-277-6672

	1987	1986
Premium volume	\$16,758,778	\$14,726,000
Gross revenues	\$2,737,787	\$2,416,151

	1987	1986
Brokerage: Retail	72.2%	80%
Personal lines	25.8%	19%
Invest. income	2%	1%
Employees	54	52
Offices	3	3

Year founded: 1937.

Brokerage: 100% commissions. **Retail brokerage branch offices:** Tucson, Ariz.; Westlake Village, Calif.

Principal officers: Byron W. Davidson, president; Sandra G. Davidson, vp; Kenneth A. Sadick, secretary; Norma D. Sadick, treasurer.

Licensed excess/surplus broker in: Arizona.

Davies & Associates

80 Floral Ave., Murray Hill, N.J. 07974; 201-464-6100

	1987	1986
Premium volume	\$10,682,000	\$9,560,000
Gross revenues	\$1,342,000	\$1,160,000
Brokerage: Retail	66%	64%
Personal lines	29%	31%
Invest. income	1%	1%
Other	4%	4%
Employees	18	18
Offices	3	3

Year founded: 1964.

Brokerage: 99% commissions, 1% fees.

Retail brokerage branch offices: Hazlet and Somerville, N.J.

Principal officers: James H. Davies, president; James T. Davies and Robert Davies, vps.

Curtis Day & Co.

50 California St., San Francisco, Calif. 94111; 415-433-0480

	1987	1986
Premium volume	\$45,222,323	\$39,529,167
Gross revenues	\$5,591,271	\$4,516,386
Brokerage: Retail	93%	94%
Wholesale	0.5%	0.2%
Personal lines	1.5%	1.5%
Invest. income	5%	4.3%
Employees	58	50
Offices	2	1

Year founded: 1966.

Brokerage: 95% commissions, 5% fees.

Acquisitions: Norman O'Connor Agency, Los Gatos, Calif.

Retail brokerage branch offices: Norman O'Connor Agency, Los Gatos, Calif.

Principal officers: Phillip J. Buchanan, president; Julie A. Ferro, executive vp; Harry F. Clifford and Edward Ferro, vps; Phillis Bascomb and Lynn Boyd, assistant vps.

Licensed excess/surplus broker in: California.

Robert F. Driver Co. Inc.

1610 Fifth Ave., San Diego, Calif. 92101; 619-238-1828

	1987	1986
Premium volume	NA	NA
Gross revenues	\$14,800,000	\$12,800,000
Brokerage: Retail	88.1%	86.9%
Personal lines	7%	10%
Services	4%	2%
Invest. income	0.9%	1.1%
Employees	194	175
Offices	3	4

Year founded: 1946.

Brokerage: 96% commissions, 4% fees.

Retail brokerage branch offices: Escondido and Newport Beach, Calif.

Principal officers: Robert F. Driver, chairman; Irwin B. Sklar, president; Robert J. Young, executive vp; George F. Driver, vp-operations; John T. Freeman, vp-finance.

Licensed excess/surplus broker in: California.

E

Eastman & Co.

Insurance Brokers

2550 Hollywood Way, Burbank, Calif. 91505; 818-841-2400

	1987	1986
Premium volume	\$12,000,000	\$8,070,000
Gross revenues	\$1,379,000	\$940,000
Brokerage: Retail	90%	86%
Personal lines	8%	13%
Invest. income	2%	1%
Employees	22	15
Offices	2	1

Year founded: 1970.

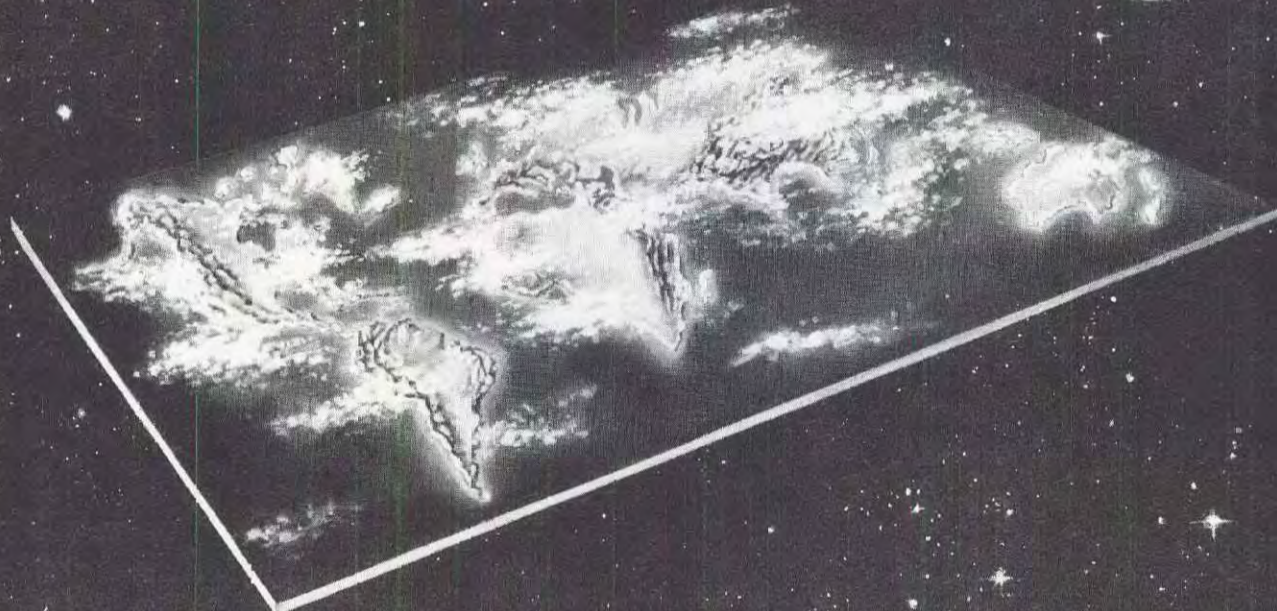
Brokerage: 99% commissions, 1% fees.

Retail brokerage branch offices: Brea, Calif.

Principal officers: Robert Eastman, president/treasurer; Linda Da-

Continued on next page

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UNDERWRITING MANAGEMENT COMPANY

Continued from previous page
vidson, vp/secretary; Tom Farris,
branch manager.

Ebersberger & Associates Inc.
542 Ritchie Highway, P.O. Box 959,
Severna Park, Md. 21146;
301-647-4200

	1987	1986
Premium volume	\$18,000,000	\$12,000,000
Gross revenues	\$2,300,000	\$1,700,000
Brokerage: Retail	80%	80%
Personal lines	10%	10%
Services	5%	5%
Invest. income	5%	5%
Employees	26	23
Offices	1	1

Year founded: 1968.
Brokerage: 97% commissions, 3% fees.

Principal officers: George H. Ebersberger Jr., president; Arthur D. Ebersberger, vp; Adolph W. Ebersberger Jr., treasurer.

Licensed excess/surplus broker in: Maryland, District of Columbia, Virginia.

James Econn & Co.
3055 Wilshire Blvd., Suite 800, Los Angeles, Calif. 90010;
213-386-3131

	1987	1986
Premium volume	\$54,526,777	\$53,057,637
Gross revenues	\$7,636,970	\$6,611,937
Brokerage: Retail	92.9%	93%
Wholesale	0%	1%
Personal lines	2.2%	2%
Invest. income	4.9%	4%
Employees	51	47
Offices	2	2

Year founded: 1919.
Brokerage: 99% commissions, 1% fees.

Retail brokerage branch offices: Newport Beach, Calif.

Principal officers: James Econn, chief executive officer/chairman; B.F. Grier, chief operating officer/president; Richard C. Econn, executive vp; Richard A. Ficco, senior vp; Gregory Econn and Donald Killian, vps.

Elliott, McKiever & Stowe Inc.
2828 W. Flagler St., Miami, Fla. 33135; 305-642-7170

	1987	1986
Premium volume	\$15,100,000	\$13,135,000
Gross revenues	\$1,625,349	\$1,585,422
Brokerage: Retail	100%	100%
Employees	25	21
Offices	1	1

Year founded: 1937.
Brokerage: 100% commissions.

Principal officers: Donald Elliott, president; Larry B. Stowe, vp; Wallace Montgomery, secretary/treasurer.

Licensed excess/surplus broker in: Florida.

Euclid Insurance Agencies Inc.
977 Oaklawn Ave., Suite 300, Elmhurst, Ill. 60126; 312-833-1000

	1987	1986
Premium volume	\$28,115,000	\$26,805,000
Gross revenues	\$4,478,680	\$4,196,866
Brokerage: Retail	91%	91.5%
Personal lines	4.2%	4.3%
Invest. income	4.8%	3.7%
Other	0%	0.5%
Employees	51	49
Offices	1	1

Year founded: 1963.
Brokerage: 98% commissions, 2% fees.

Principal officers: Peter G. Colis, president; William F. Loeb, vp.

Licensed excess/surplus broker in: Illinois.



FAI Insurance Counseling
222 Columbia Turnpike, Florham Park, N.J. 07932-0037;
201-822-7900

	1987	1986
Premium volume	\$24,278,000	\$18,775,000
Gross revenues	\$3,749,734	\$2,687,000
Brokerage: Retail	46%	50%
Wholesale	42%	36%
Personal lines	8%	10%
Invest. income	3%	3%
Other	1%	1%
Employees	38	33
Offices	1	1

Year founded: 1931.
Brokerage: 90% commissions, 10% fees.

Parent company: Fowler Agency Inc.

Principal officers: Richard C. Fowler Jr., president; Donald W. Wright, executive vp; Donna Mercadante and John Dara, vps.

FBS Insurance
8000 W. 78th St., Suite 400, Edina, Minn. 55435; 612-829-4800

See profile on page 68.

Fairlane Associates Inc.
15350 Commerce Drive N., P.O. Box 1147, Dearborn, Mich. 48121;
313-271-8200

	1987	1986
Premium volume	\$19,029,224	\$17,776,616
Gross revenues	\$2,592,054	\$2,244,429
Brokerage: Retail	58.3%	60.5%
Personal lines	33.3%	34.4%
Services	0.6%	0.3%
Invest. income	2.5%	2.6%
Other	5.3%	2.2%
Employees	32	30
Offices	1	1

Year founded: 1926.
Brokerage: 99.4% commissions, 0.6% fees.

Acquisitions: Carney/Molkey, Livonia, Mich.

Principal officers: Robert G. Maldegen, president; Michael J. Maldegen, vp-administration; Carl F. Fricke, vp-sales; Robert Charette, vp.

Licensed excess/surplus broker in: Michigan.

Financial Guardian Group Inc.
3100 Broadway, Kansas City, Mo. 64111; 816-561-8630

See profile on page 78.

Fitzgerald, Clayton, James & Kasten Inc.
757 N. Broadway, Milwaukee, Wis. 53202; 414-271-3717

	1987	1986
Premium volume	\$8,700,000	\$7,000,000
Gross revenues	\$1,247,000	\$1,175,000

	1987	1986
Brokerage: Retail	69.3%	72.2%
Wholesale	16.8%	15%
Personal lines	11.1%	10.6%
Invest. income	2.6%	2%
Other	0.2%	0.2%
Employees	21	19
Offices	1	1

Year founded: 1850.
Brokerage: 96.9% commissions, 3.1% fees.

Principal officers: Charles V. James, president; Jeffrey Thiel, senior vp; Karen Rechlicz, vp/secretary; Robert T. Clayton, vp/treasurer; William D. Hoppejan, vp.

Licensed excess/surplus broker in: Wisconsin.

Fitzhugh & Co. Insurance Agency
2201 Washington, P.O. Box 209, Waco, Texas 76703-0209;
817-754-3553

	1987	1986
Premium volume	\$5,285,630	\$4,201,160
Gross revenues	\$874,677	\$725,297
Brokerage: Retail	66.3%	71.4%
Wholesale	8.6%	6.5%
Personal lines	23.6%	21.1%
Services	1.5%	1%

	1987	1986
Employees	16	15
Offices	1	1

Year founded: 1886.
Brokerage: 98% commissions, 2% fees.

Principal officers: Champe Fitzhugh Jr., chairman/chief executive officer; Everett Alexander, president; Wayne Peel, executive vp; Mike Simon, vp/secretary; Pat Ebarb, vp.

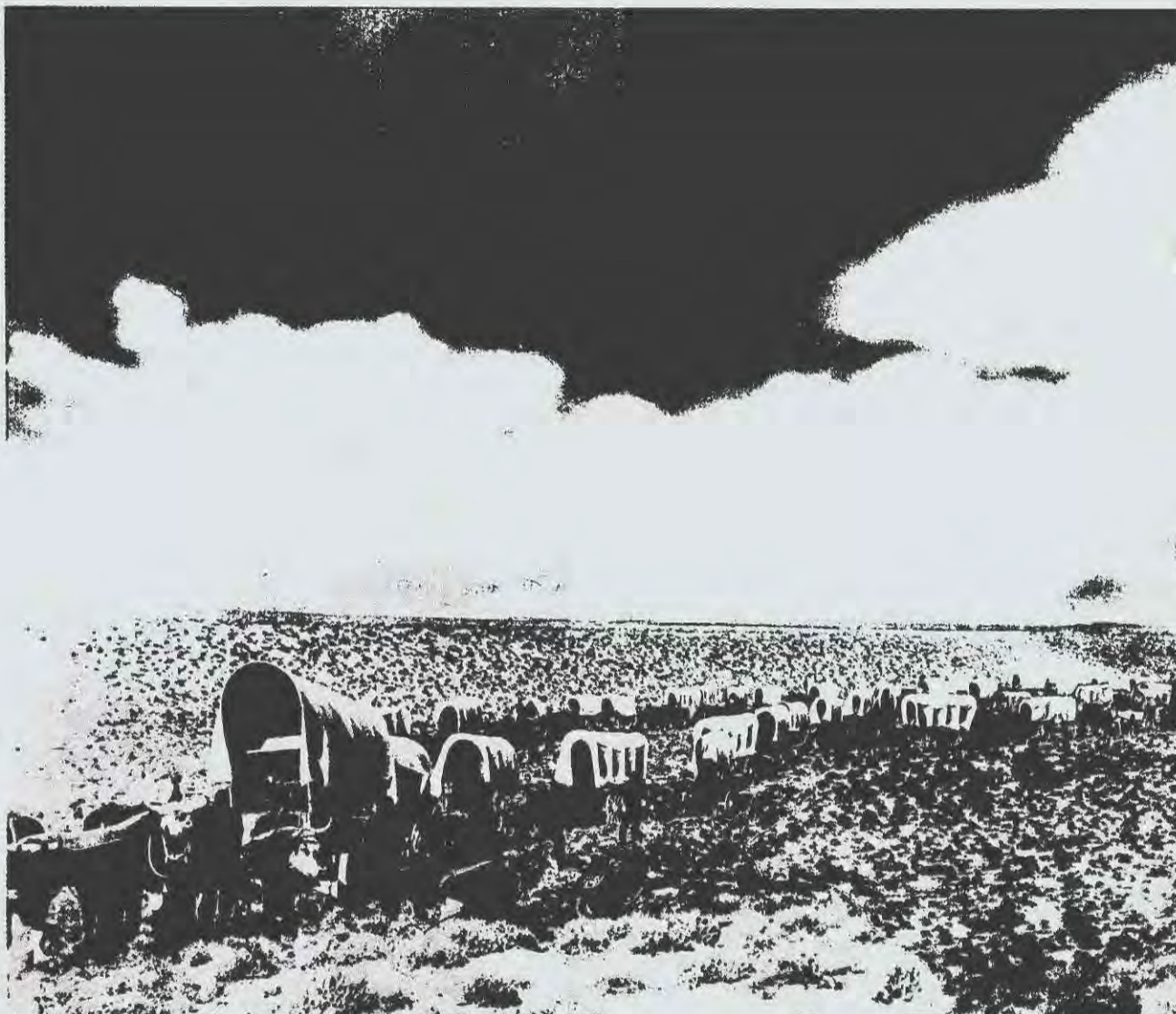
Frenkel & Co. Inc.
123 William St., New York, N.Y. 10038; 212-267-2200

	1987	1986
Premium volume	NA	NA
Gross revenues	\$19,145,000	\$17,103,000
Brokerage: Retail	89%	89%
Personal lines	5%	5%
Invest. income	6%	6%
Employees	190	172
Offices	1	1

Year founded: 1878.
Brokerage: 99% commissions, 1% fees.

Acquisitions: Joseph L. Gray & Co.

Continued on next page



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Spotlight report

Continued from previous page

Co. Inc., New York.

Principal officers: Charles W. Pachner, chairman; James J. Costa, vice chairman; Alan S. Samuels, president/chief executive officer; Robert E. Shunk, senior executive vp; Harold D. Goldsmith, executive vp/treasurer.

Licensed excess/surplus broker in: New York.

G

Arthur J. Gallagher & Co.

10 Gould Center, Rolling Meadows, Ill. 60008; 312-640-8500

See profile on page 48.

Gallagher-Cole Associates

4500 Biscayne Blvd., Suite 310, Miami, Fla. 33137; 305-576-4100

	1987	1986
Premium volume	\$9,020,379	\$11,485,008
Gross revenues	\$1,151,921	\$1,205,345

Brokerage:	Retail	75%	71%
Wholesale	1%	5%	
Personal lines	15%	15%	
Services	5%	5%	
Invest. income	2%	2%	
Other	2%	2%	
Employees	21	21	
Offices	2	2	

Year founded: 1972.

Brokerage: 95% commissions, 5% fees.

Retail brokerage branch offices: Gallagher-Cole-Boon Associates, Miami.

Principal officers: Phil C. Gallagher, Samuel T. Cole Sr., Raymond O. Boon Sr. and Lenore N. Francis, associates.

Licensed excess/surplus broker in: Florida.

The Gleason Agency Inc.

Suite 204, Main Street East Building, Johnstown, Pa. 15901; 814-535-8411

	1987	1986
Premium volume	\$28,275,222	\$23,014,430
Gross revenues	\$3,200,000	\$2,617,996
Brokerage: Retail	93%	91%
Personal lines	4%	4%

Services	0%	2%
Invest. income	3%	3%
Employees	35	27
Offices	4	4

Year founded: 1924.

Brokerage: 95% commissions, 5% fees.

Retail brokerage branch offices: Altoona, Harrisburg and Pittsburgh, Pa.

Principal officers: Robert A. Gleason Jr., president; Christopher K. Gleason, treasurer; Carolyn Zierer, secretary.

Licensed excess/surplus broker in: Pennsylvania.

Glenn, Nyhan & Associates Inc.

44 Montgomery St., San Francisco, Calif. 94104; 415-398-1245

	1987	1986
Premium volume	NA	NA
Gross revenues	\$8,114,241	\$7,185,154
Brokerage: Retail	42%	60%
Services	57%	38%
Invest. income	1%	2%
Employees	102	84
Offices	6	4

Year founded: 1980.

Brokerage: 100% commissions.

Retail brokerage branch offices: Chicago; Columbia, Md.; Princeton, N.J.; Greenwich, Conn.; Radnor, Pa.

Non-retail brokerage subsidiaries: American Health Systems and American Insurance Services, San Francisco.

Parent company: PWS Holdings P.L.C.

Principal officers: Paul E. Dorroh, chairman/chief executive officer; Bartholomew G. Nyhan, president; Andrew G. Barnett, executive vp/chief financial officer.

Licensed excess/surplus broker in: California and Illinois.

Richard N. Goldman & Co.

1 Maritime Plaza, San Francisco, Calif. 94111; 415-981-1141

	1987	1986
Premium volume	NA	NA
Gross revenues	\$6,200,000	\$5,600,000
Brokerage: Retail	86%	86%
Personal lines	10%	10%
Invest. income	4%	4%
Employees	70	62
Offices	1	1

Year founded: 1947.

Brokerage: 95% commissions, 5% fees.

Principal officers: Richard N. Goldman, chairman; Stuart W. Seiler, president; Laurence C. Colton and Keith G. Avery, senior vps; Gerald J. Fitzgerald, senior vp/secretary.

Licensed excess/surplus broker in: California.

S.H. Gow & Co. Inc.

344 Delaware Ave., Buffalo, N.Y. 14202; 716-856-1100

	1987	1986
Premium volume	\$41,000,000	\$46,000,000
Gross revenues	\$6,000,000	\$6,500,000
Brokerage: Retail	89%	89%
Wholesale	4%	4%
Personal lines	2%	2%
Services	3%	3%
Invest. income	2%	2%
Employees	98	110
Offices	4	4

Year founded: 1951.

Brokerage: 96% commissions, 4% fees.

Retail brokerage branch offices: Rochester, Syracuse and Albany, N.Y.

Non-retail brokerage subsidiaries: Gow Management Services Inc., Buffalo, N.Y.

Principal officers: Stephen H. Gow, chairman; Jeffrey J. Gow, president; Michael S. Gow, executive vp; Richard K. Mason, senior vp.

Licensed excess/surplus broker in: New York.

The Graham Co.

One Penn Square W., Philadelphia, Pa. 19102; 215-567-6300

	1987	1986
Premium volume	\$58,000,000	\$55,500,000
Gross revenues	\$8,400,000	\$7,785,045
Brokerage: Retail	94%	94%
Personal lines	2%	3%
Invest. income	4%	3%
Employees	72	65
Offices	1	1

Year founded: 1950.

Brokerage: 70% commissions, 30% fees.

Principal officers: William A. Graham IV, president/chief executive officer; Judith Dooling, secretary/treasurer; Joseph M. McNasby Jr. and Philip K. Glick, vps.

Licensed excess/surplus broker in: Pennsylvania and New Jersey.

Guyot-Hicks-Anderson Insurance & Financial Services

415 Munson Ave., P.O. Box 392, Traverse City, Mich. 49685-0392; 616-947-4660

	1987	1986
Premium volume	\$18,700,000	\$15,400,000
Gross revenues	\$2,970,000	\$2,420,000
Brokerage: Retail	70%	73%
Personal lines	22%	21%
Invest. income	3%	3%
Other	5%	3%
Employees	47	43
Offices	6	6

Year founded: 1977.

Brokerage: 100% commissions.

Acquisitions: Mancelona Insurance Agency, Mancelona, Mich.; Grand Traverse Insurance Agency, Traverse City, Mich.

Retail brokerage branch offices: Bingham & Associates, Charlevoix, East Jordan and Boyne City, Mich.; Mancelona Insurance, Mancelona, Mich.; Harmony Insurance, Kalkaska, Mich.

Principal officers: William C. Anderson, president; Kenneth M. Lesperance, executive vp; Harry C. Dorman, vp-sales; John W. Hicks, treasurer.

Licensed excess/surplus broker in: Michigan.

H

Haas & Wilkerson Inc.

4300 Shawnee Mission Parkway, Fairway, Kan. 66205; 913-432-4400

	1987	1986
Premium volume	\$79,472,393	\$89,587,210
Gross revenues	\$13,117,000	\$14,639,000
Brokerage: Retail	85%	85%
Wholesale	5%	5%
Personal lines	10%	0%
Services	0%	10%
Employees	115	118
Offices	7	4

Continued on next page

FAMOUS NAMES IN CLAIMS.

UAC salutes the 1988 Claimswomen of the Year.



Region I, Linda L. Wilson
CCLA, CPIW, Personnel Manager, Prudential Property and Casualty Insurance Co., Holmdel, New Jersey, Insurance Women of Monmouth County



Region II, Wanda Gail Wood
Office Manager, Carolina Insurance Service, Inc., Winston-Salem, North Carolina, Winston-Salem Association of Insurance Women



Region III, Evelyn B. Albritton
Vice President and Claims Manager, Alexander & Alexander, Inc., Atlanta, Georgia, The Atlanta Association of Insurance Women, Inc.



Region IV, Anne McCoy
CPIW, Claims Examiner, Ohio Insurance Guaranty Association, Columbus, Ohio, Insurance Women of Columbus, Ohio



Region V, Patricia A. Broesder
CPCU, AIM, CPIW, Regional Claims Supervisor, Tri-State Insurance Company of Minnesota, Luverne, Minnesota, The Insurance Women of Greater Sioux Falls



Region VI, Anita Wilkinson
CPIW, Claims Support Unit Administrator, Aetna Life and Casualty, Shreveport, Louisiana, Shreveport Association of Insurance Women



Region VII, Elisabeth A. Hallock
CPIW, Assistant Vice President/Claims Supervisor, Marsh & McLennan, Inc., Kansas City, Missouri, Insurance Association of Suburban Kansas City



Region VIII, Susan M. Macias
WCCA, Commercial Claims Representative, Workers Compensation, Reliance United Pacific Insurance Company, San Jose, California, Peninsula Insurance Women's Association



Region IX, Constance A. Hanson
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Continued from previous page

Year founded: 1929.
Brokerage: 99% commissions, 1% fees.

Acquisitions: Walter R. Howell & Associates Inc., (offices in Birmingham, Mich.; New York; Encino, Calif.)

Retail brokerage branch offices: St. Petersburg, Fla.; St. Louis; Philadelphia; Birmingham, Mich.; New York; Encino, Calif.

Principal officers: W. Ralph Wilkerson Jr., chairman; William R. Wilkerson III, president; C.J. Jordan, executive vp/treasurer; Howard F. Walter, corporate secretary.

Licensed excess/surplus broker in: Kansas, Missouri, Florida and Michigan.

Hackett, Valine & MacDonald Inc.

P.O. Box 2127, 140 Kennedy Drive, South Burlington, Vt. 05403; 802-658-1100

	1987	1986
Premium volume...	\$23,043,138	\$21,149,598
Gross revenues...	\$3,180,087	\$2,717,099
Brokerage: Retail...	88%	88%
Personal lines...	8%	8%
Invest. income...	4%	4%
Employees...	40	38
Offices...	1	1

Year founded: 1970.
Brokerage: 100% commissions.
Parent company: HVM Corp.
Principal officers: Luther F. Hackett, president/chief executive officer; Duane A. Valine, executive vp/treasurer; Donald R. MacDonald, senior vp/secretary.
Licensed excess/surplus broker in: Vermont.

Frank B. Hall & Co. Inc.
549 Pleasantville Road, Briarcliff Manor, N.Y. 10510; 914-769-9200

See profile on page 38.

Harris & Co.
Harris & Co. Building, 501 S. Second St., Louisville, Ky. 40202; 502-584-2193

	1987	1986
Premium volume...	\$30,000,000	\$25,000,000
Gross revenues...	\$3,200,000	\$2,900,000
Brokerage: Retail...	84%	83%
Reinsurance...	9%	10%
Personal lines...	5%	5%
Invest. income...	2%	2%
Employees...	37	36
Offices...	1	1

Year founded: 1915.
Brokerage: 99% commissions, 1% fees.
Mergers: Harris & Co. merged with The Lexington Group.
Parent company: The Lexington Group.
Principal officers: John G. Beam Jr., chairman; Michael F. Sheehan, president; Jeffrey V. McGowan, senior vp; Pamela R. Wessel, executive vp.
Licensed excess/surplus broker in: Kentucky and Indiana.

Joseph Held Co. Inc.
127 John St., New York, N.Y. 10038; 212-962-3122; 800-221-9940

	1987	1986
Premium volume...	\$17,750,000	\$16,500,000
Gross revenues...	\$2,200,000	\$2,050,000
Brokerage: Retail...	80%	80%
Wholesale...	10%	10%
Personal lines...	5%	5%
Services...	2.5%	0%
Invest. income...	2.5%	5%
Employees...	12	13
Offices...	2	2

Year founded: 1897.
Brokerage: 95% commissions, 5% fees.
Affiliate: Standard Insurance Management Co. Inc. (SIMCO), Boca Raton, Fla.
Principal officers: Kenneth S. Held, president/chief executive officer; Arnold M. Held, executive vp; Renee Held, secretary/treasurer; Dana M. Sanders, agent-SIMCO.
Licensed excess/surplus broker in: New York, Florida.

Heritage Insurance Services Inc.
826 Bustleton Pike, Suite 203, Feasterville, Pa. 19047; 215-322-8705

	1987	1986
Premium volume...	\$9,000,000	\$7,000,000
Gross revenues...	\$1,500,000	\$1,000,000

Brokerage: Retail...	55%	40%
Personal lines...	43%	58%
Invest. income...	2%	2%
Employees...	20	17
Offices...	1	2

Year founded: 1962.
Brokerage: 99.9% commissions, 0.1% fees.
Principal officers: Edward M. Pokrywka, president; Ellis Hershman and Gary Cozens, vps; Joan Gallo, assistant vp.
Licensed excess/surplus broker in: Pennsylvania.

Paul Hertel & Co. Inc.
Third & Chestnut Streets, Philadelphia, Pa. 19106; 215-925-7656

	1987	1986
Premium volume...	\$40,000,000	\$38,000,000
Gross revenues...	\$4,670,000	\$4,500,000
Brokerage: Retail...	70%	69%
Personal lines...	23%	24%
Services...	2%	2%
Invest. income...	3%	3%
Other...	2%	2%
Employees...	76	70
Offices...	4	4

Year founded: 1908.
Brokerage: 98% commissions, 2% fees.
Retail brokerage branch offices: Feasterville, Media and Roxborough, Pa.
Principal officers: Paul R. Hertel Jr., chairman; James J. McLaughlin, president; Jeremiah A. Caron, executive vp; Robert J. Bush and George E. Mansfield, vps.
Licensed excess/surplus broker in: Pennsylvania.

Hilb, Rogal & Hamilton Co.
P.O. Box 11027, Richmond, Va. 23230-1027; 804-289-5300

See profile on page 62.

The Hirshorn Co.
14 E. Highland Ave., Philadelphia, Pa. 19118; 215-242-8200

	1987	1986
Premium volume...	\$9,000,000	\$8,000,000
Gross revenues...	\$1,424,879	\$1,144,475
Brokerage: Retail...	85%	83%
Personal lines...	11%	12%

Invest. income...	3.4%	4.7%
Other...	0.6%	0.3%
Employees...	16	14
Offices...	1	1

Year founded: 1931.
Brokerage: 96% commissions, 4% fees.
Principal officers: B. Graeme Frazier III, president; Ralph S. Hirshorn, chairman; Dennis P. Murphy and Stephen Wetherilli, vps.
Licensed excess/surplus broker in: Pennsylvania.

Hollis Perrin & Attridge Insurance Agency Inc.
1188 Centre St., Newton Centre, Mass. 02159; 617-244-6200

	1987	1986
Premium volume...	\$10,000,000	\$9,000,000
Gross revenues...	\$1,800,000	\$1,700,000
Brokerage: Retail...	53%	53%
Wholesale...	2%	2%
Personal lines...	45%	45%
Employees...	30	30
Offices...	1	1

Year founded: 1979.

Brokerage: 100% commissions.
Principal officers: William A. Black, chief operating officer; Paul H. Attridge, chief financial officer.
Licensed excess/surplus broker in: Massachusetts.

Holmes, Murphy & Associates Inc.
420 Keo Way, Des Moines, Iowa 50309; 515-286-4400

	1987	1986
Premium volume...	\$160,000,000	\$150,000,000
Gross revenues...	\$10,900,000	\$10,400,000
Brokerage: Retail...	93%	96%
Personal lines...	3%	1%
Services...	2%	2%
Invest. income...	2%	1%
Employees...	110	105
Offices...	1	1

Year founded: 1932.
Brokerage: 98% commissions, 2% fees.
Retail brokerage branch offices: Holmes, Murphy & Associates of Texas Inc., Dallas.

Continued on next page

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Spotlight report

Continued from previous page

Parent company: HMA Inc.
Principal officers: Robert A. Dee, president/treasurer; Richard J. Noyce, executive vp/secretary; Jon H. Pease, president-Holmes, Murphy & Associates of Texas Inc.

Charles E. Hyde Agency Inc.
 10 Maple St., Port Washington, N.Y. 11050; 516-883-6300

	1987	1986
Premium volume	\$12,359,862	\$10,126,930
Gross revenues	\$2,018,737	\$1,412,126
Brokerage: Retail	63%	62%
Personal lines	30%	31%
Services	3%	3%
Invest. income	2%	2%
Other	2%	2%
Employees	20	20
Offices	1	1

Year founded: 1906.
Brokerage: 98% commissions, 2% fees.
Principal officers: John E. Hardy, president; James A. Kerin and

Thomas C. Smith Jr., vps; Charles H. Walker Jr., secretary.

Hylant MacLean
 711 Adams St., Toledo, Ohio 43624; 419-255-1020

	1987	1986
Premium volume	\$65,000,000	\$52,000,000
Gross revenues	\$5,700,000	\$4,200,000
Brokerage: Retail	96%	95%
Personal lines	2%	3%
Invest. income	2%	2%
Employees	58	49
Offices	2	1

Year founded: 1935.
Brokerage: 60% commissions, 40% fees.
Retail brokerage branch offices: Troy, Mich.
Principal officers: Robert E. Hylant, chairman; Patrick R. Hylant, president; J. Scott Stewart, Kyle Lathan and Henry Maier, vps.
Licensed excess/surplus broker in: Ohio.

ISU/Beauchamp & McSpadden Inc.
 231 W. Canal St., P.O. Box 687, Wabash, Ind. 46992; 219-563-8821

	1987	1986
Premium volume	\$20,100,000	\$17,330,000
Gross revenues	\$2,980,000	\$2,675,000
Brokerage: Retail	70%	66%
Personal lines	27%	32%
Invest. income	2%	2%
Other	1%	0%
Employees	50	54
Offices	4	4

Year founded: 1927.
Brokerage: 100% commissions.
Retail brokerage branch offices: North Manchester and Warsaw, Ind.; Morrison Galliher/ISU Inc., Muncie, Ind.
Principal officers: Robert W. Beauchamp, president; Frederick H. Squires, secretary; Joseph W. McSpadden and Larry D. McSpadden, vps; Michael J. Beauchamp, treasurer.

ISU/Bradley & Parker
 200 Oak Drive, Syosset, N.Y. 11791; 516-364-5500

	1987	1986
Premium volume	\$23,500,000	\$15,500,000
Gross revenues	\$3,813,950	\$2,715,289
Brokerage: Retail	83.2%	81%
Wholesale	1%	1.3%
Personal lines	14.8%	16.7%
Invest. income	1%	1%
Employees	42	36
Offices	1	1

Year founded: 1939.
Brokerage: 100% commissions.
Principal officers: T. Richard Cook, president; Joan M. Griesmeyer, executive vp; John E. Gibbons and R. Lee DiPietro, vps; Patricia Petro, treasurer.
Licensed excess/surplus broker in: New York.

ISU/Brown-Spauling & Associates Inc.

Dolores & 7th, P.O. Drawer 5276, Carmel, Calif. 93921; 408-624-1866

	1987	1986
Premium volume	\$6,188,530	\$5,152,480
Gross revenues	\$1,284,558	\$1,101,354

	1987	1986
Brokerage: Retail	60.5%	69%
Wholesale	5%	9%
Personal lines	34%	21%
Services	0%	0.5%
Invest. income	0.5%	0.5%
Employees	18	20
Offices	2	2

Year founded: 1969.
Brokerage: 99% commissions, 1% fees.
Retail brokerage branch offices: Mercurio Insurance, Monterey, Calif.
Principal officers: Christopher T. Spaulding, president; William T. Brown, treasurer; Marcia Bell, secretary.

ISU/Cassady Neeser & Brasseur Inc.

340 Columbia Place, P.O. Box 778, South Bend, Ind. 46624; 219-233-9443

	1987	1986
Premium volume	\$13,200,000	\$9,400,000
Gross revenues	\$2,050,000	\$1,500,000
Brokerage: Retail	70%	65%
Personal lines	20%	25%
Invest. income	4%	4%
Other	6%	6%
Employees	25	20
Offices	1	1

Year founded: 1926.
Brokerage: 100% commissions.
Mergers: Bruner Cassady Neeser Agency Inc. merged with Associated Insurance Plans Inc.
Principal officers: Thomas R. Cassady, president; Robert O. Neeser, executive vp/treasurer; David P. Fegley, vp/secretary; Gregg L. Brasseur, vp.
Licensed excess/surplus broker in: Indiana.

ISU/Cline Southern Insurance Inc.

1119 2nd St. N.E., P.O. Box 1747, Hickory, N.C. 28603; 704-322-2404

	1987	1986
Premium volume	\$4,750,000	\$4,400,000
Gross revenues	\$753,333	\$644,718
Brokerage: Retail	67%	64%
Personal lines	30%	32%
Invest. income	1%	1%
Other	2%	3%
Employees	16	16
Offices	3	3

Year founded: 1949.
Brokerage: 100% commissions.
Retail brokerage branch offices: Owen-United Division, Newton, N.C.; Caldwell Division, Lenoir, N.C.
Principal officers: Oren L. Cline, chairman; Jeff M. Cline, president; Sheila S. Eller, general manager; W. Stine Isenhower, partner-Owen United Division; Ralph B. Hawkins III, partner-Caldwell Division.

ISU/Dukar Insurance Brokers

10880 Wilshire Blvd., Suite 114, Los Angeles, Calif. 90024; 213-208-3777

	1987	1986
Premium volume	\$8,500,000	\$6,000,000
Gross revenues	\$1,300,000	\$920,000
Brokerage: Retail	80%	80%
Personal lines	20%	20%
Employees	17	12
Offices	1	1

Year founded: 1974.
Brokerage: 100% commissions.
Principal officers: Alan R. Dukar, president; Robert Fyfe, vp.

ISU/Feingold & Feingold Insurance Agency Inc.

1900 Mechanics Tower, Worcester, Mass. 01608; 617-754-7261

	1987	1986
Premium volume	NA	NA
Gross revenues	\$2,765,000	\$2,373,200
Brokerage: Retail	70%	70%
Personal lines	15%	15%
Services	13.5%	13.5%
Invest. income	1.5%	1.5%
Employees	47	46
Offices	1	1

Year founded: 1935.
Brokerage: 83% commissions, 17% fees.
Principal officers: Saul E. Feingold, president; David I. Feingold, vp/treasurer.
Licensed excess/surplus broker in: Massachusetts.

ISU/The Ferd Marks Insurance Agency Ltd.

Two Canal St., Suite 1111, New Orleans, La. 70130; 504-581-1331

	1987	1986
Premium volume	\$14,500,000	\$13,000,000
Gross revenues	\$2,200,000	\$2,000,000

Continued on next page

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Continued from previous page

Brokerage: Retail	70%	70%
Personal lines	30%	30%
Employees	36	33
Offices	1	1

Year founded: 1888.
Brokerage: 90% commissions, 10% fees.
Principal officers: Herman Katten, chairman/chief executive officer; John H. Wittenberg, president; Richard L. Katten, executive vp/secretary; Robert A. Bourgeois, vp/treasurer; Yvonne Nolan, administrative vp.
Licensed excess/surplus broker in: Louisiana.

ISU/Bob Gabriel Co. Insurance

2325 Wilshire Blvd., Santa Monica, Calif. 90403; 213-829-0305

	1987	1986
Premium volume	\$7,000,000	\$6,250,000
Gross revenues	\$1,000,000	\$900,000
Brokerage: Retail	54%	50%
Personal lines	45%	49%
Invest. income	1%	1%
Employees	11	10
Offices	1	1

Year founded: 1936.
Brokerage: 100% commissions.
Principal officers: Robert M. Gabriel, owner/president.

ISU/Glendale Agency Inc.

650 S. Cherry, Suite 600, Denver, Colo. 80222; 303-320-1717

	1987	1986
Premium volume	\$9,500,000	\$9,000,000
Gross revenues	\$715,000	\$759,000
Brokerage: Retail	98%	93%
Services	1%	2%
Invest. income	1%	5%
Employees	14	13
Offices	2	1

Year founded: 1973.
Brokerage: 98% commissions, 2% fees.
Acquisitions: Pikes Peak Insurance Services, Colorado Springs, Colo.
Retail brokerage branch offices: Colorado Springs, Colo.
Principal officers: Louis H. Wiersma, president; Anthony P. Stimac, vp/secretary; David L. Wiersma, vp-Pikes Peak office.
Licensed excess/surplus broker in: Colorado.

ISU/Griffith-Prideaux Insurers

225 Madison Ave., CN 1917, Morristown, N.J. 07960-1917; 201-538-6300; 800-624-0666 in New Jersey

	1987	1986
Premium volume	\$7,059,529	\$8,530,855
Gross revenues	\$1,132,758	\$1,116,877
Brokerage: Retail	53.46%	56.91%
Wholesale	1.09%	1.95%
Personal lines	29.71%	29.67%
Invest. income	1.43%	3.33%
Other	14.31%	6.14%
Employees	18	17
Offices	1	1

Year founded: 1899.
Brokerage: 100% commissions.
Principal officers: John R. Prideaux Jr., president; Thomas K. Gilmartin, vp-commercial lines division; Marsha A. Sheriff, vp-personal lines division; J. Raymond Prideaux III, vp-life division; Donna J. Prideaux, assistant secretary/commercial lines placer.
Licensed excess/surplus broker in: New Jersey.

ISU/Gundermann & Gundermann Inc.

175 W. Carver St., Huntington, N.Y. 11743; 516-271-0600

	1987	1986
Premium volume	\$18,000,000	\$15,000,000
Gross revenues	\$2,893,500	\$2,542,900
Brokerage: Retail	60%	56%
Personal lines	32%	36%
Invest. income	2%	2.5%
Other	6%	5.5%
Employees	56	54
Offices	2	2

Year founded: 1937.
Brokerage: 99% commissions, 1% fees.
Branch offices: Smithtown, N.Y.
Principal officers: Joseph A. Gundermann Jr., Donald E. Gundermann, Joseph A. Gundermann III, Ronald Abramson and Ronald Stier.

ISU/Hastings-Tapley Insurance Agency Inc.

271 Cambridge St., Cambridge, Mass. 02141; 617-876-7510

	1987	1986
Premium volume	\$65,184,286	\$59,055,213
Gross revenues	\$10,073,307	\$8,494,969
Brokerage: Retail	50.6%	55.49%
Personal lines	39%	40.82%
Services	8.9%	2.04%
Invest. income	1%	1.35%
Other	0.5%	0.3%
Employees	151	128
Offices	13	12

Year founded: 1866.
Brokerage: 98.4% commissions, 1.6% fees.
Acquisitions: Schactman-Bartlett Insurance Agency, Reading, Mass.; Ralph C. Wilde Insurance Agency, Randolph, Mass.
Retail brokerage branch offices: Danvers, Gloucester, Ipswich, Medford, North Reading, Randolph, Reading, Saugus, Watertown and Woburn, Mass.; Richard D. Chase Insurance Agency Inc., Quincy, Mass.
Non-retail brokerage subsi-

diaries: Lane England Associates Inc. and Hastings-Tapley Services Inc., both in Cambridge, Mass.
Principal officers: David J. Lane, chairman; Frederick J. England Jr., president; Marsha K. Burridge, executive vp; E. Donald Lewis, executive vp/treasurer.
Licensed excess/surplus broker in: Massachusetts.

ISU/Insurance Corp. of America

1101 N. Lake Destiny Drive, Maitland, Fla. 32751; 407-660-8180

	1987	1986
Premium volume	\$5,100,000	\$4,500,000
Gross revenues	\$580,000	\$520,000
Brokerage: Retail	91.2%	90.9%
Personal lines	7.8%	8.1%
Invest. income	1%	1%
Employees	9	9
Offices	1	1

Year founded: 1981.
Brokerage: 100% commissions.
Principal officers: Jack J. Jaggers, president; Faye Morgan, secre-

tary.
Licensed excess/surplus broker in: Florida.

ISU/Pembroke Insurance Agency Inc.

4668 Pembroke Blvd., Suite 117, Virginia Beach, Va. 23455; 804-497-9611

	1987	1986
Premium volume	\$14,452,250	\$11,000,000
Gross revenues	\$2,341,264	\$1,545,101
Brokerage: Retail	78%	76%
Personal lines	15%	13%
Invest. income	5%	3%
Other	2%	8%
Employees	30	24
Offices	1	1

Year founded: 1969.
Brokerage: 100% commissions.
Parent company: Pembroke Enterprises Inc.
Principal officers: W.K. Hammaker, president; Robert L. Byrd and Brenda H. Hammaker, senior vps; F. Karl Hammaker, Kevin J. Molloy and James B. Carver, vps.

ISU/SSK Insurance Services

8840 H Commerce Park Place, Indianapolis, Ind. 46268; 317-872-3510

	1987	1986
Premium volume	\$9,300,000	\$9,100,000
Gross revenues	\$1,300,000	\$1,200,000
Brokerage: Retail	65%	65%
Personal lines	34%	34%
Invest. income	1%	1%
Employees	35	30
Offices	1	1

Year founded: 1958.
Brokerage: 99% commissions, 1% fees.
Principal officers: Donald Kuehr Sr. and Milton E. Savill, senior part-
ISU/St. Charles Insurance Agency
 214 Compass Point Drive, Saint Charles, Mo. 63301; 314-724-6363

	1987	1986
Premium volume	\$5,550,000	\$5,350,000
Gross revenues	\$925,000	\$901,000
Brokerage: Retail	65%	66%
Personal lines	34%	33%
Invest. income	1%	1%
Employees	21	20
Offices	2	2

Continued on next page

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Spotlight report

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Year founded: 1956.
Brokerage: 98% commissions, 2% fees.
Principal officers: Joseph T. Daus, David S. Johnson and Richard C. Grumich.

ISU/Smith, Eyre & Ashmead Inc.

Gwynedd Plaza III, P.O. Box 306, Spring House, Pa. 19477; 215-643-3020

	1987	1986
Premium volume	\$5,700,000	\$6,200,000
Gross revenues	\$906,000	\$975,000
Brokerage: Retail	56%	57%
Wholesale	2%	2%
Personal lines	41%	39%
Invest. income	1%	2%
Employees	10	10
Offices	1	1

Year founded: 1977.
Brokerage: 100% commissions.
Principal officers: John T. Eyre, president; William B. Ashmead, secretary/treasurer.

ISU/Sun State Insurance

P.O. Box 5017, 517 Lake Destiny, Maitland, Fla. 32751-8011; 407-660-1986

	1987	1986
Premium volume	\$9,937,000	\$8,339,000
Gross revenues	\$1,564,000	\$1,439,000
Brokerage: Retail	74%	72%
Personal lines	26%	28%
Employees	23	22
Offices	4	3

Year founded: 1979.
Brokerage: 100% commissions.
Retail brokerage branch offices: Orlando, Naples and Palm Beach Gardens, Fla.

Principal officers: James M. Stephenson, president; Frank M. Arnall, vp; Shirley Moore, secretary/treasurer.

Licensed excess/surplus broker in: Florida.

ISU/T&M Insurance Services Inc.

135 S.E. Fifth Ave., Delray Beach, Fla. 33483-9978; 407-243-3375

	1987	1986
Premium volume	\$5,108,000	\$3,710,000
Gross revenues	\$609,500	\$385,000

	93.9%	94%
Brokerage: Retail		
Wholesale	2%	0%
Personal lines	1%	2%
Invest. income	3.2%	4%
Other	0.9%	0%
Employees	8	6
Offices	1	1

Year founded: 1984.
Brokerage: 70% commissions, 30% fees.

Principal officers: Thomas J. Marinaccio, president; Linda M. Marinaccio, secretary/treasurer; Van H. Brown, chief operating officer.

ISU/Taurus Insurance Agency Inc.

16561 Bolsa Chica Road, Suite 201, Huntington Beach, Calif. 92649; 714-846-3323

	1987	1986
Premium volume	\$4,500,000	\$4,500,000
Gross revenues	\$752,400	\$756,000
Brokerage: Retail	73.8%	77.2%
Personal lines	24.4%	19.1%
Invest. income	1.8%	3.7%
Employees	11	12
Offices	1	1

Year founded: 1978.

Brokerage: 100% commissions.
Principal officers: Carl Lawrence, president; IvaLee Lawrence, secretary/treasurer.

ISU/Teague Insurance Agency

7777 Alvarado Road, Suite 606, La Mesa, Calif. 92041; 619-464-6851

	1987	1986
Premium volume	\$8,000,000	\$6,500,000
Gross revenues	\$1,175,000	\$966,000
Brokerage: Retail	60%	63%
Personal lines	38%	35%
Other	2%	2%
Employees	24	22
Offices	1	1

Year founded: 1955.
Brokerage: 99% commissions, 1% fees.

Principal officers: Walter O.L. Johnston Jr., president/treasurer; Elizabeth Bonilla, secretary.

ISU/Thoits Insurance Service

	1987	1986
Premium volume	\$16,000,000	\$13,000,000
Gross revenues	\$2,404,439	\$1,947,298

	76%	74%
Brokerage: Retail		
Personal lines	20%	23%
Services	1%	0%
Invest. income	3%	3%
Employees	31	26
Offices	1	1

Year founded: 1891.
Brokerage: 99% commissions, 1% fees.

Principal officers: Donald A. Way, chairman/chief executive officer; Herbert G. Hill, president; Kenneth K. Peterson, senior vp-operations; George P. Sammon, senior vp-finance; Michael J. Green, senior vp-sales.

ISU/Transignal Insurance Brokers

9483 Haven Ave., Rancho Cucamonga, Calif. 91730; 714-946-7677

	1987	1986
Premium volume	\$16,000,000	\$8,500,000
Gross revenues	\$1,185,760	\$698,150
Brokerage: Retail	100%	100%
Employees	18	12
Offices	2	2

Year founded: 1984.
Brokerage: 100% commissions.
Retail brokerage branch offices: El Centro, Calif.

Principal officers: Michael S. Oliver, president; Judy Busam, vp; Patricia A. Flannery, secretary/treasurer.

ISU/United California Insurance Agency

6180 Laurel Canyon Blvd., North Hollywood, Calif. 91609; 213-877-3123; 818-984-1122

	1987	1986
Premium volume	\$13,150,000	\$11,000,000
Gross revenues	\$1,775,250	\$1,500,000
Brokerage: Retail	84%	80.9%
Wholesale	2%	2%
Personal lines	12.5%	15.6%
Services	0.5%	0%
Invest. income	1%	1.5%
Employees	16	14
Offices	1	1

Year founded: 1963.
Brokerage: 98% commissions, 2% fees.

Principal officers: C. Jack Rosemark, president; James J. Buttitta and Ronald F. Carlson, vps.
Licensed excess/surplus broker in: California.

Industrial Insurance Agency Inc.

2500 W. Higgins Road, Suite 550, Hoffman Estates, Ill. 60195; 312-884-6100

	1987	1986
Premium volume	NA	NA
Gross revenues	\$1,970,000	\$1,832,730
Brokerage: Retail	91%	91%
Personal lines	7%	8%
Invest. income	2%	1%
Employees	28	25
Offices	1	1

Year founded: 1960.
Brokerage: 100% commissions.

Principal officers: Melvin E. Rodney, chief executive officer; Richard A. Rodney, president; William Hoffman, vp.
Licensed excess/surplus broker in: Illinois.

Insurance Brokers of America Inc.

319 N. Fourth St., Suite 800, St. Louis, Mo. 63102; 314-231-9340

	1987	1986
Premium volume	\$8,000,000	\$8,000,000
Gross revenues	\$1,100,000	\$1,000,000
Brokerage: Retail	94%	93%
Personal lines	5%	5%
Services	0%	1%
Invest. income	1%	1%
Employees	14	15
Offices	1	1

Year founded: 1983.
Brokerage: 99% commissions, 1% fees.

Principal officers: Robert E. Concannon Jr., president; Irene C. Mitchell, secretary/treasurer.
Licensed excess/surplus broker in: Missouri and Illinois.

Insurance Management Associates Inc.

600 IMA Plaza, 250 N. Water, Wichita, Kan. 67202; 316-267-9221

	1987	1986
Premium volume	\$112,236,444	\$94,607,000
Gross revenues	\$10,200,777	\$10,058,472



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Marketing Department
HEALTH RISK MANAGEMENT, INC.
 8000 W. 78th Street
 Minneapolis, MN 55435



Continued from previous page

Brokerage: Retail	85.5%	81.5%
Personal lines	6%	5.3%
Services	3.6%	5.9%
Invest. income	4.7%	7%
Other	0.2%	0.3%
Employees	159	168
Offices	2	2

Year founded: 1974.
Brokerage: 89% commissions, 11% fees.
Retail brokerage branch offices: Topeka, Kan.
Principal officers: W.C. Cohen Jr., chief executive officer; Joe Mod-drell Jr., chairman; Joseph C. Lukens II, president; Paul G. Starr and Dan Nyberg, senior vps; R. Kay Barrett, divisional vp.
Licensed excess/surplus broker in: Kansas.

Insurance Management Co.
 132 W. Ninth St., Erie, Pa. 16501;
 814-452-3200

	1987	1986
Premium volume	\$19,000,000	\$16,000,000
Gross revenues	\$1,200,000	\$1,100,000
Brokerage: Retail	94.8%	94%
Personal lines	0.9%	1%
Services	1.5%	1%
Invest. income	2.8%	4%
Employees	18	18
Offices	1	1

Year founded: 1933.
Brokerage: 97% commissions, 3% fees.
Principal officers: William C. Bloomstine, president; Chris W. Bloomstine and John C. Bloomstine, vps; Beth A. Dubik, secretary/treasurer.
Licensed excess/surplus broker in: Pennsylvania.

Insurance Marketing Agencies Inc.
 306 Main St., Worcester, Mass. 01608; 617-753-7233

	1987	1986
Premium volume	\$18,000,000	\$16,000,000
Gross revenues	\$2,570,067	\$2,280,766
Brokerage: Retail	81%	86%
Personal lines	15%	10%
Invest. income	3%	3%
Other	1%	1%
Employees	40	39
Offices	2	1

Year founded: 1924.
Brokerage: 97% commissions, 3% fees.
Retail brokerage branch offices: Boston.
Principal officers: Sumner W. Herman, president/treasurer; Arnold J. Horowitz, executive vp; John J. Kelly, vp.
Licensed excess/surplus broker in: Massachusetts.

Insurance Professionals Inc.
 P.O. Box 292, 15 Prospect St., Paramus, N.J. 07652;
 201-265-7110

	1987	1986
Premium volume	\$7,400,000	\$6,700,000
Gross revenues	\$1,250,000	\$1,010,000
Brokerage: Retail	80%	76%
Personal lines	20%	24%
Employees	10	10
Offices	1	1

Year founded: 1965.
Brokerage: 98% commissions, 2% fees.
Principal officers: John Jones, president; James Dooley, vp.

Insurance & Risk Management
 3811 Illinois Road, P.O. Box 1705, Fort Wayne, Ind. 46801;
 219-436-1616

	1987	1986
Premium volume	\$52,000,000	\$49,000,000
Gross revenues	\$6,950,000	\$6,800,000
Brokerage: Retail	76%	75%
Personal lines	3%	11%
Services	10%	10%
Invest. income	5%	4%
Employees	112	110
Offices	3	3

Year founded: 1963.
Brokerage: 88% commissions, 12% fees.
Retail brokerage branch offices: Muncie and Indianapolis, Ind.
Principal officers: Paul R. Porter, chairman; Harry A. Crawford, presi-

dent; Bart E. Bircheff, chief financial officer; Dan Van Treese, vp-operations.
Licensed excess/surplus broker in: Indiana.

J

Fred S. James & Co. Inc.
 1285 Ave. of the Americas, New York, N.Y. 10019. 212-333-8900

See profile on page 30.

Jardine Emmett & Chandler Inc.
 333 Bush St., Suite 1800, San Francisco, Calif. 94104;
 415-391-2600

See profile on page 52.

Johnson & Higgins
 125 Broad St., New York, N.Y. 10004; 212-574-7000

See profile on page 25.

Johnson Kendall & Johnson Inc.
 P.O. Box 8, Newtown, Pa. 18940;
 215-968-4741

	1987	1986
Premium volume	\$17,573,631	\$15,221,561
Gross revenues	\$2,545,425	\$2,207,765
Brokerage: Retail	66%	67%
Services	31%	30%
Invest. income	3%	2%
Other	0%	1%
Employees	37	34
Offices	1	1

Year founded: 1959.
Brokerage: 100% commissions.
Principal officers: Edwin T. Johnson, president; Douglas D. Peterson, executive vp; Richard B. Willis, senior vp; David R. Johnson, John A. Wright, William J. Alder and Richard J. Davis, vps; Mary J. Roun-savill, secretary/treasurer.

K

Walter Kaye Associates Inc.
 122 E. 42nd St., New York, N.Y. 10168; 212-210-9200

See profile on page 76

Keenan & Associates
 2355 Crenshaw Blvd., Suite 200, Torrance, Calif. 90501; P.O. Box 4328, Torrance, Calif. 90510;
 213-212-3344

	1987	1986
Premium volume	NA	NA
Gross revenues	\$13,800,000	\$11,200,000
Brokerage: Retail	65%	53%
Services	35%	41%
Invest. income	2%	5%
Other	0%	1%
Employees	200	163
Offices	10	11

Year founded: 1972.
Brokerage: 50% commissions, 50% fees.
Retail brokerage branch offices:

Chico, Fresno, Riverside, Sacramento, San Diego, San Jose, San Rafael, Santa Ana and Thousand Oaks, Calif.
Principal officers: John R. Keenan, president; James M. Eppolito and Frederick A. Johnson, executive vps; Murt Munson, Harwood J. Bren and David De Wenter, senior vps.
Licensed excess/surplus broker in: California.

Kelter-Thorner Inc.
 24600 Northwestern Highway, Southfield, Mich. 48075;
 313-353-2200

	1987	1986
Premium volume	\$72,000,000	\$68,000,000
Gross revenues	\$8,200,450	\$7,490,000
Brokerage: Retail	83.7%	65%
Wholesale	2.2%	20%
Personal lines	8.3%	3%
Services	0%	6%
Invest. income	4.5%	5%
Other	1.3%	1%
Employees	67	74
Offices	6	6

Year founded: 1952.
Brokerage: 99% commissions, 1% fees.
 Continued on next page

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Spotlight report

Continued from previous page fees.

Acquisitions: VanMatre Insurance Agency Inc., Costa Mesa, Calif.

Retail brokerage branch offices: Kelter-Thorner Inc. of Michigan, Southfield, Mich.; Kelter-Thorner Inc. of New Jersey, Fords, N.J.; Kelter-Thorner Inc. of Southern California, Costa Mesa, Calif.; Kelter-Thorner Inc. of California, Redwood City, Calif.; Kelter-Thorner Insurance Agency Inc., Middleburg Heights, Ohio.

Non-retail brokerage subsidiaries: Atlantic Underwriters, Southfield, Mich.

Principal officers: Theodore Kelter, chairman; Marilyn Chernoff, president; Lisa Arthur, secretary/treasurer.

Licensed excess/surplus broker in: Michigan and New Jersey.

Kendall Insurance Inc.

90 S. Main St., P.O. Box 1840, Rochester, N.H. 03867; 603-332-5800

	1987	1986
Premium volume...	\$77,500,000	\$64,260,895
Gross revenues...	\$13,000,000	\$10,700,000

Brokerage: Retail	53%	53%
Wholesale	16%	17%
Personal lines	10%	12%
Services	10%	10%
Invest. income	3%	2%
Other	8%	6%
Employees	171	162
Offices	3	3

Year founded: 1867.

Brokerage: 88.4% commissions, 11.6% fees.

Retail brokerage branch offices: Manchester, N.H.; Salt Lake City, Utah.

Principal officers: Kennett R. Kendall Jr., president; Lawrence Cole, Brian Derouin, Roger Ervin, David Hampson, Thomas Keating and Everett Page, vps.

Licensed excess/surplus broker in: New Hampshire and Maine.

Sander A. Kessler & Associates Inc.

9570 W. Pico Blvd., Los Angeles, Calif. 90035; 213-278-8740

	1987	1986
Premium volume...	\$40,000,000	\$36,000,000
Gross revenues...	\$6,175,656	\$5,726,825

Brokerage: Retail	81.3%	80%
Personal lines	4.2%	4.9%
Invest. income	4.2%	4.8%
Other	10.3%	10.3%
Employees	57	62
Offices	1	1

Year founded: 1956.

Brokerage: 96.6% commissions; 3.4% fees.

Principal officers: Sander A. Kessler, president; Ronald A. Bloom, executive vp; Kenneth L. Kessler, senior vp; Steven Kessler, secretary/treasurer; Melvin Moss, vp.

Licensed excess/surplus broker in: California.

Kinney, Pike, Bell & Conner Inc.

98 Merchants Row, P.O. Box 370, Rutland, Vt. 05701; 802-775-2311

	1987	1986
Premium volume...	NA	NA
Gross revenues...	\$3,697,627	\$3,602,829
Brokerage: Retail	53%	53%
Personal lines	28%	33%
Services	0.5%	0.3%
Invest. income	2.1%	2%
Other	16.4%	11.7%
Employees	64	63
Offices	5	5

Year founded: 1904.

Brokerage: 99% commissions, 1% fees.

Retail brokerage branch offices: Hartford, Brattleboro, Essex Junction and Poultney, Vt.

Principal officers: Edward C. Pike, president; Robert K. Coyle, vp/general manager; Stephen A. Carbine and Roger M. Pike, vps; Charles P. Huddleston, treasurer.

Licensed excess/surplus broker in: Vermont.

The Klein Insurance Group Inc.

P.O. Box 1357, LaCrosse, Wis. 54602; 608-788-5200

	1987	1986
Premium volume...	\$14,000,000	\$13,500,000
Gross revenues...	\$2,250,000	\$2,200,000
Brokerage: Retail	68%	65%
Personal lines	9%	9%
Services	1%	1%
Invest. income	2.7%	2.1%
Other	19.3%	22.9%
Employees	31	40
Offices	2	2

Year founded: 1889.

Brokerage: 99% commissions, 1% fees.

Retail brokerage branch offices: Onalaska, Wis.

Principal officers: Edward C. Tanke, president; Steven P. Tanke, vp; Andrey Lloyd, manager-commercial lines; Blaine McDowell, manager-personal lines; Mark McCauley, manager-sales/employee benefits.

Licensed excess/surplus broker in: Wisconsin.

R.C. Knox & Co. Inc.

300 Pearl St., Hartford, Conn. 06103; 203-524-7600

	1987	1986
Premium volume...	\$55,000,000	\$40,000,000
Gross revenues...	\$7,100,000	\$6,100,000
Brokerage: Retail	72%	71%
Personal lines	22%	22%
Invest. income	6%	7%
Employees	76	70
Offices	7	7

Year founded: 1893.

Brokerage: 94% commissions, 6% fees.

Retail brokerage branch offices: Middletown and Windsor, Conn.; Simsbury Insurance Agency, Simsbury, Conn.

Principal officers: Norman C. Kayser, president; John W. Maloney, executive vp; John F. Byrnes, Timothy H. Coppage and Robert T. Crowley, vps.

Licensed excess/surplus broker in: Connecticut.

The Kornreich Organization

919 Third Ave., New York, N.Y. 10022; 212-688-9700

	1987	1986
Premium volume...	NA	NA
Gross revenues...	\$19,200,000	\$17,900,000
Brokerage: Retail	86.5%	90.6%
Wholesale	2.8%	1.5%
Personal lines	3.9%	3.9%
Services	3%	2%
Invest. income	3.7%	1.9%
Other	0.1%	0.1%
Employees	123	116
Offices	1	1

Year founded: 1917.

Brokerage: 95% commissions, 5% fees.

Principal officers: Matthew R. Kornreich and Morton A. Kornreich, co-chairmen; Steven L. Grossberg, executive vp/chief operating officer; Sanford H. Hersh, vp/chief financial officer; Thomas A. Kornreich, James D. Kornreich and William D. Kornreich, executive vps; Lawrence W. Schott, senior vp; Philip J. Miller, senior vp-marketing; Alan R. Rovin, senior vp-casualty; George R. Klink, senior vp-property; Peter Goodstein, vp-life; Philip Ruggieri, vp-benefits.

Licensed excess/surplus broker in: New York.

L

LaGere & Walkingstick Insurance Agency Inc.

P.O. Drawer 409, Chandler, Okla. 74834; 405-258-0804

	1987	1986
Premium volume...	\$34,025,224	\$27,570,256
Gross revenues...	\$4,118,071	\$3,662,302
Brokerage: Retail	63%	59%
Wholesale	27%	32%
Personal lines	2%	2%
Services	6%	5%
Invest. income	2%	2%
Employees	48	44
Offices	1	1

Year founded: 1964.

Brokerage: 97% commissions, 3% fees.

Non-retail brokerage subsidiaries: Walkingstick & LaGere Excess & Specialty Lines, Chandler, Okla.

Principal officers: Brent LaGere, president; Ben Walkingstick, chairman; Ernie Pierce, senior vp.

Licensed excess/surplus broker in: Oklahoma.

Lamb, Little & Co.

5301 Keystone Court, Rolling Meadows, Ill. 60008; 312-398-7060

	1987	1986
Premium volume...	NA	NA
Gross revenues...	\$4,230,604	\$3,676,384
Brokerage: Retail	95%	95%
Personal lines	5%	5%
Employees	53	48
Offices	2	2

Continued on next page

Insurance Mergers & Acquisitions

W.K.P. WILSON & SON, INC.
Mobile, Alabama

has been acquired by

CORROON & BLACK
Corporation

The undersigned initiated this transaction and acted as advisor to W.K.P. Wilson & Son, Inc.



RUSSELL MILLER, INC.

THE PLAZA CORPORATION

has sold all the outstanding shares of

E. BROOX RANDALL & SONS, INC.
a California Corporation

to
a management group operating as

E. BROOX RANDALL & SONS, INC.
a Nevada Corporation

The undersigned initiated this transaction and acted as advisor to The Plaza Corporation



RUSSELL MILLER, INC.

T.O. MAYER & ASSOCIATES, INC.
Lutherville, Maryland

has been acquired by

HILB, ROGAL & HAMILTON
Company
Richmond, Virginia

The undersigned initiated this transaction and acted as advisor to T.O. Mayer & Associates, Inc.



RUSSELL MILLER, INC.

SALIBA & CO., INC.

d.b.a.

SALIBA/CHARTER INSURANCE
SERVICES AND SURETY BONDS

Los Angeles, California

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MARSH & MCLENNAN, INC.

The undersigned acted as advisor to Saliba & Co., Inc.



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Cotined from previous page
Year founded: 1947.
Brokerage: 98% commissions, 2% fees.
Retail brokerage branch offices: Chicago.
Principal officers: Raymond J. Clancy, chairman; Roy H. Holle, president; David B. Peck III, vp; Frank L. Hoffeller, executive vp; Bruce Wahlborg, treasurer.
Licensed excess/surplus broker in: Illinois.

J. Smith Lanier & Co.
 300 W. 10th St., P.O. Box 70, West Point, Ga. 31833; 404-645-2211

	1987	1986
Premium volume	\$68,138,000	\$58,500,000
Gross revenues	\$12,612,883	\$10,262,712
Brokerage: Retail	60.6%	51%
Personal lines	20.6%	32%
Services	0.8%	3%
Invest. income	1.5%	2%
Other	16.5%	12%
Employees	210	197
Offices	13	12

Year founded: 1868.
Brokerage: 97.5% commissions, 2.5% fees.
Acquisitions: Hyde & Associates, Atlanta; JSL & Co. of New York, Syracuse, N.Y.; Arnall Insurance Agency, Newnan, Ga.
Retail brokerage branch offices: Seven divisional offices in Newnan, Atlanta, West Point, Carrollton and Columbus, Ga.; Opelika, Ala.; East Syracuse, N.Y. Five additional offices.
Principal officers: James Smith Lanier II, chairman/chief executive officer; William T. Parr, vice chairman; D. Gaines Lanier, president/ chief operating officer.
Licensed excess/surplus broker in: Georgia and Alabama.

Lasher-Cowie Agency Inc.
 2020 N. Central, Suite 400, Phoenix, Ariz. 85004; 602-258-4444

	1987	1986
Premium volume	\$33,700,000	\$30,460,000
Gross revenues	\$6,033,000	\$5,443,000
Brokerage: Retail	66%	62%
Wholesale	6%	5%
Personal lines	19%	17%
Invest. income	2%	5%
Other	7%	11%
Employees	96	86
Offices	5	6

Year founded: 1955.
Brokerage: 100% commissions.
Acquisitions: Advantage Insurance Services Inc., Phoenix.
Retail brokerage branch offices: Phoenix; Lasher-Cowie Tucson, Tucson, Ariz.; Lasher-Cowie-Turner, Flagstaff, Ariz.
Non-retail brokerage subsidiaries: Rocky Mountain General Agency, Innkeepers International Inc., both in Phoenix.
Principal officers: Robert P. Cowie, chairman/secretary/treasurer; Richard J. Seminoff, president; Michael J. Minnaugh, executive vp; Kenneth D. Whitley and Robert W. McKinney, vps.
Licensed excess/surplus broker in: Arizona, Alabama, Arkansas, Colorado, Idaho, Louisiana, Missouri, Nebraska, North Carolina, North Dakota and West Virginia.

Laub Group Inc.
 839 N. Jefferson St., Milwaukee, Wis. 53202; 414-271-4292

	1987	1986
Premium volume	NA	NA
Gross revenues	\$5,600,000	\$5,801,000
Brokerage: Retail	84%	79.4%
Wholesale	5%	11.6%
Personal lines	10%	8%
Services	1%	1%
Employees	80	65
Offices	8	8

Year founded: 1931.
Brokerage: 98% commissions, 2% fees.
Retail brokerage branch offices: Racine, Kenosha, Madison, Wausau and Appleton, Wis.
Non-retail brokerage subsidiaries: Broker Resources, Milwaukee.
Parent company: Intertye Corp.
Principal officers: Raymond H. Laub, chairman; George Stevoff, president.
Licensed excess/surplus broker in: Wisconsin.

Lawrence Agency Corp.
 33 Elk St., P.O. Box 7189, Albany, N.Y. 12207; 518-465-0457

	1987	1986
Premium volume	\$206,700,000	\$206,000,000
Gross revenues	\$17,364,000	\$17,320,000
Brokerage: Retail	60%	62%
Wholesale	9%	5%
Personal lines	15%	18%
Services	12%	10%
Invest. income	3%	3%
Other	1%	2%
Employees	277	260
Offices	26	23

Year founded: 1954.
Brokerage: 88% commissions, 12% fees.
Retail brokerage branch offices: A.W. Lawrence & Co. Inc., Albany, Buffalo, Glens Falls, Lake Placid, Syracuse and New York, N.Y.; Indianapolis; Harrisburg, Pa.; Louisville, Ky.; Naperville, Ill.; Warren, Ohio; Phoenix; Waltham, Mass.; Atlanta; Washington; San Diego; Lawrence United Corp., Cortland, Rochester, Schenectady, Clifton Park and Troy, N.Y.; Clearwater and Fort Lauderdale, Fla.; Greensboro, N.C.
Non-retail brokerage subsi-

diaries: Lawrence Healthcare Administrative Services, Schenectady and Syracuse, N.Y.; Lawrence Risk Services Corp., Schenectady, N.Y.; Independent Risk Management Corp., Albany, Syracuse and Rochester, N.Y.
Parent company: Lawrence Group Inc.
Principal officers: Albert W. Lawrence, chairman; Harry Bucciferro, president; Gary Keehfus, Robert Whitmore and Gerald Pedinotti, division presidents; William Mather, chief marketing officer.
Licensed excess/surplus broker in: New York.

The Leavitt Group
 P.O. Box 130, Cedar City, Utah 84720; 801-586-6553

	1987	1986
Premium volume	\$80,043,000	\$74,350,000
Gross revenues	\$11,214,000	\$10,502,000
Brokerage: Retail	50%	51%
Wholesale	17%	16%
Personal lines	28%	27%
Other	5%	6%
Employees	151	167
Offices	28	29

Year founded: 1952.
Brokerage: 98% commissions, 2% fees.
Acquisitions: Interwest-Leavitt, Cottonwood, Ariz.
Retail brokerage branch offices: Blonquist-Leavitt, Coalville, Utah; Bowen-Leavitt and Wilkinson/Bowen-Leavitt, Orem, Utah; Briggs-Leavitt, Salina, Utah; Bringham-Leavitt, Hurricane, Utah; Dixie Leavitt Agency, Cedar City, Utah; Leavitt Group of Heber City, Heber City, Utah; Leavitt Group of Kane County, Kanab, Utah; Leavitt Group of Northern Utah, Brigham City, Utah; Leavitt Group of St. George, St. George, Utah; Leavitt Group of Salt Lake, Sale Lake City; Leavitt Group of Spanish Fork, Spanish Fork, Utah; Manis-Leavitt, Delta, Utah; Okerlund-Leavitt, Richfield, Utah; Nebo-Leavitt, Nephi, Utah; Taylor/Bowen-Leavitt, Provo, Utah; Butler-Leavitt and Minard-Leavitt, Phoenix; Interwest-Leavitt, Cottonwood, Ariz.; Massey-Leavitt, Mesa, Ariz.; Clark-Leavitt, Leavitt Insurance Agency, Parus-Leavitt, Summerfield-Leavitt and Wegener-Leavitt, Las Vegas,

Nev.; Long-Leavitt, Overton, Nev.
Parent company: Security Enterprises.
Principal officers: Michael O. Leavitt, president/chief executive officer; Dane O. Leavitt, executive vp/ chief operating officer; Kelly R. Russell, secretary/treasurer.
Licensed excess/surplus broker in: Utah, Nevada and Arizona.

Levinson Brothers Inc.
 101 California St., Suite 2700, San Francisco, Calif. 94111; 415-434-3200

	1987	1986
Premium volume	\$25,200,000	\$28,750,000
Gross revenues	\$3,115,000	\$3,320,000
Brokerage: Retail	97%	98.5%
Personal lines	3%	1.5%
Employees	25	25
Offices	1	1

Year founded: 1956.
Brokerage: 100% commissions.
Principal officers: Fred Levinson, president; Morton I. Levinson and David J. Levinson, vps.

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The Structured Settlements Company

Continued on next page

Spotlight report

Continued from previous page
Licensed excess/surplus broker in: California.

The Liebert Group

172 S. Middletown Road, Nanuet, N.Y. 10954; 914-623-3434

	1987	1986
Premium volume...	\$16,281,000	\$15,123,000
Gross revenues...	\$2,701,253	\$2,053,349
Brokerage: Retail...	56%	54%
Personal lines	19%	23%
Invest. income...	4%	4%
Other.....	21%	19%
Employees.....	33	29
Offices.....	1	1

Year founded: 1912.
Brokerage: 99.9% commissions, 0.1% fees.
Principal officers: Donald F. Liebert.

The Lockton Insurance Agency Inc.

7400 State Line Road, Prairie Village, Kan. 66208; 913-676-9000

	1987	1986
Premium volume...	\$150,000,000	\$110,000,000
Gross revenues...	\$16,200,000	\$12,714,000

Year founded: 1912.
Brokerage: 99.9% commissions, 0.1% fees.
Principal officers: Donald F. Liebert.

	87%	92%
Brokerage: Retail...	3%	3%
Personal lines	5%	0%
Invest. income...	5%	5%
Employees.....	207	181
Offices.....	5	4

Year founded: 1967.
Brokerage: 90% commissions, 10% fees.

Retail brokerage branch offices: Topeka; Lockton Insurance Agency of Colorado, Denver; Lockton Insurance Agency of St. Louis Inc., St. Louis, Mo.; Lockton-Fauch Inc., Houston; The Lockton Benefit Corp., Prairie Village, Kan.

Non-retail brokerage subsidiaries: Lockton Risk Services, Prairie Village, Kan.

Parent company: The Lockton Cos. Inc.

Principal officers: John T. Lockton III, president/chief executive officer; Michael C. Frost, managing vp/ chief operating officer; David M. Lockton, executive vp; Gary F. Hambricht and James C. Pate, dl, senior vps.

Licensed excess/surplus broker in: Kansas and Missouri.

The Lofberg Cos.

363 Cedar Lane, Teaneck, N.J. 07666; 201-836-2100

	1987	1986
Premium volume...	\$9,000,000	\$8,500,000
Gross revenues...	\$1,400,000	\$1,300,000
Brokerage: Retail...	59%	59%
Personal lines	35%	35%
Services.....	5%	5%
Invest. income...	1%	1%
Employees.....	22	22
Offices.....	1	1

Year founded: 1926.
Parent company: C. Lofberg Inc.

Principal officers: Richard C. Lofberg chairman; Paul W. Lofberg, president; David Holmgren, senior vp; Ralph Ortega-Maggi, vp.

Licensed excess/surplus broker in: New Jersey.

Lon Worth Crow Insurance Agency

3399 Ponce de Leon Blvd. Coral Gables, Fla. 33134; 305-443-1506

	1987	1986
Premium volume...	\$17,900,000	\$16,600,000
Gross revenues...	\$2,165,000	\$2,266,000

	67%	67%
Brokerage: Retail...	10%	10%
Personal lines	16%	16%
Services.....	5%	5%
Invest. income...	2%	2%
Employees.....	34	34
Offices.....	1	1

Year founded: 1935.
Brokerage: 95% commissions, 5% fees.

Principal officers: Gary M. Gregory, president; Barry W. MacEwan and Thomas L. Paine, senior vps.

Licensed excess/surplus broker in: Florida.

The Loomis Cos. Ltd.

625 Spring St., P.O. Box 7011, Wyomissing, Pa. 19610; 215-374-4040

	1987	1986
Premium volume...	\$62,100,000	\$56,400,000
Gross revenues...	\$7,450,000	\$7,050,000
Brokerage: Retail...	70%	72%
Wholesale...	0.5%	0.5%
Personal lines	15.8%	15%
Services.....	11.9%	10.4%
Invest. income...	1.6%	2%
Other.....	0.2%	0.1%
Employees.....	100	106
Offices.....	5	5

Year founded: 1982.
Brokerage: 100% commissions.

Retail brokerage branch offices: Insurance Inc., Wyomissing and Harrisburg, Pa.; Loomis Insurance Agency Corp., Lancaster, Pa.; Third Party Administrators Inc. and Health Plan Administrators Inc., Wyomissing, Pa.; Murray, Martin & Olson Inc., Annapolis, Md.; Murray, Martin & Olson of Florida, Inc., Fort Lauderdale, Fla.

Principal officers: James R. Loomis, president/chief executive officer; Robert A. Mason, vp/ chief financial officer; H. Edmond Smith and Edward J. Cavanaugh, vps; Kathy E. Schlegel, treasurer.

Licensed excess/surplus broker in: Pennsylvania, Maryland and Florida.

Year founded: 1986.
Brokerage: 93% commissions, 7% fees.

Retail brokerage branch offices: French American Risk Advisors, New York.

Non-retail brokerage subsidiaries: Marlin Services Inc., New York.

Principal officers: Andrew H. Marks, president/ chief executive officer; Charles J. Weisblum, chairman; Bert Linder, executive vp/ chief operating officer; Silvana Vlacich, senior vp; Bruce Tindal, vp.

Licensed excess/surplus broker in: New York.

MacIntyre, Fay & Thayer Insurance Agency Inc.

60 Wells Ave., Newton, Mass. 02159; 617-332-5100

	1987	1986
Premium volume...	\$81,000,000	\$55,500,000
Gross revenues...	\$9,295,023	\$8,387,000
Brokerage: Retail...	62%	63%
Wholesale...	22.5%	26%
Personal lines	12%	0%
Services.....	1%	10%
Invest. income...	2.5%	1%
Employees.....	89	95
Offices.....	1	1

Year founded: 1929.
Brokerage: 99% commissions, 1% fees.

Non-retail brokerage subsidiaries: Surplus Services Inc., Marketing Associates Inc. and Affiliated Credit Card Endowment Support System Inc., all in Newton, Mass.

Principal officers: Sanford D. Elsass, chairman; Michael J. Susco, president; John A. Striano and Peter A. Ormiston, executive vps.

Licensed excess/surplus broker in: Massachusetts and New Hampshire.

Mahoney & Wright Insurance Agencies

141 Tremont St., Boston, Mass. 02111; 617-482-4086

	1987	1986
Premium volume...	\$68,515,000	\$55,676,000
Gross revenues...	\$10,777,000	\$9,101,000
Brokerage: Retail...	52%	50%
Personal lines	46%	47%
Services.....	0%	2%
Invest. income...	2%	1%
Employees.....	216	161
Offices.....	24	21

Year founded: 1927.
Brokerage: 100% commissions.

Acquisitions: Sollows Insurance Agency Inc., Natick, Mass.; Peterson Real Estate & Insurance, Cohasset, Mass.; Gates & Williamson Insurance Agency Inc., Harvard, Mass.; Warren B. Woodward Insurance Agency, Rockland, Mass.; John J. Moriarty Jr. Insurance Agency, Weymouth, Mass.; William C. Harrington Insurance Agency, Boston; McGowan Insurance Agency Inc., North Attleboro, Mass.

Retail brokerage branch offices: Cohasset, Dedham, Falmouth, Fitchburg, Gardner, Harvard, Haverhill, Marion, Middleboro, North Attleboro, Natick, Newton, Peabody, Reading, Rockland, Rockport, Scituate, Tewksbury, Wakefield, Walpole, Weymouth, Wrentham and Yarmouth, Mass.

Principal officers: Norman R. Wright, president; Richard D. Forrest, executive vp; Donald F. Beale, senior vp; Daniel M. O'Rourke and Richard A. Grant, vps.

Licensed excess/surplus broker in: Massachusetts.

Mack & Parker Inc.

55 E. Jackson Blvd., Suite 600, Chicago, Ill. 60604; 312-922-5000

	1987	1986
Premium volume...	NA	NA
Gross revenues...	\$6,296,500	\$6,234,901
Brokerage: Retail...	96%	96%
Personal lines	4%	4%
Employees.....	75	70
Offices.....	1	1

Year founded: 1935.
Brokerage: 90% commissions, 10% fees.

Principal officers: Edward E. Mack III, president; Martin P. Hughes, executive vp; Veronica E. Campbell, vp/treasurer; Arnold B. Hebert Jr., vp.

Licensed excess/surplus broker in: Illinois.

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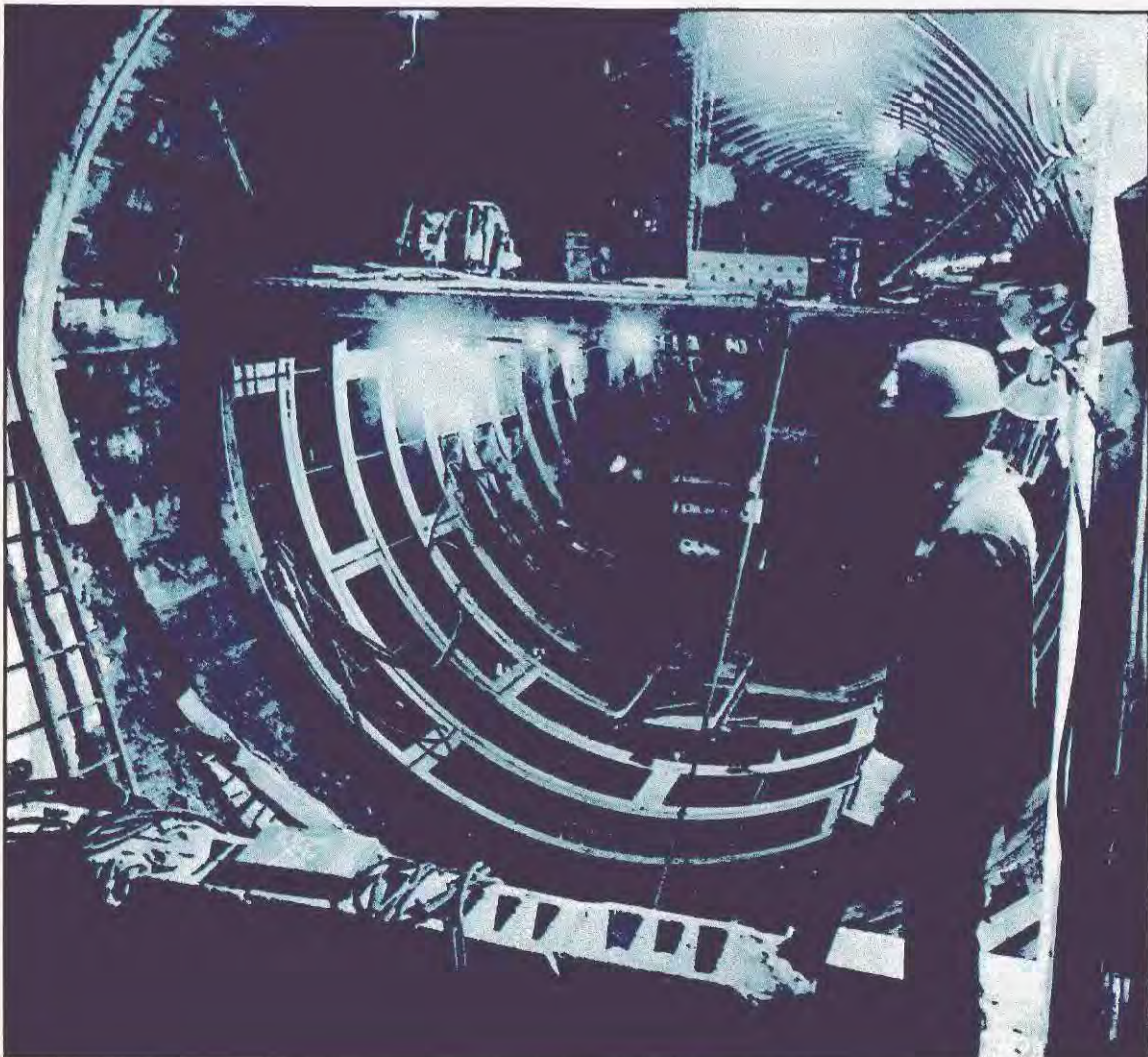
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 Roslyn Heights, N.Y. 11577



M

MBAH Insurance

P.O. Box 5609, 2663 Duncan Road, Lafayette, Ind. 47903; 317-423-5421

	1987	1986
Premium volume...	\$13,061,020	\$10,020,384
Gross revenues...	\$2,151,218	\$1,834,894
Brokerage: Retail...	64%	72%
Personal lines	22%	18%
Invest. income...	5%	4%
Other.....	9%	6%
Employees.....	45	45
Offices.....	3	3

Year founded: 1948.
Brokerage: 100% commissions.

Retail brokerage branch offices: Oxford and Camden, Ind.

Parent company: Mayerstein Burnell Co. Inc.

Principal officers: R.E. Mayerstein, president; Andrew A. Bain, vp; Steven K. Horner, secretary; William W. Heath, treasurer.

Licensed excess/surplus broker in: Indiana.

MDM Insurance Associates Inc.

5730 Uplander Way, Culver City, Calif. 90231-3750; 213-670-0172

	1987	1986
Premium volume...	NA	NA
Gross revenues...	\$4,473,597	\$4,162,000
Brokerage: Retail...	70%	70%
Personal lines	20%	20%
Services.....	7%	7%
Other.....	3%	3%
Employees.....	51	54
Offices.....	1	1

Year founded: 1970.
Brokerage: 92% commissions, 8% fees.

Principal officers: Morton A. Firestone, president/ chief executive officer; William C. Roeder, executive vp/ chief operating officer.

MLW Services Inc.

100 William St., New York, N.Y. 10038; 212-797-9600

	1987	1986
Premium volume...	\$50,000,000	\$40,000,000
Gross revenues...	\$4,000,000	\$2,850,000
Brokerage: Retail...	89.5%	87%
Personal lines	7.5%	10%
Invest. income...	3%	3%
Employees.....	30	25
Offices.....	1	1

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**Mammel/Schropp/
Swartzbaugh/Engler
& Jones Inc.**

175 Embassy Plaza, 9110 W.
Dodge Road, Omaha, Neb. 68114;
402-397-7000

	1987	1986
Premium volume	\$50,000,000	\$49,000,000
Gross revenues	\$7,347,962	\$6,215,200
Brokerage: Retail	68%	67.9%
Reinsurance	0.9%	1.8%
Personal lines	28.9%	28.7%
Invest. income	2.1%	1.3%
Other	0.1%	0.3%
Employees	101	92
Offices	1	1

Year founded: 1959.

Brokerage: 97.3% commissions, 2.7% fees.

Non-retail brokerage subsidiaries: Midwest Benefit Administrators Inc.

Principal officers: Carl G. Mammel, president; Robert F. Swartzbaugh, secretary/treasurer; Robert C. Schropp, Melvin B. Engler and Donn B. Jones, senior vps; Mike Leick, vp-administration.

Licensed excess/surplus broker in: Nebraska.

Marsh & McLennan Cos. Inc.

1221 Ave. of the Americas, New York, N.Y. 10020; 212-997-2000

See profile on page 16.

Marshall & Sterling Inc.

75 Washington St., Poughkeepsie, N.Y. 12601; 914-454-0800

	1987	1986
Premium volume	\$65,000,000	\$55,000,000
Gross revenues	\$11,929,585	\$9,023,890

Brokerage: Retail	68%	65%
Wholesale	4%	5%
Personal lines	22%	27%
Invest. income	3%	3%
Other	3%	0%
Employees	150	140
Offices	7	7

Year founded: 1864.

Brokerage: 99% commissions, 1% fees.

Acquisitions: Shipp & Osborn Inc., Newburgh, N.Y.

Retail brokerage branch offices: Newburgh, Middletown, Florida and Wappingers Falls, N.Y.; St. Croix, U.S. Virgin Islands; Theodore Tunick & Co., St. Thomas, U.S. Virgin Islands.

Principal officers: John P. O'Shea, president; Peter T. Bennett, Harry E. Reis Jr., Frank Rinaudo, Larry W. Frey, James E. Townsend, Edward M. Mirabile and James D. Tunick, vps.

Licensed excess/surplus broker in: New York and U.S. Virgin Islands.

May-Davis Inc.

Box 11589, Spokane, Wash. 99211; 509-535-8783

	1987	1986
Premium volume	\$6,000,000	\$5,000,000
Gross revenues	\$700,000	\$600,000
Brokerage: Retail	98%	98%
Personal lines	2%	2%
Employees	5	5
Offices	1	1

Year founded: 1974.

Brokerage: 100% commissions.

Principal officers: Laurel E. May, president; William H. Davis, executive vp; William A. May, secretary.

**McDonough Caperton
Insurance Group**

P.O. Box 1551, Charleston, W.Va.
25326; 304-346-0611

See profile on page 80.

The McElroy-Minister Co.

141 E. Town St., Columbus, Ohio
43215; 614-228-5565

	1987	1986
Premium volume	\$52,776,493	\$39,913,481
Gross revenues	\$9,386,098	\$7,303,259
Brokerage: Retail	65%	66%
Personal lines	3%	3%
Services	28%	24%
Invest. income	4%	5%
Other	0%	2%
Employees	157	142
Offices	6	6

Year founded: 1875.

Brokerage: 59% commissions, 41% fees.

Retail brokerage branch offices: Dayton, Ohio; James R. Davis & Associates, Columbus, Cincinnati and Akron, Ohio; Corporate Claims Services Inc., Columbus, Ohio.

Principal officers: H. Thorp Minister Jr., chairman; John C. Glandon, vice chairman; Keith A. Pierce, president; James R. Creek and William R. Gillam, executive vps.

Licensed excess/surplus broker in: Ohio.

McGowan & Co. Inc.

21010 Center Ridge Road, Rocky River, Ohio 44116; 216-333-3600

	1987	1986
Premium volume	\$13,792,461	\$13,426,000
Gross revenues	\$1,240,000	\$1,182,740

Brokerage: Retail	78%	77%
Wholesale	1%	1%
Personal lines	21%	21%
Invest. income	0%	1%
Employees	27	23
Offices	1	1

Year founded: 1950.

Brokerage: 92% commissions, 8% fees.

Principal officers: Thomas B. McGowan, president; Thomas B. McGowan III, vp; Edward Maher, secretary.

Licensed excess/surplus broker in: Ohio.

**McGriff, Seibels
& Williams Inc.**

2211 Seventh Ave. S., Birmingham, Ala. 35233; P.O. Box 10265, Birmingham, Ala. 35202; 205-252-9871

	1987	1986
Premium volume	\$225,790,976	\$205,068,944
Gross revenues	\$22,290,250	\$19,650,994
Brokerage: Retail	76.5%	76.5%
Wholesale	7.7%	7.3%
Personal lines	2.4%	2.7%
Services	6.7%	6.7%
Invest. income	4.7%	3.8%
Other	2%	3%
Employees	281	293
Offices	6	6

Year founded: 1886.

Brokerage: 100% commissions.

Retail brokerage branch offices: Florence and Mobile, Ala.; Orlando and Pensacola, Fla.

Non-retail brokerage subsidiaries: Wood & Co., Atlanta.

Principal officers: Richard M. Womack, chairman; Bruce C. Dunbar Jr., president/chief executive officer; Bruce S. Denson, executive vp/chief

operating officer; Malcolm K. Miller, vice chairman.

Licensed excess/surplus broker in: Alabama, Florida and Georgia.

Meadowbrook Inc.

24370 Northwestern Highway, Southfield, Mich. 48075; 313-358-1100

	1987	1986
Premium volume	\$50,000,000	\$45,000,000
Gross revenues	\$8,800,000	\$8,000,000
Brokerage: Retail	49%	50%
Reinsurance	8%	9%
Personal lines	4%	5%
Services	34%	29%
Invest. income	4%	6%
Other	1%	1%
Employees	124	112
Offices	5	5

Year founded: 1955.

Brokerage: 70% commissions, 30% fees.

Retail brokerage branch offices: Hamilton, Bermuda; New York; Boca Raton, Fla.; Grand Rapids, Mich.

Non-retail brokerage subsidiaries: MeadowLife Inc. and Self Insured Risk Services Inc., both in Southfield, Mich.; Meadowbrook Intermediaries Inc. and Meadowbrook Risk Management Inc., both in New York; Meadowbrook Risk Management Ltd., Hamilton, Bermuda; Corporate Risk Consultants, Southfield, Mich., and Boca Raton, Fla.

Principal officers: Merton J. Segal, chairman; Robert A. Engle, president; Lee F. Kelly, vp/treasurer; Cheryl L. Reno, vp/corporate secretary; Robert S. Cubbin, vp/general counsel.

Licensed excess/surplus broker in: Michigan.

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Spotlight report

Continued from previous page

Meeker-Magner Co.

2360 E. Devon, Suite 3010, Des Plaines, Ill. 60018; 312-699-1400

	1987	1986
Premium volume	\$13,948,000	\$13,482,000
Gross revenues	\$1,981,000	\$1,921,000
Brokerage: Retail	69%	68%
Wholesale	6%	8%
Personal lines	20%	17%
Services	3%	4%
Invest. income	2%	3%
Employees	25	27
Offices	1	1

Year founded: 1902.

Brokerage: 93% commissions, 7% fees.

Principal officers: T. Gerald Magner Jr., chairman/president; S. DeSerto, executive vp; Jacqueline H. Klager, vp.

Licensed excess/surplus broker in: Illinois.

Meeker Sharkey Financial Group Inc.

21 Commerce Drive, Cranford, N.J. 07016; 201-272-8100

	1987	1986
Premium volume	\$65,000,000	\$60,000,000
Gross revenues	\$16,277,000	\$12,889,000
Brokerage: Retail	66%	65%
Wholesale	15%	17%
Personal lines	12%	15%
Invest. income	2%	2%
Other	5%	1%
Employees	250	226
Offices	9	8

Year founded: 1864.

Brokerage: 95% commissions, 5% fees.

Acquisitions: K&H Realty, Fan-

wood, N.J.

Retail brokerage branch offices: Cranford Agency, Meeker Sharkey Associates Inc., Meeker Sharkey & MacBean Agency Inc. and Peoples Personal Planning Inc., all in Cranford, N.J.; Meeker Sharkey & DiLeo Agency Inc., Piscataway, N.J.; Meeker Sharkey & Moffatt Agency Inc., Sea Girt, N.J.; Edward F.C. McLaughlin Division of M.S.A., Rye Brook, N.Y.

Non-retail brokerage subsidiaries: The MacKinnon Co. Inc., Fairfield, N.J.; Meeker Sharkey Realtors Inc., Cranford and Fanwood, N.J.; Meeker Sharkey Consultants Inc., Cranford, N.J.

Principal officers: Thomas J. Sharkey, chairman; Raymond B. Vaughn, William J. Redmond, Brian P. Leddy and Jeffrey Carlson, subsidiary presidents.

Merritt & McKenzie Inc.

1827 Powers Ferry Road, Building 10, Marietta, Ga. 30067; P.O. Box 671988, Marietta, Ga. 30067-0034; 404-952-5775

	1987	1986
Premium volume	\$18,300,000	\$14,500,000
Gross revenues	\$2,700,000	\$2,200,000
Brokerage: Retail	68%	60%
Wholesale	31%	39%
Personal lines	1%	1%
Invest. income	36	31
Employees	1	1
Offices		

Year founded: 1925.

Brokerage: 100% commissions.

Principal officers: James W. McKenzie, chief executive officer; Edward F. Merritt Jr., president; Sam Phillips McKenzie Jr., vp.

Midwest Commerce Insurance

107 N. Franklin St., P.O. Box 1724, Elkhart, Ind. 46515; 219-293-4565

	1987	1986
Premium volume	\$32,250,000	\$31,850,000
Gross revenues	\$4,565,665	\$4,054,384
Brokerage: Retail	81%	86%
Wholesale	8%	8%
Personal lines	4%	0%
Invest. income	3%	3%
Other	4%	3%
Employees	61	54
Offices	3	2

Year founded: 1915.

Brokerage: 98% commissions, 2% fees.

Retail brokerage branch offices: Goshen, Ind.

Non-retail brokerage subsidiaries: Pyramid Benefit Services, South Bend, Ind.

Parent company: Midwest Commerce Corp.

Principal officers: Ward J. Merchant, president; G.L. Russell, vp-administration; Farrel J. Zehr, vp-underwriting/marketing; Donald R. Anderson, vp-sales; Jeffrey Whisler, vp-client services.

Licensed excess/surplus broker in: Indiana.

Julius Moll & Son Inc.

6130 N. Cicero Ave., Chicago, Ill.; 312-286-7737

	1987	1986
Premium volume	\$21,000,000	\$18,200,000
Gross revenues	\$3,070,000	\$2,730,000
Brokerage: Retail	80%	79%
Wholesale	5%	6%
Personal lines	4%	3%
Invest. income	3%	3%
Other	8%	9%
Employees	40	36
Offices	1	1

Year founded: 1901.

Brokerage: 97% commissions, 3% fees.

Principal officers: Theodore S. Ross, president; Richard A. Moll, chairman.

Licensed excess/surplus broker in: Illinois.

Moore & Povenz Inc.

1923 Holland Ave., Port Huron, Mich. 48060; 313-987-6161

	1987	1986
Premium volume	\$24,711,063	\$22,950,132
Gross revenues	\$3,594,595	\$3,269,974
Brokerage: Retail	50%	53%
Wholesale	39%	39%
Personal lines	1%	2%
Invest. income	10%	6%
Other	60	53
Employees	3	3
Offices		

Year founded: 1923.

Brokerage: 100% commissions.

Retail brokerage branch offices: Richmond, Mich.; Moore & Povenz

Metro Inc., Mt. Clemens, Mich.

Principal officers: Douglas S. Povenz, president; William H. Moore, executive vp; R. James Marsh, vp/secretary; Robert E. Wilbrett, vp-treasurer; Robert M. Rylko, vp-Moore & Povenz Metro Inc.

Licensed excess/surplus broker in: Michigan.

Morency, Weible & Sapa Inc.

950 York Road, Hinsdale, Ill. 60521; 312-887-0910

	1987	1986
Premium volume	\$18,000,000	\$25,000,000
Gross revenues	\$3,100,000	\$3,936,000
Brokerage: Retail	95.4%	95.4%
Wholesale	3%	3%
Personal lines	1.6%	1.6%
Invest. income	40	25
Employees	1	1
Offices		

Year founded: 1960.

Brokerage: 99% commissions; 1% fees.

Acquisitions: General Insurance Associates, Aurora, Ill.

Principal officers: G.A. Morency, chairman; William P. Weible, president; G.P. Sapa and R.T. Morency, vps; J.A. Lawson, vp-marketing.

Fred A. Moreton & Co.

649 E. South Temple, Salt Lake City Utah 84102; 801-531-1234

	1987	1986
Premium volume	\$53,307,000	\$35,724,000
Gross revenues	\$7,039,000	\$5,563,000
Brokerage: Retail	85%	82%
Wholesale	4%	6%
Personal lines	3%	3%
Services	0%	4%
Invest. income	5%	5%
Employees	74	70
Offices	2	2

Year founded: 1910.

Brokerage: 99% commissions, 1% fees.

Retail brokerage branch offices: Idaho Falls, Idaho.

Non-retail brokerage subsidiaries: Moreton General Agency, Salt Lake City

Principal officers: Edward A. Moreton, president; Edward F. Folland, senior vp; Roland D. Cornell, executive vp; Craig L. Smith, vp-sales; L. Kent Bills, vp.

Licensed excess/surplus broker in: Utah and Idaho.

Morris & Mackenzie Inc.

1130 Sherbrooke St. W., Montreal, Quebec; H3A 3K4; 514-499-0999

	1987	1986
Premium volume	NA	NA
Gross revenues	\$13,600,000	\$13,000,000
Brokerage: Retail	75%	75%
Wholesale	25%	25%
Personal lines	155	168
Employees	4	4
Offices		

Year founded: 1939.

Brokerage: 90% commissions, 10% fees.

Acquisitions: Wilkie Hayoz Insurance Brokers Ltd., Calgary, Alberta.

Retail brokerage branch offices: Toronto; Calgary, Alberta; Vancouver, British Columbia.

Parent company: Mackmor Ltd.

Principal officers: Frank Dougan, president/chief executive officer; Alan L. Drumm, senior vp/director; Alfred Parke, Victor M. Allen and Maurice Sauve, vps/directors.



NIA Ltd./The NIA Group

66 Route 17, Paramus, N.J. 07652; 201-845-6600

	1987	1986
Premium volume	NA	NA
Gross revenues	\$11,590,000	\$9,810,000
Brokerage: Retail	60%	51%
Wholesale	9%	20%
Personal lines	23%	25%
Services	5%	3%
Invest. income	3%	1%
Employees	165	150
Offices	6	8

Year founded: 1926.

Brokerage: 92% commissions, 8% fees.

Acquisitions: Harness Brokerage, Rye, N.Y.; Brown & D'Avanzo, Sloatsburg, N.Y.

Retail brokerage branch offices: Newark, Freehold and Long Valley, N.J.; New City and Sloatsburg, N.Y.

Principal officers: Paul L. Gross, president; William F. Meade, executive vp; Gregory A. Gross, vp; Howard P. Cantor, vp-finance; David Arthur, regional vp.

Licensed excess/surplus broker in: New Jersey and New York.

National Coverage Corp.

2174 Jackson Ave., P.O. Box 40, Seaford, N.Y. 11783; 516-826-8000

	1987	1986
Premium volume	\$20,027,813	\$27,019,398
Gross revenues	\$3,527,386	\$3,804,349
Brokerage: Retail	87.1%	85.2%
Wholesale	8.1%	9%
Personal lines	4.8%	5.8%
Invest. income	59	48
Employees	2	1
Offices		

Year founded: 1964.

Brokerage: 95% commissions, 5% fees.

Retail brokerage branch offices: National Coverage Corp. of Connecticut, Greenwich, Conn.

Principal officers: William A. Kulesh, president/treasurer; Warren G. Aaronson, executive vp/secretary; Robert Buono, Russell J. Tillman and Ronald P. D'Alessandro, vps.

National Insurance Agency

P.O. Box 6750, Corpus Christi, Texas 78411; 512-993-6700

	1987	1986
Premium volume	\$6,496,536	\$5,600,607
Gross revenues	\$995,148	\$875,389
Brokerage: Retail	65%	65%
Wholesale	35%	35%
Personal lines	22	21
Employees	1	1
Offices		

Year founded: 1965.

Brokerage: 100% commissions.

Principal officers: Robert E. Harris, president; Scot Oshman, Claude Watts and John McFall, vps.

Near North Insurance Agency Inc.

875 N. Michigan Ave., 23rd Floor, Chicago, Ill. 60611; 312-280-5600

	1987	1986
Premium volume	\$155,000,000	\$120,000,000
Gross revenues	\$17,250,000	\$15,150,000
Brokerage: Retail	95%	95%
Wholesale	3%	3%
Personal lines	2%	2%
Invest. income	168	150
Employees	1	1
Offices		

Year founded: 1962.

Brokerage: 95% commissions, 5% fees.

Acquisitions: Capital Planning Inc., Chicago.

Principal officers: Michael Segal, president.

Licensed excess/surplus broker in: Illinois.

Continued on next page

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Continued from previous page

North American Insurance Agency Inc.

3800 Classen Blvd., P.O. Box 25928, Oklahoma City, Okla. 73125; 405-523-2100

	1987	1986
Premium volume	NA	NA
Gross revenues	\$6,184,000	\$6,365,000
Brokerage: Retail	80%	63%
Wholesale	0%	21%
Personal lines	19%	15%
Other	1%	1%
Employees	90	91
Offices	6	6

Year founded: 1959.
Brokerage: 98% commissions, 2% fees.

Acquisitions: Rollins Burdick Hunter Co., Oklahoma City; First American Systems, Denver.

Retail brokerage branch offices: Denver; Tulsa and Edmond, Okla.; Dallas; New Orleans.

Principal officers: Gene McCrory, president; Donald Glaspey, executive vp; Jack Barry, senior vp; Jack Mackey, vp-surety; Jasper Bidy, controller.

Licensed excess/surplus broker in: Oklahoma, Colorado and Louisiana.

0

O'Gorman & Young Inc.

159 Main St., Chatham, N.J. 07928; 201-635-1800

	1987	1986
Premium volume	\$48,000,000	\$44,000,000
Gross revenues	\$5,475,000	\$5,005,000
Brokerage: Retail	84%	83%
Personal lines	13%	14%
Invest. income	3%	3%
Employees	52	52
Offices	2	2

Year founded: 1894.
Brokerage: 98% commissions, 2% fees.

Retail brokerage branch offices: G.R. Murray Insurance, Princeton, N.J.

Principal officers: Simeon H. Rollinson III, president; Eugene V. Tracey Jr., executive vp/treasurer; Ernest J. Lawton III, Robert Laudati and Peter J. Redfern, vps.

Licensed excess/surplus broker in: New Jersey.

Osterloh & Durham Insurance Brokers of North America Inc.

6930 Valjean Ave., Van Nuys, Calif. 91409; 818-988-6520

	1987	1986
Premium volume	\$24,000,000	\$30,000,000
Gross revenues	\$2,538,968	\$3,286,455
Brokerage: Retail	94.4%	96.5%
Personal lines	1%	0.5%
Invest. income	2%	2%
Other	2.6%	1%
Employees	25	35
Offices	1	1

Year founded: 1924.
Brokerage: 92% commissions, 8% fees.

Principal officers: A.F. Osterloh III, president/treasurer; Hayward Andrews, vp; Peggy Gelpi, secretary; Russell Hawkes, director; C.F.S. Ryan, director.

P

Paige-Ruane Inc.

The Irwin Building, P.O. Box 1562, King of Prussia, Pa. 19406-0962; 215-265-4170

	1987	1986
Premium volume	\$14,500,000	\$15,352,000
Gross revenues	\$1,513,000	\$1,857,000
Brokerage: Retail	50%	50%
Wholesale	50%	50%
Employees	8	8
Offices	1	1

Year founded: 1979.
Brokerage: 100% commissions.

Principal officers: Ron Ruane Sr., president; Frederick Paige, secretary/treasurer; Lisa Shaffran, resident vp.

Licensed excess/surplus broker in: Pennsylvania and Virginia.

Palley Simon Associates

Rydal Executive Plaza, Suite 300, Rydal, Pa. 19046; 215-884-2100

	1987	1986
Premium volume	\$15,652,000	\$15,977,000
Gross revenues	\$2,595,000	\$2,390,000
Brokerage: Retail	78.1%	77.2%
Personal lines	16.7%	18.1%
Invest. income	5.2%	4.7%
Employees	30	27
Offices	1	1

Year founded: 1974.
Brokerage: 95.6% commissions, 4.4 fees.

Principal officers: Mahlon B. Simon Jr., president; Samuel M. Palley and Dexter P. Gresh, vps.

Palmer & Cay/Carswell Inc.

25 Bull St., Savannah, Ga. 31401; 912-234-6621

	1987	1986
Premium volume	\$90,202,551	\$90,902,389
Gross revenues	\$11,503,966	\$11,462,025
Brokerage: Retail	70%	68%
Personal lines	10%	10%
Services	16%	18%
Invest. income	3%	3%
Other	1%	1%

Employees..... 185 172
Offices..... 7 7

Year founded: 1915.
Brokerage: 96% commissions, 4% fees.

Retail brokerage branch offices: Atlanta, Augusta and Vidalia, Ga.; Shelander-Cowden, Brunswick, Ga.; Almours-Carswell Inc., Jacksonville, Fla.; Heyward & O'Neill, Charleston, S.C.

Principal officers: John E. Cay III, president; Lewis H. Oden III, executive vp; William H. Brown, Edwin P. Bendin, G. David Reid and Richard N. Haycock, senior vps.

Licensed excess/surplus broker in: Georgia and South Carolina.

Palmer Goodell Insurance Agency Inc.

2077 Roosevelt Ave., P.O. Box 9040, Springfield, Mass. 01102-9040; 413-781-5940

	1987	1986
Premium volume	\$36,155,406	\$24,479,313
Gross revenues	\$5,722,000	\$4,465,826
Brokerage: Retail	51%	50%
Personal lines	27%	26%

Services..... 6.8% 5%
Invest. income..... 1.2% 1%
Other..... 14% 18%
Employees..... 89 88
Offices..... 1 1

Year founded: 1955.
Brokerage: 100% commissions.

Principal officers: Robert H. Carnevale, president; H. Russell Preston Jr., executive vp; Jacob E. Stone and Carleen M. Papageorge, senior vps; Gordon K. White, vp.

Licensed excess/surplus broker in: Massachusetts.

James G. Parker Insurance Associates

5150 N. Sixth, Suite 124, Fresno, Calif. 93710; 209-222-7722

	1987	1986
Premium volume	\$15,000,000	\$13,500,000
Gross revenues	\$2,025,000	\$1,823,000
Brokerage: Retail	85%	85%
Wholesale	1%	1%
Personal lines	13%	13%
Invest. income	1%	1%
Employees	34	31
Offices	1	1

Year founded: 1978.
Brokerage: 100% commissions.
Principal officers: James G. Parker Jr., president; James G. Parker III, senior vp; Gary H. Feemster and Jon M. Parker, vps; Todd A. Parker, secretary.

H & R Phillips Inc.

350 Fifth Ave., Suite 5400, New York, N.Y. 10118; 212-239-5353

	1987	1986
Premium volume	NA	NA
Gross revenues	\$2,100,000	\$2,100,000
Brokerage: Retail	73%	75%
Wholesale	2%	3%
Personal lines	9%	9%
Services	11%	11%
Invest. income	1%	1%
Other	4%	1%
Employees	30	28
Offices	1	1

Year founded: 1964.
Brokerage: 100% commissions.
Principal officers: Judith L. Robinson, president; Carmen Barros and William Phillips, vps; Eli Mi-

Continued on next page

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Spotlight report

Continued from previous page
 shanie, vp-sales; Harry Phillips III and Roger Phillips, co-chairmen.
Licensed excess/surplus broker in: New York.

Pickett, Adams & Burkholder Insurance
 P.O. Box 850069, 632 Hillcrest Road, Mobile, Ala. 36685; 205-639-9480

	1987	1986
Premium volume	\$10,000,000	\$8,500,000
Gross revenues	\$1,408,962	\$1,248,063
Brokerage: Retail	65%	65%
Personal lines	25%	25%
Other	10%	10%
Employees	25	23
Offices	2	2

Year founded: 1983.
Brokerage: 100% commissions.
Retail brokerage branch offices: Pickett, Adams & Burkholder Inc. of Eastern Shore, Fairhope, Ala.
Principal officers: C. King Pick-



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Licensed excess/surplus broker in: Alabama.

Pierson & Smith Inc.
 1055 Washington Blvd., Stamford, Conn. 06901; 203-327-2727

	1987	1986
Premium volume	\$28,312,000	\$23,762,000
Gross revenues	\$4,228,769	\$3,705,578
Brokerage: Retail	57%	61%
Wholesale	1%	1%
Personal lines	28%	29%
Services	3%	2%
Other	11%	7%
Employees	52	50
Offices	1	2

Year founded: 1938.
Brokerage: 96% commissions, 4% fees.
Principal officers: Richard H. Smith, executive vp; Michael G. Watts, vp/secretary; Jon Rudiger, treasurer.
Licensed excess/surplus broker in: Connecticut.

Poe & Associates Inc.
 702 N. Franklin St., Tampa, Fla. 33602; 813-222-4100

See profile on page 74.

Pomerleau Agency Inc.
 184 S. Winooski Ave., Burlington, Vt. 05402; 802-863-2841

	1987	1986
Premium volume	\$29,600,000	\$26,875,000
Gross revenues	\$4,785,000	\$4,125,000
Brokerage: Retail	56%	51.6%
Wholesale	22%	23.2%
Personal lines	11%	12.4%
Services	8%	8.7%
Invest. income	3%	4.1%
Employees	26	25
Offices	1	2

Year founded: 1954.
Brokerage: 88% commissions, 12% fees.
Principal officers: Antonio B. Pomerleau, chairman; Charles S. Lord, president; Thomas L. May, executive vp; Jeffrey H. Seaver, vp-commercial lines.
Licensed excess/surplus broker in: Vermont.

Popkin Lebson Bergstein Inc.
 25 Rockwood Place, P.O. Box 5599, Englewood, N.J. 07631; 201-569-8090; 212-928-2473

	1987	1986
Premium volume	\$20,113,629	\$16,362,949
Gross revenues	\$3,242,722	\$2,612,372
Brokerage: Retail	68%	68%
Wholesale	1%	1%
Personal lines	28%	28%
Services	1%	1%
Invest. income	2%	2%
Employees	40	37
Offices	2	2

Year founded: 1974.
Brokerage: 99% commissions, 1% fees.
Retail brokerage branch offices: Schneiderman Agency, Bayonne, N.J.
Principal officers: Leo J. Popkin, president; Bruce A. Bergstein, vp/secretary; Martin A. Lebson, vp/treasurer; Michael Bergstein, Ron Bergstein, Jay Bergstein and Ted Kadison, vps.
Licensed excess/surplus broker in: New Jersey.

Cecil W. Powell & Co.
 P.O. Box 41490, Jacksonville, Fla. 32203; 904-353-3181

	1987	1986
Premium volume	\$35,000,000	\$32,000,000
Gross revenues	\$3,641,100	\$3,218,760
Brokerage: Retail	89%	89%
Personal lines	7.1%	7.5%
Invest. income	3.9%	3.5%
Employees	40	42
Offices	1	1

Year founded: 1935.
Brokerage: 99% commissions, 1% fees.
Principal officers: Fitzhugh Powell, president; Lon B. Bryan, executive vp; R.B. Hazard, vp-surety; Stan Storey, vp-casualty; John Cowart, vp-benefits.

Primac Insurance
 8 S. Nevada, P.O. Box 490, Colorado Springs, Colo. 80901; 719-475-8222

	1987	1986
Premium volume	\$20,000,000	\$17,000,000
Gross revenues	\$3,700,000	\$2,980,000
Brokerage: Retail	64%	70%
Personal lines	8%	8%
Services	15%	10%
Invest. income	3%	3%
Other	10%	9%
Employees	43	38
Offices	9	6

Year founded: 1910.
Brokerage: 85% commissions, 15% fees.
Retail brokerage branch offices: Denver, Pueblo, Longmont; Lamar, Cortez, Grand Junction and Montrose, Colo.
Parent company: Price & MacDonald Inc.
Principal officers: Dennis A. Weber, president; Richard C. Anderson, executive vp; Thomas W. Titsworth, vp.

Producers Exchange Inc.
 1310 Texas American Bank Building, Dallas, Texas 75235; 214-357-6504

	1987	1986
Premium volume	\$14,100,000	\$12,500,000
Gross revenues	\$2,255,000	\$2,100,000
Brokerage: Retail	74%	72%
Wholesale	6%	5%
Services	16%	18%
Invest. income	4%	5%
Employees	23	21
Offices	2	3

Year founded: 1973.
Brokerage: 75% commissions, 25% fees.
Non-retail brokerage subsidiaries: Producers Exchange Insurance Agency Inc., Dallas, Lubbock and Corpus Christi, Texas; Producers Exchange Life Insurance Agency Inc., Dallas.
Parent company: Producers Exchange Cooperative.
Principal officers: Bill M. Morrison, president/chief executive officer; George R. Flickinger, regional vp; T. Dale Roberts, vp.
Licensed excess/surplus broker in: Texas.

R

The R.M. Consulting Group Inc.
 346 Westbury Ave., Carle Place, N.Y. 11514; 516-333-2001

	1987	1986
Premium volume	\$28,000,000	NA
Gross revenues	\$970,000	NA
Brokerage: Retail	60%	NA%
Wholesale	10%	NA%
Services	30%	NA%
Employees	15	NA
Offices	2	NA

Year founded: 1987.
Brokerage: 75% commissions, 25%

fees.
Non-retail brokerage subsidiaries: AIMS Inc., New York.
Principal officers: Robert N. Munao, president; Howard L. Hagen, president-AIMS Inc.; Myrna Feinman, senior vp; Jeffrey D. Poland, executive vp/actuary.

ReagerHarris Inc.
 10400 Linn Station Road, Louisville, Ky. 40223; 502-425-9444

	1987	1986
Premium volume	\$26,600,000	\$25,500,000
Gross revenues	\$4,358,664	\$4,091,163
Brokerage: Retail	86%	87%
Personal lines	9%	8%
Invest. income	5%	5%
Employees	53	55
Offices	1	1

Year founded: 1904.
Brokerage: 98% commissions, 2% fees.
Principal officers: Richard L. Martin, president; John L. English and James E. Carrico, vps; Larry P. Westmoreland, secretary; Joseph M. Carrico, treasurer.
Licensed excess/surplus broker in: Kentucky.

Rebsamen Insurance Inc.
 P.O. Box 3198, Little Rock, Ark. 72203; 501-661-4800

	1987	1986
Premium volume	\$108,998,740	\$116,524,279
Gross revenues	\$13,660,051	\$14,287,575
Brokerage: Retail	69.69%	70.14%
Wholesale	14.17%	12.6%
Personal lines	4.62%	4.09%
Services	8.12%	8.94%
Invest. income	4%	4.23%
Employees	143	146
Offices	3	3

Year founded: 1929.
Brokerage: 100% commissions.
Retail brokerage branch offices: Rebsamen Insurance/Fort Smith, Fort Smith, Ark.; Rebsamen Insurance/Springdale, Springdale, Ark.
Non-retail brokerage subsidiaries: Insurisk Excess & Surplus Lines, Little Rock, Ark.
Parent company: Rebsamen Cos. Inc.
Principal officers: Charles H. Harper, president; Charles C. Campbell, executive vp; Max F. Campbell, senior vp/treasurer; William L. Grace and Jack L. Garrison, senior vps.
Licensed excess/surplus broker in: Arkansas.

Redland Group
 535 W. Broadway, Council Bluffs, Iowa 51503; 712-325-5720

	1987	1986
Premium volume	\$74,154,000	\$63,349,000
Gross revenues	\$10,900,000	\$9,900,000
Brokerage: Retail	19%	20%
Wholesale	61%	58%
Personal lines	4%	5%
Services	12%	9%
Invest. income	2%	5%
Other	2%	3%
Employees	170	185
Offices	2	3

Year founded: 1945.
Brokerage: 98% commissions, 2% fees.
Retail brokerage branch offices: Insurance Agents Inc., Council Bluffs, Iowa.
Non-retail brokerage subsidiaries: American Agrisure Co., Council Bluffs, Iowa.
Principal officers: H.H. Nelson, group chairman; John P. Nelson, group president; Omer Trout, group executive vp; Richard Gibson, president-American Agrisure Co.; Gary Hurley, president-Insurance Agents Inc.

Republic Hogg Robinson Inc.
 177 Milk St., Boston, Mass. 02109; 617-542-5200

See profile on page 58.

Rhulen Agency Inc.
 217 Broadway, Monticello, N.Y. 12701; 914-794-8000

	1987	1986
Premium volume	\$105,000,000	\$100,000,000
Gross revenues	\$24,103,493	\$22,244,000
Brokerage: Retail	28%	27%
Wholesale	59%	60%
Reinsurance	1%	1%
Personal lines	2%	2%
Services	5%	4%
Invest. income	3%	4%
Other	2%	2%
Employees	307	320
Offices	8	10

Continued on next page

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Continued from previous page
Year founded: 1934.
Brokerage: 95% commissions, 5% fees.
Retail brokerage branch offices: Grove City, Ohio; Bridgeport, Conn.; Newport Beach, Calif.; Manasquan, N.J.; Levittown, Pa.; Murfreesboro, Tenn.; Annandale, Va.; Weisbord, Wells, Cross & Brown, Liberty, N.Y.
Principal officers: Jesse M. Farrow, chairman/chief executive officer; Peter L. Rhulen, president; Walter A. Rhulen, chairman-executive committee; Murray Markham, executive vp.

Ricci Associates Inc.
 Station Plaza, 1910 Pine St., St. Louis, Mo. 63103; 314-231-2277

	1987	1986
Premium volume	\$16,900,000	\$12,300,000
Gross revenues	\$2,100,000	\$1,600,000
Brokerage: Retail	86%	87%
Personal lines	2%	2%
Services	4%	4%
Invest. income	8%	7%
Employees	30	25
Offices	2	2

Year founded: 1985.
Brokerage: 90% commissions, 10% fees.
Acquisitions: Stormzand Agency, Springfield, Mo.; Paul E. Kummer Agency, St. Louis, Mo.
Retail brokerage branch offices: Public Entity Risk Managers, Springfield, Mo.
Principal officers: Thomas C. Ricci Jr., chairman; Stephen E. Ricci, president; John D. Wittenberg and James E. Boone, executive vps.
Licensed excess/surplus broker in: Missouri.

Riehle Agencies
 111 Fifth Ave., New York, N.Y. 10003; 212-614-3406

	1987	1986
Premium volume	\$60,000,000	\$48,000,000
Gross revenues	\$10,998,000	\$9,550,000
Brokerage: Retail	67%	70%
Personal lines	19%	20%
Services	8%	5%
Invest. income	5%	4%
Other	1%	1%
Employees	147	145
Offices	4	4

Year founded: 1896.
Brokerage: 90% commissions, 10% fees.
Acquisitions: Capital Risk Insurance Associates and James McNeill Insurance Agency Inc., both in Orlando, Fla.
Retail brokerage branch offices: John M. Riehle Inc., New York; Knox, Lent & Tucker Inc., White Plains, N.Y.; Hallman & Lorber Associates Inc. and Selective Programs Inc., Valley Stream, N.Y.; Harvest & HBJ Insurance Inc., Orlando, Fla.
Affiliated companies: Federal Home Life Insurance Co., The Harvest Life Insurance Co.
Parent company: Harcourt Brace Jovanovich Inc.
Principal officers: J. William Brandner, chairman; Richard A. Fuhrman, president/chief executive officer; Richard G. Bottjer, vp/chief financial officer.
Licensed excess/surplus broker in: New York.

Roanoke Agency Inc.
 1930 Thoreau Drive, Suite 101, Schaumburg, Ill. 60173; 312-490-9540; 800-762-6653

	1987	1986
Premium volume	NA	NA
Gross revenues	\$12,900,000	\$11,700,000
Brokerage: Retail	82%	81%
Wholesale	7%	8%
Personal lines	6%	7%
Services	2%	1%
Invest. income	3%	3%
Employees	179	177
Offices	10	10

Year founded: 1935.
Brokerage: 96% commissions, 4% fees.
Retail brokerage branch offices: Boston; New York; Timonium, Md.; Miami; Houston; Newport Beach, Los Angeles and San Francisco, Calif.; Cleveland.
Non-retail brokerage subsidiaries: Anduril Cargo Insurance, Newport Beach, Calif.
Principal officers: William D. Sterrett, president/chairman; Robert P. Froese, vp-operations; Lewis M. Moeller, vp-finance/administration.
Licensed excess/surplus broker in: Illinois, Maryland, New York, California, Texas, Florida, Massachusetts, Virginia and Washington.

Robertson-Ryan & Associates Inc.
 660 E. Mason St., Milwaukee, Wis. 53202; 414-271-3575

	1987	1986
Premium volume	\$29,186,361	\$24,996,994
Gross revenues	\$5,303,000	\$4,380,943
Brokerage: Retail	80%	79%
Personal lines	13%	15%
Invest. income	7%	6%
Employees	55	55
Offices	1	1

Year founded: 1960.
Brokerage: 98% commissions, 2% fees.
Principal officers: Jack T. Ryan, chairman; Charles V. Johnson, executive vp/general manager; Lloyd G. Schutte, secretary/treasurer; A.D. Robertson, Jay Robertson and John S. Borges, vps.

Robinson-Conner Inc.
 3230 W. Lake Road, Erie, Pa. 16505; 814-838-5900

See profile on page 83.

Rogers & Belding Insurance Agency Inc.
 2505 E. Missouri Ave., El Paso, Texas 79903; 915-544-3111

	1987	1986
Premium volume	\$29,500,000	\$25,000,000
Gross revenues	\$4,600,000	\$3,950,000
Brokerage: Retail	73.14%	68.1%
Personal lines	23.86%	21.19%
Invest. income	2.37%	2.6%
Other	0.63%	8.11%
Employees	73	69
Offices	1	1

Year founded: 1933.
Brokerage: 100% commissions.
Acquisitions: Hughes Insurance Agency, El Paso, Texas.
Principal officers: James E. Rogers Jr., president/chief executive officer; Walter H. Stowe, senior executive vp/chief operating officer; Kenneth L. North Jr. and William D. Tippin, executive vps; Kenneth N. Mitchell, senior vp.

Rollins Burdick Hunter Co.
 123 N. Wacker Drive, Chicago, Ill. 60606; 312-701-4000

See profile on page 44.

The M.H. Ross Co. Inc.
 16933 Parthenia St., Sepulveda, Calif. 91343; 818-891-7811

	1987	1986
Premium volume	\$20,013,262	\$18,210,439
Gross revenues	\$2,783,422	\$2,400,000
Brokerage: Retail	86.4%	86%
Personal lines	11.3%	9.5%
Invest. income	2.3%	4.5%
Employees	36	39
Offices	1	1

Year founded: 1954.
Brokerage: 100% commissions.
Principal officers: Murray H. Ross, chairman; Lloyd T. Ross, president; Jerry Spitzer, senior vp; Carl I. Nash, executive vp; Connie Grisanti, vp.



Sadler Insurance Agency Inc.
 24 Railroad Square, C.S. 2021, Nashua, N.H. 03061; 603-883-0511

	1987	1986
Premium volume	\$18,000,000	\$15,000,000
Gross revenues	\$2,335,000	\$2,047,000

	1987	1986
Brokerage: Retail	56%	56%
Personal lines	28%	27%
Invest. income	3%	4%
Other	13%	13%
Employees	44	40
Offices	2	2

Year founded: 1924.
Brokerage: 100% commissions.
Retail brokerage branch offices: Sadler/Marcott Agency, Manchester, N.H.
Principal officers: George J.T. Sadler, president; James E. Cleary, executive vp; Arthur B. Bruinooge and Robert E. Marcotte Sr., vps.
Licensed excess/surplus broker in: New Hampshire.

Saldana & Associates Inc.
 701 Ponce de Leon Ave., Suite 303, Santurce, Puerto Rico 00907; 809-721-2600

	1987	1986
Premium volume	\$55,000,000	\$48,000,000
Gross revenues	\$7,120,000	\$5,400,000
Brokerage: Retail	95%	95%
Personal lines	4%	4%
Invest. income	1%	1%
Employees	80	66
Offices	1	1

Continued on next page

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Spotlight report

Continued from previous page

Year founded: 1972.
Brokerage: 100% commissions.
Principal officers: Jorge Y. Saldaña, chairman; Ralph G. Christiansen Jr., president; Eduardo R. Emanuele, executive vp.
Licensed excess/surplus broker in: Puerto Rico and U.S. Virgin Islands.

Schwartz Brothers Insurance Agency Inc.
135 S. LaSalle, Suite 2035,
Chicago, Ill. 60603; 312-630-0800

	1987	1986
Premium volume	\$60,000,000	\$50,700,000
Gross revenues	\$8,831,345	\$7,930,000
Brokerage: Retail	92.9%	94%
Personal lines	2.5%	3%
Services	1%	1%
Invest. income	3.6%	2%
Employees	63	62
Offices	1	1

Year founded: 1919.
Brokerage: 98% commissions, 2% fees.

Principal officers: Edward H. Schwartz, president/treasurer; Raymond L. Miller, vp/secretary; Robert I. Schwartz, K. Richard Clark and Mark P. Nahin, vps.

Licensed excess/surplus broker in: Illinois.



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235 E. Plume St., Norfolk, Va.
23510; 804-625-1800

	1987	1986
Premium volume	\$60,562,924	\$54,754,083
Gross revenues	\$9,681,250	\$8,895,670
Brokerage: Retail	61%	63.1%
Wholesale	14.1%	12.7%
Reinsurance	1.9%	1.3%
Personal lines	15.9%	2.8%
Services	3.6%	0%
Invest. income	3.2%	4.2%
Other	0.3%	0.7%
Employees	151	139
Offices	6	7

Year founded: 1896.
Brokerage: 95.9% commissions, 4.1% fees.

Acquisitions: Blankinship & McCurdy, Atlanta.

Retail brokerage branch offices: Henderson & Phillips, Norfolk, Va.; Commercial Insurance Agency, Portsmouth, Va.; Henderson & Phillips Peninsula, Newport News, Va.; Self Insurance Services and Miller-Carneal, Richmond, Va.

Non-retail brokerage subsidiaries: Overstreet & Newell, Atlanta.

Principal officers: George G. Phillips, chairman/chief executive officer; F. Dudley Fulton, chief operating officer; P. Winfield Thomson, president-Henderson & Phillips; Barry F. Gidley, senior vp-Henderson & Phillips; Scott S. Miller, president-Miller-Carneal; Roy Overstreet, president-Overstreet & Newell.

Licensed excess/surplus broker in: Virginia and Georgia.

Seitlin & Co.

8125 N.W. 53rd St., Suite 200,
Miami, Fla. 33166; 305-591-0090

	1987	1986
Premium volume	\$44,369,977	\$37,025,000
Gross revenues	\$6,527,955	\$5,024,687
Brokerage: Retail	35%	82%
Personal lines	15%	13%
Invest. income	0%	4%
Other	0%	1%
Employees	104	85
Offices	2	2

Year founded: 1945.
Brokerage: 100% commissions.

Acquisitions: Underwriters of Florida, Coral Gables, Fla.

Parent company: Seitco Corp.
Principal officers: Sam Seitlin, chairman; M. Stephen Jackman, president; R. Louis Seitlin, secretary; Gary Forman and Richard Johnson, vps.

Seaman Ross & Weiner Inc.

500 N. Broadway, Suite 245,
Jericho, N.Y. 11753; 516-681-8700

	1987	1986
Premium volume	\$12,500,000	\$12,000,000
Gross revenues	\$2,600,000	\$2,400,000
Brokerage: Retail	36%	66%
Personal lines	20%	20%

Invest. income	2%	2%
Other	12%	12%
Employees	18	18
Offices	1	1

Year founded: 1965.
Brokerage: 98% commissions, 2% fees.

Principal officers: Alex Seaman, president; Edward Potee, vp; John J. Ross, Burton S. Seaman, Robert E. Wiener and Douglas Schenendorf, principals.

Shelton Insurance Agency Inc.

1227 Third St., Corpus Christi,
Texas 78404; 512-882-5586

	1987	1986
Premium volume	\$9,438,608	\$10,155,676
Gross revenues	\$1,284,704	\$1,520,796
Brokerage: Retail	87%	88%
Personal lines	13%	12%
Employees	20	21
Offices	1	1

Year founded: 1941.
Brokerage: 100% commissions.

Principal officers: W.J. Shelton, chairman/chief executive officer; Louis E. Wells, president; Michael G. Morgan, vp/secretary/treasurer; John Roberts and J. Michael Rhyme, vps.

Licensed excess/surplus broker in: Texas.

Forrest Sherer Inc.

24 N. Sixth St., P.O. Box 900, Terre
Haute, Ind. 47808-0900;
812-232-0441

	1987	1986
Premium volume	\$31,455,800	\$29,527,500
Gross revenues	\$4,440,300	\$3,995,000
Brokerage: Retail	77.2%	82.24%
Wholesale	1%	0%
Personal lines	1%	2.5%
Services	11%	10.1%
Invest. income	2.3%	2.7%
Other	7.5%	2.5%
Employees	60	59
Offices	2	2

Year founded: 1920.
Brokerage: 90% commissions, 10% fees.

Retail brokerage branch offices: Indianapolis.

Principal officers: Arthur Lukens, president; John Dinkel, vpsales; Dennis Michael, vp-property; Malcolm Wright, vp-casualty; Wayne Sherer, secretary.

Licensed excess/surplus broker in: Indiana.

J.H. Silversmith Inc.

825 E. Speer Blvd., Denver, Colo.
80218; 303-698-1221

	1987	1986
Premium volume	\$28,500,000	\$28,500,000
Gross revenues	\$3,800,000	\$3,900,000
Brokerage: Retail	83%	76%
Wholesale	3%	1%
Personal lines	13%	19%

Invest. income	1%	3%
Other	0%	1%
Employees	62	65
Offices	2	2

Year founded: 1946.
Brokerage: 99.9% commissions, 0.1% fees.

Retail brokerage branch offices: Aviation Insurance Management Co., Englewood, Colo.

Principal officers: J.H. Silver-smith Jr., president; David K. Hawkes, executive vp; John K. Munn, senior vp; Joyce L. Goodfellow, acting secretary/treasurer; Loren E. Swenson, general manager; Lyle E. Polson, chief financial officer.

Licensed excess/surplus broker in: Colorado.

The Simkiss Cos.

150 Radnor-Chester Road, St.
Davids, Pa. 19087; 215-254-5000

	1987	1986
Premium volume	\$38,200,000	\$33,800,000
Gross revenues	\$4,970,000	\$3,760,000
Brokerage: Retail	90%	91%
Personal lines	5%	5%
Services	2%	2%
Invest. income	3%	2%
Employees	49	47
Offices	1	1

Year founded: 1965.
Brokerage: 84% commissions, 16% fees.

Principal officers: John A. Simkiss Jr., president; Richard J. Decker, William F. O'Brien and William F. Simkiss, executive vps.

Licensed excess/surplus broker in: Pennsylvania.

The Sklover Organization

400 Post Ave., Westbury, N.Y.
11590; 516-333-6011

	1987	1986
Premium volume	\$9,500,000	\$7,500,000
Gross revenues	\$1,200,000	\$900,000
Brokerage: Retail	80%	80%
Personal lines	10%	10%
Services	7%	7%
Invest. income	3%	3%
Employees	9	8
Offices	2	2

Year founded: 1964.
Brokerage: 90% commissions, 10% fees.

Retail brokerage branch offices: New York.

Principal officers: Richard Sklover, president; Dominic Repetto, vp.

Smith, Bell & Thompson Inc.

102 S. Winooski Ave., P.O. Box
730, Burlington, Vt. 05402-0730;
802-658-4600

	1987	1986
Premium volume	\$25,236,943	\$21,343,822
Gross revenues	\$4,744,209	\$4,075,191

Brokerage: Retail	26.1%	33.4%
Wholesale	49.2%	38.7%
Personal lines	11.7%	9.7%
Services	1.6%	0.4%
Invest. income	3.1%	1.9%
Other	8.3%	15.9%
Employees	44	44
Offices	1	1

Year founded: 1928.
Brokerage: 100% commissions.

Principal officers: Warren L. Thompson, president; Roger D. Teese, senior vp; Steven K.J. Gentile, vp; William D. Thompson, assistant vp.

DeWitt Stern, Gutmann & Co. Inc.

420 Lexington Ave., New York, N.Y.
10170; 212-867-3550

	1987	1986
Premium volume	NA	NA
Gross revenues	\$4,350,000	\$4,110,000
Brokerage: Retail	80%	89%
Wholesale	1%	1%
Personal lines	19%	10%
Employees	59	54
Offices	2	2

Year founded: 1899.
Brokerage: 96% commissions, 4% fees.

Retail brokerage branch offices: DeWitt Stern of California, Studio City, Calif.

Principal officers: DeWitt A. Stern, chairman; Jolyon F. Stern, president; Gilbert Andrus, executive vp; Debra Kozee Sands and Jerry Vande Sande, vps; Constance F. Gray, secretary.

Licensed excess/surplus broker in: New York.

Sullivan Co. Inc.

One Shelter Centre, P.O. Box 2860,
Greenville, S.C. 29602;
803-239-1401

	1987	1986
Premium volume	\$35,000,000	\$35,000,000
Gross revenues	\$5,289,000	\$5,189,000
Brokerage: Retail	67%	69%
Wholesale	8%	1%
Personal lines	20%	26%
Invest. income	5%	4%
Employees	77	79
Offices	6	9

Year founded: 1974.
Brokerage: 100% commissions.

Retail brokerage branch offices: Andrews, Sylva, Robbinsville, Hayesville and Murphy, N.C.

Parent company: U.S. Shelter Corp.

Principal officers: Joseph F. Sullivan, president; Alex J. Edmonds, senior vp; Albert Y. Hyndshaw, vp-marketing; Robert H. Heile and James E. Williams vps.

Licensed excess/surplus broker in: South Carolina.

Continued on next page

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Continued from previous page

T

TCA Insurance Services

N48 W14336 Hampton Ave.,
Menomonee Falls, Wis. 53051; P.O.
Box 328, Butler, Wis. 53007;
414-783-7060

	1987	1986
Premium volume	\$8,750,000	\$7,550,000
Gross revenues	\$1,235,000	\$987,000
Brokerage: Retail	81%	78%
Wholesale	4%	6%
Personal lines	8%	10%
Services	1%	1%
Invest. income	4%	3%
Other	2%	2%
Employees	22	18
Offices	1	1

Year founded: 1974.
Brokerage: 100% commissions.
Parent company: Tim Clark & Associates Inc.
Principal officers: Timothy C. Clark, president; Jeffrey K. Lisota, Robert J. Kern, James N. Pope and Larry P. Jesowshek, vps.

The Talbert Corp.

1001 Lincoln, Denver, Colo. 80203;
303-839-1773

	1987	1986
Premium volume	\$30,000,000	\$30,000,000
Gross revenues	\$6,134,000	\$6,080,928
Brokerage: Retail	92.9%	92.7%
Personal lines	4.9%	5.3%
Invest. income	2.2%	2%
Employees	85	85
Offices	5	5

Year founded: 1961.
Brokerage: 100% commissions.
Retail brokerage branch offices: Grand Junction and Littleton, Colo.; Salt Lake City; Casper, Wyo.
Principal officers: B.R. Clark, president; Courtney T. Peterson, executive vp; Charles H. Fleck, senior vp; Robert S. Gill, Robert J. Sunich and Leon B. Dartois, vps.
Licensed excess/surplus broker in: Colorado.

Tanenbaum-Harber Co. Inc.

221 W. 57th St., New York, N.Y.
10019; 212-603-0200

	1987	1986
Premium volume	\$120,000,000	\$90,000,000
Gross revenues	\$14,550,000	\$11,190,000
Brokerage: Retail	82%	80.5%
Wholesale	2%	2%
Reinsurance	2%	1%
Personal lines	9%	9.5%
Services	3%	4%
Invest. income	2%	3%
Employees	116	96
Offices	4	4

Year founded: 1860.
Brokerage: 93% commissions, 7% fees.
Retail brokerage branch offices: Miami; Boston; Harrison, N.Y.
Non-retail brokerage subsidiaries: Hartan Brokerage Inc. and Tanenbaum-Harber Reinsurance Intermediaries, both in New York.
Principal officers: Robert K. Harris, chairman; Walter L. Harris, president; Richard J. Fleder, Robert J. Pulver and Robert V. Donovan, vps.
Licensed excess/surplus broker in: New York.

Thilman & Filippini

150 N. Wacker Drive, Chicago, Ill.
60606; 312-726-4800

	1987	1986
Premium volume	\$28,000,000	\$24,000,000
Gross revenues	\$3,600,000	\$3,200,000
Brokerage: Retail	76%	73%
Wholesale	3%	3%
Personal lines	4%	5%
Services	14%	15%
Invest. income	2%	3%
Other	1%	1%
Employees	55	55
Offices	2	2

Year founded: 1929.
Brokerage: 95% commissions, 5% fees.
Retail brokerage branch offices: Evanston, Ill.
Principal officers: Thomas W. Filippini and E. Thomas Thilman.
Licensed excess/surplus broker in: Illinois.

John P. Tilden Ltd.

10 Platt St., New York, N.Y. 10038;
212-635-2200

	1987	1986
Premium volume	NA	NA
Gross revenues	\$5,761,194	\$5,759,352
Brokerage: Retail	71.7%	68.7%
Wholesale	5%	5%
Reinsurance	1%	1%
Personal lines	9%	9%
Services	8%	10%
Invest. income	5%	6%
Other	0.3%	0.3%
Employees	75	80
Offices	2	2

Year founded: 1962.
Brokerage: 99% commissions, 1% fees.
Retail brokerage branch offices: Bay Shore, N.Y.
Principal officers: J. Robert Wilson, chairman; John J. McGowan, president; Gerald I. Benson, vice chairman/chief executive officer; Albert Pollack, Vincent Curatolo and William McGuire, senior vps; Nancy

Torres, treasurer; Gary Ferrazzano, secretary.
Licensed excess/surplus broker in: New York.

Timberline Insurance Services Inc.

319 Congress, P.O. Box 2083,
Austin, Texas 78768; 512-472-9297

	1987	1986
Premium volume	\$42,897,309	\$41,479,908
Gross revenues	\$4,068,941	\$3,952,062
Brokerage: Retail	47.6%	52.5%
Personal lines	38.7%	36.2%
Invest. income	13.1%	10.6%
Other	0.4%	0.7%
Employees	42	42
Offices	2	3

Year founded: 1957.
Brokerage: 98.5% commissions, 1.5% fees.
Retail brokerage branch offices: San Antonio, Texas.
Parent company: Lumbermens Investment Corp.

Principal officers: Gary Cooper, president; Brian Elkouri, treasurer; Larry Brandon, Pat Bridgwater, Pat Ehler and Bill Gilardi, vps.
Licensed excess/surplus broker in: Texas.

Transportation Insurance Managers

11300 N. Central Expressway, Suite 207, Dallas, Texas 75243;
214-373-4566

	1987	1986
Premium volume	\$8,200,000	\$8,500,000
Gross revenues	\$543,671	\$489,776
Brokerage: Retail	96%	92%
Invest. income	4%	8%
Employees	6	5
Offices	1	1

Year founded: 1983.
Brokerage: 100% commissions.
Principal officers: Dale Weatherhead, president; Bob Hunt, vp/secretary; Don Pridgin, vp.

U

Ulrich Voorhees Warner Associates

100 Davidson Ave., Somerset, N.J.
08873; 201-469-3000

	1987	1986
Premium volume	\$46,300,000	\$41,800,000
Gross revenues	\$6,448,000	\$5,825,000
Brokerage: Retail	68%	70%
Personal lines	5%	5%
Services	8%	7%
Invest. income	4%	5%
Other	15%	13%
Employees	47	41
Offices	1	1

Year founded: 1972.
Brokerage: 90% commissions, 10% fees.
Principal officers: John N. Voorhees III, president; Stephen A. Warner, executive vp; William A. Cilente II, senior vp; T. Wade Byrum and Adrienne Soricelli, vps; Elizabeth Wobensmith, controller/assistant.
Continued on next page

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Spotlight report

Continued from previous page
tant secretary.

Licensed excess/surplus broker in: New Jersey.

V

Valley National Co.- Insurance

P.O. Box 31, Phoenix, Ariz. 85001; 602-256-5007

	1987	1986
Premium volume	\$42,000,000	\$43,500,000
Gross revenues	\$5,602,341	\$5,771,041
Brokerage: Retail	84%	84%
Wholesale	1%	1%
Personal lines	12%	13%
Invest. income	3%	2%
Employees	102	100
Offices	2	2

Year founded: 1935.
Brokerage: 99.9% commissions, 0.1% fees.

Retail brokerage branch offices: Kingman, Ariz.

Principal officers: Howard M. Lang Jr., president/chairman; J. Scott Wede, executive vp; Grant A. Parsons and Joseph D. Rowe, senior vps; Albert W. Jones, vps.

Licensed excess/surplus broker in: Arizona.

Van Beurden & Associates Insurance Services Inc.

1615 Draper St., P.O. Box 67, Kingsburg, Calif. 93631; 209-897-2975

	1987	1986
Premium volume	\$51,201,003	\$44,930,862
Gross revenues	\$6,681,702	\$5,320,858
Brokerage: Retail	85%	85%
Personal lines	5%	5%
Invest. income	10%	10%
Employees	93	78
Offices	7	6

Year founded: 1934.
Brokerage: 100% commissions.
Retail brokerage branch offices: San Francisco, Woodland, Modesto, Los Osos, Visalia and Caruthers, Calif.

Principal officers: William Joseph Van Beurden, president; Mark F. Matthews, executive vp; Steven C. Wigh, senior vp; J. Robert Lankford and Jack Losoya, vps.

Licensed excess/surplus broker in: California.

Truman Van Dyke Co.

6255 Sunset Blvd., Suite 1220, Hollywood, Calif. 90028; 213-462-3300

	1987	1986
Premium volume	\$7,621,769	\$7,352,060
Gross revenues	\$850,542	\$865,481

	89%	89%
Brokerage: Retail	10%	10%
Wholesale	1%	1%
Personal lines	12	16
Employees	1	1
Offices		

Year founded: 1953.
Brokerage: 100% commissions.
Principal officers: Rose Van Dyke, chairman; Truman Van Dyke Jr., president.
Licensed excess/surplus broker in: California.

Van Gilder Insurance Corp.

700 Broadway, Denver, Colo. 80203; 303-837-8500

	1987	1986
Premium volume	\$48,200,000	\$45,800,000
Gross revenues	\$7,400,000	\$7,100,000
Brokerage: Retail	83%	83%
Personal lines	13%	12%
Invest. income	4%	5%
Employees	100	100
Offices	3	2

Year founded: 1905.
Brokerage: 100% commissions.
Acquisitions: Frizzell & Gratrix, Denver; Van Gilder Agency Co. of Wyoming, Casper, Wyo.

Retail brokerage branch offices: Casper, Wyo.

Principal officers: Dell Van Gilder Jr., president; Henry C. Higginbottom III, secretary/treasurer; Rollo Jacobs, Karl Parker and Ned Steel, vps.

Licensed excess/surplus broker in: Colorado.

Variable Protection Administrators Inc.

16035 Industrial Parkway, Cleveland, Ohio 44135; 800-872-7253

	1987	1986
Premium volume	\$50,000,000	\$55,000,000
Gross revenues	\$4,800,000	\$5,555,000
Brokerage: Retail	87%	87%
Wholesale	2%	2%
Reinsurance	1%	1%
Services	10%	10%
Employees	53	63
Offices	1	1

Year founded: 1968.
Brokerage: 100% commissions.
Non-retail brokerage subsidiaries: VPA Insurance Ltd., Hamilton, Bermuda; VPA Group Dental Corp., Dover, Del.

Principal officers: David T. Manley, president; Timothy Eisenmann, vp-operations; Anthony Manley, vp-claims; Susan Maddock, vp-underwriting; David Campbell, vp-marketing; Kathy Ruszkowski, manager.

W

Wharton/Lyon & Lyon

101 S. Livingston Ave., Livingston, N.J. 07039; 201-992-5775

	1987	1986
Premium volume	NA	NA
Gross revenues	\$6,790,000	\$5,351,000
Brokerage: Retail	84%	80.5%
Personal lines	14.5%	17%
Invest. income	1.5%	2.5%
Employees	101	60
Offices	2	1

Year founded: 1912.
Brokerage: 95% commissions, 5% fees.

Principal officers: Albert L. Klein, chairman/chief executive officer; Richard T. Hebert, president; Andrew Stillo, senior vp.

John D. Williams Co.

415 E. Yandell, P.O. Box 9187, El Paso, Texas 79986; 915-533-2614

	1987	1986
Premium volume	\$28,000,000	\$30,000,000
Gross revenues	\$4,775,000	\$4,570,000
Brokerage: Retail	55%	64%
Wholesale	0%	1%
Personal lines	19%	10%
Services	12%	15%
Invest. income	2%	2%
Other	12%	8%
Employees	73	84
Offices	3	3

Year founded: 1929.
Brokerage: 99% commissions, 1% fees.

Retail brokerage branch offices: Austin, Texas; Washington, D.C.

Principal officers: Donald R. Margo II, president; Darrell W. Burton, executive vp; Jimmy D. Fullerton, vp-operations; John W. Long, vp-controller; David F. Basch, senior vp.

Licensed excess/surplus broker in: Texas.

Wisenberg Insurance & Risk Management

4828 Loop Central Drive, Ninth Floor, Houston, Texas 77081; 713-666-5200

	1987	1986
Premium volume	\$31,000,000	\$31,000,000
Gross revenues	\$4,500,000	\$4,500,000
Brokerage: Retail	71.5%	72.3%
Personal lines	16.1%	17.6%
Services	8.5%	7.1%
Invest. income	3.5%	3%
Employees	56	55
Offices	2	1

Year founded: 1934

Brokerage: 90% commissions, 10% fees.

Acquisitions: Texas operations of Risk Planners Inc.

Retail brokerage branch offices: San Antonio, Texas.

Non-retail brokerage subsidiaries: Risk Analysts Inc., Houston and San Antonio, Texas.

Principal officers: Irving Pozmantier, chairman; Joe L. Williams, president; Jay L. Williams, vp-marketing; Clifton C. Wistner, vp-finance/administration; Jeff Pozmantier, vp.

Licensed excess/surplus broker in: Texas.

Thomas E. Wood Inc.

1500 Carew Tower, Cincinnati, Ohio 45202; 513-852-6300

	1987	1986
Premium volume	\$75,000,000	\$58,826,000
Gross revenues	\$9,700,000	\$8,600,000
Brokerage: Retail	80%	80%
Wholesale	2.3%	0%
Personal lines	15%	15%
Invest. income	2.7%	5%
Employees	116	115
Offices	2	3

Year founded: 1902.
Brokerage: 96% commissions, 4% fees.

Retail brokerage branch offices: Wood Underwriters Agency Inc., Edgewood, Ky.

Principal officers: Thomas J. Klinedinst Sr., chairman; Thomas J. Klinedinst Jr., president; Edward R. Bowmann, Paul R. Swanson, Marjorie A. Dunn and John K. Ashmore, senior vps.

Licensed excess/surplus broker in: All states.

The Woodsmall Cos.

Five Crown Center, Kansas City, Mo. 64108; 816-395-8508

	1987	1986
Premium volume	\$44,000,000	\$28,500,000
Gross revenues	\$5,934,000	\$5,286,000
Brokerage: Retail	65%	72%
Reinsurance	2%	2%
Personal lines	2%	2%
Services	32%	18%
Invest. income	0%	5%
Other	0%	1%
Employees	92	78
Offices	1	1

Year founded: 1974.
Brokerage: 100% commissions.

Principal officers: Warren O. Woodsmall, chairman; Peter L. Woodsmall, president; Thomas E. Klug, J. Michael Brewer and Lanny J. Cowell, senior vps.

Licensed excess/surplus broker in: Kansas and Missouri.

Worgess Agency Inc.

P.O. Box 1678, Battle Creek, Mich. 49016; 616-965-3221

	1987	1986
Premium volume	\$8,154,000	\$8,360,000
Gross revenues	\$1,112,565	\$1,086,135
Brokerage: Retail	55%	55%
Personal lines	45%	45%
Employees	19	19
Offices	3	3

Year founded: 1931.
Brokerage: 100% commissions.

Retail brokerage branch offices: Worgess Agency Inc. of Marshall, Marshall, Mich.; Worgess Agency Inc. of Homer, Homer, Mich.

Principal officers: Donald R. Worgess, president; Douglas G. Worgess, vp; Robert D. Worgess, treasurer; Richard H. Worgess, assistant vp; Lorraine Traut, secretary.

John L. Wortham & Son

2727 Allen Parkway, Houston, Texas 77019; P.O. Box 1388, Houston, Texas 77251; 713-526-3366

	1987	1986
Premium volume	\$252,000,000	\$248,000,000
Gross revenues	\$26,018,000	\$25,469,000
Brokerage: Retail	89%	90%
Personal lines	7%	6%
Invest. income	4%	4%
Employees	261	263
Offices	1	1

Year founded: 1915.
Brokerage: 100% commissions.

Non-retail brokerage subsidiaries: John L. Wortham & Son Investments Inc. and Services for Risk Handling Inc., both in Houston.

Principal officers: Allen H. Caruth, chairman-executive committee; Fred C. Burns, managing partner/member-executive committee; Joseph G. Cutler, Herbert E. Honea, James R. Davis and Robert B. Hixon, partners/members-executive committee.

Licensed excess/surplus broker in: Texas.

Wright & Co.

1400 Eye St. N.W., Suite 1100, Washington, D.C. 20005; 202-289-0200

	1987	1986
Premium volume	\$13,071,000	\$10,939,000
Gross revenues	\$3,400,000	\$2,466,205
Brokerage: Retail	78.5%	89.5%
Personal lines	5.8%	5%
Invest. income	3.5%	3.7%
Other	12.2%	1.8%
Employees	37	38
Offices	2	2

Year founded: 1965.
Brokerage: 95% commissions, 5% fees.

Acquisitions: H.M. Thompson & Co. Ltd., London.

Retail brokerage branch offices: Highheath Ltd. and H.M. Thompson & Co. Ltd., both in London.

Principal officers: Frank L. Wright, chairman/chief executive officer; Robert J. Miller, senior vp/chief operating officer; R. Taylor Hoskins and Ramond J. Riebesehl, vps; Betty R. Wright, treasurer; Lionel Epstein, secretary.

Licensed excess/surplus broker in: District of Columbia.

Y

Yearsley & Pavenstedt, Lexington Ltd.

301 S. Mill St., P.O. Box 22608, Lexington, Ky. 40522; 606-268-0178

	1987	1986
Premium volume	\$18,000,000	\$1,277,500
Gross revenues	\$2,000,000	\$255,500
Brokerage: Retail	53%	87%
Wholesale	4%	3%
Reinsurance	3%	3%
Personal lines	2%	3%
Invest. income	7%	1%
Other	31%	3%
Employees	11	4
Offices	1	1

Year founded: 1986.
Brokerage: 100% commissions.

Affiliated companies: Pavenstedt & Pauli, Bremen, West Germany; London; Zurich, Switzerland.

Principal officers: Johann Pavenstedt, chairman; Nancy W. Yearsley, president; James C. Falkenstine, vp; Mary C. Payne, secretary; Rebecca B. Lewis, treasurer.

Licensed excess/surplus broker in: Kentucky.

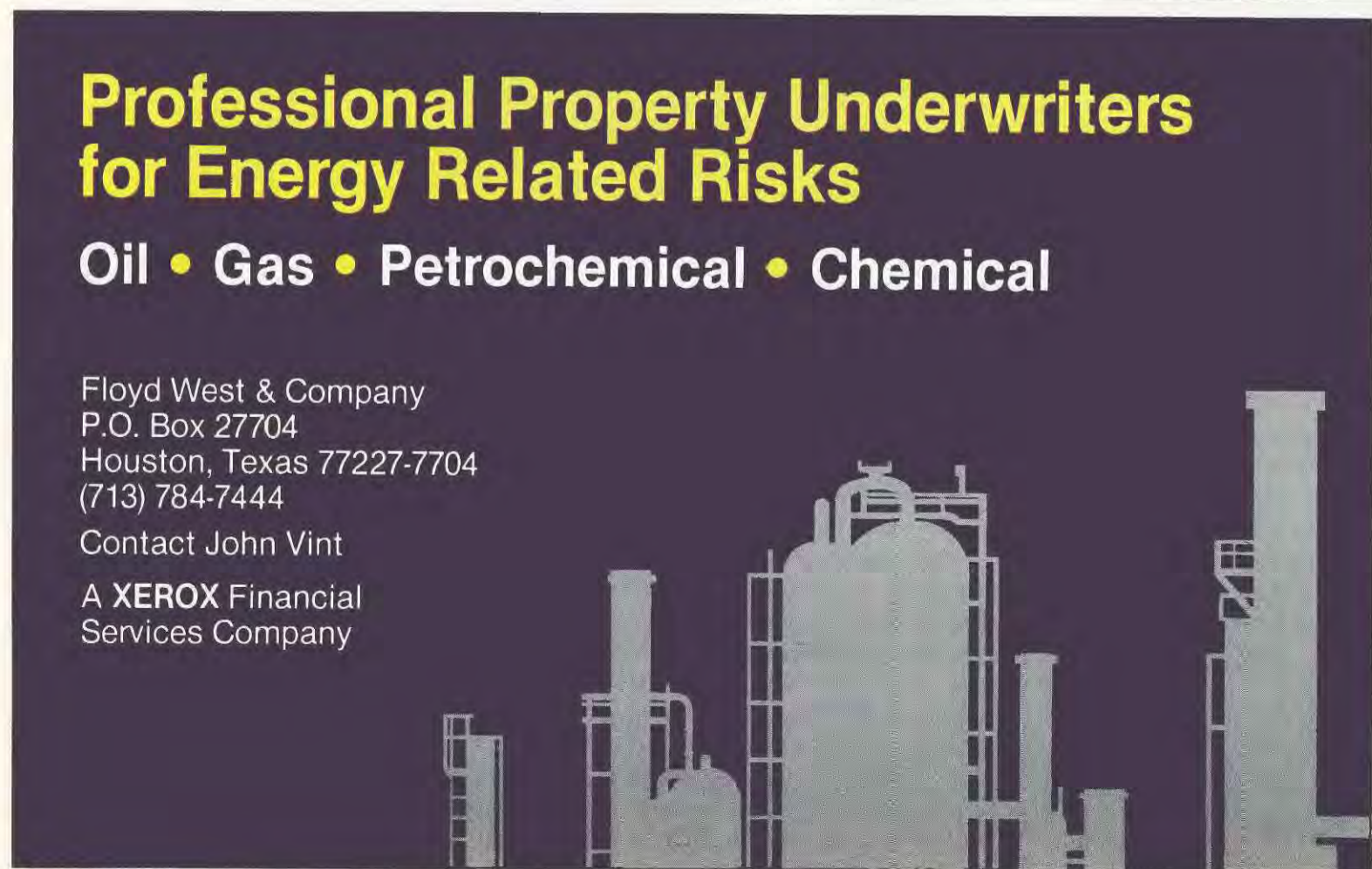
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Corroon & Black Corp.
Hilb, Rogal & Hamiltor. Co.
Fred S. James & Co. Inc.
Johnson & Higgins of Alabama Inc.
McGriff, Seibels & Williams Inc.

Fairhope

Pickett, Adams & Brukholder-Eastern Shore

Florence

McGriff, Seibels & Williams Inc.

LaFayette

J. Smith Lanier & Co.

Mobile

Hilb, Rogal & Hamilton Co.
Arthur J. Gallagher & Co.
Fred S. James & Co. Inc.
McGriff, Seibels & Williams Inc.
Pickett, Adams & Burkholder Insurance Inc.
W.K.P. Wilson & Son Inc. (Corroon & Black Corp.)

Montgomery

Collier Cobb & Associates Inc.

Opelika

J. Smith Lanier & Co.

Alaska

Anchorage

Bayly, Martin & Fay International Inc.
Corroon & Black Corp.
Financial Guardian Group Inc.
Johnson & Higgins of Alaska Inc.
Marsh & McLennan Cos. Inc.
Rollins Burdick Hunter Co.

Fairbanks

Corroon & Black Corp.

Arizona

Cottonwood

Interwest-Leavitt (The Leavitt Group)

Flagstaff

Lasher-Cowie-Turner

Kingman

Valley National Co.-Insurance

Mesa

Massey-Leavitt (The Leavitt Group)

Phoenix

Alexander & Alexander Inc.
Beal & Associates Insurance Counselors Inc.
Butler-Leavitt (The Leavitt Group)
Corroon & Black Corp.
Dean S. Davidson Insurance Agency Inc.
Financial Guardian Group Inc.
Fred S. James & Co. Inc.
Jardine Emmett & Chandler Inc.
Johnson & Higgins of Arizona Inc.
Lasher-Cowie Agency Inc.
Lawrence Agency Corp.
Marsh & McLennan Cos. Inc.
Minard-Leavitt (The Leavitt Group)
Orth-LaPrade Insurance (Robinson-Conner Inc.)
Republic Hogg Robinson Inc.
Rollins Burdick Hunter Co.
Valley National Co.-Insurance

Scottsdale

Arthur J. Gallagher & Co.

Tucson

Corroon & Black Corp.
Dean S. Davidson Insurance Agency Inc.
Fred S. James & Co. Inc.
Lasher-Cowie Agency Inc.

Arkansas

Eureka Springs

BHC of Eureka Springs (Brown-Hiller-Clark & Associates)

Fort Smith

Brown-Hiller-Clark & Associates
Rebsamen Insurance/Fort Smith

Little Rock

Fred S. James & Co. Inc.
Marsh & McLennan Cos. Inc.
Rebsamen Insurance

North Little Rock

Arthur J. Gallagher & Co.

Springdale

Rebsamen Insurance/Springdale

California

Anaheim

Cal-Surance Associates Inc.

Bakersfield

Andreini & Co.
Marsh & McLennan Cos. Inc.

Berkeley

Fred S. James & Co. Inc.

Beverly Hills

Alexander & Alexander Inc.
Federman-Bachrach & Associates Inc.
(Alexander & Alexander Inc.)
Walter Kaye Corp. of California

Brea

Eastman & Co. Insurance Brokers

Burbank

Eastman & Co. Insurance Brokers

Carmel

ISU/Brown-Spaulding & Associates Inc.

Caruthers

Van Beurden & Associates Insurance Services Inc.

Chico

Keenan & Associates

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Portland, OR • San Diego, CA • San Francisco, CA • Waukesha, WI



Spotlight report

Continued from previous page

- Coalinga**
Andreini & Co.
- Costa Mesa**
Frank B. Hall & Co. Inc.
Johnson & Higgins of California
Kelter-Thorner Inc.
of Southern California
- Culver City**
MDM Insurance Associates Inc.
- Davis**
Fred S. James & Co. Inc.
- El Centro**
ISU/Transignal Insurance Brokers
- Encino**
Haas & Wilkerson Inc.
- Escondido**
Robert F. Driver Co. Inc.
- Fresno**
Andreini & Co.
Calco Insurance-Brokers & Agents
Arthur J. Gallagher & Co.
Frank B. Hall & Co. Inc.
Keenan & Associates
Marsh & McLennan Cos. Inc.
James G. Parker Insurance Associates
- Garden Grove**
Jardine Emmett & Chandler Inc.
- Glendale**
Calco Insurance-Brokers & Agents
- Grass Valley**
Gold Cities Insurance Agency
(ABI Management Inc.)
- Hollywood**
Truman Van Dyke Co.
- Huntington Beach**
ISU/Taurus Insurance Agency Inc.
- Irvine**
Anderson & Anderson Insurance
Brokers Inc.
Association Administrators &
Consultants Inc.
Arthur J. Gallagher & Co.
Fred S. James & Co. Inc.
- Kingsburg**
Van Beurden & Associates Insurance
Services Inc.

- La Mesa**
ISU/Teague Insurance Agency
- Los Angeles**
ABI Management Inc.
Alexander & Alexander Inc.
Bayly, Martin & Fay
International Inc.
Corroon & Black Corp.
James Econn & Co.
Financial Guardian Group Inc.
Arthur J. Gallagher & Co.
Frank B. Hall & Co. Inc.
ISU/Dukar Insurance Brokers
Fred S. James & Co. Inc.
Jardine Emmett & Chandler Inc.
Johnson & Higgins of California
Sander A. Kessler & Associates Inc.
L.K. Lloyd & Associates (ABI
Management Inc.)
Marsh & McLennan Cos. Inc.
Republic Hogg Robinson Inc.
Roanoke Agency Inc.
Rollins Burdick Hunter Co.
Transport Employee Benefits Inc.
(ABI Management Inc.)
Wellington-Ross Insurance Services
(ABI Management Inc.)
- Los Gatos**
Norman O'Connor Agency (Curtis
Day & Co.)
- Los Osos**
Van Beurden & Associates Insurance
Services Inc.
- Modesto**
Van Beurden & Associates Insurance
Services Inc.
- Monterey**
Mercurio Insurance
(ISU/Brown-Spaulding &
Associates Inc.)
- Newport Beach**
Robert F. Driver Co. Inc.
James Econn & Co.
Marsh & McLennan Cos. Inc.
Rhulen Agency Inc.
Roanoke Agency Inc.

- North Hollywood**
ISU/United California
Insurance Agency
- Oakland**
Rollins Burdick Hunter Co.
- Orange**
Andreini & Co.
Calco Insurance-Brokers & Agents
Gallagher Heffernan Insurance
Brokers (Arthur J.
Gallagher & Co.)
- Orange County**
Alexander & Alexander Inc.
- Oxnard**
Frank B. Hall & Co. Inc.
- Palo Alto**
ISU/Thoits Insurance Service
Rollins Burdick Hunter Co.
- Pasadena**
Corroon & Black Corp.
Kadowaki Associates International
Insurance Brokers (Alexander &
Alexander Inc.)
- Pleasanton**
Arthur J. Gallagher & Co.
- Rancho Cucamonga**
ISU/Transignal Insurance Brokers
- Redwood City**
Kelter-Thorner Inc.
of California
- Riverside**
Johnson & Higgins of California
Keenan & Associates
- Sacramento**
Corroon & Black Corp.
Financial Guardian Group Inc.
Fred S. James & Co. Inc.
Keenan & Associates
Marsh & McLennan Cos. Inc.
Rollins Burdick Hunter Co.
- Salinas**
Frank B. Hall & Co. Inc.
- San Bernardino**
Marsh & McLennan Cos. Inc.
- San Diego**
Corroon & Black Corp.
Robert F. Driver Co. Inc.
Frank B. Hall & Co. Inc.
Hilb, Rogal & Hamilton Co.
Fred S. James & Co. Inc.
Johnson & Higgins of California
Keenan & Associates
Lawrence Agency Corp.
Marsh & McLennan Cos. Inc.
Republic Hogg Robinson Inc.
- San Francisco**
ABI Management Inc.
Alexander & Alexander Inc.
Association Administrators &
Consultants Inc.
Calco Insurance-Brokers & Agents
Corroon & Black Corp.
DSI Insurance Services
Curtis Day & Co.
Arthur J. Gallagher & Co.
Glenn, Nyhan & Associates Inc.
Richard N. Goldman & Co.
Frank B. Hall & Co. Inc.
Fred S. James & Co. Inc.
Jardine Emmett & Chandler Inc.
Johnson & Higgins of California
Levison Brothers Inc.
L.K. Lloyd & Associates (ABI
Management Inc.)
Marsh & McLennan Cos. Inc.

- Roanoke Agency Inc.
Rollins Burdick Hunter Co.
San Francisco Agencies Inc. (ABI
Management Inc.)
Transport Employee Benefits Inc.
(ABI Management Inc.)
Van Beurden & Associates Insurance
Services Inc.
- San Jose**
Alexander & Alexander Inc.
Corroon & Black Corp.
Financial Guardian Group Inc.
Johnson & Higgins of California
Keenan & Associates
Marsh & McLennan Cos. Inc.
Republic Hogg Robinson Inc.
- San Mateo**
Andreini & Co.
Calco Insurance-Brokers & Agents
- San Rafael**
Keenan & Associates
- Santa Ana**
Frank B. Hall & Co. Inc.
Keenan & Associates
- Santa Ana Heights**
Associated Agencies Inc.
- Santa Barbara**
Alexander & Alexander Inc.
- Santa Clara**
Jardine Emmett & Chandler Inc.
- Santa Monica**
ISU/Bob Gabriel Co. Insurance
- Sepulveda**
The M.H. Ross Co. Inc.
- Sonora**
Andreini & Co.
- South Pasadena**
Bolton & Co.
- Stockton**
Rollins Burdick Hunter Co.
- Studio City**
DeWitt Stern, Gutman & Co. Inc.
- Thousand Oaks**
Keenan & Associates
- Torrance**
Cal-Surance Associates Inc.
Keenan & Associates
- Ukiah**
Andreini & Co.
- Van Nuys**
Osterloh & Durham Insurance
Brokers of N.A. Inc.
- Ventura**
Andreini & Co.
- Visalia**
Van Beurden & Associates Insurance
Services Inc.
- Walnut Creek**
Frank B. Hall & Co. Inc.
- West Lake Village**
Dean S. Davidson Insurance
Agency Inc.
- Woodland**
Van Beurden & Associates Insurance
Services Inc.
- Woodland Hills**
ABI Management Inc.
Arthur J. Gallagher & Co.
Patrick C. Ross Associates Insurance
Services (ABI Management Inc.)

Connecticut

- Bridgeport**
Beardsley Brown & Bassett Inc.
Rhulen Agency Inc.
- Canton**
Arthur J. Gallagher & Co.
- Fairfield**
Fred S. James & Co. Inc.
- Greenwich**
Alexander & Alexander Inc.
Fred S. James & Co. Inc.
Glenn, Nyhan & Associates Inc.
National Coverage Corp.
- Hartford**
Alexander & Alexander Inc.
Frank B. Hall & Co. Inc.
Fred S. James & Co. Inc.
Johnson & Higgins of
Connecticut Inc.
R.C. Knox & Co. Inc.
Marsh & McLennan Cos. Inc.
- Manchester**
Hilb, Rogal & Hamilton Co.
- Meriden**
Frank B. Hall & Co. Inc.
- Middletown**
R.C. Knox & Co. Inc.
- Simsbury**
Simsbury Insurance Agency (R.C.
Knox & Co. Inc.)
- Southport**
Walter Kaye Corp. of Connecticut
- Stamford**
Corroon & Black Corp.
Pierson & Smith Inc.
Johnson & Higgins of
Connecticut Inc.
Marsh & McLennan Cos. Inc.
- Windsor**
Frank B. Hall & Co. Inc.
R.C. Knox & Co. Inc.

Delaware

- Wilmington**
Johnson & Higgins of Delaware Inc.

District of Columbia

- Alexander & Alexander Inc.
Collier Cobb & Associates Inc.
Corroon & Black Corp.
Frank B. Hall & Co. Inc.
Fred S. James & Co. Inc.
Johnson & Higgins
of Washington, D.C. Inc.
Lawrence Agency Corp.
Marsh & McLennan Cos. Inc.
Rollins Burdick Hunter Co.
John D. Williams Inc.
Wright & Co.

Florida

- Boca Raton**
Alexander & Alexander Inc.
Meadowbrook Inc.
McCutchen-Bradshaw (Republic
Hogg Robinson Inc.)
- Boynton Beach**
Brown & Brown Inc.
- Brooksville**
Bridges & Bridges Insurance Agency
(Brown & Brown Inc.)
- Clearwater**
Arthur J. Gallagher & Co.
Lawrence Agency Inc.
- Coral Gables**
Frank B. Hall & Co. Inc.
Lon Worth Crow Insurance Agency
Marsh & McLennan Cos. Inc.
- Daytona Beach**
Brown & Brown Inc.
Hilb, Rogal & Hamilton Co.
- DeLand**
Brown & Brown Inc.
- Delray Beach**
Brown & Brown Inc.
- Eustis**
Brown & Brown Inc.
- Fort Lauderdale**
Alexander & Alexander Inc.
Alliance Brokerage Corp.
Frank Crystal & Co. Inc.
Lawrence Agency Corp.
Fred S. James & Co. Inc.
Murray, Martin & Olson Inc. (The
Loomis Cos. Ltd.)
Poe & Associates Inc.
Rollins Burdick Hunter Co.
- Fort Myers**
Alexander & Alexander Inc.
Arthur J. Gallagher & Co.
Brown & Brown Inc.
Hilb, Rogal & Hamilton Co.
Fred S. James & Co. Inc.
Poe & Associates Inc.
- Fort Walton Beach**
Arthur J. Gallagher & Co.
- Gainesville**
Cannon-Treweek Agency Inc. (Hilb,
Rogal & Hamilton Co.)
- Jacksonville**
Almours-Carswell Inc. (Palmer &
Cay/Carswell Inc.)

Colorado

- Aurora**
Financial Guardian Group Inc.
- Colorado Springs**
Pikes Peak Insurance Services
(ISU/Glendale Agency Inc.)
Primac Insurance
Tolley-Weidman Agency Inc.
(Robinson-Conner Inc.)
- Cortez**
Primac Insurance
- Denver**
Alexander & Alexander Inc.
Arthur J. Gallagher & Co.
Frank B. Hall & Co. Inc.
ISU/Glendale Agency Inc.
Fred S. James & Co. Inc.
Johnson & Higgins of Colorado Inc.
Lockton Insurance Agency
of Colorado Inc.
Marsh & McLennan Cos. Inc.
North American Insurance
Agency Inc.
Primac Insurance
Rollins Burdick Hunter Co.
J.H. Silversmith Inc.
The Talbert Corp.
Van Guilder Agency Co.
- Englewood**
Aviation Insurance Management Co.
(J.H. Silversmith Inc.)
Frank B. Hall & Co. Inc.
Tolley-Weidman Insurance Agency
(Robinson-Conner Inc.)
- Grand Junction**
Primac Insurance
The Talbert Corp.
- Lamar**
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- Littleton**
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- Bayly, Martin & Fay International Inc.**
- Brown & Brown Inc.**
- Frank B. Hall & Co. Inc.**
- Marsh & McLennan Cos. Inc.**
- Poe & Associates Inc.**
- Cecil W. Powell & Co.**
- Kissimmee**
- Osceola Insurance Agency Inc. (Brown & Brown Inc.)**
- Lakeland**
- Poe & Associates Inc.**
- Maitland**
- ISU/Insurance Corp. of America**
- ISU/Sun State Insurance**
- Melbourne**
- Brown & Brown Inc.**
- Miami**
- Alexander & Alexander Inc.**
- Elliott, McKiever & Stowe Inc.**
- Arthur J. Gallagher & Co.**
- Gallagher-Cole Associates**
- Fred S. James & Co. Inc.**
- Johnson & Higgins of Florida Inc.**
- MacDuff America (Brown & Brown Inc.)**
- McDonough Caperton Insurance Group**
- Poe & Associates Inc.**
- Republic Hogg Robinson Inc.**
- Roanoke Agency Inc.**
- Seitlin & Co.**
- Tanenbaum-Harber Co. Inc.**
- Naples**
- ISU/Sun State Insurance**
- Fred S. James & Co. Inc.**
- Orlando**
- Brown & Brown Inc.**
- Frank B. Hall & Co. Inc.**
- Harvest & HBJ Insurance Inc. (Riehle Agencies)**
- Hilb, Rogal & Hamilton Co.**
- McGriff, Seibels & Williams Inc.**
- Poe & Associates Inc.**
- ISU/Sun State Insurance**
- Palm Beach**
- Jardine Emmett & Chandler Inc.**
- Marsh & McLennan Cos. Inc.**
- Palm Beach Gardens**
- Arthur J. Gallagher & Co.**
- ISU/Sun State Insurance**
- Pensacola**
- McGriff, Seibels & Williams Inc.**
- Port Charlotte**
- Associated Insurance Services (Brown & Brown Inc.)**
- St. Cloud**
- Bridges & Bridges Insurance Agency (Brown & Brown Inc.)**
- St. Petersburg**
- Haas & Wilkerson Inc.**
- Sanibel Island**
- Associated Insurance Services (Brown & Brown Inc.)**
- Sarasota**
- Brown & Brown Inc.**
- Tallahassee**
- Alexander & Alexander Inc.**
- Poe & Associates Inc.**
- Tampa**
- Alexander & Alexander Inc.**
- Bayly, Martin & Fay International Inc.**
- Brown & Brown Inc.**
- Arthur J. Gallagher & Co.**
- Frank B. Hall & Co. Inc.**
- Hilb, Rogal & Hamilton Co.**
- Jacobs-Fendig Inc. (ABI Management Inc.)**
- Marsh & McLennan Cos. Inc.**
- Poe & Associates Inc.**
- Rollins Burdick Hunter Co.**
- Venice**
- Poe & Associates Inc.**
- West Palm Beach**
- Cornelius, Johnson & Clark (Robinson-Conner Inc.)**
- Fred S. James & Co. Inc.**
- James Hawkins (Brown & Brown Inc.)**
- Winter Haven**
- Poe & Associates Inc.**
- Winter Park**
- Arthur J. Gallagher & Co.**

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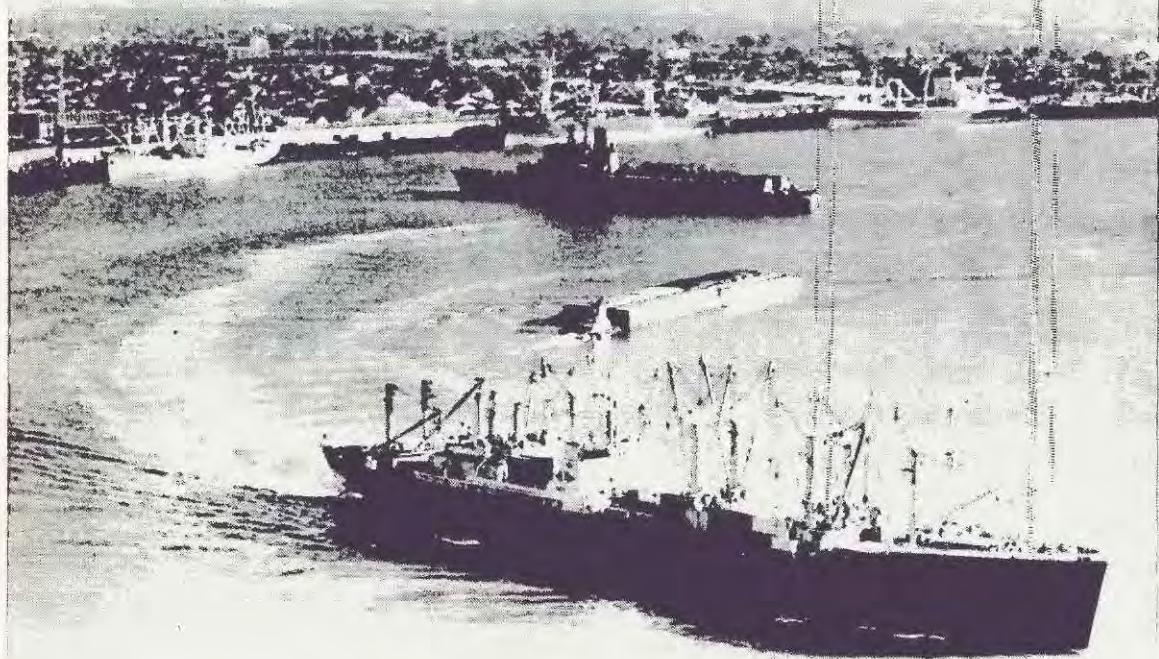
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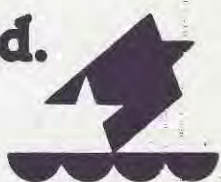
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J. Smith Lanier & Co.

Endwell

Couper-Ackerman-Sampson

Florida

Marshall & Sterling Inc.

Garden City

Arthur J. Gallagher & Co.

Glens Falls

Lawrence Agency Corp.

Harrison

Tanenbaum-Harber Co. Inc.

Huntington

ISU/Gundermann & Gundermann Inc.

Jericho

Frank B. Hall & Co. Inc.
Seaman Ross & Wiener Inc.

Lake Placid

Lawrence Agency Corp.

Lake Success

Blumencranz, Klepper & Wilkins Ltd.

Liberty

Weisbord Wells Cross & Brown (The Rhulen Agency Inc.)

Liverpool

Arthur J. Gallagher & Co.

Long Island

Alexander & Alexander Inc.

Middletown

Marshall & Sterling Inc.

Monticello

Rhulen Agency Inc.

Nanuet

The Liebert Group

New City

NIA Ltd./The NIA Group

New Hyde Park

Corroon & Black Corp.
Marsh & McLennan Cos. Inc.

New York

Alexander & Alexander Services Inc.
Amalgamated Programs Corp.
B.R.I. Coverage Corp.
Corroon & Black Corp.
Frank Crystal & Co. Inc.
Financial Guardian Group Inc.
Frenkel & Co. Inc.
Arthur J. Gallagher & Co.
Frank B. Hall & Co. Inc.
Haas & Wilkerson Inc.
Joseph Held Co. Inc.
Fred S. James & Co. Inc.
Jardine Emmett & Chandler Inc.
Walter Kaye Associates Inc.
The Kornreich Organization
Lawrence Agency Corp.
MLW Services Inc.
Marsh & McLennan Cos. Inc.
Meadowbrook Inc.
H & R Phillips Inc.
Republic Hogg Robinson Inc.
Riehle Agencies
Roanoke Agency Inc.
Rollins Burdick Hunter Co.
The Sklover Organization
DeWitt Stern, Gutmann & Co. Inc.
Tanenbaum-Harber Co. Inc.
John P. Tilden Ltd.

Newburgh

Marshall & Sterling Inc.

Ogdensburg

Arthur J. Gallagher & Co.

Pawling

The Daniels Agency Inc.

Port Washington

Charles E. Hyde Agency Inc.

Poughkeepsie

The Daniels Agency Inc.
Marsh & McLennan Cos. Inc.
Marshall & Sterling Inc.

Rochester

Alexander & Alexander Inc.
Arthur J. Gallagher & Co.
S.H. Gow & Co. Inc.
Fred S. James & Co. Inc.
Lawrence Agency Corp.
Marsh & McLennan Cos. Inc.
Robinson-Conner of New York Inc.

Rye

Edward F.C. McLaughlin (Meeker Sharkey Financial Group Inc.)

Schenectady

Jardine Emmett & Chandler Inc.
Lawrence Agency Corp.

Seaford

National Coverage Corp.

Sloatsburg

NIA Ltd./The NIA Group

Smithtown

ISU/Gundermann & Gundermann Inc.

Spring Valley

Arthur J. Gallagher & Co.

Syosset

ISU/Bradley & Parker

Syracuse

Alexander & Alexander Inc.
S.H. Gow & Co. Inc.
Jardine Emmett & Chandler Inc.
Lawrence Agency Corp.
Marsh & McLennan Cos. Inc.

Troy

Lawrence Agency Corp.

Utica

Alexander & Alexander Inc.

Valley Stream

Hallman & Lorber Associates Inc.
(Riehle Agencies)

Wappingers Falls

Marshall & Sterling Inc.

Westbury

Alliance Brokerage Corp.
The Sklover Organization

White Plains

Arthur J. Gallagher & Co.
Frank B. Hall & Co. Inc.
Knox, Lent & Tucker Inc.
(Riehle Agencies)

North Carolina

Andrews

Sullivan Co. Inc.

Asheville

Robinson-Conner of North Carolina Inc.

Burlington

Republic Hogg Robinson Inc.

Chapel Hill

Collier Cobb & Associates Inc.

Charlotte

Alexander & Alexander Inc.
Collier Cobb & Associates Inc.
Corroon & Black Corp.
Fred S. James & Co. Inc.
Johnson & Higgins Carolinas Inc.
Marsh & McLennan Cos. Inc.
Poe & Associates

Goldsboro

Hilb, Rogal & Hamilton Co.

Greensboro

Lawrence Agency Corp.
Robinson-Conner of North Carolina Inc.

Hayesville

Sullivan Co. Inc.

Hickory

ISU/Cline Southern Insurance Inc.

Lenoir

ISU/Cline Southern Insurance Inc.

Murphy

Sullivan Co. Inc.

Newton

ISU/Cline Southern Insurance Inc.

Raleigh

Fred S. James & Co. Inc.
Marsh & McLennan Cos. Inc.
Robinson-Conner of North Carolina Inc.

Robbinsville

Sullivan Co. Inc.

Sylva

Sullivan Co. Inc.

Wilkesboro

Poe & Associates Inc.

Winston-Salem

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North Dakota

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FBS Insurance Rust Agency

Grand Forks

First Insurance Grand Forks (FBS Insurance)

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First Insurance Jamestown (FBS Insurance)

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First Insurance Minot (FBS Insurance)

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Frederick Rauh & Co. (ABI
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Thomas E. Wood Inc.

Cleveland

Alexander & Alexander Inc.
Brooks & Stafford Co.
Arthur A. Gallagher & Co.
Garson-Blau Inc. (Republic Hogg
Robinson Inc.)
Frank B. Hall & Co. Inc.
Johnson & Higgins of Ohio Inc.
Marsh & McLennan Cos. Inc.
McDonough Caperton
Insurance Group
Roanoke Agency Inc.
Robinson-Conner of Ohio Inc.
Rollins Burdick Hunter Co.
Variable Protection
Administrators Inc.

Columbus

Alexander & Alexander Inc.
Berwanger Overmyer Associates
Corroon & Black Corp.
Arthur J. Gallagher & Co.
Johnson & Higgins of Ohio Inc.
Marsh & McLennan Cos. Inc.
The McElroy-Minister Co.

Dayton

Hilb, Rogal & Hamilton Co.
The McElroy-Minister Co.

Dublin

Frank B. Hall & Co. Inc.

Grove City

Rhulen Agency Inc.

Middleburg Heights

Kelter-Thorner Insurance
Agency of Ohio

Rocky River

McGowan & Co. Inc.

Toledo

Arthur J. Gallagher & Co.
Hylant MacLean
Fred S. James & Co. Inc.

Warren

Lawrence Agency Corp.

West Chester

Arthur J. Gallagher & Co.

Youngstown

Arthur J. Gallagher & Co.

Oklahoma

Chandler

LaGere & Walkingstick Insurance
Agency Inc.

Edmond

North American Insurance
Agency Inc.

Oklahoma City

Fred S. James & Co. Inc.
North American Insurance
Agency Inc.
Marsh & McLennan Cos. Inc.

Sallisaw

BHC of Oklahoma Inc.
(Brown-Hiller-Clark & Associates)

Tahlequah

BHC of Oklahoma Inc.
(Brown-Hiller-Clark & Associates)

Tulsa

Alexander & Alexander Inc.
Bayly, Martin & Fay
International Inc.
Arthur J. Gallagher & Co.
Frank B. Hall & Co. Inc.
Fred S. James & Co. Inc.
Johnson & Higgins of Oklahoma Inc.
Marsh & McLennan Cos. Inc.
North American Insurance
Agency Inc.

Oregon

Eugene

Corroon & Black Corp.

Medford

Fred S. James & Co. Inc.

Portland

Alexander & Alexander Inc.
Corroon & Black Corp.
Arthur J. Gallagher & Co.
Frank B. Hall & Co. Inc.
Fred S. James & Co. Inc.
Jardine Emmett & Chandler Inc.
Johnson & Higgins of Oregon Inc.
Marsh & McLennan Cos. Inc.
Rollins Burdick Hunter Co.

Salem

Fred S. James & Co. Inc.

Pennsylvania

Allentown

Arthur J. Gallagher & Co.

Altoona

The Gleason Agency Inc.

Bethlehem

Bowers, Schumann & Welch Inc.
Fred S. James & Co. Inc.

Camp Hill

A.T. Galasso Agency (Boynton
Brothers & Co.)
Marsh & McLennan Cos. Inc.

Erie

Arthur J. Gallagher & Co.
Insurance Management Co.
Robinson-Conner Inc.

Feasterville

Heritage Insurance Services Inc.
Paul Hertel & Co. Inc.

Greensburg

Arthur J. Gallagher & Co.

Harrisburg

Alexander & Alexander Inc.
Arthur J. Gallagher & Co.
The Gleason Agency Inc.
Insurance Inc. (The Loomis Cos. Ltd.)
Fred S. James & Co. Inc.
Lawrence Agency Corp.

Hershey

Rollins Burdick Hunter Co.

Johnstown

The Gleason Agency Inc.

King of Prussia

Paige-Ruane Inc.

Lancaster

Loomis Insurance Agency Corp.

Leavittown

Rhulen Agency Inc.

Mechanicsburg

Robinson-Conner Inc.

Newtown

Johnson, Kendall & Johnson Inc.

Philadelphia

Alexander & Alexander Inc.
Biddle & Co.
The Graham Co.
Haas & Wilkerson Inc.
Frank B. Hall & Co. Inc.
Paul Hertel & Co. Inc.
The Hirshorn Co.
Fred S. James & Co. Inc.
Jardine Emmett & Chandler Inc.
Johnson & Higgins
of Pennsylvania Inc.
Marsh & McLennan Cos. Inc.
Rollins Burdick Hunter Co.

Pittsburgh

Alexander & Alexander Inc.
John G. Beck Agency (Collier Cobb
& Associates Inc.)
The Gleason Agency Inc.
Frank B. Hall & Co. Inc.
Fred S. James & Co. Inc.
Johnson & Higgins
of Pennsylvania Inc.
Marsh & McLennan Cos. Inc.
McDonough Caperton
Insurance Group

Robinson-Conner Inc.

Hilb, Rogal & Hamilton Co.
Plymouth Meeting
Clair Insurance Agency Inc.

Radnor

Biddle & Co.
Glenn, Nyhan & Associates Inc.

Roxborough

Paul Hertel & Co. Inc.

Rydal

Palley Simon Associates

Saint Davids

The Simkiss Cos.

Scranton

Arthur J. Gallagher & Co.

Spring House

ISU/Smith, Eyre & Ashmead Inc.

Wayne

Biddle & Co.

Williamsport

Fred S. James & Co. Inc.

Willow Grove

Robinson-Conner Inc.

Wynnewood

Republic Hogg Robinson Inc.

Wyomissing

Fred S. James & Co. Inc.
The Loomis Cos. Ltd.

Rhode Island

Cranston

Arthur J. Gallagher & Co.
Walter Kaye Corp. of Rhode Island

East Greenwich

Arthur J. Gallagher & Co.

Providence

Alexander & Alexander Inc.
Frank B. Hall & Co. Inc.

South Carolina

Charleston

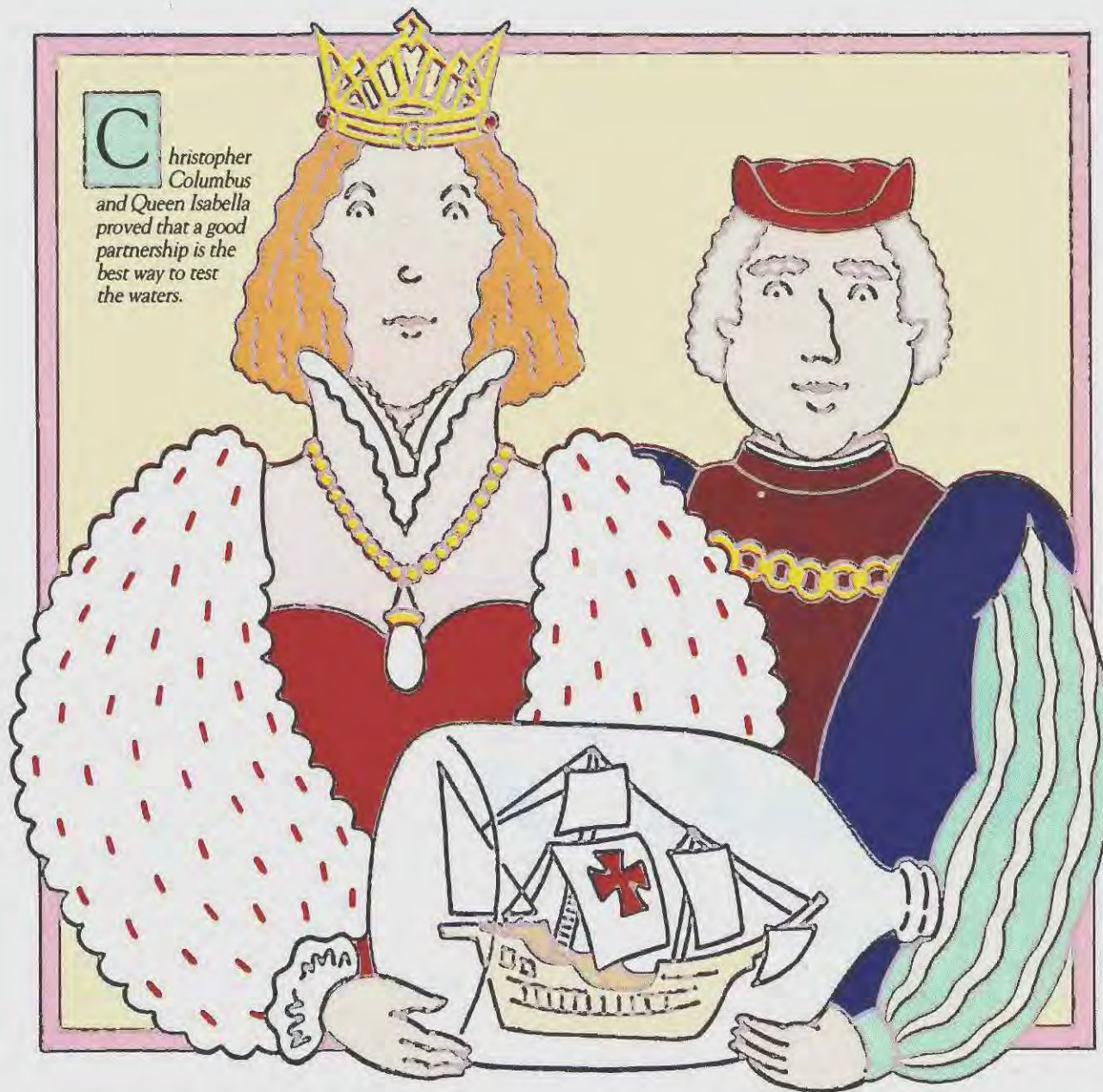
Heyward & O'Neill (Palmer &
Cay/Carswell Inc.)

Columbia

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Sullivan Co. Inc.

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Spotlight report

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Marsh & McLennan Cos. Inc.
Robinson-Conner of South
Carolina Inc.

Tennessee

Athens
Athens Insurance Co.

Chattanooga
Alexander & Alexander Inc.
Corroon & Black Corp.

Hendersonville
Newman, Hayes & Dixon
(Robinson-Conner Inc.)

Knoxville
Corroon & Black Corp.
Fred S. James & Co. Inc.
Marsh & McLennan Cos. Inc.

Memphis
Arthur J. Gallagher & Co.
Fred S. James & Co. Inc.
Marsh & McLennan Cos. Inc.

Murfreesboro
Rhulen Agency Inc.

Nashville
Alexander & Alexander Inc.
Corroon & Black Corp.
Arthur J. Gallagher & Co.
Johnson & Higgins of Tennessee Inc.
Fred S. James & Co. Inc.
Marsh & McLennan Cos. Inc.

Texas

Austin
Alexander & Alexander Inc.
Johnson & Higgins of Texas Inc.

Timberline Insurance Services Inc.
John D. Williams Inc.

Amarillo
Marsh & McLennan Cos. Inc.

Belton
Anco Corp.

Bryan
Anco Corp.

Corpus Christi
Arthur J. Gallagher & Co.
National Insurance Agency
Shelton Insurance Agency Inc.

Dallas
Alexander & Alexander Inc.
Bayly, Martin & Fay
International Inc.
Collier Cobb & Associates Inc.
Corroon & Black Corp.
Crawford & Mitchell (Hilb, Rogal
& Hamilton Co.)
Arthur J. Gallagher & Co.
Frank B. Hall & Co. Inc.
Hilb, Rogal & Hamilton Co.
Fred S. James & Co. Inc.
Jardine Emmett & Chandler Inc.
Johnson & Higgins of Texas Inc.
North American Insurance
Agency Inc.
Marsh & McLennan Cos. Inc.
Producers Exchange Inc.
Rollins Burdick Hunter Co.

El Paso
Rogers & Belding Insurance
Agency Inc.
Republic Hogg Robinson Inc.
Transportation Insurance Managers
John D. Williams Co.

Fort Worth
Alexander & Alexander Inc.
Bayly, Martin & Fay
International Inc.
Marsh & McLennan Cos. Inc.

Houston
Alexander & Alexander Inc.
Anco Corp.
The Beck Co.
Bynum Insurance Inc.
Collier Cobb & Associates Inc.
Corroon & Black Corp.
Frank Crystal & Co. Inc.
Financial Guardian Group Inc.
Frank B. Hall & Co. Inc.
Fred S. James & Co. Inc.
Jardine Emmett & Chandler Inc.
Johnson & Higgins of Texas Inc.
Lockton-Rauch Inc.
Marsh & McLennan Cos. Inc.
Poe & Associates Inc.
Roanoke Agency Inc.
Rollins Burdick Hunter Co.
Wisenberg Insurance & Risk
Management
John L. Wortham & Son

Lubbock
Republic Hogg Robinson Inc.

McAllen
Alexander & Alexander Inc.

Midland
Alexander & Alexander Inc.

San Antonio
Alexander & Alexander Inc.
Arthur J. Gallagher & Co.
Frank B. Hall & Co. Inc.
Marsh & McLennan Cos. Inc.
Rollins Burdick Hunter Co.
Timberline Insurance Services Inc.
Wisenberg Insurance & Risk
Management

Waco
Fitzhugh & Co. Insurance Agency

Weslaco
Alexander & Alexander Inc.

Utah

Brigham City
Leavitt Group of Northern Utah

Cedar City
Dixie Leavitt Agency (The Leavitt
Group)
The Leavitt Group

Coalville
Blonquist-Leavitt (The Leavitt
Group)

Delta
Manis-Leavitt (The Leavitt Group)

Heber City
Leavitt Group of Heber City

Hurricane
Bringhurst-Leavitt (The Leavitt
Group)

Kanab
The Leavitt Group of Kane County

Nephi
Nebo-Leavitt (The Leavitt Group)

Orem
Bowen-Leavitt (The Leavitt Group)
Wilkinson/Bowen-Leavitt (The
Leavitt Group)

Provo
Taylor/Bowen-Leavitt (The Leavitt
Group)

Richfield
Okerlund-Leavitt (The Leavitt
Group)

Saint George
Leavitt Group of Saint George

Salina
Briggs-Leavitt (The Leavitt Group)

Salt Lake City
Bayly, Martin & Fay
International Inc.
Corroon & Black Corp.
Johnson & Higgins of Utah Inc.
Kendall Insurance Inc.
Leavitt Group of Salt Lake
Fred A. Moreton & Co.
The Talbert Corp.

Spanish Fork
Leavitt Group of Spanish Fork

Vermont

Burlington
Arthur J. Gallagher & Co.
Frank B. Hall & Co. Inc.
Marsh & McLennan Cos. Inc.
Pomerleau Agency Inc.
Smith, Bell & Thompson Inc.

Brattleboro
Kinney, Pike, Bell & Connor Inc.

Essex Junction
Kinney, Pike, Bell & Connor Inc.

Hartford
Kinney, Pike, Bell & Connor Inc.

Poultney
Kinney, Pike, Bell & Connor Inc.

Rutland
Kinney, Pike, Bell & Connor Inc.

South Burlington
Hackett, Valine & MacDonald Inc.

Virginia

Alexandria
Republic Hogg Robinson Inc.

Annandale
Rhulen Agency Inc.

Blacksburg
Frank B. Hall & Co. Inc.

Charlottesville
Hilb, Rogal & Hamilton Co.

Chesapeake
Hilb, Rogal & Hamilton Co.

Fredericksburg
Hilb, Rogal & Hamilton Co.

Herndon
Rollins Burdick Hunter Co.

Newport News
Henderson & Phillips Peninsula
(Seaboard Financial Group)

Norfolk
Marsh & McLennan Cos. Inc.
Seaboard Financial Group

Portsmouth
Commercial Insurance Agency
(Seaboard Financial Group)

Richmond
Alexander & Alexander Inc.
Arthur J. Gallagher & Co.
Frank B. Hall & Co. Inc.
Hilb, Rogal & Hamilton Co.
Johnson & Higgins of Virginia Inc.
Marsh & McLennan Cos. Inc.
Self Insurance Services &
Miller-Carneal (Seaboard
Financial Group)

Roanoke
Frank B. Hall & Co. Inc.
Johnson & Higgins of Virginia Inc.
McDonough Caperton
Insurance Group

Virginia Beach
ISU/Pembroke Insurance Agency Inc.

Washington

Bellevue
Fred S. James & Co. Inc.

Seattle
Alexander & Alexander Inc.
Bayly, Martin & Fay
International Inc.
Corroon & Black Corp.
Arthur J. Gallagher & Co.
Frank B. Hall & Co. Inc.
Fred S. James & Co. Inc.
Johnson & Higgins of
Washington Inc.
Marsh & McLennan Cos. Inc.
Rollins Burdick Hunter Co.

Spokane
Fred S. James & Co. Inc.
May-Davis Inc.

Tacoma
Fred S. James & Co. Inc.

Yakima
Fred S. James & Co. Inc.

West Virginia

Beckley
McDonough Caperton
Insurance Group

Charleston
Johnson & Higgins of West
Virginia Inc.
McDonough Caperton
Insurance Group

Fairmont
McDonough Caperton
Insurance Group

Huntington
McDonough Caperton Insurance
Group/Staats-McIntosh

Parkersburg
McDonough Caperton
Insurance Group

Wheeling
McDonough Caperton
Insurance Group

Wisconsin

Appleton
Laub Group Inc.
Marsh & McLennan Cos. Inc.

Green Bay
Alexander & Alexander Inc.

Kenosha
Laub Group Inc.

LaCrosse
The Klein Insurance Group

Madison
Arthur J. Gallagher & Co.
Laub Group Inc.

Menomonee
TCA Insurance Services

Milwaukee
Alexander & Alexander Inc.
Corroon & Black Corp.
FitzGerald, Clayton, James
& Kasten Inc.

Arthur J. Gallagher & Co.
Frank B. Hall & Co. Inc.
Laub Group Inc.
Marsh & McLennan Cos. Inc.
Robertson-Ryan & Associates Inc.
Rollins Burdick Hunter Co.

Onalaska
The Klein Insurance Group

Racine
Laub Group Inc.

Wausau
Laub Group Inc.

Wyoming

Casper
The Talbert Corp.
Van Guilder Insurance Corp.

Cheyenne
Frank B. Hall & Co. Inc.
Ed Murray & Sons (Robinson-
Conner Inc.)

Worland
FBS Insurance Wyoming-
Hoiness LaBar

Puerto Rico

San Juan
Alexander & Alexander Inc.
Fred S. James & Co. Inc.
Marsh & McLennan Cos. Inc.

Santurce
Saldana & Associates Inc.

U.S. Virgin Islands

St. Croix
Antilles Insurance Inc. (Alliance
Brokerage Corp.)
Marshall & Sterling Inc.

St. Thomas
Antilles Insurance Inc. (Alliance
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Sedgwick edges into No. 2 worldwide

2 worldwide

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Lloyd's of London broker Sedgwick Group P.L.C., aided by favorable exchange rates, moved ahead one spot to take second place in the *Business Insurance* ranking of the world's largest insurance brokerages.

Sedgwick, with 1987 revenues of \$1.22 billion, narrowly pushed Alexander & Alexander Services Inc., with revenues of \$1.18 billion, into third place.

And, it edged into second place despite slower revenue growth for the second consecutive year.

Sedgwick, suffering the effects of the softening property/casualty insurance market, increased revenues only 1.2% in 1987 to 650.9 million pounds from 640.4 million pounds in 1986, when Sedgwick included only two months of results from its 1986 acquisition of The Crump Cos. Inc. in its results.

Most of Crump's operations were merged into Sedgwick subsidiary Fred S. James & Co. Inc., the fourth-largest U.S. broker.

Sedgwick revenues had increased 10.1% in 1986 from 581.5 million pounds in 1985, which was a 27.5% increase from 456 million pounds in 1984.

In dollar terms, according to Sedgwick's annual report, revenues last year jumped 29% to \$1.22 billion from \$947.8 million in 1986, when only two months of Crump results are included in Sedgwick's results.

But when the full 12 months of Crump's results are included in 1986 revenues, Sedgwick's revenues increased only 16% in 1987 from \$1.05 billion in 1986.

In addition to the lackluster revenue growth, Sedgwick's pretax profits plunged 25% last year to 101.1 million pounds (\$190.1 million) from 135.5 million pounds (\$200.5 million) in 1986.

The drop in profits in part was due to a 9% increase in expenses to 547.2 million pounds (\$1.03 billion) from 504.1 million pounds (\$746.1 million) in 1986.

To cut expenses, Sedgwick Group vacated two buildings in London, moved more of its employees to offices outside London, reduced total staff by about 5% through attrition and reduced some executive perks.

The reduction of expenses coupled with early receipt of broker commissions in the first quarter boosted Sedgwick's first-quarter 1988 results to a higher level than stock analysts had predicted.

However, pretax profits in the first quarter still fell 17.9% to 43.9 million pounds (\$83 million) from 53.5 million pounds (\$86.1 million) as of March 31, 1987.

Revenues dropped 11.5% in the first quarter of 1988 to 170.6 million pounds (\$322.4 million) from 192.7 million pounds (\$310.2 million) during the first quarter of 1987.

While David Rowland, Sedgwick's new chief executive, warned that Sedgwick may not produce the same kind of performance throughout the rest of the year, stock analysts have more faith in the brokerage.

"The first-quarter profit encourages us in our belief that, absent of a further significant deterioration in the value of the U.S. dollar, the group could achieve pretax profits

of around 75 million pounds (\$136.2 million) this year," said a spokesman with London stockbroker Kitcat & Aitken.

"To achieve this will require the group to continue with its delicate juggling act of obtaining new business growth while containing expenses as far as is commercially realistic," the spokesman said.

Mr. Rowland, the former chairman of Lloyd's broker Stewart Wrightson P.L.C. and a member of the council of Lloyd's of London,

joined Sedgwick in March after resigning as vice chairman of Willis Faber P.L.C. (*BI*, March 14).

Mr. Rowland, who helped orchestrate Willis Faber's acquisition of Stewart Wrightson, had been on track to become Willis Faber's chairman when David Palmer retires in October. However, he was overlooked this spring by the Willis Faber board in favor of Roger Elliott, deputy chairman of Willis Faber (see story, page 125).

Mr. Rowland would not comment on his relationship with Willis Faber except to say, "I left Willis Faber with as much good grace as possible."

"Our relationship with Willis Faber continues to be excellent...and we still work extremely closely" on market matters, added Sedgwick Chairman Carel Mosselmans.

Mr. Rowland is expected to become Sedgwick's chairman when Mr. Mosselmans retires next year.

But, "nobody has asked me yet," Mr. Rowland said, adding that Sedgwick's board cannot decide now what will transpire next year.

Sedgwick though already is getting to know Mr. Rowland, who has visited all of the company's departments.

In addition, he called a meeting of more than 200 Sedgwick executives to talk about himself and his plans. And, he has dined nearly every day in the staff cafeteria.

Continued on next page

"SOMEBODY HAS TO LOSE!"

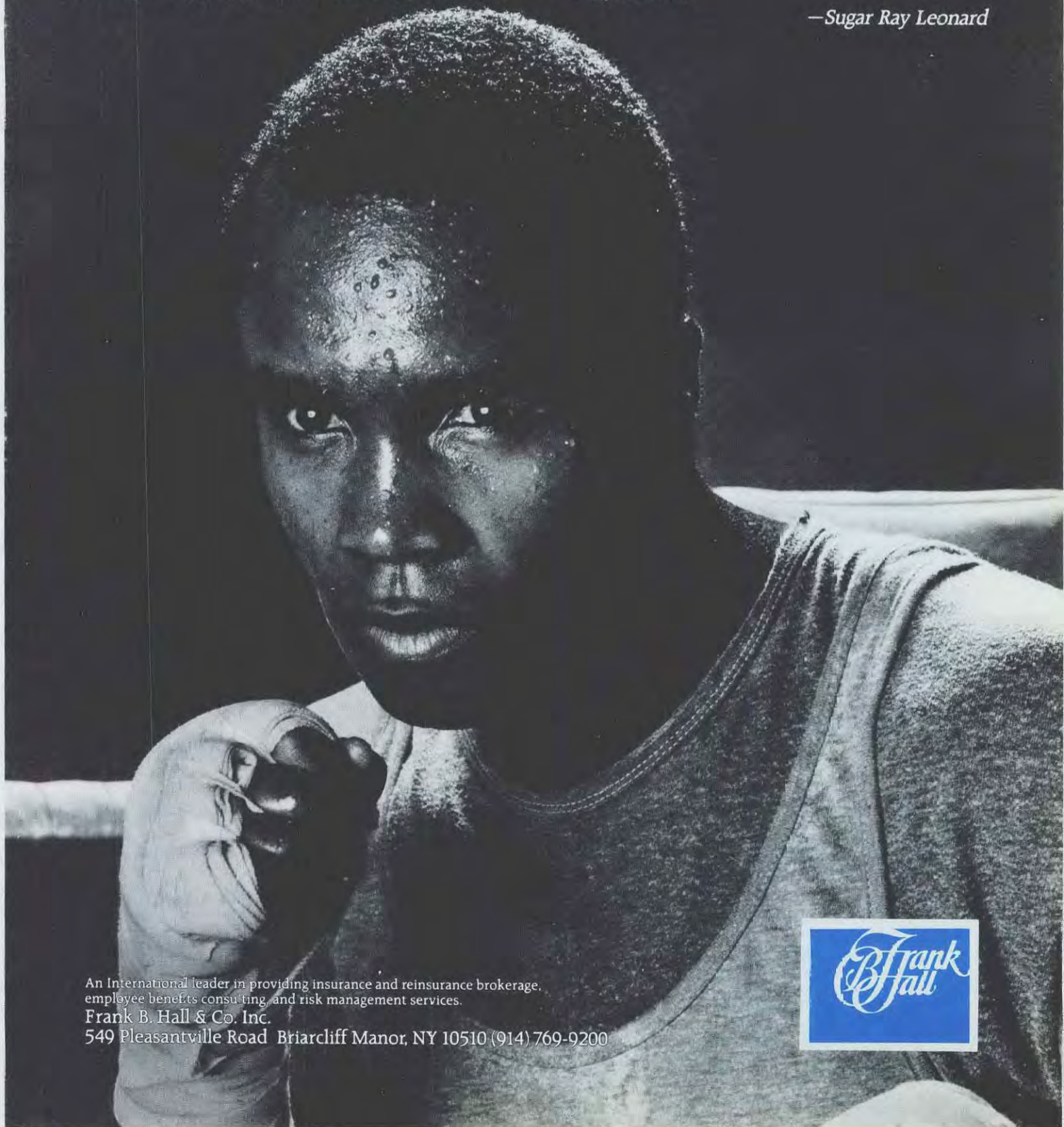
"Know who *really* loses when you win? It's not just the other guy. In a comeback, it's all the experts who said you couldn't do it. And the best part is proving them wrong—in front of the whole world.

"To win the big one, you've got to *believe*. There's no Comeback Manual or magic formula. When you know you've got it, you just work until you're back

on top. It's fundamentals. It's hours. And it's heart. And after you've won, you don't stop. Think about it—you've never been in better shape, why not keep on winning.

"Look, a comeback is something I know about. And I'll tell you, Frank B. Hall isn't just coming back—they are back."

—Sugar Ray Leonard



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Spotlight report

Continued from previous page getting to know Sedgwick workers.

Mr. Rowland says he plans to increase Sedgwick's production by pulling together the "huge muscle" and the ideas of the "bright people" at Sedgwick to form a cohesive strategy for the future.

"Nobody has yet fully learned how to run a worldwide financial services business employing the numbers of people that we employ. I don't mean to imply that we do it badly. We do it well. But facing it head on, the prizes are there for those that do learn really well," he said.

"We need to increase the awareness (of our employees) to derive the maximum benefit from our various groups so they work as one team. We need to draw them together more effectively," Mr. Mosselmanns said.

"I am delighted in the way that David Rowland has joined the team and the way in which the team has responded to him," Mr. Mosselmanns added.

Sedgwick, which employs more than 14,000 people in 64 countries, currently is divided into three distinct divisions.

One of the divisions is the James Group, headed by James Chairman and Chief Executive Richard M. Page, who is also deputy chairman of Sedgwick Group.

The James Group includes wholesale and retail brokerage units in North America, including Fred S. James; Crump E&S Group, a surplus lines brokerage; and Sedgwick Thomenson Inc., Sedgwick's Canadian unit.

Sedgwick's growth since 1935, when it was the sixth-ranked

world broker, has been attributed primarily to acquisitions in the United States, where it determined that it needed a presence after its attempt to merge with Alexander & Alexander Services Inc. failed in 1982.

Following that failed merger, Sedgwick purchased four U.S. brokers for a total of nearly \$1 billion, including James in September 1985 and Crump in September 1986 (BI, April 8, 1985; Sept. 1, 1986).

Sedgwick acquired James from Transamerica Corp. in a transaction valued at \$640 million. As part of the deal, Transamerica obtained a 39% equity interest in Sedgwick and agreed not to acquire any more Sedgwick stock until the end of 1989.

Although there have been rumors that Transamerica is disenchanted with the performance of Sedgwick, Mr. Rowland, who recently visited Transamerica's San Francisco headquarters, says: "We see Transamerica as partners in our business. It is one shareholder among others, and they (Transamerica) wish to make a success of that business. I am sure (the relationship) will go ahead."

The James Group now accounts for the largest portion of Sedgwick's revenues.

According to Sedgwick's 1987 annual report, James' revenues comprise 43% of Sedgwick's overall revenues. Revenues attributed to the James Group increased 13.3% to 278 million pounds (\$455.9 million) in 1987 from 245.3 million pounds (\$363 million) in 1986.

That figure does not include \$22.8 million of investment income

produced by the James Group's operations.

In converting the results of its U.S. operations to pounds, Sedgwick used an average exchange rate of \$1.64.

"The interesting thing about North America is that operations are going exceedingly well," Mr. Page said at the Sedgwick offices late last month. "We have new business. But with the softening of rates in the U.S., there are not the profits that we would like there to be."

Mr. Rowland said: "Given that North America is so dominant a market in the world, it is inconceivable not to have a very substantial operation in that market. And given that 50% of worldwide revenue is derived from North America, the revenues from James are not out of proportion to the revenues of the world.

"Obviously, our fortunes will wax and wane depending on the conditions of the market, rates and the pound/dollar situation, but we are very obviously long-term players" in the United States, Mr. Rowland said.

Before joining Sedgwick, Mr. Rowland never had worked for a London brokerage that had a strong retail presence in the United States, although Stewart Wrightson owned U.S. excess/surplus lines brokerage Stewart Smith Holdings Inc.

"I'm absolutely delighted at long last after 32 years of struggle to find myself part of a group that really does have a big presence in the U.S.," he said.

And, none of the company's executives will deny that one day Sedgwick might be headquartered in the United States.

"We try very hard indeed to give our holding companies the feeling that we are worldwide operators. However, at present, we are a U.K.-based company, and that is the best method in operating," Mr. Rowland said.

The second main Sedgwick division is Sedgwick Ltd., which includes Sedgwick's Lloyd's of Lon-

don brokerage subsidiaries.

London-based Sedgwick Ltd. is headed by Chairman and Chief Executive Niven Duncan, who also holds the title of vice chairman of Sedgwick Group.

Sedgwick Ltd. is the largest brokerage based in London, with 1987 revenues of 218 million pounds (\$409.8 million), a slight increase from 217 million pounds (\$321.2 million) in 1986. The next-largest London brokerage, Willis Faber P.L.C., produced 1987 revenues of 198.6 million pounds (\$373.4 million).

Sedgwick Ltd. contributes 33% of the overall company's revenues. The division, which has operations in some 60 nations worldwide, is also the largest contributor to corporate profits.

In fact, it is so large—encompassing retail, wholesale and specialist operations—that Mr. Rowland said some of the companies in Sedgwick Ltd. may "be given a life of their own" outside the Sedgwick Ltd. banner.

Overall, Sedgwick Ltd. faced a difficult business environment in 1987 because of "reductions in rating levels, increased market competition, pressure on terms of trade, exchange rate volatility and reduced activity in the energy industry," according to the company's annual report.

The three companies within the marine and aviation group of Sedgwick Ltd. were hurt by declining market rates, said the report.

Sedgwick Special Risks Group—which includes Sedgwick Associated Risks Ltd., Sedgwick International Ltd. and Sedgwick Offshore Resources Ltd., which continues to be one of Sedgwick's major strengths in the London market—produced about the same amount of revenue in 1987 as it had the previous year.

Sedgwick Associated Risks developed new specialist and product lines, including financial guarantees, general credit enhancement and, in particular, mortgage pool indemnity coverages.

Another unit of Sedgwick Ltd. is Price Forbes Ltd., which is the London wholesale broker for North American primary and excess insurance risks. Much of James' business that comes to Sedgwick in London is handled by Price Forbes.

In addition, Price Forbes places business for other U.S. brokers.

The annual report said Price Forbes "was particularly affected by fluctuations in the dollar/sterling exchange rate."

Sedgwick Ltd.'s retail operations span the globe, employing a total of 3,500 people in offices in the United Kingdom, Europe, Australia and the Far East.

Looking at 1992, when insurance brokers will be free to place large corporate risks across European borders, Mr. Rowland said: "We do genuinely feel that we are the best-placed in Europe," with about 50 million pounds (\$91 million at current exchange rates) in revenue already generated from Europe outside London.

The retail operations in continental Europe were enhanced last year by the formation of a new company in partnership with Merck, Finck & Co. in West Germany. The company, called Sedgwick Merck Finck & Co. GmbH, in July completed its first acquisition: retail broker Interasssekuranz Sitt Overlack & Co. GmbH in Cologne, West Germany.

Sedgwick also will open a new office on the outskirts of Paris during 1988. European operations are headed by manager John Newall in Paris.

The third division is E.W. Payne Cos. Ltd., which includes Sedgwick's reinsurance brokerage subsidiaries worldwide, including Sullivan Payne Co. in the United States.

E.W. Payne employs 1,600 people in 13 offices around the world including the United States and is headed by Chairman and Chief Executive James M. Payne, a vice chairman of Sedgwick Group.

The reinsurance broker estimates

Continued on next page

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Continued from previous page
it expects to process more than 250 million pounds (\$470 million) in reinsurance claims from ceding companies in connection with the hurricane-force winds that struck Southeast England last October.

E.W. Payne is the group's weakest division, with 1987 revenues dropping 17.9% to 87 million pounds (\$163.6 million) from 106 million pounds (\$156.9 million) in 1986.

E.W. Payne contributes 13% of Sedgwick Group's overall revenues.

The Sedgwick Group's annual report blames the drop in E.W. Payne revenues mainly on the reduction of original premiums ceded to reinsurers, insufficient capacity and the weak dollar.

The reinsurance business currently "is in the course of the biggest change in my working life," Mr. Rowland explained, adding that ceding companies are seeking new products and services and are demanding increased security.

As a result, Sedgwick must analyze how best to organize the 1,600 people at E.W. Payne, he said.

"Of course there will always be changes at Payne, but I see no revolution at Payne," Mr. Rowland

added.

Sedgwick's reinsurance brokerage unit has had its share of problems in the last few years, however.

Troubles began for E.W. Payne on July 1, 1986, when former James subsidiary John F. Sullivan Co. merged with E.W. Payne Inc. in the United States to form Sullivan Payne.

James J. Meenaghan, Sullivan's president and chief executives officer of 16 months and the former president of Fireman's Fund Insurance Cos., resigned and joined The Home Insurance Co. as president. Roger D. Espe, formerly executive vp of Sullivan and president of E.W. Payne Inc. in Des Moines, Iowa, was named president of Sullivan.

Then, on July 31, 1986, Sullivan Chairman W.E. Taylor retired several months earlier than the company had planned. In October 1986, Mr. Taylor formed a new reinsurance brokerage, Taylor Reinsurance Intermediaries Inc. in Seattle.

To stop Sullivan Payne business from flowing to Taylor Reinsurance, Sullivan Payne received a preliminary injunction from King County Superior Court in Washington enforcing a 1972 employ-

ment agreement allegedly signed by Mr. Taylor while at James to stop him from soliciting or accepting any business from Sullivan Payne clients (BI, Dec. 1, 1986).

E.W. Payne and Mr. Taylor settled the litigation for an undisclosed sum in May, and Mr. Taylor agreed that his company cannot solicit Sullivan Payne clients for business until September 1989.

Also in May, nine directors of E.W. Payne left to join new Lloyd's broker Nicholson Chamberlain & Colls Ltd., formed by former executives of Stewart Wrightson.

The Payne directors included Colin T. Bryan, deputy chairman and a close friend of Mr. Payne.

The nine directors were noted in the London market for their expertise in London market excess of loss reinsurance, an area in which E.W. Payne always has been strong.

"Colin was a close friend, and it was sad to see him leave," Mr. Payne said. "But we have been educators and trainers (of reinsurance brokers) over many years, and if they choose to leave, they often do well but rarely at the expense of the company."

In addition to these three divisions, Sedgwick Group includes Sedgwick Lloyd's Underwriting Agencies Ltd., which manages the affairs of Lloyd's members; and minority shareholdings in underwriting activities, including 48.8% in River Thames Insurance Co. Ltd.

—By Stacy Shapiro

7 worldwide

Willis Faber P.L.C.

10 Trinity Square, London EC3P
3AX England; 01-488-8111.

The chairman of Willis Faber P.L.C. is stressing the positive aspects of the company's turbulent merger with fellow Lloyd's of London broker Stewart Wrightson Holdings P.L.C.

Willis Faber Chairman David Palmer said the July 1987 merger was a "very major step which was necessary to get a balanced spread" of business for Willis Faber.

The merger dramatically improved the company's British retail business, increased the company's size and decreased Willis Faber's vulnerability to the ups and downs of the insurance and reinsurance cycle, he said.

Stewart Wrightson was the "right company to pick," he added. "You look at us in a couple of years time and you will see why. I am not playing down the defections, but it's nothing like what's been reported."

The defections noted by Mr. Palmer are the resignations of nearly 200 former Stewart Wrightson employees after the merger.

Besides losing employees, the merger has cost the combined com-

panies business.

Accounts producing between 3 million and 4 million pounds (\$5.6 million and \$7.5 million at current exchange rates) in brokerage revenues have moved to other brokers since the merger, not including accounts served by two Stewart Wrightson affiliates that were sold to their managements, Mr. Palmer admitted. When those two companies are included, the lost brokerage business rises to at least 8.25 million pounds (\$15.5 million at current exchange rates).

The Willis Faber purchase of Stewart Wrightson last July is the most controversial merger of two London brokerages since Marsh & McLennan Cos. Inc. bought C.T. Bowring & Co. Ltd. in 1980.

Summing up the feelings of many Willis Faber shareholders who packed the company's annual meeting last month, former Willis Faber Chairman Julian Faber, who remains a major stockholder, called the Stewart Wrightson takeover "overpriced, under-rehearsed and slightly half-baked."

Another shareholder at the meeting asked when Willis Faber's stock price would return to pre-merger levels. Mr. Palmer said that the price was already rising.

Just prior to the merger announcement late last June, Willis Faber was trading at 4.40 pounds per share (\$7.30 at the appropriate exchange rate), according to stock analyst Philip Olsen at Kitcat & Aitken & Co. in London.

Continued on next page

Largest foreign brokers

Profiles of the foreign-based brokerages that are listed in *Business Insurance's* ranking of the world's Top 20 brokers begin on page 123.

BI ranks the world's largest brokerages according to gross revenues. Revenues of brokerages whose business is conducted primarily in non-U.S. currencies are converted into U.S. dollars based on the exchange rate at the end of those brokers' fiscal years.

Profiles of the U.S. companies included among the world's Top 20 appear on preceding pages. The U.S. brokers and the pages on which their profiles appear are:

- Marsh & McLennan Cos. Inc., page 16.
- Alexander & Alexander Services Inc., page 21.
- Johnson & Higgins, page 26.
- Corroon & Black Corp., page 34.
- Frank B. Hall & Co. Inc., page 38.
- Rollins Burdick Hunter Co., page 44.
- Arthur J. Gallagher & Co., page 48.
- Bayly, Martin & Fay International Inc., page 56.

In addition, three of the foreign-based brokers that are among the Top 20 world brokers have U.S. affiliates that BI has ranked among the 20 largest U.S. brokers: Fred S. James & Co. Inc., an affiliate of Sedgwick Group P.L.C., is profiled on page 30; Jardine Emmett & Chandler Inc., an affiliate of Jardine Insurance Brokers Group, is profiled on page 52; and Republic Hogg Robinson Inc., which is owned by Lloyd's of London broker Hogg Robinson & Gardner Mountain P.L.C., is profiled on page 58.

Top 20 world brokers

Company	Revenues (in millions)	
	1987	1986
1. Marsh & McLennan (U.S.)	\$2,178.0	\$1,830.0
2. Sedgwick Group (U.K.)	1,223.7 ¹	1,053.7 ¹
3. Alexander & Alexander (U.S.)	1,180.0	1,140.0
4. Johnson & Higgins (U.S.) ²	690.4	647.6
5. Corroon & Black (U.S.)	392.2	370.6
6. Frank B. Hall (U.S.)	386.0	390.9
7. Willis Faber (U.K.)	373.4 ¹	251.2 ¹
8. Minet Holdings (U.K.)	235.9 ¹	180.4 ¹
9. Rollins Burdick Hunter (U.S.)	223.5	170.0
10. Jardine Insurance Brokers (U.K.)	207.0 ¹	163.8 ¹
11. C.E. Heath (U.K.)	168.4 ³	159.6 ³
12. Bain Clarkson (U.K.)	164.7 ¹	118.8 ¹
13. Hogg Robinson (U.K.)	162.2 ¹	129.1 ¹
14. Arthur J. Gallagher (U.S.)	134.7	121.3
15. Faugere & Jutheau (France)	111.3 ⁴	86.8 ⁴
16. Jauch & Hubener (W. Germany) ²	106.2 ⁵	82.2 ⁵
17. Hudig-Langeveldt (Netherlands)	87.0 ⁶	69.3 ⁶
18. Gras Savoye (France)	82.1 ⁴	60.6 ⁴
19. Sodarcac (Canada)	82.1 ⁷	64.4 ⁷
20. Bayly, Martin & Fay (U.S.)	79.4	92.7

¹ British pound = \$1.88 (Dec. 31, 1987); \$1.48 (Dec. 31, 1986)

² BI estimate.

³ Fiscal year ends March 31; British pound = \$1.89 (1987); 1.61 (1986)

⁴ French franc = 19 cents (Dec. 31, 1987); 15 cents (Dec. 31, 1986)

⁵ W. German deutsche mark = 64 cents (Dec. 31, 1987); 52 cents (Dec. 31, 1986)

⁶ Dutch guilder = 56 cents (Dec. 31, 1987); 46 cents (Dec. 31, 1986)

⁷ Canadian dollar = 78 cents (Dec. 31, 1987); 72 cents (Dec. 31, 1986)

Source: BI survey



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Continued from previous page

A combination of the Oct. 19 stock market crash and the Stewart Wrightson defections following the merger, however, pushed the price to a low of 1.98 pounds per share (\$3.70 at the appropriate exchange rate) in early April. The stock has rebounded and on June 9 was trading at 2.55 pounds per share (\$4.63 at appropriate exchange rate), still less than half of the pre-merger price.

Costs associated with the Stewart Wrightson acquisition also contributed to the 18.6% decline in Willis Faber's 1987 pretax profits to 60.9 million pounds (\$114.5 million at year-end 1987 exchange rates) from 74.8 million pounds in 1986 (\$110.7 million at year-end 1986 rates), the company has said.

Willis Faber's 1987 results were prepared using acquisition accounting methods and included results for Stewart Wrightson since Sept. 1, 1987. A Willis Faber spokesman said it was impossible to accurately include the other eight months of Stewart Wrightson's results in Willis Faber's accounts.

Willis Faber's 1987 gross revenues increased 17% to 198.6 million pounds (\$373.4 million) from 169.7 million pounds (\$251.2 million) in 1986, allowing Willis Faber to hold on to seventh position in *Business Insurance's* ranking of the world's 20 largest brokers.

In 1986, Willis Faber and Stewart Wrightson, which was the 12th-largest world broker in last year's rankings, reported combined revenues of 264.8 million pounds (\$391.9 million). The Willis Faber-Stewart Wrightson marriage caused ripples from the time Willis Faber announced last July that it would purchase Stewart Wrightson for about \$450 million, the second-most expensive brokerage acquisition on record.

Although Stewart Wrightson executives were led to believe that they would be considered equally for management positions in the new company, many Stewart Wrightson executives resigned, al-

leging that the Willis Faber board was favoring its own employees.

There were also potential conflicts among the brokers' operations. For example, the aviation brokerage teams of the two companies had been battling for years against each other for business.

The first visible sign of trouble came at the press conference to announce the acquisition. Although Tony Keys, Stewart Wrightson's group development director, had helped negotiate the merger price and was seated next to Mr. Palmer at the conference, Mr. Keys was not given a seat on the new board.

Mr. Keys and Stewart Wrightson Ltd. Deputy Chairman George Boden soon left to set up Ansford Management Ltd., which was recently purchased by Lloyd's broker Steel Burrill Jones Group P.L.C. (*BI*, May 2).

Following the announcement that Willis Faber and Stewart Wrightson would merge, the defections began, including:

- The loss of the managers of two Stewart Wrightson subsidiaries who exercised their option to buy the remaining 51% of their companies.

The subsidiaries were aviation reinsurance brokerage Nicholson Stewart-Brown Ltd., which was 49% owned by directors Martin Nicholson, Brian Stewart-Brown and Richard Holt and which employed 50 people; and Stewart Wrightson North America Development Ltd., a U.S. retail broker, which was 49% owned by Nigel Chamberlain, Tony Fell and Graham Addiscott and employed 22 people.

Willis Faber admitted that the loss of Nicholson Stewart-Brown and Stewart Wrightson North America cost it about 4.25 million pounds (\$8 million at year-end 1987 rate) in brokerage revenue by year-end 1987 (*BI*, April 4).

- The resignation of Alan Colls, former chairman of Stewart Wrightson Ltd., Stewart Wrightson's main brokerage unit. Mr. Colls earlier had been asked to join the Willis Faber's board (*BI*, Nov. 23, 1987; Nov. 9, 1987).

- The loss of about 30 people from Stewart Wrightson's aviation brokerage division, including Chairman Jonathon Palmer-Brown and Managing Director Peter Butler.

The former aviation division employees so far have taken 15 airline accounts with them, including the Air France account. Willis Faber also has lost Stewart Wrightson's Trans World Airlines account to Crawley Warren Ltd.

Mr. Colls, the aviation team, Nicholson Stewart-Brown and Mr. Chamberlain's team have formed a new brokerage, Nicholson Chamberlain Colls Ltd., which is expected to produce about 10 million pounds (\$18.2 million) in revenue this year. Aon Corp., parent of Rollins Burdick Hunter Co., the seventh-largest U.S. broker, is a minority investor in Nicholson Chamberlain Colls (see story, page 44).

- Finally, in March, former Stewart Wrightson Chairman David Rowland, who saw many of his colleagues—including his secretary—leave before him, resigned from Willis Faber to become chief executive at Sedgwick Group P.L.C.

Mr. Rowland had been slated to become Willis Faber's chairman upon Mr. Palmer's retirement in October, but the Willis Faber board instead chose Willis Faber Deputy Chairman Roger Elliott to succeed Mr. Palmer (*BI*, March 14).

Mr. Rowland would only say that his departure was amicable.

Although Mr. Palmer admits that Mr. Rowland was a "strong candidate" for his position, Mr. Palmer said he supported the board's decision to appoint Mr. Elliott, who he said is a "market man" and well-known to clients.

Despite the problems, Willis

Faber executives say the advantages created by the Stewart Wrightson acquisition outweigh the problems.

The highlight of the merger has been the formation of Willis Wrightson Ltd., Willis Faber's U.K. retail broker, which now has 36 offices across Britain. Before the merger, Willis Faber had only 22 British retail offices.

"It is the biggest single stride in growth that we made (as a result of the merger)," Mr. Palmer said.

In addition, Stewart Wrightson clients can now tap into the UNISON network of insurance brokerages worldwide. The UNISON network includes Johnson & Higgins in the United States.

"Stewart Wrightson's international business has fit very well and easily into Willis Faber & Dumas Ltd. (Willis Faber's wholesale and reinsurance broker), whether you're talking marine, oil and gas, general non-marine, international non-marine," Mr. Palmer pointed out.

"There was, as has been widely reported, of course, a fallout on the aviation side. But, all other bits fitted in well: direct and reinsurance," he said.

Stewart Wrightson's reinsurance brokerage subsidiary, Golding Stewart Wrightson Ltd., brought Willis Faber "some very strong accounts," including Munich Reinsurance Co., Mr. Palmer added.

In addition, Stewart Wrightson's U.S. surplus lines broker, Stewart Smith Holdings Inc., puts Willis Faber "right up front" in the U.S. surplus lines arena, said Mr. Palmer, who stressed that Willis Faber has had a U.S. presence for many years though subsidiary Global Special Risks Inc.

In addition, to bolster its presence in the U.S. surplus lines market, Willis Faber acquired Grand Rapids, Mich.-based wholesale broker McAlear Associates Inc. in 1987 (*BI*, Jan. 19, 1987).

Willis Faber has no plans to become a U.S. retail broker as long as it continues the "excellent" relationship with Johnson & Higgins, which owns 5% of it, Mr. Palmer said.

The defections caused by the merger also filled one of Willis Faber's needs.

Willis Faber had planned to reduce expenses by at least 10 million pounds (\$18.2 million) by the end of 1988, and the brokerage already has saved more than that through the resignations of the Stewart Wrightson employees.

In addition, Willis Faber plans to cut between 500 and 600 jobs by the end of 1988, mostly through attrition (*BI*, April 4).

Despite the resignation of Stewart Wrightson executives, some high-ranking Stewart Wrightson officials remain in key positions at Willis Faber.

Four of the six members of Stewart Wrightson's board who were invited to join the Willis Faber board have stayed, including Patrick J. Osborn, chairman of Stewart Smith Holdings Inc., and Simon Harrap, former deputy chairman of Stewart Wrightson Ltd. and now managing director of Stewart Wrightson North America.

In addition, Willis Faber has attracted some key accounts since the merger, including Syrian oil company Thomson North Sea; Pittsburgh-based Aluminum Co. of America; Royal Air Maroc; Air Jamaica; and the worldwide difference-in-conditions property coverage for International Business Machines Corp. placed in the United States by Johnson & Higgins.

"I am sorry that we have to concentrate on the merger," Mr. Palmer concluded. "Our brokerage is ahead this year on the international front, and damn few firms can say that."

—By Stacy Shapiro

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Minet Holdings P.L.C.

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Minet Holdings P.L.C.'s acquisition by The St. Paul Cos. Inc. earlier this year has a "lot of pluses and very few minuses," according to Minet Chairman Ray Pettitt.

Since St. Paul's acquisition of the Lloyd's of London brokerage group earlier this year for 275.5 million pounds (\$495 million), one minus has been that "the amount of work involved in the legal and financial sense (to complete the merger) is greater than I had realized," Mr. Pettitt said.

On the plus side, however, Minet now has a stronger presence in the United States.

Earlier this year, St. Paul and Minet agreed that Minet would set up a new U.S.-based unit called Minet Specialty Management in New York to act as the management company for Swett & Crawford Group, the largest U.S. wholesale brokerage operation, which is owned by St. Paul; Minet surplus lines broker subsidiary Bowes & Co. in Chicago; and Minet International Professional Indemnity Ltd.

Peter Christie, who remains chairman and chief executive of Minet International Professional Indemnity, was named president of Minet Specialty Management and recently moved to New York, where Minet will base the expanded operation.

Swett & Crawford and Bowes & Co. will be combined under Minet Specialty Management, creating a U.S. wholesale broker that will produce about \$75 million in revenues and employ 700 people, Mr. Pettitt said.

The enlarged Swett & Crawford, which will include Bowes & Co., will continue to be based in Los Angeles.

Another plus of Minet's merger with St. Paul is that the broker has been infused with additional capital from St. Paul. Already, Minet has spent about 20 million pounds (\$36.4 million at current exchange rate) since the merger to buy several companies:

- U.K. broker ABS Insurance Services, one of the leading retail brokers for architects liability coverage.

- The insurance division of London Regional Transport, now called Transrisk Services Ltd.

- The U.K. retail division of Lloyd's broker Needler Heath Ltd. In addition, Minet lined up a 50/50 joint venture with West German broker Funk International GmbH to broker professional liability coverage in Germany.

The Lloyd's broker has also undergone several personnel changes: Minet is seeking a replacement for Swett & Crawford Chief Executive Joseph L. Fox, who earlier this year announced his retirement effective at year-end; Ray Carlier, the head of Minet's reinsurance division, and Director John Cavanaugh, who left Minet to join Lloyd's broker R.K. Carvill & Co. Ltd.; and Bryan J. Hayes, chairman of J.H. Minet & Co. Ltd., who has been named chairman of J.H. Minet Reinsurance Brokers, which has been formed to oversee the worldwide reinsurance operations of the group.

Mr. Pettitt stressed that none of the departures were a result of the merger. He added that the St.

Paul-Minet merger has been remarkably free of the kind of top-level defections that have plagued some other merging brokers.

Mr. Pettitt recently signed a five-year contract to continue as Minet's chairman, and he said all the other top Minet officials also have agreed to contracts of three to five years.

"We didn't know what the staff reaction would be, but we haven't lost any employees due to the merger," Mr. Pettitt said.

Meanwhile, Minet is glad to see the end of its 5½-year struggle with PCW Underwriting Agencies Ltd., which finally ended last June when members of PCW non-marine syndicates accepted a 103 million pound (\$165.9 million) settlement offer from Lloyd's (*BI*, May 11, 1987). Minet owned PCW Underwriting Agencies.

Minet's annual report notes that all but 10 PCW members had agreed to the settlement by June 1987.

As part of its settlement offer, the Council of Lloyd's also extended immunity to PCW members from any further losses to avoid long litigation and end the PCW affair.

Lloyd's said it would contribute 45 million pounds (\$72.5 million) from its Central Fund and cover any underwriting losses related to the former PCW syndicates exceeding the current estimate.

Thirty-seven other organizations—including 26 members agencies, accountants, law firms and brokers—were to contribute 55 million pounds (\$88.6 million) toward the settlement. Minet contributed between 10.5 million pounds and 12.5 million pounds (\$16.9 million and \$20.1 million) (*BI*, June 29, 1987).

For their part, the 1,547 members of the PCW non-marine syndicates were to pay 34 million pounds (\$54.7 million) to help fund the syndicates' losses. The PCW members also had to relinquish their rights to sue Lloyd's and transfer to Lloyd's their rights to sue other parties to the settlement (*BI*, April 13, 1987).

On July 10, Minet shareholders agreed to pay Minet's portion of the settlement, which had already been reserved. The effect of that action "has been to settle the bulk of the litigation threatened against the Group arising out of the PCW affair," the report says. As a result, no claims can be made against Sorim (1987) Ltd., which is the successor to Richard Beckett Underwriting Agencies Ltd., the Minet unit which managed PCW syndicates after 1982.

So far, the 10 PCW members who did not agree to the settlement have not filed any lawsuits over the PCW losses.

Minet's annual report notes that the U.K. Department of Trade and Industry has not concluded its investigation into PCW. Therefore, Minet says "the company continues to receive firm legal advice that it has no liability for the PCW affair and for the underwriting losses of the members of the syndicates."

Minet's total bill for the PCW affair is between 30 million and 40 million pounds (\$54.6 million to 72.8 million), Mr. Pettitt said. In 1986, Minet reserved 12.8 million pounds (\$18.9 million at year-end 1986 rate) as a final provision for PCW, and last year the firm received tax relief of 1.1 million pounds (\$1.6 million at year-end 1986 rate) for its PCW-related expenses in previous years.

The end of the PCW dispute "is wonderful," Mr. Pettitt said.

Continued on next page

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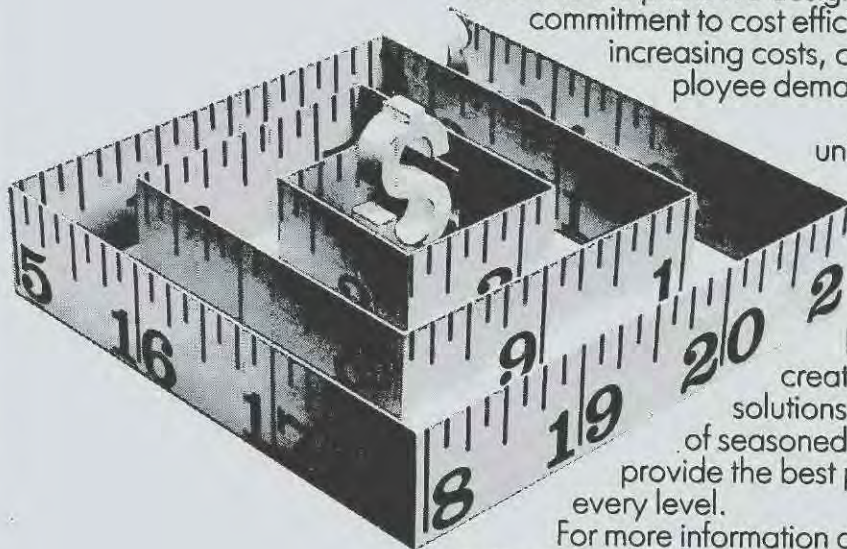
'We didn't know what the staff reaction would be, but we haven't lost any employees due to the merger,' Mr. Pettitt says.

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Continued from previous page

"While I was always confident of our legal position with regard to PCW, the outcome was always unpredictable. We learned to live with the threat of litigation for 5½ years, but it was uncomfortable."

Meanwhile, Minet's revenue performance slowed in 1987, with gross revenues only rising 3% to 125.5 million pounds in 1987 from 121.9 million pounds in 1986.

In dollar terms, however, revenues increased 31% to \$235.9 million last year, from \$180.4 million in 1986, allowing Minet to retain the No. 8 position in the *Business Insurance* ranking of the 20 largest brokers in the world.

Revenues include 103 million pounds (\$193.6 million) of brokerage income, up 6.2% from 97 million pounds (\$143.6 million) in 1986; insurance company agency fees of 6 million pounds (\$11.3 million), down 6.3% from 6.4 million pounds (\$9.5 million) in 1986; and gross investment income of 17.7 million pounds (\$33.3 million), down 4.8% from 18.6 million pounds (\$27.5 million) in 1986.

Minet's pretax profits dropped 18.9% to 14.2 million (\$26.7 million) from 17.5 million pounds (\$21.5 million) in 1987.

The softening market, coupled with currency fluctuations, hurt Minet's results, explained Mr. Pettitt, who said that if currency rates had been more constant between 1986 and 1987, Minet's profits would have been 4 million pounds higher.

"Given the conditions, it was a good performance," he said.

"You look at how difficult (insurance) trading is today in the broking sector and the need for capital... and you can see that we now find ourselves in a great position of strength and stability," Mr. Pettitt said, referring to the capital Minet has gained by its affiliation with St. Paul.

"With PCW out of the way, we are in the forward running of the business," added Mr. Hayes. "We will do a damn site better in the next five years than we did in the

last five years."

Mr. Pettitt said it was after the resolution of the PCW affair that negotiations began with St. Paul, one of Minet's major shareholders, to buy the Lloyd's broker.

In December of 1987, St. Paul, which already owned 26% of Minet, offered 275.5 million pounds (\$487 million at the appropriate exchange rate) for the outstanding shares in Minet, subject to Lloyd's approval of its bid to become the first U.S. property/casualty insurance company to own a Lloyd's broker. Corroon & Black Corp., which held a 29.9% stake in Minet, agreed in January to sell its shares to St. Paul. Lloyd's approved the sale in February.

Although Lloyd's did not object to the Minet acquisition, many people in the London market criticized Lloyd's for allowing a U.S. insurance company to own a producer of Lloyd's business.

However, Mr. Pettitt defends the decision by Lloyd's: "From Lloyd's viewpoint, the decision must not have been easy. But, Lloyd's decided quite rightly that the only test to apply (for broker ownership) is the fit and proper test."

In addition, St. Paul has promised to keep an "arm's length" relationship with Minet and not allow its underwriting goals to influence where Minet places its business, he emphasized.

Meanwhile, Mr. Pettitt thinks this will be another tough year for Lloyd's brokers.

10 worldwide

Jardine Insurance
Brokers Group

Thames House, 1-4 Queen St.
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England; 01-441-489-1994

Jardine Insurance Brokers Group is strengthening specialized services and trimming expenses to combat the effects of a softening property/casualty insurance market, a weakened U.S. dollar and lower interest rates.

JIB is concentrating on improving its capabilities in specialty coverage areas and on developing uniform procedures to reduce expenses and limit errors and omissions exposures, according to Chief Executive John Barton.

"We had the same surprise this last year that most other brokers did: We didn't expect the market to turn so fast and so far," Mr. Barton said.

In addition to the soft insurance market, JIB and other brokers also are dealing with the weak dollar, which "obviously puts a damper on revenues. But, we are in a building mode. We're trying to build a group that's based on quality and service," he said.

JIB maintained its No. 10 spot in *Business Insurance's* ranking of the world's 20 largest insurance brokers in 1987 based on revenues of about 110.1 million pounds, down 0.5% from about 110.7 million pounds in 1986.

However, in dollar terms, revenues increased 27% to \$207 million from \$163.8 million in 1986.

This increase was in line with the broker's predictions that revenues would increase between 25% and 30% in 1987.

While pretax profits declined 20.3% to 9.4 million pounds from 11.8 million pounds when valued in pounds sterling, in dollar terms, profits increased 1.7% to \$17.6 million from \$17.3 million in 1986.

Some 64% of JIB's revenues are earned in dollars, with 22% earned in pounds and the remainder in other currencies.

Nearly half—46.1%—of JIB's 1987 revenues were generated by

"No Lloyd's broker can say that he is forging ahead with the soft market, the currency changes and falling interest rates taking place at the same time," he said. "You can only contain expenses and produce more business... there is no magic solution to the conditions. Acquisitions are one way to counterbalance the problem, but you have to ride out that cycle."

"A lot of people in the U.S. and here say it will be a short (soft) cycle... with the impact of (U.S.) tax reforms on insurance companies. But you can't assume a soft cycle is going to end," Mr. Pettitt said. "If you'd asked me 18 months ago that the hard market would end so quickly, I wouldn't have believed it."

Minet also is the only British broker to be sponsoring British athletes at the Olympic Games, including the Summer Olympics to be held this September in Seoul, South Korea, and at the Winter Olympics, held last winter in Calgary, Alberta.

Minet has donated 1.5 million pounds (\$2.8 million at year-end 1987 rate) to sponsor British athletes, including ski jumper Eddie "The Eagle" Edwards, who competed in the Games in Calgary.

"We think (the Olympics) is a fantastic cause and a prestigious sporting event," said Mr. Pettitt, who will be attending the Summer Olympics. "And it's been good for the morale of the company."

—By Stacy Shapiro

North American operations, the same as in 1986. European operations generated about 43% of revenues, up slightly from 40% in 1986. Business in the Pacific Basin generated about 10%, down from 11% in 1986.

U.S. operations also accounted for 52%—or about \$786 million—of JIB's premium volume. European operations accounted for 39%, while business in the Pacific Basin generated about 9% of premium.

And, JIB's "profit growth for the first quarter of 1988 is probably in line with the same period last year. I consider this to be very good in light of the market conditions we are currently facing. But, I look forward to a year of aggressive growth," Mr. Barton noted.

The broker spent the last year fine-tuning its services to focus on the corporate insurance buyer, Mr. Barton said.

For example, in its U.S. group, Jardine Emmett & Chandler Inc., "we have over the course of the last year considerably restructured our business by selling off about \$20 million worth of business we didn't want to be in. This leaves us in the States as a brokerage house very much focused on serving the corporate insurance buyer," he explained.

JIB also is strengthening its employee benefits brokerage area, Mr. Barton said.

"In the States, we see this as an area where many of our mid-sized corporate clients want to have one broker manage all of their employee benefits needs," he said.

JIB is expanding its employee benefits services in the United Kingdom and Australia as well. However, Mr. Barton explained: "We've taken a different modus operandi in each country due to differing laws and conditions."

Jardine Emmett & Chandler, which reported 1987 revenues of \$95 million, offers brokerage and specialty services from 32 offices. It is the ninth-largest U.S. broker (see profile, page 52).

In the United Kingdom and Europe, JIB is expanding its capabilities in placing specialty coverages.

For example, JIB has recruited brokers with expertise in placing North American non-marine, aviation, contractors all-risk, jewelers

Continued on next page

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Continued from previous page

all-risk and professional liability coverages, Mr. Archer noted.

In addition, following its 1986 acquisition of Leslie & Godwin Underwriting Ltd. from Frank B. Hall & Co. Inc., JIB renamed the unit Jardine (Lloyd's Underwriting Agents) Ltd.

JLUA currently provides 147 million pounds (\$277.8 million) in capacity spread over 226 Lloyd's of London syndicates on behalf of 440 names.

In JIB's Asian operations, the strongest growth occurred in its Hong Kong, Thailand and Taiwan offices. However, economic difficulties in countries such as Malaysia, Singapore, the Philippines and Indonesia slowed growth for JIB's Asian group.

The group completed consolidation activities following its 1986 acquisition of a Singapore-based marine broker. The group also acquired the business of a medium-sized broker in Thailand.

In addition, JIB entered into a joint venture with the Peoples Insurance Co. of China and the Bank of China to expand its insurance brokerage business in China.

JIB's Australian operations acquired the remaining 50% of Jardine Wrightson, a New Zealand brokerage division that was jointly owned by JIB and London-based Stewart Wrightson Group P.L.C.

In addition, the Australian operation expanded its employee benefits brokerage capabilities by purchasing a portion of an employee benefits broker.

In its U.S. and U.K. offices, JIB is developing uniform performance programs for its employees to ensure that quality service is delivered to clients. This will result in more efficient service, reducing expenses, and will limit errors and omissions exposures, Mr. Barton said.

Jardine Emmett & Chandler already has implemented the "Professional Standards and Procedures" program.

JIB has 2,833 employees, a 6.5% decline from 3,029 in 1986.

In addition to Mr. Barton, JIB is headed by Chairman C.G.R. Leach.

The broker has 72 offices worldwide, including offices in the United States, United Kingdom, Ireland, Spain, Italy, Guernsey, Thailand, Indonesia, Singapore, Malaysia, Australia, New Zealand, Hong Kong, Taiwan, Japan and Bermuda.

—By Donna DiBlase

11 worldwide

C.E. Heath P.L.C.

Cuthbert Heath House, 150
Minories, London EC3M 1NR;
01-488-2488

Lloyd's of London broker C.E. Heath P.L.C. is finally turning the corner and looking forward to increased profits, says Chairman and Chief Executive Officer Richard Fielding.

Efforts to consolidate and rebuild the company following its November 1986 merger with Fielding Insurance Holdings Ltd. and a spate of defections among its staff in the second half of 1986 and early 1987 are now complete, Mr. Fielding said.

"The vast majority of our own clients stayed with us (last year) and we managed to obtain a healthy number of new clients. Morale within this building has changed to one of optimism," he said.

However, C.E. Heath's financial results for the year ended March 31, 1988, "reflect the full impact of the business losses which followed from the major defections of senior brokerage personnel from the original Heath operations in 1986, which left (the) company without capability in key areas," said Mr. Fielding in a statement accompanying C.E. Heath's financial results, which were released earlier this month.

Still, C.E. Heath managed to hold on to its position as the world's 11th-largest broker.

Gross revenues for the company, excluding revenues from insurance companies and profits from associated companies, fell 10.1% to 89.1 million pounds in the fiscal year ending March 31, 1988, from 99.1 million pounds the previous year.

However, in dollar terms, gross revenues increased 5.5% to \$168.4 million from \$159.6 million because of the strength of the British pound against the U.S. dollar.

In addition, the results for year ended March 1987 included 15 months of Fielding's results and 12 months of Heath's results (BI, June 22, 1987), while results for the year ended March 1988 only included 12 months of each.

The group's total revenues, including insurance company revenues of 14.4 million pounds and profits from associated companies

of 907,000 pounds, dipped 6.5% to 104.4 million pounds (\$197.3 million) from 111.6 million pounds (\$179.7 million).

Pretax profits, meanwhile, increased 37.9% to 20 million pounds (\$37.8 million) in 1987-88 from 14.5 million pounds (\$23.3 million) in 1986-87.

Provisions set aside from 1987-88 profits for exceptional items like legal costs totaled 2.2 million pounds (\$4.2 million), down from 11.2 million pounds (\$18 million) set aside from 1986-87 profits for bad debts and outstanding litigation.

Although most of C.E. Heath's staff defections occurred in 1986 and were replaced by early 1987, "it takes a long time for the full impact (of lost business) to come through to the accounts and last year provided an artificial buffer," said Mr. Fielding.

In addition, the costs of securing new North American and aviation brokerage teams to replace departures of employees in late 1986 also have affected the results, said Mr. Fielding.

However, "we now have very capable teams in place in all our major divisions and we just need to crank to get more business through the teams at very little additional cost," he added.

The most severe loss caused by staff defections in 1986-87 was the departure of three of C.E. Heath's former North American division directors, including Chairman Nigel Chamberlain, who left in the fall of 1986 to join Stewart Wrightson P.L.C.

All three directors—including Graham Addiscott and Tony Fell—have since helped form a new London brokerage firm, Nicholson Chamberlain & Colls Ltd., following Stewart Wrightson's acquisition by Willis Faber P.L.C. last year (see profile, page 43).

At its worst point last year, C.E. Heath's North American division "was running at a third the rate of its peak," said Mr. Fielding. However, the rebuilding of the division has been completed since the arrival Dick Owles, former chairman of Gallagher Plumer Ltd.'s North American division, as managing director of Heath's North American division in London in January 1987, Mr. Fielding said.

He anticipates the division's revenues will reach at least two-thirds of their former level by the end of this year.

In addition, Heath's aviation

Continued on next page

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Spotlight report

Continued from previous page
business is expected to exceed its former level this year, following the recruitment of a new team of aviation brokers, headed by Michael Hughes, who resigned as chairman of Lloyd's broker Alexander Howden Ltd. in April 1987 to join C.E. Heath (BI, June 22, 1987).

Meanwhile, to further expand its brokerage business, C.E. Heath last fall paid 4.2 million pounds (\$6.9 million at appropriate exchange rate) for an 88% stake in Garlands Holdings Ltd., the holding company of Lloyd's marine broker Martens Horner & Co. Ltd. (BI, Oct. 5, 1987).

The acquisition already has boosted Heath's marine business, "which was going substantially downhill," said Mr. Fielding, adding that the benefits from the acquisition will appear next year.

The acquisition of Martens and other corporate restructuring led

'The vast majority of our own clients stayed with us (last year) and we managed to obtain a healthy number of new clients. Morale within this building has changed to one of optimism,' says C.E. Heath Chairman Richard Fielding.

to about 50 staff cuts earlier this year. However, Mr. Fielding does not anticipate further layoffs.

The brokerage currently employs 2,345 people worldwide, down 3.1% from 2,422 for the year ended March 1987.

"The first phase of the work involved in restoring the group to health has been completed with the Heath and Fielding Insurance Holdings organizations fully integrated and new brokerage teams in place," Mr. Fielding said at the announcement of the broker's results.

"The second phase is to imple-

ment a medium-term strategy which will be aimed at restoring the group to its former levels of profitability," he added.

To achieve this, the broker plans to nurture its brokerage operations while, at the same time, continuing its "efforts on the many non-operational issues facing the group as a result of its past activities."

These include: "a final resolution to the bad debts and litigation issues which continue to hamper the group's progress and take up valuable management time, the runoff of (its) workers compensa-

tion (underwriting) account in Australia and... the group's future capital requirements," according to Mr. Fielding.

"I have decided that the best way to achieve these goals is to create two areas of responsibility and to appoint a senior director with executive responsibility for each," he added.

Director Michael Kier now heads C.E. Heath's brokerage operations, while former Finance Director Peter Presland has been made "responsible for corporate planning and acquisitions and disposals and will coordinate (the) resolution of the bad debts and litigation problems," said Mr. Fielding.

As a result of these moves, Paul Hughes has been promoted to finance director from administration director.

One of the major "litigation problems" facing the company is a lawsuit against its Bermuda-based underwriting subsidiary, Pinnacle

Reinsurance Co. Ltd.

Pinnacle is one of 11 defendants in litigation brought by the liquidators of Mentor Insurance Ltd., who claim that Pinnacle and the other defendants devised a scheme to defraud Mentor, the Ocean Drilling & Exploration Co. subsidiary put into liquidation three years ago (BI, May 25, 1987).

"We have recently received the encouraging news that the U.S. federal court has dismissed the Mentor suit on the grounds that Bermuda, and not Louisiana, is the more appropriate forum for that litigation," said Mr. Fielding (BI, April 25).

However, Mr. Fielding refused to comment further on the case while the "decision is subject to appeal."

Meanwhile, Pinnacle's profits, including interest paid on loans, fell to 7.7 million pounds (\$14.5 million) from 10.4 million pounds (\$16.7 million) the year before. It is the first time in the company's history that profits have declined.

"It is frustrating to see such a fine company suffer as a result of what we consider to be its undeserved involvement in litigation," said Mr. Fielding.

Meanwhile, C.E. Heath recently formed a new venture in Bermuda with Midland Bank P.L.C., called Prospect Insurance Ltd., to provide financial risk management products. Although the products will be similar to those offered by Pinnacle, they will be targeted at multinational companies rather than at the insurance industry (BI, June 13; Dec. 7, 1987).

In Australia, Heath's underwriting subsidiaries doubled profits to 5.2 million pounds (\$9.8 million) from 2.5 million pounds (\$4 million) and now have a "much broader base than before," said Mr. Fielding.

Revenues from Heath's brokerage, computing and underwriting subsidiaries in Australia increased to 20.7 million pounds (\$39.1 million) from 15.3 million pounds (\$24.6 million).

Looking ahead, Mr. Fielding sees no end in the near future to the current downturn in property/casualty insurance rates or the other two adverse factors facing London's large wholesale brokers, namely a weak dollar and low interest rates.

However, the picture is not all bleak for C.E. Heath, said Mr. Fielding, who pointed out the company has other "areas of profit to cushion any temporary lull in the wholesale brokerage operations." These include:

- Peterborough Data Processing Services Ltd. and Peterborough Software in the United Kingdom, Australia and New Zealand, which provide computer services and software to clients. Revenues from Heath's computer services increased to 16.4 million pounds (\$31.1 million) for the year ended March 31, 1988, up from 15.8 million pounds (\$25.4 million) for the year ended March 31, 1987.

- Significant retail brokerage operations in the United Kingdom and Australia.

- Retail brokerage operations throughout the Far East, where C.E. Heath has a joint venture with Dutch broker Hudig-Langeveldt Group.

Meanwhile, Mr. Fielding believes that Heath's growing volume of wholesale brokerage business "can be handled without a proportional increase in expenses and... will continue for the foreseeable future to make a greater and greater contribution to the company's prosperity."

Heath is one of the largest independent brokers in the London market, and "has always had a very wide spectrum of correspondent brokers in the U.S. and in Europe and will continue to do so," said Mr. Fielding.

—By Carolyn Aldred

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01-481-3232

Bain Clarkson Ltd. probably will suffer less than most of its rival London brokers if U.S. commercial property/casualty insurance rates continue to plummet and the pound maintains its strength against the U.S. dollar, Chairman Simon Arnold contends.

The reason Bain Clarkson's chairman is more optimistic than some of his London counterparts is that 80% of his company's business comes from the United Kingdom.

"The fact that our business is predominantly U.K. retail business has protected us from the ravages of the current market situation. If you compare our results in 1987 with other major brokers, we have shown a considerable increase over the previous year," Mr. Arnold said.

Bain Clarkson was formed in April 1987 when Lloyd's of London broker Bain Dawes P.L.C. acquired fellow broker Clarkson Puckle Ltd. The newly merged company, which has about 2,900 employees worldwide, is the world's 12th-largest broker, moving up two steps from the 14th-place position it held last year in the *Business Insurance* rankings.

The broker reported 1987 gross revenues of 79.42 million pounds (\$149.3 million), which includes a full 12 months of results for Bain Dawes but includes only nine months of results for Clarkson Puckle because Clarkson Puckle was acquired in April.

Bain Clarkson Financial Director Jonathan Hagger estimates total gross revenues of 87.6 million pounds for the two companies for a full 12 months ended Dec. 31, 1987. This represents a 9% increase when compared with an estimated 80.3 million pounds in combined gross revenues in 1986.

In dollar terms, that represents a 38.6% growth in the combined broker's gross revenues to \$164.7 million (at year-end exchange rates) in 1987 from \$118.8 million (at year-end 1986 exchange rates).

Pretax profit for 1987 totaled 11.8 million pounds (\$22.3 million). That figure reflects the results of 12 months for Bain Dawes and nine months for Clarkson Puckle, Mr. Hagger said.

Looking back on the merger with a year's worth of hindsight, Mr. Arnold says he believes everything has gone remarkably smoothly.

"The merger has gone very well, if I take the temperature from comments made on the outside. We have achieved a remarkable merger with little fallout of people we wanted to keep. We planned it extremely well as far as people are concerned—it was planned and executed in a military style," he explained.

And, Mr. Arnold predicts that many of the merger's benefits are yet to appear on the company's financial statements.

"Putting two systems of accounting and administration together takes time. The process is still going on, and the full benefits of the merger have not all been felt yet. We are looking at a five-year span," he added.

Although Bain Clarkson "has also suffered from the inevitable downturn in the market coming so shortly after the merger," the fact that both brokers were strong in the U.K. retail sector has kept revenues up, according to Mr. Arnold.

Some 70% of Bain Clarkson's business comes from retail brokerage and, of that, about 80% comes from the United Kingdom, he estimates.

Breaking down the company's U.K. business, 67% of revenues is produced by commercial lines brokerage, 25% by financial services and 8% by personal lines brokerage.

Mr. Arnold has no plans to tamper with Bain Clarkson's strength in Britain, though he is looking for opportunities to broaden the company's services.

"I believe every broker should develop its strengths, and our strength is definitely retail, although we have wholesale specialties such as marine and energy and U.S. property and casualty," he said.

Bain Clarkson plans to develop specialty services along with its core retail business, said Mr. Arnold.

For example, during the last 18 months the company has set up a department of 30 people specializing in London market excess-of-loss reinsurance, and last month Bain Clarkson announced the recruitment of a team of specie and surety brokerage specialists (*BI*, May 16).

"We will expand where we see a specialist niche or where we have a weak link," he said, adding that he currently is looking at reinsurance brokerage "as an area to expand."

Mr. Arnold pointed out that he

'I believe every broker should develop its strengths, and our strength is definitely retail, although we have wholesale specialties such as marine and energy and U.S. property and casualty,' says Chairman Simon Arnold.

believes the "aggressive, independently owned, medium-sized brokers will continue to be a thorn in the side of the megabrokers."

U.S. brokers should pick and choose which London brokers they use based on the type of business they want placed, he contends.

"London market brokers should be used where their expertise is. We have made a niche for ourselves as a main second-line broker," Mr. Arnold said.

Bain Clarkson is wholly owned by the multinational conglomerate Inchcape P.L.C., and Mr. Arnold believes the fact that Bain Clarkson "has a very solid parent (and is) totally independent of any other broker in terms of a financial tie-up" is a great asset.

He denied market rumors circulating earlier this year that Corroon & Black Corp. was planning to acquire Bain Clarkson after the U.S.-based broker sold its share of London broker Minet Holdings P.L.C. to The St. Paul Cos. Inc.

"Inchcape has made it obvious that we are one of their core businesses. Insurance services was (Inchcape's) second-largest producer (in 1987), and they are not likely to sell us," said Mr. Arnold, who was appointed to Inchcape's board of directors last month.

Bain Clarkson is "looking at opportunities to develop a meaningful relationship with a broker in the U.S. to assist in serving our huge U.K. retail clients with business in the U.S.," Mr. Arnold said. However, the company has no plans to dramatically expand its U.S. business.

"Bearing in mind the current state of the market in the U.S., it is not necessarily the most propitious time to be doing anything in a meaningful way" in the U.S. market, Mr. Arnold said.

And, while Bain Clarkson is continuing to keep an eye out across the Atlantic, the broker is gazing more intently across the English Channel to Europe.

Bain Clarkson recently acquired a 50.5% share of a Swedish broker in a joint venture with a subsidiary of Swedish automaker Volvo Corp. The Swedish broker, formerly known as ForsakingaPoolen A.B., will be called Bain Clarkson A.B.

increased 25.6% in dollar terms to \$162.2 million last year (based on year-end 1987 exchange rates) from \$129.1 million in 1986 (based on 1986 year-end exchange rates).

Based on this performance, Hogg Robinson remained the world's 13th-largest insurance broker in the *Business Insurance* rankings.

Hogg Robinson is the parent of Boston-based Republic Hogg Robinson Inc., the 11th-largest U.S. broker (see profile, page 58).

Other changes also have taken place at the company since Hogg "demerged" last summer. For instance, it has vacated 2½ floors of the 4½ floors it occupied at its London headquarters and moved about 250 employees to offices outside London's financial district.

"There's been quite a lot of change," said Anthony Howland Jackson, former managing director of Bain Clarkson Ltd., who joined Hogg on Dec. 1 as deputy chairman and managing director.

"There's no question that demergers are unsettling," said Hogg Chairman James Vaughn. "So we have tried to settle things down. It is now quite clear that we are back in the insurance business."

Mr. Vaughn, who replaced Albert Whewy when he retired last August, is one of the few Americans to head a Lloyd's of London brokerage operation.

Almost a year ago, Hogg Robinson announced that it had broken off merger talks with rival London broker Fenchurch Insurance Holdings Ltd. and would split its insurance brokerage and travel services divisions into two separate companies (*BI*, June 29, 1987).

Under the demerger, Hogg's travel, transport, financial and property services—which include personal lines insurance, pensions and employee benefits services—were transferred to a new holding company that retained the name of Hogg Robinson P.L.C.

Hogg's commercial insurance brokerage activities continued to be owned by Hogg Robinson Group shareholders, though the brokerage's name was changed.

Hogg's move to split the company seems to contradict today's business trend in which companies are building financial conglomerates instead of breaking them up, Mr. Vaughn admits, adding

Continued on next page

barriers between the 12 EC member nations will create "great opportunities for London brokers in Europe," Mr. Arnold predicted.

However, the path into Europe may not be totally clear, he also warned.

"The complications of offering a sophisticated broking service throughout Europe will take time to develop. Traditionally, many continental insurance buyers have placed business directly with the insurers, and no one knows how far insurance broking will be acceptable to continental Europe," he explained.

In addition, Europeans "are far more aware of 1992 and what it means" than the British "who are also sadly lacking because of language difficulties," Mr. Arnold said.

The Far East is another area of potential development pinpointed by Mr. Arnold. Bain Clarkson already has a successful sister company, Inchcape Insurances (H.K.) Ltd., in Hong Kong as well as offices in China and Japan. Inchcape Insurances in Hong Kong is a wholly owned subsidiary of Inchcape but is managed by Bain Clarkson's overseas department and reports directly to Bain Clarkson.

—By Carolyn Aldred

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13 worldwide**Hogg Robinson & Gardner
Mountain P.L.C.**1 Portsoken St., London E1 8DF
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So much has changed at the former Hogg Robinson Group P.L.C. in the last year that about the only thing that looks familiar is the brokerage's glass atrium offices.

Since the world's 13th-largest broker split from its travel services division last July:

- The parent company of the brokerage activities took on the name of its Lloyd's of London brokerage: Hogg Robinson & Gardner Mountain P.L.C.

- The broker has hired a new chairman and managing director.

- The broker's fiscal year, which had ended on March 31, was changed to end on Dec. 31.

Hogg Robinson's gross revenues decreased 1% to 86.3 million pounds in 1987 from 87.2 million pounds in 1986. However, revenues

Spotlight report

Continued from previous page that the demerger was "a very difficult call" for the Hogg board.

However, "the staff is delighted" with the demerger, he said, because now the company has a clear idea that it is in the insurance services business and not in the travel business.

"The (Hogg) retail brokers think that it's the best thing that ever happened," added Mr. Howland Jackson.

At the time of the demerger, stock analysts contended that Hogg was splitting to allow the brokerage division to merge more easily with another brokerage. Today, however, Hogg is not looking for new partners and is content to remain an independent, medium-sized broker, said Mr. Vaughn.

"Our size is not a bad size," he said. "There was quite a lot of talk that the company would be taken

'Unless brokers take (freedom of insurance services) seriously, an enormous opportunity could become a threat' because other brokers will step in and take away business, says Anthony Howland Jackson.

over (last year), but the crash of the stock markets and the problems involved in other mergers in London have made outsiders aware that (brokering) is a fragile business."

Instead, Mr. Vaughn says that Hogg itself is in an acquisition mode.

In the United States, Republic Hogg Robinson is expanding geographically, said Mr. Vaughn. But in London, the emphasis has been on acquiring new people and replacing those who have left the

company, beginning with top management.

Mr. Vaughn, 61, became chairman of Hogg Robinson & Gardner Mountain last August after serving since 1983 as a non-executive director overseeing North American activities.

Living in the United States until he became Hogg's chairman, Mr. Vaughn owned his own brokerage in San Francisco—Vaughn & Blake—until it was sold to Fred S. James & Co. Inc. in 1971. He served as chairman of James between 1975 and 1980.

Mr. Howland Jackson was recruited from Bain Clarkson by Hogg Deputy Chairman Peter Sawdy.

Mr. Howland Jackson's departure from Bain Clarkson "was all arranged amicably. Simon (Arnold, chairman of Bain Clarkson) and I got on well, but Bain Clarkson didn't need two bosses," Mr. Howland Jackson explained.

Other key personnel changes at Hogg include:

- Peter Davidson, former financial director for Clarkson Puckle Ltd. before it merged with Bain Dawes P.L.C., has become Hogg's financial director. He replaces A.R. Alers-Hankey, who left the company.

- Christopher Price, who was Hogg's chief executive, remains a deputy chairman of the company but spends much of his time overseeing Hogg's Australian operations.

- Kit Brownlees was hired as managing director of Hogg's political risk division after 15 people from the division, including directors Jack Barnes and Mark Drummond-Brady, left the company last year to join Lloyd Thompson Ltd. Mr. Brownlees was director of the political and financial division of Stewart Wrightson Holdings P.L.C. before it was acquired by Willis Faber P.L.C.

Mr. Howland Jackson said that except for Mr. Brownlees, none of the 15 people have been replaced because the political risk insurance market has shrunk and there isn't a need for a bigger team.

- Anthony Durant, formerly a regional director at Stewart Wrightson, has become managing director of Hogg Robinson's financial services division.

- Christopher Bowen, formerly a director at Lloyd's broker Dewey Warren & Co. Ltd., has been appointed managing director of overseas non-marine brokerage division.

In addition, two new directors were named to the board of HRGM Insurance Brokers Ltd., the company's main Lloyd's brokerage operation: Rasik Patel, who oversees Africa and Indian operations, and Robert Neulaender, who oversees Latin America and Spanish-speaking countries. Messrs. Patel and Neulaender had been directors of Bain Clarkson's international division.

Despite the management additions, Hogg reduced its total employee count 3.3% to 2,373 at Dec. 31, 1987, from 2,455 at March 31, 1987.

Although Hogg continues to be a strong player in U.S. and foreign retail brokerage—particularly in placing credit insurance, for which it is the largest broker in London, and "mass market" coverages such as extended warranty insurance—certain areas of its operations need to be strengthened, admitted Mr. Vaughn.

He singled out Hogg's London wholesale operations as an area needing improvement.

Also, Hogg needs to make better use of its international network of brokers, Mr. Vaughn added.

In particular, Hogg must push harder into the continental European market to be prepared for the removal of insurance trade barriers in 1992, said Mr. Howland Jackson (*BI*, May 16).

"Unless brokers take (freedom of insurance services) seriously, an enormous opportunity could become a threat" because other brokers will step in and take away business, he said.

Besides its full-year 1987 results, Hogg also released nine-month data that includes only those periods following its 1986-87 fiscal year, which ended March 31, 1987. During the last nine months of 1987, Hogg reported revenues of 70.9 million pounds (\$133.3 million) and pretax profits of 2.5 million pounds (\$4.7 million).

Hogg's full-year 1987 revenues include 6.4 million pounds (\$12 million) in investment income, up a scant 1.6% from 6.3 million pounds (\$9.3 million) in 1986.

A little more than 75%, or 65.1 million pounds (\$122.4 million), of the company's full-year 1987 gross revenues were produced by brokerage services, and more than half of that amount was generated by North American business.

Republic Hogg Robinson's revenues rose 20.3% to \$57.8 million in 1987 from \$48 million in 1986, while Hogg's U.K. retail brokerage revenues increased 12% and its U.K. wholesale brokerage revenues decreased 11%, Mr. Vaughn said.

"Every broker is suffering in London wholesale business from the soft market because more business is staying in the U.S. and this will get worse before it gets better," said Mr. Howland Jackson.

Operating profits dropped 17.7% to 9.3 million pounds (\$17.5 million) for all of 1987 from 11.3 million pounds (\$16.7 million) in 1986, while pretax profits increased slightly to 12 million pounds (\$22.6 million) from 11.7 million pounds (\$17.3 million) in 1986.

After subtracting taxes and extraordinary items, Hogg's profit to shareholders dropped 38.8% to 4.9 million pounds (\$9.2 million) from 8 million pounds (\$11.8 million) in 1986.

An extraordinary charge of 2.6 million pounds (\$4.9 million), which was lowered to 900,000 pounds (\$1.7 million) following extraordinary tax recoveries, is primarily attributed to demerger expenses, litigation costs and costs of aborted mergers.

In addition, contingent liabilities totaling 1.1 million pounds (\$2.1 million) are noted in the accounts. They include amounts reserved in light of litigation with N.V. Rotterdamse Assurantiekas and certain insurance companies in London and overseas.

The litigation stems from treaty reinsurance placed by HRGM Reinsurance & Non-Marine Ltd. between 1976 and 1982. Retrocessionaires allege that reinsurance ceded to them by Rotterdamse through HRGM is not binding because HRGM illegally acted as Rotterdamse's underwriter in violation of British insurance laws. The retrocessionaires also allege that Hogg made misrepresentations to deceive them.

Rotterdamse is suing Hogg for negligence, breach of contract and breach of duty for sums that have as yet to be determined.

However, Hogg's directors are "confident in the light of legal advice received that there are good grounds for resisting the claims of illegality and misrepresentation and that the allegation to deceive is without foundation," said the report.

—By Stacy Shapiro

15 worldwide

Faugere & Jutheau S.A.

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75008 Paris, France;
4-267-1500

Faugere & Jutheau S.A. France's largest broker, has reached a plateau after growing in step with the nation's industries, according to Chairman and Chief Executive Officer Robert Husson.

Gross revenues last year remained almost steady at 586 million French francs, up just 1.2% from 578.8 million French francs in 1986. In U.S. dollar terms, however, revenues jumped 28.2% to \$111.3 million from \$86.8 million in 1986.

That increase helped boost Faugere & Jutheau, which is two-thirds owned by descendants of the brokerage's founder and one-third owned by Marsh & McLennan Cos. Inc., to the No. 15 spot in the *Business Insurance* rankings of the world's largest brokers, up from No. 17 in 1986.

Part of the reason for the lack of growth in terms of francs is the combination of the softening commercial property/casualty insurance market and a general downturn in the French economy, said Mr. Husson.

"The general economic situation is such that everyone is tightening the screw and keeping a very close eye on insurance expenses," he said, adding that Faugere & Jutheau clients are retaining more risk.

Another reason is the falling exchange rate between the U.S. dollar and the French franc. Forty percent of Faugere & Jutheau's revenues are produced from outside of France, and at least 20% of its business is conducted in U.S. dollars, according to Mr. Husson.

As a result, the decline in the U.S. dollar has had "quite a substantial impact" on revenues, he said.

Meanwhile, Faugere & Jutheau's rapid growth in some of its specialized fields also has diminished.

Faugere & Jutheau is the broker for companies in many of France's high-technology industries. However, several of these industries are now mature and no longer expanding as rapidly, which has stalled the brokerage's revenue growth.

"When France was rebuilding its economy after the war together with the rest of Europe, Faugere & Jutheau was actively engaged in placing risks for new businesses, thanks to our dynamic image," said Mr. Husson.

However, those "30 glorious years (of expansion) are now behind us," he added.

For example, Faugere & Jutheau is the leading broker for placing risks related to France's nuclear power industry, like the Eurodif nuclear fuel enrichment plant and the Cogema nuclear waste treatment plant.

However, a near-standstill in France's major nuclear power plant building program has stalled that segment of the brokerage's business, Mr. Husson said.

Similarly, many of Faugere & Jutheau's clients involved in the offshore energy industry are now trapped in a period of slow—if any—growth.

"Investment in offshore business has slowed down a lot worldwide. Indeed, some of our contractor clients have even gone into bankruptcy as a result of the decline in offshore oil and gas exploration," said Mr. Husson.

In the aviation sector, where Faugere & Jutheau is one of France's leading brokers, "rates plummeted in 1987 and the market

Continued on next page

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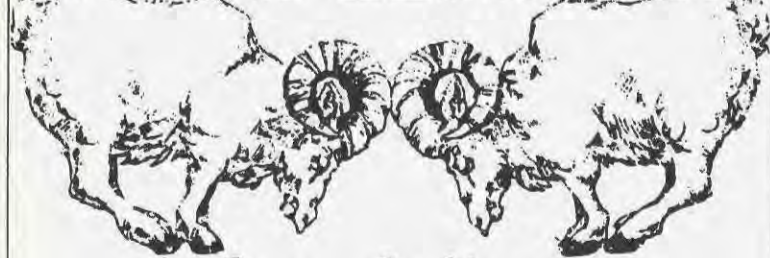


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Continued from previous page
s still softening," said Mohammed Dhabi, head of Faugere & Jutheau's aerospace and aviation division.

However, Mr. Dhabi is more optimistic about developments in the aerospace industry, where Faugere & Jutheau is ranked among the world's foremost brokers.

Although the broker's aerospace brokerage revenues have dropped in the last two years because of setbacks in both the U.S. and European space programs, Faugere & Jutheau has reinforced its aerospace brokerage team in anticipation of future satellite launches, according to Mr. Dhabi.

"Between now and July 1989, Arianspace (the European space agency) expects to launch more than 12 satellites and at least 30% of those will be insured through Faugere & Jutheau and our partners in the U.S.," said Mr. Dhabi.

Meanwhile, 316 of Faugere & Jutheau's 1,323 employees—up 2.1% from 1,296 in 1986—are based in Africa, where the general economic situation is hurting brokerage revenues, said Mr. Husson.

For example, in African countries with oil-based economies like Cameroon and Gabon, Faugere & Jutheau has suffered a

"substantial reduction in revenues," he said.

However, the reduction in overall brokerage revenues generated in Africa also is providing Faugere & Jutheau with an opportunity to expand, Mr. Husson noted.

"We are in a much better position than some of the brokers, which have small operations locally, to face the downturn in the economy because of our historic position in many countries. So we are expanding our African base by acquiring brokers" whose positions have been weakened by the market slowdown, said Mr. Husson.

For example, Faugere & Jutheau in April bought 50% of Aceca, a brokerage in Morocco, and opened an office in Senegal.

Faugere & Jutheau also is looking to television and radio industries to increase revenues, Mr. Dhabi said.

As a result of the recent privatization of France's television networks, there is an increasing demand for new insurance products that should "produce substantial income in 1989," said Mr. Dhabi.

Meanwhile, the broker is continuing to develop its employee benefits department—William M. Mercer Faugere & Jutheau, a joint venture with M&M.

"We have hired more actuaries and rein-

forced our staff in employee benefits consulting, which we certainly plan to develop," said Mr. Husson.

Mr. Husson is more cautious about the future growth of captives among French parents, describing the recent trend for French companies to establish captive insurers as only "temporary."

"A lot of people are speaking about captives. We are aware of that. We have a feeling that quite often insurance people speak of captives but don't actually use them. So, there is more noise than there should be," he explained.

Another area on which Faugere & Jutheau is focusing is personal lines business.

Until recently, virtually all the personal lines business handled by the broker was generated through its corporate clients.

Now, "we are taking positive action to develop new clients. We are even planning to reorganize how we handle our personal lines business by taking a more positive attitude in bringing the business in," said Mr. Husson, adding that each Faugere & Jutheau branch is being looked at separately to "try to improve its efficiency."

Currently, most personal lines insurance in France is placed through agents or directly

with insurers.

Personal lines is "a field we must develop and improve," said Mr. Husson.

Another area in which Mr. Husson sees potential is the planned removal of insurance trade barriers among European Community countries by 1992, which will allow cross-border insurance placements (BI, May 16).

Members of M&M's brokerage network, including Faugere & Jutheau, currently are examining "ways to reinforce the cohesion" of the network in Europe in preparation for the EC's freedom of trade directive, said Mr. Husson.

Meanwhile, because Faugere & Jutheau is a member of "a very strong network, we don't see the necessity of a direct and independent move into other countries" in which M&M network members are based, he said.

For example, Mr. Husson sees little point in setting up a branch of Faugere & Jutheau in West Germany when "we have a very good relationship with Gradmann & Holler," M&M's Munich correspondent.

"I believe in the necessity of a local service. We prefer to be partners with a local broker who knows the market, the clients and has a local presence," he said.

—By Carolyn Aldred

16 worldwide
Jauch & Hubener

Ruhr 1, Obere Saarlandstrasse 2,
D4330 Mulheim, The Federal
Republic of Germany; 49-208-3071

The slowdown of the West German economy is one of the greatest threats to the country and Jauch & Hubener, its largest insurance brokerage, warns one of the brokerage's partners.

"Where Germany stands currently, (industry) is not getting as rich as quickly as it used to be," said Christian Dahms. Germany is "not doing as well economically as we used to."

The slower growth could affect Jauch & Hubener's clients and, therefore, new brokerage business.

For example, a jointly owned subsidiary of a West German and U.S. company that has decided to invest in new ventures in Europe will not consider West Germany because of the state of the economy, Mr. Dahms said he was told during a recent trip to the United States.

Other economic changes in Germany may directly hurt Jauch & Hubener, Mr. Dahms pointed out.

In the last year, Jauch & Hubener by law had to reduce the workweek of its West German employees to 38 hours and 45 minutes, including lunch, from 40 hours including lunch. And, all employees must receive six weeks of vacation time.

As a result, the company may have to hire more employees, although so far the lost time has not warranted this action, he added.

Jauch & Hubener employs 750 people.

Despite the slump in the West German economy, Jauch & Hubener increased its revenues last year by 5%, said Mr. Dahms. Based on this percentage increase, *Business Insurance* estimates that the company's 1987 revenues totaled 165.9 million deutsche marks, up from 158 million deutsche marks the year before.

But, because of the continuing strength of the German deutsche mark against the U.S. dollar, revenues jumped 29.2% in dollar terms to \$106.2 million from \$82.2 million in 1986, pushing Jauch & Hubener up two places to be *Business Insurance's* 16th-largest world broker.

As a privately owned partnership, the company will not reveal its financial results.

Mr. Dahms attributed last year's growth to the addition of both commercial retail and reinsurance

brokerage clients.

The company, whose largest office is in Mulheim just outside Dusseldorf, considers itself to be the largest commercial retail insurance broker in West Germany, said Mr. Dahms.

The brokerage has offices in Munich, Frankfurt, Hamburg and Berlin, West Germany; in Austria; in Switzerland; in the United States; in Venezuela; and a co-venture in Brazil with U.S. broker Johnson & Higgins.

This year, Jauch & Hubener will open an office in Stuttgart, West Germany, with 10 staff members. The company also plans to open two other offices in West Germany.

Jauch & Hubener specializes in brokering international, excess liability, contractors all-risks and machinery breakdown coverages for corporations, although it also places property and business interruption risks, marine hull and cargo and other liability coverages.

Jauch & Hubener also is increasing the amount of global corporate employee benefit programs, particularly pension funds, it handles for West Germans.

The brokerage's employee benefits division is modifying its clients' programs in response to tax law changes affecting employee benefits in foreign countries—including the United States.

This is an area that "needs a lot of attention," said Mr. Dahms.

"Employee benefits is becoming more and more important for German companies internationally as more and more employees move outside Germany," said Mr. Dahms.

And, he noted, there also is more activity in employee benefits in the German subsidiaries of U.S. companies.

Jauch & Hubener also ranks as one of the largest reinsurance brokers in continental Europe.

Roughly one-third of the company's business is derived from placing reinsurance for clients, about half of which are West German insurers.

Only about 6% of the company's revenues are in U.S. dollars, although Jauch & Hubener still has 110 German clients in the United States.

Clients in the United States are serviced by Johnson & Higgins, assisted by a Jauch & Hubener representative in J&H's New York office.

Jauch & Hubener, which was formed by Walter Jauch and Otto Hubener in 1919, remains a private partnership managed by six partners.

Jauch & Hubener is the third-largest partner in UNISON, a worldwide network of retail brokers whose largest members are Johnson & Higgins and Willis

Faber P.L.C. UNISON business accounts for 7% of Jauch & Hubener's revenues, up from 5% last year.

Earlier this month, Jauch & Hubener hosted the annual UNISON meeting in Baden-Baden, West Germany, where the main topic of discussion was UNISON's strategy for Europe when economic trade barriers are finally dismantled in 1992.

For brokers and insurance companies, barriers may come down by 1990—the effective date for a proposed non-life insurance directive to allow risk managers at companies in Common Market nations to buy coverage from insurers in other EC nations for the first time without violating many national restrictions (BI, June 13; May 16; Dec. 28, 1987).

"UNISON members came to the conclusion at the meeting "that in order to adjust to 1992 and gain the benefits from it, UNISON must do something," said Mr. Dahms.

The UNISON members discussed merging into one, giant European brokerage company, but that is not feasible for at least 10 or 15 years, he said.

Instead, UNISON members have decided to build up UNISON'S Belgian affiliate, UNISON S.A. in Brussels, so that it can place business across borders for the UNISON network members, said Mr. Dahms.

A UNISON S.A. committee will meet in London in July to hammer out a detailed plan for the company's staffing and budget needs, which will be presented to UNISON members in September and implemented by Jan. 1, 1989, said Mr. Dahms.

UNISON S.A. should become the vehicle that UNISON members can use to place business across borders without offending UNISON'S European members, noted Mr. Dahms.

Meanwhile, to prepare for 1992, Jauch & Hubener also is hiring multilingual employees and consciously marketing its reinsurance services to insurance companies in Europe, such as Assicurazioni Generali in Italy and Union Assurance de Paris in France, said Mr. Dahms.

"Before now, we would have marketed to a lesser degree and not consciously" to non-German ceding companies, Mr. Dahms said. "We want these markets to get to know us."

Jauch & Hubener also sees opportunity in West Germany following a 1987 European Court of Justice decision to force the West German insurance industry to abolish its tariff rating for property and business interruption insurance.

The court ruled that the associa-

tion of property insurers called Verband der Sachversicherer e.V. must abolish its cartel-like rating that the group used on "giant risks"—those exceeding 1 billion deutsche marks (\$640 million at year-end 1987 exchange rate).

The association is considering making a list of "recommended" rates, on top of which brokers would tack on additional charges, such as commissions, Mr. Dahms said.

If the association's recommendations are enacted, insurers and brokers will begin offering com-

petitive prices based on the companies' costs, he predicted. This would mean that Germany's captive brokers, which are owned by major corporations and control much of the corporate insurance placements in Germany, also would have to set their own rates, he said.

"The broker commissions will be negotiated" for the first time, said Mr. Dahms. "So captive brokers will become part of the competitive game. . . . And we will see fewer new captive brokers."

—By Stacy Shapiro

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Hudig-Langeveldt Group bv

61, Wijnhaven, 3011 WJ Rotterdam, P.O. Box 1186, 3000 BD Rotterdam The Netherlands; 010-464-8911

Hudig-Langeveldt Group bv is continuing to expand its brokerage facilities throughout Europe, including West Germany and Spain, while divesting its non-brokerage activities, says Chairman and Chief Executive Officer J.G.A. ten Bokkel.

"We plan to become one of the strongest brokers throughout Europe," commented Mr. ten Bokkel.

The Dutch brokerage took two steps forward last year when it jumped to 17th place in *Business Insurance's* ranking of the world's 20 largest brokerages.

Hudig's gross revenues grew only 3.6% to 155.3 million guilders in 1987 from 150.7 million guilders in 1986. But in U.S. dollar terms, on which the *BI* rankings are based, Hudig's gross revenues increased 25.5% to \$87 million from \$69.3 million in 1986.

Including revenues from group and related companies of 4.1 million guilders (\$2.3 million), Hudig's overall 1987 revenues were 159.4 million guilders (\$89.3 million), up 2.1% from 156 million guilders (\$71.8 million) in 1986.

The company currently is in the midst of a major "rationalization program," designed to streamline its operations to allow it to concentrate on insurance brokerage, Mr. ten Bokkel explained.

For example, in 1986 the group reduced its activities in computer, banking and other non-brokerage services, including selling its stake in Hong Kong-based reinsurance company Asian Area Re Ltd. to its longstanding brokerage partner in the Far East, Lloyd's of London broker C.E. Heath P.L.C.

In 1987, Hudig hired private contractors to perform several of-

fice support services such as in-house printing, catering and cleaning, rather than perform the work in-house. This has led to "savings in money and in management attention," according to the company's recently published annual report.

"We are slimming down our organization and confining ourselves to employing good insurance people," Mr. ten Bokkel pointed out.

The company also plans to move in October into a new office building on the outskirts of Rotterdam. Hudig's Rotterdam-based staff currently is located in four separate buildings, so the new building—wired for the most modern technology—will increase efficiency substantially, according to Mr. ten Bokkel.

Along with shedding its non-brokerage activities, the Dutch company also is embarking on an ambitious brokerage expansion program, both domestically and overseas.

Within the Netherlands, Hudig-Langeveldt is continuing its "regionalization process," acquiring local brokers located throughout the nation.

During the last 18 months, the company has acquired several operations in the Netherlands, including:

- Broker Pierson Assurantien bv with offices in The Hague and Amsterdam (*BI*, June 22, 1987).

- Penners & Schoenmakers bv, a commercial lines broker based in Tilburg.

- Merwestad bv, an inland marine insurance broker based in Dordrecht.

- The remaining 30% shareholding in Rotterdam-based Investment & Credit Insurance Consultants from London broker Hogg Robinson & Gardner Mountain P.L.C.

"Regionalization in the Netherlands will give us facilities closer to our clients in order to provide better service," said Mr. ten Bokkel.

The company also has been on the acquisition trail outside the Netherlands.

Hudig's existing offices in France, Belgium, Spain, and West Germany are 'a very important part of our organization. We would like to be a good broker in Europe for large Dutch multinationals and for local companies,' says Mr. ten Bokkel.

In September, Hudig-Langeveldt acquired the remaining 50% in Spanish associate company Nespa S.A., based in Madrid. Hudig currently has four offices in Spain in Madrid, Barcelona, Bilbao and San Sebastian.

"It is much easier to expand an operation when you own 100% of it," explained Mr. ten Bokkel.

Mr. ten Bokkel believes there is great potential for brokers to develop business in Spain because, until recently, most insurance in Spain had been placed directly through insurers rather than through brokers. This same movement toward brokers has been evident in other countries throughout Europe.

In January 1988, Hudig-Langeveldt's wholly owned West German subsidiary, Hudig-Langeveldt GmbH in Hamburg, acquired a majority share in a joint venture with H. Stanner GmbH & Co., a Munich, West Germany, insurance broker, "giving us a good foothold for acquisitions in the prosperous south" of West Germany, he said.

Hudig-Langeveldt now has five offices in West Germany: Hamburg, Dusseldorf, Frankfurt, Beckum and Munich.

The company is specifically concentrating on European expansion in preparation for the planned opening of insurance barriers in 1992 among the 12 member countries of the European Community, explained Mr. ten Bokkel (*BI*, May 16).

"This greater freedom provides many opportunities for brokers operating internationally," said Mr. ten Bokkel.

As a result, Hudig's existing offices in France, Belgium, Spain, and West Germany are "a very im-

portant part of our organization. We would like to be a good broker in Europe for large Dutch multinationals and for local companies," he said.

While Hudig plans to continue expanding its own European network, it is also a correspondent of New York-based Marsh & McLennan Cos. Inc., Mr. ten Bokkel pointed out.

"We already had an international network when Marsh & McLennan bought a shareholding (in Hudig) and it is logical to carry on building that chain," he explained.

M&M, the world's largest insurance broker, holds a 30% stake in Hudig.

In Italy, Hudig operates under a cooperative agreement with Marsh & McLennan Italia & Co. SpA, with offices in Milan, Rome, Brescia and Padua.

Meanwhile, Hudig's shareholding structure changed dramatically last month when Dutch venture capital group Nederlandse Participatie Maatschappij acquired a 20% stake in the company.

The group, which is owned by many Dutch banks and insurance companies, bought the shares from private shareholders, including family members of Hudig's founders.

As a result, Hudig's principal shareholders are now Marsh & McLennan, with its 30% stake; the Amsterdam & Rotterdam Bank (Amro), with a 20% stake; and Nederlandse Participatie, with a 20% stake.

The remaining 30% is owned by private individuals, including family members and the company's management.

The change in the ownership

structure will increase Hudig's independence and stability, Mr. ten Bokkel believes.

The company also is restructuring its management to increase efficiency.

"Since December 1987, the company has been managed by a group (of senior executives) representing the various sides of the brokerage division, the underwriting division and group interests. We expect to be able to coordinate the strategy of the group units better," Mr. ten Bokkel explains in the company's annual report.

Hudig's main operating divisions in the Netherlands are:

- Hudig-Langeveldt insurance brokers.

- Investment & Credit Insurance Consultants.

- Algemeen Pensioenbureau Hudig-Langeveldt, a pension and life insurance consultant.

- Hudig-Langeveldt Reinsurance, a reinsurance brokering unit.

- Underwriting agency Tollenaar & Wegener, a subsidiary that brokers insurance and handles claims on behalf of several Dutch and other insurance companies.

- Interloyd Insurance Co. nv., an insurance company whose results are not consolidated with Hudig's.

- Lloyd's agent Alfred Schroder and De Vos & Zoon, a marine claims agent for insurance companies outside the Netherlands.

- Computer Service Holland bv, an electronic data processing service company.

In addition, Hudig is continuing its expansion in the Far East. In a joint venture with C.E. Heath, Hudig recently opened an office in Taipei, Taiwan.

Other Far Eastern offices owned by the partnership include:

- Hudig-Langeveldt-Kyoritsu Ltd. in Tokyo.

- HHL (Holdings) Ltd., a Hong Kong-based company.

- Heath Hudig Langeveldt Pte Ltd. in Singapore.

- Heath Hudig Langeveldt (Thailand) Ltd. in Bangkok, Thailand.

—By Carolyn Aldred

18 worldwide

Gras Savoye S.A.

115-123 Ave. Charles de Gaulle Neuilly-sur-Seine Paris, France; 4-738-7215

Gras Savoye S.A., France's second-largest commercial insurance broker, enters *Business Insurance's* ranking of the world's Top 20 brokers for the first time, due partly to the strength of the French franc against the U.S. dollar.

Gras Savoye produced modest growth of 6.9% last year with estimated gross revenues of 432 million French francs, up from 404.3 million French francs in 1986.

However, in dollar terms, its brokerage revenues jumped more than 35% to \$82.08 million—just \$20,000 ahead of 19th-ranked Sodarcan Inc. of Montreal—from \$60.6 million in 1986.

However, Gras Savoye's ranking as the world's 18th-largest broker is not merely an exchange-rate anomaly.

Gras Savoye is one of continental Europe's most established brokerages. It also is one of the fastest-growing, brokering insurance for more than 5,000 companies and 150,000 individuals.

The company was established just over 80 years ago and is privately owned by four families that are the direct descendants of the company's French founders.

Indeed, many members of the founders' families are still employed among Gras Savoye's 1,113

staff worldwide, including President Patrick Lucas, who points out that the company has no plans to go public.

Mr. Lucas believes one of the reasons for Gras Savoye's continuing success is its policy of regionalization—taking the company to the client. Although based in the Parisian suburb of Neuilly-sur-Seine, Gras Savoye has 15 offices throughout France.

"We are the only broker with offices throughout France, and we plan to continue and expand" the network, said Mr. Lucas.

In the last few months, Gras Savoye has acquired a small broker in Clermont-Ferrand in central France, as well as a broker in Lyons that will be merged with Gras Savoye's Lyons office.

At least five more regional offices will be opened in the next year, Mr. Lucas predicted, adding that most of Gras Savoye's expansion has been through internal growth rather than through acquisition.

The company also has 13 overseas subsidiaries, employing 167 people.

About 12%, or 51.8 million francs (\$9.8 million), of Gras Savoye's revenues come from overseas subsidiaries, generated both by subsidiaries of the company's French clients and from local businesses abroad, Mr. Lucas estimated.

Gras Savoye has a strong presence in French-speaking Africa, with offices in Cameroon, Ivory Coast, Togo, Gabon, Morocco, Senegal and Libya. Other offices are located in Spain, Belgium, Hong Kong and Iran. And, more recently, Gras Savoye has opened offices in

'We are the only broker with offices throughout France,' says President Patrick Lucas.

Luxembourg and Singapore.

At home, the company is recognized as a leader in several specialized risk areas. In particular, Mr. Lucas pointed out that Gras Savoye is noted for its specialist knowledge of:

- Banking risks. Gras Savoye's banking department, under Frederic Mangin, handles the risks of more than 160 French and overseas-based financial institutions. The broker's banking clients include the Banque Nationale de Paris and Credit Lyonnais.

- Fine art and antique insurance. Gras Savoye provides risk analysis and brokers coverage for museums, exhibitions and fine art throughout the world, according to Mr. Lucas. Musees Nationaux, France's national museum association, is one of the broker's clients.

- Construction and contracting risks. The broker handles insurance for major French construction companies throughout the world. In particular, Gras Savoye places coverage for contractors' "decennial" liability. "Decennial" liability coverage is a standard French line of insurance covering French contractors who are legally bound for any faults discovered in a construction for up to 10 years after its completion.

Other major clients listed by Gras Savoye include chemical companies Atochem and Rhone-Poulenc; oil companies Shell Oil Co., Mobil Corp. and Elf Aquitaine; the French Ministry of the Environment; Eurotunnel; and Eurodisneyland.

Two particular areas of future expansion pinpointed by Mr. Lucas are personal lines insurance, which currently generates 15%, or 64.5 million francs (\$12.1 million), of Gras Savoye's revenues, and employee benefits.

In addition, Gras Savoye is one of the only French brokers providing specialist risk management and loss prevention services to France's growing number of sophisticated risk managers, Mr. Lucas said.

For example, several years ago Gras Savoye expanded its loss prevention department into a separate subsidiary, called the Societe D'Assistance a la Gestion des Risques, or Sageri.

The services Sageri offers include insurance audits; risk analysis; security information; fire prevention installations, such as sprinkler systems; machinery and clothing protection; and captive feasibility studies.

Currently, Sageri is unique in France, said Mr. Lucas.

In recent years there has been a rapid "growth in risk management with an increasing number of risk managers in French companies," said Mr. Lucas. "It is logical for big companies with big insurance budgets to realize their first priority should be to reduce potential losses," he added.

An example of France's increased awareness of risk manage-

ment is the growth in the number of companies contemplating captive insurers, Mr. Lucas said.

Gras Savoye, together with other members of the UNISON worldwide brokerage network like Johnson & Higgins and Willis Faber P.L.C., recently established a captive management company in Brussels, Belgium, called Uniser-vice Management.

"More than five major French companies have set up captives in the last year and I believe that growth rate will continue," said Mr. Lucas.

Gras Savoye has been a charter member of UNISON since it was formed in 1982. Members of the network "meet regularly to compare notes in an effort to provide similar services to clients throughout the world," said Mr. Lucas.

For example, Gras Savoye this month will host a delegation of UNISON members meeting to discuss employee benefits.

With UNISON members in each member country of the European Community, the network is already well-established for 1992, when insurance trade barriers fall among the EC nations (*BI*, May 16).

However, Mr. Lucas does not believe the recently approved EC directive removing trade barriers for large commercial insurance risks will greatly affect the French insurance market.

"Competition in France is already very (fierce) with most of the major insurance companies established here. French risk managers are hard bargainers and big commercial risks are already priced very low," he said.

—By Carolyn Aldred

19 worldwide

Sodarcan Inc.

1140 de Maisonneuve Blvd. W.
Suite 701, Montreal, Quebec H3A
1M8; 514-288-0100.

The commercial property/casualty insurance price war that has riddled brokerages in the United States has crossed the northern border and is pounding Sodarcan Inc.

Now more than a year old, the price war among Canadian insurers shelled the Montreal-based corporation's profits during 1987 and continues its attack into 1988.

"I don't see any sign of it terminating shortly," says Mario Myre, president and chief executive officer of Dale-Parizeau Inc., Sodarcan's brokerage arm.

However, Sodarcan's management is fighting the effects of the highly competitive marketplace by embarking on a strict program of cost-cutting and slowing its acquisition pace.

Last year, Sodarcan's gross revenues related to its brokerage sector rose 17.6% to \$105.2 million Canadian (\$82.06 million) from \$89.4 million Canadian (\$64.4 million) in 1986. That figure includes \$7.7 million Canadian (\$6.0 million) in investment income from underwriting operations, but excludes net earned premiums from the insurance business.

Despite the battering by the market, Sodarcan rejoined *Business Insurance's* ranking of the world's 20 largest brokers, placing 19th, just \$20,000 behind 18th-place Gras Savoye of France.

Brokerage revenues alone grew 18.7% to \$97.5 million Canadian (\$76.1 million) last year, up from \$82.1 million Canadian (\$59.1 million) in 1986. The \$7.7 million in 1987 investment income last year is a 5.5% increase from \$7.3 million Canadian (\$5.3 million) the previ-

ous year.

But despite the revenue increase, Sodarcan's brokerage sector experienced a net loss of \$1.9 million Canadian (\$1.5 million) last year, compared with net income of \$1.95 million Canadian (\$1.4 million) in 1986.

The competitive market conditions came at a bad time for Sodarcan, explained President Robert Parizeau.

"It started about a year sooner than we could have predicted," he noted, and it came at a time when Dale-Parizeau had made substantial investments in computerization and personnel.

"Frankly, we did not anticipate that the rate war would come so soon and so strong," said Mr. Parizeau. "And, really, it did bite very severely."

As a result, the performance of Dale-Parizeau helped drag down profits for Sodarcan as a whole in 1987, Mr. Parizeau pointed out.

Overall, including underwriting operations, Sodarcan's gross revenues grew 12% to \$131 million Canadian (\$100.8 million) last year, from \$117.1 million Canadian (\$102.2 million) in 1986.

The corporation's net income, however, shrank 86% to \$515,000 Canadian (\$401,700) from \$3.7 million Canadian (\$2.7 million) the year before.

Sodarcan, which made its first public offering in December 1986, saw earnings per share fall to 3 cents Canadian. In 1986, as a "semi-public" company, Sodarcan's earnings per share were 42 cents Canadian. Until the public offering in December 1986, shares of the corporation were held only by employees and certain financial institutions.

As of June 9, Sodarcan stock was trading at \$3.30 Canadian (\$2.71) per share, down from \$5.88 Canadian (\$4.39) last June.

The sluggishness of 1987 contin-

ued into the first quarter of 1988 for Sodarcan, with overall revenues up only 8.5% to \$21.7 million Canadian (\$16.9 million at March 31 exchange rates), from \$20 million Canadian (\$14.4 million) the previous year.

In the first quarter of 1988, Sodarcan posted a net loss of \$745,000 Canadian (\$618,350) after showing a \$694,000 Canadian (\$541,320 at March 31, 1987, exchange rate) profit for the corresponding period in 1987.

In an effort to reduce the profit drain, Sodarcan has turned to a vigorous program of cost-cutting.

"We have put in a very severe control over expenses" in an effort to save \$5 million to \$6 million this year, said Mr. Myre. "We hope to have a definite impact with that restriction program in 1988."

Personnel cuts are expected to generate from \$1.5 million Canadian (\$1.2 million) to \$1.75 million Canadian (\$1.4 million) in savings.

Other areas where expenses will be restricted include public relations and travel.

Mr. Myre said he hopes the cuts will enable Dale-Parizeau to show "a small profit" in 1988.

In addition, Sodarcan is slowing the pace of its acquisitions. Last year, the corporation completed 15 acquisitions, most of those within the brokerage sector.

Although there is no moratorium on acquisitions, Mr. Myre said "there is a certain quiet on the acquisition side" during the period of cost cutting.

Mr. Myre said the purchase of Benoit & Borg Insurance Agencies Inc. of Toronto was one of Sodarcan's most important acquisitions of 1987. The firm specializes in direct-mail marketing and sale of insurance and financial services through agreements with Canadian insurers, banks and other companies.

Continued on next page

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Spotlight report

Continued from previous page

The purchase of Marine Underwriters of Canada Ltd. in Montreal was another important acquisition last year, said Mr. Myre, pointing out that the marine insurer generated about \$6 million Canadian (\$4.7 million) during 1987.

Sodarcan's direct brokerage operations accounted for 60%, or \$58.5 million Canadian (\$45.6 million), of the \$97.5 million Canadian brokerage sector revenues last year.

Reinsurance brokerage was responsible for 15% of that figure; data processing and other specialized services contributed 15%; and actuarial and consulting services generated 10%.

While Sodarcan's insurance brokerage business turned in a dismal 1987, the reinsurance brokerage side showed much better results.

The reinsurance brokerage operation has changed its name to B E P International from le Blanc Eldridge Parizeau, and the newly christened operation contributed revenues of about

\$14.6 million Canadian (\$11.4 million) in 1987, up 11.5% from \$13.1 million Canadian (\$9.4 million) in revenues.

"We are as healthy or healthier than we've ever been," said Raymond Gilbert, president and chief operating officer of B E P International.

Mr. Gilbert noted that B E P International's "client base since 1986 is actually up 20%. . . We're actually writing more business today than we have in the past."

The company's new name reflects its intention to be recognized as a North American broker and not just a Canadian company, Mr. Gilbert remarked. He said B E P International hopes to acquire a small reinsurance brokerage in the United States by year-end.

Montreal-based MLH + A Inc., Sodarcan's actuarial services and consulting sector, generated about \$9.8 million Canadian (\$7.6 million) in 1987 revenues, up from \$8 million Canadian (\$5.8 million) in 1986.

Gilles P. Grenier, senior vp of finance and treasurer of

Sodarcan, pointed out that there have been two important acquisitions within Sodarcan's consulting operations.

Last year, 25-year-old MLH + A acquired K.G. Brown Associates Inc., an employee benefit consulting firm with offices in Toronto and Hamilton, Ontario.

And, in early 1988, MLH + A acquired Logicile Inc., a firm that offers data processing consulting services to U.S. and Canadian insurers.

And, MLH + A opened a branch office in Ottawa, Mr. Grenier pointed out.

In addition to Messrs. Parizeau, Myre, Gilbert and Grenier principal officers of Sodarcan are: Marcel Le Houillier, president and chief executive officer of MLH + A Inc.; Claude M. Genest, president and chief operating officer of The National Reinsurance Co. of Canada; Louis G. Grenier, senior vp human resources; and Harry Richardson, president and chief executive officer of Mathema Inc.

—By Michael Bradford

The professional marketplace

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B.I. CLASSIFIEDS WORK!

Texas considers workers comp reforms

By MICHAEL BRADFORD

Debate on what changes should be made in the Texas workers compensation system during the 1989 legislative session already is heating up.

Insurers, agents and trial attorneys already are lobbying a joint select committee created last year to study the workers comp system and recommend changes.

In addition, employers and labor leaders now are meeting in an attempt to form a consensus on what changes should be made.

Among the proposals on the committee's agenda:

- Increasing benefits.
- Allowing employers to self-insure. Currently, Texas employers cannot self-fund their workers compensation risks.
- Mandating that employers fund for work comp losses. Texas does not require employers to purchase workers compensation insurance.
- Eliminating lump-sum settlements.
- Beefing up workplace safety standards.
- Creating a state work comp fund.

The committee is expected to issue its first reports around August. Final recommendations are expected later this year.

"Texas is touted as having high workers compensation rates and low benefits. Rates are ranked 10th highest in the nation and benefits are among the lowest 25%," pointed out Wayne Stratton, vp of the Alliance of American Insurers' Southwest region, during a speech at the annual meeting of the Workers Compensation Research Institute in Boston earlier this month.

Employers in the state are paying an additional \$750 million in workers comp premiums this year after being hit with a 25% increase, the largest in terms of premiums ever approved by the Texas State Board of Insurance (BI, Nov. 30, 1987).

The rate increase, which was approved last November and became effective Jan. 1, boosts the amount Texas employers will pay for workers comp insurance to \$3.65 billion in 1988 from \$2.9 billion in 1987.

In 1986, workers comp insurers in Texas recorded earned premiums of \$2.19 billion and incurred losses of \$2.28 billion, according to the Texas State Board of Insurance.

While workers compensation insurance is not mandatory in Texas, employers that choose to finance the risk have only one place to go: commercial insurers. Employers in Texas are not allowed to self-insure their workers comp risks, and there is no state fund. The Texas Workers Compensation Assigned Risk Pool provides cov-

erage to employers that are refused coverage from commercial insurers.

Employers that do not purchase workers compensation insurance have unlimited liability and can be sued by employees who are injured on the job.

Mr. Stratton said that the cry to change the comp system is so loud that it actually may hurt chances for significant reform.

"One factor blocking meaningful reform is the number of special interest groups seeking change. Employers want lower rates, employees are fighting for higher benefits, trial lawyers insist on retaining trial de novo (right to a jury trial) and everyone wants to see fewer risks in the Texas Workers Compensation Assigned Risk Pool," he said.

So far, employers have not recommended specific changes.

The Austin-based Texas Assn. of Business has been meeting for the past year with the Texas AFL-CIO in an attempt to hammer out some compromises before taking their positions to legislators.

Employers and labor are discussing restructuring benefits for workers and improving workplace safety, noted Nick Huestis, vp of workers compensation for the TAB.

However, no agreements have been "set in concrete," he said.

Mr. Huestis acknowledged that employers will have to reach compromises with labor before reforms are enacted. In fact, he said Texas Lt. Gov. Bill Hobby has informed him that if "business and labor can't agree on a bill," "there probably won't be one."

"Ideally, employers and labor will each make concessions and allow the Legislature to adopt changes that will lower costs, benefit employees and improve conditions for insurers," Mr. Stratton said.

The business association and labor probably will develop final stances on those issues after the joint committee publishes its reports, Mr. Huestis said.

The Texas Assn. of Business, which represents about 4,200 employers in Texas, favors the elimination of lump-sum settlements, Mr. Huestis said.

"It tends to drive people to fabricate and exaggerate claims," he explained. "Frankly, there's more exaggeration in the system than outright fraud."

In exchange for the elimination of lump-sum settlements, the business association would support a substantial increase in weekly benefits, he noted.

But, Joe Woods, executive director of the

Texas Trial Lawyers Assn., said doing away with lump-sum settlements would be "a bad idea. In order to get a lump sum, you have to show a hardship," he pointed out.

A claimant who has to wait several weeks for benefits may be "generally stressed," he said. "He could be having trouble making house payments and car payments and paying for the necessities of life. The lump sum allows him to catch up," whereas a weekly benefit would not.

Willie Chapman, director of the Texas AFL-CIO's legislative and political department, said the union is "trying not to take any hard and fast positions" until the joint committee's final report is issued.

However, the group is "interested in" a few points, he said.

"We would like to see something done about job safety," he said, noting that safety is labor's top priority. "The prime reason we have high rates is that there are far too many accidents."

The AFL-CIO also would like to see workers comp coverage become mandatory for Texas employers.

"If workers comp was mandatory, it would serve to reduce rates," Mr. Chapman contended. "Right now, the people in the work comp system are the people who think they might have an accident," he said, explaining that requiring all businesses to carry the coverage would spread the risk.

Meanwhile, Texas insurers and other industry groups have formed a coalition to make their recommendations heard.

Joining the Alliance to form the Texas Compensation Insurance Assn. are the Assn. of Fire & Casualty Cos., Farmers Insurance Group, the National Assn. of Independent Insurers and the Professional Insurance Agents of Texas.

Dallas attorney Richard S. Geiger, chairman of the new association, said other industry groups are expected to join the group.

According to Mr. Stratton, necessary changes in the system include:

- A better definition of standards for determining permanent partial disability of workers.
- A better definition of "average weekly wage" and "permanent total disability."
- Preventing over-utilization of medical care by injured workers.
- Reducing the number of work comp board decisions that may be appealed to a court.

Too many workers comp decisions are appealed to trial court, Mr. Stratton said. Citing data provided by the state's Industrial Accident Board, he said appeals were made to a trial court in 11,000 of the 12,000 cases decided by the board in 1986.

"Quality of administration is a key component of any state workers compensation system. In fact, it may be the single factor with the largest impact on the cost of a state system," he said.

In addition, court decisions have greatly expanded the definition of when an employer is considered grossly negligent in a workplace injury case, he noted.

However, the Texas Trial Lawyers Assn. opposes this recommendation.

Mr. Woods, who estimated that "maybe 400 to 500 went to a jury" last year, explained the cases decided by a court set standards for rulings in future cases.

Eliminating the trial de novo feature—the automatic right to appeal a case to a trial court—from the state's workers comp system "would take away access to a trial by jury on the evidence," he said.

Meanwhile, the Independent Insurance Agents of Texas is urging the Joint Select Committee not to recommend creating a state fund to write workers comp risks.

In testimony before the committee earlier this year, Alan Henry, chairman of the IIAT, said that either a monopolistic or competitive state fund would "shift losses and other liabilities to the state general revenue fund while taking away a significant source of premium tax income."

Mr. Henry also warned the committee about the dangers he perceives in allowing employers in Texas to self-insure their workers comp risks.

"In order for self-insurance to be considered a viable alternative to private insurance, it is imperative that self-insurance programs provide reasonable assurance of long-term solvency," Mr. Henry told the committee. "Nothing would be more tragic than to authorize self-insurance programs that are unable to pay injured workers because of insolvency or lack of financial capacity."

The Alliance's Mr. Stratton pointed out that the Joint Select Committee is taking on its assignment with enthusiasm.

Bobby Gierisch, executive director of the committee's staff, said the committee has heard between 20 and 30 hours of public testimony in sessions that limited each speaker to a five-minute presentation.

The committee has stopped hearing public testimony but will be hearing from state agencies like the Industrial Accident Board, the State Board of Insurance and the assigned risk pool for further input, according to Mr. Gierisch.

Asbestos class action

Continued from page 2

from Raymark's mounting asbestos liabilities. Plaintiffs attorneys say they will try to pierce the corporate veil and include Raytech's assets in the total pool of money available to pay claims.

Raymark's major primary liability insurers were Employers' Liability Assurance Corp., the predecessor of Commercial Union Insurance Co., from 1941 to 1945 and 1947 to 1950; Globe Indemnity Co. from 1950 to 1951; Federal Insurance Co., and its predecessor, United States Guarantee Co., from 1951 to 1967; and Zurich Insurance Co. from 1969 to 1982.

Raymark's first-layer excess insurers were Globe, American Home Assurance Co., Northbrook Excess & Surplus Insurance Co., First State Insurance Co. and American Centennial Insurance Co.

Some of these and other excess insurers are contesting their liability for asbestos claims against Raymark.

"A clearly limited fund exists to defend and pay present and future personal injury claims against Raymark," Judge Vining said.

"That fund may total as little as \$66.7 million," the book value of the company and \$6.7 million in uncontested insurance, Judge Vining said. "At most, it is an obviously insufficient amount to satisfy in full all present and future claims."

"Unless all present and future claims are consolidated in one class action, that fund will definitely be exhausted by a relatively

small number of present claimants before the vast majority of present and future claimants have their day in court."

Since 1972, Raymark's liability insurers have paid \$282 million to defend and pay 35,043 asbestos claims. Raymark contends it has \$391 million in aggregate insurance to respond to asbestos bodily injury claims, according to the court. That leaves potentially \$109 million in available limits.

The lead counsel for the plaintiffs in the class-action suit, Paul Gillenwater of Gillenwater, Nichol and Ames in Knoxville, Tenn., agreed with the court's decision.

"Considering the circumstances, class-action certification presented the most viable alternative available," Mr. Gillenwater said. "It enables us to maximize the funds available to asbestos victims."

The other alternative for Raymark, filing for protection under Chapter 11 of the U.S. Bankruptcy Code, "is not in the best interest of the asbestos victims," Mr. Gillenwater said. If Raymark were to file for protection under Chapter 11 plaintiffs' awards would be delayed and reduced, he explained.

"Class-action litigation offers a single arena to expeditiously decide a multitude of moral and legal issues," Mr. Gillenwater said.

Raymark is "betting the company," said company attorney Ned Neely of Neely & Player in Atlanta. "If we lose we give them the keys to the company," he said.

As of April 1, Raymark had been named in approximately 68,000 as-

bestos bodily injury lawsuits involving about 84,000 individual plaintiffs.

In the first five months of 1988, Raymark was named in an average of 1,124 new cases each month. The company projects that it will be named in 13,488 new cases by the end of this year and in 65,449 new cases by 1997.

As the number of lawsuits increases, Raymark has steadily reduced the size of its settlement offers. Prior to April 20, 1987, the average Raymark settlement, including defense costs, was about \$8,000 per case.

After that date, Raymark instituted a cost-cutting policy that reduced the average cost per case to \$5,500.

Today, however, the company is settling cases for as little as \$152 per case, according to Mr. Neely, Raymark's attorney.

In addition, each month Raymark incurs an average of \$2.5 million in legal fees and expenses nationwide and owes its attorneys approximately \$10 million in unpaid fees. Of the company's \$109 million in remaining liability insurance, only \$20 million covers defense costs, according to the court.

The class-action suit means that Raymark no longer will incur the \$2.5 million monthly litigation bill.

"Considering the amount of money spent by Raymark in transaction costs—none of which aids any asbestos victim—we concluded that the money would be better

used to enhance the amount of a class-action fund to benefit claimants," said Mr. Gillenwater, the plaintiffs' attorney.

Judge Vining also cited common issues in all the cases pending against Raymark as justification for the class-action suit.

Those issues include whether:

- Any asbestos-containing products manufactured by Raymark caused injury.
- Raymark knew or should have known that its product could cause injury.
- Raymark's products were defective and/or unreasonably dangerous.
- Raymark engaged in a conspiracy to conceal the dangers of asbestos.
- Raymark is liable for punitive damages.

Raymark's liability will be determined in "one fell swoop," Mr. Gillenwater said.

Judge Vining also said he might, at a later date, consider creating subclasses among the claimants based on the type of asbestos injury they allege to have contracted.

Asbestos-related injuries are divided into four basic types: pleural changes, or thickening of the lining of the lungs; asbestosis, a respiratory disease; lung cancer; and mesothelioma, another form of asbestos-related cancer.

Meanwhile, plaintiffs attorneys whose cases were affected by Judge Vining's stay of all other litigation pending against Raymark in state and federal courts and of filings of new litigation are staunchly

criticizing the judge's action.

The attorneys claim that Judge Vining does not have the authority to issue rulings affecting litigation in other courts, according to Mr. Neely and Mr. Gillenwater.

However, last week the court confirmed its ruling, Mr. Neely said.

Some plaintiffs attorneys also oppose the concept of a class-action suit in toxic tort litigation.

"These cases should be handled on an individual basis whenever possible," said Thomas Henderson, a plaintiffs attorney with Henderson & Goldberg in Pittsburgh, who was involved in the Agent Orange litigation.

Mr. Henderson cited his Agent Orange experience as the basis for his objection to large class-action suits in toxic tort litigation.

"It became too unwieldy," he recalled. "Mass torts should not be subject to class-action."

The amount of money Raymark has available to pay asbestos victims is clouded because the company is still litigating with its insurers.

In September, the Illinois Supreme Court, in upholding a lower court decision, ruled that Raymark's liability insurance for asbestos bodily injury claims is triggered both at the time the victim is exposed to the substance and when the disease is manifested (BI, Sept. 21, 1987).

However, the court also ruled that Raymark's insurers do not have an unlimited duty to defend the asbestos manufacturer.

Key man life policy voided by smoker's lie

By STACY ADLER

NEW YORK—An electronics firm cannot recover on a \$250,000 "key man" life insurance policy it took out on its president because the executive lied on the application about his smoking habit, a federal appellate court has ruled.

In upholding a lower court's decision, the 2nd U.S. Court of Appeals ruled May 25 that the fact the executive lied about his pack-and-a-half-a-day smoking habit constitutes a material fact that may have led Mutual Benefit Life Insurance Co. of Newark, N.J., to refuse to write a policy on the executive's life.

Following the death of New York-based JMR Electronics Corp. President Joseph Gaon on June 22, 1986, and the discovery that he lied

on his application, JMR asked the insurer for the amount of death benefits recoverable if the premium it had paid on Mr. Gaon's policy were applied to a smoker's policy.

But the insurer denied the coverage.

It had discovered during a routine check of Mr. Gaon's medical records that he was a smoker.

JMR sued in U.S. District Court for the Southern District of New York arguing that for the insurer to deny coverage, the misrepresented fact had to be so grave that the insurer would not have written the risk at all had it known that fact.

JMR argued that Mutual Benefit would have written the policy anyway but at the higher premium it charges smokers.

The insurer denied coverage after discovering in the insured's medical records he smoked.

But, Mutual Benefit argued that it can deny coverage if the misrepresented fact was significant enough that the insurer would have written the risk differently had it known the fact.

In the best scenario, Mutual Benefit said it wrote the life insurance policy at a rate that was 36% lower than the rate it would have quoted had it known that Mr. Gaon was a smoker.

U.S. District Judge Robert W. Sweet rescinded the policy, ruling: "To allow (JMR) recovery would condone such fraudulent statements, for applicants would have everything to gain and nothing to lose by gambling on getting full coverage and at worst getting the coverage they are actually entitled to."

"The (district) court correctly rejected JMR's belated 'heads I win; tails you lose' argument," said Mutual Benefit in its brief to the appellate court following JMR's appeal.

"It is settled law that the insurer is entitled to rescind its policy if the application contains a material misrepresentation," according to the insurer.

In their decision upholding the lower court's ruling, 2nd Circuit

Judges Jon J. Newman, George C. Pratt and Michael A. Telesca said: "There is no doubt that Mutual was induced to issue a non-smoker, discounted-premium policy to JMR precisely as a result of the misrepresentations made by Gaon concerning his smoking history."

The court continued: "If a fact is material to the risk, the insured may avoid liability under a policy if that fact was misrepresented in the application for that policy whether or not the parties might have agreed to some other contractual arrangement had the critical fact been disclosed."

JMR is considering appealing the case to the U.S. Supreme Court, said attorney Robert Horowitz of Great Neck, N.Y.

Mr. Horowitz maintains that New York law allows policyholders to recover on life insurance policies even if there is a misrepresentation on the application as long as the insurer still would have underwritten the policy if it had known the truth.

"If there is a hole in the law, change should come from the Legislature, not the courts."

Mr. Howowitz also maintained that whether Mr. Gaon's misrepresentation about his smoking habit was a material fact under the law was a question of fact for a jury—not a judge—to resolve.

It is customary for judges to resolve only questions about the law, he said.

"The court didn't want insureds to have a no-lose situation," he said.

Mutual Benefit contends that to allow JMR to collect on this policy, even though Mr. Gaon lied on the application, would cause insurers nationwide to stop offering non-smoking discounts on their policies.

"Should this court sanction the practice of adjusting the face amount of a death benefit when there has been a misrepresentation of cigarette smoking habits, it would actually be self-defeating," said Mutual Benefit in its appellate brief.

"There is now incontrovertible evidence that cigarette smoking adversely affects mortality, and in recognition of that fact, the life insurance industry offers discounted premium rates for non-smokers."

"If the integrity of that determination is undermined by allowing cigarette smokers to recover insurance proceeds under policies priced for non-smokers, it will inevitably lead insurers to assume that every applicant will lie about his smoking habits and eventually lead to the elimination of these discounts to the detriment of the non-smoking public."

In an amicus curiae brief to the appellate court, the American Council of Life Insurers and the Health Insurance Assn. of America said: To allow JMR to recover on this policy would "encourage applicants to misrepresent their smoker status because there would be no financial disincentive to insureds who are caught lying."

"If caught, they would simply receive the amount of insurance they could have purchased had they told the truth on their application," according to the ACLI/HIAA brief.

The ACLI and the HIAA say such a result would seriously jeopardize the ability of their members to continue offering non-smoker policy discounts.

The combined membership of the ACLI and the HIAA write about 90% of the health and life insurance in the United States.

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Rental cars

Continued from page 1

\$500 and \$1,000 for each violation.

The NAIC's new formal policy supersedes a CDW model law adopted in June 1986 that requires rental car companies to obtain a license, file rates and forms and avoid making misleading statements to customers.

The new model "offers the quickest and most equitable solution to this much-publicized problem," said Jay Berman, counsel for the National Assn. of Professional Insurance Agents in Alexandria, Va.

James F. Johnson IV, an attorney representing Minneapolis-based National Car Rental Systems Inc., described the proposal as "a compromise" that car rental companies are willing to accept rather than face li-

censing requirements.

National, the third-largest U.S. rental car company, was the only car rental company represented during the negotiations. However, Hertz Corp. and Avis Rent A Car System Inc. have said they support a ban on CDWs.

During discussion of the model law, Deputy Superintendent Richard Hsia of the New York Insurance Department urged commissioners to reduce the number of exclusions in the model act. The New York Insurance Department prefers the 1986 model and is supporting a bill pending in its state Legislature that is based on that model.

The NAIC's task force on rental car insurance now is expected to review other optional types of insurance sold by rental car companies. ■

Vote delayed on broker-insurer links

By MEG FLETCHER

NEW YORK—The National Assn. of Insurance Commissioners, responding to pleas from executives of large brokerages, is delaying action on proposed model legislation that would limit the ability of brokers to place business with insurers they control.

The NAIC's Special Insurance Issues Committee delayed voting on the proposal last week at the NAIC's summer meeting to give brokerage executives and others final opportunities to air their views.

However, New York Insurance Superintendent James P. Corcoran made it clear that he expects regulators will vote on the proposal at the NAIC's Sept. 18 meeting.

Mr. Corcoran, who chairs the committee, asked for comment primarily on the wording of the proposal, which is designed to promote consumer awareness and the solvency of insurers and state guaranty funds, rather than the concepts on which it is based.

In addition, the committee wants comment on how it can protect the operations of "boutique" brokers, small specialty brokers that handle hard-to-place coverages.

The latest version of the proposed Business Transacted with Producer Controlled Property/Casualty Insurer Act is more narrowly drawn than some earlier versions that would have banned brokers from placing coverage with insurers they control (BI, March 28).

The newest version would prohibit "producers"—which include brokers but not independent or exclusive agents—from placing business with a licensed property/casualty insurer they control through a written contract at the time the business is placed, unless:

- The producer discloses that relationship in writing to the policyholder before the policy is effective.
- The producer pays all funds due the insurer at least quarterly.
- The insurer files an annual report from an independent casualty actuary attesting to the adequacy of reserves for business placed by the producer.
- The insurer reports annually on the amount of commissions paid to the producer, the percentage such amounts represent of net premiums written and comparable amounts and percentages paid to non-controlling producers for placement of the same kinds of insurance.

In addition, the proposal would prohibit a reinsur-

ance intermediary from directly or indirectly placing business with an assuming reinsurer it controls unless it discloses the relationship in writing to the parties involved prior to completion of the transaction.

And, the proposal requires property/casualty insurers that control producers to disclose that relationship in writing to the buyer prior to the policy's effective date.

The model law defines control as "the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract other than commercial contract for goods or non-management services or otherwise."

"Control shall be presumed to exist if any person, directly or indirectly, owns, controls, holds the power to vote, or holds proxies representing 10% or more of the voting securities of any other person."

If a controlled insurer's insolvency can be attributed to the producer, the model would mandate that producers reimburse state guaranty funds for all loss and loss adjustment expenses in excess of the earned premiums collected for the policy. The controlling producers also may be liable to policyholders and claimants for all such losses and loss adjustment expenses not covered by state guaranty funds, the act proposes.

Large brokers oppose the language of the new version of the proposal.

David Holbrook, president of Marsh & McLennan Inc., said the "draconian" provisions would stifle development of innovations like A.C.E. Insurance Co. Ltd. and X.L. Insurance Co. Ltd., two excess liability insurance facilities M&M helped establish.

However, Mr. Corcoran said that argument was "a smoke screen," because those facilities were not owned by M&M at the time policies were written and, thus, would not have been subject to the model law.

Michael Lovendusky, counsel to the American Insurance Assn., said AIA members had "no remarkable objections" to the latest version of the model.

Regulators agreed last week to consider a proposal from the Risk & Insurance Management Society Inc. to exempt insurance written for large commercial policyholders from provisions of the model act, though brokers would still have to inform these policyholders that the broker controlled an insurer. ■

Tobacco award

Continued from page 2

The jury also found Liggett liable for failing to warn consumers of the potential health hazards of smoking before 1966, when Congress required health warnings on cigarette packaging and advertising.

The \$400,000 award to Mr. Cipollone related to the express warranty claim. Jurors did not award any damages on the failure-to-warn claim, finding Mrs. Cipollone 80% to blame for her own death and Liggett 20% to blame. New Jersey law requires that the company be found at least 50% liable for damages to be assessed.

The jury also found that Liggett—along with Philip Morris and Lorillard, whose brands Mrs. Cipollone smoked after 1966—did not fraudulently misrepresent the health risks of smoking and did not conspire to mislead consumers about the dangers.

Liggett and the two other tobacco companies—which reportedly spent \$50 million defending the Cipollone case—called the verdict a victory, noting that Mrs. Cipollone was found 80% responsible for her death and that the major fraud and conspiracy claims were rejected.

Liggett also said it will appeal the \$400,000 damage award.

Other observers, however, described the case as a breakthrough for plaintiffs after more than 30 years of unsuccessful litigation against tobacco companies.

Richard Daynard, a law professor at Northeastern University and

chairman of the Tobacco Product Liability Project in Boston, noted that the first asbestos injury award was also modest—about \$80,000—and was won only after a long legal battle.

The Cipollone verdict is a crack in the dam "and one that they cannot patch," Mr. Daynard said.

Some observers question whether tobacco liability claims will ever become as severe as asbestos claims. They note, for example, that asbestos causes irreversible disease, theoretically with a single exposure, while disease related to smoking requires prolonged exposure and in many cases can be reversed if the smoker quits.

Others, however, say that tobacco companies could face enormous losses even if found only partially liable for smoker deaths.

"I think this is the beginning of the problem unfolding," said one insurance company official who requested anonymity. "There are still an awful lot of people out there who could get 10%, 20%, 30% type claims."

"We are talking huge, huge potential," said Frank McDougald, senior vp with Fred S. James & Co. in New York. "If the dam ever breaks, the dollar potential is in the several hundreds of millions per manufacturer."

Sources agree product liability insurance for U.S. tobacco companies has been unavailable for several

years, with the exception of some limited coverage from London and other markets.

U.S. insurers that have written such policies included Liberty Mutual Insurance Co., Northbrook Excess & Surplus Insurance Co. and the now-insolvent Transit Casualty Co., sources say.

The limits and terms of coverage that were available to tobacco companies are unclear. One source estimated that a large tobacco company's limits may have amounted to only \$10 million per occurrence until the late 1960s. It also is uncertain whether the companies were able to obtain significant defense cost coverage in product liability policies.

The cigarette makers—which Mr. Daynard estimates spend \$100 million a year fighting smoker lawsuits—have uniformly defended the cases themselves without the participation of any insurance companies, sources agree.

The type of coverage that was typically written for tobacco companies also is unclear. Richard E. Foss, president of LUI Management Inc. in Chicago and former head of casualty underwriting for Northbrook, said some of the Northbrook and Transit Casualty policies may have been written on a claims-made basis.

However, another source said that virtually all tobacco liability coverage probably was written on an occurrence basis until the 1970s.

Continued on next page

Update

Product liability bill amended

Continued from page 2

uniform standard of liability for manufacturers and several defenses for product sellers and manufacturers in product liability lawsuits.

The bill is expected to be referred to the House Judiciary Committee for review, but probably will not be considered by the full House this year (BI, June 13).

SIRs cover traffic deaths award

NEW YORK—Navistar International Corp. and New York City each must pay \$7 million in damages awarded last week by a New York State Supreme Court jury to the parents of two boys killed by a truck while crossing an intersection.

Chicago-based Navistar is self-insured for its share of the award, said plaintiffs' attorney Gary Pillersdorf of Pillersdorf, Nassy & Hill in New York. Navistar General Counsel Melvin Merzon confirmed that the company is self-insured, but would not disclose the amount of the retention.

New York also is self-insured for its portion of the judgment, said a spokesman for the city.

The truck driver and his employer, Clifton, N.J.-based Higgins Trucking Co., were found liable for 44% of the \$25 million award, but had settled for \$500,000 before the jury's verdict. Higgins is insured by Philadelphia-based General Accident Insurance Co. of America, a unit of General Accident Corp. of America, according to the office of Higgins attorney Anthony J. DeMarco Jr. of Brooklyn.

The court ruled that the 1981 deaths of Vaid and Blerim Delosevic were caused by the lack of a cross-view mirror on the 1973 model truck manufactured by International Harvester Corp., now known as Navistar; the poor design of the intersection; and the inattention of the driver.

Mr. Pillersdorf, who called the award "excessive," expects the trial judge to reduce it to \$4 million to \$5 million.

Navistar will exhaust all post-trial motions before considering an appeal, a Navistar spokesman said.

Two California initiatives qualify

SACRAMENTO, Calif.—Two of the four insurance reform initiatives filed in California have qualified for the Nov. 8 general election ballot (BI, June 6; Feb. 29).

An initiative petition supported by the California Trial Lawyers Assn. and another by state Assemblyman Richard Polanco, D-Los Angeles, had far more than the minimum requirement of 372,178 registered voters' signatures, according to the Secretary of State's office.

The trial attorneys' proposal would mandate a minimum 20% good driver discount on auto insurance and require state approval of rate hikes exceeding 15% for commercial lines and 7.5% for personal lines.

The Polanco initiative would cut auto bodily injury insurance rates in half and tie future rate increases to the Consumer Price Index.

The state is still counting signatures for initiative petitions presented by the Assn. of California Insurance Companies and Access to Justice, a Santa Monica-based consumer group.

Dow wins Bendectin cases

CINCINNATI—Two more plaintiffs have lost their battle with Merrell Dow Pharmaceuticals Inc. over alleged birth defects caused by the anti-nausea drug Bendectin.

Earlier this month, Bendectin was found not responsible for birth defects in plaintiffs by juries in both the U.S. District Court for the Western District of Washington in Tacoma and the U.S. District Court for the District of Kansas in Kansas City.

A six-person jury in Tacoma found that the birth defects of Lynn Hill, 9, and Gregory Buell, 11, were not caused by their mothers' use of Bendectin. An eight-person jury reached the same decision in the Kansas City case involving Nicholas Hagaman, 6.

Merrell Dow says it has won 19 of 23 lawsuits brought against it involving Bendectin, the only prescription drug approved in the United States for treating nausea and vomiting during pregnancy. The drug was used by an estimated 33 million women between 1956 and 1983.

Briefly noted

IFINT S.A., a Luxembourg corporation founded by the Angelli Group of Italy, will buy 300,000 shares of Fireman's Fund Corp.'s convertible preferred stock for \$300 million. IFINT, which will control roughly 18% of Fireman's Fund's outstanding voting securities, has agreed to vote in accordance with the recommendations of the insurer's board. A Fireman's Fund spokeswoman said the insurer had been seeking a long-term minority partner since American Express sold most of its equity in the Novato, Calif.-based insurer several months ago. . . . First Mercury Syndicate Inc. and Second Mercury Syndicate Inc. have merged, forming the largest syndicate on the Illinois Insurance Exchange. The two syndicates, which had underwritten parallel lines, wrote \$29.9 million in gross premiums in 1987. . . . The Occupational Safety and Health Administration has updated and expanded a key construction safety standard that will cost employers \$43.8 million annually but will save industry about \$348 million annually in workers compensation costs and lost productivity. . . . Lloyd's of London appointed British trial lawyer Stewart Boyd to review a report on runoff reinsurance policies written by Lloyd's underwriter Richard Outhwaite. The report concluded that members of Mr. Outhwaite's syndicate would be unlikely to win a judgment against the syndicate's managers for breach of duty (BI, May 23). Mr. Boyd also will examine a report due soon by Coopers & Lybrand.

Tobacco award

Continued from previous page

Cigarette makers with several years of occurrence-based liability coverage, however, could face the same problems asbestos manufacturers faced trying to collect on the policies, observers say.

"It's the same thing, really," Mr. McDougald said. "We are talking about breathing something that causes damage to internal organs over a period of time."

Thus, tobacco companies may end up in court with insurers arguing the question of whether coverage is to be continuously

triggered by long-term exposure to cigarette smoke, by manifestation of a disease, or both, observers say.

If occurrence policies include defense cost coverage, tobacco companies and insurers may also have to litigate the question of how defense costs should be apportioned among the applicable policies, one source said.

While the potential exposure of the tobacco industry in these cases may be enormous, the insurance industry is not likely to be as hard hit as it was by asbestos claims, several observers predict.

A relatively small number of tobacco companies has produced and sold most of the cigarettes consumed in the United

States, and this will prevent an accumulation of payments or aggregate limits by insurers, one source observed.

In addition, tobacco companies are probably self-insured to much greater extent than asbestos companies were, sources note. Separately, the 6th U.S. Circuit Court of Appeals in Cincinnati last week upheld a lower court ruling that the health hazard warning on cigarette packages protects R.J. Reynolds from liability in a suit brought by a smoker.

Also contributing to this report were Associate Editor Jud Greenwald and intern Lauren Sinai in New York and International Editor Stacy Shapiro in London.

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Antitrust suits

Continued from page 1

which accuse the defendants of violating state and federal antitrust laws by working together to restrict the availability of liability coverage.

The suits include allegations of "boycott, coercion and intimidation"—acts specifically barred by the McCarran-Ferguson Act, the 1945 law that gives insurers limited immunity from federal antitrust law and grants states primary regulation of the industry.

The lawsuits charge, among other things, that the defendant conspired to eliminate the occurrence-based commercial general liability policy and to exclude all pollution coverage from the CGL form. The defendants' conduct, the suits allege, caused the liability insurance crisis of the mid-1980s in which governmental entities and businesses were unable to purchase liability insurance.

All of the suits, which demand a jury trial, seek: a restructuring of ISO; reinstatement by ISO of the claims-made as it was written in 1984, including pollution coverage; creation of a fund by every defendant to pay claims incurred by plaintiffs who were uninsured as a result of the conspiracies; civil penalties; injunctive reliefs; and unspecified triple damages.

The new suits, however, do not contain some of the sweeping demands of the suits filed in March such as: appointment of public interest members to ISO's board; enjoining defendants for five years from sitting on ISO's board; and requiring defendants to operate either as a primary insurer, reinsurer or broker and to sell off subsidiaries in other fields.

Defendants named in the suits vehemently denied all of the charges—just as they did when the first wave of lawsuits hit.

"These things are totally groundless," said a spokesman for the ISO in New York, the organization providing ratemaking, policy form and statistical services to U.S. property/casualty insurers. The lawsuits are "based on inaccurate and erroneous information and are totally without merit."

Northbrook, Ill.-based Allstate said in a prepared statement that the lawsuits are "an irresponsible attack that is factually wrong, legally groundless and economically naive."

"We still don't believe we've done anything wrong," said Peter de la Cruz, an attorney with the Washington, D.C., firm of Keller & Heckman, which is representing the Washington-based Reinsurance Assn. of America in the suits.

Philadelphia-based CIGNA said in a statement it has operated "in conformity with all federal, state and foreign antitrust laws."

"We fully believe that our point of view will prevail in the lawsuits," said a spokesman for Aetna.

"We are confident that when we have our day in court we will be completely vindicated," said Hartford Insurance Group Chairman and Chief Executive Officer Donald R. Frahm in a statement.

Defendants and others pointed out that doubling the number of antitrust lawsuits brought by state attorneys general and the filing of private and class-action antitrust lawsuits against the insurance industry does not increase the merit

Continued on next page

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Antitrust suits

continued from previous page
the cases.

The additional lawsuits do not "really affect matters much" and "won't affect the merits of the suit," said George L. Priest, John M. Olin professor of law and economics at Yale University School of Law in New Haven, Conn. "We've got 10 more hangers-on here."

"As far as legitimacy of the suit itself, I don't think that the number of states that join matters," said Jon Harkavy, director of governmental affairs for the Risk & Insurance Management Society Inc.

New York-based RIMS has neither endorsed nor criticized the antitrust lawsuits (BI, April 25).

And while some of the defendants expressed disappointment that 10 more attorneys general decided to file antitrust lawsuits against the industry, many noted that the suits did not come as a surprise.

Edmond Rondepierre, senior vp and general counsel for General Reinsurance Corp., in Stamford, Conn., one of the reinsurance company defendants, said the additional lawsuits are "unfortunate—just as unfortunate as the first."

Allstate said it is "dismayed that these additional states have joined in this unnecessary lawsuit."

But the 10 additional lawsuits filed last week are "certainly no surprise," said the SO spokesman.

"More lawsuits to solve the liability crisis is like throwing oil on a fire—it creates a lot of smoke but the fire keeps burning," said Blair Childs, executive director of the American Tort Reform Assn. in Washington, D.C.

Even "if every allegation in the lawsuit were proven true and corrected tomorrow, the liability crisis would not be resolved" because the crisis is the result of "a legal system that has lost all fairness, balance and predictability," he said.

Since the eight attorneys general filed antitrust lawsuits against the insurance industry in March, there has been speculation that other states would join the suit.

Attorneys general in the states that filed suits last week said they were not ready to file in March because their investigations of

alleged antitrust activities were incomplete.

"You can't simply file a suit based on what somebody else has done," said Richard D. Monkman, Alaska's assistant attorney general, referring to the original investigations by the attorneys general that filed the first suits. "You have to do your own investigation. We had to make sure that similar incidents happened in our state."

John Flink, executive assistant to the Montana attorney general said, "It was a matter of getting the research completed and material together. We were not ready to file with the first wave."

A spokeswoman for the Washington attorney general's office said that department "made a decision a year ago not to put our resources into an investigation but to let the other states take the lead."

After the lawsuits were filed in March, the Washington attorney general's office polled political entities throughout the state to determine if they had been affected by restricted coverage availability and high rates that could have been a result of the alleged antitrust violations.

"We were surprised to the degree that they had been affected," said the spokeswoman.

Commenting on the decision to drop some demands made in the earlier lawsuits, such as prohibiting joint ownership of insurers and reinsurers, Michael F. Brockmeyer, chief of the antitrust division of the Maryland attorney general's office, said: "We made a tactical decision to be much more general in our request for relief."

He also commented that the suits are intended to force changes in the insurance industry that would benefit policyholders and it is unclear how a divestiture order would affect insurance buyers.

However, the divestiture claim could be added later, Mr. Brockmeyer said. "By being general, I'm keeping my options open."

Antitrust specialists with the attorneys general offices say they expect the most recent suits to be consolidated with those already filed in San Francisco. A status conference on the earlier suits scheduled for Thursday is expected to address consolidation of the suits.

James R. Lewis, assistant attorney general with the antitrust unit in Colorado, said private policyholder suits filed throughout the country could be consolidated with the at-

torneys general suits as well.

Mr. Lewis estimates that 20 class-action suits have been filed by commercial insurance buyers throughout the nation against defendants also named in the attorneys general suits.

The suits include one in Washington, D.C., filed on behalf of day-care centers and one in Manhattan on behalf of all commercial insurance buyers.

However, at least two other class-action lawsuits have been dropped: one filed on behalf of California commercial insurance buyers by famed plaintiff's attorney Melvin M. Belli in San Francisco; and one filed on behalf of all commercial insurance buyers by attorney Eugene Pavalon with the firm Asher, Pavalon, Gittler & Greenfield Ltd. in Chicago (BI, April 11).

The California suit, which was filed in state court, was withdrawn because "the cost becomes prohibitive" of doing the work pro bono, said Belli attorney Shamoon Zakaria.

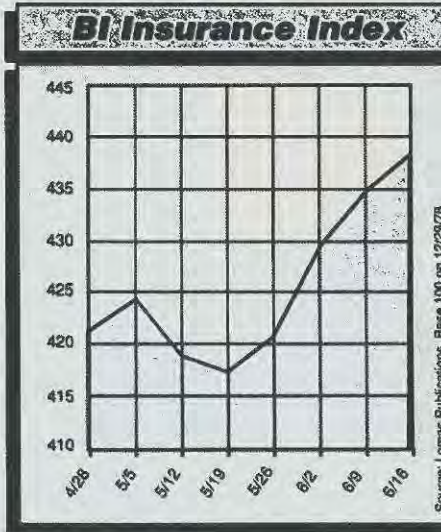
The Chicago suit was withdrawn because attorneys discovered the class representative—a Chicago-based trucking firm—had an occurrence policy form, Mr. Pavalon said.

However, he added that the firm is looking for another class representative and hopes to refile the suit.

In a statement announcing the suits, Pennsylvania Attorney General Leroy S. Zimmerman called the cases "a landmark in the growing recognition by state attorneys general of the need to work together to protect our citizens and our economies against the destructive effects of anti-competitive activity. Competition is the essence of our economic system, which we are committed to preserve."

The defendants' status conference statement, filed June 13, says: "The defendants will dispute—and vigorously—the inaccurate characterizations placed upon their activities by the plaintiffs and the legal conclusions that the plaintiffs attempt to draw."

"It is also defendants' position that the claims-made form was developed in response to serious, industrywide problems, including expansive and conflicting court decisions, that resulted in substantial underwriting losses. The same is true for the changes to the pollution exclusion that were developed after March 1984."



Insurance industry stocks rose for the fourth consecutive week as the *Business Insurance* stock index gained 3.5 points to close at 439.2 on June 16, up from 435.7 on June 9. The largest advances were recorded by: Frank B. Hall & Co. Inc., up 12.5%; Belvedere Corp., up 10.5%; Orion Capital Corp., up 4.5%; The St. Paul Cos. Inc., up 4.0%; and Fireman's Fund Corp., up 3.9%. The largest declines were suffered by: Phoenix Re Corp., down 5.3%; Kemper Corp., down 3.6%; Tokio Marine & Fire Insurance Co., down 3.4%; W.R. Berkley Corp., down 2.4%; and American Indemnity Financial Corp., down 2.4%. The stocks showing the most activity were: Farmers Group Inc., 4 million shares traded; ITT Corp. (Hartford Insurance Group), 2.2 million shares traded; and Sears, Roebuck & Co. (Allstate Insurance Group), also 2.2 million shares traded. The *BI* index rose 0.8% during the latest trading period, outperforming the major market averages. The NYSE composite gained 0.1%, the Dow Jones 30 Industrials average was unchanged on a percentage basis; and the Standard & Poor's 500 index declined 0.4%.

McCarran-Ferguson

Continued from page 1

distinguish the bright line between what is legal conduct under the antitrust laws and what is not."

"The findings of our investigation make it clear that what we have here is an industry with an almost cavalier attitude toward the antitrust laws," he said.

And, Rep. Peter Rodino, D-N.J., chairman of the House subcommittee that approved the bill, specifically noted the attorneys general's lawsuits in a statement celebrating the bill's approval.

"In cases where state regulation does not prevent anti-competitive practices... effective competition, as guaranteed by antitrust enforcement, is the best guarantor that the industry will serve the pub-

lic interest," he added.

However, Les Cheek, vp-federal affairs for Crum & Forster Inc. in Washington, asked: "Doesn't the fact that the suits are being brought" mean "insurers are subject to antitrust prosecution?"

"This is more than coincidence" to have the Senate hearing, the filing of 10 more antitrust lawsuits and subcommittee approval of modifications to McCarran-Ferguson within a two-day period, said David Pratt, vp of federal affairs for the American Insurance Assn.

"It seems clear that (the attorneys general and the legislators) are keeping in very close touch with each other," he added. "Using the judicial process to try to spur the legislative process... is highly inappropriate."

British Issues

June 16 Companies	Price	P/E	Div. %	Yield %	1 Week	
					High-Low	Change
Common Union	405	15.3	21.9	5.3	405-392	
Genl Accident	918	10.6	47.9	5.1	942-918	
Gdn Royal Exch	946	14.1	55.2	5.8	953-916	
Royal	417	11.0	26.4	6.2	420-414	
Sun Alliance	988	16.1	43.1	4.2	988-973	

Brokers	Price	P/E	Div. %	Yield %	High-Low
Bradstock	218	12.2	5.0	3.1	218-213
C. E. Heath	441	16.9	34.5	7.8	441-425
Hogg Robinson	158	12.6	9.6	5.9	159-154
Lloyd Thompson	163	14.2	6.8	4.1	165-162
PWS Holdings	203	8.5	14.4	6.9	207-202
Sedgwick Grp	232	14.4	16.4	6.9	235-232
Steel Bri Jones	197	12.2	13.7	6.8	197-197
Willis Faber	272	14.2	15.4	5.6	275-259

Source: Philip Olsen/Alan Clifton, Insurance Industry Specialists Kitcat & Aitken Stockbrokers, London

BI Industry Stock Report

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				High	Low										High	Low							
Alexander & Alexander Svcs	NYSE	23.13	3.4	30.3	24.50	17.75	658	1.00	4.3	14.6	3.40	6.80	61.38	-0.2	52.5	65.75	40.50	3953	1.44	2.3	15.0	22.02	2.79
Baldwin & Lyons Inc.	OTC	15.00	0.0	25.0	15.50	12.00	1	0.20	1.3	5.8	18.31	0.82	29.50	3.9	13.5	31.00	25.75	568	0.50	1.7	491.7	26.17	1.13
Corson & Black Corp.	NYSE	32.00	-0.4	13.3	34.75	28.00	84	1.08	3.4	4.9	5.43	5.89	10.50	-2.3	9.0	13.50	8.75	72	0.60	5.7	491.7	16.75	0.63
Gallagher Arthur J. & Co.	NYSE	17.50	2.2	9.4	18.00	13.88	42	0.48	2.7	11.6	5.16	3.39	13.13	1.0	10.5	14.38	11.50	415	0.20	1.5	2.8	17.65	0.74
Hall Frank B. & Co.	NYSE	4.50	12.5	56.3	5.50	2.88	172	0.00	0.0	11.6	0.00	N/A	23.75	-1.0	2.2	26.25	20.50	148	0.36	1.5	5.3	25.10	0.95
Hilt, Rogal & Hamilton	OTC	11.00	0.0	12.8	12.75	9.75	14	0.00	0.0	11.6	0.00	N/A	15.25	-1.7	16.2	16.38	13.38	15	0.40	2.6	6.8	16.65	0.92
Marsh & McLennan Cos. Inc.	NYSE	54.25	0.7	9.6	55.75	45.25	386	2.40	4.4	13.3	6.74	8.05	27.75	0.9	20.7	29.25	22.50	97	1.20	4.3	10.3	10.65	2.61
Poe & Assoc Inc.	OTC	9.00	0.0	28.6	9.25	6.75	0	0.40	4.4	8.7	0.57	15.79	30.63	0.4	16.7	30.75	25.25	0	0.00	0.0	10.3	0.00	N/A
BROKERS AVERAGE			2.3	23.2					2.6	9.8			23.75	-3.6	15.9	25.25	20.75	360	0.72	3.0	7.4	26.50	0.90
Farmers Group Inc.	OTC	61.38	-0.2	52.5	65.75	40.50	3953	1.44	2.3	15.0	22.02	2.79	16.00	0.8	137.0	16.38	6.88	1	0.32	2.0	16.5	4.35	3.68
Fireman's Fund Corp.	NYSE	29.50	3.9	13.5	31.00	25.75	568	0.50	1.7	491.7	26.17	1.13	40.00	0.0	12.7	47.25	34.50	11	0.80	2.0	14.8	17.40	2.30
Fremont Gen Corp.	OTC	10.50	-2.3	9.0	13.50	8.75	72	0.60	5.7	491.7	16.75	0.63	47.75	2.4	19.0	48.75	40.25	161	2.36	4.9	9.2	36.62	1.30
Home Group Inc.	NYSE	13.13	1.0	10.5	14.38	11.50	415	0.20	1.5	2.8	17.65	0.74	24.50	1.0	38.0	24.75	18.50	84	0.00	0.0	14.2	19.92	1.23
Hanover Ins Co.	OTC	23.75	-1.0	2.2	26.25	20.50	148	0.36	1.5	5.3	25.10	0.95	5.13	0.0	-4.4	9.50	4.50	7	0.44	8.6	24.4	9.37	0.55
Hartleysville Group Inc.	OTC	15.25	-1.7	16.2	16.38	13.38	15	0.40	2.6	6.8	16.65	0.92	28.00	0.4	22.4	29.25	22.63	85	1.12	4.0	7.2	35.05	0.80
Hartford Steam Boiler Insp	OTC	27.75	0.9	20.7	29.25	22.50	97	1.20	4.3	10.3	10.65	2.61	33.50	-0.7	-7.6	38.25	32.25	113	1.88	5.6	7.9	27.86	1.20
Kans City Life Ins	OTC	30.63	0.4	16.7	30.75	25.25	0	0.00	0.0	10.3	0.00	N/A	24.38	2.1	21.9	24.63	19.13	821	0.74	3.0	5.6	27.82	0.88
Kemper Corp.	OTC	23.75	-3.6	15.9	25.25	20.75	360	0.72	3.0	7.4	26.50	0.90	17.38	4.5	28.7	17.38	13.13	34	0.76	4.4	6.1	9.34	1.86
Lawrence Ins. Group	AMEX	16.00	0.8	137.0	16.38	6.88	1	0.32	2.0	16.5	4.35	3.68	9.00	-5.3	38.5	9.50	6.75	126	0.00	0.0	6.5	11.08	0.81
Liberty Corp. S.C.	NYSE	40.00	0.0	12.7	47.25	34.50	11	0.80	2.0	14.8	17.40	2.30	13.25	1.9	8.2	15.13	12.25	46	0.70	5.3	12.6	17.25	0.77
Lincoln Nat'l Corp.	NYSE	47.75	2.4	19.0	48.75	40.25	161	2.36	4.9	9.2	36.62	1.30	20.00	2.6	-10.3	30.00	22.75	643	1.08	4.3	7.9	21.39	1.16
NAC Re Corp.	OTC	24.50	1.0	38.0	24.75	18.50	84	0.00	0.0	14.2	19.92	1.23	9.00	0.0	-2.7	9.50	7.25	0	0.00	0.0	6.5	9.20	0.98
Nobel Ins Ltd.	OTC	5.13	0.0	-4.4	9.50	4.50	7	0.44	8.6	24.4	9.37	0.55	13.00	0.0	15.6	14.25	11.00	56	0.80	6.2	8.4	12.51	1.04
Northwestern Nat'l Life	OTC	28.00	0.4	22.4	29.25	22.63	85	1.12	4.0	7.2	35.05	0.80	24.00	1.1	26.3	24.50	19.25	38	1.24	5.2	5.5	19.52	1.23
Ohio Cas Corp.	OTC	33.50	-0.7	-7.6	38.25	32.25	113	1.88	5.6	7.9	27.86	1.20	3.69	-1.6	-21.3	5.56	3.56	47	0.05	1.4	5.5	3.48	1.06
Old Rep Int'l Corp.	OTC	24.38	2.1	21.9	24.63	19.13	821	0.74	3.0	5.6	27.82	0.88	77.50	-3.4	17.6	85.88	63.25	64	0.19	0.2	69.2	0.00	N/A
Orion Cap Corp.	NYSE	17.38	4.5	28.7	17.38	13.13	34	0.76	4.4	6.1	9.34	1.86	31.75	-1.2	29.6	33.13	24.50	341	1.00	3.1	10.2	12.24	2.59
Phoenix Re Corp.	OTC	9.00	-5.3	38.5	9.50	6.75	126	0.00	0.0	6.5	11.08	0.81	36.88	0.4	5.0	40.00	33.00	445	2.40	6.5	9.5	45.28	0.81
Protective Life Corp.	OTC	13.25	1.9	8.2	15.13	12.25	46	0.70															



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