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update

CIGNA to pay $9.2 million in jury award against Robins

TOPEKA, Kan.—CIGNA Insurance Co. will pay a $9.2 million jury award against A.H. Robins Co., the former manufacturer of the Dalkon Shield intrauterine device, if Robins cannot.

Robins, which filed for bankruptcy in August 1985, had purchased a surety bond from a CIGNA unit in May 1985 to assure payment of the award if it lost

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Liquidator sues 13 MIG directors, AFC, Lindner

By STEVE TARAVELLA

LOS ANGELES—The liquidation of Mission Insurance Co. and four of its subsidiaries continues to trudge through a quagmire of lawsuits that now involves reinsurers, Mission's liquidator and former and current directors and employees of its parent company.

Further clouding an already murky sea of litigation now so complicated that even the lawyers involved sometimes have difficulty keeping track, California Insurance Commissioner Roxani M. Gillespie is suing American Financial Corp., AFC Chairman Carl H. Lindner and 13 former and current Mission Insurance Group Inc. directors and key employees (*BI*, June 15).

Ms. Gillespie, liquidator of MIC and its four insolvent subsidiaries, filed the suit June 3 in an attempt to hold the defendants liable in case seven reinsurers are successful in rescinding their contracts with MIC and subsidiaries Mission Reinsurance Corp., Mission National Insurance Co., Enterprise Insurance Co. and Holland-America Insurance Co.

"There's going to be a lot of this going on, I'm afraid. It's too bad, because it means a lot of money will be paid to attorneys that should be paid to claimants," Ms. Gillespie said.

In addition, the Los Angeles Superior Court recently ordered Ms. Gillespie to provide an accounting—to any state that so requests—of money that is transferred from MIC's general account to its statutory workers compensation deposits. These transfers are being made to repay money that was borrowed from the deposits to pay claims outside of California while MIC was in conservation and before guaranty funds started paying claims.

The trail of the most recent litigation dates to Dec. 22, when Ms. Gillespie sued 144 reinsurers in an attempt to recover $500 million MIC has paid in claims and $200 million it has set aside in case reserves (*BI*, Dec. 29).

Among the many responses and legal motions that suit

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COBRA penalties carry a sharp bite

By JERRY GEISEL

WASHINGTON—An entire corporate family would lose its federal tax deductions for health care expenses if just one affiliate does not comply with COBRA, under long-awaited proposed regulations released last week by the Internal Revenue Service.

The regulations to implement the Consolidated Omnibus Budget Reconciliation Act of 1985 say that even if the COBRA violation involved just one employee and was quickly corrected, all members of the controlled group could lose their tax deductions for health care expenses for a full tax year.

In addition, all highly compensated employees of the controlled group would have the cost of their employer-provided health care expenses added to their taxable income if just one group member does not comply with COBRA.

Companies under common ownership are considered members of a controlled group.

And, while there is some ambiguity, it also appears that in collectively bargained multiemployer welfare plans, all employers lose their tax deductions if just one plan member does not comply with COBRA, the federal law that requires employers to offer group health care benefits to former employees and employees' widowed, divorced or separated spouses.

It was always known that these tax penalties would apply to an individual employer that does not comply with COBRA.

But, the severity of these penalties, especially the loss of tax deduction for a full year for just one violation, even if corrected, is triggering outrage in the benefit community.

"The penalties are totally unreasonable. The results would be draconian for conglomerates with far-flung operations," asserted Seth Tievsky, an attorney with The Wyatt Co.'s Research and Information Center in Washington.

"My sense is that there is no room (in these rules) for

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HBJ's D&O insurance likely to cover suit

By STEPHEN TARNOFF

ORLANDO, Fla.—Despite recently adopted exclusions to directors and officers liability insurance policies, Harcourt Brace & Jovanovich Inc. probably has D&O insurance to cover its directors for a suit challenging the company's recent recapitalization plan.

In the last few years, D&O underwriters have begun to add exclusions for suits involving mergers, acquisitions or tender offers. But, according to an unreleased survey of D&O insurance policies, publishing and communications companies' D&O policies seldom contained these exclusions.

On June 1, British Printing & Communication Corp. sued the Orlando, Fla.-based HBJ, which has publishing, insurance and theme park interests, to prevent implementation of HBJ's recapitalization plan.

The plan, which would increase HBJ's debt to about $3 billion and place more than 30% of the company's voting stock in hands friendly to the company, would block British Printing's efforts to take over HBJ.

British Printing Chairman Robert Maxwell had offered $44 per share to HBJ shareholders on May 18, but withdrew it after HBJ initiated its recapitalization plan, which was announced on May 26.

Also named in the suit, which was filed in U.S. District Court for the Southern District of New York, are investment banker First Boston Corp., affiliate First Boston Securities Corp. and 15 HBJ directors.

Among HBJ directors are former Minnesota Sen. Eugene J. McCarthy; former Vassar President Virginia B. Smith; and Marta Casals Istomin, artistic director of the John F. Kennedy Center for the Performing Arts.

In addition to the lawsuit, HBJ's plan also faces a potential legal challenge from the Michigan Insurance Bureau, which has requested information from three HBJ-owned insurers on how the proposed recapitalization plan will affect the insurers and their policyholders (see related story, page 135).


Sen. McCarthy

HBJ's D&O coverage is written by Continental Casualty Co. in Chicago, a unit of CNA Financial Corp., also based in Chicago. It also has coverage with National Union Fire Insurance Co. of Pittsburgh, Pa., a unit of American International Group Inc.; CIGNA Corp. of Philadelphia; and Federal Insurance Co., a Chubb Corp. unit in Warren, N.J., according to HBJ's 10-K report.

Insurers would not comment on whether they have established any loss reserves for the suit; nor would they comment on the limits they wrote.

The current D&O limits offered by the insurers are: up to $10 million from CNA; up to $25 million from National Union; up to $5 million from CIGNA; up to $25 million from Federal (*BI*, April 13).

The coverage was brokered by HBJ subsidiary John M. Riehle in New York. Riehle ranks as the 51st-largest broker in the country (see chart, page 3).

An HBJ spokesman would not comment on whether its D&O coverage would respond to the suit. Other HBJ officials and directors did not return phone calls.

About 14% of D&O policies contain exclusions for activities in connection with mergers and acquisitions, 16% for tender offers or rejections of such offers and 26% for SEC violations in addition to the standard exclusion for insider trading, according to The Wyatt Co.'s 1987 directors and officers liability and fiduciary liability survey, which will be released soon.

But, none of the publishing companies surveyed had policies that contained exclusions for mergers and acquisitions, 6% had exclusions for tender offers or rejections, and 28% had exclusions for SEC violations, said Kenneth Wollner, a Wyatt consultant in Chicago.

The lawsuit against HBJ and its directors involves what HBJ Chairman William Jovanovich calls "the largest recapitalization financing of its kind in the history of American commerce."

The lawsuit "is certainly a case of significant importance in the area" of challenging recapitalization plans, says Nancy Barton, British Printing's attorney with the New York firm of Weil, Gotshal & Manges.

Last week, sources knowledgeable about D&O insurance

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The Most Popular Approach To Retiree Health Costs.

By 1996, corporations will provide health care benefits to one retiree for every two active workers, double today's ratio.

This demographic shift takes on even more daunting dimensions when medical cost trends are examined. Costs rose seven times faster than the Consumer Price Index last year for 1,466 employers responding to the 1986 Johnson & Higgins HealthGroup study of corporate health care benefit plans.

Meanwhile health care obligations to retirees reached $98 billion in 1986, according to government estimates. Others place the figure considerably higher. Should the FASB require recognition of current and future retiree health plan obligations, the impact on corporate balance sheets will be pronounced.

Surprisingly, only about four out of ten corporations measured their liability last year. Fewer still tried to project obligations through the next decade, J&H found.

Many employers have postponed measurement because interpretations of several court decisions seem to leave little—if any—room to deal with retiree programs.

In actuality, major opportunities lie in redesigning medical plans for future retirees and in effecting alternative funding arrangements with current retirees.

Corporations should develop a clear picture of their retiree health care liabilities now and seize the current opportunity to restructure plans for the future.

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16th annual agent/broker profile issue

Brokers' revenues boom

For the second year running, credit the 20 largest U.S.-based insurance brokerages with record growth in new revenues.

The Top 20 U.S. brokers added $1 billion in new revenues in 1986, a 22.2% increase to $5.6 billion from their 1985 revenues of $4.6 billion.

New clients seeking the muscle of large brokers to wrestle with the tight property/casualty insurance market, higher insurance rates for the better part of the year and acquisitions created the growth.

The record $1 billion gain tops the 1985 growth of $863.1 million for the then-Top 20, but falls slightly short of the 22.5% growth rate in 1985.

It was only 10 years ago that the then-Top 20 brokers broke $1 billion in revenues for the first time.

This year's *Business Insurance* report on the commercial insurance brokerage business includes financial and management information on 241 brokerages in the United States and abroad. These brokers generated revenues of $8.6 billion in 1986.

An analysis of the Top 20 broker rankings begins on page 3. A report on the compensation of nine top brokerage executives appears on page 10.

Individual reports on the 20 largest U.S.-based brokers, including how they achieved their revenue growth in 1986 and their new strategies for doing business in a softening property/casualty insurance market, begin on page 14. Reports on the No. 21-No. 25 ranked brokers, which often move up into the Top 20 in coming years, begin on page 85.

BI also ranks the "next 80" largest U.S. brokers; companies this year needed in excess of $4.5 million in 1986 gross revenues to make the list. The combined 1986 revenues of these 80 brokers totaled $766.7 million, up 21.5% from their 1985 revenues.

Financial and management information about these 80 brokers and an additional 128 brokers, whose 1986 revenues totaled $316.7 million, is reported in an alphabetical listing beginning on page 90.

In addition, *BI* ranks the 20 largest insurance brokers in the world on page 3 and profiles the non-U.S. companies in the ranking in articles beginning on page 121. Eight of the Top 20 U.S. brokers are among the 20 largest in the world, along with nine British brokers and one company each in France, The Netherlands and West Germany.

The 1986 revenues of the U.S. brokers among the 20 largest brokers in the world totaled $4.7 billion, while the non-U.S. brokers' revenues, converted to U.S. dollars at applicable exchange rates, totaled $2.5 billion.

Montreal-based Sodarcan Inc., which has ranked among the 20 largest brokers in the world since *BI* first compiled the ranking in 1983, was squeezed out this year due to currency fluctuations. A report on Sodarcan, which produced 1986 gross revenues of $59.5 million, appears on page 134.

A geographical index of all the U.S. offices of the U.S.-based brokers begins on page 113.

Top 20 U.S. brokers: 1986 performance

Company	Ranking 1986	Ranking 1985	Gross revenues (000) 1986	Gross revenues (000) 1985	Change	Employees 1986	Employees 1985	Change	Rev./Employee 1986	Rev./Employee 1985
Marsh & McLennan Cos. Inc.	1	1	$1,830,000	$1,392,700	31.4%	19,900	17,733	12.2%	$91,960	$78,537
Alexander & Alexander Services Inc.	2	2	1,135,500	967,900	17.3	18,000	17,000	5.9	63,083	56,935
Johnson & Higgins	3	3	647,587[1]	523,514[1]	23.7	7,180[1]	6,710[1]	7.0	90,193[1]	78,020[1]
Fred S. James & Co. Inc.	4	5	468,483	391,503	19.7	6,429	5,982	7.5	72,870	65,447
Frank B. Hall & Co. Inc.	5	4	390,857	360,512[2]	8.4	7,000	7,000	—	55,837	51,502
Corroon & Black Corp.	6	6	338,302	277,729[2]	21.8	4,000	3,500	14.3	84,576	79,351
Rollins Burdick Hunter Co.	7	7	170,000	141,500	20.1	2,205	2,142	2.9	77,098	66,060
Arthur J. Gallagher & Co.	8	11	118,845	95,190[2]	24.9	1,465	1,371[2]	6.9	81,123	69,431
Jardine Emett & Chandler Inc.	9	9	94,232[3]	82,014[4]	14.9	1,078	1,098[2]	−1.8	87,414	74,694
Bayly, Martin & Fay International Inc.	10	10	92,700[3]	91,900[3]	0.9	1,150	1,355	−15.1	80,609	67,823
Republic Hogg Robinson Inc.	11	12	48,035[3]	36,656[3]	31.0	671	592	13.3	71,587	61,919
Hilb, Rogal & Hamilton Co.	12	14	34,500[3]	28,700[3]	20.2	470	430	9.3	73,404	66,744
Poe & Associates Inc.	13	13	34,120	29,224	16.8	517	503	2.8	65,996	58,099
FBS Insurance	14	15	29,200[3]	26,900[3]	8.6	374	389	−3.9	78,075	69,152
Walter Kaye Associates Inc.	15	16	28,758[3]	23,950[3]	20.1	334	287	16.4	86,102	83,449
Robinson-Conner Inc.	16	22	28,150[3]	18,000[3]	56.4	450	390	15.4	62,556	46,154
John L. Wortham & Son	17	17	25,469[3]	23,344[3]	9.1	263	263	—	96,840	88,760
B.R.I. Coverage Corp.	18	20	23,900[3]	20,100[3]	18.9	176	150	17.3	135,795	134,000
McDonough Caperton Insurance Group[5]	19	18	23,884[3]	21,500[3]	11.1	452	434	4.1	52,841	49,539
ABI Management Inc.	20	23	22,729[3]	17,700[3]	28.4	279	245	13.9	81,466	72,245
Totals/averages			$5,585,251	$4,570,536	22.2%	72,393	67,574	7.1%	$77,152	$67,637

[1]*BI* estimate [2]Restated [3]Brokers report, no public records [4]Restated; broker's report, no public record [5]Information stated for fiscal years ending April 30, 1987; April 30, 1986

Source: *BI* survey Chart: Amy Palmer

Top 20 world brokers and the next top 80 U.S. brokers . . . Page 3

NEWSPAPER

update

CIGNA to pay Robins award

Continued from previous page
its appeal of the Dalkon Shield award.

The Kansas Supreme Court upheld the jury award June 12.

The award, which includes $7.5 million in punitive and $1.7 million in compensatory damages, is the largest against Robins.

A spokesman for CIGNA said the insurer is committed to guaranteeing payment if Robins is unable to pay.

IEA passes tougher regulations

MIAMI—A streamlined Insurance Exchange of the Americas plans to reopen Sept. 1, writing only surplus lines insurance.

Under legislation passed earlier this month, the IEA guaranty fund will respond only to insurance policyholder claims, up to $300,000, but not reinsurance policyholder claims. As a result, IEA would not be a viable market for reinsurance.

The legislation, which was awaiting Gov. Bob Martinez's signature late last week, also calls for the IEA's board of governors to be comprised of 13 members, seven of whom must be appointed by the Florida Insurance Commissioner; doubles syndicate capitalization to $3 million and policyholder surplus requirements to $2 million; and lowers to 4-to-1 the maximum net premium-to-surplus underwriting ratio.

IEA officials don't know how many of the 15 IEA syndicates will seek requalification. Seven are in rehabilitation now.

Losses on reinsurance treaties shut down the IEA in February.

House bill amends McCarran

WASHINGTON—Following the lead of the Senate, six House members last week introduced legislation to amend the McCarran-Ferguson Act to subject insurers to federal antitrust laws.

The bill was introduced by Rep. Don Edwards, D-Calif., and Reps. Barney Frank, D-Mass., John LaFalce, D-N.Y., Claude Pepper, D-Fla., Peter Rodino, D-N.J., and Harley Staggers Jr., D-W.Va.

However, unlike legislation recently introduced in the Senate, the House bill would not specifically exempt from antitrust law such joint insurer activities as collecting and exchanging some data on paid claims and reserves. Rep. Edwards said he would consider adding such an exemption later.

Both the House and Senate legislation would leave primary regulation of the insurance industry with the states.

Mutual Fire plan opposed

PHILADELPHIA—The committee of policyholders formed to participate in the rehabilitation of Mutual Fire, Marine & Inland Insurance Co. last week filed objections to the Pennsylvania Insurance Department's proposed order to rehabilitate the insurer.

The committee claims the provisions of the proposal disregard earlier modifications agreed to by the committee and the Insurance Department, specifically that the rehabilitator would pay direct policyholder claims first, following a 120-day period after the plan is approved. The payments would be made provided there are assets available and that the insurer wins in arbitration proceedings with reinsurers over surety bond coverage.

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errors and omissions

The Michigan Municipal Risk Management Authority is not liable for a $1.6 million jury award against the city of East Detroit and two former city officials, as was incorrectly stated in a March 25 update.

A Macomb County Circuit Court jury awarded the damages last month to Craig Doherty, a former East Detroit police officer who was fired in March 1983 after allegedly having sex with a woman while on duty.

East Detroit did not obtain its occurrence-based liability coverage through MMRMA, a group self-insurance program, until July 1, 1983, more than three months after the firing that Mr. Doherty later charged was a denial of his constitutional due process rights, said Bernard P. McClorey, a lawyer with the Livonia, Mich., firm of Cummings, McClorey, Davis & Acho, which represented the two city officials.

Business Insurance was told by East Detroit's city manager that the city had been a member of MMRMA since 1981 or 1982.

Mr. Doherty also had accused three former East Detroit officials of libel and slander in incidents that did occur during the MMRMA policy period. While the case was pending, MMRMA managers fully reserved the city for its $50,000 retention and notified MMRMA reinsurers excess of $50,000, based on the libel and slander charges, Mr. McClorey said.

However, one of the three defendants was dismissed from the case, and the libel and slander charges against the other two were later dismissed, he said.

The jury's $1.6 million verdict involved only the wrongful termination charge, and represents a claim against insurers that covered the city prior to its joining MMRMA.

At the time of the incident, the city's primary general liability coverage was with Transit Casualty Co. of St. Louis and its primary public officials errors and omissions coverage was with Forum Insurance Co. in Schaumburg, Ill., a unit of Montgomery Ward & Co. Inc., Mr. McClorey said. Granite State Insurance Co. in Manchester, N.H., a unit of American International Group Inc., wrote an umbrella liability policy with limits of $5 million excess of the $500,000 primary coverage, he said.

Transit Casualty is in liquidation in Missouri. East Detroit is not entitled to coverage under the state's guaranty fund because it is too large, Mr. McClorey said, adding that the city is in the process of filing a claim with the Missouri guaranty fund.

PCW members cap liability by accepting Lloyd's offer

By STACY SHAPIRO

LONDON—The liability of members of loss-riddled Lloyd's of London syndicates formerly managed by PCW Underwriting Agencies Ltd. will be capped following syndicate members' approval of Lloyd's 103 million pound ($170.9 million) settlement proposal.

In a brief statement issued Friday, the deadline for PCW members to accept the offer, Lloyd's said because "the necessary conditions relating to PCW offers having been satisfied," the offer would "become unconditional."

Lloyd's would not say how many syndicate members accepted the offer. Under the terms of the offer, Lloyd's could not declare the offer unconditional unless 90% of the members agreed or Additional Underwriting Agency No. 3 Ltd.—which currently manages the PCW syndicates—agreed to a lesser percentage.

AUA3 last week also would not comment on how many PCW members accepted the offer. Lloyd's Chairman Peter Miller will reveal the percentage at Lloyd's annual general meeting this week.

Attorneys say the PCW members who did not accept the offer probably will decide this week whether to sue Lloyd's and 37 other parties to recover their losses.

In the offer to the 1,547 members of PCW non-marine syndicates, Lloyd's agreed to contribute 45 million pounds ($74.3 million) from its Central Fund. In addition, Lloyd's will cover any syndicate losses exceeding the current estimated net loss of 235 million pounds ($383 million).

Thirty-seven other parties—including 26 Lloyd's members' agencies, accountants, law firms and brokers—are to contribute 55 million pounds ($90.7 million) to the settlement. They include PCW parent company Minet Holdings P.L.C., Sedgwick Group P.L.C. and Alexander & Alexander Services Inc.

PCW syndicate members must pay 34 million pounds ($56.1 million) toward the settlement. They also relinquish their rights to sue Lloyd's and transfer to Lloyd's their right to sue other parties involved in the PCW affair, including the parties to the settlement.

New agencies under Lloyd's control will administer and control the runoff of the PCW syndicates. Mr. Miller is expected to announce that Ivor Binney, recently retired deputy chairman of Lloyd's broker C.T. Bowring & Co. Ltd., will head one of the agencies (*BI*, June 15). ■

Goodwill to fight big award

By MICHAEL BRADFORD

HOUSTON—Goodwill Industries of Houston is seeking a new trial in a case that ended with a $4.9 million award to the parents of a girl killed by a Goodwill employee in 1984.

Last month's jury verdict found Goodwill negligent for hiring a convicted murderer and allowing him to continue work at an apartment complex for the handicapped after residents accused him of theft.

Roger Townsend, an attorney with Fulbright & Jaworski in Houston, said last week that his firm intended to file a motion for a new trial this week on behalf of Goodwill in Harris County District Court.

In addition, Goodwill has filed a declaratory judgment against its insurer, charging the insurer should be responsible for the entire award even though it provided only $500,000 in liability coverage for the nonprofit organization at the time of the murder.

Jed Robinson, an attorney with the law offices of Douglas W. Lyons Jr. in Houston, who represented Goodwill in the original case, said Commonwealth Lloyd's Insurance Co. in Dallas rejected settling the case for $500,000 in 1986.

In February, the insurer indicated it would accept the settlement terms, but the plaintiffs then rejected that offer, Mr. Robinson noted.

"We offered to settle this case at the close of December 1986 for $500,000," said Ray Putney, the Houston attorney representing the victim's parents. "That represents the amount of liability coverage Goodwill had.

"The insurance company was informed that if it didn't pay, the case would be taken to a verdict," Mr. Putney said. "They didn't pay and it was taken to a verdict."

Commonwealth Lloyd's is a unit of Morristown, N.J.-based Crum & Forster Insurance Cos. According to Oldwick, N.J.-based A.M. Best Co., all of its business is automatically reinsured with another Crum & Forster unit, International Insurance Co. in Chicago.

A Crum & Forster spokeswoman said the company would not comment on the case or the insurer's rejection of the settlement terms first offered.

The case involved Jerry Wayne Watts, 41, who was convicted in November 1984 of the murder of 15-year-old Roxy Ellen Sallaz. The teen-ager was visiting her blind sister at the Independence Hall apartment complex, operated by Goodwill subsidiary G-I-H Housing Corp., the day she was abducted and killed.

Mr. Watts was a maintenance worker at Independence Hall. He had been paroled from a Mississippi prison, where he was serving consecutive life sentences for the kidnap, rape and murder of one girl and the attempted rape and murder of another.

Mr. Putney said Goodwill was found grossly negligent for "hiring him in the first place and retaining him after he was accused of several offenses."

According to Mr. Putney, Goodwill was aware that Mr. Watts had been convicted of a felony before he was hired. He said Mr. Watts indicated on his employment application that he had been convicted of murder, although he qualified the statement by writing: "But I was on drugs and drunk at the time."

Mr. Robinson pointed out, however, that "part of Goodwill's mandate" is to hire ex-convicts. He said state and federal agencies define persons with criminal records as "occupationally handicapped," making them eligible for assistance from Goodwill.

Steve Lufburrow, president of Goodwill of Houston, was unavailable for comment. ■

inside

✓ The top executives of the two largest U.S. insurance brokerages each earned more than $1 million in cash compensation in 1986. **PAGE 10**

✓ Four publicly traded brokerage companies and an insurance holding company with a brokerage subsidiary limited their directors' liability. **PAGE 12**

✓ The race among the brokers ranking 21st to 25th largest in the United States was tight. **PAGE 85**

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New business efforts vital to leading brokers' growth

It's back to hustling for business for the Top 20 U.S. insurance brokers.

After enjoying two years of growth fueled by rate increases and a flood of new clients seeking high-powered brokerage service in a tight market, the nation's largest brokers now are concentrating on developing more new business to maintain their growth as insurance rates stabilize and even decrease.

Says Robert F. Corroon, chairman of Corroon & Black Corp. in New York: "The very tight market favored the professional broker and there was a flight to quality. Now the market is changing so that it's no longer tight. You have to ask yourself, 'Is that going to change so that there is no longer a flight to quality?' "

The 22.2% average gain in revenues in 1986 was slightly less than in 1985, but the actual dollar gain was a record $1 billion.

Most brokers are concerned it will and are developing special programs to attract new business.

Johnson & Higgins, for example, has introduced an incentive bonus system to reward employees who meet production goals.

"Aggressive selling—once anathema at Johnson & Higgins—is now accepted as essential to the firm's long-term growth and vitality," according to Chairman Robert V. Hatcher Jr. in New York.

"More and more we are conscious that we must get some new business—we have to in order to survive in this market," says Charles E. Keller, president of Republic Hogg Robinson Inc. in Boston.

And, instead of scouring the market for coverage, brokers now are looking for the best deals as insurers increase capacity and lower rates.

"We have to make sure what is being quoted is the best quote at the time," says Arthur F. Quern, president and chief operating officer of Rollins Burdick Hunter Co. in Chicago. He added, however, that service, the strength and sophistication of the insurer also are important.

Most brokerage executives say they were surprised by how quickly market conditions improved in late 1986 and early 1987.

"You logically expect that there would have been one more year of rising prices, or at least not price reductions," said John A. Bogardus, chairman of Alexander & Alexander Services Inc. in New York.

It will be difficult for many of the brokers to repeat their growth of the last two years.

Overall, the 20 largest U.S. insurance brokers, as ranked by *Business Insurance* based on gross revenues, reported an average 22.2% increase in revenues in 1986, down only slightly from a 22.5% increase in revenues for the Top 20 brokers based on 1985 revenues.

In 1984, the year when the competitive insurance market turned hard, the then-Top 20 brokers reported an 11.1% increase in revenues—a big jump from the mere 2.1% increase in 1983, the last year of the hotly competitive market.

And, although the Top 20's 22.2% revenue gain in 1986 was slightly less than in 1985, the actual dollar gain was a record $1 billion.

In 1985, the Top 20 brokers' revenue gain was $863 million, to $4.7 billion.

In 1977, when the then-Top 20 brokers in-

Continued on next page

A&A, Sedgwick fight for No. 2

Two companies are waging a tight battle to decide which is the world's second-largest insurance broker.

While Marsh & McLennan Cos. Inc. remains by far No. 1 in *Business Insurance's* ranking of the world's largest brokerage companies based on 1986 revenues, the gap between second-place Alexander & Alexander Services Inc. and No. 3 Sedgwick Group P.L.C. has closed.

Sedgwick's 1986 revenues trail A&A's by just $81.8 million if a full year of revenues from The Crump Cos. Inc. are included in Sedgwick's results. Sedgwick acquired Crump—the 14th-largest world broker last year—on Nov. 1, 1986, and only included two months of Crump revenues in results reported to shareholders.

The order could be reversed next year. Sedgwick passed A&A during the first quarter of 1987, posting revenues of 192.7 million pounds ($310.2 million at March 31 exchange rates). A&A's first-quarter revenues totaled $269.5 million.

Exchange rate fluctuations are responsible for some of Sedgwick's gain in the first quarter. If the Dec. 31, 1986, exchange rate is used to convert the first-quarter results, Sedgwick's revenues would have only totaled $285.8 million, but that still would have topped A&A.

However, currency fluctuations had only a limited impact on the Top 20 world brokers in 1986. While in past years the British brokers have shuffled positions because of swings in the strength of the pound against the dollar, most of the British brokers held their positions in 1986 as the value of the pound against the dollar changed only 2% from year-end 1985.

However, the strength of the deutsche mark propelled West German broker Jauch & Hubener into the Top 20 with gross revenues of $82.2 million. It's the first year the partnership, now No. 18 in the world, has participated in the *BI* survey.

In addition, Lowndes Lambert Group Ltd., whose fiscal year ends March 31, took advantage of the higher exchange rate on that date to nose out Sodarcan Ltd. for the No. 20 spot. Lowndes Lambert had fiscal 1986 revenues of $61.3 million, compared with $59.5 million for Sodarcan.

The only big movement in the Top 20 was the fall of Hogg Robinson Group P.L.C. from eighth to 13th place because *BI* no longer considers revenues from Hogg's travel, transport or financial services operations.

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.

Top 20 world brokers

Company	1986 gross revenues (in millions)
1. Marsh & McLennan (U.S.)	$1,830.0
2. Alexander & Alexander (U.S.)	1,135.5
3. Sedgwick Group (U.K.)	1,053.7[1,2]
4. Johnson & Higgins (U.S.)	647.6[3]
5. Frank B. Hall (U.S.)	390.9
6. Corroon & Black (U.S.)	338.3
7. Willis Faber (U.K.)	251.2[1]
8. Minet Holdings (U.K.)	180.4[1]
9. Rollins Burdick Hunter (U.S.)	170.0
10. Jardine Insurance Brokers (U.K.)	162.7[1]
11. C.E. Heath (U.K.)	159.6[1,4]
12. Stewart Wrightson (U.K.)	140.7[1]
13. Hogg Robinson (U.K.)	139.4[1,3,5]
14. Bain Clarkson (U.K.)	119.9[1,3]
15. Arthur J. Gallagher (U.S.)	118.8
16. Bayly, Martin & Fay (U.S.)	92.7
17. Faugere & Jutheau (France)	90.9[1]
18. Jauch & Hubener (Germany)	82.2[1]
19. Hudig-Langeveldt (Netherlands)	69.4[1]
20. Lowndes Lambert (U.K.)	61.3[1,4]

[1]Converted to U.S. currency at applicable exchange rate
[2]Includes 12 months of Crump's revenues
[3]*BI* estimate
[4]For fiscal year ending March 31, 1987
[5]For fiscal year ending March 31, 1987; excludes travel business
Source: *BI* survey

The next 80 largest U.S. brokers

Company	1986 gross revenues
21. Financial Guardian Group Inc.	$22,427,539
22. Rhulen Agency Inc.	$22,244,000
23. Brown & Brown Inc.	$22,107,642
24. McGriff, Seibels & Williams Inc.	$20,396,375
25. Collier Cobb & Associates Inc.	$20,000,000
26. Redland Group Inc.	$18,565,000
27. The Kornreich Organization	$17,900,000
28. Lawrence Agency Corp.	$17,320,000
29. Frenkel & Co. Inc.	$17,103,000
30. Frank Crystal & Co. Inc.	$15,713,600
31. Andreini & Co.	$15,552,026
32. Near North Insurance Agency	$15,150,000
33. Haas & Wilkerson Inc.	$14,639,000
34. Rebsamen Insurance Inc.	$14,287,575
35. The Cal-Surance Group	$13,955,800
36. ANCO Insurance	$13,500,000
37. Meeker Sharkey Financial Group Inc.	$12,889,000
38. Robert F. Driver Co. Inc.	$12,849,981
39. The Lockton Insurance Agency Inc.	$12,714,000
40. Associated Agencies Inc.	$11,813,609
41. Roanoke Agency Inc.	$11,700,000
42. Palmer & Cay/Carswell Inc.	$11,462,025
43. Insurance Management Associates Inc.	$11,408,852
44. Keenan & Associates	$11,200,000
45. Tanenbaum-Harber Co. Inc.	$11,190,000
46. Kendall Insurance Inc.	$10,713,250
47. The Leavitt Group	$10,502,000
48. Holmes, Murphy & Associates Inc.	$10,400,000
49. J. Smith Lanier & Co.	$10,262,712
50. NIA Ltd./National Insurance Associates	$9,810,000
51. John M. Riehle Inc.	$9,550,000
52. Mahoney & Wright Insurance Agencies	$9,101,000
53. Marshall & Sterling Inc.	$9,023,890
54. Seaboard Financial Group	$8,895,670
55. Daniel & Henry Co.	$8,859,847
56. Thomas E. Wood Inc.	$8,600,000
57. ISU/Hastings-Tapley Insurance Agency Inc.	$8,494,969
58. MacIntyre, Fay & Thayer Insurance Agency Inc.	$8,367,000
59. Meadowbrook Inc.	$8,000,000
60. Schwartz Brothers Insurance Agency Inc.	$7,930,000
61. The Graham Co.	$7,785,045
62. W.K.P. Wilson & Son Inc.	$7,750,000
63. Kelter-Thorner Inc.	$7,490,000
64. The McElroy-Minister Co.	$7,303,259
65. Van Gilder Insurance Corp.	$7,250,000
66. Glenn, Nyhan & Associates Inc.	$7,190,000
67. The Loomis Cos. Ltd.	$7,050,000
68. Insurance & Risk Management	$6,800,000
69. South Continental Insurance Agency Inc.	$6,708,000
70. James Econn & Co.	$6,611,937
71. Richard N. Goldman & Co.	$6,500,000
S.H. Gow & Co. Inc.	$6,500,000
73. Variable Protection Administrators Inc.	$6,450,000
74. North American Insurance Agency Inc.	$6,365,000
75. Alliance Brokerage Corp.	$6,300,000
76. Mack & Parker Inc.	$6,234,901
77. Mammel/Schropp/Swartzbaugh/Engler & Jones Inc.	$6,215,200
78. The Talbert Corp.	$6,137,000
79. R.C. Knox & Co. Inc.	$6,100,000
80. Ulrich, Voorhees, Warner Associates	$5,825,000
81. Laub Group Inc.	$5,801,000
82. Anderson & Anderson Insurance Brokers Inc.	$5,800,000
Sullivan Co. Inc./U.S. Shelter Insurance Agencies	$5,800,000
84. John P. Tilden Ltd.	$5,759,352
85. Sander A. Kessler & Associates Inc.	$5,740,869
86. Bolton & Co.	$5,600,000
87. Fred A. Moreton & Co.	$5,529,000
88. Lasher-Cowie Agency Inc.	$5,514,015
89. Boynton Brothers & Co.	$5,500,000
90. Association Administrators & Consultants Inc.	$5,428,000
91. Saldana & Associates Inc.	$5,400,000
92. Wharton/Lyon & Lyon	$5,351,000
93. The Woodsmall Cos.	$5,286,000
94. Seitlin & Co.	$5,024,687
95. O'Gorman & Young Inc.	$5,005,000
96. Blumencranz Klepper & Wilkins	$4,830,000
97. J.H. Silversmith Inc.	$4,600,000
98. John D. Williams Co.	$4,570,000
99. Curtis Day & Co.	$4,516,386
100. ISU/Marion A. Allen Inc.	$4,501,437

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

Charts: Amy Palmer

Top 20 U.S. commercial retail brokers
(Based on 1986 estimates; in millions of dollars)

	1986	1985	Percent change
1. Marsh & McLennan Cos. Inc.	$824	$655	26%
2. Alexander & Alexander Services Inc.	704	571	23
3. Johnson & Higgins	473	387	22
4. Fred S. James & Co. Inc.	319	223	43
5. Frank B. Hall & Co. Inc.	278	256[1]	9
6. Corroon & Black Corp.	220	181[1]	22
7. Rollins Burdick Hunter Co.	141	120	17
8. Jardine Emett & Chandler Inc.	73	62[1]	18
9. Bayly, Martin & Fay International Inc.	66	67	−1
10. Arthur J. Gallagher & Co.	62	49[1]	27
11. Republic Hogg Robinson	31	20	55
12. Hilb, Rogal & Hamilton Co.	25	21	19
13. Walter Kaye Associates Inc.	23	19	21
John L. Wortham & Son	23	21	10
15. B.R.I. Coverage Corp.	20	17	18
ABI Management Inc.	20	15	33
17. Collier Cobb & Associates Inc.	19	14	36
18. Robinson-Conner Inc.	18	12	50
19. Financial Guardian Group Inc.	17	15[1]	13
20. Poe & Associates Inc.	16	13	23
The Kornreich Organization	16	14	14
Totals	$3,388	$2,752	23%

[1] Restated

Source: *BI* survey; brokers' responses

Top brokers

Continued from previous page

creased their revenues an average of 24.3%, the total revenue gain for the group was a mere $288 million, to just $1.5 billion.

Between 1977 and 1983, the then-Top 20 brokers' revenues grew 18.2% in 1978; 18.4% in 1979; 16.2% in 1980; 14.2% in 1981; and 10% in 1982.

Revenues per employee among the Top 20 also hit a record in 1986: $77,152, up 14.1% from $67,637 in 1985.

The next 80 U.S. brokers generated revenues of $766.7 million in 1986, a 21.5% increase from revenues of $631.1 million in 1985.

The other 128 brokers listed in the directory beginning on page 90 performed slightly better, growing an average of 23.6%.

Only four brokers among the Top 20 reported less than double-digit revenue gains in 1986. But, growth is slowing this year, as evident in the first-quarter results of the publicly traded brokers.

For example, at A&A, revenues increased only 7.9% to $269.5 million in the first quarter of 1987.

"You are seeing a softening in the commissioned insurance area in the rates, and this is particularly evident on the property side, albeit there is some evidence in normal liability lines," Mr. Bogardus said.

And, most of the Top 20 continue to earn the vast majority of their brokerage revenues on a commission basis, not from fees.

Only Marsh & McLennan Cos. Inc. reported more than 20% revenue growth in the first quarter. Analysts attributed M&M's 25.1% increase to several factors unique to M&M: its large number of giant corporate accounts, which now are able to buy limits that were unavailable last year, and the diversity of its operations (*BI*, May 18).

Acquisitions also are expected to contribute to new growth for many of the Top 20 brokers this year, as they did last year.

In all, M&M has spent more than $200 million on acquisitions since the beginning of 1986, says Frank J. Tasco, chairman of M&M Cos.

A&A made 11 acquisitions in 1986 and two in 1987, while Republic Hogg Robinson made 10 acquisitions in 1986 and early 1987.

New York-based Fred S. James & Co. Inc. picked up The Crump Cos. Inc., which ranked No. 8 last year, as well as two of the "next 80 brokers" in the 1986 rankings.

The number of acquisitions this year probably will be significant because provisions of the Tax Reform Act make acquisitions more attractive if completed before 1988.

One strategy that worked well in 1986 for the largest of the Top 20 may not be as effective in 1987. Helping clients create alternative risk funding facilities, a strategy that worked especially well for M&M and J&H, seems to be slowing this year.

However, there now is interest in forming risk retention groups and purchasing groups as permitted by the Risk Retention Act of 1986, especially among the brokers serving medium-sized and smaller clients.

The largest percentage growth among the Top 20 was turned in by Erie, Pa.-based Robinson-Conner Inc., whose revenues grew 56.4% in 1986, due primarily to acquisitions. That catapulted Robinson-Conner to No. 16 and back into the Top 20 for the first time since 1983, when it ranked 18th. Robinson-Conner ranked No. 22 last year.

The largest dollar gain, of course, was reported by M&M, whose 31.4% revenue gain to $1.8 billion totaled $437.3 million, or more than the revenues of all but the four largest brokers.

Also producing growth in excess of 30% was Republic Hogg Robinson, whose 1986 revenues of $48 million were up 31%.

The worst performance among the Top 20 was turned in by Bayly, Martin & Fay International Inc. in Forth Worth, Texas, where revenues climbed a scant 0.9%. BMF spent the better part of the year paring down operations to a core of profitable retail brokerage divisions and doesn't expect 1987 revenues to be much—if at all—higher.

The only other Top 20 brokers to fail to achieve double-digit growth in 1986 were: Frank B. Hall & Co. Inc. of Briarcliff Manor, N.Y., which has been distracted by problems with discontinued operations, including litigation; FBS Insurance, a subsidiary of First Bank Systems Inc. in Minneapolis, which sold many rural agencies; and Houston-based John L. Wortham & Son, which has suffered with the sagging Texas economy.

There are only a few other shake-ups in the Top 20 rankings. As expected, Fred S. James leaped over troubled Frank B. Hall to become the fourth-largest U.S. broker. Including a full year of Crump's revenues, James reports 1986 revenues of $468.5 million.

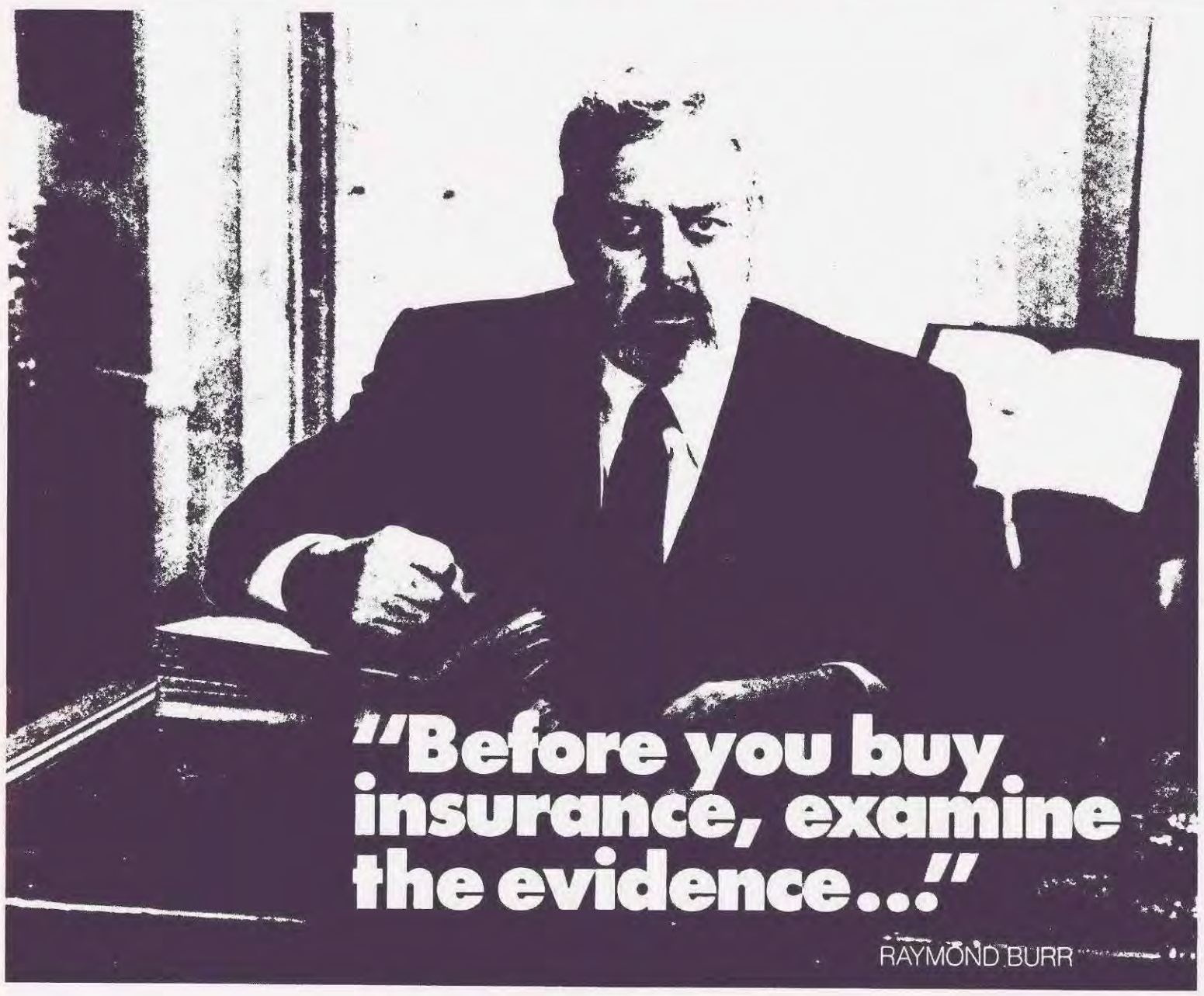
Although Sedgwick Group Ltd., James' London-based parent, reports Crump's revenues only from the date of purchase, *Business Insurance* includes Crump's revenues for the full year to better portray James' position in the market.

With Crump's revenues, James' posted a 19.7% increase from 1985 revenues of $391.5 million.

While the acquisition of Crump made room for a new member of the Top 20 and gave brokers ranked No. 9 through 20 the opportunity to move up a notch, the movement was not lock-step.

Arthur J. Gallagher & Co. leapfrogged over Jardine Emett & Chandler Inc. and Bayly, Martin & Fay to become the eighth-largest U.S. broker with a 24.9% revenue

Continued on page 6



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Sources for statistics: Employee Benefit Research Institute, 1985; National Underwriter, 1986.

A division of Northwestern National Life Insurance Company, Minneapolis, MN (not admitted in the State of New York). The North Atlantic Life Insurance Company of America, Jericho, NY (a member of the NWNL Companies).

Top brokers

Continued from page 4

increase to $118.8 million.

Jardine Emett & Chandler, distracted by the effort the merger of Jardine Insurance Brokers Inc. and Emett & Chandler Cos. Inc. required, produced a 14.9% revenue increase to $94.2 million.

Hilb, Rogal & Hamilton Co., ready to go public soon, jumped over Poe & Associates Inc. to grab the No. 12 spot with $34.5 million in revenues, including acquisitions reported to *Business Insurance* on a pooling basis.

Tampa, Fla.-based Poe was plagued by the underwriting moratoriums imposed in Florida by insurers protesting insurance reforms in Florida's Tort Reform and Insurance Act of 1986. Poe's revenues increased 16.8% to $34.1 million.

FBS Insurance and Walter Kaye Associates Inc. in New York each moved up a notch, to No. 14 and No. 15 respectively.

Wortham held onto the No. 17 spot, despite a depressed economy in Texas where the one-office broker does most of its business.

Another one-office-broker, BRI Coverage Corp. in New York, moved up two slots to No. 18 on the strength of 18.9% revenue growth to $23.9 million.

McDonough Caperton Insurance Group fell a slot to No. 19, with only 11.1% growth in 1986 to $23.88 million.

And, the only brand new member of the Top 20, ABI Management Inc., moved into the No. 20 slot, proclaiming success with its strategy to put the financial strength and marketing power of a national brokerage to work on a local and regional basis. ABI's revenues grew 28.4% to $22.7 million.

The only broker to drop out of the Top 20 was Financial Guardian Group Inc. of Kansas City, Mo., which fell to No. 21 with $22.4 million in revenues. FG is on a gradual but steady comeback trail after its 1984 divestitures and management reorganization.

With expanding revenues, 15 of the Top 20 brokers expanded staff. On average, the Top 20 employed 7.1% more people at year-end 1986 than at year-end 1985.

The largest percentage gain in staff was at BRI, where staff grew 17.3% to 176. Nonetheless, BRI held its position as the most productive member of the Top 20 with revenues per employee of $135,795.

Most of the Top 20 brokers say they are making an extra effort to control expenses this year, as their commissions are squeezed by stabilizing or dropping insurance premiums. But, most also are still looking for highly talented people.

"The biggest problem for the insurance industry in the next few years is that there is a real deficit of trained people," contends Gaston Caperton, president of McDonough Caperton.

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 (see chart, page 4).

While the first seven brokers retain their rankings, Jardine Emett & Chandler moves up to No. 8; Gallagher falls to No. 10; Walter Kaye Associates and Wortham move up in a tie for No. 13; B.R.I. and ABI move up to tie for No. 15; Collier Cobb & Associates Inc. of Charlotte, N.C., jumps to No. 17 from No. 25; Robinson-Conner falls to No. 18; Financial Guardian moves up to No. 19; and Poe falls to No. 20, tying with The Kornreich Organization of New York, which advances from No. 27.

Falling off the Top 20 based on commercial retail brokerage revenues were FBS Insurance and McDonough Caperton.

While ranking the brokers based on their commercial retail brokerage revenues better reflects the brokers' activities as marketers of insurance, *BI* bases its broker rankings on total gross revenues, recognizing that risk and employee benefit managers often contract with brokers for more services than insurance placement.

It took in excess of $4.5 million to make the Top 100 this year, compared with $4 million last year.

While there was some movement among the next 80 brokers, only six are newcomers this year: Insurance & Risk Management in Fort Wayne, Ind.; Boynton Brothers & Co. in Perth Amboy, N.J.; Seitlin & Co. in Miami; Blumencranz Klepper & Wilkins Ltd. in Lake Success, N.Y.; Curtis Day & Co. in San Francisco; and ISU/Marion A. Allen Inc. in Fort Valley, Ga.

Other companies ranked this year but not last year, although they would have qualified, are: Near North Insurance Agency in Chicago; Tanenbaum-Harber Co. Inc. in New York; Glenn, Nyhan & Associates Inc. in San Francisco; Laub Group Inc. in Milwaukee; Sullivan Co. Inc./U.S. Shelter Insurance Agencies in Greenville, S.C.; R.C. Knox & Co. Inc. in Hartford, Conn.; and O'Gorman & Young Inc. in Chatham, N.J.

Four brokers among last year's Top 100 were acquired by Top 20 brokers: Lawton Byrne Bruner in St. Louis, No. 26, by M&M; The Armistead Group Inc. in Nashville, Tenn., No. 37, and Arthur L. Owen Co. Inc. in Dallas, No. 69, by James; and Kientz & Co. in Columbus, Ohio, No. 100, by A&A.

Three brokers that were ranked last year did not return questionnaires this year: Davis, Dorland & Co. in New York; Mason-McDuffie Insurance Service Inc. in Pleasant Hill, Calif.; and Schiff, Kreidler-Shell Inc. in Cincinnati.

Not included in the *BI* Top 20 is ISU Corp., the largest independent agency franchise organization, because its member agencies are independently owned.

ISU's 439 members at year-end 1986 had combined gross revenues of $487 million, down 15.8% from revenues of $578.4 million reported by 555 members at year-end 1985.

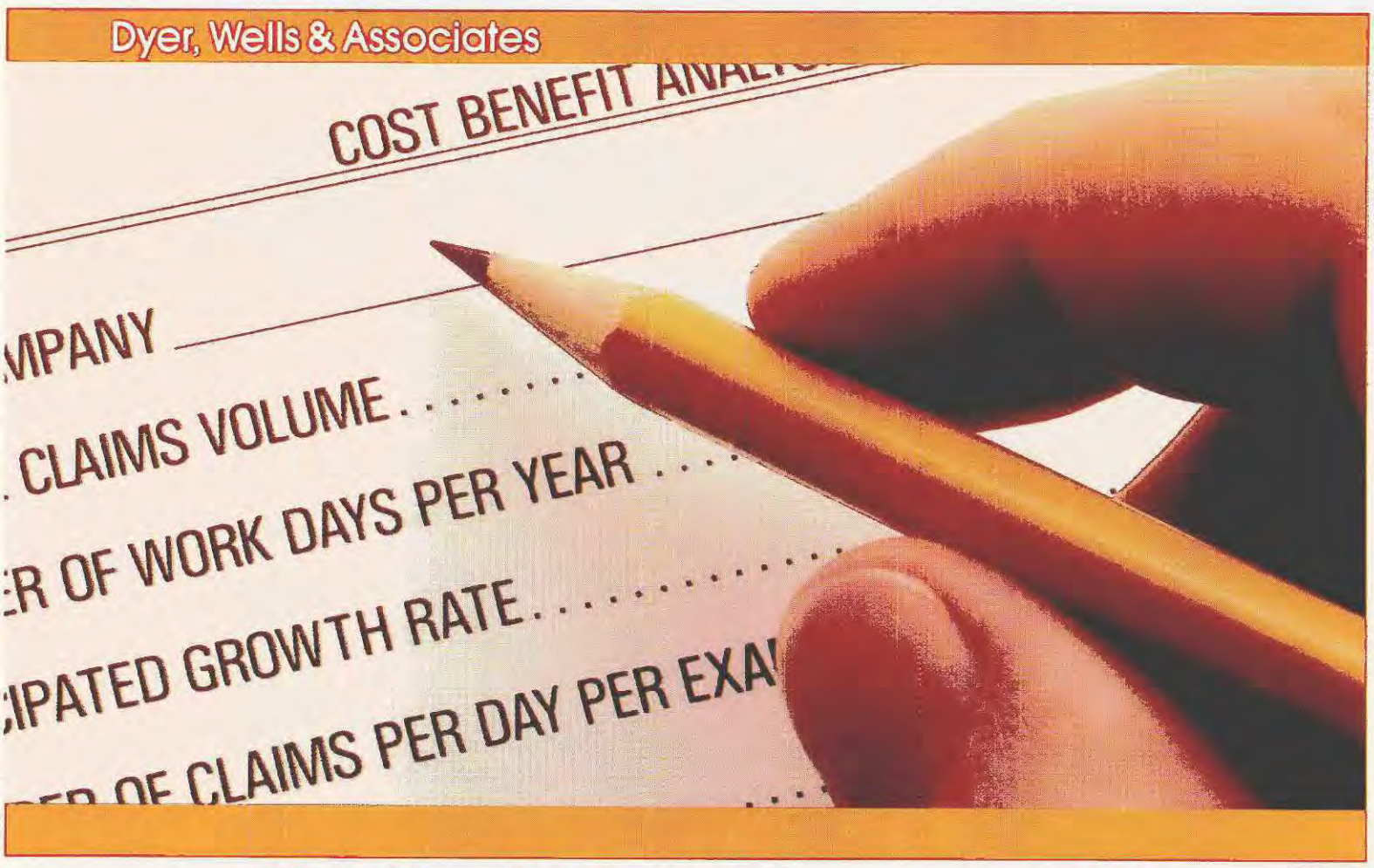
Some ISU members resigned from the organization after ISU launched a cooperative television advertising program.

The revenues of the 28 ISU members in the directory (those that responded to the survey and have commercial retail brokerage revenues exceeding $500,000) total $54.6 million, a 30.5% increase.

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

—By Kathryn J. McIntyre

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opinions



Litigation not the answer

A WHOLE NEW WAVE of litigation, this one created by employers charging doctors with negligence or fraud in diagnosing workers as suffering from work-related illnesses or diseases, would be disastrous.

We're relieved to see that a Common Pleas Court judge in Ohio threw out such a lawsuit, which had been filed by Dayton Walther Corp. in Dayton, Ohio (*BI*, June 15).

We can appreciate that an employer that thinks a rash of workers compensation claims filed against it are ill-founded would want to strike back and recover the costs of fighting meritless claims. And, doctors that fraudulently diagnose patients to help them recover workers compensation benefits they don't deserve should be punished.

But, civil litigation against doctors is not the answer. We don't need any more civil litigation. More important, we don't need another threat of litigation against doctors. Already, some doctors are curtailing their practices because they fear medical malpractice lawsuits or they say they can't afford the high cost of malpractice insurance.

If doctors could be sued by employers for negligent or fraudulent diagnoses of workers in connection with workers compensation claims, there could be two unfortunate results. One, doctors might further increase the amount of testing they perform to diagnose illness, needlessly driving up the cost of medical services. That's already true to some extent as doctors try to protect themselves from malpractice lawsuits. And, even worse, some doctors might refuse to diagnose employees for workers compensation claims, fearing the increased liability. That would leave sick and injured workers without needed medical attention.

The workers compensation system allows employers to contest workers compensation claims and for the most part the state authorities do a good job of denying meritless claims. Dayton Walther, we hope, will find this is true if the claims against it are meritless.

As for doctors who issue fraudulent diagnoses in connection with workers compensation claims, they should not be subject to civil litigation by employers but should be prosecuted by government authorities and their licenses should be revoked.

letters

Kennedy plan poses new discrimination dilemma

To the editor: Under the Kennedy minimum health benefit legislation, S. 1265, most employers would be required to provide minimum health care benefits for employees working more than 17½ hours per week and for their dependents (*BI*, June 1; May 25).

Without addressing other aspects of the proposed legislation, it is apparent that the bill would *mandate* employer discrimination in compensation against single employees, spending more in total compensation on married employees than on single employees. While a degree of such discrimination has commonly found its way into the majority of corporate plans, it has more recently been viewed as a disparity to be corrected rather than formally adopted as national policy.

According to actuarial estimates released by Sen. Kennedy's office, a minimum health care plan would cost $642 annually for individual coverage and $1,631 for family coverage. Therefore, an employee with dependents would be compensated $839 more.

Assuming that such a mandate does not run afoul of existing anti-discrimination provisions in employment, it will foster a distinct "preference" among employers to hire single employees, especially at the lower wage range where the cost differential represents a significant percentage of compensation.

As employment opportunities are denied to members of lower economic groups and families, in favor perhaps of college students on summer vacation who are covered under their parents' plans, will remedial anti-discrimination legislation be proposed? On what basis can discrimination against married people be prohibited but discrimination against single employees be mandated?

Another point to consider is that flexible benefit plans are growing dramatically in number because they best serve the diverse needs of today's working population and because they offer the greatest potential to control health care costs. In many such plans, employers have sought to remove or reduce compensation bias in favor of married employees.

Such plans may be thrown into disarray if the Kennedy mandate ultimately extends the "benefit credits" that would be granted to employees because they are married and covered by a spouse's plan. In some case, where a cash option is offered, it is all too likely that the decision of the minimum wage worker will be to take cash to pay for today's needs and take a chance on a health care problem emerging. Again, the intent of the legislation would be frustrated.

It appears that the implications, both social and economic, of the Kennedy bill have yet to be fully thought out and that serious questions remain to be addressed.

Lawrence Folb
Williams, Thacher & Rand Inc.
New York

Business Insurance welcomes letters from its readers. Please keep your comments as brief as possible. We reserve the right to edit letters for clarity or space. We will not publish unsigned letters. Send your comments to Letters to the Editor, Business Insurance, 740 N. Rush St., Chicago, Ill., 60611.

Remember: 'You get what you pay for'

To the editor: Re: Karen T. Baumgardner's letter to the editor (*BI*, May 25). There has always been good and bad in the business world. That includes good HMOs and bad HMOs. I am sure that in the Houston area there is more than one HMO. Ms. Baumgardner should remember, "You get what you pay for."

Deborah J. Hertzog
Account Executive
Franey & Parr
Capitol Heights, Md.

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Brokerage execs' 1986 compensation
(Based on cash compensation and bonuses)

Name Brokerage	1986	1985	% change	1986 net income (in millions)	% change
John A. Bogardus Jr. Alexander & Alexander Services Inc.	$1,118,132	$564,934	97.9%	$43.2	N/M
Frank J. Tasco Marsh & McLennan Cos. Inc.	1,098,521	800,000	37.3	$243.2	49.3%
Robert F. Corroon Corroon & Black Corp.	912,998	859,627	6.2	41.6	44.2
Patrick G. Ryan Rollins Burdick Hunter Co.	617,835	512,738	20.5	N/A	N/A
John F. McCaffrey Frank B. Hall & Co. Inc.	396,654	423,967	−6.4	−22.5	N/M
William F. Poe Poe & Associates Inc.	285,023	157,154	81.4	4.4	54.8
Robert E. Gallagher Arthur J. Gallagher & Co.	225,000	195,000	15.4	15.4	33.0
Robert H. Hilb Hilb, Rogal & Hamilton Co.	210,027	N/A	N/A	1.8	16.5
Donald R. Weber Financial Guardian Group Inc.	190,500	152,542	24.9	0.882	115.0

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

2 brokerage officials earned $1 million in '86

The top executives of the two largest U.S. insurance brokerages each earned more than $1 million in cash compensation in 1986.

John A. Bogardus, chairman of Alexander & Alexander Services Inc., the second-largest U.S. broker, was paid slightly more than $1.1 million in cash compensation in 1986, almost double his 1985 cash compensation of $564,934.

Mr. Bogardus, who has served as chief executive officer of A&A since 1978, stepped down as CEO in May in preparation for his retirement in May 1988.

And Frank J. Tasco, chairman of Marsh & McLennan Cos. Inc., the largest broker, earned almost $1.1 million in 1986, a 37.3% increase from his cash compensation in 1985 of $800,000.

Among the top executives of the four other publicly traded brokers, Robert F. Corroon, chairman and chief executive officer of Corroon & Black Corp., was the only one whose cash compensation came near $1 million: $912,998. That was a 6.2% increase from 1985.

The only chief executive officer of a publicly traded broker to take a cut in cash compensation in 1986 was John F. McCaffrey of Frank B. Hall & Co. Inc. His cash compensation dropped 6.4% to $396,654 in 1986 from $423,967 in 1985.

However, Hall, now the fifth-largest U.S. broker, was the only one of the public brokers to lose money in 1986. Hall reported a 1986 net loss of $22.5 million.

In addition to cash compensation, the top executives of the publicly traded brokers enjoy stock options and all hold significant shares of stock in their companies.

At A&A, Mr. Bogardus' cash compensation of $1.1 million consisted of $548,117 in salary and benefits and $570,015 in incentive compensation, which includes amounts awarded under A&A's incentive compensation program and long-term compensation program.

Mr. Bogardus also owned 170,213 shares of A&A common stock as of March 4, including 59,357 that were subject to options exercisable within 60 days.

During 1986, Mr. Bogardus was granted options to purchase 10,112 shares of A&A stock at an average price of $38.63. He did not exercise any options during 1986.

A&A stock was trading at $25.13 on June 10, compared with $37.12 on June 11, 1986.

Tinsley H. Irvin, A&A president in 1986 and now chief executive officer, earned $890,328 in cash compensation in 1986: $448,345 in salary and benefits (including reimbursement of certain travel-related expenses) and $441,983 in incentive compensation.

Mr. Irvin beneficially owned 84,738 shares of A&A's common stock as of March 4. During 1986, he was granted options to buy 7,646 shares of A&A stock at an average price of $38.63, but he did not exercise any options last year.

At M&M, Mr. Tasco beneficially owned 190,869 shares of M&M stock as of March 2. During 1986, Mr. Tasco was granted options to purchase 20,000 shares of M&M stock at an average price of $41.50.

Mr. Tasco also realized a $1.2 million gain on the exercise of options or stock appreciation rights.

M&M stock was trading at $63 on June 10 compared with $56.63 on June 11, 1986.

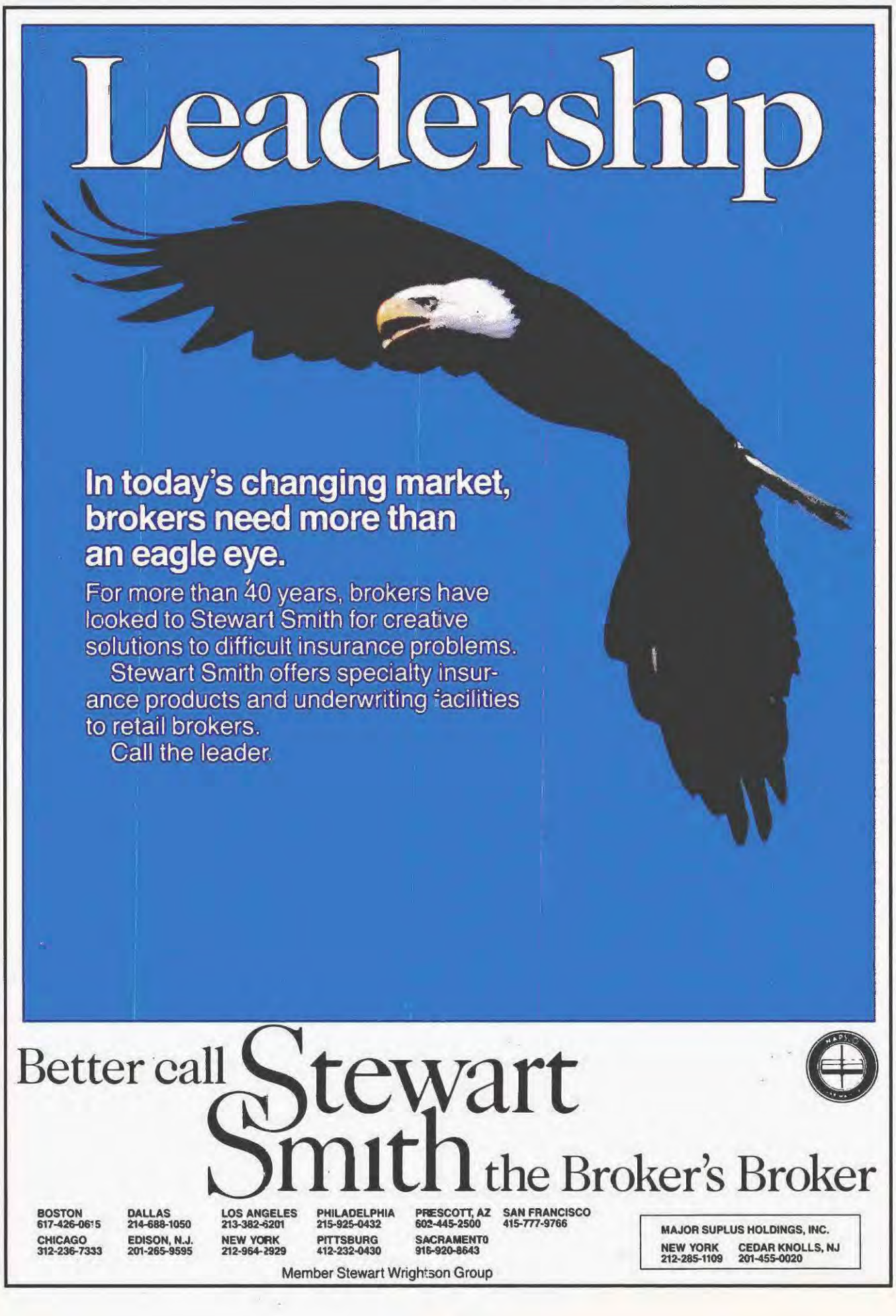
Robert Clements, president of Marsh & McLennan Inc., the retail brokerage unit, was paid $657,300 in cash compensation in 1986.

Mr. Clements was not granted any options during 1986, but he realized $631,642 on the exercise of options or stock appreciation rights. He beneficially owned 64,287 M&M shares as of March 2.

At Corroon & Black, Mr. Corroon's $912,998 cash compensation included a $400,000 salary, $287,280 in annual incentive compensation and $225,718 as awards earned under the company's sustained performance incentive plan. As of March 27, he owned 126,400 shares of C&B stock, including 97,270 held directly, 17,474 held in the savings plan and options to purchase 11,656.

During 1986, Mr. Corroon was granted options to purchase 15,382 shares of C&B stock at an average price of $33.42. He did not exercise

Continued on page 12





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Executive compensation

Continued from page 10

any options during 1986. The stock was trading at $29.75 on June 10, compared with $37.50 on June 11, 1986.

Rollins Burdick Hunter Co. Chief Executive Officer Patrick G. Ryan received $617,835 in cash compensation in 1986, a 20.5% increase from 1985. He also is president and CEO of RBH's parent, Aon Corp. Mr. Ryan's compensation included a salary of $411,769, bonuses of $150,000 and $56,066 in fully vested benefit plan contributions.

Mr. Ryan beneficially owns 4.1 million shares of Aon Corp. stock, or 12.5% of all common shares. Mr. Ryan is the only person to own more than 5% of Aon Corp.'s stock.

Aon stock was trading at $25.38 on June 10, after a 2-1 stock split effective May 12. It had been trading at $55.88 on June 11, 1986, on a pre-split basis.

While Mr. McCaffrey took a cut in cash compensation in 1986, he was awarded shares in Hall valued at $165,965 and options to purchase 200,000 shares at an average price of $18.6875. As of the April 3 proxy statement, he held 14,797 shares of Hall under beneficial ownership.

Hall stock was trading at $12.50 on June 10, compared with $27.25 on June 11, 1986.

Peter Pruitt, Hall's president and chief operating officer, was paid $364,442 in cash compensation, and also received stock valued at $165,965 and options to purchase 200,000 shares at $18.6875. He holds 8,422 shares of Hall stock.

William F. Poe, chairman and chief executive officer of Poe & Associates, landed an 81.4% raise in 1986 to $285,023.

Mr. Poe also held 27.5% of Poe's common stock, or 996,232 shares, under beneficial ownership as of Feb. 11, including 22,500 shares under option. He was not granted any options during 1986, nor did he exercise any options. Poe stock was trading at $12.25 per share compared with $11.50 a year ago.

Robert E. Gallagher, president of Arthur J. Gallagher & Co., received a 15.4% raise in 1986 to $225,000 in cash compensation: $200,000 in salary and $25,000 in bonus.

As of March 13, he held 912,056 shares of stock under beneficial ownership, or 8.6% of Gallagher's common stock.

Gallagher stock was trading at $21 on June 10, compared with $50 on June 11, 1986, before a 2-1 split took effect.

Robert H. Hilb, president of Hilb, Rogal & Hamilton Co. in Richmond, Va., was paid $210,027 in cash compensation in 1986. Hilb, Rogal intends to offer 1.1 million shares of common stock to the public this summer.

As of June 1, Mr. Hilb owned 10.15%, or 270,800 shares, of Hilb's stock. After the offering, it is expected he will own 7.31% of the stock, or 243,000 shares.

At Financial Guardian Group Inc., Chairman, President and Chief Executive Officer Donald R. Weber earned $190,500 in salary, commissions and bonuses, a 24.9% increase from 1985. In addition, he held 76,465 shares of FG stock, or 4.4%.

No recognized market exists for FG stock, which is held by about 125 people. The most recent appraisal determined its fair market value to be $6.17 per share as of Dec. 31, 1985. ■



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Brokers adopt rules limiting director liability

Directors of four publicly traded brokerage companies and an insurance holding company with a brokerage subsidiary are now protected from certain liabilities relating to their service.

Shareholders of the companies approved amendments to their companies' certificates of incorporation to limit their directors' liability, as allowed by amendments to the Delaware General Corporation Law enacted in June 1986.

Those amendments permit a corporation to absolve directors of monetary liability for gross negligence in performance of their duties. However, directors remain liable for breaches of their duty of loyalty to the corporation and its stockholders for acts or omissions not in good faith or that involve intentional misconduct or knowing violation of law.

Generally, the brokers told shareholders that the cost and availability of directors and officers liability insurance necessitated the change and/or that the amendments were needed to maintain qualified directors.

Only Corroon & Black Corp. said it does not have directors and officers liability insurance.

Frank B. Hall & Co. Inc. told its shareholders that: "While the company believes the cost and terms of its current directors and officers liability insurance are competitive, in the most recent renewal of its insurance the company encountered a significant reduction in coverage and increase in cost and also incurred new policy exclusions, such as activities related to mergers and acquisitions and failure to maintain adequate insurance coverage."

Arthur J. Gallagher & Co. told its shareholders that "preliminary indications are that renewal or replacement of the company's current three-year policy for directors and officers liability, which expires at the end of 1987, will confront . . . difficulties." Gallagher cited potential availability problems, reduced limits, greater exclusions, higher deductibles and increased cost.

Marsh & McLennan Cos. Inc. told shareholders its D&O coverage could be reduced or lost on renewal, but that the new amendments could help M&M retain its insurance and lower its costs.

Aon Corp., parent of Rollins Burdick Hunter Co. and other insurance operations, told its shareholders that limiting its directors' monetary liability "is designed to assure the company's directors and officers of protection in the event insurance coverage continues to decrease or become unavailable."

Poe & Associates Inc., which is incorporated in Florida, and Alexander & Alexander Services Inc., which is incorporated in Maryland, did not have the option to limit their directors' liability. ■

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Marsh & McLennan Cos. Inc.

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	1986	1985
Premium volume*.	$15.5 billion	$12 billion
Gross revenues.....	$1.8 billion	$1.4 billion
Brokerage: Retail..	45%	47%
Reinsurance.....	18%	18%
Services.....	29%	27%
Personal lines.....	1%	1%
Investment income	7%	7%
Employees.....	19,900	17,733
Rev./employee.....	$91,960	$78,547
Offices.....	450	450

*BI estimate

New business, rising property/casualty insurance rates and a spate of acquisitions combined to produce explosive revenue growth for Marsh & McLennan Cos. Inc., the world's largest insurance brokerage holding company.

Gross revenues last year amounted to $1.83 billion, a 31.4% increase from 1985 revenues of $1.39 billion, making M&M far and away the No. 1 broker in the *Business Insurance* ranking.

First-quarter 1987 gross revenues increased 25.8% to $567.1 million from $450.8 million in the first quarter of 1986.

New business production in the United States for Marsh & McLennan Inc., the company's insurance brokerage unit, amounted to more than 20% of revenues last year, compared with a historical average of 15% to 17%, according to Robert J. Newhouse Jr., chairman of M&M Inc.

"Last year our new business was at a record level as a percentage of revenues," Mr. Newhouse noted.

The last 18 months have apparently gone so wel. for the brokerage that M&M Inc. President Robert Clements was hard-pressed to name a single disappointment.

"Disappointments—what are they?" Mr. Clements asked. "That's for our good competitors to wonder about."

Several major acquisitions have contributed to M&M's growth:

- M&M Inc. acquired the insurance brokerage business of Lawton-Byrne-Bruner of St. Louis, the No. 26 broker in last year's *Business Insurance* rankings; Martin Hayes & Co. Inc., the largest independent broker in Nashville, Tenn., and a specialist in contractor surety coverages; Montgomery & Montgomery Inc. of Los Angeles, which specializes in servicing the U.S. operations of Japanese corporations; and, earlier this year, Fenchurch Insurance Brokers Pty. Ltd. of Australia.
- Victor O. Schinnerer & Co. Inc., M&M's underwriting management unit, acquired ENCON Holdings Inc., a Canadian firm that manages professional liability insurance programs.
- William M. Mercer Inc., the world's largest employee benefit and compensation consulting firm, acquired Deerfield, Ill.-based A.S. Hansen Inc., previously the ninth-largest U.S. benefit consultant, in February 1987, and acquired McGinn Associates, an actuarial consulting firm based in Anaheim, Calif., in April 1986.
- Clayton Environmental Consultants Inc. acquired McKesson Environmental Services Inc., a San Francisco-based consulting firm.

M&M also acquired Lippincott & Margulies Inc., a corporate identity consulting firm.

In addition, early last year M&M acquired Duncan C. Fraser & Co., an actuarial consultant in the United Kingdom.

In all, M&M has spent more than $200 million on acquisitions since the beginning of 1986, according to Frank J. Tasco, chairman of M&M Cos.


Mr. Tasco

Mr. Tasco added that the company probably will not continue spending on acquisitions at this pace, and that expansion will continue to be confined to M&M's four established business segments: insurance brokerage, reinsurance brokerage, consulting and investment management.

"Our focus remains the same," Mr. Tasco said.

Any companies that M&M Inc. acquires this year will be selected to bolster the resources of its industry groups, which specialize in providing services to clients in specific industries, Mr. Clements added.

"Every acquisition will be contemplated in line with some of these specialties," he noted.

M&M has continued to focus on industry specialization, with the creation of two new industry groups, one specializing in coverage for financial and professional services and the other in entertainment, he added.

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

- Increased emphasis on assessing insurer quality, with the formation of two groups to analyze insurer financial stability and claims-paying performance.
- Continuation of the firm's "market-making" efforts, with the formation of new excess liability facilities and—most recently—a push to form Centre Reinsurance Holdings Ltd., a new reinsurance group.
- Settlement of Manville Corp.'s broker malpractice lawsuit against M&M Inc., Manville's broker from 1944 until 1982. M&M agreed last October to pay $29.75 million to settle charges that it failed to secure adequate insurance coverage for asbestos-related claims. The settlement was fully covered by M&M's errors and omissions insurers, the company said.
- Settlement in January of charges brought by the Securities and Exchange Commission stemming from unauthorized bond trading by M&M's investment management group. The bond trading, disclosed in 1984, resulted in $165 million in pretax losses for the brokerage.

The SEC charged in an administrative proceeding that M&M filed misleading 1983 financial reports, failed to keep books and records properly and failed to maintain adequate internal controls.

M&M did not admit or deny the charges but agreed not to violate securities laws in the future and to follow audit and internal review guidelines outlined in a consent

Continued on page 18

How to Get a HANDLE on COBRA

Getting a handle on COBRA is not only smart but essential. Ignorance and/or noncompliance of this new group health continuation law can result in costly fines and losses.

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Continued from page 14

order.

• Completion of a senior management transition in which Mr. Tasso replaced John M. Regan Jr. as chairman.

• Approval by shareholders at the company's annual meeting last month of an amendment to M&M's certificate of incorporation limiting the liability of directors to the company and shareholders for monetary damages for breach of fiduciary duty, including gross negligence.


Mr. Clements

The amendment followed a June 1986 change in the general corporation law of Delaware—where M&M is incorporated—allowing for such limitation of director liability.

The last 18 months have gone so well for M&M that Mr. Clements is hard-pressed to name a single disappointment. 'Disappointments—what are they?' he asks. 'That's for our good competitors to wonder about.'

The 31.4% growth in gross revenues at M&M last year outstripped growth in 1985, when revenues were up 23.1% over $1.1 billion in 1984.

As in previous years, the bulk of M&M's gross revenues come from insurance services, which include insurance brokerage; reinsurance brokerage; and Marsh & McLennan Group Associates Inc., which designs and administers life, health, and professional liability programs for corporations and "affinity groups," including professional and trade organizations; and investment income.

Insurance services last year produced revenues of $1.3 billion, up 27% from $1 billion in 1985, according to the firm's 1986 annual report.

About 70% of M&M's insurance services revenue is drawn from the United States, while 19% is drawn from the United Kingdom, 5% from Canada and 6% from other countries.

New business and rising property/casualty rates produced a 29.6% gain in worldwide insurance brokerage revenues, which rose to $718 million last year from $554 million in 1985.

Growth in U.S. insurance brokerage revenues amounted to 31%, the annual report notes.

Limited commercial market capacity for some property/casualty lines produced a drain on commission growth for most brokers; however, M&M was able to compensate by placing significant amounts of business with A.C.E. Insurance Co. Ltd. and X.L. Insurance Co. Ltd., two offshore excess liability facilities that M&M organized in 1985.

About 65% of M&M Inc.'s insurance brokerage business continues to come from jumbo "risk management" accounts, for which commissions are negotiated. Another 25% is drawn from middle-market commercial accounts, while the remaining 10% represents small commercial accounts and personal lines.

Reinsurance brokerage revenue growth once again surpassed insurance brokerage expansion, registering a 33.2% increase to $329 million last year from $247 million in 1985. New business and increased rates were again responsible for the growth, the annual report noted. This excludes investment income earned by reinsurance units.

M&M provides reinsurance brokerage services through Guy Carpenter & Co. Inc. in the United States and C.T. Bowring Reinsurance Ltd. in London.

M&M Group Associates revenues grew 15.2% last year to $114 million from $99 million in 1985.

Meanwhile, investment income on fiduciary funds expanded by 9.8% to $112 million last year from $102 million in 1985. This compares with a 13.3% increase in fiduciary fund investment income in 1985 from $90 million in 1984.

While the increased volume of the insurance services sector bolstered investment gains last year, the increase in investable funds was offset by lower average short-term interest rates.

In addition to insurance services—which produce about 70.6% of revenues—M&M draws 18.5% of its revenues from consulting. Consulting subsidiaries include Mercer and its U.S.-based unit William M. Mercer-Meidinger-Hansen Inc.; National Economic Research Associates Inc., an economics consulting firm; Clayton Environmental Consultants; and Lippincott & Margulies.

Consulting revenues last year amounted to $333 million, up 24.3% from $268 million in 1985.

About 71% of M&M's worldwide consulting revenues were drawn from the United States last year, with 12% drawn from Canada, 12% from the United Kingdom and 5% from other countries.

Acquisitions accounted for about one-quarter of the growth in 1986

Continued on page 22

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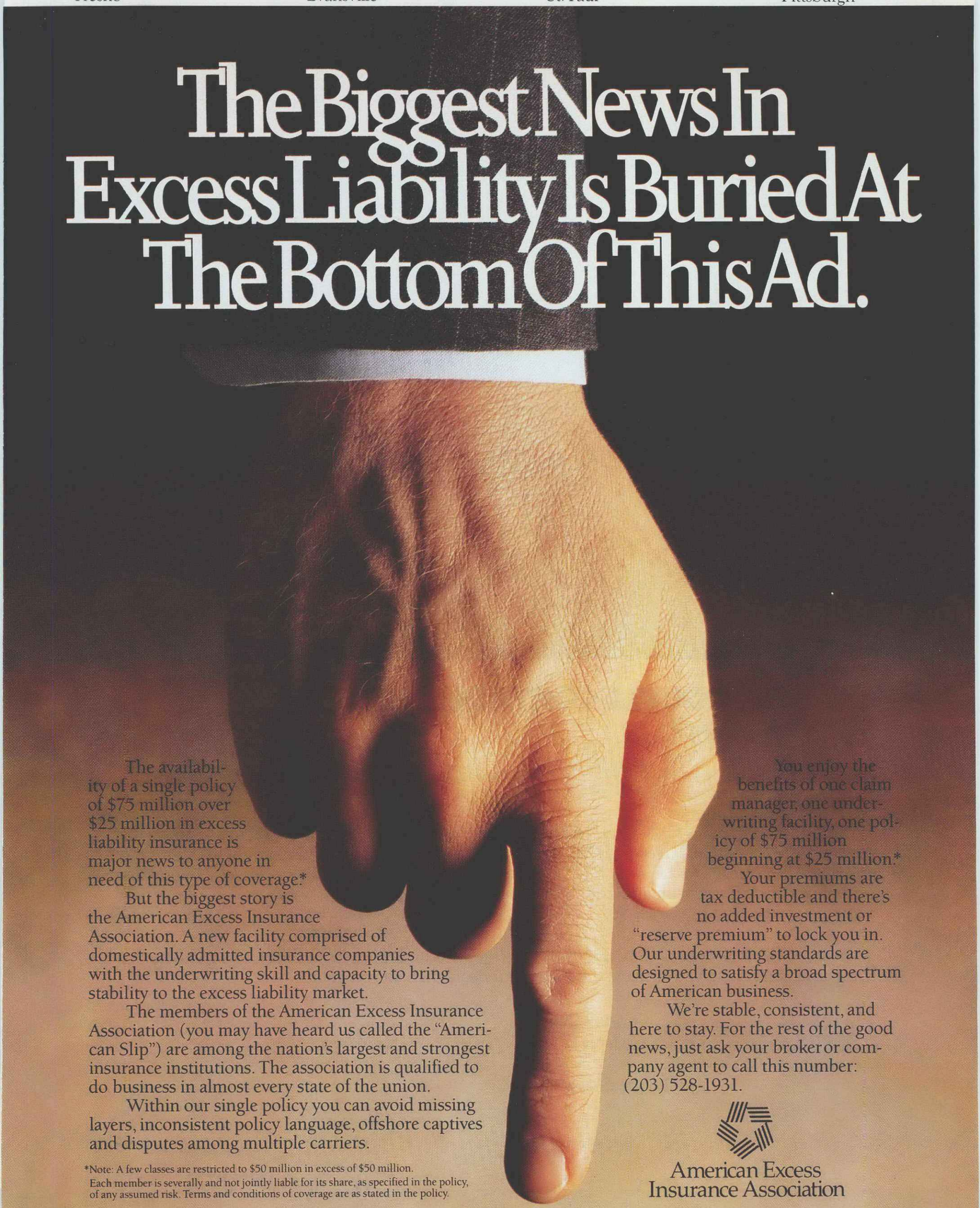
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Continued from page 18

consulting revenues.

The remainder of M&M's gross revenues are drawn from investment management services offered through The Putnam Cos. of Boston.

Investment management revenues rocketed to $198 million last year, up 102% from $98 million in 1985. The growth resulted from heavy demand for mutual funds, favorable stock market conditions and substantial growth of assets under management.

Assets managed by Putnam amounted to $32.4 billion at year-end 1986, compared with $19.4 billion at the end of 1985. Of these amounts, mutual fund assets under management accounted for $25.3 billion at the end of last year compared with $12.4 billion at year-end 1985.

M&M's operating expenses increased at a slightly slower pace than its gross revenues last year.

Total operating expenses were up 25.6% to $1.32 billion from $1.05 billion in 1985. Included in the totals were compensation and other benefit expenses of $813 million, up from $647 million in 1985; and other operating expenses of $511 million, up $407 million in 1985.

Compensation and benefit expenses amounted to 45.1% of revenues last year and 47.3% of revenues in 1985, compared with a historic average of about 49%. The reductions resulted from the significant increase in M&M's revenues, according to the annual report.

The increase in M&M's non-compensation-related operating costs last year was due partly to the "significantly higher" cost of its own insurance coverage, the annual report says.

M&M's operating income totaled $480.5 million last year, up 53.3% from $313.4 million in 1985.

The firm also recorded investment income on its own corporate funds—as distinct from fiduciary fund investment income—of $25.9 million, up 3.2% from $25.1 million in 1985.

Net income after taxes amounted to $243.2 million, up 49.3% from $162.9 million in 1985. This translated to net earnings of $3.30 per share vs. earnings of $2.23 per share in 1985.

The per-share amounts are adjusted to reflect a two-for-one stock split that took the form of a 100% stock distribution in May 1986.

M&M's board raised the dividend on company stock twice during the year, and the 47.5 cent-per-share dividend announced last November represented a 41% increase over the 33.75 cent per share dividend rate at the beginning of 1986.

M&M's directors last month increased the quarterly dividend again to 60 cents per share.

M&M's stock price soared last year from a low of $40.63 during the first quarter to a high of $76.75 during the third quarter, adjusted for the two-for-one split. As of June 10, the firm's stock was trading on the New York Stock Exchange at $63.

For the first quarter of 1987, gross revenues amounted to $567.1 million, up 25.8% from $450.8 million for the first quarter of 1986.

Insurance services revenues were up only 16.9%, though, to $388 million from $332 million during last year's first quarter. Of these revenues, insurance brokerage accounted for $230 million, up 22.3% from $188 million in the first quarter of 1986; reinsurance brokerage accounted for $101 million, up 13.5% from $89 million; Group Associates business accounted for $30 million, up 15.4% from $26 million; and interest income on fiduciary funds accounted for $27 million, down 6.9% from $29 million.

M&M's 1987 first-quarter 10-Q report, filed with the SEC, notes that the increase in insurance brokerage revenues—smaller than earlier gains—was accomplished despite softening property/casualty rates.

The growth in Group Associates' business reflected new business, expanded services to existing clients and the acquisition of ENCON, the 10-Q noted.

Consulting revenues, meanwhile, ballooned to $101 million for the first quarter, up 38.4% from $73 million in the first quarter of 1986. About one-half of the increase was due to M&M's acquisitions in the consulting area, according to the 10-Q.

Investment management services also continued to show explosive growth, with revenues hitting $71 million for the first quarter, up 82.1% from $39 million in the same period last year. Assets managed by Putnam reached $41.1 billion as

Continued on page 24

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CPIW, Assistant Claims Manager
Silvey Companies
Tulsa, Oklahoma
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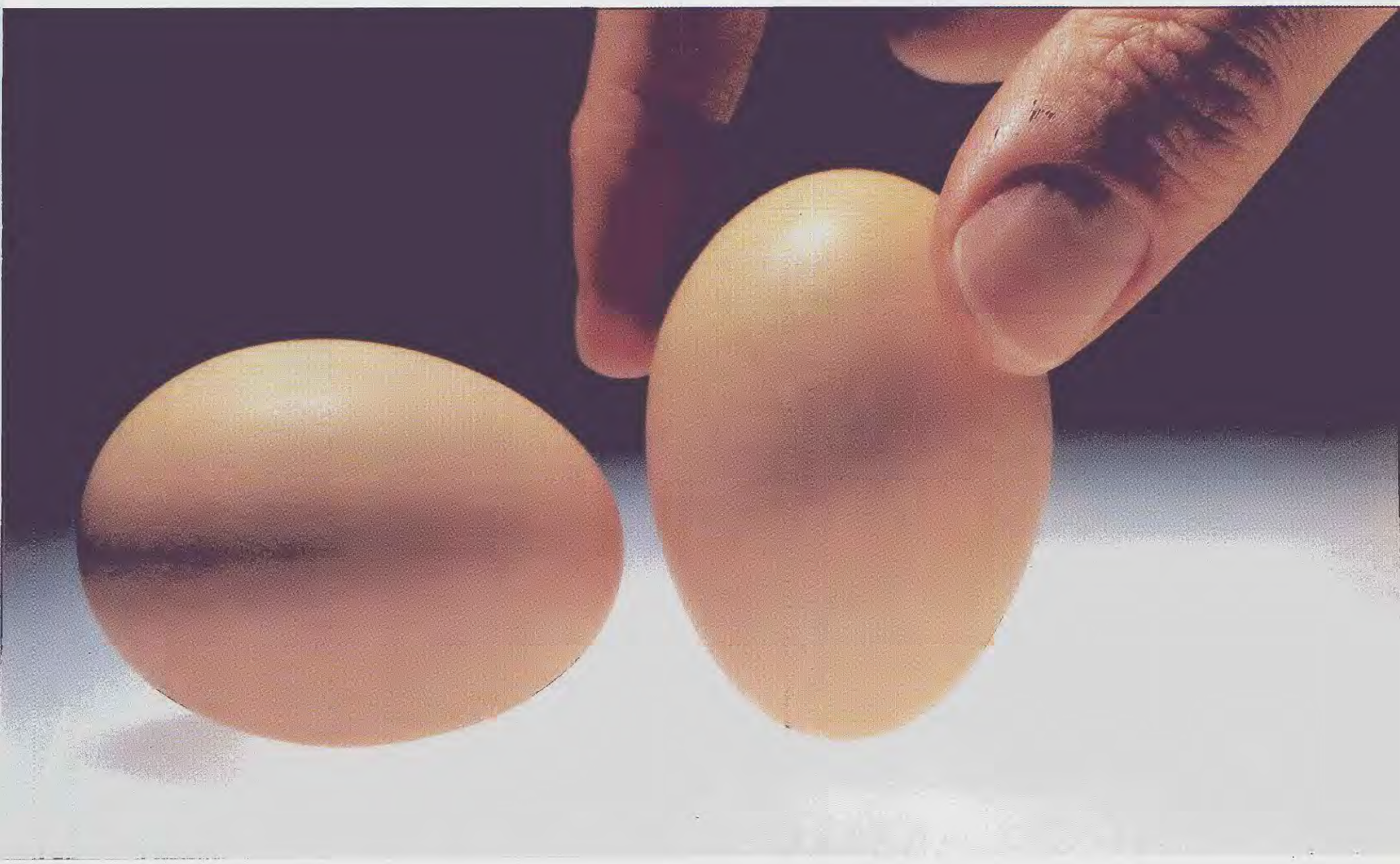
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Continued from page 22
of March 31, 1987, compared with $32.4 billion as of year-end 1986.

Operating expenses, meanwhile, increased 23.4% to $387 million in the first quarter of 1987 from $313.6 million in the first quarter of 1986.

Operating income reached $173 million, up 32.5% from $130.6 million during last year's first quarter.

Investment income on corporate cash amounted to $7.1 million, up from $6.6 million in the first quarter of last year.

Net income after taxes amounted to $92.9 million, a 42.7% increase from $65.1 million during the first quarter of 1986.

Net income per share reached $1.25 for the first quarter, up from 89 cents for the same period last year.

M&M's ability to attract new business—and to adequately serve its new and existing clients—depends in part on its ability to deliver specialized services to various industry groups, the firm's executives say.

"Industry specialization is paying big dividends," Mr. Clements observed.

M&M last year formed a new client industry group, a Financial and Professional Services Group, which handles coverages for law, accounting and other professional service firms, Mr. Clements reported.

The brokerage firm is also seeing substantial growth in its newly formed Entertainment Group, which handles coverage for movie production, sports telecasts, casinos, thoroughbred racing and other areas of the entertainment industry.

M&M expects to complete an acquisition later this summer of a broker specializing in the entertainment field, an acquisition that will significantly enhance M&M's entertainment brokerage book, according to Mr. Clements, who would not provide further details of the acquisition.

Business Insurance learned that M&M is negotiating to purchase the brokerage firm of R.A. Boyer Inc. in New York.

However, Robert A. Boyer, president, declined to comment on whether his company is negotiating with M&M.

Boyer is well known for its expertise in placing insurance for Broadway shows.

Other M&M industry groups include 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.

Several of these groups—which generate revenues ranging from $10 million to $100 million—are big enough by themselves to be ranked among the 20 largest U.S. insurance brokers, Mr. Clements noted.

He added that M&M management encourages cooperation among its brokerage employees in servicing client accounts by—among other things—not compensating its brokers on a commission basis.

This way, Mr. Clements explained, there is no disincentive for M&M brokers to work together.

Meanwhile, in the wake of the numerous insurance company insolvencies produced by the soft market, M&M is taking greater pains to analyze the financial strength of the insurers with which it deals.

The brokerage last year formed a Market Information Services committee, which reviews the financial condition of insurance companies and passes the information on to M&M clients, Mr. Clements said.

The purpose of the group is to augment the information available from Oldwick, N.J.-based insurer analyst A.M. Best Co., which only rates licensed, admitted companies, he noted.

Not commenting specifically on Best, Mr. Clements said, "the quality and timeliness of financial information available from regulatory and rating authorities has historically been inadequate."

In addition, M&M has also formed a group that is assessing insurance companies on their claims paying records, looking not only on the companies' ability to pay claims, but on their willingness to do so, he said.

"Far too many insurance companies take a hostile attitude toward claims on their policies," Mr. Clements said. "We think that those companies that treat their policyholders like good customers deserve to be identified."

Meanwhile, M&M continued to make markets for liability coverages that could not be bought from existing insurers last year.

In addition to A.C.E., X.L. and the American Excess Insurance Assn., which M&M helped organize with broker Johnson & Higgins, M&M organized Schools, Colleges & Universities Underwriters Ltd., a Bermuda-based facility that provides general and educators legal liability coverages.

Guy Carpenter also is trying to raise $450 million through a private placement to capitalize Centre Re, which will act as a holding company in Bermuda for three new reinsurers in New York, Bermuda and Barbados.

Mr. Clements said that M&M is working on other facilities, though he declined to provide details.

"Many, many alternative markets are announced that never come into being," he said. "We do not wish to lead the league in announcements."

He added that the firm's marketmaking activity will probably slow down this year, as more capacity becomes available from existing insurers.

"We expect that insurance will be in relatively plentiful supply," he predicted.

The property/casualty market is becoming more competitive, he noted, though "it's not unreasonably competitive. It's not suicidally competitive."

"This is all a matter of degree," Mr. Clements said of the softening market. "There are still a lot of unfilled orders and room for a lot of capital to be absorbed."

The market is still tough for liability insurance covering chemical and pharmaceutical companies, accountants, lawyers and insurance brokers, as well as for crime coverage for financial institutions and environmental impairment liability insurance, he noted.

And, he noted, "There is an opportunity at this juncture for insurance companies to make an effort to insulate themselves to some degree from the effects of another downturn in the marketplace by making a commitment to quality," Mr. Clements said.

Marsh & McLennan last year completed a senior management transition in which Mr. Tasco took over as chairman of M&M Cos. from Mr. Regan, who retired, and A.J.C. Smith was named president of M&M Cos.

In January 1987, George Putnam, chairman of the board of trustees and president of the Putnam mutual funds, joined the board of directors of M&M Cos.

According to documents on file with the SEC, M&M officers receiving the highest cash compensation in 1986 were:

Frank J. Tasco	$1,098,521
A.J.C. Smith	$915,945
Robert J. Newhouse Jr.	$802,684
Richard H. Blum	$695,197
Robert Clements	$657,300

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	1986	1985
Premium volume	**$8.19 billion**	$6.98 billion
Gross revenues	**$1.14 billion**	$967,900,000
Brokerage: Retail	**62%**	59%*
Wholesale	**7%**	7%*
Reinsurance	**7%**	6%*
Services	**9%**	12%*
Personal Lines	**3%**	3%*
Invest. Income	**6%**	6%*
Other	**6%**	7%*
Employees	**18,000**	17,000
Rev./Employee	**$63,083**	$56,935
Offices	**200**	200

1986 was a period of consolidation for Alexander & Alexander Services Inc., as it digested its 1985 acquisition of Reed Stenhouse Cos. Ltd. and strengthened its position as a world-class broker, says A&A Chairman John A. Bogardus Jr.

This year, company executives add, the brokerage will be busy coping with the unexpectedly early turn in the market, while also keeping a wary eye on the activities of Fireman's Fund Corp., which recently purchased 9.2% of A&A's stock (*BI*, May 25, 1987).



Mr. Bogardus

"We continued to solidify our position as a global broker" in 1986, says Mr. Bogardus. The merger with Reed Stenhouse started to produce "more positive results" last year, while at the same time the brokerage was able to put expenses associated with the merger behind it, he added.

"We emerged from the year with a very strong position. That was the most positive thing," said Mr. Bogardus.

"We were able to get the coordination of our retail brokering around the world well-positioned as a major retail broker," agreed A&A President Tinsley H. Irvin, who recently was elected to the additional post of chief executive officer. Mr. Bogardus relinquished that position in anticipation of his retirement next year.

A&A and Reed Stenhouse "are now fully integrated and, overall, I think, quite successfully," said Michael K. White, chief executive officer of Alexander & Alexander Inc., A&A Services' domestic brokerage operation.

Mr. White was recently named to the post of A&A Services executive vp, along with William M. Wilson, chief executive officer of A&A International Inc. and former chief executive of Reed Stenhouse.

"The benefits that have arisen for A&A Inc. is the international strength that Reed Stenhouse has," Mr. White noted. Now, A&A can provide its clients with "top professional services wherever they may have their operations."

In major developed countries—like the United Kingdom, Australia, Canada and France—the effect is like having additional A&A Inc. offices, Mr. White said.



Mr. White

Mr. Irvin noted at A&A's annual meeting that multinational companies joining A&A's client roster since the Reed Stenhouse merger include Saatchi & Saatchi P.L.C., the London-based advertising agency, The Quaker Oats Co. and American Express Co.

Mr. Irvin also observed that revenues from outside the United States accounted for 31.8% of A&A's revenues in 1986, compared with only 2% in 1981.

Overall, revenues at the nation's second-largest brokerage rose 17.3% to $1.14 billion last year from $967.9 million in 1985.

However, last year had its disappointments, Mr. Bogardus said, singling out the brokerage's earnings. The company reported operating income of $109.8 million in 1986, up 36.7% from $80.3 million in 1985. But in 1985, operating income increased 89.8% from $42.3 million in 1984, prior to the merger.

"Our earnings were not higher than they were because you try to strike a balance between short-term earnings and prudent investments for the future. We would like to see our earnings move ahead smartly during 1987," Mr. Bogardus said.

And while net income rose to $43.2 million last year from a $7.3 million net loss in 1985, A&A's bottom line was still hurt by a $24 million loss from discontinued operations, namely the underwriting units A&A obtained in 1982 when it acquired Lloyd's of London broker Alexander Howden Group P.L.C.

A&A took a $7.4 million aftertax charge in the second quarter to increase reserves at the former Howden units, while in the third quarter the company took a $16.6 million charge associated with the runoff of Atlanta International Insurance Co. and Howden's Bermuda underwriting operations.

It marked the fifth consecutive year that A&A has reported losses from the discontinued operations. The company reported a loss from discontinued operations of $52 million in 1985, $77.1 million in 1984, $22.1 million in 1983 and $18.8 million in 1982. In addition, the company took a $40 million extraordinary charge in 1982, representing the shortfall in Howden assets discovered after A&A purchased the British company.

A&A also suffered from a subpar performance from Evanston Insurance Co., an unconsolidated 52%-owned subsidiary, which "negatively affected 1986 comparisons by $4.5 million," according to A&A.

A&A is trying to sell its equity in Evanston and in Shand, Morahan & Co., the nation's second-largest underwriting manager (*BI*, Jan. 19).

While Mr. Bogardus said he expects A&A's performance to improve this year, first-quarter results were disappointing. Revenues increased only 7.9% to $269.5 million from $249.8 million in 1986's first quarter. Net income declined 34.8% to $14.4 million in the first quarter from $22.1 million for the same period last year.

"You are seeing a softening in the commissioned insurance area in the rates, and this is particularly evident on the property side, albeit there is some evidence in normal liability lines," Mr. Bogardus said, explaining the first-quarter earnings decline.

"The energy sector is of considerable importance to us," he added, referring to the problems in that industry. "We have definitely seen a deterioration in those offices that predominantly handle energy-related business."

Rising expenses cut into both 1986 and first-quarter earnings, Mr. Bogardus noted. In 1986, operating expenses increased 15% to $958.4 million from $833.3 million, following an 11.7% increase in 1985 from $745.7 million in 1984.

During the first quarter of 1987, the increased pace was maintained, with operating expenses increasing 15.2% to $254.5 million from $220.9 million.

Last year, A&A added a "fair number of additional professionals" to both handle new business and put the brokerage in a better position to operate in the future, he said. The rate softening, however, "put a lot

Continued on next page

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Continued from previous page
of pressure" on expenses, he said.

"We have taken measures, obviously, to more effectively control expenses," Mr. Bogardus said. These include limits on new hires, but no layoffs are planned.

Mr. White noted that signs of the softening market first became apparent in the third quarter of 1986 in property lines, "and they've just continued to decline."

"You logically expect that there would have been one more year of rising prices, or at least not price reductions," Mr. Bogardus observed.

The swift change in the market took A&A by surprise, he said. "I don't think that we expected the market would change in 1986," he said, noting this is something "virtually impossible" to predict.

Market changes lead to changes in clients' relationships with their brokers, he said. "I think there's more shopping when you go through volatile markets, and there's more movement of business than normal." As a result, "I think that requires very special attention to your existing clients."


Mr. Irvin

"We're seeing a return to a decline in the insurance marketplace in North America," Mr. Irvin said. "The way you manage that is by client service and retention, business production and expense control."

Brokers must prepare for market changes by studying more sophisticated risk management techniques and analyses, according to Mr. Bogardus. "You've got to try to develop contingency plans in order to meet the market changes when they do occur."

Currently, A&A is pursuing the formation of risk retention groups. For example, A&A organized Environmental Protection Insurance Co., which will provide primary environmental impairment liability coverage to small and medium-size companies.

The group will offer coverage of $5 million per claim and $10 million annual aggregate on a claims-made form (*BI*, Jan. 19).

A&A also is helping organize a Vermont risk retention group, Physicians Alliance Mutual Ltd., that will offer to physicians through hospitals medical malpractice coverage of $1 million per claim and $3 million aggregate, according to Judy Hart, vp and national director of health care sales and service in A&A's St. Louis office.

Physicians Alliance is expected to begin writing policies for Massachusetts and Michigan doctors in September, before eventually offering the coverage nationwide. The coverage will be reinsured by Grand Alliance Insurance Co. Ltd., a Bermuda company being capitalized with $20 million raised through a private offering, said Ms. Hart.

"We're going to be spending a lot of time in trying to create additional capacity at an affordable price in whatever way we can, and we will try to be aggressive in doing that," Mr. Bogardus said.

He noted, however, that plans to create a captive offering directors and officers liability insurance have been dropped. The facility, which was under development with Smith, Barney, Harris Upham & Co., was expected to offer primary coverage limits of up to $25 million (*BI*, July 7, 1986).

"When it was all analyzed and researched, the market was in the process of changing, and the needs were not as great as they had been when we started," he explained.

In addition, Excess Liability Facility, a facility that was being organized by A&A of New York, never got off the ground because of changes in the market, according to Horace Holcomb, an A&A senior vp (*BI*, Jan. 5). ELF was to have offered up to $20 million in excess liability coverage to mid-sized businesses.

One potential future problem for A&A is Fireman's Fund's interest in the company. The insurer said in its filing with the Securities and Exchange Commission that it does not intend to take over the company, but it also said it plans to eventually acquire more than 15% of A&A's common stock.

"All I can really say is what they revealed in the 13D they filed," Mr. Bogardus said, referring to the SEC filing.

"I've never felt too positive about (combining) underwriting and brokering," he stressed, adding this is one reason A&A has discontinued its underwriting units and wants to sell its interest in Evanston. "I think the conflict is probably mostly on paper, but nevertheless, I think it's better to separate the two functions."

Earlier this month, in what observers described as a "poison pill" maneuver, the company declared a dividend of one preferred share purchase right on each outstanding share of A&A common stock.

Each right will entitle A&A shareholders to buy 1% of a share of a new series of preferred stock at an exercise price of $85, but the rights will be exercisable only if a person or group acquires 20% or more of A&A's stock or announces a tender offer that could result in an acquisition of 30% or more of A&A's stock.

If A&A is acquired in a merger, each right will entitle its holder to purchase a number of the acquiring company's common shares at half price. Thus, the move could make A&A too expensive for a company to acquire.

"It was not adopted because of the Fireman's Fund," said Ronald J. Roessler, A&A vp and general counsel. "Obviously that was one factor that went into the consideration, but was not the reason we adopted this," he said.

About half of the 200 largest industrial companies have adopted this procedure, he added.

A&A stock closed on the New York Stock Exchange June 10 at $25.13, compared with $37.50 a year ago.

But, one problem that A&A expects to be able to put behind it is legal expenses.

A&A said in January that for an undisclosed sum it settled its 4-year-old lawsuit against former Lloyd's of London underwriter Ian R. Posgate, ending all litigation involving A&A and its 1982 acquisition of Howden (*BI*, Jan. 19).

A&A had charged that Mr. Posgate participated in the misappropriation of $55 million from syndicates managed by Howden.

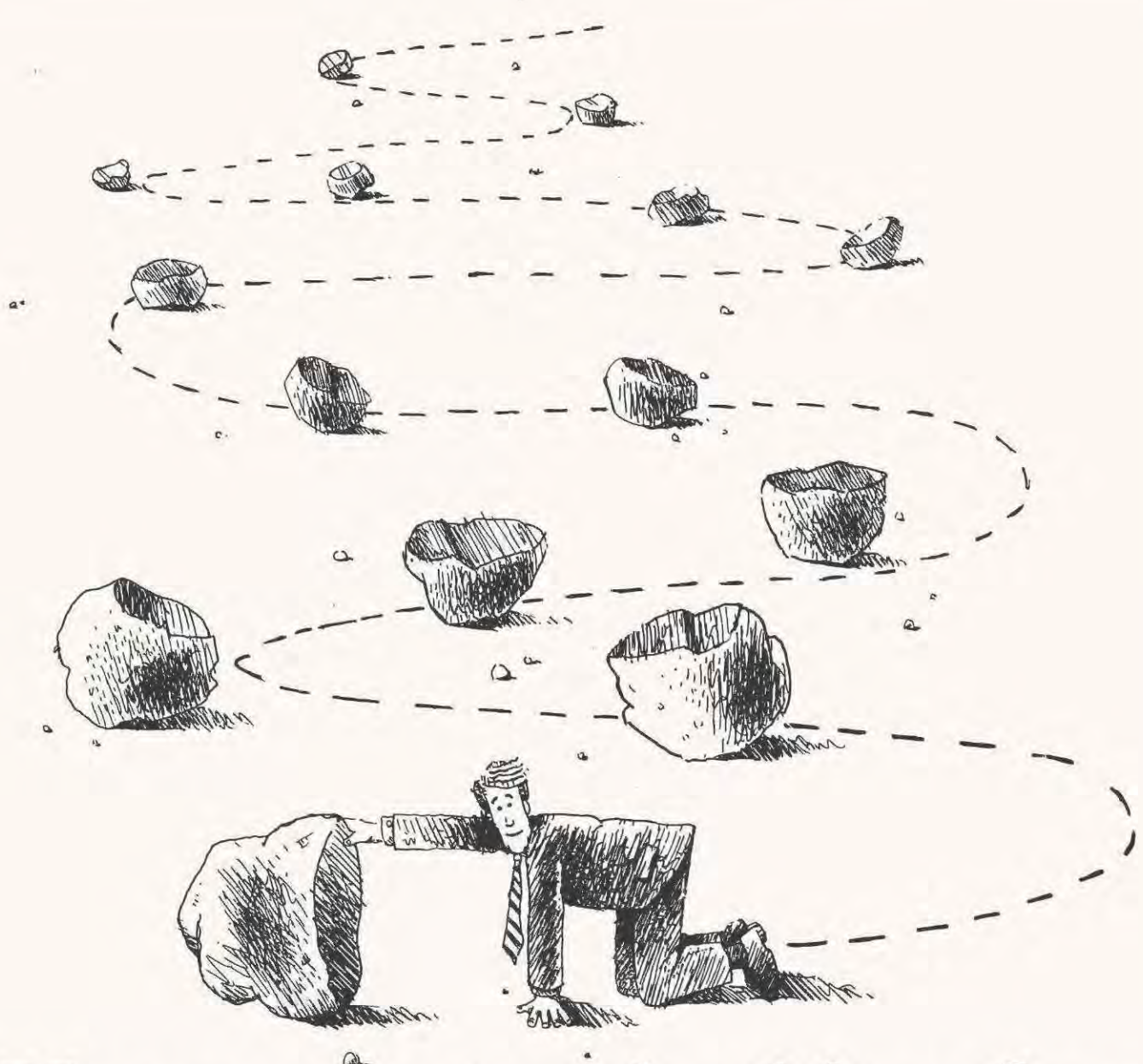
Mr. Posgate also agreed to drop his lawsuit against A&A for unfair dismissal from the A&A unit, now known as Alexander Howden Group Ltd.

Last year, A&A also collected $24 million in a settlement with former Howden auditors. And, in April, A&A, along with other brokers with London operations, agreed to contribute to a settlement offered to members of loss-riddled Lloyd's syndicates managed by PCW Underwriting Agencies Ltd. A&A's contribution will be offset against the $24 million recovered last year, and the company expects the settlement will have no effect on operating results.

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.

Continued on page 30



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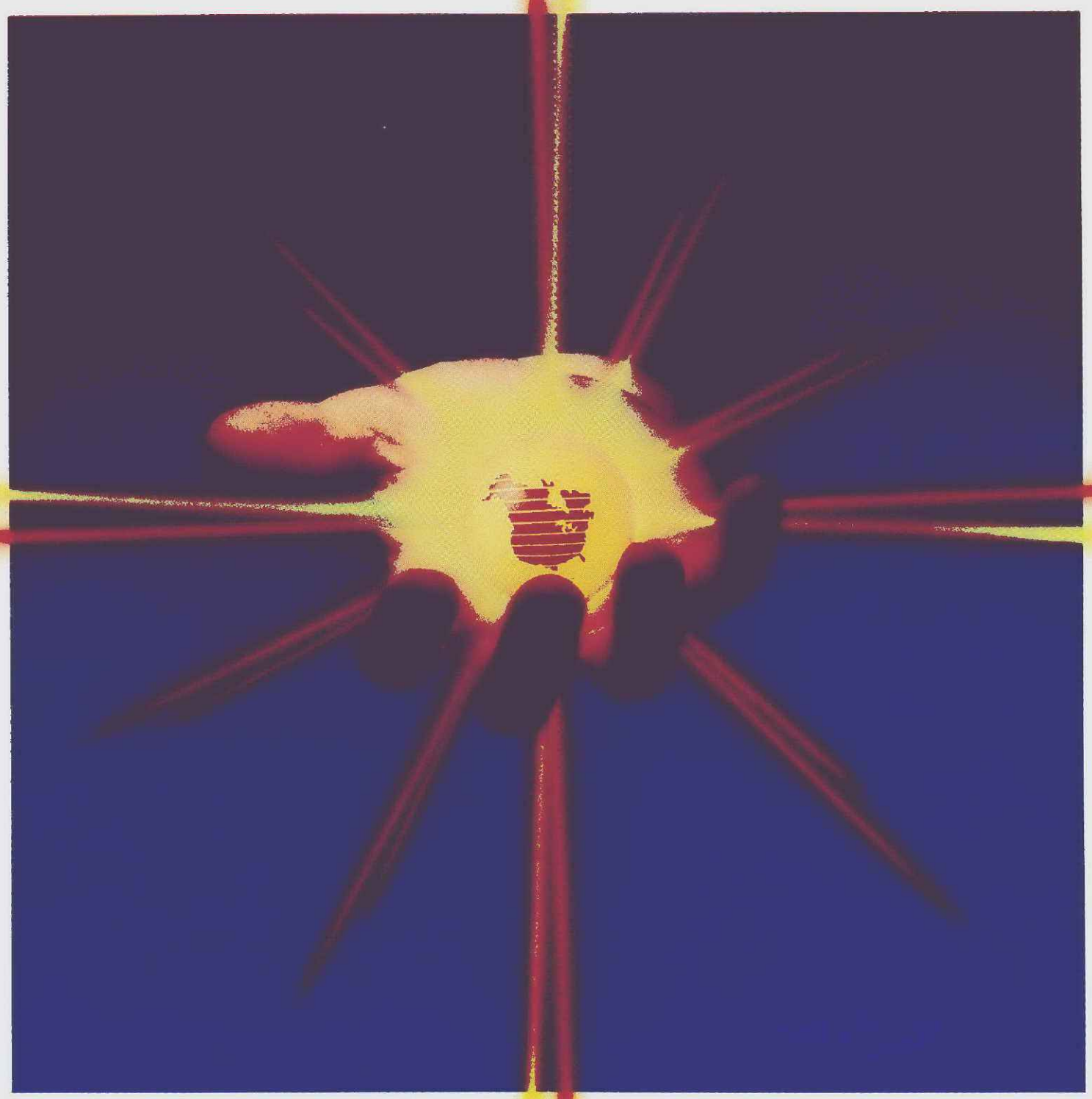
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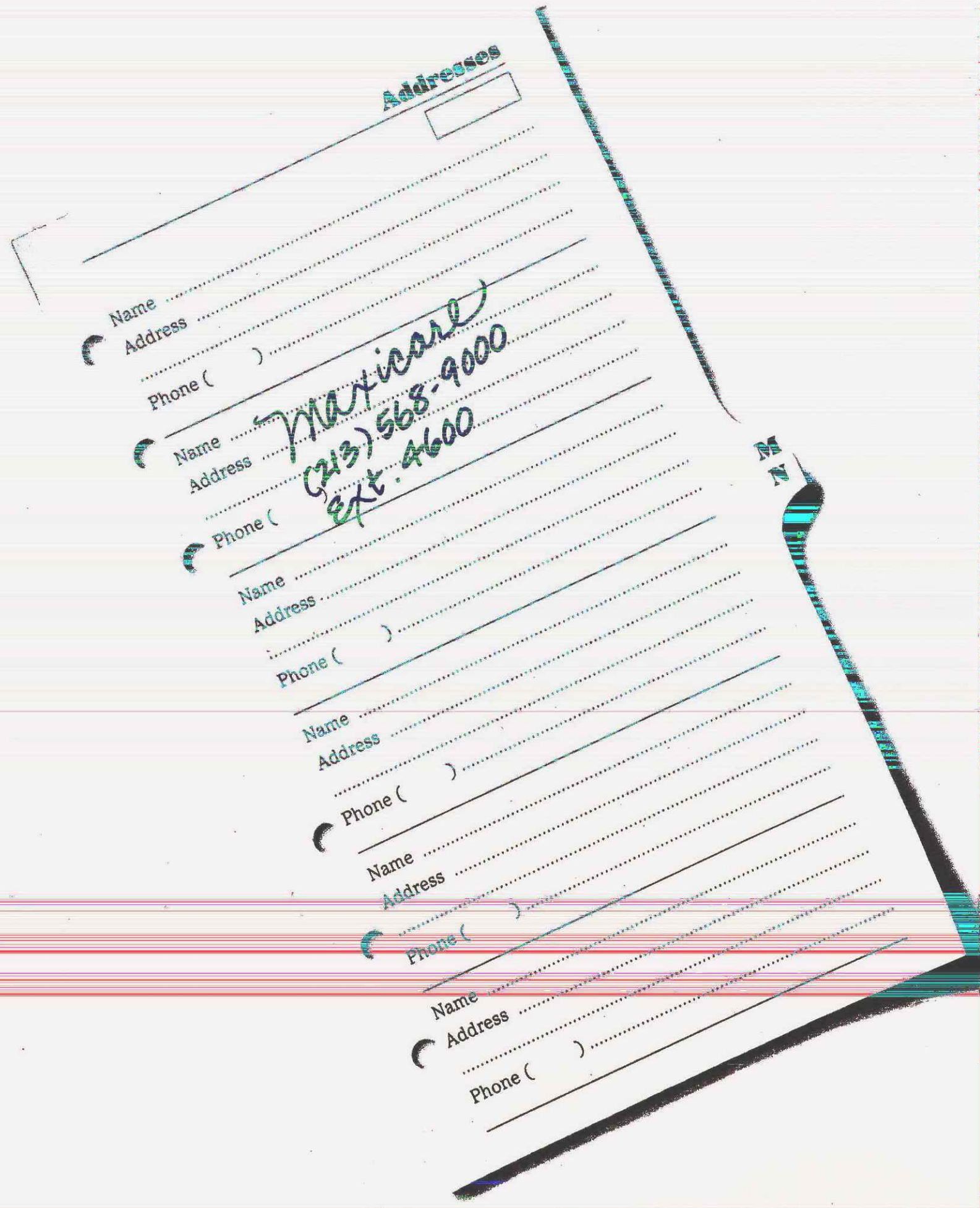
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Continued from page 26

Revenues from this segment increased 17.1% in 1986 to $943.3 million from $805.8 in 1985, while operating income jumped 33.6%, to $136 million from $101.8 million.

- Employee benefit and management consulting, which includes actuarial and administrative services for pension, compensation and benefit plans; employee communications consulting; and management consulting.

Operating revenues for this business segment increased 19.4% to $105.3 million in 1986 from $88.2 million, while operating income increased 51.4% to $5.6 million from $3.7 million.

- Other business, which includes property tax consulting services and investment and other advisory services. Revenues in this segment remained flat at $19.6 million, while operating income increased to a $2.1 million profit from a $100,000 loss.

According to A&A, retail brokerage accounted for about 62% of A&A's revenues, or $662.3 million; wholesale and reinsurance brokering each accounted for 7%; non-brokerage services accounted for 9%; other activities and investment income each accounted for 6%; and personal lines accounted for 3%.

"Our foundation is our retail brokering," Mr. Irvin said, noting that of the 62% of revenues retail brokerage produces, two-thirds is generated domestically. "We expect growth in 1987, but maybe not at quite the same pace as 1986."

A&A's second strategic business unit behind retail brokerage, wholesale brokering, includes Alexander Howden Ltd. and Alexander Howden N.A., its North American wholesale brokering operation.

The third strategic unit, reinsurance brokering, includes Alexander Howden Reinsurance Brokers, which is based in London, and Thomas A. Greene & Co., based in New York. Greene is the eighth-largest U.S. reinsurance broker ranked by *Business Insurance* based on 1985 revenues of $21 million (*BI*, Nov. 10, 1986).

Both wholesale and reinsurance brokerage are expected to grow at either an equal or a faster pace than they did in 1986, according to Mr. Irvin.

A&A's employee benefit and management consulting business operates under the Alexander Consulting Group banner, the company's fourth strategic unit. Employee benefit consulting was one of last year's disappointments because revenues did not grow more quickly, according to Mr. Bogardus. "We're focusing on that."

A major portion of the fifth group, risk management services, includes Anistics, A&A's risk management information systems and consulting unit, which has been "globalized" and expanded overseas. This business will expand considerably in 1987, according to Mr. Irvin.

A&A's Alexsis operation, a risk management consulting and captive management subsidiary that is also part of this strategic unit, enables A&A to provide its clients "with an alternative way of handling the risk and keeping it all within one umbrella of supervision," explained Mr. White.

Other A&A units include Property Tax Service Co. and TIFCO, A&A's premium finance company. TIFCO posted net income of $6.7 million in 1986, almost double 1985's $3.5 million.

As to acquiring new businesses, Mr. Bogardus said, "Basically, we think there's still a lot of growth in the core business that we're in, so we're not aggressively seeking to move into totally new areas." If a new opportunity is identified, A&A will "certainly explore it," he said, "but we don't want to go too far afield."

In 1986, A&A implemented several industry-oriented thrusts in the areas of aviation, energy, financial products and health care insurance brokerage, Mr. White noted. Teams of about 30 people each from around the country were created to specialize in these areas.

Their mission, he explained, is "to assist our local offices in bringing the highest level of expertise and cost-effectiveness to our clients in these industries. That has been very successful for us."

This approach enables local offices to draw on the talents of A&A people across the country, rather than being forced to rely solely on local personnel, he said.

A new emphasis also was placed on quality service in 1986. A&A established a group in Baltimore that works with each office in implementing a quality service program based on surveys of both A&A employees and clients. "The whole purpose of this is to respond to our clients in the way that they should be responded to," Mr. White explained.

A&A made eleven acquisitions in 1986 and two so far in 1987. Particularly significant, says Mr. White, was the acquisition of Keintz & Co. of Columbus, Ohio, in November and Cash, Sullivan & Cross Inc. of Phoenix, Ariz., in September.

Keintz & Co., with $4 million in 1985 revenues, was tied for 100th place in *BI*'s survey last year of the Top 100 brokers in the United States. And, the Cash, Sullivan acquisition, along with the February 1986 acquisition of The Charles Co. in Phoenix, gives A&A the second-largest brokerage operation in Arizona.

In 1986, A&A also acquired Soderberg Corp. of Seattle; S.Z. Goodstein & Co. Inc. of Fort Washington, Pa.; Meltz & Bressler Inc. of Atlanta; Hansen & Associates of Overland Park, Kansas; Actuarial Services Inc. of Union, N.J.; Ad Valorem Tax Consultants Inc. of Lewisville, Texas; Redford Associates Inc. of Santa Clara, Calif.; and Realty Appraisals Co. Inc. of Plymouth Meeting, Pa.

Except for Redford, which was accounted for on a purchase basis, all were accounted for on a pooling basis.

This year, A&A has purchased J.J. Francis & Associates Inc. of Cherry Hill, N.J., in January; and Landmark Insurance Corp. of Fort Meyers, Fla., in April.

As for future areas of growth, "We would like to improve our market penetration in central Florida," particularly in the Tampa area where A&A opened an office in 1986, and in San Diego, Mr. White said. A&A would be interested in making acquisitions in both areas, he said.

Meanwhile, A&A has sold both its Alaska and Boise, Idaho, operations, after determining there was no potential for growth in those areas.

Additional management changes A&A made during the year include naming William D. Baker, senior vp at A&A International, as director of international business development and a member of A&A International's executive and operations committees.

Ronald W. Forrest was named chief executive officer of Alexander Stenhoue Ltd.-United Kingdom, while Michael J. Barrett was appointed chief executive officer of Alexander Stenhouse Europe Ltd.

Cash compensation of A&A's top corporate executives in 1986, as reported to the Securities and Exchange Commission, was:

John A. Bogardus Jr	$1,118,132
Tinsley H. Irvin	$890,328
Joseph E. Morahan Jr.	$721,252
Michael K. White	$638,718
James A. McCormick	$582,934

—By Judy Greenwald

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	1986	1985
Premium volume...	NA	NA
Gross revenues*....	$647,587,000	$523,514,000
Brokerage: Retail*	73%*	74%*
Wholesale.....	1%	1%
Reinsurance*.....	7%	6%
Services*.....	18%	17%
Invest. Income*.....	1%	2%
Employees*.....	7,180	6,710
Rev./employee*.....	$90,193	$78,020
Offices.....	96	96

*BI estimate

The world's largest privately held insurance brokerage is emphasizing something from which it has shied away in the past: selling.

"Aggressive selling—once anathema at Johnson & Higgins—is now accepted as essential to the firm's long-term growth and vitality," Chairman Robert V. Hatcher Jr. said this year in the brokerage's annual review.


Mr. Hatcher

"Bob Hatcher has reminded us that the status quo is not an option. There is no future in the status quo, and we have to look for new ways to do new things," added newly elected President and Chief Operating Officer David A. Olsen.

"The natural next step is to sell those new things," Mr. Olsen said.


Mr. Olsen

J&H last year established a National Sales Practice Committee, a group of key executives headed by J&H Director George H. Shattuck Jr. that is responsible for coordinating the sales efforts of the firm's branch offices.

Each J&H branch now has a sales manager reporting not only to the individual branch's manager but also to Mr. Shattuck, according to Richard E. Meyer, senior vp and director.

"It is through that group that we are trying to go out and become aggressive on sales," Mr. Meyer said.

If J&H industry specialists identify a need for a particular insurance product—wrap-up policies for construction firms, for example—the national sales group passes the word to branch sales managers that they should try to produce that type of business, he explained.

J&H also has introduced an incentive bonus system to reward employees who meet production goals, Mr. Meyer noted.

The push for new business production, though, does not mean that J&H is cutting back service to existing clients, Mr. Olsen added.

"The key is, it's not at the sacrifice of service in our existing account management," he said. "We're not saying, 'Hey, let's go out and sell instead of service.' "

The sales efforts—aided by the continuing tight market for many property/casualty risks—resulted in a record level of new business last year at J&H, the nation's third-largest brokerage.

While J&H, owned by its 34 directors, has long declined to reveal details of its financial performance, *Business Insurance* estimates the brokerage's 1986 gross revenues increased 23.7% to $647.6 million from $523.5 million in 1985. In 1985, revenues increased an estimated 26.8% from $412.9.

About 98% of J&H's property and casualty brokerage revenue was earned on a commission basis last year, according to Mr. Meyer, who said that he is seeing commission rates increase "modestly" as property/casualty insurance prices stabilize.

On average, J&H commissions are in the single digits, he added

Other developments at J&H in the last year include:

- Continuing emphasis on professionalism, with the development of employee training programs for various insurance disciplines by the firm's national practice committees.
- The continuing creation of alternative facilities for excess general liability, directors and officers liability and pollution liability risks.
- The acquisition of Lloyd's of London broker Carter, Brito e Cunha Ltd., which will be renamed Johnson & Higgins Ltd. and will handle non-North American reinsurance business.


Mr. Meyer

- The formation of UNISON S.A., a Belgian company that will allow J&H and its exclusive European correspondent brokerages to establish new brokerage facilities overseas.

J&H and several UNISON members also formed Uniservice Management S.A., a captive management company in Luxembourg.

While J&H revenues grew in each of the firm's business segments, revenue growth in the casualty and middle-market accounts segments out-paced other segments.

Commissions and fees from casualty insurance brokerage generated 35.6% of J&H's revenues in 1986, up slightly from 33.7% of gross revenues in 1985.

Additional casualty insurance capacity created last year—through such newly formed facilities as A.C.E. Insurance Co. Ltd., X.L. Insurance Co. Ltd. and American Excess Insurance Assn., among others—has increased the brokerage's opportunities to earn commissions and increased the share of overall revenues produced by casualty insurance brokerage.

Casualty revenues also increased as a result of higher liability insurance rates and new business from clients that previously did not need the services of a large broker when capacity was plentiful, J&H officials note.

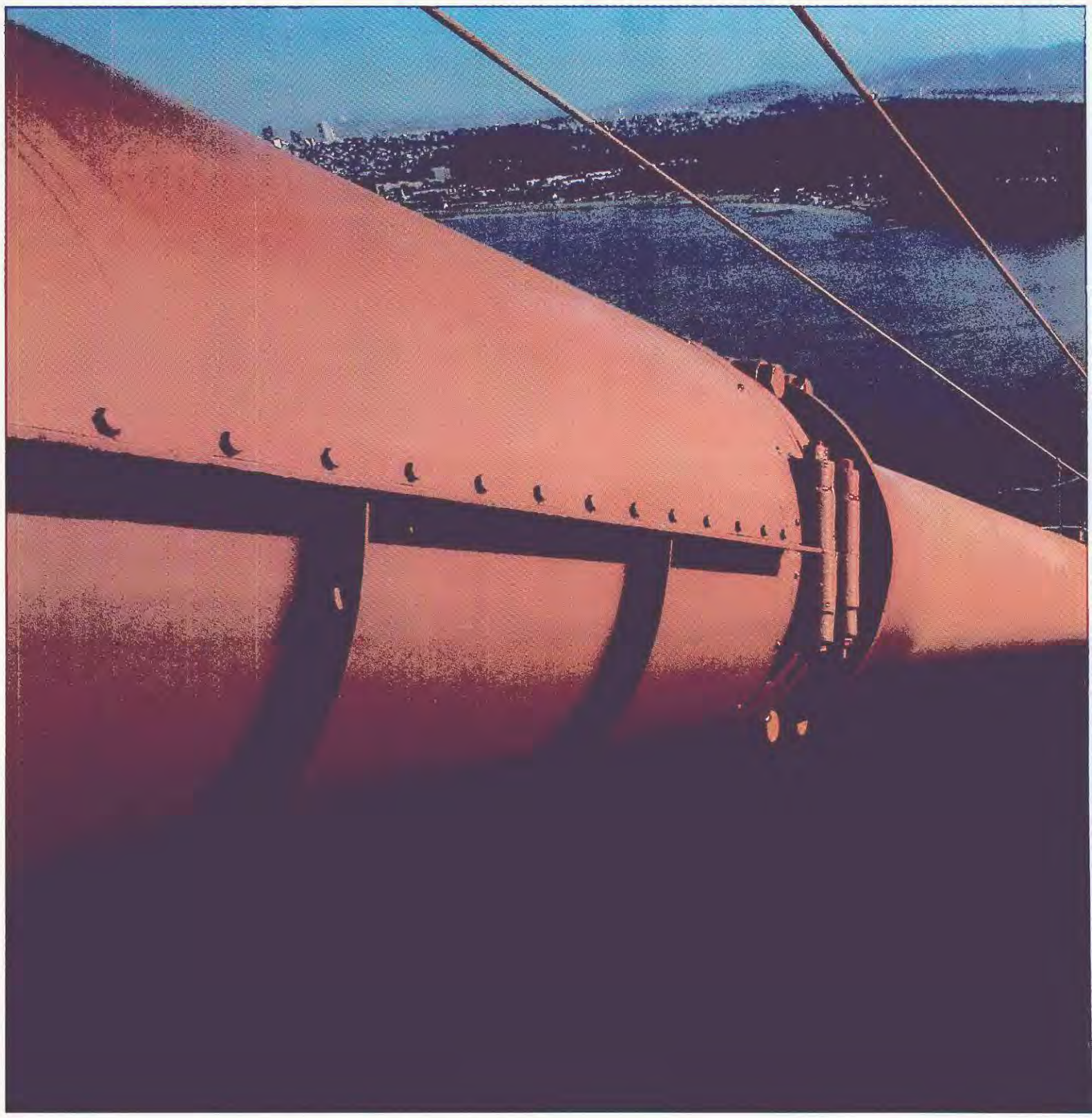
Property insurance prices, meanwhile, were among the first to soften when market conditions started to improve, they add.

Property insurance commissions and fees accounted for 18.9% of J&H revenues last year, down from 20.1% of 1985 revenues.

Employee benefit programs' share of revenues also dropped to

Continued on next page

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23.4% of the total, compared with 25.1% in 1985.

J&H benefit consulting subsidiaries include Sibson & Co., a compensation and salary planning consultant; Winklevoss & Associates, a pension consulting firm; Kass, Germain & Co., an actuarial consultant; and Edward H. Friend & Co., a benefits and casualty risk management consultant.

The firm's benefit consulting activities are coordinated through its National Benefits Office in New York.

Another J&H consulting unit, Sorensen & Associates, offers product design and other services to insurance companies.

Marine and aviation business also accounted for a smaller share of J&H's gross revenues last year, dropping to 9.5% of the total from 10% in 1985.

J&H's new emphasis on sales is 'not at the sacrifice of service in our existing account management,' says David A. Olsen, J&H's president. 'We're not saying, "Hey, let's go out and sell instead of service." '

The firm's commercial accounts business, however, increased substantially, growing to 7.7% of revenues in 1986 from 6.4% the previous year.

The commercial accounts department provides brokerage, risk management and employee benefits consulting services to medium-sized clients, which J&H defines as those that do not have their own risk management staffs or those that do not require complex risk management programs like captives.

"I think J&H has always been known as a Fortune 500 broker, and what a lot of people don't realize is that there are only 500 companies in that 500," Mr. Meyer observed. "When you get into a place like Cincinnati, when you get by Proctor & Gamble, it's a middle-market city. As a result, we have to posture ourselves to provide the kind of services that a middle-market account needs."

The remaining 4.9% of J&H's revenues last year came from other sources, including its Willcox Inc. Reinsurance Intermediaries unit; Neil Lloyd & Co. Inc., a Chicago-based wholesale broker; and investment income.

Revenues from Willcox—which J&H owns jointly with its long-time London correspondent Willis Faber P.L.C.—increased by 40% last year for the second year in a row, said Mr. Hecken.

Willcox handles domestic U.S. reinsurance placements, while the firm's international reinsurance department and the newly acquired Carter Brito handle international placements.

J&H's salary and employee benefit expenses, meanwhile, increased by 17% last year, compared with a 16% increase in 1985 and a 2.8% increase in 1984.

Part of the increase is traceable to an estimated 7% expansion in the firm's staff last year to 7,180 employees from 6,710 at year-end 1985.

J&H is trying to keep a close eye on expenses, particularly as the softening property/casualty market places downward pressure on brokerage revenues.

"We are watching our waistline very carefully," Mr. Olsen said.

"We don't want to find that the revenue, because of the market situation or whatever, isn't growing as fast as it has in the past. . .and we also don't want our expenses growing up in the same direction," he noted. "Then you're driving a larger truck with the same amount of profit."

Revenue per employee, however, increased markedly to an estimated $90,193 in 1986 from $78,020 the previous year.

To keep expenses in check, J&H is "not over-hiring," though it is not trimming staff either, Mr. Olsen said. The firm also is reviewing meetings, conferences and overseas travel to make sure the costs are justified, he noted.

In addition, J&H's new incentive compensation system should ensure that the firm rewards its top performers while not rewarding the "wrong people," Mr. Olsen said, as well as helping the brokerage meet its increased sales goals.

J&H also continues to emphasize professionalism through its system of national practice committees, made up of senior executives in several disciplines, including property, casualty, international, employee benefits, marine, aviation and middle-market accounts.

The practice committees, each headed by a J&H director, coordinate J&H resources in each discipline and set performance standards for brokerage employees. The committees also are developing comprehensive training programs for employees in each discipline.

J&H also maintains several industry groups, intended to distill the firm's resources for various types of clients. Industry groups include a health group, combining benefit consulting and health care risk management and brokerage; the oil, gas/energy group, handling energy-related accounts including those involved in nuclear energy; a public sector group, handling coverages for municipalities and other government entities; a construction group; a financial institutions group, handling blanket bonds and other coverages for financial institutions, as well as financial guarantee products; and a space systems group, handling satellite coverages.

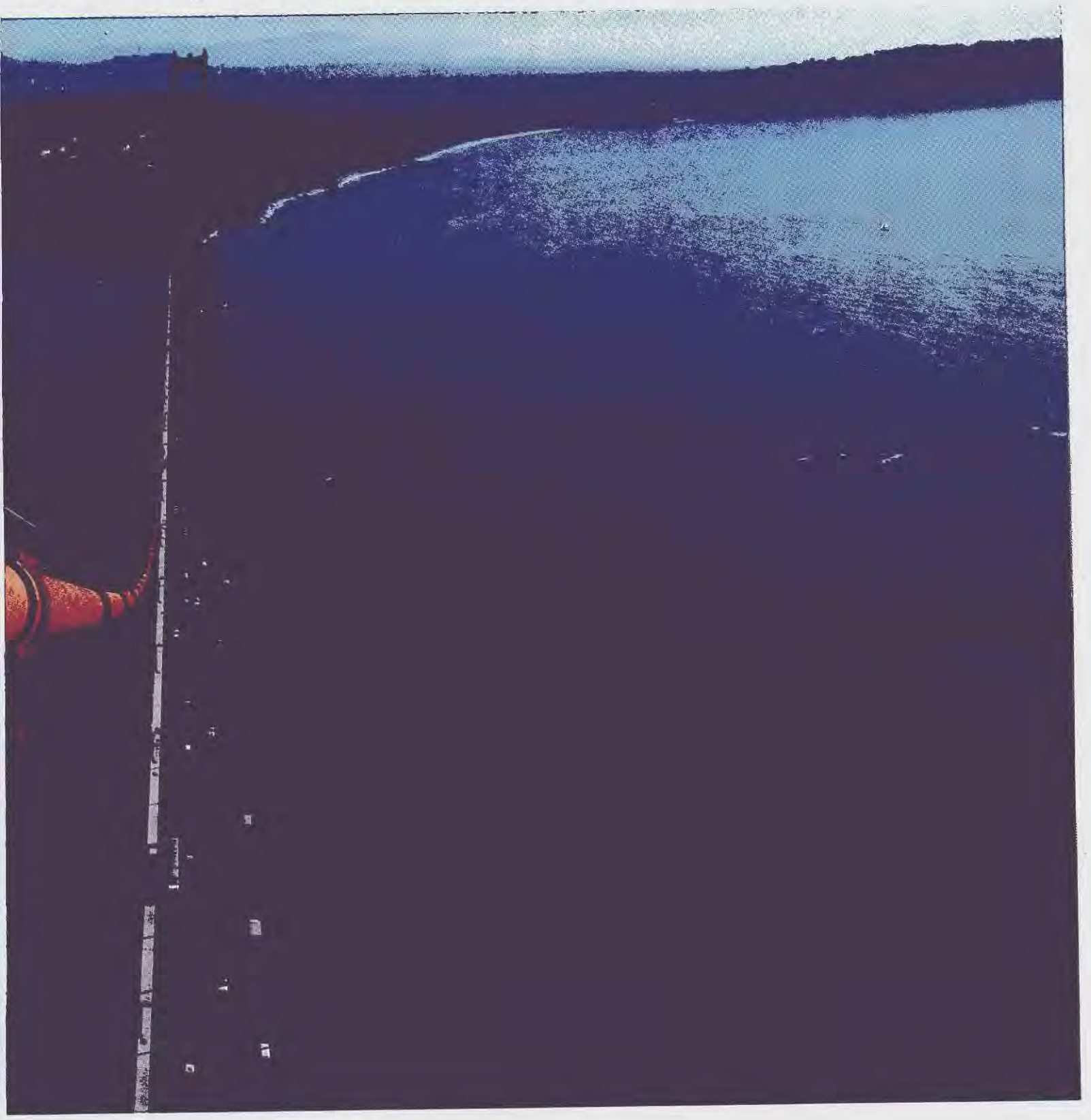
In 1986, J&H also established a National Casualty Office, National Property Office and National Marine Office, staffed with "super-specialists" in each discipline who work with other J&H brokers and clients in the United States and abroad to tackle special problems.

The National Casualty Office, for example, was involved in J&H's efforts to organize alternative funding arrangements for various client groups, including offshore excess liability insurance facilities and risk retention groups.

In the last year, J&H has organized:

Continued on next page

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- Financial Institutions Reserve Ltd., providing primary or excess D&O insurance to banks.
- PRIMEX Ltd., providing excess general liability and auto liability coverage to small and medium-sized chemical manufacturers.
- Sargasso Mutual Insurance Co. Ltd., offering primary or excess D&O coverage to mutual life insurance companies.
- North American Casualty Cooperative Risk Retention Group, a Vermont-based group offering environmental impairment liability coverage to chemical companies, manufacturers and others.

In conjunction with Marsh & McLennan Cos. Inc., J&H also helped organize American Excess Insurance Assn., a line slip of nine U.S. insurers that writes excess liability coverage with limits of $75 million excess of $25 million.

J&H also has several other alternative funding projects in the works, according to Mr. Meyer. These include:

- MEXICO, a medical excess liability insurance facility for teaching hospitals.
- HELP, an excess liability insurance program for non-teaching hospitals.
- Canadian Excess Liability Insurance Co., a general liability insurance facility for Canadian corporations.
- CANDO, a facility to write D&O coverage for Canadian corporations. It is currently in the survey stage.

While last year saw an explosion of growth in such alternative facilities, Mr. Meyer said he is uncertain how much more growth is possible.

"I think there will be a few more of those things that will pop up, but at one point—I don't know when that is—we'll be saturated," he predicted.

However, J&H is focusing now on the possibilities opened up by the 1986 amendments to the federal Risk Retention Act, which provides for the formation of risk retention groups and purchasing groups.

"We are positioning ourselves to get bigger in that area," Mr. Meyer said, adding that he expects risk retention groups to continue building throughout the year.

Meanwhile, J&H also is expecting substantial growth in its reinsurance brokerage business with the acquisition earlier this year of Lloyd's broker Carter Brito.


Mr. Hecken

Mr. Hecken and Mr. Olsen insist, however, that the move does not represent a change in philosophy for J&H, which traditionally has avoided overseas acquisitions in favor of correspondent relationships or establishing its own offices.

J&H last year opened offices in Salt Lake City and Jackson, Miss., giving it 47 brokerage offices in the United States and 10 in Canada.

This summer, the firm also will open an office in Turin—its sixth in Italy—bringing the total number of overseas brokerage offices to 40.

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

UNISON members include London-based Willis Faber P.L.C.; Jauch & Hubener of West Germany and Austria; Caribbean General & Marine Insurance Brokers Ltd. of Barbados; Boels & Begault of Belgium and Portugal; Universal Brokers S.A. of Bolivia; Bonnor & Co. A/S of Denmark; and Ros & Asociados S.A. of the Dominican Republic.

Also, Consultores de Seguros Cia. Ltda. of Ecuador; Consultores de Seguros C.A. de C.V. of El Salvador; Gie Gras Savoye/Johnson & Higgins of France; Mercury Insurance Agencies Ltd. of Greece; Consultores de Seguros S.A. of Guatemala; Lloyd, Armstrong & Ramsey Ltd. of Ireland; Allied Insurance Brokers Ltd. of Jamaica; and Brockman y Schuh, Agente de Seguros S.A. de C.V. of Mexico.

Also, R. Mees & Zoonen Assurantjen B.V. of the Netherlands; Femi Johnson & Co. of Nigeria; Joachim Grieg & Co. of Norway; Ducruet, Sasso y Greene S.A. of Panama; Philippine Insurance Associates Inc.

Continued on page 36

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Continued from previous page

Mr. Page notes Edward B. Morrow Jr., formerly Crump executive vp, and Gordon E. Noble, formerly Crump executive vp and chief insurance officer, both have been named James executive vps in charge of the Southern and Southwestern regions, respec-



Atlanta; Knoxville and Nashville, Tenn.; San Francisco; and Denver, says Mr. Page. Generally, he says, one or the other office was so clearly the larger that there was no question which management would survive when they combined.

When the offices united, says Mr. Stewart, the new, consolidated offices formed a "critical mass" large enough to perform more productively than in the past.

The Owen merger not only adds 'significant expertise' to James in the energy field, but contributes a sizable Dallas operation as well, says Mr. Page. 'We now have the competitive strength in Dallas to compete against anybody.'

facultative reinsurance brokerage

half of James during the year and

sition in the Southeast, says Mr. Page. It is "not by chance" that James is focusing efforts in the Sun Belt, he adds, noting it is a dynamic and growing sector of the country.

Armistead has offices in New Orleans; Birmingham, Ala.; Knoxville and Nashville, Tenn. Mr. Page notes that New Orleans has a good energy team, while Birmingham specializes in contractors' insurance and bonds.

TheKnoxville office specialties

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ATLANTA, CHICAGO, COLUMBUS, DALLAS, DES MOINES, HARTFORD, KANSAS CITY, LOS ANGELES, NEW YORK, PHILADELPHIA, ST. PAUL, SAN FRANCISCO, SEATTLE, MONTREAL AND TORONTO

Continued from previous page

"Our percentage of national and multinational accounts is steadily increasing," says Mr. Page. But while James is busy "laddering up" to big multinational accounts," it has not abandoned the accounts of relatively small firms, either. "We continue to increase our Main Street book of business," he says, noting that the brokerage has been serving these clients since its creation in 1858.

Another bright spot for James is its newly acquired excess and surplus lines operation. The Crump E&S Group, with $284 million of premium volume in 1985, was the fourth-largest U.S. surplus lines broker (*BI*, Aug. 11, 1986).

Crump E&S will continue to maintain a separate identity, says Mr. Page of the business, which was started by Crump almost 30 years ago. "We expect them to operate independently, maintain integrity and be open to the entire marketplace," remaining available to any broker, he explains.

"The only way a retailer can own and operate a wholesale operation is to maintain complete integrity," agrees Mr. Stewart. There will never be any favoritism shown to James, he says. "If that ever happens, that employee will not be an employee the next day."

If there was any disappointment in this past lively year, says Mr. Page, it was in the brokers' failure to bring more stability to the insurance marketplace. James, he notes, has first-hand knowledge of the market's fluctuation from obtaining its own insurance. "We've got the same problems our clients do."

Charles Ruoff, a James senior vp, says the market began softening during last year's third quarter. At first, incidents of price-cutting were isolated, but later they became more frequent, he says.

Right now, he says, property insurance rates are decreasing by at least 20% to 25% overall. Casualty lines, he said, are either stable or "leveling off to more modest decreases of 10% to 15%."

There is increased capacity in the market as well, says Mr. Ruoff. "A significant amount of coverage has come back into the marketplace." Insurers are willing to increase limits now, he says, and in some cases, even are amenable to writing business on the old 1973 occurrence form.

The introduction of the claims-made form, outside of hard-to-place business, was a "non-event," he notes.

"It was a case where there was a lot of smoke and no fire whatsoever," adds Mr. Page.

Mr. Ruoff says in addition to not wanting to see "pricing amnesia," where the market "forgets too soon what's happened before," other related factors concern him as well.

These include interest rates that are "creeping up," possible increased state and federal regulation, the question of guaranty funds' continuing ability to pay claims, and some insurers' ongoing problems with adequate reserves and uncollectible reinsurance.

Referring to business' moves to seek alternative risk mechanisms,

At Crump E&S, Mr. Stewart says, there'll never be any favoritism shown to James.

Mr. Ruoff notes the new Risk Retention Act "makes it a lot easier" for groups of clients to pool their interests together.

"We have in the past responded to clients' need to move into the self-insurance side," he says. James (Bermuda) Ltd., a captive management subsidiary in Bermuda, manages 45 captives.

James (Bermuda) is part of James' risk management services operation, which consults with clients on the best risk financing mechanism. It is expected to merge with Crump Risk Management Services, an operation Crump began last year, that performs a similar function.

In addition, James' Claims Management Services division helps administer primarily workers compensation self-insurance programs on behalf of its clients. "We have no intention of getting out of the business," says Mr. Page, noting a new state-of-the-art information management system is being installed in the division.

Meanwhile, James has launched its first advertising campaign in eight years. Ads that began running in March and will continue through December in the Wall Street Journal, Business Week, Forbes and *Business Insurance*, feature scenic pictures of bridges and promote James as a bridge builder in helping clients solve their problems. "We felt it was time to talk to the public," says Mr. Page.

Fred S. James reported that in 1986 fees produced 18% of its revenues, the same percentage as in 1985. "I think that percentage ultimately will begin to increase," says Mr. Page.

However, it will not happen as rapidly as one would think, he adds, because the 18% already reflects fees from self-insurers and large accounts. Both fees and commissions, which generate 82% of James' revenues, will continue to increase. Mr. Page expects fees will eventually approach 21% to 22% of revenues.

Continued on page 40

Industry Specific Solutions to Industry Specific Problems

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environmental claims.

When J&H announced the appointments of Mr. Hecken and Mr. Olsen as vice chairman and president, respectively, the firm also named three new executive vps: Mr. Meyer; Walter H. Clemens, a director in the San Francisco office; and Richard A. Nielsen, a director in the Wilmington, Del., office.

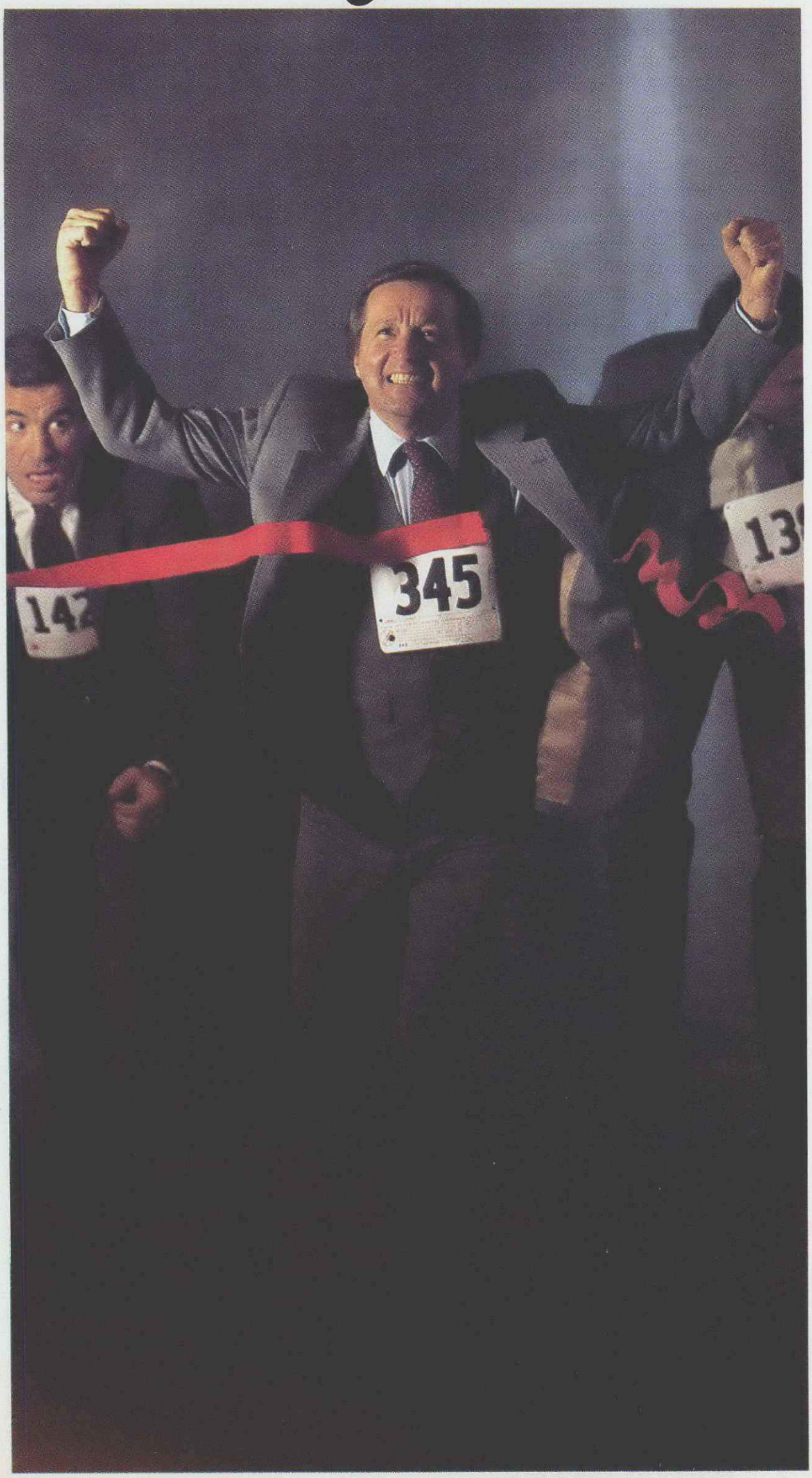
J&H has also named five new directors in the last year: William S. Jennings, manager of the firm's Hartford office and newly elected president of the National Assn. of



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Continued from page 38

James reported that commercial retail brokerage accounted for 68% of its revenues—or $318.6 million—n 1986; wholesale brokerage contributed 4%; reinsurance brokerage, 1%; services, 18%; personal lines, 5%; investment income, 3%; and miscellaneous activities, 1%.

This is a different configuration from 1985, when retail brokerage generated 57% of its business; wholesale brokerage accounted for 1%; reinsurance brokerage, 12%; services, 17%; personal lines, 7%; and investment income, 6%.

Aside from differences attributable to its mergers, 1986 revenues no longer include the revenues of James' London broker, Wigham Poland Holdings Inc., which now fall under the Sedgwick banner.

In addition, James' Seattle-based John F. Sullivan Co., the second-largest U.S. reinsurance intermediary, is now Sullivan Payne Co. and reports its revenues with those of Sedgwick's E.W. Payne Cos. Ltd. reinsurance brokerage unit.

James also, as expected, sold James Benefits, its employee benefits third-party claims administration business, to the operation's senior management and an outside investment firm for $25.1 million.

Despite this divestiture, benefits are among the promising areas of growth for the company, says Mr. Page. While employee benefits consulting and brokering employee benefit plans now accounts for only about 8% of James' revenues, the brokerage expects benefits business to represent 13% to 15% of revenues by Jan. 1, 1992.

"We have very ambitious plans to be a major player in the employee benefits business," says Mr. Page.

"Canada's been helpful in showing us the way," he says, noting that employee benefits account for 20% of Sedgwick Tomenson's revenues, although this represents a smaller revenue base than that of James.

Mr. Elliot notes that in February, Sedgwick Tomenson purchased Montreal-based BSi Inc., an employee benefits consulting firm with $4 million in annual revenues that was "one of the last independent outside houses." This gave Sedgwick Tomenson a good position in eastern Canada, including BSi's office in Toronto, which strengthend Sedgwick Tomenson's Toronto employee benefits operation. The Toronto office serves central Canada.

And, in 1986, Tomenson purchased a Vancouver, British Columbia, firm, Beadle Consulting, to bolster its western Canadian benefits operation.

By 1990, predicts Mr. Elliot, notwithstanding its overall growth, employee benefits should generate 30% of Sedgwick Tomenson's revenues.

Other James operations include the facultative reinsurance business acquired in the Crump merger.

Crump Re has offices in Hartford, Conn.; Hoboken, N.J.; New York; Atlanta; Dallas; Minneapolis; and Hamilton, Bermuda. "We've become a very major factor in that. It's been doing extremely well," says Mr. Page.

James Group Services, with offices in Chicago and Washington, D.C., markets insurance on a direct-mail basis to large groups, such as associations of retired persons and school teachers.

James also operates Fire Protection Engineers, based in Lafayette, Calif., a consulting firm that designs fire protection systems.

SYNCORP, which manages two syndicates on the New York Insurance Exchange, is in the process of running off its business.

James plans to shed Southern American Insurance Co., which Crump had owned as part of its E&S operation, says Mr. Stewart. "No broker has really been able to successfully operate an underwriting operation," he says.

Southern American Insurance Co. 'will either be run off, or we'll sell it. It just doesn't fit into the picture of what a major broker should be doing. We don't think we're that much smarter than any other broker,' Mr. Stewart says.

"It will either be run off, or we'll sell it. It just doesn't fit into the picture of what a major broker should be doing. We don't think we're that much smarter than any other broker."

The insurer wrote $20.1 million in net premiums last year.

Following the Crump acquisition, a central administrative center was established in Memphis, Tenn., under the direction of James M. Power, formerly Crump's president and chief operating officer and now James' senior executive vp and chief administrative officer.

In line with this, various department locations were shuffled. Payroll, personnel and related employee benefits staffs moved to Memphis from Short Hills, N.J., while the management information systems operation moved to Memphis from Salt Lake City. The treasury and accounting departments moved from Short Hills to New York City.

In addition to those named, other principal James officers include Lawrence R. Burkhardt, executive vp in charge of James' client services division, whose jurisdiction includes James risk management services, national technical services, fire prevention engineering, claims management services, association business and management information systems units.

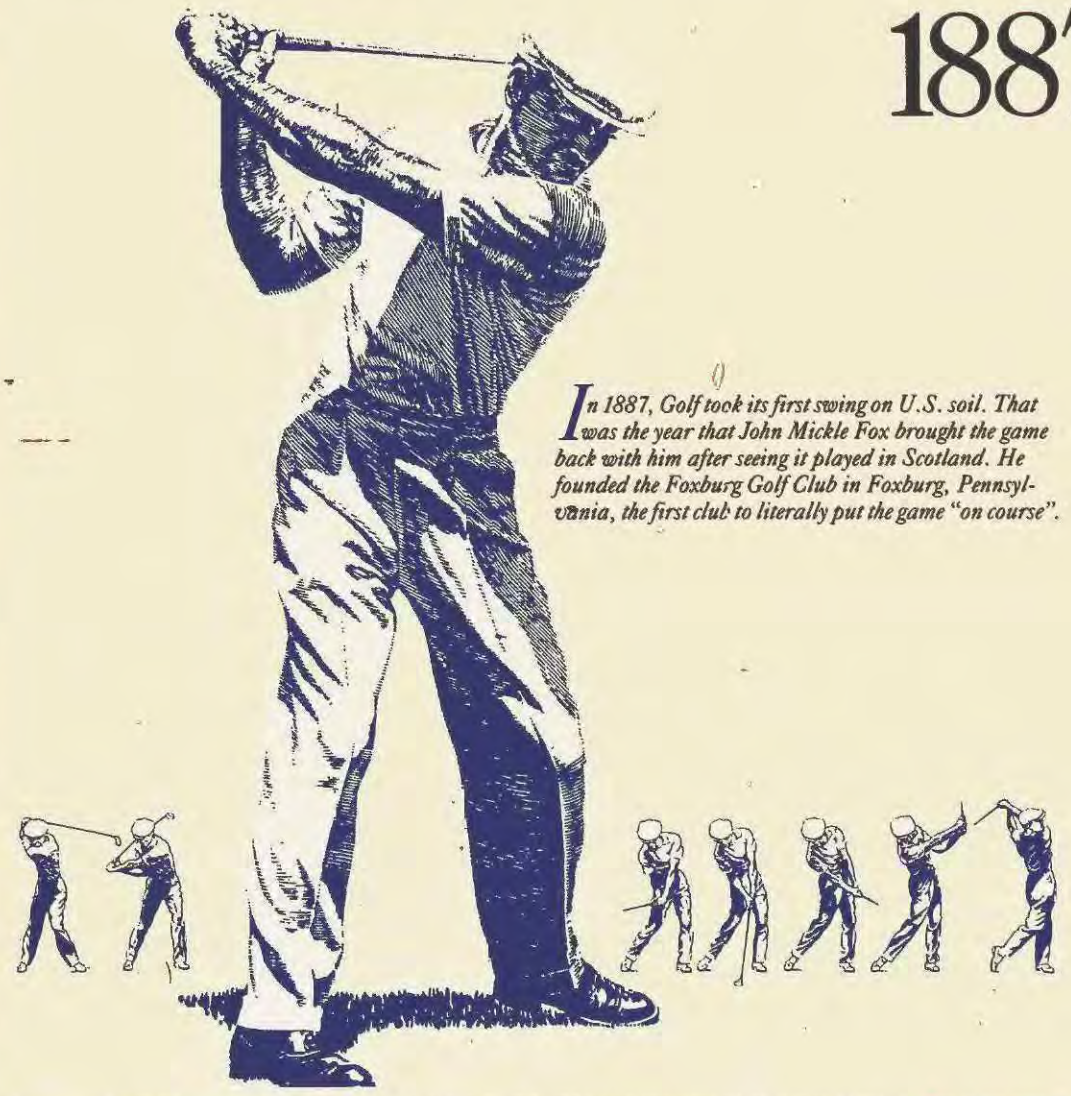
James regional directors, who also are executive vps, besides those already named, are: Quill O. Healy, who manages the South-Central region; Donald K. Morford, who runs the Northwestern region; and C. Richard Peterson, Eastern regional director. Ronald J. Berardi is senior vp and chief financial officer.

—By Judy Greenwald

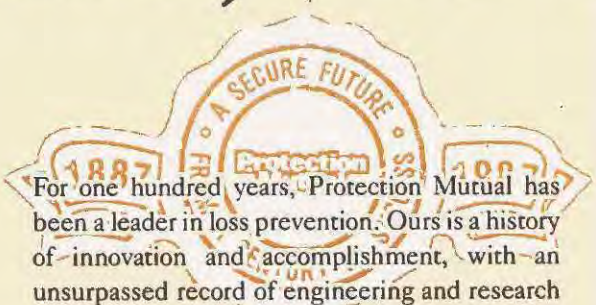
A Secure Future, From



Government spending posed a major crisis a hundred years ago. In 1887, the government collected an excess of $100 million in taxes. Instead of reducing taxes on American-produced luxuries like whiskey and tobacco, President Grover Cleveland insisted on reducing tariffs on necessities like sugar, wool, and salt, even though it would open American markets to stiff foreign competition. It was courageous, but it cost him his office. Of course things are different today. The Federal government spends President Cleveland's annual budget in about eight hours.



In 1887, Golf took its first swing on U.S. soil. That was the year that John Mickle Fox brought the game back with him after seeing it played in Scotland. He founded the Foxburg Golf Club in Foxburg, Pennsylvania, the first club to literally put the game "on course".



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5

Frank B. Hall & Co. Inc.

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

	1986	1985
Premium Volume	NA	NA
Gross Revenues	$390,857,000	$360,512,000
Brokerage: Retail	71%	71%
Reinsurance	7%	8%
Services	14%	14%
Invest. Income	8%	7%
Employees	7,000	7,000
Rev./Employee	$55,837	$51,502
Offices	213	218

Frank B. Hall & Co. Inc. is taking things "a day at a time" to overcome the problems that have haunted the brokerage for the past three years, says President and Chief Operating Officer Peter T. Pruitt.

To regain its former position in the marketplace, Hall is placing "an extremely heavy emphasis on new business development," Mr. Pruitt stressed.

"I expect to see growth generally across the board. Each of our offices has budgeted for growth," added John F. McCaffrey, Hall's chairman and chief executive officer.

"Hall's expansion will be through acquisition, merger and strong new business efforts. We can build a different and unusual company really structured for the 1990s," Mr. McCaffrey predicted.

Messrs. McCaffrey's and Pruitt's vision for Hall, now the nation's fifth-largest brokerage, comes following a sustained period of turmoil for the Briarcliff, N.Y.-based company, including discontinuing operations, the liquidation of a former insurance company subsidiary and litigation filed by regulators, insurers, brokers and shareholders.

Hall, which in the early 1980s had moved up to the No. 3 position in the *Business Insurance* ranking of the nation's 20 largest brokers, was bumped down a notch to fourth place in 1985, replaced by Johnson & Higgins. This year, Hall falls another notch to fifth place, replaced by Fred S. James & Co. following its acquisition of The Crump Cos. Inc., which was No. 8 in last year's ranking.

Hall's 1986 gross revenues grew 8.4% to $390.9 million from a restated $360.5 million in 1985, compared with an average 22.2% rise for the Top 20 brokers.

And, the brokerage reported a $22.5 million net loss for the year —the third straight year in which Hall has reported a net loss due to discontinued operations. Hall reported a $190.5 million net loss in 1985 and a $14.5 million net loss in 1984.

Hall's per-share net loss in 1986 of $1.92 was an improvement over a $13.17 per share net loss in 1985.

"It was very difficult to compare 1986 results to our budget. We had a lot of extraordinary items and we did as much housecleaning of our problems from the past as we could," Mr. Pruitt explained.

Of the 1986 net loss, $15.2 million in the fourth quarter was attributable to discontinued operations, primarily stemming from Hall's decision to sell its Adjustco Inc. claims adjusting subsidiary and Frank B. Hall of California's Stockton Division, an office that markets a large insurance program for new car dealers (*BI*, March 23). Both operations were losing money for the brokerage, but the brokerage has not disclosed how much.

Hall is still negotiating to sell both businesses. "A number of people are interested in Adjustco and have talked to us," Mr. McCaffrey said.

Hall also recorded a $9 million loss on disposal of discontinued operations in the fourth quarter, part of which was used to strengthen the reserves of Great Plains Insurance Co., one of five direct underwriting subsidiaries discontinued by Hall in late 1984.

In addition, Hall reported only a $4.3 million net profit from continuing operations in 1986, down 51.1% from an $8.8 million profit in 1985.

The brokerage reported a $6.1 million loss on continuing operations in the third quarter and a $2.1 million loss on continuing operations in the fourth quarter, stemming from bad-debt problems and other non-recurring charges.

"I said to all of our offices, 'I want any bad debt reported and not dragged into 1987,' " said Mr. McCaffrey, describing Hall's losses on continuing operations as a deck cleaning. "We asked everyone throughout the system to clear their bad debts in 1986. We wanted the company to be absolutely clean and running unimpaired."

And Mr. Pruitt emphasized that Hall's first-quarter 1987 results were right on budget.

In the first quarter of 1987, Hall reported gross revenues of $105.6 million, a 5% increase compared with a restated $100.6 million in the first quarter of 1986. The 1986 figures were restated to eliminate revenues of Adjustco and the Stockton Division, which are treated as discontinued operations.

Net income for the first quarter decreased 14.5% from the first quarter of 1986 to $7.8 million from $9.1 million. Hall attributed the reduction to property/casualty rate stabilization. The company reported per-share income of 25 cents in the first quarter.

During the past year, financial analysts who track the publicly held insurance brokerages have generally recommended that Hall shareholders retain their stock, though a few analysts have, at different points in the year, recommended that shareholders sell.

Hall stock was selling at $12.50 a share on June 10 on the New York Stock Exchange, less than half of its price of $26 a share a year earlier.

Hall's 1986 results continued to suffer from losses that began to surface about the time Mr. Pruitt and Mr. McCaffrey assumed the top offices at the brokerage. The two former executive vps took over Hall's corporate reins in August 1985, when Albert J. Tahmoush, former chairman, president and chief executive officer, resigned under pressure from Hall's board of directors (*BI*, Aug. 12, 1985).

Mr. McCaffrey and Mr. Pruitt found themselves faced with three immediate problems, so they di-

Continued on next page

A Century of Success!



Although it had been first proposed in 1783, and its cornerstone had been laid on the 4th of July 1848, and it had been officially dedicated on its honoree's birthday in 1885, the American public was still waiting two years later to set foot inside the Washington Monument. After 36 years of construction in fits and starts, work still continued on 898 iron steps and a steam driven hoist that would take visitors to the top of the 555-foot white marble obelisk in a precarious 12-minute ride. Although people couldn't go in it, they could still mill around it, as did National Guard units from 31 states in 1887, competing in drills of skill and discipline. It was the largest display of military strength in the nation's capital since the Civil War.



You amaze me, Hope... Elementary, my dear Sacker... Arthur Conan Doyle's first attempt at detective fiction titled, "A Tangled Skein" was intended to supplement a modest income from his medical practice. Doyle changed his detective's name from Sherrinford Hope to Sherlock Holmes and his narrator from Ormon Sacker to Dr. John Watson. In 1887, the book was published with a new title, A Study in Scarlet.

Protection Mutual

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Continued from previous page
vided their responsibilities, with Mr. McCaffrey working on resolving problems and Mr. Pruitt monitoring Hall's ongoing operations.

The three immediate problems were:

- The bankruptcy of Jartran Inc., a Miami-based truck rental subsidiary the brokerage acquired in December 1981 (*BI*, March 10, 1986). Hall's $190.5 million net loss in 1985 included a pretax loss on disposal of Jartran of about $110 million.

Jartran emerged from Chapter 11 bankruptcy proceedings in January 1985, but refiled for Chapter 11 in March 1986. Then, in August, Jartran filed a liquidating plan of reorganization with the bankruptcy court.

Hall has since sold most of the trucks in the Jartran fleet and expects no further losses from Jartran.

- A lawsuit filed against Hall by Protective National Insurance Co. of Omaha, the insurer of a discontinued insurance program that was managed by a Hall managing general agency subsidiary, Global Surplus Insurance Services Inc.


Mr. McCaffrey

Protective charged that Global did not honor contractual responsibilities to the insurer, which included notifying Protective's reinsurers of claims. Protective was voluntarily placed under supervision of the Nebraska Insurance Department in January 1986, primarily because of its inability to recover on losses from some of its reinsurers.

Hall established a $64 million reserve in 1985 to pay any Global-related losses. And on May 27, 1986, the suit was settled, with Hall contributing $45 million to a trust fund established to pay claims owed to Protective National policyholders (*BI*, June 2, 1986).

Protective National, along with parent Central National Insurance Co., was sold last year by Champion International Corp. to Professional Underwriters Investment Inc., a Puerto Rico-based investment group (*BI*, Oct. 20, 1986). It is still under state supervision.

- The liquidation of Union Indemnity Insurance Co. of New York, one of five Hall underwriting operations discontinued by the brokerage in 1984.

Union Indemnity was ordered into liquidation in July 1985, after a New York Supreme Court judge found it to be insolvent by $138.5 million at year-end 1984 (*BI*, July 22, 1985).

Hall recorded a $33.2 million loss on disposal of the five underwriting operations in 1984. The brokerage recorded an additional $14.5 million loss in 1985 to cover its remaining investment in Union.

But as Hall worked to solve these three problems, it was hit with two major lawsuits.

On March 6, New York Insurance Superintendent James P. Corcoran filed a $140 million suit against Hall, auditor Touche Ross & Co., 34 Hall affiliates and 29 current and former Hall directors and officers, charging that the parties were responsible for the insolvency of Union Indemnity (*BI*, March 16).


Mr. Pruitt

The suit attempts to pierce the corporate veil separating Hall and Union Indemnity by showing that Union Indemnity operated as a department or division of Hall rather than as a subsidiary.

Besides the $140 million in compensatory damages, the suit also seeks unspecified punitive damages.

In addition, the suit charges that Touche Ross knowingly approved false financial statements for the insurer and asks that the accounting firm be required to return any fees it received for services to Union Indemnity.

Mr. Corcoran had said he would sue Hall over the Union Indemnity insolvency, and Mr. McCaffrey said he is relieved the suit has been filed. "In a sense, I view the suit as positive," because until the suit was filed, Hall could not determine whether it would be sued or for what amount, he explained.

The uncertainty has "been a cloud hanging over us." As soon as the suit was filed, "it became a problem we could contend with and treat," Mr. McCaffrey added.

He acknowledged the New York Insurance Department "has a fiduciary responsibility and they are exercising their judgment as to what would be the best for (Union) policyholders."

Mr. McCaffrey said Hall executives have met with Mr. Corcoran and members of his department and "we think we will be able to come up with a solution that is satisfactory to the superintendent and to the state of New York. . . .We're getting all the pieces on the table to put the puzzle together."

Besides Mr. Corcoran's suit, Hall also is defending a lawsuit filed by Omaha Indemnity Co. involving a managing general agency agreement Hall arranged between Kansas City, Mo.-based World American Underwriters Inc. and Omaha Indemnity.

The suit originally was filed in May 1986, and sought only $18 million, but Omaha Indemnity revised the suit in March and now seeks $150 million in damages from Hall, Frank B. Hall Re of New York and Frank B. Hall Underwriting Managers Ltd. of Bermuda, a unit that acted as underwriting manager for Union Indemnity.

The suit stems from an MGA arrangement Hall made between Omaha Indemnity and World American and its successor MGA, Royal American Managers Inc., which was formed in 1983 by World American employees (*BI*, April 13).

Hall Re placed a substantial amount of the reinsurance on this book of business with Union Indemnity. After the MGA wrote a large amount of undesirable business for Omaha Indemnity, Union rescinded its treaty with the agency in January 1984, prior to the insurer's liquidation.

Omaha Indemnity charges in the suit that Hall failed to properly monitor the activities of World American and failed to inform Omaha Indemnity about Union Indemnity's financial problems.

Hall responded to the lawsuit by filing its own lawsuit in March against: Omaha Indemnity; its parent, Mutual of Omaha Insurance Co.; World American, RAM and their officers and directors James R. Wining and William A. Schonacher; and Financial Guardian Group, former parent of World American (*BI*, April 13).

Hall's countersuit charges that Omaha Indemnity and the two MGAs were negligent in handling the business ceded to Union, and that World American and its officers fraudulently misrepresented the business they planned to write and concealed information about risks actually bound.

Mr. McCaffrey said that he views the suit and countersuit "at this junction" as "procedural" steps by both sides. "We are in close communication with their people and we're trying to work our way around this" situation, he stressed.

"It's a very difficult situation, attempting to understand what hap-

Continued on page 44

Insurance Mergers & Acquisitions

ROSSKOPF, RAPP & SCHMIDT
INSURANCE AGENCY
El Monte, California

has been acquired by

CORROON & BLACK
CORPORATION

The undersigned initiated this transaction and acted as financial advisor to Rosskopf, Rapp & Schmidt Insurance Agency

RUSSELL MILLER, INC.

ROLLINS BURDICK HUNTER
OF ALASKA, INC.

has sold certain assets to

CLEMENT-HOUSTON
INSURANCE, INC.

The undersigned initiated the transaction and acted as financial advisor to Rollins Burdick Hunter of Alaska, Inc.

RUSSELL MILLER, INC.

ALEXANDER & ALEXANDER INC.

has sold

the book of business from its
Boise, Idaho office

to

FRED. S. JAMES & CO.
OF IDAHO, INC.

The undersigned initiated this transaction and acted as financial advisor to Alexander & Alexander Inc.

RUSSELL MILLER, INC.

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Continued from page 42
pened and how it happened. Unfortunately, none of these issues are simple," Mr. McCaffrey added.

"I think they realize that this (current Hall) management had nothing to do with the problems. This is not a punitive situation, it's an economic one," Mr. McCaffrey said, adding that the parties are now trying to settle out of court.

However, Touche Ross has qualified Hall's financials for 1986, citing uncertainty over the outcome of the litigation filed by Mr. Corcoran and Omaha Indemnity.

Hall is also involved in three securities-related lawsuits:

- Last year, five class-action complaints that were filed on behalf of Hall stockholders against Hall, past and present officers and directors and Touche Ross were consolidated in U.S. District Court in New York. The complaint alleges Hall and the other defendants misrepresented the financial condition of the company, particularly in respect to Union Indemnity and Global Surplus.
- In May 1986, a derivative action was filed in Delaware against past and present directors of Hall and Reliance Financial Services Corp., alleging that Hall directors breached their fiduciary duties by selling stock to Reliance at below market price. The complaint also alleges Hall misrepresented the transactions with Reliance.
- Another derivative action filed in New York in May 1986 alleges past and present Hall directors breached fiduciary duty and violated the Securities Exchange Act by selling stock to Reliance.

Mr. McCaffrey said that he does not expect these suits to have any substantial impact on Hall.

Mr. McCaffrey credits Reliance with helping Hall through the brokerage's tough times.

Following several transactions in 1985 and 1986, Reliance Insurance Co. now owns 100% of Hall's outstanding preferred stock, 29% of Hall's common stock and warrants that, if exercised, would increase its common stock ownership in Hall to 48%.

Reliance executives provided Hall with "superior support. . . not only financial support, but also the financial management techniques they taught us that none of us were trained to address," he said.

Mr. McCaffrey called Reliance executives "smart business people. They look at things differently and they are courageous investors."

Mr. Pruitt notes that management changes at Hall do not stop with the executive team. "Twenty-six of our profit centers (out of 50) have new managers," he pointed out. And, while some of the changes resulted from normal succession, "we've effected a lot of changes," he added.

At the corporate level, Thomas V. Hallett, formerly chairman and chief executive officer of Adjustco, as well as a corporate senior vp, is now senior vp in charge of national account development with responsibility for working with all Hall profit centers, Mr. Pruitt said.

Also in 1987, William R. Dolan was appointed chairman of international brokerage and reinsurance operations while remaining Hall's general counsel, and Walter E. Danielewski, corporate executive vp, also was made chairman of Adjustco.

In 1986, Holmes Harden, a former chief financial officer at Warner Amex Corp., was hired as executive vp and chief financial officer of Hall, and George E. Corde was promoted to executive vp of marketing and services.

Because Hall's problems stemming from its discontinued operations and the litigation came during a period when most other brokerages were enjoying record profits, Mr. McCaffrey said that [illegible] has not added many employees or offices. And, because hard times have forced him and Mr. Pruitt to pay such close attention to the brokerage's management. "I believe we have the best expense controls in the industry."

The problems that prompted the brokerage to jettison its underwriting and other subsidiaries may benefit Hall in the long run. "We're taking our company back to its most elementary businesses that it's always been good at and cleaning up some of our problems from the past," he stressed.

Mr. McCaffrey predicted: "I see 1987 as an important year for Frank B. Hall." However, he declined to disclose Hall's budget projections for 1987.

According to Mr. McCaffrey, Hall subsidiary Leslie & Godwin P.L.C., a Lloyd's of London broker, and Hall's aviation division are growing more rapidly than any other Hall subsidiary or division.

"Leslie & Godwin's pension and employee benefits consulting operations overseas are growing the fastest," Mr. McCaffrey said.

And in the aviation area, last October Hall and Leslie & Godwin won the aviation brokerage account for all of Texas Air Corp.'s subsidiaries: New York Airlines Inc., Continental Airlines Inc., Eastern Airlines Inc. and People Express Airlines Inc (*BI*, Nov. 3, 1986). Hall had been Eastern's broker for several years.

Other major airline clients include: Pan American World Airways Inc., USAir Inc., Southwest Airlines Co., Pacific Southwest Airlines, Air Canada and Japan Airlines. Hall also is broker for United Parcel Service of America Inc. and Emery Air Freight Corp.

"Texas Air and other accounts we've put on demonstrate that Frank B. Hall's brokerage operations are still there and very healthy," Mr. McCaffrey stressed. "Besides airlines, probably 40% of the aviation manufacturers are insured through us."

Hall offices showing superior growth during the past year, according to Mr. McCaffrey, included: Providence, R.I.; Boston; Chicago; Coral Gables, Fla.; Los Angeles; Detroit; and Pittsburgh. "Our Northeast Division has had the best growth of any regional division and the Midwest is nearly on par with that," he said.

Hall has had less success with its reinsurance brokerage operations. The company has embarked on a "realignment of our domestic reinsurance brokerage operations," Mr. Pruitt said, though he added that Hall has remained very active in reinsurance brokerage "from a Leslie & Godwin standpoint."

After losing a substantial amount of its reinsurance brokerage business in the recent hard market due to lack of availability, Hall is evaluating and redirecting its domestic reinsurance operations. While Hall will remain in the reinsurance business, "We are down-sizing our domestic U.S. operations, emphasizing quality rather than quantity, and then we are going to rebuild," Mr. Pruitt added.

The Union Indemnity insolvency apparently cost the company some reinsurance clients that objected to Hall's decision not to pump more money into Union Indemnity.

In December, Hall sold Martin Boyer & Co. in Chicago, a third-party claims administrator that generated about $4 million to $5 million in commissions and fees, to principals of the firm.

And Hall sold Leslie & Godwin (Underwriting) Ltd., a Lloyd's members' agency, to Jardine (Lloyd's Underwriting Agents) Ltd. in March. Mr. Pruitt said the agency was very small and that Hall wanted to withdraw from the underwriting business.

Continued on next page



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Hall also decided to close its office in Johannesburg, South Africa. "I don't feel we can be in South Africa when our clients have pulled out" because of their objections to the country's policy of apartheid, Mr. McCaffrey explained.

The brokerage made only one acquisition in the past year: Schoenberger Insurance Inc., an agency in Jacksonville, Fla., which was purchased in October 1986 and merged with Hall's Jacksonville office.

However, Mr. McCaffrey said that the brokerage plans to "pick up" its acquisition activity where it does not currently have offices.

A new captive management facility, Frank B. Hall Management Co., was opened in Vermont in late 1986. Hall now has captive management facilities in Vermont, Colorado, Bermuda and Barbados. These operations manage 76 captives and employ 55 people.

Hall had 7,000 employees worldwide in 1986—5,000 domestic and 2,000 international—unchanged from 1985. It also had 114 domestic offices, down 12 from 126 in 1985, due to office closings and consolidation of some offices.

And the brokerage reported 99 international offices, up from 92 in 1985. The additional offices are new offices in countries in which Hall already has one or more facilities, Mr. McCaffrey explained.

Adjustco's offices and employees are included in this count.

Of Hall's 1986 gross revenues: 71% came from commercial retail brokerage operations, unchanged from 1985; 7% from reinsurance brokerage, down one percentage point from 1985; 14% from employee benefits services, unchanged from 1985; and 8% from investment income, up one percentage point from 1985.

According to Mr. McCaffrey, Hall "has the reputation of being large account-oriented. We still maintain the professional staff to handle large accounts, but there is more activity taking place in the medium-size account area."

He said it is difficult to define what constitutes a "medium" or a "large" account in terms of commission. Instead, Mr. McCaffrey defines a medium-size account as one that "probably doesn't have a full-time risk manager, where the decision for purchasing insurance is made by the owner or a financial executive."

Hall's offices are pursuing new growth opportunities in the medium-size account area, Mr. McCaffrey added. However, he stresses that "the focus is not off large accounts," which make up the majority of Hall's clients.

And he said Hall has set no minimum commission volume requirement for what constitutes an acceptable commercial account.

"We try to find good clients, regardless of premiums, with growth potential and quality operations," he said, asking: "What do you do with a new business that may turn into tomorrow's McDonald's, Holiday Inn or Wang?"

Hall does not report the percentages of its revenues that are generated by commissions vs. fees, Mr. McCaffrey said. Many clients pay on a negotiated commission basis that does not fall readily into either category.

Top officers of Hall, in addition to Mr. McCaffrey, Mr. Pruitt and Mr. Harden, are: William C. Bartholomay, Henry E. Froebel, and Colby Hewitt Jr., vice chairmen.

Total cash compensation of the five top Hall executives in 1986, as reported to the Securities and Exchange Commission, was:

John F. McCaffrey	$396,654
Peter T. Pruitt	$364,442
Walter E. Danielewski	$330,048
William C. Bartholomay	$260,000
Henry E. Froebel	$245,048

—By Linda J. Collins

6

Corroon & Black Corp.

Wall Street Plaza, New York, N.Y. 10005; 212-363-4100

	1986	1985
Premium volume	$3,179,000,000	$2,573,000,000
Gross revenues	$338,302,000	$277,729,000
Brokerage: Retail	65%	65%
Wholesale	17%	16%
Reinsurance	6%	8%
Personal Lines	3%	3%
Invest. income	5%	5%
Other	4%	3%
Employees	4,000	3,500
Rev./Employee	$84,576	$79,351
Offices	98	99

A photo of the Voyager—the revolutionary aircraft that in December 1986 made the first nonstop flight around the world—adorns the cover of Corroon & Black's annual report.

"That frail little plane over a hostile sea symbolizes risk," observed Robert F. Corroon, chairman and chief executive officer of the sixth-largest U.S. brokerage.



Mr. Corroon

But the photo was not used simply for its symbolic impact, he explained. Corroon & Black also brokered the liability insurance for the Voyager and contributed financially to the project.

The innovative nature of the flight and Corroon & Black's ability to respond to its coverage needs made the Voyager project one of the broker's highlights in 1986, says Mr. Corroon.

Richard M. Miller, Corroon & Black's president and chief operating officer, agreed. "When you do the unusual, it's always a highlight."



Mr. Miller

Mr. Miller pointed to the continued growth of Corroon & Black's international network of correspondent brokers as another highlight. The brokerage has a presence in more than 70 countries worldwide through the network.

Corroon & Black's reputation has grown as well, said Mr. Corroon. "You always run the risk, when you've had growth like we've had, of losing some of your competitive edge" and the ability to provide personalized service to clients, he explained, referring to the brokerage's 21.8% growth in gross revenues in 1986 to $338.3 million.

"What really gives me a tremendous amount of satisfaction is my perception, from talking not only to our own people but to underwriters and clients as well, is that our reputation has run ahead of our growth quantitatively. I'm delighted," Mr. Corroon exclaimed.

And Corroon & Black's "new business production and the marketing skills of our people have enabled us to increase our market share dramatically," Mr. Miller pointed out.

While Corroon & Black's revenue growth last year stemmed partially from increases in commission income because of property/casualty premium rate hikes, Corroon & Black executives attributed a large portion of their revenues to new business development.

For example, Corroon & Black's Brokerage Services Group, which generated 73% of the brokerage's gross revenues, reported substantial "new and new new business," said J. Bransford Wallace, group chairman and a Corroon & Black execu-

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Continued from previous page
tive vp. New business is new coverages sold to current clients, while new new business is coverages sold to new clients, he explained.

"Roughly 25% of our revenues in 1986 were from new and new new business. We think that's extraordinary," Mr. Wallace said. Plus, Corroon & Black's new business growth was "better in the first quarter of 1987 than in 1986," he added.


Mr. Wallace

The brokerage's 1986 financial results were a third highlight, Mr. Corroon said. "We had a record year. Revenues and profits were higher than ever," he noted.

Net income at Corroon & Black rose 44.2% in 1986 to $41.6 million from $28.8 million in 1985. However, Corroon & Black's 1985 net income was hurt by a $2 million loss on the disposal of Lloyd's of London underwriting agency operations owned by London broker Minet Holdings P.L.C., in which Corroon & Black holds a 25% equity interest.

Corroon & Black's per-share income rose 43.3% in 1986 to $2.25 from $1.57 in 1985. The 1985 figures were restated to reflect a 2-for-1 split in the corporation's common stock effective May 20, 1986.

Financial analysts who track publicly held insurance brokers have either recommended that their clients purchase or retain Corroon & Black stock over the course of the year. However, the stock has dropped in value since last June.

At this time last year, Corroon & Black stock was trading on the New York Stock Exchange at $37.50 per share, while on June 10, 1987 the stock was trading at $29.75 per share.

The number of Corroon & Black employees grew 14.3% to 4,000 from 3,500, and revenue per employee increased 6.6% to $84,576 in 1986 from $79,351. A significant number of the new employees were added through acquisitions.

And, Corroon & Black reported 98 offices, down one from 99 offices in 1985.

In the first quarter of 1987, the brokerage's gross revenues were up 15.4% to $97.2 million from the $84.2 million reported in the first quarter of 1986.

While Corroon & Black in the first quarter reported a 24.7% gain in income from continuing operations to $14 million from $11.2 million in the corresponding quarter of 1986, its net income dropped 17% to $9.3 million from $11.2 million in the first quarter of 1986.

The drop is due to a $4.7 million charge for discontinued operations, stemming from a settlement offer made by Lloyd's of London to members of loss-riddled Lloyd's syndicates formerly managed by PCW Underwriting Agencies Ltd., a now-defunct subsidiary of Minet. Corroon & Black reserved $4.7 million from its first-quarter earnings to cover its portion of the Minet settlement costs.

If at least 90% of the syndicate members agree to the settlement offer, 37 organizations—including Minet—will contribute 55 million pounds ($91.6 million) to help pay PCW syndicate losses (*BI*, May 25; April 27; April 13). Members of the PCW agencies would contribute 34 million pounds ($56.6 million) to the settlement. The original May 30 deadline for acceptance of the offer was extended to late last week.

Mr. Crane

"Our friends at Minet are cautiously optimistic" that the settlement offer will be accepted, said Stephen A. Crane, senior vp and chief financial officer. If the offer is accepted, Corroon & Black probably will not record any more PCW-related charges "for the foreseeable future and hopefully forever," he said.

Mr. Crane also pointed out that while the brokerage has been faced with PCW-related problems since 1984, Minet's profit contribution to Corroon & Black's ongoing operations "was very substantial" in 1986 and so far in 1987.

In 1986, Minet contributed $6 million to Corroon & Black's income.

And while Corroon & Black's investment in Minet is reported in its 1986 annual report at less than $39.2 million, the stock is now valued at more than $100 million, according to Mr. Crane and Mr. Corroon.

During 1986, Corroon & Black sold two of its three discontinued underwriting group subsidiaries, Global Aviation Insurance Services, a managing general agency, and California-domiciled National Excess Insurance Co.

In January 1985, when Corroon & Black decided to sell or otherwise dispose of its Underwriting Management Group, it recorded a loss on the disposal of $24.3 million in its fourth-quarter 1984 results. Dallas—based Global Aviation was sold to The Home Insurance Co. in July 1986 for a financial gain on its carrying value in Corroon & Black's books. However, the price was not publicly disclosed.

Laguna Hills, Calif.-based NATEX was sold to Premier Hospitals Alliance Holdings Inc. for $11 million in August 1986 (*BI*, Aug. 25, 1986).

The business of the third discontinued underwriting subsidiary, Newport Beach, Calif.-based managing general agency Baccala & Shoop Insurance Services, was run off in 1986, Mr. Crane explained.

"Everything is gone," he said. "We sold two subsidiaries for gains, and Baccala & Shoop was closed down. We let go of the last employee earlier this year."

"We are confident that the reserves we established for the runoff of the group will be more than sufficient to cover the total costs," even from future contingencies that could arise from those operations, Mr. Crane added.

Corroon & Black's operations are divided into three groups: the Brokerage Services Group, which generated 73% of its revenues in 1986; the Benefits and Specialty Sales Group, which generated 21% of its revenues in 1986; and the Reinsurance Brokerage Group, which generated 6% of its revenues in 1986.

Corroon & Black reported that of its 1986 gross revenues 65%—or $219.9 million—was from commercial retail brokerage, unchanged from 1985; 17% from wholesale brokerage, up one point from 1985; 6% from reinsurance brokerage, down two points from 1985; 3% from personal lines, unchanged from 1985; 5% from investment income, unchanged from 1985; and 4% from other activities, up one point.

In 1986, both the Brokerage Services Group and the Benefits and Specialty Sales Group reported substantial revenue gains, but the Reinsurance Brokerage Group experienced a slight drop in revenues.

Commission and fee income from the Brokerage Services Group totaled $226 million in 1986, up 22.6% from $184.4 million in 1985.

Over the past 12 months, the Brokerage Services Group has

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Continued from page 46
grown through acquisition and new business production, according to Mr. Wallace and Richard A. Maxwell, president of the group. It plans to continue to acquire agencies that are located in desirable geographic areas or that have expertise in industries targeted by the brokerage, such as construction, health care and employee benefits, Mr. Wallace added.


Mr. Maxwell

"Construction is our single largest industry in terms of revenues," followed by health care, he noted. Together, they represent "a significant percentage of our commissions," he said.

In July 1986, Corroon & Black acquired Hill, Forgus & Associates Inc., an agency in Albuquerque, N.M., specializing in construction business. The agency was blended in with Corroon & Black's Albuquerque office.

In October 1986, the brokerage acquired Stevens & Moll Insurance Brokers Inc. in South Pasadena, Calif., a small property/casualty agency, which was blended in with Corroon & Black's Pasadena office.

The brokerage also has acquired three agencies so far in 1987, all of which have expertise in the construction industry. Those agencies are Poggi-Harrison Agency Inc. in Grand Rapids, Mich.; Rosskopf, Rapp & Schmidt Insurance Agency in El Monte, Calif.; and Contractors Planning Group Inc. in Garden City, N.Y.

Poggi-Harrison and its third party administrator subsidiary, Risk Control Inc.—both acquired in March—will become part of Corroon & Black of Michigan but will be maintained as a separate office.

According to Mr. Crane, that acquisition accomplished two purposes: It enhanced the brokerage's book of construction business and strengthened its presence in western Michigan.

Rosskopf, Rapp & Schmidt—also acquired in March—will be merged with Corroon & Black's Pasadena, Calif., office.

The three March acquisitions will "probably add about $12 million in commissions annually" to revenues, Mr. Crane said.

Contractors Planning Group, the largest of the 1987 acquisitions, specializes in surety and brokerage services for contractors and "will augment our business in the Northeast," said Mr. Crane.

That brokerage, acquired in April, will operate as a free-standing profit center. Mr. Crane estimated that the office will generate in excess of $5 million in commission income.

All of the acquisitions were accounted for as poolings of interests, and Corroon & Black's financial results were restated to reflect their revenues.

The Brokerage Services Group also opened a new office, in Atlanta, in the fall of 1986. "We decided Atlanta was a very important market and the best way to enter that market was to start up an office," Mr. Wallace explained.

Corroon & Black's New York office also opened two satellite offices, one in Stamford, Conn., and the other in Parsippany, N.J.

The group's Philadelphia office was closed in April 1986, and the business was transferred to the group's Washington, D.C., office.

To beef up employee benefit sales, Richard I. Citron was appointed to a newly created position of vp and manager of the Brokerage Services Group's employee benefits division.

"We look for significant growth in this area. We expect employee benefits to become an appreciable part of each of our profit centers' books of business," Mr. Wallace said.

According to Mr. Maxwell, Corroon & Black targets commercial accounts capable of generating between $25,000 and $100,000 in annual commissions, and most of their accounts fall within that range

Overall, "We don't feel we can effectively handle anything generating under $5,000 in commissions, although some of our offices might go down to $2,500. It varies geographically."

Approximately 85% of its retail brokerage revenues were generated from commissions and 15% from fees.

Mr. Maxwell said that while average commissions deteriorated from 12% of premium costs to about 8% during the tight market, "We see signs, although very spotty, that commissions are again increasing somewhat." He predicted that the Brokerage Services Group will "have a nice year" in 1987, with revenue gains "in the 15% to 20% range."

The Nashville, Tenn.-based Benefits and Specialty Sales Group's commission and fees rose 26.6% in 1986, to $64.3 million from $50.8 million in 1985.

Mr. Miller explained that the health insurance portion of the Benefits and Specialty Sales Group "has been in a very competitive soft market," which has just begun to turn. Thus, revenues were down from this segment of its business.

While the majority of property/casualty premiums are paid annually, health insurance premiums are paid monthly, so the market shift will not be fully realized for 12 to 18 months, he said. "We expect 1988 to show increasing improvement in that portion of our business," Mr. Miller added.

Most of the Benefits and Specialty Sales Group's growth in specialty programs "in the last two years has been from professional liability for real estate brokers, agents and brokers, lawyers and a small amount from accountants," Mr. Miller said.

"Another rapidly growing part of BSSG's business is its public entity business through PENCo.," its municipal insurance program division, he pointed out.

In December, the group acquired the benefits and actuarial consulting firm of Coates, Herfurth & England Inc. in San Francisco, which offers employee benefits communications consulting, data processing and direct compensation consulting.

In June 1986 the brokerage acquired a 65% interest in MedTrac Inc., a Minneapolis-based health care utilization review service that provides utilization review services to self-insured corporations and insurance companies on a national basis. MedTrac is a subsidiary of the Foundation for Health Care Evaluation, a professional review organization.

"MedTrac fits well within our health care strategy. It ties in closely with the alternative healthcare work that we do," Mr. Crane explained.

While the firm is not large, "it is an important link in the health care services we provide," he added.

Mr. Crane said Corroon & Black plans to continue to acquire benefit consulting firms and third-party administrators. "Those businesses are either non-cyclical or countercyclical. We are especially interested in acquiring actuarial and benefits consulting businesses. They were positively affected by the tax act of 1986, because a lot of companies have had to rethink their benefit plans," he said.

Commission and fee income from Corroon & Black's Reinsurance Brokerage Group dropped 3.4% in 1986 to $19.6 million from $20.3 million in 1985.

While Corroon & Black was a little "disappointed with the lack of

Continued on next page

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Continued from previous page
growth in reinsurance, we did something about that," Mr. Miller explained. "We are reincorporating G.L. Hodson & Son Inc. as one corporation," he noted, referring to the Corroon & Black's New Hyde Park, N.Y.-based reinsurance brokerage unit.

Hodson's Atlanta and Minneapolis offices had operated independently, he said. "Now, New Hyde Park will be the national headquarters, and all of the offices will operate as one unit," Mr. Miller said.

Corroon & Black also has appointed two new executives to head its RBG unit. Ronald J. Taylor was named president and chief executive officer and Duane E. Hitz was named chief operating officer, both effective on Sept. 1, 1986.

The two are both "in their mid-40s with over 20 years of (reinsurance brokerage) experience each. They are very complementary to one another, and both had even worked together previously with another reinsurance brokerage" prior to joining Corroon & Black, Mr. Miller pointed out.

"We're putting more emphasis on new business; on recruiting young, talented people; on training; on growth and more new business emphasis; and on developing better quality service" in the reinsurance operations, Mr. Corroon added.

On July 1, Hodson will open a new San Francisco office primarily to handle treaty reinsurance business, Mr. Miller said.

"We are very encouraged about our future in reinsurance brokerage and the progress we've made in meeting our objectives under the new management team. We are expecting a very aggressive production culture" from Hodson, Mr. Miller added.

Corroon & Black executives also are proud of their information system, which is based in its Nashville, Tenn., office and went on-line in January 1986. The system is linked to every Corroon & Black office and with all of the brokerage's correspondent brokers worldwide, Mr. Miller explained.

The system is used for accessing internal financial information, company-wide memos and inter-office mail.

It performs several other functions as well, he said. For example, the system holds the "insurance requirements of various countries around the world," Mr. Miller pointed out. The data provides "a basic overview of each country's requirements, specifications and forms," he said.

"Our correspondents or clients can tap into our system and access our data processing network to pull up information for 70 countries, and we are adding eight more now," Mr. Miller noted.

In addition, Corroon & Black's security information on approved insurers and reinsurers is stored in the system, he said.

Internally, the system can be used to transfer proposals or compile information from two Corroon & Black offices working on an account.

In addition to Mr. Corroon, Mr. Miller, Mr. Crane and Mr. Wallace, top officers at Corroon & Black are: John R. Lamberson, executive vp; Joseph V. Ambrose Jr., senior vp, secretary and general counsel; and C. Jackson Blair, Joseph O. Estes, and Donald R. King, senior vps.

Cash compensation of Corroon & Black's top corporate executives in 1986, as reported to the Securities & Exchange Commission, was:

Robert F. Corroon	$912,998.
Richard M. Miller	$716,802.
J. Bransford Wallace	$479,793.
Donald R. King	$487,483.
John R. Lamberson	$363,717.

—By Linda J. Collins

7

Rollins Burdick Hunter Co.

123 N. Wacker Drive, Chicago, Ill. 60606; 312-701-4000

	1986	1985
Premium volume	NA	NA
Gross revenues	$170,000,000	$141,500,000
Brokerage: Retail	83%	85%
Reinsurance	5%	3%
Services	5%	5%
Personal Lines	2%	2%
Invest. income	5%	5%
Employees	2,205	2,142
Rev./Employee	$77,098	$66,060
Offices	65	64

Rollins Burdick Hunter Co. is striving to build on its strengths, increase its capabilities and reinforce growth in selected areas.

"It has been an important part of our strategy to build on our strengths and shore up our deficiencies," said Patrick G. Ryan, chairman and chief executive officer of the seventh-largest U.S. insurance brokerage, and president and chief executive officer of its parent company, Aon Corp., formerly Combined International Corp.


Mr. Ryan

RBH counts among its strengths its insurance brokerage services, including specialities in financial institutions, manufacturing and aviation.

It wants to increase its capabilities in employee benefits consulting, including internationally.

And, it is reinforcing growth in such areas as affinity group marketing, third-party claims administration and reinsurance brokerage.

The strategy resulted in new business growth in 1986, Mr. Ryan says.

RBH's President and Chief Operating Officer Arthur F. Quern agrees, estimating that new business represented 40% of the brokerage's growth in 1986.


Mr. Quern

RBH's gross revenues increased 20.1% to $170 million in 1986 from $141.5 million in 1985.

Pretax operating profit increased 47.9% to $25 million in 1986 from $16.9 million in 1985.

Revenues per employee rose 16.7% to $77,098 in 1986 from $66,060 in 1985.

The remainder of RBH's growth stemmed from commission increases on existing business due to premium rate hikes, Mr. Quern said. Approximately 83% of RBH's revenues is generated by commercial retail brokerage. Of that, about 85% is commissions and 15% is fees.

RBH targets Fortune 1,000 companies, according to Mr. Ryan. But while RBH does not base its individual marketing thrust on reaching small commercial prospects, it also does not have a "hard and fast rule" that dictates the minimum size of the clients it will serve, he explained.

"We don't look at accounts just by commission. . . .If we think an account has greater potential in the future, we'll start with a very small business that might be impractical for us to handle" initially, Mr. Ryan said.

"We try to be flexible on that," he continued. "In fact, we try to get into a lot of these venture capital-type efforts that are very small, but have good (growth) potential."

Decisions on which clients to work with are best made by the local offices, Mr. Quern added. "We like to see each of our offices define

Continued on next page

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Continued from previous page

what they see as the needs of their communities. They know their communities, and they can best decide their strategies," he commented.

And RBH has several successful association and affinity group programs that are handled on a mass-market basis. Those programs consist of many smaller-sized accounts, Mr. Quern explained. While individually those accounts would not generate sufficient commission dollars for the brokerage, they can be handled quite effectively using the mass-marketing approach, he added.

Building on its brokerage strength, RBH in June 1986 formed a new brokerage arm—National Aviation Division—based in Chicago to serve commercial airlines, aircraft and related product manufacturers and clients with helicopter fleets or corporate aircraft fleets.

"We consolidated," said Mr. Quern, explaining that RBH had similar accounts across the country. "We thought by bringing the organization into one division, centralized here, that we could do a better job of serving the clients we already worked with and would have a better approach to expand," he added.

"It's working well. That's a business which takes some very skilled people," Mr. Quern stressed, adding that those services have been enhanced by bringing together the aviation specialists within the brokerage.

RBH also has expanded geographically. RBH has opened the following offices: Washington, D.C., in June 1986; Tampa, Fla., in September 1986; and Minneapolis in April 1987, all as start-up operations.

The Tampa office, however, included the acquisition of the two-person firm of International Brokerage Service Inc.

"They were markets we wanted to be in and we felt, after researching it, that was the best way to enter the markets," Mr. Ryan commented, adding that the offices offer broad-based brokerage services.

Also as part of its geographic expansion effort, RBH made five agency acquisitions in December 1986 for a combined purchase price of $44 million. All were made on a purchase basis.

The acquisitions included: Pilot Insurance Agency in Winston-Salem, N.C.; Springhouse Financial Corp. in Springhouse, Pa.; Schroeter, White & Johnson Inc. in Oakland, Calif.; Allen, Hart, Frantz & Zehnder in Los Angeles; and Todorovich Insurance Agency in St. Louis, Mo.

According to the RBH annual report, the five acquisitions, which brought 175 employees to the brokerage, are expected to generate about $25 million in revenues in 1987.

RBH also opened one overseas office in Amsterdam in February 1986 specifically to help find coverage for European-based companies trying to establish U.S. operations. That is the brokerage's only overseas office "right now," Mr. Quern said.

"We are working to build a knowledge base, to build identification, to establish the process of reverse flow in other businesses through RBH. . . .It's been a good beginning. We have some fine people in that office who understand the European marketplace, not just Holland's," Mr. Quern added.

RBH also maintains a network of corresponding brokerages throughout Europe to help it place coverages for U.S. companies that operate overseas. According to Mr. Quern, "We've maintained a network for many, many years. . .around the globe. The fundamental shape of that network hasn't changed.

"We try to find high-quality, broad-based brokerages in each country to work with and they serve us well. It's never been an exclusive relationship so if that particular correspondent isn't geared to serve a client that we are working with, we can go elsewhere," he explained.

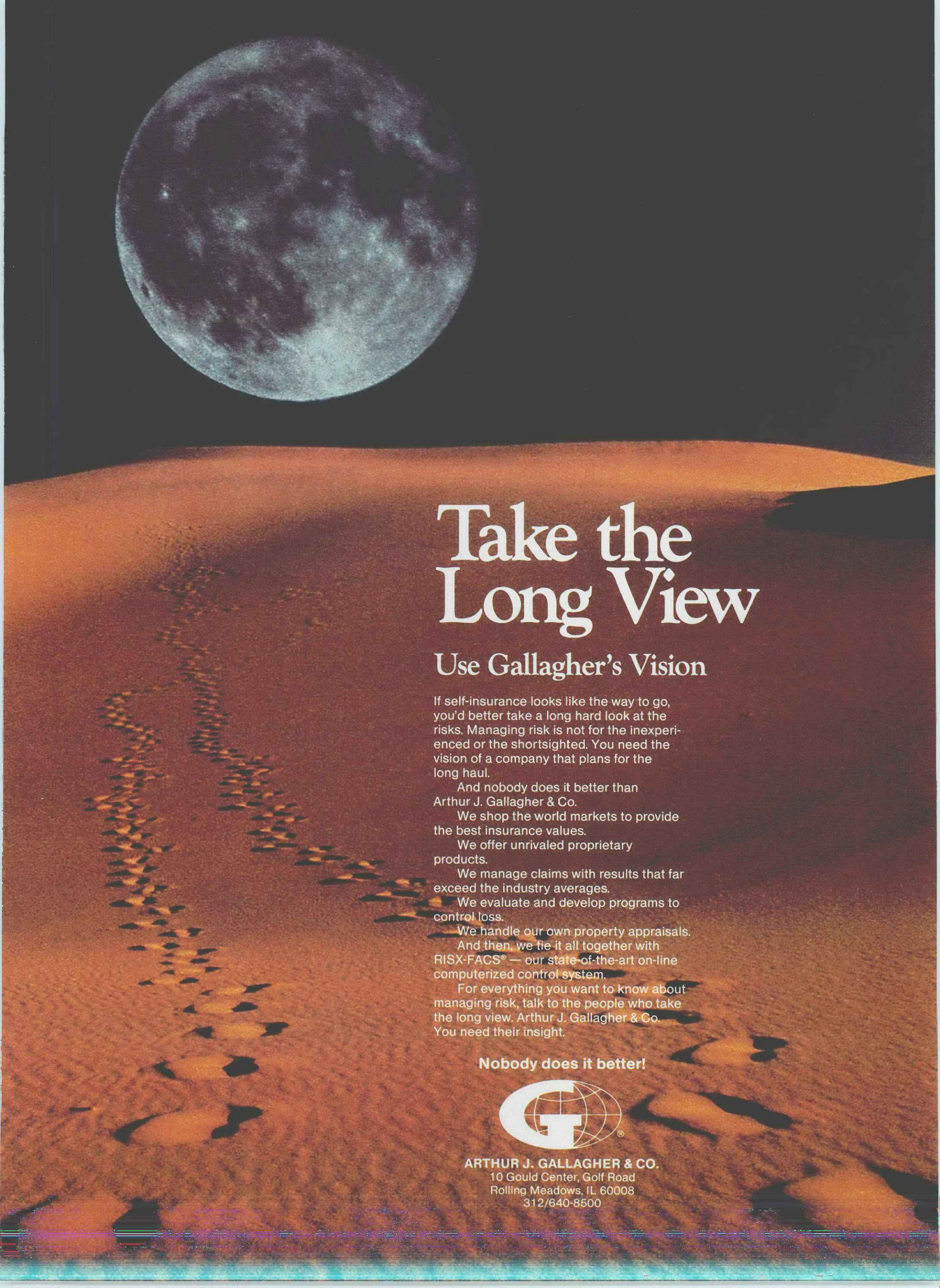
RBH reported 65 offices in 1986, one more than in 1985, due to acquisitions and the consolidation of some satellite offices.

The brokerage had 2,205 employees at year-end 1986, an increase of 3% over 2,142 employees in 1985.

One area in which RBH wants to increase its capabilities is employee benefits consulting. To expand its benefit consulting business, RBH formed a new pension consulting company, Chicago-based Rollins Brookfield Inc., in November 1986.

"We've spun Brookfield Associ-

Continued on page 52



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Continued from page 50
ates out of Life of Virginia and created a new organization called Rollins Brookfield, which took the pension consulting business that had been part of Life of Virginia and set it free-standing as a part of our total brokerage and related services group," Mr. Ryan explained. The office provides "full benefit consulting, which we're putting a lot of emphasis on building," he added.

Among the areas RBH is targeting for growth is mass marketing, and the purchase of Springhouse Financial helped. Springhouse had an established program that provides life, health, long-term disability and other coverages to approximately 400,000 registered nurses nationally. "That's a significant percentage of the RNs in the country," Mr. Ryan pointed out.

RBH also has developed both "new products and new industries that we serve" through mass-marketing programs for associations and affinity groups, Mr. Ryan said.

"We have staffed up fairly significantly. . .through people within the company and through outside recruiting, to put some very high energy and high-talented people into the marketing of those programs. We are out aggressively pursuing new opportunities.

"We committed our resources to build a state-of-the art service/administrative center to efficiently handle the business," he added.

"There are more people who want to buy their insurance that way," and Aon's strength in direct-response mass-marketing business enables RBH to put effective programs together, Mr. Ryan commented.

In addition to nurses, target industries include lawyers and accountants. The insurance products sold usually are professional liability, life or medical-related.

RBH will either arrange a mass-marketing program for an industry through an insurer or set up a captive to provide coverage to an association or affinity group.

"This is an area we began the development of in 1984" and increased in 1985 and 1986. "It's getting pretty sizable now," Mr. Ryan explained.

"These are mostly custom-designed approaches," Mr. Quern added. "What we like to do is to sit down with a group that is either thinking about forming a captive or (already) has a captive and try to put together" the right products, services and administrative capabilities to meet the needs of that group.

"We like to take that customized approach. It's difficult to try to set up one package or one product and say: 'This serves everybody,' " Mr. Quern explained.

"Each one is different and we learn from each experience what might be available to the next group," he added.

RBH now manages 67 captives both offshore and domestically.

Last year RBH reported that it was managing about 150 captives; however, there have been some consolidations and mergers of the captives managed by the brokerage since that time. "We're doing them bigger these days," Mr. Ryan said.

One of the captives now under development would provide reinsurance for an existing RBH accountants professional liability program written by Crum & Forster Corp. for the American Institute of Certified Public Accountants, said Mr. Quern.

The program is designed to provide liability insurance to small to medium-sized accounting firms. If things go as planned, the proposed captive will be operational by year-end, Mr. Quern explained. The reinsurance captive would "almost certainly" be domiciled domestically, he added.

And RBH's Chicago-based Scarborough & Co., a managing general agency, formed a captive earlier this year that provides directors and officers liability and blanket bond coverages to the U.S. League of Savings Institutions in Washington, D.C. The captive, Savings Institutions Insurance Co., is domiciled in Delaware and an admitted reinsurer in Illinois. It began writing business in February, Mr. Ryan said.

"It has been met with a lot of enthusiasm. It raised a lot of capital and there has been a lot of interest in doing business with the captive," he added.

An Aon subsidiary, Virginia Surety Co. of Chicago, is the fronting company for the captive, whose stockholders include the League, various state leagues and individual members.

Also targeted for reinforced growth is RBH's third-party claims administration business, which has increased rapidly since the beginning of the year due to acquisitions.

In January 1987, RBH purchased two Nevada-based general liability claims adjusters—Las Vegas Insurance Adjusters and Lucas & Co. in Reno—which were merged into the Nevada operations of RBH's own Self-Insurers Services Inc.

In May, RBH further expanded its TPA business by purchasing the assets of brokerage Jardine Emett & Chandler Inc.'s Los Angeles-based Jardine Claims Management Inc. division and its subsidiaries, Laverack & Haines and R.L. Kautz & Co. The Jardine operations, now part of SIS, add 185 employees and seven offices to the TPA division. SIS had 10 offices prior to the acquisition.

"We've been in the TPA business both on the benefits side and on the comp and liability side, but we were smaller than we felt was required to have the ability to serve the breadth of clients that we have an opportunity to deal with," Mr. Ryan said.

"The acquisition was really to get a broader geographic presence and a larger critical mass, so that the merged companies are of a significant enough size that they can provide the depth and breadth of services that are required" in this area, Mr. Ryan added.

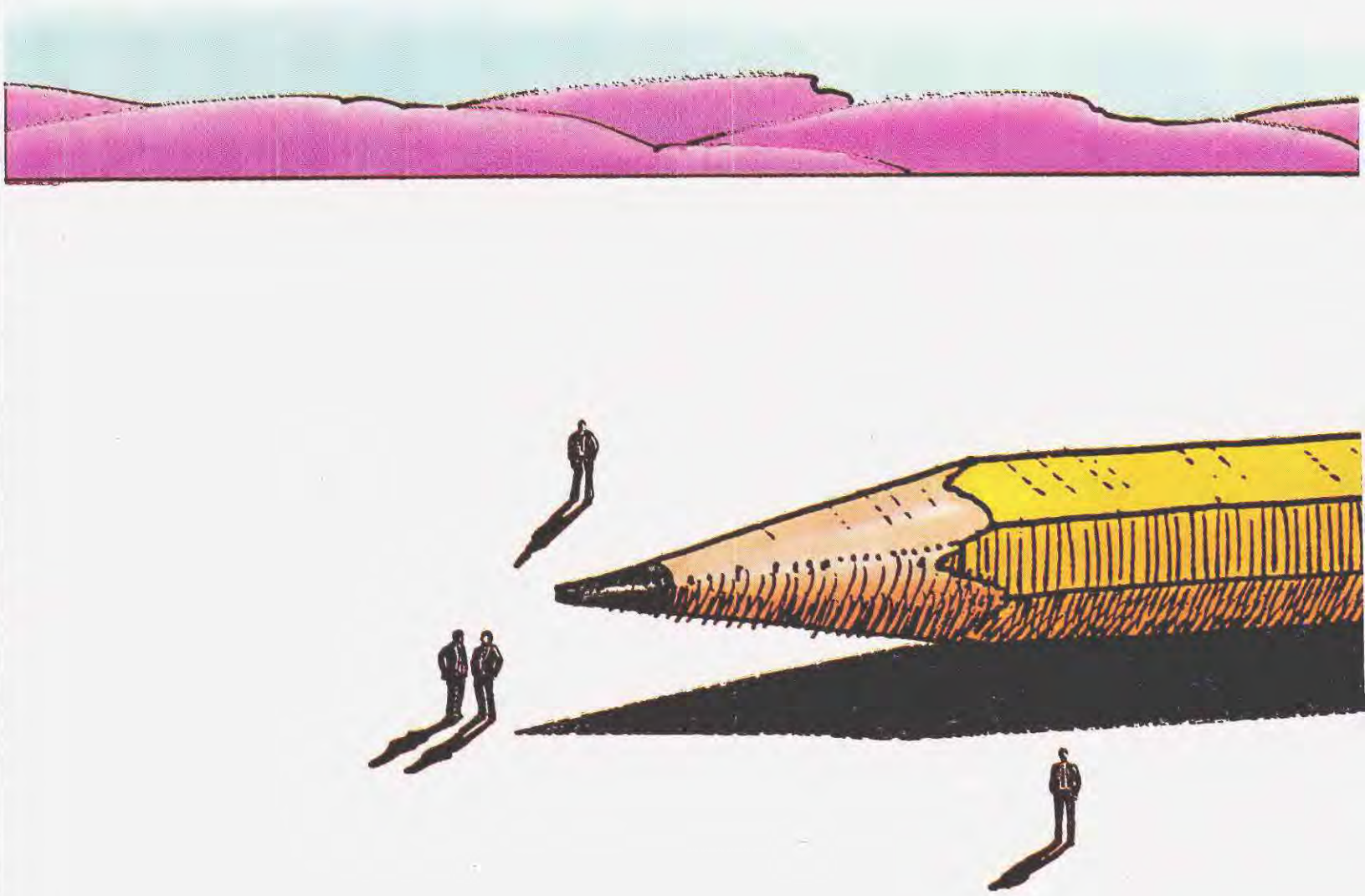
Through these acquisitions, SIS "about tripled in size," he said, to in excess of $10 million in revenues.

Reinsurance brokerage contributed about 5% to RBH's gross revenues in 1986, or about $8.5 million, compared with 3%, or $4.2 million, of revenues in 1985.

RBH's Old Bridge, N.J.-based Cole Booth Potter Inc. reinsurance

Continued on next page

Our biggest point is service.



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RBH's Old Bridge, N.J.-based Cole Booth Potter Inc. reinsurance brokerage division is "doing quite well," according to Mr. Ryan.

"We're pleased with the position we now have in that segment of the brokerage business," he said.

The roots of RBH's strategy are a strategic plan developed under the direction of the late Harold H. Hines Jr., former RBH chief executive officer before his death in June 1984.

The plan included a corporate restructuring to control operating costs, to create a regional management system and to integrate its sales efforts with those of other Aon Corp. subsidiaries. Since then, RBH's revenues have grown substantially, jumping almost 50% to $170 million in 1986 from $113.9 million in 1984.

But credit for growth needs to be given to current management as well, Mr. Ryan stressed.

"It ought to be said that (while) Harold, as the president, played a very important role in the development of the strategy, there were many participants in that strategy, all of whom are still here."

The principal plan laid down in 1984 "has been developed, expanded, accelerated, altered somewhat, but more followed than altered," Mr. Ryan explained, adding: "I would say that the implementation and the acceleration in areas is probably different than what was envisioned at that time, but we really have addressed the strategy and adjusted it to change."

Mr. Quern added: "The core of the strategy—to try to be the best broker in each area that we serve, but not necessarily the biggest—has remained right there. We try to have growth follow quality."

And expense control is still an important factor in the brokerage's strategy, according to Mr. Ryan. "Our people were trying to control expenses during the tough times," he explained. With the constriction on revenue growth from a tempering of property/casualty rate hikes and increasing competition in the market, "we have to be very disciplined on our expenses."

"We'd rather be lean challengers than fat champions," Mr. Ryan added.

"We've put a lot of work into the quality control issue," Mr. Quern stressed.

And, the corporate structure is kept as lean as possible: the two corporate executives, four regional managers who are senior vps and four other senior vps.

The four regional managers—John Pacholick (Central Region), R. John Pratt (Western Region), Henry A. Revzan (Eastern Region) and Frederick Feldman (Middle States Region)—all originally were based in RBH's Chicago headquarters.

But in May, Mr. Pratt was moved to Los Angeles. "Our growth has been strong and has expanded our base out there," necessitating the move, Mr. Quern said.

The other top executives include: Michael D. Rice, senior vp in charge of association and affinity group marketing, financial services, captives and captive management; Roger M. Simpson Jr., senior vp-products and services development; Norman J. Pater, senior vp and treasurer; and Larry Sorensen, senior vp of marketing.

The marketing position was created in December 1986, when Mr. Sorensen was moved over to the corporate staff from RBH of Illinois.

The name change to Aon was approved by shareholders at the April 23 annual meeting, as was a 2-for-1 stock split.

The name change to Aon reflects a management decision to distinguish the holding company's identity from that of one of its major subsidiaries, Combined Insurance Co. of America, Mr. Ryan explained.

"Aon is a Gaelic word connoting oneness, unity and coming together," Mr. Ryan told shareholders attending the meeting. When the holding company was formed in 1980, Combined Insurance Co. was its only major operating unit, Mr. Ryan explained.

Since that time, four major acquisitions were completed, including: Union Fidelity Life Insurance Co. in February 1982; Ryan Insurance Group Inc. in July 1982; RBH in December 1982; and The Life Insurance Co. of Virginia in February 1986. Clients and prospects of these other subsidiaries have often expressed confusion about the link that exists between them and Combined Insurance Co., Mr. Ryan stressed.

In changing the corporation's name, "Our objective is to eliminate the confusion between the holding company and its subsidiaries, particularly Combined Insurance Co. We must preserve and build on each subsidiary's identity," Mr. Ryan stressed.

"For us, the name Aon clarifies the situation that we are a sister subsidiary of Combined Insurance, but part of the holding company," to reinforce the independence of the brokerage from any one insurer, Mr. Quern added.

Aon Corp.'s annual proxy statement explains that the stock split was initiated "to make a takeover of the company more difficult and, therefore, less likely. . .such additional shares could be used to dilute the stock ownership of persons seeking to obtain control of the company."

In August 1986, Aon Corp. headquarters were moved to 123 N. Wacker Drive in Chicago's Loop. RBH relocated to the new facility in September 1986.

Cash compensation of the top officers of Aon Corp. in 1986, as reported to the Securities and Exchange commission, was:

W. Clement Stone	$336,354
Patrick G. Ryan	$617,835
Ronald K. Holmberg	$381,407
Raymond I. Skilling	$342,157
H. Robert Powell	$335,804

—By Linda J. Collins

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	1986	1985
Premium volume...	NA	NA
Gross revenues.....	**$118,845,000**	$95,190,000
Brokerage: Retail..	**52.3%**	51.1%
Reinsurance.....	**5.5%**	5.5%
Services..	**31.9%**	32.8%
Personal Lines.....	**1%**	1%
Invest. income.....	**9.3%**	9.6%
Employees.....	**1,465**	1,371
Rev./Employee.....	**$81,123**	$69,431
Offices...	**76**	76

Arthur J. Gallagher & Co.'s 60-year-old brokerage is operating under a new management structure, part of its strategy to weather the change in the commercial insurance marketplace.

It's also stressing that while its foundation is an integrated approach to risk management, it's willing to sell its varied services to clients on an unbundled basis.

"We feel we have positioned ourselves to take advantage of. . . opportunities in spite of the first signs of a return of underwriting competition and the beginning of price reductions," said President Robert E. Gallagher.

Gallagher's groundwork paid off handsomely in 1986 with record-breaking revenues of $118.8 million, which were 24.9% higher than the $95.2 million reported in 1985.

That accomplishment helped Gallagher become the eighth-largest U.S. broker, three notches higher than it placed in *Business Insurance's* rankings last year. It jumped over Bayly, Martin & Fay International Inc. and Jardine Emett & Chandler Inc. to grab the spot formerly held by The Crump Cos. Inc. before Crump sold to Fred S. James & Co.



Mr. Gallagher

In addition, Gallagher reached new heights in aftertax earnings and earnings-per-share during 1986, Mr. Gallagher emphasized. Aftertax earnings were up 33% to $15.4 million from $11.6 million. And, earnings-per-share rose 30.8% to $1.40 from $1.07.

Contributing about $19 million to gross revenues were the pooled financial results of three companies acquired in 1986: Lloyd's of London broker John Plumer & Co. Ltd.; broker Heffernan, Keiler & Doble of San Francisco; and broker Manning, Malcolm & Kelley Inc. of Norcross, Ga.

They were acquired in exchange for 1.9 million shares of Gallagher's common stock.

The company's continuing interest in growth is demonstrated by its announcement earlier this month that it is acquiring substantially all of the assets of E&S Intermediaries Inc., a facultative reinsurance brokerage and services firm in New York. The acquired company will conduct operations under the name of Arthur J. Gallagher Intermediaries Inc.

"This acquisition will significantly enhance our reinsurance intermediary activities," Mr. Gallagher said.

E&S Intermediaries reported 1985 gross revenues of $1.6 million and 13 employees.

A highlight during 1986 was Gallagher's restructuring of its administration to streamline communications and improve efficiency.

First, most operational divisions now report to J. Patrick Gallagher Jr., vp-operations, who is Robert Gallagher's nephew and designated successor.

However, Robert Gallagher receives all reports about the financial status of the company, and Gallagher Risk Data Inc., a risk management information systems unit, still reports to him.

Foreign operations report to John P. Gallagher, executive vp, who is Robert Gallagher's brother and J. Patrick's father.

Secondly, a management substructure based on regions of the United States was created to increase the efficiency of operations.

"When markets change, we must change," Robert Gallagher said. But the company had been planning for it for the past 1½ to 2 years. "We don't play goalie. We want to be on the offense," he said.

The underpinning of this family-run, but publicly held, company is an integrated risk management approach to dealing with clients' needs through interlocking services, including brokering, claims management, loss control and a compu-

Continued on page 56

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Continued from page 54
terized management information system.

At least 65% of its gross revenues are generated by services that include at least some risk management services.

"We are a niche player," Mr. Gallagher said.

Among the clients targeted are governmental entities, religious and fraternal groups, educational and non-profit groups and commercial/industrial clients primarily in the food, hotel and automotive industries, he explained.

But, Gallagher also is emphasizing that it will unbundle those services and let clients freely choose among them to ensure that recent changes in the tides of the commercial insurance market do not undermine Gallagher's operations.

One of Gallagher's biggest disappointments in 1986 was the amount of business lost when clients decided to go bare, Mr. Gallagher added.

While some clients have begun to return to the insurance marketplace now that availability and pricing are showing signs of improvement, "many segments of the marketplace will never go back," Mr. Gallagher predicted. These include public entities, which is one of the market niches where Gallagher was strongest, as well as commercial/industrial customers, he added.

Lost business in 1986 equaled about 5% of Gallagher's 1986 gross revenues. Most of Gallagher's lost business resulted from clients who decided to self-insure either all—or a greater part—of their risks, but it also included clients who turn to another broker for services. However, Mr. Gallagher said that his company lost no major clients in 1986.

Gallagher more than made up for lost business in 1986 through new business, which equaled about 20% of 1986 gross revenues. Growth in commissions and fees from renewals contributed about 10% to 12% of gross revenues, Mr. Gallagher said.

The trend in lost business continued in the first quarter, when Gallagher lost business totaling $1.5 million, or 4.7% of the $31.6 million in gross revenues Gallagher reported, due to higher self-insured retentions or the move to another broker. Fees and commissions from renewals fell off 5% in the first quarter of 1987, due solely to an increase in market competition, Mr. Gallagher said.

Although overall first-quarter gross revenues were up 9% from $28.9 million in the first quarter of 1986, net income fell.

Earnings plummeted 24.4% to $3.4 million from $4.5 million, or 31 cents per share from 41 cents for the same period in 1986.

The company was ahead of all budget areas, but expenses were up 22%.

Those costs included $1.1 million set aside as a reserve to cover possible litigation expenses and errors and omissions payments under Gallagher's E&O deductible.

Mr. Gallagher declined to comment in detail about lawsuits involving the company. However, Gallagher's managers believe none of the litigation, either individually or in the aggregate, is expected to have a "material adverse effect" on the company's consolidated financial position or results of operations, according to the company's 1986 10-K report to the SEC.

Expense costs in the first quarter of 1987 included a 13.8% increase in salaries and employee benefits to $14.4 million from $12.7 million in the first quarter of 1986.

In 1986, Gallagher generated 52.3% of its $118.8 million in gross revenues from commercial retail brokerage. This was slightly more than the 51.1% reported for 1985.

In addition, reinsurance brokerage contributed 5.5% to gross revenues, unchanged from 1985.

Retail business brokered was primarily casualty, followed by slightly less property, some employee benefits and a small amount of aviation and marine.

About 85% of its retail brokerage business was generated within the United States, while 15% was international.

Domestic brokerage units include:

- Arthur J. Gallagher International Inc., which spearheads overseas activities—insurance, reinsurance, risk management and engineering services—for international and U.S. multinational clients.
- International Special Risk Services Inc., an in-house brokering operation, which provides clients with access to the domestic excess and surplus lines carriers and domestic and international reinsurance marketplace.
- Gallagher Marine Services, which provides marine insurance brokerage related services, including management of loss prevention, claims adjustment and surveying services.
- UIC Ltd., a joint venture incorporated in Delaware that provides consulting and brokering services for political risks.

'Many segments of the marketplace will never go back,' Mr. Gallagher predicts.

Among its overseas brokering subsidiaries is Gallagher Plumer Ltd. is in London, which resulted from the merger of John Plumer & Co. Ltd. with Gallagher's London operations. That unit "will have a substantial impact on international operations. In addition, it will help increase domestic insurance placements," according to the company's 1986 annual report.

"Our main goal is coordinating the development of products and services of an international application, dealing with both direct insurance and reinsurance," the reports states. "The merger establishes an expertise in all classes of business, be it marine, aviation, construction or industrial. This diversity brings great synergy. . . transforming our overseas division into a more complete and broadly-placed worldwide brokerage."

The unit is operating from two offices in London, but plans are to consolidate the London operations as soon as space is available.

Arthur J. Gallagher & Co. (Bermuda) Ltd., a Bermuda-based subsidiary, provides clients with access to the Bermuda marketplace for direct and reinsurance placements. It also provides offshore captive formation and management services.

A small international sales office in Brussels, Belgium, was closed at the beginning of 1987.

On the benefits side, Benefit Planning Services specializes in human resources management products, including employee benefits programs, deferred compensation, key-man life, pensions and tax shelters through fully insured and self-funded programs.

The bulk of retail brokerage revenues—64.8%—were generated by commissions and 35.2% from fees. That mix was about the same during the past two years.

During the hard market, when premiums increased dramatically, commission rates were reduced while fees for services increased. Now that the market is changing,

Continued on next page



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Continued from previous page
commissions are headed upward while fees are being re-evaluated as part of a continuing planning process, according to Mr. Gallagher.

Some 31.9% of Gallagher's gross revenues were generated from services, which is down negligibly from 32.8% in 1985.

The largest contributor to service income is Gallagher Bassett Services Inc., which is celebrating its 25th anniversary. Gallagher Bassett serves self-insured organizations, providing risk management services, including claims management, loss control and management information services.

Another unit, Gallagher Risk Data, develops risk management information products and services, including RISX-FACS, SELEX-FACS, MICRO-FACS and TELE-FACS software.

Gallagher Bassett and Risk Data serviced 624 self-insurance clients as of year-end 1986, Mr. Gallagher said.

Mr. Gallagher counts among disappointments in 1986 the 'inordinate' amount of time wasted preparing staff members and systems to cope with claims-made rather than occurrence-based forms for many lines of insurance.

Both subsidiaries are "very successful" and they are growing faster than other subsidiaries because the "stand-alone" nature of their products dovetails with the company's new emphasis on offering unbundled services to clients, he explained.

With this year's changing market, Mr. Gallagher expects that fee income from services will grow at a faster pace than commission income for brokerage services.

In addition, Gallagher generated 9.3% of its gross revenues from investment income, down from 9.6%, and 1% from personal lines, unchanged from 1985.

Mr. Gallagher is reluctant to list clients' names, although some were named at the annual meeting, including: American Honda Motor Co. Inc. of Gardena, Calif.; Holiday Corp. of Memphis, Tenn.; Firestone Tire & Rubber Co. of Akron, Ohio; Borden Inc. of New York; and Hartmarx Corp. of Chicago.

A typical client in the target group of companies pays an average of about $100,000 in commissions and fees for risk management services, including safety and loss control, and the placement of insurance.

However, Gallagher's client list also includes operators of "Main Street America" businesses that are never too small to be served by the broker. An average client in that group typically pays about $10,000 to $25,000 in commissions solely for the placement of insurance, Mr. Gallagher said.

The average commission on a medium-sized account has been between 12% and 15% both this year and last.

A large client would be one that paid about $500,000 in commission and fees, while the largest client Gallagher serves may pay about $750,000 in commissions in a year, he said.

Robert Gallagher enjoys recounting J. Patrick's jest when asked what he would call clients who paid $1 million annually for Gallagher's services: "Strangers," J. Patrick quipped.

Gallagher's gross revenues have been imperceptibly affected by changes in the currency exchange rates of countries such as Great Britain, where it has a foreign subsidiary. All currency is converted into U.S. dollars as soon as possible and all reporting is done on the basis of dollars, Robert Gallagher said.

Gallagher operates from 76 locations, only three of which are foreign.

Gallagher had 1,465 employees in 1986, up 6.9% from 1,371 in 1985. It is continuing to seek new staff members, especially in sales and sales support areas, but has found it difficult to find the caliber of person it wants. Therefore, Gallagher is emphasizing its training programs to develop in-house staff.

Mr. Gallagher counted among disappointments in 1986 the "inordinate" amount of time wasted preparing staff members and systems to cope with claims-made rather than occurrence-based forms for many lines of insurance. "The claims-made form died because society did not accept it and the insurance industry couldn't agree on it," he explained.

Another disappointment, Mr. Gallagher said, was the initial performance of new software the company adopted to administer employee benefit plans for self-insured employers. However, initial software problems ultimately were solved.

But the weathering effect of these changes is offset by Gallagher's "extremely strong" financial situation as well as "strong new sales, many of which will come on stream later in the year," Mr. Gallagher said.

He said stockholders believe the company has the ability to prosper whether the availability of commercial insurance ebbs or flows. That was demonstrated when 90% of the stockholders voting at Gallagher's April 12 annual meeting approved a management proposal to establish a common share purchase rights plan as a "poison pill" defense to ward off unwelcome attempts to acquire the company, Mr. Gallagher said.

In addition, stockholders ratified the board's appointment of J. Patrick Gallagher Jr., 35, as a director to fill the unexpired term ending in 1988 of A. James Gallagher Jr., 65. The former president of Gallagher Western Corp., an owner and operator of various retail stores since 1972, left the seat last summer.

(A. James' resignation left on the board his two brothers Robert, 64, and John P. Gallagher, 59. The company was founded in 1927 by the trio's father, Arthur J., who died in 1985. It went public in mid-1984.)

Other principal officers of Gallagher include Michael J. Cloherty, vp-finance/director, and Walter F. McClure, vp.

Gallagher's stock was split 2-for-1 in May of 1986, but no further splits are anticipated.

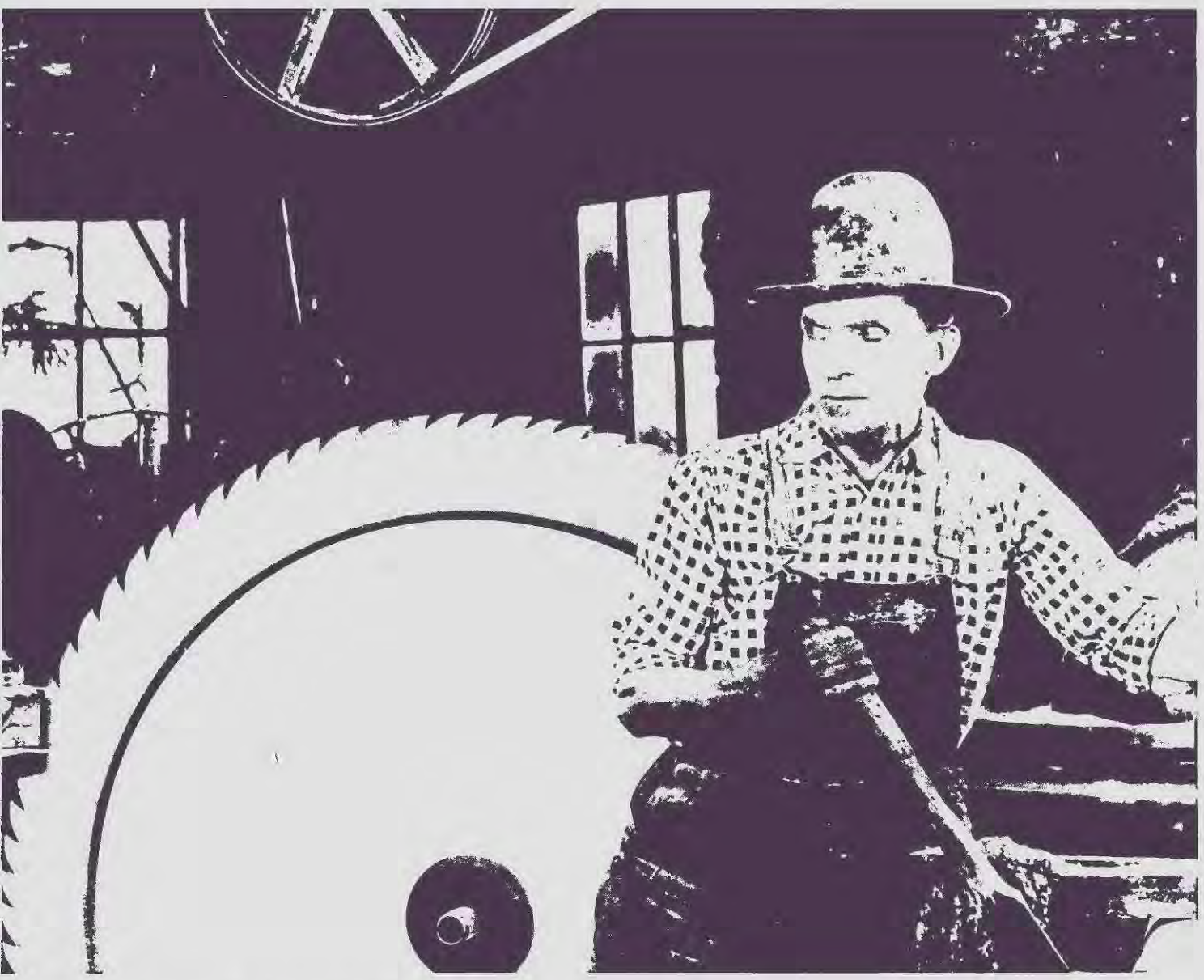
During the past 12 months, Gallagher's stock price has ranged from a post-split high of $33 last September. The price June 10 was $21.

Analysts typically had recommended customers buy Gallagher's stock up until May, when their recommendation was downgraded to a "hold," Mr. Gallagher said.

The highest paid officers in 1986, according to the 10-K report filed with the Securities and Exchange Commission, received the following cash compensation, including bonus:

Robert E. Gallagher	$225,000
John P. Gallagher	$215,000
Michael J. Cloherty	$200,000
Walter F. McClure	$165,000
J. Patrick Gallagher Jr.	$159,000

—By Meg Fletcher



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Jardine Emett & Chandler Inc.

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	1986	1985
Premium Volume..	$786,000,000	$685,000 000
Gross Revenues.....	$94,232,000	$82,014 000
Brokerage: Retail..	77%	75%
Wholesale.....	4%	5%
Services.....	11%	11%
Personal Lines.....	4%	4%
Invest. Income.....	4%	5%
Employees.....	1,078	1,098
Rev./Employee.....	$87,414	$74,694
Offices.....	33	37

After spending most of 1986 clearing the dust following the merger between Jardine Insurance Brokers Inc. and Emett & Chandler Inc., executives at Jardine Emett & Chandler Inc. say the combination is a good fit.

"It's nice to be able to say that the complementary nature of our two predecessor companies was very much confirmed during the year," says Harold R. Talbot Jr., former chairman of Jardine and now president and chief executive officer of San Francisco-based Jardine Emett & Chandler.

And now, even though the May 1986 merger is complete, Mr. Talbot says, "We're just as excited about our new company at this time, this year, as we were at this time last year."

In spite of this enthusiasm, Mr. Talbot predicts the company's revenue growth will slow during 1987, not because of the broker's operating strategy but because of softening property/casualty insurance rates.

"We are in a rapidly evolving market right now. The question is how far will it go? It's very hard to predict this year," he says.

Richard A. Archer, the brokerage's chairman, says that all brokerages' revenues will be affected by falling insurance rates and from what he sees as structural changes in the U.S. economy.

"We know that the general economy of the United States is tending to change from a manufacturing to a service economy, so the types of businesses that produce substantial insurance premiums are slowly waning and service economy-type businesses don't fuel large premium increases," he says.


Mr. Talbot


Mr. Archer

Still, Mr. Talbot and Mr. Archer are bullish about the future of Jardine Emett & Chandler a subsidiary of Jardine Matheson Holdings Ltd. and an affiliate of the worldwide Jardine Insurance Brokers Group. They see opportunity in the changing insurance market.

"Change creates opportunity," Mr. Talbot says.

Jardine Emett & Chandler retained the No. 9 spot in the *Business Insurance* rankings of the 20 largest U.S. brokers with gross revenues of $94.2 million in 1986, an increase of 14.9% from $82 million in 1985. The broker's 1985 revenues have been restated from $93.7 million to exclude revenues from operations that were discontinued last year

About 77%, or $72.6 million, of Jardine Emett & Chandler's gross revenues was derived last year from retail commercial insurance brokerage, up from 75%, or $61.5 million, in 1985; with 4% generated by wholesale brokerage, down from 5%; 11% from non-brokerage services, unchanged from 1985; 4% from personal lines, also unchanged; and 4% from investment income, down from 5%.

The broker's revenues per employee increased to $87,414 in 1986 from $74,694 the year before, an increase of 17%. Staff size actually declined slightly to 1,078 in 1986 from 1,098 employed separately by Jardine and Emett & Chandler in 1985 as a result of the discontinued operations.

While both Mr. Talbot and Mr. Archer acknowledge that the merger caused the broker's revenue growth to slow in 1986, they say they were not dissatisfied with Jardine Emett & Chandler's performance for the year.

"While you don't want anyone to be distracted at all by consolidation, the real world simply dictates that there is disruption," says Mr. Archer. "And clearly that's going to have some impact on your growth. That's just inevitable.

"But we're through that now and out the other side," he points out.

"Certainly the time required to accomplish these mergers of offices is time that would otherwise be spent on new business or other activities," adds Mr. Talbot. "So there is no doubt that it's had some effect, but I would say not disproportionate to what we expected."

In fact, while management anticipated the impact the merger would have on Jardine Emett & Chandler's growth, Mr. Talbot says it did not fully anticipate the impact of the softening insurance market.

"If there is anything that happened that we didn't expect, it was an external factor in that the market softened a little more quickly than we thought," he says.

Mr. Archer is quick to point out that even with the softening market and the distraction caused by the merger, "in our core business, we had about 15% growth."

Describing the results of the merger, Mr. Talbot says that on the West Coast, the consolidation of Emett & Chandler, which serviced mostly larger accounts, with Jardine, which had primarily smaller clients, "reinforces both of our firm's clients in terms of having a greater amount of expertise available to them and to our (insurance) markets in terms of having a larger and more balanced portfolio of business to offer them."

"In the East," Mr. Talbot continues, "the most significant element of our merger was the creation of a much larger New York office."

Neither Jardine nor Emett & Chandler had a New York office large enough to make a significant presence in the area, he says, but together "our New York office is a real factor in that enormous market."

Mr. Talbot says he is particularly satisfied with the consolidation effort because the firm kept virtually all of its key people and major accounts.

Physically, the broker has combined the former Jardine and Emett & Chandler offices in Houston and San Francisco and will merge duplicate offices in Los Angeles, Orange County, Calif., and New York within the next three months.

Mr. Archer says the company took great pains to plan the merger of the two brokers' offices.

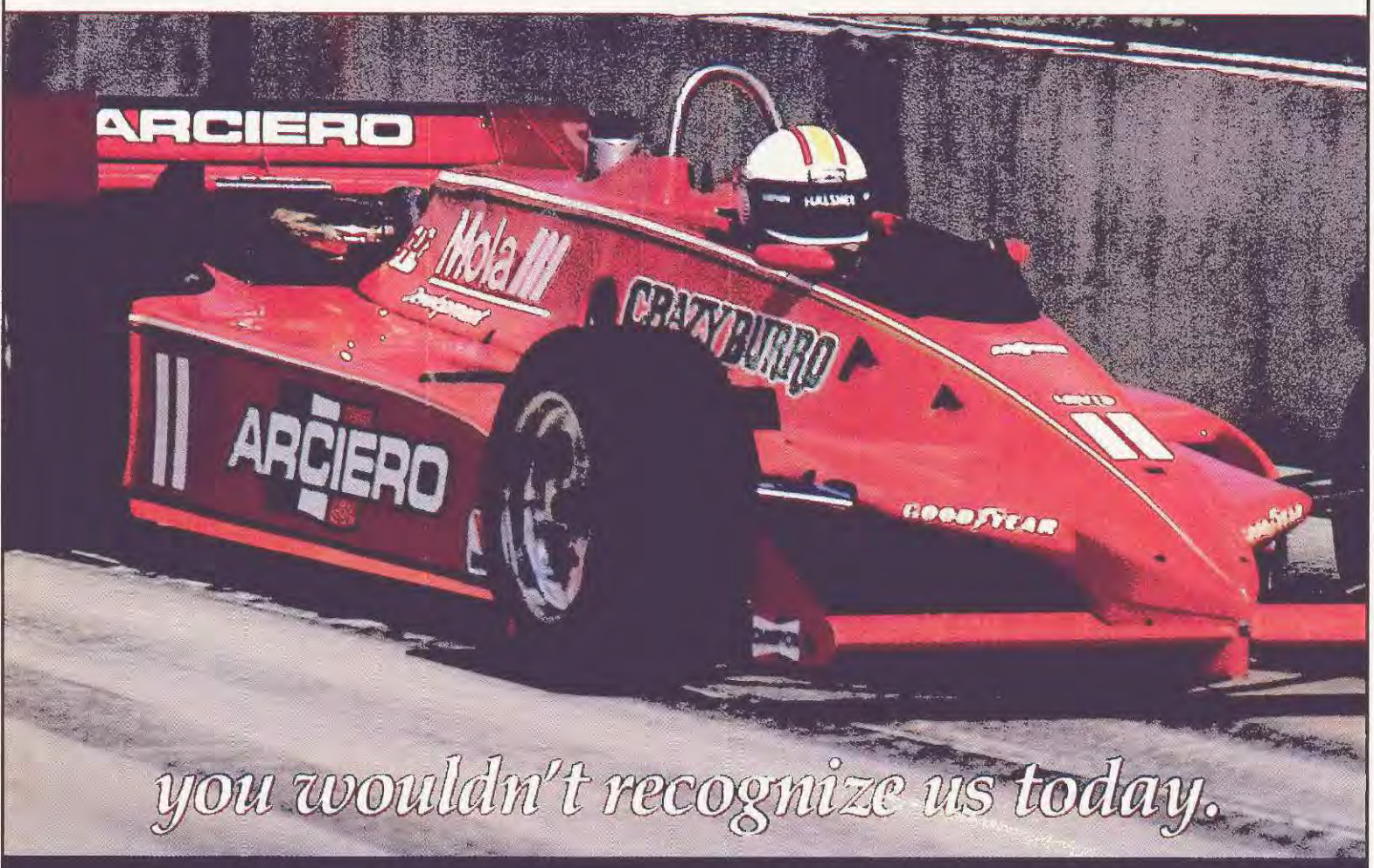
"We studied as well as we could each office and its personnel, how they complement each other, and tried to identify if there are any conflicts. And that's all very important to do before you start putting offices together," Mr. Archer explains.

"I think that's one of the reasons we have such a high retention of

Continued on page 60



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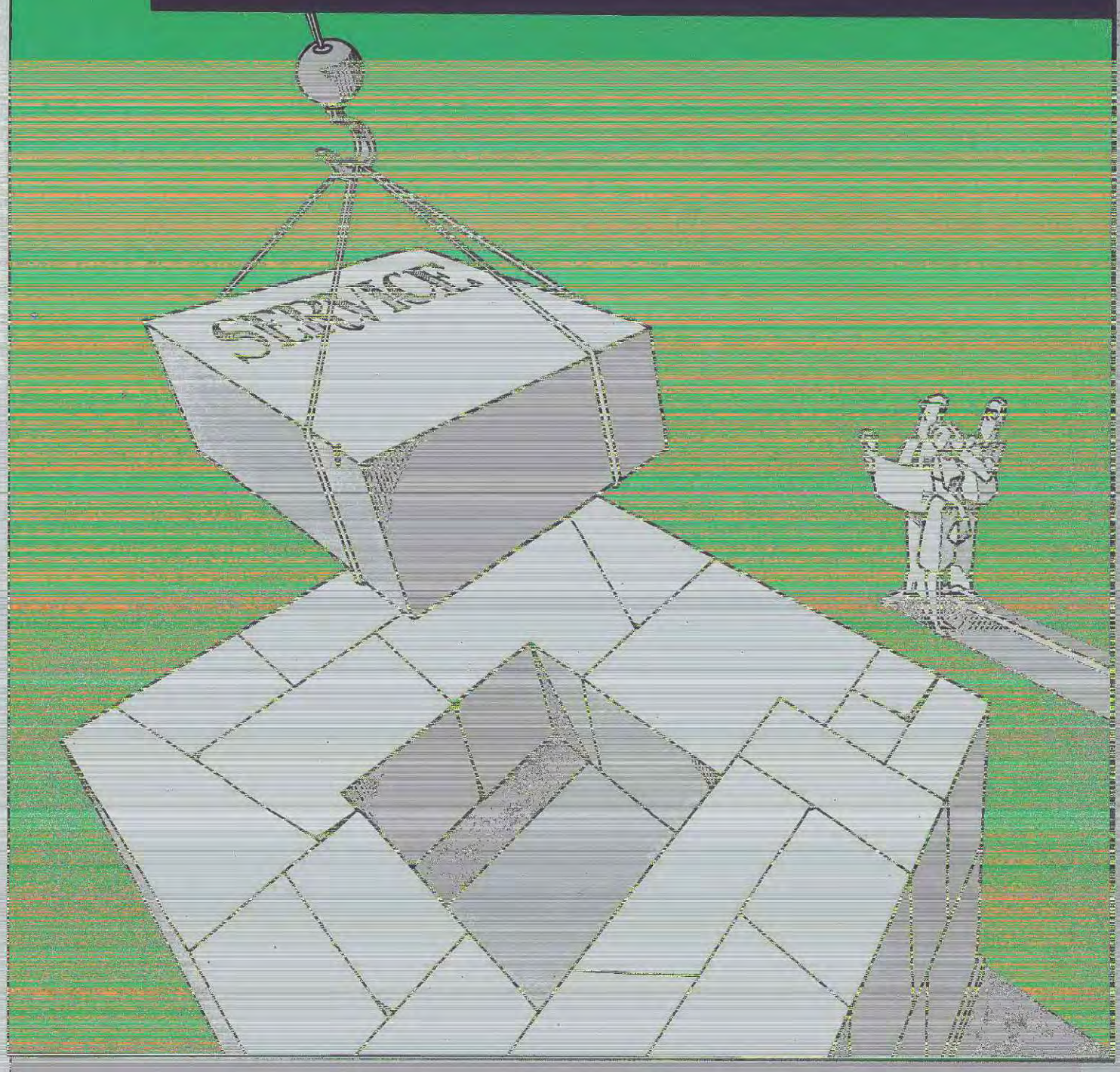
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Continued from page 58

our key personnel," he adds.

In evaluating and merging the operations of the two predecessor companies, Mr. Talbot says Jardine Emett & Chandler decided to divest itself of certain operations that "were not particularly germane to our long-term strategy."

These operations, which produced gross revenues of about $14 million, include Jardine Claims Management Services Inc., a property/casualty claims administrator in Irvine, Calif., and Emett & Chandler Insurance Services Inc., a Los Angeles company specializing in mass marketing insurance programs to affinity groups through financial institutions.

Jardine Emett & Chandler sold the mass-marketing subsidiary to that company's management because it didn't fit in with its corporate objectives.

The decision to sell Jardine Claims Management to Self Insurers Services Inc. of Chicago was based on the belief that the broker needed to invest considerable capital into the unit and possibly acquire another larger claims management firm to make the operation economical.

A claims administration operation is "capital-intensive in that it requires a very substantial investment in (data processing) equipment," explains Mr. Archer. "It's a business of scale and if you don't have large scale, then it's not a business that you can generate sufficient returns on your investment," he adds, noting that insurance companies provide property/casualty claims management services "at a very reasonable cost."

Mr. Talbot contrasts the divestiture of the brokerage's property/casualty claims management business with its strong commitment to its benefit claims management operation. This business "complements what we do for some of our affinity groups and some of our major corporate clients," he explains.

Jardine Emett & Chandler also closed its brokerage offices in Arcata and Santa Rosa, Calif., and Spokane, Wash.

Mr. Talbot says the offices were closed because they were in rural areas, and the broker's new strategy is to focus on operating and opening offices in "major urban centers where insurance-buying decisions are made."

Development of a new management structure was one the major efforts in consolidating Jardine's and Emett & Chandler's operations. A new executive committee was formed to oversee the broker's operations. This committee consists of Mr. Talbot and Mr. Archer, the brokerage's chief financial officer and its three regional executive vps.

The brokerage also set up a new management group, which it calls the board of participating directors. This group includes 32 key executives with profit-center management responsibilities who will meet several times a year to discuss operations, policy and direction.

"We believe very much in a participative and decentralized management dynamic," Mr. Talbot said.

A 14-member strategic planning committee, headed by Mr. Archer, will develop a three- to five-year plan for the company.

"My feeling is that if you have a road map, the probability of getting to your ultimate destination is better than if you just have a compass and don't know where you're going," Mr. Archer says.

The committee has been working for eight months developing a strategic plan, which is expected to be complete by the end of this month.

"Our strategic plan is simple and it's based on having a defined course to follow," Mr. Archer explains, noting the plan will do two things: "Help us get where we want to go and to keep us off the roads we shouldn't get on."

Mr. Archer says that his work in developing a strategic plan for the brokerage has taken an enormous amount of time, "but I think out of this we've really developed a good process and we have a blueprint for the future. It's quite exciting."

The plan calls for the company to maintain a profit margin equal to or exceeding its competitors', "which suggests an efficient operation and one that's financially responsible," he explains.

At the same time, "we would like our company to grow internally, roughly in the range of 15% annually, which is another way of saying you double every five years," he continues.

In the area of personnel development, the plan calls for establishing a continuing education program for employees.

"I heard Arnold Palmer say once that when somebody stops taking golf lessons, they stop being a professional. I think we have to keep that in mind. We constantly have to look for better ways to handle our clients' accounts and better ways to do our business," Mr. Archer says.

'We constantly have to look for better ways. . .to do our business,' says Mr. Archer.

In the area of market relations, he says the plan calls for Jardine Emett & Chandler to concentrate its business with a limited number of insurers.

"Rather than do just a little business with everybody, we want to consolidate (our business) with a limited number of companies that will enable us to gain greater efficiencies" of scale, Mr. Archer says.

However, Mr. Talbot says the broker will retain access to worldwide markets to best serve large corporate accounts.

"We're fortunate in having facilities not only here, but in London and the Far East," he says.

The insurers with which Jardine Emett & Chandler places the most business include American International Group Inc., Crum & Forster, CIGNA Corp., Great American Insurance Co., Chubb Group, Continental Insurance Co., Travelers Insurance Co., The Home Insurance Co., Hartford Insurance Group, Aetna Casualty & Surety Co., CNA Insurance Cos., Transamerica Corp. and Fireman's Fund Insurance Cos.

The annual commissions generated by the broker's clients range in size from $25,000 to $150,000. However, Mr. Talbot says that in rural areas the average client size is smaller, as low as $2,000 in annual commissions.

In seeking new business, Mr. Archer says, "there are basically two channels we go down.

"One is we look for the conventional commercial insurance account that requires a high level of expertise and skill, and that could be almost any kind of industry."

"Complementing that," he explains, "we try to take advantage of our skill level in specialties, like scaffold contractors, so we try to write all the people in that industry," Mr. Archer adds.

Mr. Talbot says the broker's long-term objective is for continued internal growth in the New York, Chicago, San Francisco, Los Angeles and Houston offices. And, the broker is looking to acquire or start offices in 20 of the 30 largest urban centers in the United States.

"Over time we will develop fur-

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Continued from previous page
ther, both in terms of geography and probably in terms of product line as we find specialty areas that are of interest," Mr. Talbot says.

Provisions in the Tax Reform Act of 1986 makes it attractive for small companies to be acquired by larger companies before 1988, Mr. Archer notes. And, Jardine Emett & Chandler plans to take advantage of this "window of opportunity"

"We're recognizing that this window is now open, and that dictates that we're going to need to move rather quickly and do as much development work as we can within that period of time," Mr. Archer says.

Jardine Emett & Chandler recently announced the opening of a new office in Portland, Ore. The broker opened no new offices in 1986 and currently has 33 offices.

Jardine Emett & Chandler's subsidiaries include:

- Risk Management Inc. in Los Angeles, which provides risk management consulting services. It is headed by Steven P. Tiberg.
- Galaher Settlements & Insurance Services Co. in Rancho Cucamonga, Calif., which provides structured settlement services. It is headed by Robert E. Galaher.
- Pinehurst Management Co. in Hamilton, Bermuda, which provides captive management services. It is headed up by Robert C. Whiting.
- Glanvill Special Risks Insurance Brokers Inc. in New York and San Francisco, a wholesale brokerage. It is headed by John Mairs.

In addition to Mr. Talbot and Mr. Archer, other officers of Jardine Emett & Chandler include: J. William Campo, deputy chairman; E. Paul Hansen, chief financial officer; Leonard P. Lawrence, George Brown and Timothy Reath, executive vps.

—By Robert A. Finlayson

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Bayly, Martin & Fay International Inc.

201 Main St., Suite 1990, Fort Worth, Texas 76102; 817-335-2048

	1986	1985
Premium volume	NA	NA
Gross revenues	$92,700,000	$91,900,000
Brokerage: Retail	70.8%	73%
Wholesale	10%	9%
Reinsurance	5.9%	3%
Services	3.6%	4%
Personal Lines	3.8%	4%
Invest. income	5.9%	7%
Employees	1,150	1,355
Rev./Employee	$80,609	$67,823
Offices	43	49

Bayly, Martin & Fay International Inc. President and Chief Executive Officer Greg B. Kent works on the 19th floor in a modern chrome and glass office with a panoramic view of the Trinity River and the vastness of north Texas—when he is in town.

But you won't find him enjoying the view from his 19th-floor perch very often.

In his first year running the company, Mr. Kent has spent 50% to 60% of his workdays on the road, visiting all of BMF's 43 offices, except the one in Anchorage, Alaska, which he plans to see later this month.

Such effort is indicative of the hands-on management style at the nation's 10th-largest broker.

The new management style was implemented during trying times for BMF, including: the end in April 1986 of six draining months of merger negotiations with Fred S. James & Co.; the settlement in July 1986 of an embarrassing and well-publicized insurance scandal; the closing or sale of 10 subsidiaries or retail brokerage offices; and the consolidation of management and administrative functions in one city, Fort Worth.

Given that all this took place in one of the most volatile cycles in commercial insurance history, BMF is pleased with its growth, however minimal that may appear.

The broker finished 1986 with gross revenues of $92.7 million, up only slightly from the $91.9 million it reported in 1985.


Mr. Mizell

That was enough for BMF to hold onto its position as the 10th-largest U.S. broker, despite the fact that Arthur J. Gallagher & Co. leapfrogged ahead of it into the spot formerly held by The Crump Cos. Inc. before Crump's sale to Fred S. James & Co.

And, because BMF has spent the better part of the past year paring down its operations to a core of profitable retail brokerage divisions, it doesn't expect 1987 revenues to be much—if at all—higher than those in 1986.

"The bottom line is going to look a lot better," Chief Operating Officer William A. Mizell says confidently. "We know what we want to be, we've set some goals and that's what we're striving for."

Mr. Mizell has contributed to the the hands-on management by traveling about a third of his time.

Almost 71% of BMF's 1986 revenues, or $65.8 million, were generated by commercial retail brokering, 10% from wholesale brokering and 5.9% from reinsurance brokering, with the only significant change in higher reinsurance brokering revenues, which increased to 5.9% from 3%.

Investment income generated 5.9%; personal lines 3.8%; and other services, like claims administration and risk management consulting, 3.6%.

Virtually all of BMF's ancillary subsidiaries—like structured settlement and captive management firms—have been sold or closed over the past year.

Sold were: National Settlement Consultants Inc., sold last summer to its president, W. Michael Woodyard; Imperial Industries, a health claims administrator in Burbank, Calif., sold in October to Pacific Mutual Life Insurance Co.; Risk Treatment Services (Bermuda) Ltd., a captive manager, sold last summer to its management; Aviation Insurance Services in Los Angeles, sold three months ago to its president, Ronald A. Hill, who preferred to run the operation independently.

Two retail brokerage offices also were sold. Last fall, the Wichita, Kan., office was sold to Norwest Financial Group of Minneapolis. About three months later, the Alexandria, Va., office, part of BMF of Baltimore, was sold to Rollins Burdick Hunter Co.

Both of these were divested because they were too small to potentially generate as much growth or profit as BMF management sought.

The Wichita office, for example, was generating $600,000 in annual revenues; Mr. Mizell says each BMF office needs almost $2 million in revenues to provide clients with proper professional service and support.

"The potential to reach that critical size has got to exist," Mr. Mizell says. He quickly adds, however, that BMF has no intention of automatically disposing of offices that don't produce $2 million in revenues.

Recognizing that BMF of Missouri operated better as a local agency than as part of the broker's national network, BMF sold its 50% ownership interest in that unit to the agency's St. Louis management team.

BMF also shut down one retail brokerage office. Its Phoenix office,

Continued on next page



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Continued from previous page
an unprofitable satellite office of BMF of California, was closed at year-end.

Among the operations closed was the stagnating Colorado captive management firm, Risk & Benefit Management Systems Inc., at year-end. The unit had lost its biggest client to Frank B. Hall Management Co.

RBMS' two other captive clients are now managed by Tom Littell, the RBMS principal who has since set up his own operation.

Reflecting on how these transactions have affected the company, whose workforce of 1,355 was pared down to 1,150, Mr. Mizell says, "I think we can convince anyone that the changes we've made have been very constructive."

All this activity leaves the broker with a network of its strongest retail brokering offices, two managing general agencies, two reinsurance brokering units, several smaller foreign operations and a still struggling executive compensation unit.

BMF has retail brokerage offices in 19 states. California and Louisiana each have five; Texas has four; Nebraska, New Jersey and Utah each have two; and Alaska, Colorado, Connecticut, Florida, Georgia, Illinois, Massachusetts, Minnesota, Nevada, New York, Oklahoma, Pennsylvania and Washington each have one.

International retail brokering offices include one in Ruislip, England, and two in Italy.

BMF Italia in Milan, formed about 18 months ago, is a retail broker staffed by Italians that serves Italian businesses. BMF Veneta, which was opened in Padua in January, is a joint venture with an Italian construction firm, which was formerly a BMF client.

Commissions generate 95.2% of BMF's retail brokerage revenues, while fees generate 4.8%.


Mr. Kent

BMF's wholesale division consists of American National General Agencies Inc. and MarinCo Inc.

ANGA, long-known for its service to the entertainment industry, has an exclusive marketing relationship with Chubb Group for insurance policies issued on the West Coast, but also writes entertainment coverages for other insurers, like Gulf Insurance Co. and some London companies. Its film work is "doing fantastic," Mr. Kent says.

ANGA has offices in Los Angeles, Denver, Kansas City, Mo., Phoenix, Ariz., St. Louis and London.

MarinCo, meanwhile, has made its name in the public sector, where it has an exclusive marketing relationship for municipal liability coverages with National Union Fire Insurance Co. of Pittsburgh, Pa., a unit of American International Group Inc. MarinCo recently closed its branch office in Walnut Creek, Calif., to conduct all of its business from its San Antonio, Texas, office.

BMF's reinsurance division, which operates at arms-length from top management, consists of National Facultative Services and Reinco Intermediaries Inc.

NFS, a facultative reinsurance intermediary in Hoboken, N.J., is "very profitable," Mr. Kent says. This unit, in which BMF is a majority but not a full owner, is largely responsible for the increase in reinsurance activity BMF reported in 1986.

Reinco, a treaty reinsurance intermediary, is suffering from the waning interest among non-U.S. reinsurers for U.S. risks. It has offices in New York, Los Angeles, Paris and Bermuda.

While BMF is not interested in acquisitions at the moment, it might be receptive to start-up activity if the new venture suits its business goals. For instance, it probably will open an office in Las Vegas soon to assist its Reno, Nev., and Atlantic City, N.J., offices with gaming and hotel clients, Mr. Mizell says.

"We're still in a cleaning process, but what we're looking at now is the fine-tuning," Mr. Kent adds.

For example, BMF Compensation Strategies, which was created from several acquisitions in 1984 to administer insured executive compensation plans, hasn't worked out as well as BMF had hoped. But, the unit is not for sale as BMF tries to improve its profitability.

BMF is known for its strength in the hotel, entertainment, aviation and oil and gas industries, but has begun competing in the jewelry and professional sporting businesses. One of its newest clients is the Denver Broncos, for which BMF places general liability, auto liability, athletes' personal disability insurance and various property and umbrella coverages.

A third area in which BMF is making inroads is providing risk management and brokerage services for new companies or subsidiaries that are spun off in leveraged buyouts. Two LBO-created accounts that BMF has picked up are Blocker Drilling Co. in Houston and Darling-Delaware Co. Inc. in Dallas.

In both of these cases, the broker was introduced to the parties by Forth Worth investor and former BMF Director Richard Rainwater.

Most BMF clients generate between $10,000 and $250,000 in annual commissions. The South's economic slump, spurred by the sagging petroleum industry, has forced BMF to surrender several oil drilling service company clients to bankruptcy.

But it wasn't bankruptcy that caused Occidental Petroleum Corp. to take its insurance business elsewhere.

Occidental changed brokers after it discovered that BMF had apparently—albeit unknowingly—placed some of its property reinsurance with a non-existent company. The broker had been had.

In the end, BMF and its E&O insurers settled Occidental's lawsuit for $32 million (*BI*, July 14, 1986).

BMF is betting on a new internal project to ward off debacles like that. Coordinated by Karen Ramos, in the newly created position of director of professional standards, the project is designed to promulgate uniform business practices in all BMF offices.

Continued on next page

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Continued from page 66

naydre in New Orleans.

And acquisitions are continuing: On April 1, Hilb, Rogal & Hamilton acquired Commonwealth Property & Casualty in Richmond, Va., and last month it purchased Rice Insurance Agency in Tampa, Fla., and Cowand Insurance Agency in New Orleans.

Hilb, Rogal & Hamilton has concentrated its acquisitions in areas where the company already operates, which eases consolidation.

Agencies acquired by Hilb, Rogal & Hamilton tend to have annual commission revenues of between $500,000 and $2 million, with a strong, local producer.

For example, Mr. Hilb describes Jay Adams, the former president of Jay Adams & Associates, as "Mr. Local Insurance Agent."

"I cannot walk down the street of Daytona Beach without 15 people saying hello to Jay. We are very pleased with that office's performance," Mr. Hilb said.

'We are constantly evaluating potential acquisitions,' says President Robert H. Hilb.

Earlier this year, Jay Adams & Associates was renamed Hilb, Rogal & Hamilton of Daytona Beach, Fla.

While Hilb, Rogal & Hamilton is waiting for SEC approval to make its public offering, the broker is not talking to any acquisition prospects. However, after the public offering is completed, Mr. Hilb anticipates the brokerage will again make overtures to potential acquisitions.

"We are constantly evaluating potential acquisitions," he said, noting that the primary goal of acquisitions has been to strengthen existing offices through the addition of quality employees and quality business.

While acquisitions have tended to be in the Southeast, "We wouldn't turn down a good acquisition anywhere," Mr. Hilb said.

The company now has 17 offices in 11 states. In addition to Virginia, they are: Alabama, California, Connecticut, Florida, Georgia, Michigan, North Carolina, Ohio, Pennsylvania and Louisiana.

All offices have local autonomy, Mr. Hilb said. Only personnel practices and the accounting and finance departments are centralized.

"The theory behind autonomy is that the people running our offices are professionals with many years of service. They know the agency business, how it functions and operates. We have a lot of faith in their ability," Mr. Hilb said.

Hilb, Rogal & Hamilton also is a licensed excess/surplus broker in all states in which it operates.

Mr. Hilb said he is comfortable that the company's management team has expenses under control. The company's roster of employees increased 9.3% to 470 from 430 a year ago, with about two-thirds of that increase coming from acquisitions and one-third from new hires.

While the size of Hilb, Rogal & Hamilton's support staff is about at the right level, the company always is looking for new producers, Mr. Hilb said.

To boost production efforts, Hilb, Rogal & Hamilton now is starting a training program for newly hired producers. "It is an experiment to put a concentrated effort into training. . .during that critical first six months," Mr. Hilb said.

In addition, Hilb, Rogal & Hamilton always has encouraged employees to improve their professional skills by subsidizing their educational expenses. "We encourage participation in ARM (Associate in Risk Management) and CPCU (Chartered Property & Casualty Underwriter) programs and will pay the costs," Mr. Hilb said.

Hilb, Rogal & Hamilton places business with more than 100 insurance companies. Major insurers include The Hartford Insurance Group, Great American Insurance Co., Crum & Forster and USF&G Corp.

In addition to Mr. Hilb, the company's principal officers include: David W. Hamilton, executive vp; Alvin Rogal, executive vp; Timothy J. Korman, vp and treasurer; and Dianne F. Fox, vp and secretary.

The cash compensation received by the highest-paid officers in 1986, according to documents filed with the SEC, follows:

Alvin Rogal	$211,167
Robert H. Hilb	$210,027
Timothy J. Korman	$64,360

—By Jerry Geisel

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Poe & Associates Inc.

702 N. Franklin St., Tampa, Fla. 33602; 813-222-4100

	1986	1985
Premium volume...	NA	NA
Gross revenues.....	$34,120,000	$29,224,000
Brokerage: Retail..	48%	46%
Wholesale.....	36%	35%
Services.....	4%	5%
Personal lines.....	7%	10%
Invest. income.....	3%	2%
Other.....	2%	2%
Employees.....	517	503
Rev./Employee.....	$65,996	$58,099
Offices.....	17	14

Poe & Associates Inc. has lost some of the steam that powered a strong first-half performance last year, but it expects to continue on a course of steady growth.

Last year's first-half figures showed a 28% increase in revenues to $16.3 million, compared with $12.7 million in 1985. First-half net income in 1986 was up a whopping 126.1% to $2.4 million from $1.1 million the year before.

But that was before the effects of Florida's controversial Tort Reform and Insurance Act of 1986 became evident. In response to the law that eventually gave the Florida Insurance Department more power to regulate insurers doing business in the state and the rates they charge, most large commercial insurers placed moratoriums on business written in Florida.

And, a challenge by insurers, which argued that the legislation was unconstitutional, failed when the state Supreme Court upheld the law in April (*BI*, May 4).

The freeze on writings by insurers in the state derailed Poe's steadily climbing revenues, since around 75% of the Tampa-based brokerage's retail business is Florida-based.



Mr. Poe

"We had quite a bit of momentum going in the first half of 1986," said Chairman William F. Poe. "Then we hit a stone wall."

Still, he observed, the overall 16.8% increase in gross revenues to $34.1 million in 1986 from $29.2 million the year before made for a "fantastic year. We were very happy."

Some other figures that made Poe's management happy included the 54.8% jump in net income to $4.4 million in 1986 from $2.9 million in 1985. The brokerage's earnings per share totaled $1.07, compared with 69 cents in 1985.

The past two years of strong growth follow a net loss of $642,000 in 1984, which amounted to a loss of 15 cents per share.

Some of the 1984 and 1985 figures were adjusted in this year's annual report to account for the brokerage's 3-for-2 stock split in 1986, according to Mr. Poe.

Also in 1986, Poe repurchased 680,337 shares of its outstanding common stock for $7.2 million, reducing the number of outstanding shares by 16%.

Poe declared a dividend of 8 cents per share for the last three quarters of 1986 and 10 cents for the first and second quarters of this year.

Poe's stock was trading June 10 at $12.25 per share over the counter, compared with $11.50 a year ago.

Gross revenues for the first quarter of 1987 were flat, rising just 2.8% to $8.4 million from $8.2 million for the same period last year. During this year's first quarter, net income was up a scant 0.5% to just more than $1.2 million.

This year's flat growth in the opening quarter compares to a booming start for Poe in 1986. In last year's first quarter, net income rose 130% to $1.2 million from $519,000 the year before.

Income and revenues were "about the same as they were last year," said Mr. Poe, "but last year was a big year. In bottom-line dollar amounts, it was about the same, but we had about a 19% increase in per-share earnings."

He said that "a good part of that first-quarter flatness was a result of the continuance of the moratorium" by insurers in Florida. "It was no longer there," he explained, "but it takes about 60 to 90 days for the process to get started again . . . So it was really March before the doors were open."

Although he acknowledges that the Supreme Court decision regarding the state's tort reform and insurance law made clear the rules for insurers doing business in Florida, Mr. Poe is not predicting a significant increase in business for the brokerage now that the underwriters are again accepting business.

"We don't see any substantial increase, although we anticipated that we would," he remarked. "We don't find it yet, and we're not really quite sure why."

While Mr. Poe said he sees some softening in the insurance marketplace, he doesn't believe that is why the brokerage isn't seeing big revenue gains this year. "I think we're just having a difficult time really getting started well.

"I think there is more competition and a slight decrease in rates, but I don't think it's nearly as soft as people suggest it may be . . . "

During the second quarter of this year, "we have not created great momentum," he added.

Traditionally, the second quarter has never been the best for Poe & Associates, Mr. Poe remarked, and the third and fourth quarters of this year will be the ones that determine whether 1987 is a good one in terms of revenues.

Even if 1987 revenues do not increase compared with last year, Mr. Poe said the brokerage should still realize a 6% to 9% rise in profits this year, partly because of new lower corporate tax rates.

In one area at least, the future is somewhat more predictable for the Tampa-based brokerage.

Accountant Ernst & Whinney qualified its review of Poe's annual statements for 1984 and 1985, to allow for the effects of discontinued subsidiary Whiting National Insurance Co.

Whiting wrote primarily professional liability coverage for dentists and lawyers until it ceased business in 1985. It is currently operating only to handle claims from prior business and to manage certain investments.

Ernst & Whinney indicated in the 1986 annual report that matters relating to Whiting have been resolved and the discontinued operation should not affect Poe's operations materially in the future.

But even though the Whiting picture is clearer, Ernst & Whinney has qualified its 1986 review of Poe's finances because of litigation the broker faces.

Poe is involved in a lawsuit connected to the 1984 sale of Poe & Associates of Puerto Rico Inc. to J.M. Pepe Alvarez, president of Associated Insurance Brokers Inc. in Coral Gables, Fla., and the owner of AIB Syndicate Inc. on the Insurance Exchange of the Americas.

Mr. Alvarez is seeking $4 million in compensatory damages and $100 million in punitive damages in the suit filed in March 1986 in Dade County Circuit Court. Discovery proceedings are continuing.

The suit names Poe, Dependable Insurance Co. and others as defendants. Mr. Alvarez claims the defendants convinced him to buy Poe & Associates of Puerto Rico Inc. by

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Continued from previous page
intentionally misrepresenting loss ratios connected to business handled by the company.

The Puerto Rico-based company operated as an MGA for Jacksonville, Fla.-based Dependable. When he purchased the company, Mr. Alvarez signed a personal guarantee on business already written by the MGA and on any written in the future.

Dependable has filed a cross-claim in the case alleging that a release it granted to Poe freeing the Tampa brokerage from claims related to the program was fraudulently induced. Poe says in its annual report that Dependable is claiming losses connected to the MGA program are as high as $20 million. A high percentage of the loss-riddled business was reinsured, according to Poe.

Poe is denying the allegations in the Dependable claim and maintains that detailed loss ratio information connected to MGA business was available to Mr. Alvarez before the sale of the subsidiary.

"Pipe dreams" is the way Mr. Poe described Mr. Alvarez's suit, dismissing it and the Dependable claim as having no merit.

After falling for two consecutive years, the percentage of Poe's revenues generated by its retail brokerage business climbed in 1986. Retail business contributed 48% of revenues, or $16.4 million, up from 46%, or $13.7 million, in 1985.

Revenues from wholesale brokerage operations made up 36% of revenues in 1986, compared with 35% in 1985. In 1984, wholesale brokerage revenues were 30% of the total. Included in these revenues is the business of subsidiary Jordan, Roberts & Co. in Tampa.

On the wholesale side, Poe continues to market professional liability packages, like that for optometrists, dentists and lawyers.

The program written for optometrists "more than doubled in growth" in 1986, Mr. Poe said.

The National Optometrists Program, which is written by Great American Insurance Co. in Cincinnati, provides optometrists with $1 million in malpractice coverage. Last year, it generated between $8 million and $10 million in premiums. There are more than 6,000 optometrists covered under the program, said Mr. Poe.

Poe continues to market its Professional Protector program for dentists, which generally provides dentists with $1 million in malpractice, professional liability, property and other coverages. But that plan has seen some changes.

"We changed most of the business in early 1987 from an occurrence form to a claims-made form," Mr. Poe explained. The coverage is written by CNA Insurance Cos.

In addition, the broker and the American Dental Assn. agreed that the association would no longer lend its endorsement to the program. "Basically, we were getting into a lot of red tape and misunderstanding," Mr. Poe said of the relationship with the dental association. "We decided it was best for them to leave and they agreed."

He said the absence of the dental association's endorsement has not appeared to affect the program.

Although some dentists left the program last year because of premium increases, Mr. Poe said he expects participation to increase because claims-made coverage is cheaper. There are currently around 30,000 to 40,000 dentists covered under the Professional Protector, he said.

In 1986, the program generated premiums of around $115 million to $120 million, up from about $80 million in 1985.

Poe's Florida Lawyers Program is now part of its National Lawyers Program. CNA continues to write the $1 million in professional liability limits for attorneys.

While he did not know exactly how many lawyers have coverage under the program, Mr. Poe did say that it is written in 30 states and generated around $40 million in coverage last year.

Poe receives 92% of its brokerage revenues on a commission basis; 8% on a fee basis.

Revenues generated by non-brokerage services accounted for 4% of Poe's revenues last year, down from 5% in 1985. Included in these revenues are the businesses of Poe Risk Management Services Inc. and Poe Benefits Services, both third-party administrators based in Tampa.

Personal lines contributed 7% of revenues, compared with 10% in 1985, and investment income was 3% of the total in 1986 and 2% the year before. Other sources contributed 2% of revenues, the same as in 1985.

Poe & Associates continues to seek growth through acquisitions.

In 1986, it acquired retail brokers Broderick Babb Insurance Co. in Fort Lauderdale, Fla. and Trenton Insurance Services in Atlanta.

In addition, Poe bought TDA Professional Insurance Services in Houston, and changed its name to Poe & Associates of Texas. The Houston operation is marketing malpractice coverage for dentists.

In March of this year, Poe acquired certain assets of Ragolia & Co. Insurance Brokers in Pennington, N.J. Those assets were moved to Poe's New Brunswick, N.J., subsidiary, O'Connell & Salisbury.

All the acquisitions are reported on a purchase basis.

Besides its Tampa headquarters and Fort Lauderdale locations, Poe has Florida offices in Brandon, Fort Myers, Jacksonville, Lakeland, Miami, Orlando, Tallahassee, Venice and Winter Haven.

Subsidiaries in other parts of the country include Poe & Associates of North Carolina in Charlotte and James P. Poole & Co., an Atlanta agency specializing in life and health business.

Besides Mr. Poe, principal officers include V.C. (Bob) Jordan Jr., president; Martin L. Vaughan III and Bruce G. Geer, executive vps; Kenneth M. Sumner, vp; and Donald E. Howery, treasurer.

The cash compensation received by the five highest-paid officers in 1986, according to documents filed with the Securities and Exchange Commission, follows:

William F. Poe	$285,023
V.C. Jordan Jr.	$170,718
Martin L. Vaughan III	$149,110
Bruce G. Geer	$132,162
Earl S. Lipnick	$160,000

—By Michael Bradford

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11

Republic Hogg Robinson Inc.

177 Milk St., Boston, Mass. 02109;
617-542-5200

	1986	1985
Premium volume	NA	NA
Gross revenues	$48,035,000	$36,656,000
Brokerage: Retail	64%	54%
Services	20%	25%
Personal Lines	14%	17%
Invest. Income	2%	4%
Employees	671	592
Rev./Employee	$71,587	$61,919
Offices	31	31

Republic Hogg Robinson Inc. is expanding into reinsurance brokerage from its former avowed role as a "strictly a retail broker."

But, even as a strictly retail broker, RHR's gross revenues grew 31% in 1986 to $48 million, which helped it move up to No. 11 in *Business Insurance's* ranking of the 20 largest U.S. brokers. The slot was created by the acquisition of The Crump Cos. Inc. by Fred S. James & Co. Inc.

Not since 1979, when RHR was known as Penn General Agencies, has the brokerage grown so much in one year.

And now, "We are a different company than we were three years ago," says President Charles E. Keller.

"We are still very much a retail broker, but we would like to start getting into some areas we think we have some experience in and we think we could get into and do profitably."

RHR's growth has enabled it to expand into reinsurance and credit brokerage services and handle them effectively, he says. "You look at things a little differently at $50 million (in gross revenues) than you do at $25 million, and when you get to be at $100 million, you have to look at things differently again," Mr. Keller explains.

In 1986, retail brokerage operations generated 64% of the company's gross revenues, or about $30.7 million, up from 54% in 1985, or about $19.8 million.

In 1984, half of the broker's $30.6 million in revenues was generated by retail brokerage.

"While we have not diminished our self-funding claims administration business or personal lines, our brokerage business by percentage increased faster," Mr. Keller explained. "That is where our growth is."


Mr. Keller

Likewise, as its retail brokerage business grows, RHR is serving bigger clients. Whereas RHR generally used to serve medium-sized accounts, it now is handling larger accounts.

"As our offices get more mature, they automatically go after larger accounts," Mr. Keller explained. And, the larger clients produce more revenues for the brokerage, which generates 97% of its retail brokerage revenues from commissions and 3% from fees.

Mr. Keller's strategy for guiding RHR to success has been slow, steady growth. For the past three years, the company has been building a foundation, he explains.

Since 1983, the year Mr. Keller joined the firm, gross revenues have grown steadily: 11.6% in 1983 to $28 million; 9.4% to $30.6 million in 1984; and 19.8% to $36.7 million in 1985.

Similarly, in 1984 there were 594 employees and in 1985 there were 592 employees. But, in 1986, staff size increased 13.3% to 671 employees.

"Now we have to use our foundation to grow in the direction that we want," Mr. Keller said.

The direction is evident in the 10 acquisitions made in 1986 and early 1987, all reported on a purchase basis. Two acquisitions expand RHR's services and several establish RHR in new cities.

RHR bought a 50% interest in HRG Intermediaries Inc., a reinsurance broker, on Jan. 1.

New York-based HRG, which places both facultative and treaty reinsurance, has one office.

The other 50% of HRG Intermediaries is owned by RHR's parent company, London-based Hogg Robinson Group P.L.C.

To expand its range of brokerage services, RHR acquired Credit Insurance Associates, which has two offices—one in New York and the other in Pleasanton, Calif. Credit Insurance Associates was acquired on Jan. 1, 1987, so its revenues are not included in RHR's year-end 1986 results.

Continued on next page

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Continued from previous page

Specific procedures are being adopted to improve working relationships, reduce call-backs and misunderstandings, improve the data submitted to insurers and create better documentation of discussions and transactions. Also, an employee transferring from one BMF office to another will have fewer adjustment worries.

But rather than issue operating orders from headquarters, Ms. Ramos collected the most effective work practices from different offices and shared those with all branches. This way, guidelines for handling binders and certificates of insurance, among other things, become "a document from everybody, instead of to everybody," Mr. Kent explains.

While this should prevent E&O claims, BMF developed another system to better track those that do pop up. A new software program in its legal section can identify where a particular piece of litigation sits at any one time, and can better monitor all litigation to which BMF is a party.

Another change at BMF has been centralizing top management into one city. Mr. Kent says: "I have a very strong feeling that we're going to operate this company right out of Fort Worth, Texas. I'm a very hands-on person."

Indeed, he allowed a key BMF executive to leave for a competitor rather than permit him to work out of an East Coast office. Paul Weitz, executive vp-Eastern operations, resigned in January after Mr. Kent said he wanted Mr. Weitz to work out of Fort Worth.

Mr. Weitz grew up in Boston and preferred not to relocate. He now takes his business calls as a vp of Frank B. Hall & Co. Inc. in Boston.

Likewise, the responsibilities of Bruce Schnitzer, perhaps the member of BMF's management team with the highest industry profile, have been substantially curtailed over the past year. Mr. Schnitzer, the one-time Marsh & McLennan Inc. president who joined BMF in April 1985, is based in New York.

By "mutual agreement," Mr. Schnitzer has removed himself from the active management of any of the ongoing operations, says Mr. Kent. He had been supervising BMF's wholesale division. And Mr. Kent has replaced him as chairman of BMF's nine-member executive committee.

Mr. Schnitzer, who is still a BMF shareholder, now works as a consultant paid an annual fee and is available to Mr. Kent for advice as needed.

Other BMF executives working in Fort Worth include Senior Vp Samuel Alcorn and Vp and General Counsel Anthony G. Harris.

Messrs. Kent, Schnitzer and Mizell are three of about 45 BMF executives and key employees who collectively own about 40% of the broker through its holding company, BMF Services Inc. About 10% is owned by former BMF President Joseph N. Tate, and about 50% is held by investors led by the oil-rich Bass Brothers organization, which first bought into BMF in 1983.

Although BMF's offices are in the same glass high-rise as those of the four Bass brothers, Mr. Kent says the publicity-shy family exerts little control over the broker's operations.

The Basses have no representative on BMF's three-man board—consisting of Mr. Kent, Mr. Mizell and Gary W. Rogers, treasurer and vp-finance—but they are "strong supporters" of BMF's business plans, says Mr. Kent.

"The stability they provide is really nice; there's nothing like saying you're partially owned by the Bass brothers," says Mr. Kent.

If BMF's ownership changes in the near future, Mr. Mizell insists in won't be accomplished by selling out to competitor.

"That would be most improbable," he says.

More likely, an ownership change would happen via a public stock offering, but Mr. Kent says now is not the time for BMF.

"One of the most important things we've done is get our entity in a position where we have the option of going public if that's something that really makes sense," says Mr. Kent. "Now we have the choice of 'do we want to go public? Not, 'can we?' "

—*By Steve Taravella*

'Now we have the choice of "do we want to go public?" Not, "can we?" ' says Mr. Kent.

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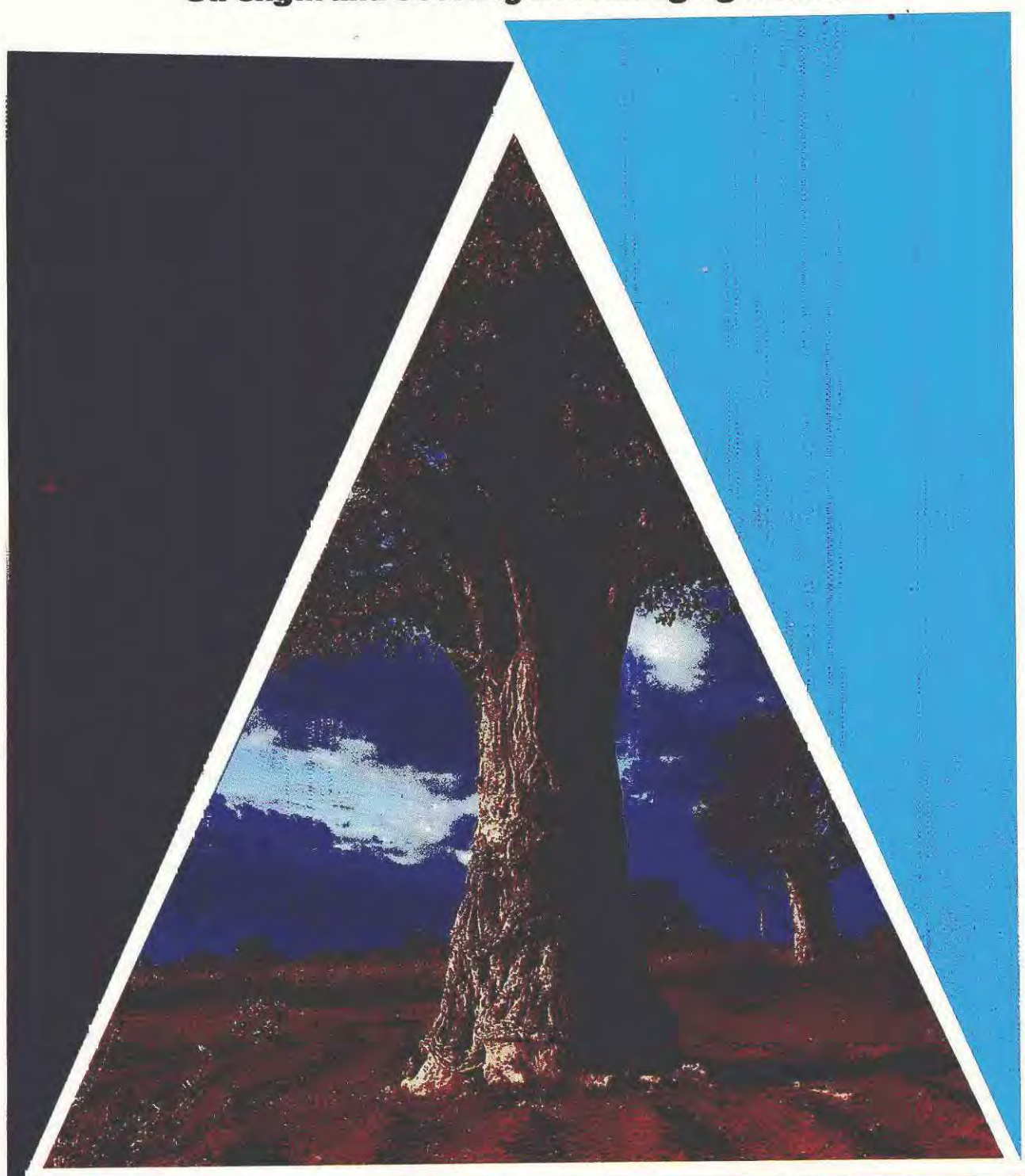
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SKANDIA AMERICA GROUP

Continued from previous page
it be auto or homeowners, with the bank affinity than it is to sell commercial lines," he said.

And, FBSI is working hard at marketing its group life insurance and employee benefits products, noted John C. Larson, managing director of the Life/Benefits Group.

"We're working with the banks at making our customers aware of our employee benefits and life products," he said.


Mr. Larson

For example, FBSI offers defined contribution plan products and services to employers with revenues in excess of $25 million. And, the broker offers flexible spending accounts services to employers with 100 to 1,000 employees, he added.

The broker also offers pension investment products like guaranteed investment contracts and guaranteed annuity contracts, he said.

FBSI also hopes to begin mass marketing personal lines products through payroll deduction plans arranged through the banks' contacts with employers, Mr. Morris noted.

'We think we have to find better and more innovative ways of distributing our products because our distribution costs are high,' Mr. Morris says.

"We're finding that life insurance products are very readily acceptable by bank customers. We can use our banking relationship and bank services to serve our customer and provide them with good products," he added.

While the broker has not had any dramatic change in the number of clients it serves, "we have a large book of municipal business, and there's been some move to self-insurance and alternative funding methods," he said.

FBSI may explore the possibility of forming risk retention groups for groups of bank customers that have the same needs or characteristics.

"We have done some research into risk retention groups, and we are exploring that cautiously because we want to make sure it's the right vehicle for our customers," he noted.

Currently, FBSI has "an adequate number of markets" and is not "looking to add additional ones, except where we can find carriers that can provide unique products."

An omnibus insurance law recently passed in Minnesota probably will not greatly affect FBSI's business, Mr. Morris said. The law includes more than 100 sections of property/casualty and health insurance legislation, including a use-and-file rating system for insurers and new guidelines for policy renewals and cancellations (*BI*, June 8; April 20).

Insurance and tort reform measures also have not had much effect on rates and availability in the states in which FBS operates, he added.

The biggest personnel change at FBSI in 1986 involved the retirement of James D. Hoiness, president and chief executive officer.

Mr. Morris and Mr. Larson now report to Mark W. Sheffert, who continues as chairman and chief executive officer of FBSI and who also is an executive vp of First Bank System. In addition, Michael O. Hoover is a senior vp of the Regional Group of FBSI.

—By Donna DiBlase

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Walter Kaye Associates Inc.

122 E. 42nd St., New York, N.Y. 10168; 212-210-9200

	1986	1985
Premium volume	$450,000,000	$350,000,000
Gross revenues	$28,758,000	$23,950,000
Brokerage: Retail	81%	79%
Wholesale	9%	9%
Reinsurance	3%	3%
Services	2%	2%
Personal Lines	1%	2%
Invest. income	4%	5%
Employees	334	287
Rev./Employee	$86,102	$83,449
Offices	6	6

Walter Kaye Associates Inc. had only one major disappointment in 1986: "The year ended," Lawrence Greenfield, co-president, said wryly.

"Financially, (1986) was a great year for us," said Chairman Walter Kaye.

It was "the best new production year in our history," boasted his son Howard Kaye, who shares the presidency with Mr. Greenfield.


Walter Kaye


Howard Kaye

The secret to the company's success? "Talent, creativity and hard work," claimed the elder Mr. Kaye, 68, who founded the privately held firm 35 years ago.

"Persistence and hard work," echoed the younger Mr. Kaye.

Furthermore, the principals of Walter Kaye Associates still devote most of their time to insurance, not managing the business of insurance, pointed out Mr. Greenfield.

This ethic paid off for the brokerage as revenues grew 20.1% in 1986 to $28.8 million from $24 million in 1985.

This growth, and the absence of The Crump Cos. Inc. from the *Business Insurance* rankings of the 20 largest U.S. brokers this year after its sale to Fred S. James & Co. Inc., pushed Walter Kaye Associates up one notch to 15th place from 16th place last year.

Walter Kaye Associates, which had been called The Kaye Group Inc. until it was merged into Walter Kaye Associates at the end of 1986, grew 38% in 1985 and 30.3% in 1984, when it had revenues of $17.4 million and ranked 19th.

Growth was 25.7% in 1983, 8.7% in 1982, 10.9% in 1981 and 9.6% in 1980.

The company's growth in 1986 was equally attributable to new retail brokerage clients and higher insurance costs, said Mr. Greenfield.

Of the company's 1986 revenues, 81% or $23.3 million was from commercial retail brokerage, up from 79% in 1985; 4% was investment income, down from 5% in 1985; and 1% was from personal lines, down from 2% in 1985.

Other percentages of gross revenues in 1986 were unchanged from 1985: 9% from wholesale brokerage, 3% from reinsurance brokerage and 2% from fees for nonbrokerage services such as claims administration.

Premiums volume increased 28.6% in 1986 to $450 million from $350 million in 1985. Some 40% of premium volume came from casualty lines, 18% from fire insurance, 10% from auto insurance, 10% from life and pension policies,

Continued on next page

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Continued from previous page

2% from personal lines, 1% from ocean/marine insurance and 19% from other lines, mostly workers compensation.

The brokerage tries to spread its business among a variety of insurers.

"We think that reducing the number of insurers (that a broker deals with) is a philosophical, strategic and tactical mistake," said Mr. Greenfield.

He explained that if an insurance company changes its marketing focus, a broker that has placed all of its business with that insurance company may have to shop for a new market.



Mr. Greenfield

Two Walter Kaye Associates specialties are catalog showrooms and shopping centers.

"We have established ourselves" in those markets and "expect growth there," noted Mr. Greenfield.

Howard Kaye pointed out that the brokerage firm is increasing its target advertising to those industries.

In addition, Walter Kaye Associates also has clients in the real estate, retail, manufacturing and restaurant industries.

Most of Walter Kaye Associates' new clients have an annual sales volume of between $200 million and $1.5 billion.

'We think that reducing the number of insurers (that a broker deals with) is a philosophical, strategic and tactical mistake,' says Co-President Lawrence Greenfield, adding that the broker spreads its business among many insurers.

The firm is targeting clients at the $100,000 annual commission level, or $1.5 million in annual premiums.

The smallest new account that Walter Kaye Associates will take would be about $15,000 in commission and fees, according to Howard Kaye.

He added that 80% of the broker's gross revenues come from clients generating annual commissions of $50,000 or more.

The firm's largest clients generate annual commissions in excess of $250,000.

Ninety-eight percent of Walter Kaye Associates' 1986 revenues were generated on a commission basis, while only 2% of broker's revenues were generated from fees.

Walter Kaye Associates serves a total of approximately 7,000 clients with six retail brokerage offices, including the New York headquarters, and a couple of non-retail brokerage companies.

Formerly, all the companies, including Walter Kaye Associates Inc., were subsidiaries of parent company The Kaye Group Inc. Mr. Greenfield was president of The Kaye Group and Howard Kaye was senior vp of that company and president of its largest subsidiary, Walter Kaye Associates.

Following a reorganization on Dec. 30, 1986, for tax purposes and other legal reasons, all of the Kaye companies are affiliates.

Mr. Greenfield and Howard Kaye now share the office of the presidency of Walter Kaye Associates.

There are five other retail brokerage branch offices, all of which operate as independent brokering companies.

The East Coast offices, each of which is called Walter Kaye Corp., are located in the following cities: Newark, N.J.; Fairfield, Conn.; and Cranston, R.I.

To increase the company's East Coast presence, Walter Kaye Associates is looking to acquire a regional brokerage firm in New Jersey.

The West Coast office is in Beverly Hills, Calif.

While each of the branch offices serves all kinds of clients, the Rhode Island office also has a specialty in restaurant and purchasing group activities.

The fifth office is American Administrators Corp. in Arlington Heights, Ill., which is a direct-mail company that markets life and health insurance products to associations.

TKG Agencies Inc., formerly a reinsurance brokerage subsidiary of The Kaye Group, was merged into Walter Kaye Associates as part of the reorganization.

One non-retail brokerage subsidiary is Claims Administration Corp., a New York-based firm that 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 that was formed in 1986 to manage association purchasing groups.

The total number of employees in all the companies grew 16.4% in 1986 to 334 from 287 in 1985. Five people joined the Connecticut office, three people joined the Rhode Island office, and the balance of the additional employees joined Walter Kaye Associates in the firm's New York office.

Although the Kaye companies have grown at a very rapid pace in the past few years, the firm's principals do expect things to slow down in 1987.

Mr. Greenfield said he anticipates revenue growth for Walter Kaye Associates in 1987 to be between 10% and 15%.

And Walter Kaye predicted 1987 would bring "lots of aggravation" as the insurance market becomes more competitive.

Rates are decreasing the most in property insurance and "it ain't over yet," predicted Howard Kaye. And these rate decreases are "not justified by loss experience," he opined, but instead rates are being driven down by insurance companies that want to retain their business.

"We have not seen any major (insurance) company that is not cutting rates," Howard Kaye said, predicting another round of rate-cutting.

"We're in for a very tough year" in 1987, he admitted. "The key is not only production but also to look out for expenses."

Mr. Greenfield noted that there is a new emphasis on controlling costs. In 1987, "expense savings or control (will be) meaningful to the bottom line."

And, although the market is becoming more competitive, it still is exceedingly difficult to find coverage for some risks.



Mr. Silverman

The risk that is the most difficult to market is any form of professional liability, agreed the company's principals. "That market may never recover" from its losses and the trend of an increasingly litigious society, said Howard Kaye. Environmental risks are another difficult area to market, he said.

In addition to the Kayes and Mr. Greenfield, officers of the company include Marc Silverman, executive vp; Richard Bass, Stanley Feinberg and Lester Edelman, senior vps; Frank Shechter, Laura LeValley and Roger Levey, first vps.

—By Deborah Shalowitz

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Robinson-Conner Inc.

1030 State St., Erie, Pa.
16501; 814-452-6881

	1986	1985
Premium volume	NA	NA
Gross revenues	$28,150,000	$18,000,000
Brokerage: Retail	65%	64%
Services	10%	12%
Personal Lines	21%	20%
Invest. Income	1%	1%
Other	3%	3%
Employees	450	390
Rev./Employee	$62,556	$46,154
Offices	17	17

By acquiring six smaller brokerages in 1986, Robinson-Conner Inc. propelled itself into the 16th spot in the *Business Insurance* ranking of the largest U.S. brokers.

This is an all-time high ranking for the brokerage, which held the No. 22 spot last year. In fact, this is only the second time that Robinson-Conner has made it into the Top 20: In 1983, the Erie, Pa.-based brokerage ranked 18th among U.S. brokers.

Fueling Robinson-Conner's surge was a 56.4% increase in gross revenues to $28.2 million in 1986 from $18 million the previous year.

This compares with 1984, when the broker's $15.2 million in gross revenues were virtually flat against 1983's revenues of $15 million.

Most of the broker's subsidiaries showed not only increased growth but also profitability during 1986, said Daniel P. Kuzio, senior vp.


Mr. Kuzio

Acquisitions that contributed to the broker's revenue boost during 1986 were: McMurry & Co. in Denver; Freeman & Co. in Greensboro, N.C.; Young Brothers Insurance in Pittsburgh; Newman, Hayes & Dixon in Hendersonville, Tenn.; Orth La-Prade Insurance in Phoenix, Ariz.; and Circular Insurance in New Albany, Ind. All the 1986 acquisitions were reported on a purchase basis, according to President William B. Conner.


Mr. Conner

The acquisitions were chosen not only for their location and book of business, but also the the quality of their staffs, explained Mr. Kuzio.

"There has to be more to them than just a file cabinet full of clients," he said.

"If an agency became available and the management just wanted to take their money and run, that's not an acquisition for us," Mr. Kuzio explained. "We need people.

"The acquisitions in 1986 were quality people with quality business in areas that we wanted to be," he continued. "The people chose us. And all the people have stayed with us."

In addition to looking at a company's management when considering an acquisition, Robinson-Conner looks at the size of the agency's clients.

About one-half of the broker's commercial lines clients generate between $25,000 and $500,000 in premiums.

"We seek out accounts with at least a premium of $10,000 at the low end to half a million," said Mr. Conner, noting that several Robinson-Conner clients generate $2 million to $3 million in premiums.

The increased cost of insurance did not have a sizeable impact on Robinson-Conner's profits, according to Mr. Conner.

"As a whole, we attribute 10% of our (revenue) growth to rate changes," he added.

Both Mr. Kuzio and Mr. Conner noted that the broker is protected from market swings because its largest class of commercial business is workers compensation, a line of insurance whose rates do not necessarily follow the direction of the overall property/casualty market.

In addition to workers compensation, other types of commercial insurance Robinson-Conner frequently places include general liability, auto liability, inland marine, fire and aviation coverages.

Commercial retail brokerage generated 65%, or $18.3 million, of Robinson-Conner's 1986 revenues, compared with 64%, or $11.5 million, in 1985. Ninety-seven percent of the retail brokerage revenues were produced by commissions, with 3% generated by fees.

Overall, about 10% of Robinson-Conner's revenues are generated by non-brokerage services, including third-party claims administration. Claims administration is provided by three subsidiaries: Claim Service Inc. in Erie, Pa.; Workers Compensation Service Co. in Cleveland, Columbus and Cincinnati, Ohio; and Colorado Notary Assn. in Denver.

But as its non-brokerage subsidiaries grow, Mr. Conner predicts more revenues will be generated by fees in the coming years.

Profit commissions from insurers accounted for 3% of the company's revenues in 1986, while 1% came from investment income, unchanged from the previous year.

Robinson-Conner is a licensed excess/surplus broker in all states in which it operates.

The number of employees increased 15.4% to 450 from 390 in 1986. And, according the Mr. Conner, the company will continue to expand its staff as needed in 1987.

Most of Robinson-Conner's employees are concentrated in Pennsylvania, Ohio, Kentucky and Colorado, where the brokerage has its largest offices. The company also has brokerage offices in North Carolina, Wyoming, Indiana, Tennessee, Arizona and New York.

There are 18 brokerage offices altogether, one more than last year. All of the acquisitions, except for the agency in Hendersonville, Tenn., were merged into existing offices.

Several Robinson-Conner offices specialize in certain risks, including: Greensboro and Raleigh, N.C., Pittsburgh, Colorado Springs, Colo., and Rochester, N.Y., specializing in construction risks; Cleveland, Louisville, Ky., and Harrisburg, Pa., specializing in health care risks; Pittsburgh, also specializing in trucking risks; and Lexington, Ky., specializing in banking risks.

Currently, all of the offices report directly to Mr. Conner or Mr. Kuzio, but as the company grows, more corporate executives will be needed, Mr. Conner said. He predicts the corporate staff, which now numbers 28, could grow by eight or 10 people in 1987.

Mr. Conner said the company has no plans to divest any of its subsidiaries in the coming year. On the contrary, the broker is targeting even more acquisitions during 1987.

Mr. Kuzio said Robinson-Conner is now negotiating to acquire another eight agencies with commission income ranging from $500,000 to $4 million, he said.

"Growth in 1987 will be attributed to acquisitions in the property/casualty area," Mr. Conner predicted.

Geographically, the company is looking to expand into Georgia, Florida and Arizona—"to the Rockies, but not beyond," Mr. Kuzio said.

By the end of the decade, Mr. Kuzio predicts Robinson-Conner will have $50 million in revenues, with growth due mostly to acquisitions.

Continued on next page

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Continued from previous page

A relationship Robinson-Conner has developed with three Erie banks, The Mellon Bank of Pittsburgh, which has a branch office in Erie, Pennsylvania Bank & Trust Co. and First National Bank of Pennsylvania, will make financing new acquisitions much easier. The banks have agreed to finance any future Robinson-Conner acquisitions.

"It's someone on the outside confirming that what we do, we do well," Mr. Kuzio said.

In addition to acquiring new agencies, "We will expand the services we already have," Mr. Conner said.

Another area targeted for expansion in 1987 is life/health insurance.

"We will try to take those offices with small life and employee benefits divisions and make them grow," Mr. Conner said.

Personal lines alone contributed 21% to Robinson-Conner's 1986 revenues up from 20% in 1985.

While just two years ago Robinson-Conner had considered paring down the number of insurers with which it places business to 10 preferred underwriters, Mr. Conner now plans to seek out new markets.

"I'm glad we didn't do that," Mr. Kuzio reflected. "We would have had a terrible problem in all of our offices if we had reduced to 10 companies."

In retrospect, Mr. Kuzio and Mr. Conner said Robinson-Conner's 1986 growth met their expectations.

"As a company we reached the commission income and pretax income we projected," Mr. Kuzio said. In fact, the brokerage exceeded its original revenue projection; last year, Mr. Conner predicted a 33% growth rate.

As a result, the company has gained market share, according to producer-generated reports cited by Mr. Kuzio.

"We've gained market share not only in our existing offices, but by opening up in these other areas," he explained.

"What we did with our core business in 1986 was right on target (with projections)," Mr. Conner added.

And while Robinson-Conner has not seen any bonus commissions from insurers and has not established any exclusive contracts with underwriters, the market atmosphere is improved.

As Mr. Conner quipped, "They call back now—that might be the bonus."

—By Stacy Adler

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John L. Wortham & Son

2727 Allen Parkway, Houston, Texas 77109; P.O. Box 1388, Houston, Texas 77251; 713-526-3366

	1986	1985
Premium volume...	$248,000,000	$202,000,000
Gross revenues.....	$25,469,000	$23,344,000
Brokerage: Retail..	90%	89%
Personal Lines.....	6%	6%
Invest. Income.....	4%	5%
Employees.....	263	263
Rev./Employee.....	$96,840	$88,760
Offices.....	1	1

A softening insurance market and a depressed local economy has put the brakes on skyrocketing revenues at Houston-based John L. Wortham & Son.

The 72-year-old brokerage produced a 9.1% increase in gross revenues in 1986 to $25.5 million from $23.3 million the year before. That increase comes after 1985 revenues soared 37.1% over 1984 figures.

As a result, Wortham only retained its No. 17 spot in the *Business Insurance* rankings of the nation's top insurance brokers, despite an opportunity to move up a notch created by the absence of The Crump Cos. Inc. following its sale to Fred S. James & Co. Inc.

Although last year's growth did not come close to matching the rise in revenues for 1985 and fell slightly below the broker's projections for the year, Wortham's management was satisfied with the 1986 results.

"We had a more than acceptable year," said Managing Partner Fred C. Burns. "We were comfortable. With the Houston economy, we could have expected a lot worse."

The downturn in the Houston economy sparked by depressed oil prices has had "a selective impact" and has not hurt Wortham as much as some other types of local businesses, said Mr. Burns. The brokerage has a widely diverse book of business and its oil accounts have come through the period in good shape, he explained.

However, he noted, "It's kind of difficult to escape the whole economic situation of Houston, since we're headquartered here." And, while the brokerage has some significant accounts outside Texas, most of Wortham's business originates in the city, Mr. Burns pointed out.

'It's kind of difficult to escape the whole economic situation of Houston, since we're headquartered here,' says Fred C. Burns, managing partner of John L. Wortham & Son.

Wortham is doing better in the current depressed economy than it did in 1983, the last time a troubled oil industry hurt Houston businesses. That year, the brokerage's revenues fell slightly from $14.5 million in 1982 to $14.3 million.

Like the rise in gross revenues last year, Wortham's increase in premium volume during 1986 was far below 1985's totals as well. In 1986, premium volume rose 22.8% to $248 million from $202 million the year before. That compares with a 55.7% increase in 1985 over 1984 figures.

Mr. Burns pointed out that growth so far this year has been "pretty flat. Basically the same scenario exists that did during the latter half of last year."

Some businesses that are regrouping during the current economic downturn have lower insurable values as a result of those efforts, said Mr. Burns, and fewer employees to cover.

Also, mergers and acquisitions have become more common in Houston because of the sagging economy.

"We have lost some accounts to mergers," said Mr. Burns. "There is a lot of merger activity going on in our town and you get some of those and you lose some. We probably have gotten as many as we've lost."

Mergers and acquisitions have become more common not only in the oil and gas industry, but in other areas like banking and real estate as well, because those industries also are hurt by the problems brought on by the fall in petroleum prices, Mr. Burns observed.

He points out though, that Wortham is not discouraged by the current economic lull that has contributed to slower growth.

Its book of business is so broad that a slowdown in one area is not devastating to Wortham's overall operation, said Mr. Burns. No account is taboo, he declared, not even petroleum business.

"We're certainly not discouraged by oil and gas," he noted. "We don't write all the oil and gas business in town. There's still a lot of them out there that we don't write and we're not discouraged from continuing to pursue those."

He added: "We're just a general, broad-based brokerage firm. Being located in one place gives us a pretty stable situation. We don't specialize in any industry in particular. Never have."

And, "there is no target whatsoever" in the size client Wortham will accept, Mr. Burns said. "Our philosophy has always been to provide general insurance to anyone who has a need. It can be individuals, small commercial, large commercial, multinational. We probably have as broad a base, across-the-board book of business as there is in the country."

Wortham places business with more than 300 insurance companies on a regular basis, according to Mr. Burns.

The commercial retail brokerage business handled by Wortham accounted for 90%, or $22.9 million, of gross revenues last year, compared with 89%, or $20.7 million, in 1985. All of the company's retail brokerage revenues are generated by commissions.

Personal lines made up 6% of revenues, unchanged from 1985, and investment income was 4% of the total revenues, compared with 5% in 1985.

Declining interest rates were responsible for less revenues from investment income, said Mr. Burns.

Property/casualty business accounted for around 70% of revenues, while life insurance and employee benefits made up 15% and surety business contributed 5% of revenues.

A very small amount of revenues, less than 1%, comes from providing advisory services to clients setting up captives.

That percentage could rise, however, if existing or new clients turn

Continued on next page

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Continued from previous page
to risk-financing methods like risk retention groups or others besides the commercial market, he said.

While he expects that the current softening of the property/casualty market may lessen the need for insurance buyers to form risk retention groups, Mr. Burns said Wortham will help clients arrange the programs if requested.

"Perhaps with the softening, there will be less of a rush in that direction," he noted. But he added that "the vehicle is now there" to give insurance buyers another alternative to fund their risks.

"We'll help them with whatever they need to do to form a group," he said, "just generally assisting them."

Wortham has not added any employees during its recent period of slower growth. The staff remains at 263, bringing revenues per employee last year to $96,840. That amounts to a 9.1% increase over $88,760 in 1985.

Concerning future growth, Mr. Burns said he expects "We will see less difficult times in arranging our customers' insurance needs."

There has been continuing softening in the property insurance market and slightly more capacity available in some casualty areas, he noted.

For example, there is more directors and officers coverage being offered today than a year ago, said Mr. Burns. He predicts that the next stage in the market softening will bring a loosening in terms and conditions connected with the coverage and, finally, a break in the price.


Mr. Burns

He points out, however, that "broad statements" heralding a softening marketplace can be misleading because "there are still situations where there is no availability. It might have to do with a specific type of company or specific industry that may have unique and special problems."

In addition, there is a fine line between a softening market and one that has merely stabilized, said Mr. Burns. "We couldn't by any stretch of the imagination say that we've had a significant softening, especially in the liability area. It's just that things haven't gone any higher."

A soft market cycle as intense as the last one probably will not occur soon, he predicted, because interest rates are not at the high levels that marked the last competitive years.

One market change that Wortham dislikes is the introduction of the claims-made policy form. Despite a lessening of the general clamor over the controversial form in recent months, it is still a stickler to deal with, Mr. Burns acknowledged.

"It's less of an issue than before," he remarked. But "it's around," he noted, adding that "it provides less coverage than our customers want or need in most instances."

Wortham has been able to continue to arrange coverage on the occurrence form for most of its clients, he said. But, insurers are consistently using the claims-made form on pollution liability risks and others like medical and legal liability coverages that have traditionally been written on a claims-made basis, he added.

"Our customers need the coverage provided by the occurrence form," Mr. Burns remarked. "We exhaust every effort to find that coverage."

Wortham has always operated under a philosophy that it does not need to merge with or acquire other agencies. It continues to own three Houston-based subsidiaries, none of which are retail brokers.

The subsidiaries are: John L. Wortham & Son Inc., a managing general agency; John L. Wortham & Son Investments Inc., a securities brokerage; and Services for Risk Handling Inc., a risk management consultant.

There is a fine line between a softening market and one that has merely stabilized, Mr. Burns says.

Wortham currently has 39 partners. Apart from Mr. Burns, Wortham's principal officers are: Allen H. Carruth, chairman of the executive committee; and Joseph G. Cutler, John W. Hervey, Herbert E. Honea, and James R. Davis, partners and members of the executive committee.

—By Michael Bradford

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18

B.R.I. Coverage Corp.

156 William St., New York, N.Y. 10038; 212-233-7171

	1986	1985
Premium volume	$265,000,000	$225,000,000
Gross revenues	$23,900,000	$20,100,000
Brokerage: Retail	85%	85%
Wholesale	1%	1%
Reinsurance	3%	3%
Services	5%	5%
Personal Lines	3%	3%
Invest. income	3%	3%
Employees	176	150
Rev./Employee	$135,795	$134,000
Offices	1	1

While its explosive revenue growth slowed during 1986, B.R.I. Coverage Corp. is targeting industry groups in hopes of expanding its business further this year.

Gross revenues reported by New York-based B.R.I. increased 18.9% to $23.9 million last year from $20.1 million in 1985, moving B.R.I. up to the No. 18 spot in the *Business Insurance* ranking of the largest U.S. insurance brokers.

Last year, B.R.I. had jumped to the No. 20 spot based on 1985 revenues, which were up 40.6% from $14.3 million reported in 1984.

Premium volume handled by B.R.I. rose 17.8% to $265 million last year from $225 million in 1985. The brokerage's 1985 premium volume had represented a startling 73.1% increase from the $130 million handled in 1984.

The slowdown in growth last year was tied primarily to the leveling off of prices in the commercial property/casualty market, explains Howard Miller, a partner of the privately held brokerage and director of product development.

"Certainly the revenues in 1986 reflected the marketplace in 1986," Mr. Miller observed.

However, B.R.I. is developing special industry insurance programs with the intention of further expanding its client base.

The slowdown in growth last year was tied primarily to the leveling off of prices in the commercial property/casualty market, explains Mr. Miller. 'Certainly the revenues in 1986 reflected the marketplace in 1986,' he observes.

One recently unveiled program for fuel oil distributors, Mr. Miller noted, offers umbrella coverage with a $20 million limit excess of $2 million. The program's claims-made form includes named perils, pollution liability coverage and property coverage, he said.

The program is not sponsored by an industry association, but is instead being marketed directly to potential clients, according to Mr. Miller, who would not reveal the name of the insurer writing the program.

Another program is being put together for demolition contractors, and B.R.I. hopes to have three additional industry programs up and running by July 1.

Mr. Miller added that he hopes to see each of the programs generate $500,000 to $1 million in brokerage revenues in their first calendar year of operation.

Last year, B.R.I. became co-program administrator of a program for asbestos abatement contractors underwritten by National Union Fire Insurance Co. of Pittsburgh, Pa., an American International Group Inc. unit.

B.R.I.—which marketed the program with Morefar Marketing Inc., an AIG subsidiary—took in between $400,000 and $500,000 in commissions on the program last year, Mr. Miller said.

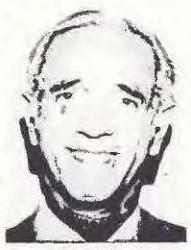
The asbestos abatement program—and other new business—accounted for about 75% of B.R.I.'s revenue growth in 1986, while rising prices on existing business accounted for the remaining 25%, according to Mr. Miller.

Mr. Miller reported little change in the mix of B.R.I.'s brokerage business.

Casualty risks still account for the bulk—about 40%—of B.R.I.'s revenues, while property risks represent about 22%; ocean marine—consisting mainly of cargo rather than hull business—about 20%; crime and surety coverages about 4%; life and employee benefits 3%; risk management services 5%; personal lines 3%; and investment income 3%.

Roughly half of BRI's clients pay annual premiums ranging from $700,000 to $1.4 million, Mr. Miller said.

All of B.R.I.'s employee benefits business is handled by its White House Agency Inc. unit and nearly all is drawn from the brokerage's property/casualty clients, according to Mr. Miller, who added that about 20% of B.R.I.'s property/casualty clients are also benefit clients.


Mr. Miller

B.R.I. hopes to increase this percentage with a newly formed joint venture between White House and the New York-based benefits consulting firm of Chernoff, Diamond, Ostrove & Feller.

The joint venture—B.R.I.'s first—will be called Comprehensive Benefits Consultants.

Comprehensive Benefits Consultants will continue drawing on B.R.I.'s client list for most of its business, and Mr. Miller said he hopes the joint venture will be managing the benefit business of half of B.R.I.'s property/casualty clients by the end of the year.

Through the joint venture, B.R.I. may double or triple the approximately $650,000 in brokerage revenues derived from employee benefits last year, Mr. Miller said.

He added that Chernoff, Diamond will move seven staff members into B.R.I.'s lower Manhattan offices, where they will join three B.R.I. employees in handling the benefit business.

In addition to retail brokerage—which produced 85% of B.R.I.'s 1986 revenues—other B.R.I. services include:

- Reinsurance brokering through B.R.I. International Agency Inc. Reinsurance brokering accounted for about 3% of B.R.I.'s gross revenues last year.
- Captive management, also through B.R.I. International.

The brokerage did not see any growth last year in its captive management business, which includes management of two B.R.I.-owned rent-a-captive facilities: Unisea Insurance Co. Ltd. of Bermuda, and a subsidiary, International General Insurance Co. Ltd. of the Cayman Islands.

B.R.I. has a "couple" of clients in the rent-a-captive facilities, Mr. Miller said.

- A variety of risk management services—including policy audit, loss control and other financial services—through its Risk Management Economics Division.

About 75% of BRI's revenues were generated by commissions while 25% were generated by fees.

Continued on next page

YOU & OVERVIEW

When Creating OVERVIEW a Few Years Ago, Industrial Risk Insurers analyzed a large cross-section of our insureds, examining some 1,169 loss histories. In every case, we discovered that property loss prevention and control had significant potential impact on the sustained profitability of those businesses. To maximize this impact, we realized that we needed to create new ways of showing how to manage the interaction among people, hazards and protection equipment. And, to prepare this information in a useable format for management teams of our insureds. Hence, OVERVIEW. Initially introduced as a 3-ring binder, and now available in a 96-page, typeset manual. Plus, a new OVERVIEW Forms Packet which can be used in conjunction with binder or manual.



Recently, Someone Asked: "OVERVIEW Seems Like a Great Idea, but my company is not an IRI insured. What can OVERVIEW do for me?" One answer is that the loss prevention services of IRI are so interwoven into the warp and woof of the OVERVIEW philosophy that attempting to implement an OVERVIEW-style program without specific guidance from a trained IRI loss prevention representative is a more difficult undertaking. At the same time, OVERVIEW does state that "... managers will apply modern management techniques to the problems of loss prevention and control." Certainly this can be done outside the environment of an IRI insured-insurer relationship. However, since OVERVIEW is intended for facilities insured by IRI, the maximum benefit of this philosophy will be obtained when IRI is consulted before and during program implementation.

A Few Things to Consider: When Applying the Philosophy of OVERVIEW, remember that the concept is based on the six characteristics of an HPR or highly protected risk: 1) *A Concerned Management* with the determination to reduce the probability of loss to a minimum; 2) *Substantial Construction* of an approved type for the property and in good repair; 3) *Interior Protection* where necessary with automatic sprinkler and/or water spray systems; 4) *Special Hazards* properly protected in accordance with uniform standards; 5) *Exterior Protection* including an adequate public or private water supply; and 6) *Proper Surveillance* in the form of watchman or alarm service or continuous occupancy.

When properties do not require nor merit an HPR rating, then something other than OVERVIEW may apply. On the other hand, since the philosophy of OVERVIEW offers a reasoned approach to loss prevention and control, the management of any facility should benefit from reading the OVERVIEW Manual. An additional aid is the OVERVIEW Forms Packet, which helps you custom-tailor your own set of loss prevention guidelines. For information and prices concerning the OVERVIEW Manual and Forms Packet, write to Mrs. P. A. Sasso, IRI, 85 Woodland Street, Hartford, CT 06102 or telephone her at (203) 520-7412.

Industrial Risk Insurers

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Continued from previous page

Unlike many other large brokers, B.R.I. services all of its clients out of its New York office rather than maintaining a widespread network of offices.

"We have never really seen the advantage of these satellite offices," Mr. Miller explained. "You spread your people thinner and thinner."

B.R.I. continues to service the overseas risks of U.S. multinational accounts through its affiliation with Stewart Wrightson Group P.L.C., the London-based Lloyd's of London broker.

The affiliation allows B.R.I. direct access to more than 90 Stewart Wrightson offices in 34 countries around the world. Last year, international business accounted for $2 million of B.R.I.'s gross revenues, unchanged from 1985.

In addition, BRI is a licensed excess/surplus broker in New York and New Jersey.

Meanwhile, B.R.I. last year increased its staff 17.3% to 176 employees from 150 in 1985. Nearly all of the 26 new staffers were professional, rather than clerical, employees, Mr. Miller said.

The brokerage substantially increased the ranks of its underwriting staff, which services client accounts in B.R.I.'s offices, and its marketing staff, which markets client accounts to insurance companies, he said.

'We have never really seen the advantage of these satellite offices,' says Mr. Miller.

The production staff—responsible for bringing in new business—saw relatively smaller gains, Mr. Miller reported.

The number of B.R.I. partners, however, has dropped to seven since the departure last year of Allen Birnbaum, director of employee benefits, and Arthur Ostrow, director of special services.

Mr. Birnbaum and Mr. Ostrow sued B.R.I. and its other partners in New York State Supreme Court in Manhattan last October, seeking to dissolve the brokerage.

The suit was subsequently settled and the court files in the case sealed at B.R.I.'s request.

Mr. Miller declined to provide any details of the dispute that led to the lawsuit or to comment on the settlement.

"We had an amicable parting of the ways, more a difference in philosophy than anything else," he said.

A third partner, Jay Cohen, also was bought out at the same time, Mr. Miller said.

Separately, B.R.I. also settled a lawsuit it brought in U.S. District Court for the Southern District of New York to enforce a non-competitive agreement with a former employee, Robert Cottone. Mr. Cottone left B.R.I. to join National Insurance Associates Inc. in New Brunswick, N.J. (*BI*, Dec. 8, 1986).

Mr. Miller also declined to comment on the terms of this settlement.

In addition to Mr. Miller, B.R.I. partners include Donald P. Ferrarini, president; Bruno Rumignani, director of marketing; Fred Ghawi, director of ocean marine; James Sweitzer, director of commercial underwriting; Burton Matfus, treasurer; and Herbert Kramer, secretary.

Other officers include Matthew A. Murphy, director of administration; and John J. Kelly, James J. O'Donnell, Harold K. Ross, Roger Imperial, Peter Riebling and Mitchell May, all senior vps.

—By Douglas McLeod

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McDonough Caperton Insurance Group

P.O. Box 1551, 1 Hillcrest Drive, Charleston, W.Va. 25326-1551; 304-346-0611

	1986*	1985*
Premium volume	NA	NA
Gross revenues	$23,884,000	$21,500,000
Brokerage: Retail	44%	44%
Wholesale	6%	5%
Reinsurance	1%	0%
Services	44%	40%
Personal lines	3%	10%
Investment income	2%	1%
Employees	452	434
Rev./Employee	$52,841	$49,539
Offices	17	12

*Fiscal years ending April 30, 1987; April 30, 1986

With gross revenues of $23.9 million, McDonough Caperton Insurance Group Inc. is well on its way to reaching a goal of $50 million in revenues by 1991.

"We are focusing on consistent growth with industry-competitive profits. What we basically target ourselves for is about 20% growth each year," said Gaston Caperton, president of the Charleston, W.Va.-based broker.

To achieve its goals, McDonough Caperton is developing and expanding niches in the marketplace.

"What we continue to do is to segment the market so that we are concentrating our efforts on specialty products for special customers with specially trained and qualified people," Mr. Caperton explained.

The broker's gross revenues increased 11% to $23.9 million for the fiscal year ending April 30, 1987. That figure, although an 11.1% increase from last year's $21.5 million, dropped the broker to the 19th spot in the *Business Insurance* ranking of the Top 20 U.S. brokers. Last year, the broker ranked No. 18.

"I think that there are unbelievable opportunities for our company and any company that provides a superior product and service. We have such a small market share that the ability to grow is only limited by our own ability to develop," Mr. Caperton said.



Mr. Caperton

"A lot of the increase in 1985 gross revenues was due to skyrocketing premiums. But most of the growth in 1986 came from new business," said Claudia F. Lindsey, vp-administration and planning.

McDonough Caperton's gross revenues grew 23.6% in 1985. The company's compound annual growth rate over the past five years has been 19.4%, she noted.

Some 44%, or $10.5 million, of the broker's gross revenues was generated by commercial retail brokerage, the same percentage as in the previous year.

Other non-brokerage services, such as claims administration and employee benefits consulting, generated about 44% of gross revenues, up four percentage points from the previous year.

Six percent generated by wholesale brokerage, up one percentage point from the previous year.

Personal lines generated about 3% of gross revenues, down seven percentage points from last year; investment income generated about 2%, up one percentage point from last year; and reinsurance brokerage generated about 1% of revenues, compared with none last year.

The employee benefits group generated 44% of McDonough Caperton's total gross revenues, or about $10.5 million. Benefit revenues de-

Continued on next page

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Continued from previous page
clined about 2% from $10.7 million in the previous fiscal year.

"That includes fully insured benefits, our third-party administration business, workers compensation and a little pension plan administration," Ms. Lindsey said.

McDonough Caperton's TPA ranked 12th in the *Business Insurance* listing of the 12 largest TPAs in the nation for the first time this year (*BI*, Jan. 26).

About 30% of benefit revenues were generated by commissions and 70% by fees, she said.

Of the $10.3 million in revenues generated by the property/casualty group, 90% was commissions; 10% fees.

The broker targets clients that generate $10,000 to $50,000 in commissions. The largest among its 7,500 clients generate about $250,000 in commissions and its smallest generate about $1,000.

McDonough Caperton, which considers itself a regional broker, serves clients from 17 offices located in Georgia, Kentucky, Ohio, Pennsylvania, Virginia and West Virginia. And, in 1986, the brokerage opened five new offices.

'We're continuing to look for those specialty markets where we better understand the customer's needs and have better trained people to meet those needs,' says Gaston Caperton of McDonough Caperton Insurance Group.

A new office in Chicago specializes solely in professional liability, emphasizing medical malpractice, Ms. Lindsey said.

The broker also opened an office in Roanoke, Va., in 1986, where "We've always had good penetration," she noted. It offers a broad line of products and services.

McDonough Caperton also opened two offices in Atlanta.

Atlanta-based Caperton Special Risks is part of McDonough Caperton Risk Services, which specializes in marketing difficult general liability and product liability risks to both the foreign and domestic excess and surplus lines markets. The division brokers risks both for McDonough Caperton and independent agents.

McDonough Caperton also acquired an existing retail property/casualty agency in Atlanta, Insurance Enterprises Inc. The agency "gives us a quick entry into the Atlanta market," Ms. Lindsey noted.

Although Ms. Lindsey would not reveal the purchase price or premium volume for Insurance Enterprises, the broker gained about 500 clients in the acquisition.

Overall, McDonough Caperton expanded its staff by 18 employees for a total of 452 in 1986.

Revenues per employee increased 6.7% to $52,841 from $49,539 in 1985.

"We need to invest in new talent and we plan to continue doing that," said Mr. Caperton. "We're always looking for outstanding people with unique skills.

McDonough Caperton also offers captive management services through McDonough Caperton International in Hamilton, Bermuda.

In the next few years, McDonough Caperton plans to "continue expanding our ability to offer alternative funding programs for property/casualty risks, which represent 10% of our income now. We have added some key professional staff," said W. Marston Becker, executive vp.

"We're continuing to look for those specialty markets where we better understand the customer's needs and have better trained people to meet those needs," Mr. Caperton noted.

And, McDonough Caperton Systems, based in South Charleston, W.Va., offers automated office management systems for physicians and small clinics, said Ms. Lindsey.

Expanding its business in the managed health care field, McDonough Caperton also opened an office in Miami.

"We're working with a group of five hospitals in Miami," Ms. Lindsey said. "They formed a PPO and we will be marketing the PPO and doing the insurance brokerage for the hospitals."

McDonough Caperton already markets a preferred provider program called MedSelect in several cities in West Virginia, including Charleston and Wheeling.

The PPO is insured by Greensboro, N.C.-based Jefferson Pilot Corp. and includes hospitals owned and operated by HealthNet, a Charleston-based hospital corporation. McDonough Caperton began marketing the PPO in late 1986 (*BI*, Oct. 6, 1986)

"We have a whole variety of health care products, including administrative support for PPOs, like marketing and claims work. It was a natural adjunct to our TPA business," Mr. Becker noted.

The broker also plans to extend its administrative support services to the health maintenance organization industry, he said. "We are serving as the claims administrator for an HMO and we see the opportunity to expand our support services for PPOs to the HMO arena."

McDonough Caperton currently is involved in one lawsuit, in which two health care plans—Cleveland-based Ohio Health Choice Plan and the Academy of Medicine of Cleveland—are suing McDonough Caperton Shepherd Group, the broker's holding company (*BI*, Jan. 12).

The health care plans are seeking the return of $1.7 million in group health premiums that McDonough Caperton, acting as a general agent, had not remitted to Ideal Mutual Insurance Co. of New York before the insurer was ordered liquidated in February 1985.

McDonough Caperton filed an interpleader suit in a federal court and "placed the money in a trust with the court and asked the court to decide whose money it is. It is our desire to return it to our clients," Mr. Becker said.

No further action has been taken in the case, he said.

Although the property/casualty market is beginning to stabilize, the broker has not changed the number of insurers with which it places business, he said.

"We have found this to be very much an evolutionary process. We continue to try to be as productive for our carriers as we can be because then they are productive for us," Mr. Caperton said.

McDonough Caperton's principal holding company officers include Mr. Caperton, Mr. Becker and Ms. Lindsey. Other key officers are presidents of the broker's profit centers: Kenneth J. Juskowich, Fairmont, W.Va.; Bradley E. Layne, South Charleston; Robert L. Ludwig, Charleston and Parkersburg; Charles S. Morton, Beckley; Andrew J. Paterno, Charleston; James M. Pennington, Charleston; Paul R. Turner, Wheeling; Dennis J. Vogelsberger, Cleveland and McDonough Caperton Professional Liability Services in Charleston; Michael J. Waldron, Lexington; Craig T. Wisotzki, Pittsburgh.

—By Donna DiBlase



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ABI Management Inc.

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	1986	1985
Premium volume...	$193,000,000	$128,000,000
Gross revenues.....	$22,729,000	$17,700,000
Brokerage: Retail..	86%	84%
Wholesale.....	4%	4%
Services.....	3%	5%
Personal Lines.....	4%	4%
Invest. income.....	3%	3%
Employees.....	279	245
Rev./Employee.....	$81,466	$72,245
Offices.....	12	10

ABI Management Inc., the newest member of the Top 20 insurance brokers, was conceived to put the financial strength and marketing power of a national brokerage to work on a local and regional basis.

"The purpose of the company was to build a major U.S. insurance brokerage operation whose focus was on the management of regional and local accounts with a heavy emphasis on life and employee benefits—not to get into the exotic areas of national risk and claims management," explains Bernard H. Mizel, president and chief executive officer of ABI.

Mr. Mizel established ABI three years ago with the financial backing of American Financial Group of Cincinnati based on his belief that none of the top U.S. brokers was serving local and regional buyers well.



Mr. Mizel

He sees a great opportunity in this market for a national broker with the financial wherewithal and marketing leverage that ABI can muster.

ABI's development strategy has been to buy existing local and regional brokers and give them the kind of support that a large organization can provide, while at the same time capitalizing on their local name recognition and reputation.

"Our objective is to have a national presence, but really be local and regional brokers. Our objective is not to seek out national accounts. We write some national business, but that's not the emphasis," Mr. Mizel says.

ABI's clients' premiums range from $25,000 to $500,000, but most of its clients are in the lower part of that range.

Mr. Mizel used this strategy successfully in building the former Albert M. Bender Co. into a large regional brokerage house. Bender Co. was acquired by Prudential-Bache in 1978 and later sold to Jardine Insurance Brokers Inc.

After the acquisition, Mr. Mizel served as chairman of the U.S. operation until three years ago when he left to start ABI Management. Since then, Jardine has merged with Emett & Chandler Cos. Inc. to form Jardine Emett & Chandler Inc., the ninth-largest U.S. broker (see profile, page 58).

Mr. Mizel says he left Jardine's U.S. operation because he wanted to focus on regional and local business, while the Jardine management wanted to target larger clients.

"My interest is in the local and regional accounts," he says, adding, "And that's where my expertise is."

Mr. Mizel says he sees the local and regional market as largely untapped by the larger national brokerages.

"As you take a look at the Top 20 insurance brokerage firms in the United States, very few of them focus on acquiring, managing and building up local brokerage operations.

"In some cases, larger organizations will purchase insurance brokerage firms and consolidate them. That's been very prevalent among the top five or six national brokers," he says.

But Mr. Mizel contends that the acquired firms are often absorbed so completely by the larger brokers that they lose their individual identities.

"These people are lost and they have no sense of identity, no sense of achievement, and the business goes all over the place. We want to avoid that," he adds.

Mr. Mizel says his strategy is to find "quality brokers that may have lost their vitality."

"We go in and revitalize the interest of the management," he says. "We let them involve themselves in the infrastructure of our organization and we get wonderful results."

So far, Mr. Mizel's strategy for ABI seems to be working well.

ABI generated gross revenues of

Continued on next page

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Continued from previous page
$22.7 million in 1986, a 28.4% increase from $17.7 million in 1985.

In 1984, ABI reported $10.8 million in revenues for the eight months it was in operation.

Premium volume in 1986 reached $193 million, up 50.8% from $128 million in 1985.

ABI added 34 new employees during the year, bringing the broker's workforce to 279. And revenues per employee increased to $81,500 from $69,700 in 1985.

During its start-up phase in 1984, ABI acquired brokers in Los Angeles, San Francisco, Minneapolis, Chicago, Kansas City and Fort Lauderdale, Fla.

"Then we set about increasing the strength of those organizations by purchasing additional firms in those areas so that we would have some significant presence," Mr. Mizel explains.

Approximately two-thirds of the broker's revenues is generated by property and casualty business, and about one-third is life and health business. And, with the addition in 1985 of L.K. Lloyd & Associates in San Francisco and Los Angeles, a financial services distribution company, ABI can provide complete financial service packages to its clients.

The remainder of ABI's revenues is generated by wholesale brokerage, 4%; non-brokerage services, 3%; personal lines, 4%; and investment income, 3%.

In 1986, the broker continued to acquire several small, regional brokerages including: Patrick C. Ross & Associates Inc. in Woodland Hills, Calif.; Risk Consultants and Womack Insurance Agency, both of Shawnee Mission, Kan.; San Francisco Agencies Inc. in San Francisco; Jacobs-Fendig Inc. in Tampa, Fla.; M.D. Levinson in Los Angeles; Elmhurst Insurance Agency in Elmhurst, Ill.; and MKB Insurance Services in Larkspur, Calif. All the acquisitions were reported on a pooling basis.

'We spend a lot of time working with our existing offices to upgrade the quality of their internal administration, to strengthen the internal management of ABI,' says Bernard H. Mizel, president and chief executive officer.

In addition to acquiring several more brokers in 1986, ABI's management spent a great deal of time on the company infrastructure, according to Mr. Mizel.

"We spend a lot of time working with our existing offices to upgrade the quality of their internal administration, to strengthen the internal management of ABI, and we worked closely with our insurance companies so they will understand ABI's long-term goals," he said.

The company changed its attitude toward management somewhat last year, Mr. Mizel explains. "When we started out, we thought of having a more laissez-faire attitude toward this, where the local offices would keep their identity and have a lot of autonomy. We found that that didn't really work very well," he says, because it made budgeting, financial management and marketing to insurance companies difficult.

As a result, ABI has tightened management control of its operations, but local managers still have a great deal of autonomy, Mr. Mizel explains.

"What we try to do is offer services that make sense to these managers, so we help them and advise them," Mr. Mizel says.

These services include special marketing assistance and financial help where it is needed.

"My job is to be the coach," he adds.

Mr. Mizel says his goal is to build ABI up to $50 million in gross revenues within its first five years.

If ABI makes a few more of the acquisitions it is examining this year, "We should probably reach $30 million next year," he says.

Mr. Mizel declined to offer any details on the company's acquisition targets except to say: "Our cup of tea is really $1 million to $2 million shops. And in locations where we already have offices, we're willing to go down to $500,000 or even lower."

About 86% of ABI's gross revenues were generated by commercial retail brokering. Commissions accounted for 96%; fees, 4%.

In addition to those already mentioned, member companies of ABI Management Inc. include: American Business Insurance Agency of Florida Inc. in Fort Lauderdale, Fla.; Transport Employee Benefits Inc. in Los Angeles and San Francisco; Wellington-Ross Insurance Services in Los Angeles; American Business Insurance Agency Inc. in Minneapolis and Overland Park, Kan.; and American Business Insurance Agency of Illinois Inc. in Schaumburg, Ill.

ABI is licensed as an excess/surplus lines broker in Minnesota, Kansas and Illinois.

Mr. Mizel says ABI has a "very close relationship" with Lincoln National Health & Casualty Co. of Fort Wayne, Ind., and American General Life Insurance Co. of Houston. ABI's other major markets include: Fireman's Fund Insurance Cos. of Novato, Calif.; Maryland Casualty Co. of Baltimore; Great American Insurance Co. of Cincinnati; Transamerica Corp. Group of Los Angeles; Northland Insurance Co. of Minneapolis; American States Insurance Co. of Indianapolis; SAFECO Insurance Cos. of Seattle; and Chubb Corp. of Warren, N.J.

Officers of ABI in addition to Mr. Mizel include: Ronald J. Brichler, senior vp and chief financial officer; Bruce A. Ricci, senior vp; Ronald D. Lofgren, vp and national controller; and Richard Bowers, assistant vp-product development and systems.

—By Robert A. Finlayson

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Runners-up separated by slim margins

By LAURA MAZZUCA

It was a tight race among the brokers ranking 21st to 25th largest in the United States, with three companies crossing the wire with just about $22 million in gross revenues.

Ranking as the 21st-largest broker is Kansas City-based Financial Guardian Group Inc., which fell out of the Top 20 for the first time since 1978.

FG, with 1986 gross revenues of $22.4 million, now is on a gradual but steady comeback trail after its 1984 divestitures and management reorganization.

FG was closely followed by:

- Monticello, N.Y.-based Rhulen Agency Inc. in 22nd place with $22.2 million in gross revenues.
- Daytona Beach, Fla.-based Brown & Brown Inc. in 23rd place with $22.1 million in gross revenues.
- Birmingham, Ala.-based McGriff, Seibels & Williams Inc. in 24th place with $20.4 million in gross revenues.
- Charlotte, N.C.-based Collier Cobb & Associates Inc. in 25th place with gross revenues of $20 million.

Financial Guardian Group

Financial Guardian Group introduced its "A Company of Excellence" program in 1985, during a time of reorganization and divestiture.

The brokerage had simply become too diversified, said Donald R. Weber, chairman, president and chief executive officer. It had lost sight of what it does best: commercial retail brokerage, he said.

FG sold several entities, including an employee benefit agency, a wholesale brokerage and a smaller retail operation.

As a result, FG slipped in *BI*'s ranking of the Top 20 brokers. It was No. 19 last year based on 1985 revenues of $21.1 million. In had ranked 16th based on 1984 revenues of $23.3 million; 15th based on 1983 revenues of $21.5 million; 15th based on 1982 revenues of $22.3 million; 15th based on 1981 revenues of $21.2 million; and 16th based on 1980 revenues of $19.5 million.

Mr. Weber, however, is proud to report improvement in the privately owned company's earnings: In 1984, shareholders lost 3 cents per share, while in 1986 they earned 47 cents per share.

As an incentive, the company offers shares of its stock to employees, who now own about 25% of the company, Mr. Weber said. The balance of the stock is held by an assortment of shareholders, including the company's board of directors and outsiders.

Why the turnaround? "The real story at Financial Guardian is our 'Excellence' program," Mr. Weber said, adding that the key to the brokerage's growing success lies in the quality of its employees.

FG had 312 employees in 16 offices at year-end 1986, a 10.2% increase compared with 283 in 15 offices in 1985.

Financial Guardian's average commission on commercial lines business currently ranges from $5,000 to $100,000 and average about $50,000 per account, Mr. Weber said.

FG reports placing $40 million in property/casualty premiums. Its specialties include fast-food establishments, prosthetic manufacturers and automobile dismantlers.

Retail brokerage business generated 75% of FG's gross revenues in 1986, while 14% came from wholesale business; 1% from reinsurance; 1% from non-brokerage services; 7% from personal lines; and 2% from investment income.

Only 2% of the retail brokerage revenues was paid as fees, while 98% came from commissions.

FG also is beginning a new acquisition campaign, Mr. Weber said. The brokerage already has purchased two agencies: Borian Agency in Chicago in July 1986, with $100,000 in revenues; and Peterson & Gennaro in Phoenix, Ariz., last month, with $800,000 in revenues.

A Financial Guardian office was opened early this month in Anchorage, Alaska, as part of the brokerage's strategy to branch out to the Northwest. And, a new Seattle office is planned for the first quarter of 1988, Mr. Weber added.

Other FG offices are located in: Denver; Wichita, Kan.; Detroit. St. Louis; Houston; San Jose, Los Angeles and Sacramento, Calif.; and New York.

Subsidiaries are located in: Houston and New Orleans (FG Special Risk); and Kansas City, Mo. (FG Technical Services Inc.).

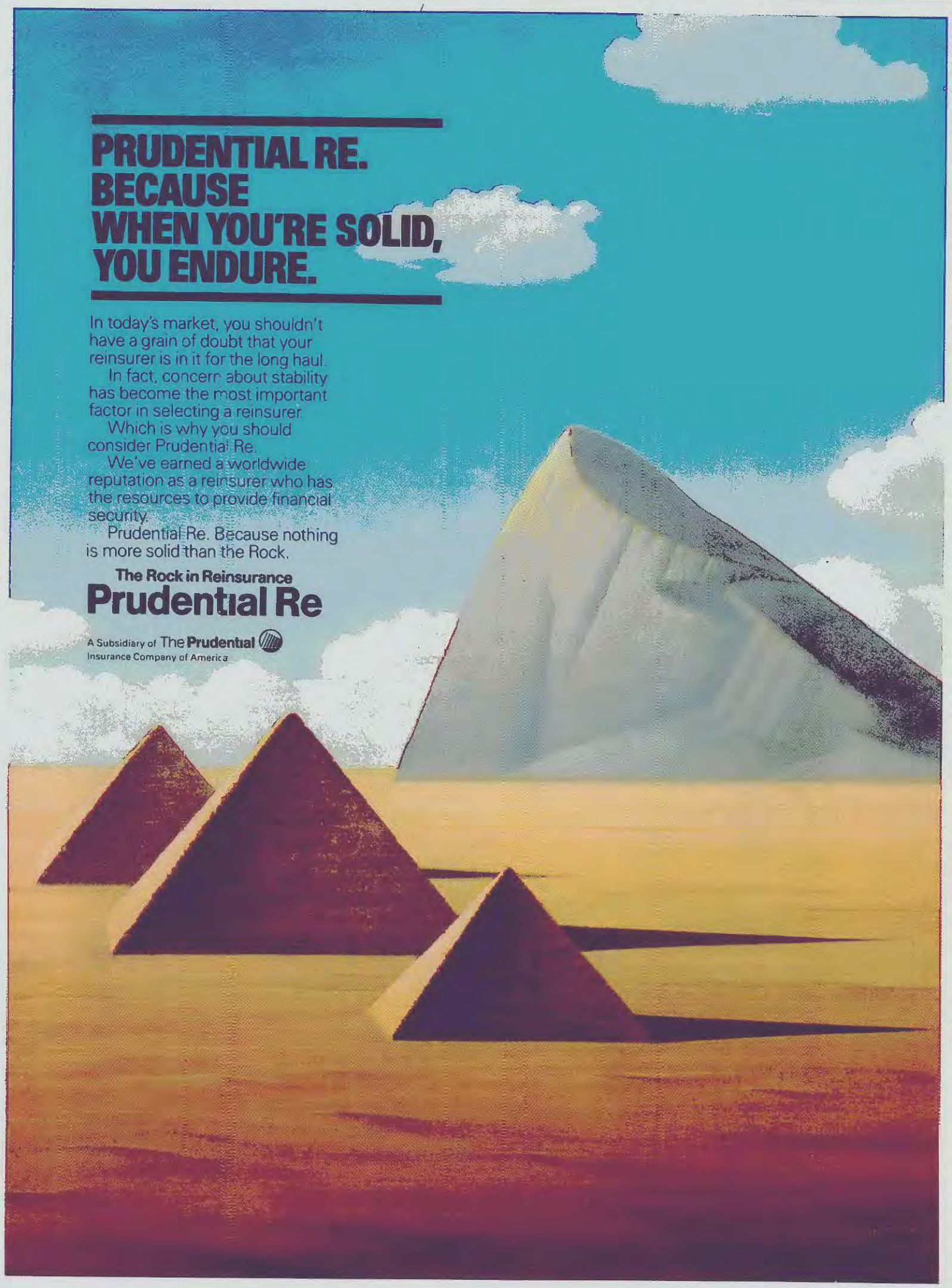
When FG established its five-year plan in 1985, it took into account the inevitable softening of the market, Mr. Weber said. As a result, FG beefed up its sales and marketing division and is now reaping rewards: 60% of FG's gross revenues in 1986 was attributable to new business, Mr. Weber said.

While the market generally is softening, Mr. Weber noted that directors and officers liability insurance is still tight and it is still difficult to obtain excess liability coverage in the $5 million to $25 million layer.

Mr. Weber considers the company's major growth in 1988 and beyond will be in special programs, employee benefit services, upper-middle-market commercial property/casualty business and transportation risks, particularly trucking business.

The brokerage is peripherally involved as one of many defendants

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Runners-up

Continued from previous page
in a lawsuit brought against World American Underwriters, a subsidiary from which FG dissociated itself in the early 1970s, by brokerage Frank B. Hall & Co. Inc. Mr. Weber doesn't expect the suit to affect the company's profits (*BI*, April 13).

In addition to Mr. Weber, Financial Guardian's principal officers are Darrell D. Prater, executive vp and chief financial officer, and Barry R. Harper, Doran R. Oneale, Charles J. Longwello and Norbert F. Koehs, senior vps.

Rhulen Agency Inc.

Rhulen Agency Inc., the Monticello, N.Y.-based recreation and livestock specialist, grew substantially in 1986 with its gross revenues leaping ahead 33.7% to $22.2 million from $16.6 million in 1985.

The brokerage regained its traditional foothold in the Top 25, after slipping down to No. 27 last year.

Health club policies were 'growing at a tremendous rate' during 1986, says Mr. Rhulen.

"We exceeded our goals for '86," said Walter Rhulen, now the brokerage's executive committee chairman.

A combination of high rates, new clients and booming growth in Rhulen's specialty lines was behind the revenue increase, Mr. Rhulen said.

Rhulen is one of the largest brokers of health club policies nationwide, "a line of business that was growing at a tremendous rate" in 1986, said Mr. Rhulen.

Major management restructuring, in which sister company Frontier Columbus Corp. was spun off as a publicly held entity, resulted in considerable tax savings for Rhulen, which then became eligible for an 1120-S provision.

As of Dec. 31, 1986, Rhulen merged all of its brokerage entities under the Rhulen name, qualifying the company for partnership status and circumventing corporate and dividend taxes.

Walter Rhulen assumed his present title of executive committee chairman, with Jesse M. Farrow taking over as chairman and chief executive officer; Peter L. Rhulen, president; and Murray Markman, executive vp. The brokerage has 320 employees, the same as in 1985.

Retail offices are maintained in Liberty, N.Y.; Greer, S.C.; Ocala, Fla.; Grove City, Ohio; Bridgeport, Conn.; Newport Beach, Calif.; Levittown, Pa.; and Murfreesboro, Tenn. Additional branches were added in Manasquan, N.J., and Annandale, Va. During the year, the company closed its Atlanta office, which placed only college student accident coverage.

The brokerage's other main speciality, livestock coverage, also grew in 1986. It had shrunk in the two previous years due to heavy competition from British underwriters, Mr. Rhulen said.

Commissions at Rhulen run the gamut, from $100 on dance risk policies (from aerobics instructors to professional ballet troupes), to $100,000 on high-end accounts, such as national health club chains and livestock breeders.

Of the retail brokerage revenues, 95% is generated by commissions and 5% comes from fees.

Its premium volume for 1986 was $100 million, a 17.6% increase over $85 million in 1985.

Commercial retail brokerage generated 27% of Rhulen's revenues in 1986, down from 41% in 1985. Wholesale brokerage contributed 60%, up from 53% the previous year, while services accounted for 4%, an increase from 1% in 1985. Of the remaining revenues, reinsurance business contributed 1%; personal lines, 2%; investment income, 4%; and other, miscellaneous activities, 2%.

Several new marketing approaches are on the horizon in 1987, said Mr. Rhulen, as the brokerage expands into forming a risk retention group.

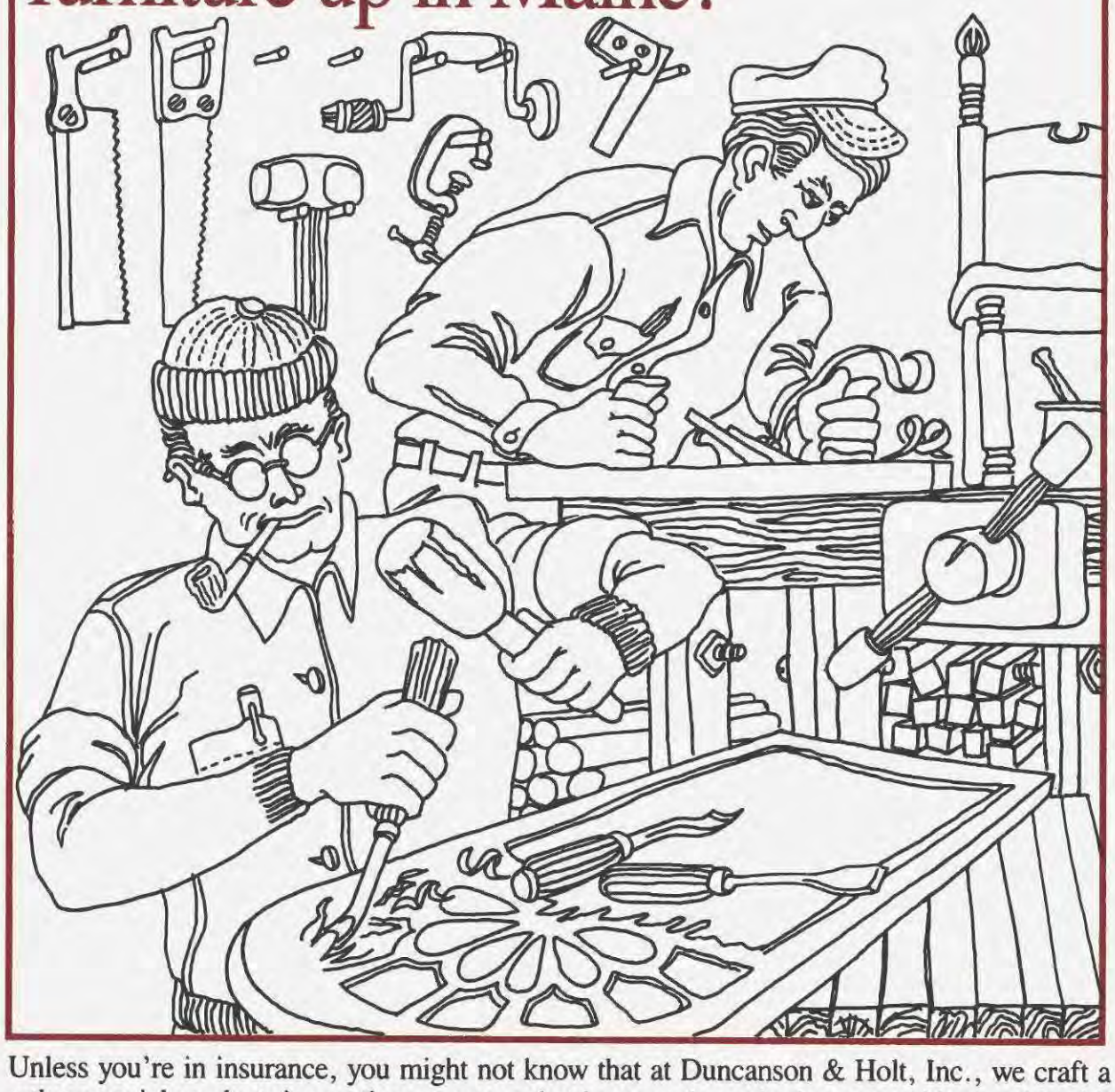
A new company, Hypercept Insurance Co., will be licensed in Tennessee, but will operate out of Rhulen's Monticello office. Hypercept, which will provide environmental impairment liability coverage, is expected to begin writing in July (*BI*, Oct. 20, 1986; July 14, 1986).

And, as an additional service to its many recreation clients, Rhulen formed a national purchasing

Continued on next page

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Continued from previous page

group in 1986 to provide sexual abuse coverage exclusively to children's summer camps and boys' clubs.

The coverage, which became available June 1, may eventually be expanded to serve day-care centers as well. Day-care centers have had a problem obtaining this coverage under general liability policies.

Rhulen is looking ahead to continued growth in the health and recreation industries in 1987. "I think it (the health/recreation market) will peak in '87, and rates will come down in '88," he predicted.

But increasing competition from non-specialists in the field could threaten the easing market with cutthroat competition, he warned. "Carriers should be very careful before they start to get into significant rate reductions and competition for business they didn't handle before," Mr. Rhulen said, "or we'll go back to the same old mess very quickly."

Brown & Brown Inc.

J. Hyatt Brown, president of 23rd-ranked brokerage Brown & Brown Inc., is bullish on Florida, and the firm is tying its fortunes to the state.

Florida has the fourth-largest population in the country, and Mr. Brown expects it to reach third place by the year 2000. "We're California in 1960," he said of the state's present boom in construction and "clean" industry.

The brokerage produced a 29.2% increase in gross revenues in 1986 to $22.1 million from $17.1 million in 1985, when it clung to 25th place in the *Business Insurance* rankings of the top U.S. brokers.

The majority of its revenues, 53.1%, came from retail brokerage, with wholesale and personal business accounting for 10% and 14.6%, respectively. Reinsurance brokerage business produced 1.8% of revenues; services, 17.7%; and investment income, 2.8%.

Commissions generate 80.6% of Brown & Brown's retail brokerage revenues, while 19.4% comes from fees.

General rate increases, new business and acquisitions are behind Brown & Brown's growth in 1986, Mr. Brown said.

"Of our increase, I would say 10% to 15%" is attributable to rate increases, he said. The rest is new business and acquisitions, he said.

Brown & Brown, the largest privately held brokerage in Florida, has a large clientele of contractors, as well as hotels, motels and restaurants, although Mr. Brown insisted the brokerage does not "specialize" in any of these. "We write whatever's in Florida," he said.

Brown & Brown's commitment to the Sunshine State is apparent. In 1986, it purchased three existing agencies in Florida: Heard/LeVeille Agency in DeLand; Ettinger Insurance Agency in Eustis; and Hampton Insurance Agency in Orlando. Osceola Insurance Agency in Kissimmee, Fla., was purchased in March 1987.

Brown & Brown's non-retail brokerage subsidiaries also are located in Florida. These are: MacDuff Underwriters in Daytona Beach; MacDuff America in Miami; and Halcyon Underwriters and United Self Insured Services in Orlando.

Continued regional expansion is very much in the picture for the brokerage this year, Mr. Brown said. The brokerage is carefully positioning its branches and acquisitions to take advantage of the geographical areas of strongest growth, he added.

Brown & Brown employed 425 at year-end 1986, a 38.4% increase compared with 1985. Its main office in Daytona Beach employed 175, with the rest scattered throughout its 24 branch offices. The brokerage staffed 16 offices in 1985.

Brown & Brown has a large clientele of contractors, as well as hotels, motels and restaurants, although Mr. Brown insists the brokerage does not 'specialize' in any line. 'We write whatever's in Florida,' he says.

But, Mr. Brown said that the brokerage's liberal hiring policies will be more "tightly budgeted" this year in preparation for an increasingly competitive market.

In spite of the company's 1986 gains, Mr. Brown was "a little disappointed with growth" during the period; its projected revenue gain for the year had been 38%, and it actually gained 29%.

Brown & Brown is targeting 25.5% growth in gross revenues in 1987.

In addition to Mr. Brown, the brokerage's principal officers are: Kenneth E. Hill, executive vp; Robert Thomas III, senior vp; H. Van Massey, senior executive vp; and Jim W. Henderson and E. Greg Brewer, senior vps.

McGriff, Seibels & Williams Inc.

McGriff, Seibels & Williams Inc. dropped from No. 21 based on 1985 revenues to No. 24 based on 1986 revenues, even though the brokerage's gross revenues increased 7.9% to $20.4 million from $18.9 million in 1985.

Bruce C. Dunbar, president and chief executive officer of MS&W, attributed the gains for the most part to increasing premium rates.

"Last year was comparatively flat to what we usually have," he said, adding that reorganization of the brokerage's management structure and a general softening of the market resulted in a period of "distraction."

Continued on next page

RLI

Consolidated Statutory Financial Information
for
RLI Insurance Company and
Mt. Hawley Insurance Company

STATUTORY SURPLUS
(000 Omitted)
1986 — $53,063
1985 — $37,037
1984 — $16,739
1983 — $12,238
1982 — $11,084

COMBINED RATIO
1986 — 84.1
1985 — 99.7
1984 — 97.0
1983 — 94.9
1982 — 99.1
5 YEAR
COMBINED RATIO: — 92.9
(1982-1986)

ASSETS
(000 Omitted)
1986 — $159,568
1985 — $105,993
1984 — $ 48,719
1983 — $ 35,156
1982 — $ 36,171

LOSS RESERVES
(000 Omitted)
1986 — $46,243
1985 — $22,784
1984 — $ 9,150
1983 — $ 4,985
1982 — $ 4,455

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Stock Exhange

*Earnings and Dividend Ranking

RLI Insurance Co. — Mt. Hawley Insurance Co. — American Capacity Insurance Co.
For Specialty Insurance Coverages

Mission insolvency cuts Andreini's revenues

Fallout from the insolvency of Mission Insurance Co. forced Andreini & Co. of San Mateo, Calif., out of the *Business Insurance* roster of the 25 largest U.S. brokers.

Andreini suffered a 9.2% drop in gross revenues in 1986 to $15.5 million from $17.1 million in 1985, when Andreini ranked as the 24th-largest U.S. broker. And, Andreini was the 23rd-largest broker based on 1984 revenues of $16.1 million.

George Andreini, the brokerage's vp/treasurer, blamed the company's woes primarily on last year's failure of MIC.

Andreini had been doing business with Mission since the broker was established more than 20 years ago. "We did business with other companies, but we had our largest volume with Mission," Mr. Andreini noted.

The precarious state of the Los Angeles-based insurer came as a complete surprise to Andreini and other brokers, Mr. Andreini said. "If you looked at the (A.M.) Best's ratings, there was no indication" of insolvency, he said. "We didn't know, and our insureds didn't know, either."

But over the past two years, as MIC's problems became more apparent—and after it was placed in conservation in October 1985—Andreini was successful in placing its MIC business with several other companies including Zurich-American Insurance Co., Travelers Group, American International Group Inc. and Insurance Co. of North America.

"INA stepped in and has done the most for us," Mr. Andreini noted. INA, a division of CIGNA Corp., accepted the business from Andreini at a time when "most companies were being fairly restrictive."

As MIC's problems came to a head last year, MIC ceding insurers and reinsurers attempted to bail out the troubled insurer.

"We personally met with Mr. Lindner," he said, referring to Carl H. Lindner, chairman of American Financial Corp., the largest investor in Mission Insurance Group Inc. "We came away with the feeling that Mission American would be a liquid company. As you know, it didn't turn out that way," he said.

Mission American Insurance Co. was created as MIC's parent as part of a plan to bail out MIC. Mission American now is in conservatorship, while MIC is being liquidated (*BI*, Feb. 9).

Andreini now is directing its energies into new channels of business development

Previously, "we had to concentrate our marketing efforts on maintaining rather than soliciting business," Mr. Andreini said.

New business development from new clients has increased 15% so far this year, and Andreini will aggressively pursue new business in the future, he said.

Commercial retail brokerage, which generated 80% of the company's revenues in 1986, will continue to be the main area of concentration. Commercial retail brokerage generated 87% of its business in 1985.

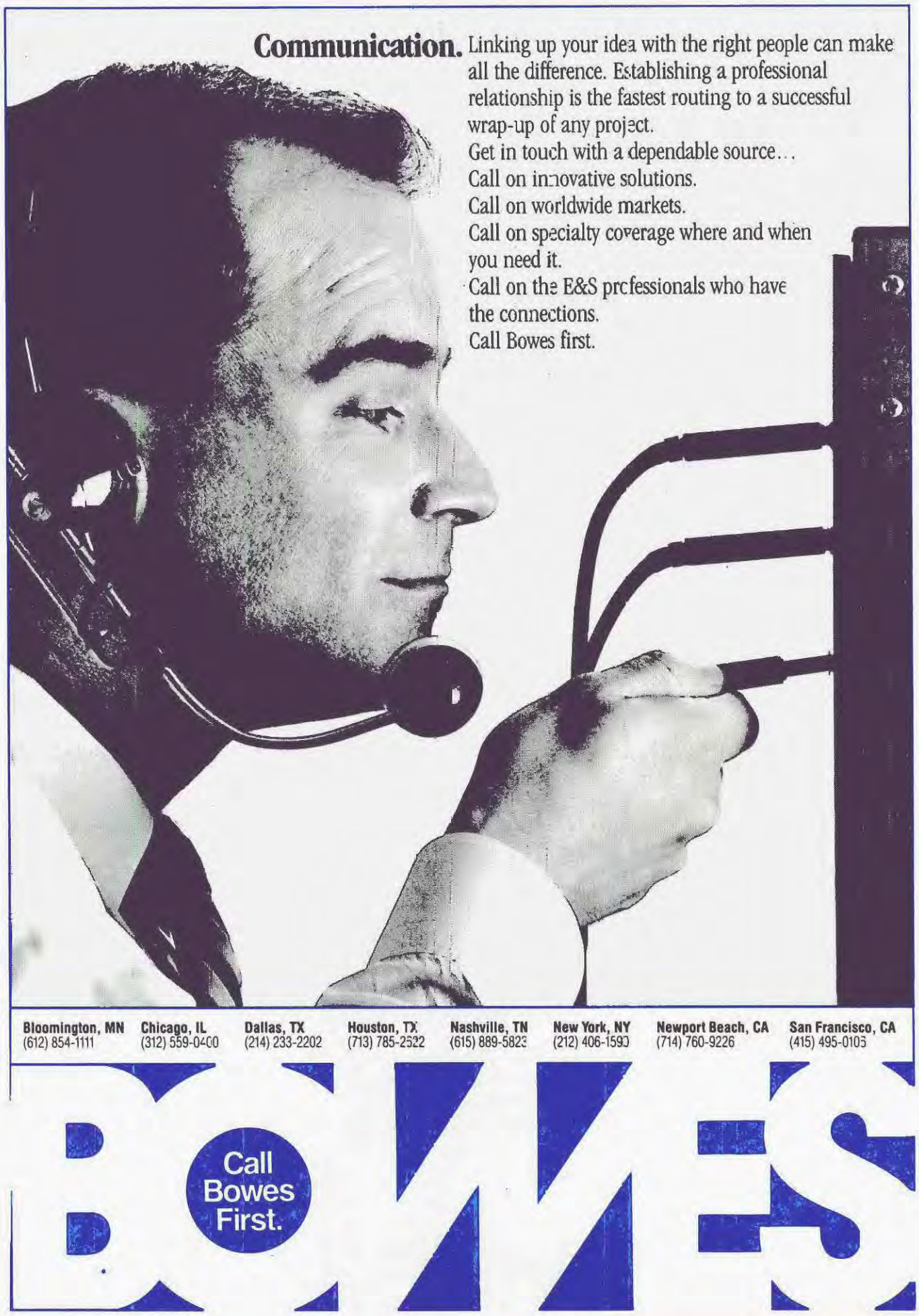
The brokerage has developed "a decent amount" of employee benefit business, which accounted for 15% of the broker's revenues. Investment income represented 7% of the brokerage's gross revenues, a drop from 10% in 1985.

Personal lines business accounted for 13% of the brokerage's gross revenues in 1986, up from 3% reported in 1985. Mr. Andreini considers this a definite growth area.

The brokerage began actively pursuing new business in personal lines about two years ago, when sales personnel with more knowledge of personal lines were added.

The brokerage, which maintains branch offices in Fresno, Bakersfield, Coalinga and Ventura, Calif., reported 20 fewer employees in 1986, down to 190 from 210 in 1985.

—By Laura Mazzuca



Runners-up

Continued from previous page

Lee McGriff, formerly chairman and chief executive officer of the company, was the last of the firm's namesakes to retire from the company in December. He sold his stock to the 30 other shareholders of the privately held company.

A new management team took over Jan. 1, with Mr. Dunbar joined by Richard M. Womack, chairman of the board; Bruce S. Denson, executive vp and chief operating officer; and Malcolm K. Miller, vice chairman.

The new team took an aggressive approach to restructuring, Mr. Dunbar said, with department heads accepting more accountability for the results of their units.

And, in anticipation of another competitive market, the firm reduced its employees to 287 from 293 in 1985.

But Mr. Dunbar asserts that the company's "young and aggressive" sales team's efforts will pay off in next's year's figures with an increase in new clients.

"We're having a great year right now," Mr. Dunbar said. "The (sales) guys are out there beating down doors and getting a hell of a lot of good results."

In the first four months of 1987, Mr. Dunbar said, the MS&W sales team has generated about $1.66 million in new revenues and has landed two major regional clients: an electric utility and a gas pipeline corporation.

MS&W specializes in petrochemical and electric utility accounts, concentrated in the South, Southeast and as far west as Colorado.

The brokerage reported that 72.3% of its business is commercial retail brokerage, with average annual commissions on accounts ranging from $25,000 to $100,000.

Wholesale brokerage business produced 6.7% of MS&W's 1986 gross revenues, while 8% came from non-brokerage services, 2.4% from personal lines, 3.7% from investment income and 6.9% from other activities.

All retail brokerage revenues are produced by commissions.

Premium volume in 1986 jumped 48.6% to $205 million from $138 million in 1985.

The firm maintains four branch offices, all established within the past five years: in Florence and Mobile, Ala.; Pensacola and Orlando, Fla.; an employee benefit division (Southern Benefit Services) and a claims department that services self-insured companies (Southern Risk Services). The last two, both based in Birmingham, Ala., are wholly owned subsidiaries of MS&W.

The firm's wholesale brokerage branch, Wood & Co. of Atlanta, produced 6.7% of gross revenues in 1986.

Continued on next page

Continued from facing page

Personal lines	5%	5%
Invest. income	5%	5%
Other	10%	10%
Employees	35	33
Offices	1	1

Year founded: 1966.
Brokerage: 80% commissions, 20% fees.
Non-retail brokerage subsidiaries: AuditRate Inc.
Parent company: Alper Services Inc.
Principal officers: Howard C. Alper, president/secretary/treasurer; Russell M. Cortino and Herbert M. Singer, executive vps; David R. Vic-

Year founded: 1953.
Brokerage: 99% commissions, 1% fees.

Acquisitions: Anderson & Associates, Halifax, Nova Scotia; Harvey Hughes Insurance and Gary Barnes Associates, Edmonton, Alberta.
Retail brokerage branch offices: Anthony Insurance Inc., St. John's, Mount Pearl, Kelligrews, Carbonear, Clarenville, Gander, Grand Falls, Deer Lake, Corner Brook and Stephenville, Newfoundland; Anthony Insurance Maritimes Inc., Halifax, Nova Scotia; Lloyd, Sadd & Anthony Insurance Ltd., Calgary and Edmonton, Alberta.

Associated Agencies Inc.

230 W. Monroe, Chicago, Ill. 60606; 312-372-7000

	1986	1985
Premium volume	$130,000,000	$61,803,000
Gross revenues	$11,813,609	$6,976,000
Brokerage: Retail	82%	88%
Wholesale	4%	4%
Reinsurance	1%	0%
Services	5%	4%
Personal lines	8%	4%
Employees	150	132
Offices	3	2

Year founded: 1890.
Brokerage: 95% commissions, 5% fees.

Schrayer, president; A.A. Freeman, chairman; Irving Shainberg and Karen Vacko, executive vps; Robert Milum, president of Associated Agencies Inc. of California; Chuck Olson, senior vp.
Licensed excess/surplus broker in: Illinois.

Association Administrators & Consultants Inc.

19000 MacArthur Blvd., Suite 500, Irvine, Calif. 92715; 714-833-0673

	1986	1985
Premium volume	$41,946,000	$40,585,000
Gross revenues	$5,428,000	$5,528,000

diaries: California Insurance Advisors and AA&C Investment Corp., Irvine, Calif.
Principal officers: Wallace E. Jeffs, president; Egon A. Bartetzko, executive vp; Randall W. Jeffs, senior vp-marketing; Irene J. Fortier, senior vp-finance/treasurer; Nancy K. Hudson, corporate secretary.
Licensed excess/surplus broker in: California.

Athens Insurance Co.

P.O. Box 809, Athens, Tenn. 37303; 615-745-3062

	1986	1985

Oland gearing up to tackle the giants

Oland International Insurance Brokers Inc., which just celebrated its first birthday, is raring to grow up quickly.

With branch offices in two other major cities, 58 employees culled from the country's top brokerages and a gung-ho teamwork attitude, Los Angeles-based Oland is preparing to compete head-on with the biggest and the best.

"We feel confident that we can build a sound foundation by building a team," said Michael L. Poland, the brokerage's co-chairman. "We have no reason to believe our success so far can't be replicated in other parts of the country."

Oland was founded last May by Mr. Poland and Frederick M. Toland, former executives at Emett & Chandler Cos. Inc., which was acquired last year by Jardine Insurance Brokers Inc. ("Oland" is a compromise of the co-chairmen's names.)

"The idea was to do something that hadn't been done before: to start a national brokerage overnight from scratch, not by acquisition," Mr. Poland explained.

So far, their philosophy seems to be working. In 1986, gross revenues were in excess of $3 million and premium volume exceeded $30 million.

But the broker hasn't been without its problems. A suit filed last October by Jardine Emett & Chandler Inc.'s Los Angeles subsidiary accuses Oland of using confidential information to lure away its clients (*BI*, Oct. 27, 1986). An out-of-court settlement is likely, said Mr. Poland.

The commercial retail broker operates strictly on commissions and is licensed for surplus lines in California.

Initially, offices were opened concurrently in Los Angeles and New York, with personnel who came over from brokers like Frank B. Hall & Co. Inc. and Johnson & Higgins.

Oland has opened an office in Kansas City, Mo., and plans branches in Chicago and San Francisco, Mr. Poland said.

Word got around quickly about Oland among the country's top brokerages, said Mr. Poland, although he and Mr. Toland did a little recruiting for personnel. Mr. Toland had been president of Emett & Chandler Southern California where Mr. Poland had been executive vp.

Oland officials include Dan Andrain, executive vp, who formerly held that title at Hall; David W. Banks, executive vp and director of client services, formerly senior vp at Alexander & Alexander Services Inc.; Jack Smith, executive vp and director of marketing, formerly senior vp-marketing at E&C; and Frederica L. O'Connor, account executive, formerly assistant vp-account management at E&C.

Because of their background, Oland employees are experienced in product knowledge, marketing and servicing, Mr. Poland said. This expertise is the brokerage's main selling point.

When Oland opened its doors, "we didn't have a lot of renewals," he quipped, "but we had a whole lot of time."

This leisurely approach in last year's still-hard market enabled Oland's sales team to concentrate solely on new business. Now that the market has softened, Mr. Poland sees more of the same in the future.

Using this "team approach," Oland's marketing experts are "ganging up" on new business, Mr. Poland said, and Oland is making an "extremely aggressive sales effort."

So far, Oland has emphasized internal growth, although management is not opposed to buyouts, Mr. Poland said.

In 15 to 20 years, he said, planners at Oland hope to see branch offices in all major metropolitan areas across the country. "We don't have any great desire to become gigantic and have more than 100 branch offices. . . we just want to be the best in our niche."

—By Laura Mazzuca

Runners-up

Continued from previous page

Mr. Dunbar reported that continuing expansion was "very definitely in the plans" for 1987, as the firm "continues to grow on a regional basis."

Collier Cobb & Associates

North Carolina-based Collier Cobb & Associates finished in 25th place—up from 29th place last year—with gross revenues of $20 million in 1986, a 33.3% increase compared with gross revenues of $15 million in 1985.

The broker, which specializes in providing surety coverage for contractors, started out as a contractor itself, until it switched to the brokerage business in 1927.

Today, approximately 60% of Collier Cobb's clients are general building contractors, six of whom are in the Top 10 in the country, said John L. Clarke, executive vp-insurance, for the brokerage.

But the company also has expanded to more general clients, such as manufacturers and banks.

"We're aggressively seeking new business in all areas," Mr. Clarke said, "although we will always have a preponderance on the contractors' side."

Based in Charlotte, N.C., Collier Cobb has offices in Boston; Washington, D.C.; Chicago; Dallas; Houston; Montgomery, Ala.; Chapel Hill, N.C.; and Pittsburgh. It had 207 employees at year-end 1986, up from 194 in 1985.

The majority of the broker's contractor business is concentrated in its offices in Washington, D.C., Chicago and Boston, he said.

Collier Cobb's parent company, Hudson International Inc., operates two other subsidiaries: Collier Cobb Cayman, an offshore captive, and Collier Cobb Risk Management Service, a consulting company based in Charlotte, N.C.

About 93% of the 1986 gross revenues came from commercial retail brokerage; 5% from personal lines; and 2% from investment income.

Commissions generate 95% of the retail brokerage's revenues, while 5% comes from fees.

Premium volume for 1986 was $160 million, a 33% compared with $120 million in 1985.

The brokerage landed several "substantial accounts" in the contracting business, including another Top 10 contractor in 1987, said Mr. Clarke. But he noted it is seeing a downturn in new business because of the soft market. To counter this, the broker recently added a business development department to seek new business.

Other principal officers are Fitzgerald S. Hudson, chairman; Jay A. Norem, president; Neal L. McDuffie, executive vp-risk management; Leonard S. Bullock, executive vp-surety; and W. Eugene Mills Jr., executive vp-finance. ■



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TIFCO
THE INSURANCE FINANCE PEOPLE

Continued from previous page
zell, president; Jon W. Dykes, executive vp; John R. O'Donnell, senior vp; Nancy T. Feezell, secretary/treasurer; Robert E. Cook, vp.

Licensed excess/surplus broker in: Tennessee.

Austin & Co. Inc.

307 Washington Ave., Albany, N.Y. 12210; 518-465-3591

	1986	1985
Premium volume...	$9,650,000	$8,400,000
Gross revenues.....	$1,557,459	$1,288,170
Brokerage: Retail..	72%	70%
Personal lines.....	25%	28%
Invest. income.....	3%	2%
Employees.....	22	20
Offices.....	2	2

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

	1986	1985
Premium volume...	$5,324,413	$3,263,158
Gross revenues.....	$734,241	$449,950
Brokerage: Retail..	72.8%	76.9%
Personal lines.....	18.5%	13.5%
Invest. income.....	1.7%	3.3%
Other.....	7%	6.3%
Employees.....	17	12
Offices.....	1	1

Year founded: 1984.
Brokerage: 98% commissions, 2% fees.
Acquisitions: Cooper Agency Inc., Birmingham, Mich.
Principal officers: Bruce J. Auten, president; Paul E. Hagerty, secretary/treasurer.
Licensed excess/surplus broker in: Michigan.

b

B.R.I. Coverage Corp.

156 William St., New York, N.Y. 10038; 212-233-7171

See story on page 80.

Babb Inc.

850 Ridge Ave., Pittsburgh, Pa. 15212; 412-237-2115

	1986	1985
Premium volume...	$45,000,000	$40,000,000
Gross revenues.....	$4,300,000	$4,000,000
Brokerage: Retail..	65%	65%
Services.....	15%	15%
Personal lines.....	15%	15%
Invest. income.....	5%	5%
Employees.....	75	70
Offices.....	2	2

Year founded: 1929.
Brokerage: 85% commissions, 15% fees.
Principal officers: Ronald B. Livingston Sr., chairman/chief executive officer; William M. Steele, vice chairman; Mark J. Ickes and Arnold Ruttenberg, vps; Chester Sanderson, treasurer.
Licensed excess/surplus broker in: All states.

Bartlett Agency Inc.

P.O. Box 970, 2200 52nd Ave., Moline, Ill. 61265; 309-764-9666

	1986	1985
Premium volume...	$15,500,000	$12,200,000
Gross revenues.....	$2,600,000	$2,150,000
Brokerage: Retail..	80.5%	77.7%
Services.....	7.5%	9%
Personal lines.....	9%	10%
Invest. income.....	3%	3.3%
Employees.....	32	32
Offices.....	2	2

Year founded: 1942.
Retail brokerage branch offices: Bartlett-Hallberg Commercial Insurors Inc., Oak Brook, Ill.
Principal officers: Richard J. Miles, president; Thomas K. Bracke, executive vp; John J. Barrett and John B. Carpentier, vps.
Licensed excess/surplus broker in: Illinois.

L.T. Barton Insurance

P.O. Box 9320, 607 Bailey St., Fort Worth, Texas 76107; 817-332-1313

	1986	1985
Premium volume...	$7,489,000	$5,896,000
Gross revenues.....	$1,195,000	$997,000
Brokerage: Retail..	74%	74%
Personal lines.....	25%	25%
Invest. income.....	1%	1%
Employees.....	21	23
Offices.....	1	1

Year founded: 1947.
Brokerage: 100% commissions.
Principal officers: Bart Tucker, Cindy Deal, David Cooper and Gary Barton, partners.

Bayly, Martin & Fay International Inc.

201 Main St., Suite 1990, Fort Worth, Texas 76102; 817-335-2048

See profile on page 61.

Beal & Associates Insurance Counselors Inc.

5635 E. Thomas Road, Phoenix, Ariz. 85018; 602-990-1111

	1986	1985
Premium volume...	$11,500,000	$11,000,000
Gross revenues.....	$2,500,000	$2,225,000
Brokerage: Retail..	75.5%	75.5%
Services.....	10%	10%
Personal lines.....	14%	14%
Invest. income.....	0.5%	0.5%
Employees.....	43	41
Offices.....	1	1

Year founded: 1958.
Brokerage: 100% commissions.
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.

1 Lafayette Circle, Bridgeport, Conn. 06604; 203-366-1815

	1986	1985
Premium volume...	$25,000,000	$21,100,000
Gross revenues.....	$3,850,000	$3,400,000
Brokerage: Retail..	60%	57%
Personal lines.....	23%	25%
Invest. income.....	2%	1%
Other.....	15%	17%
Employees.....	45	41
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.

Beck/Wm. Schwartz Inc.

3050 Post Oak, Suite 1700, Houston, Texas 77056; 713-622-4364

	1986	1985
Premium volume...	$15,000,000	$20,000,000
Gross revenues.....	$1,100,000	$1,732,000
Brokerage: Retail..	95%	95%
Personal lines.....	5%	5%
Employees.....	11	19
Offices.....	2	2

Year founded: 1981.
Brokerage: 90% commissions, 10% fees.
Retail brokerage branch offices: Palm Desert, Calif.
Principal officers: William M. Schwartz, chairman/chief executive officer; Sandra J. Bryant, vp-administration; John D. Barkman, chairman-California office.
Licensed excess/surplus broker in: Texas, California.

Blumencranz Klepper & Wilkins Ltd.

3000 Marcus Ave., Lake Success, N.Y. 11040; 516-328-8300

	1986	1985
Premium volume...	$48,000,000	$37,000,000
Gross revenues.....	$4,830,000	$3,710,000
Brokerage: Retail..	82%	80%
Wholesale.....	4%	7%
Services.....	2%	3%
Personal lines.....	9%	8%
Invest. income.....	3%	2%
Employees.....	49	44
Offices.....	1	1

Continued on facing page

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erated by commissions and by fees are given.

Acquisitions, retail brokerage branch offices, non-retail brokerage subsidiaries, the parent company (if any) and names of titles of principal officers are included. Names of 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 listings. Home offices as well as branch offices providing retail brokerage services are included.

The information in each entry was compiled by *Business Insurance* based on information supplied by the agents and brokers.

Continued from facing page

Year founded: 1929.
Brokerage: 90% commissions, 10% fees.
Retail brokerage branch offices: BBK&W Agency Inc., Joda Associates Inc.
Principal officers: Roger A. Blumencranz, president; Aaron A. Wilkins and Stuart B. Wilkins.

Bolton & Co.

1100 El Centro St., P.O. Box 820, South Pasadena, Calif. 91030; 818-799-7000

	1986	1985
Premium volume...	$40,000,000	$35,100,000
Gross revenues.....	$5,600,000	$5,200,000
Brokerage: Retail..	88%	86.9%
Personal lines.....	6%	9.7%
Invest. income.....	3%	3.4%
Other.....	3%	0%
Employees.....	60	55
Offices.....	1	1

Year founded: 1931.
Brokerage: 100% commissions.
Principal officers: William D. Bolton, chairman/chief executive officer; James A. Bolton, president; Joseph Moyna, John T. Boyle and Lee Weiskopf, vps.

Boockford & Co.

1 Oakbrook Terrace, Suite 300, Oakbrook Terrace, Ill. 60181; 312-932-4000

	1986	1985
Premium volume...	$30,000,000	NA
Gross revenues.....	$3,500,000	$2,567,000
Brokerage: Retail..	92%	92%
Personal lines.....	4%	3%
Invest. income.....	4%	5%
Employees.....	36	31
Offices.....	1	1

Year founded: 1950.
Brokerage: 96% commissions, 4% fees.
Parent company: Boockford Holding Co.
Principal officers: William D. Boockford Jr., chairman; William D. Boockford, president; James F. Schuster, vp/secretary; Charles J. Bretz, vp.
Licensed excess/surplus broker in: Illinois.

Boynton Brothers & Co.

200 Jefferson St., Perth Amboy, N.J. 08862; 201-442-3300

	1986	1985
Premium volume...	$32,000,000	$23,000,000
Gross revenues.....	$5,500,000	$3,500,000
Brokerage: Retail..	84%	80%
Services.....	2%	2%
Personal lines.....	10%	14%
Invest. income.....	4%	4%
Employees.....	49	46
Offices.....	1	1

Year founded: 1899.
Brokerage: 96% commissions, 4% fees.
Principal officers: Michael J. McMahon, president; Edwin Stewart Jr., chairman; Kenneth Warchal, executive vp; Robert Sikora and Wallace Barrett, vps.
Licensed excess/surplus broker in: New Jersey.

The Brooks & Stafford Co.

33 Public Square, Cleveland, Ohio 44113; 216-696-3000

	1986	1985
Premium volume...	$12,000,000	$10,000,000
Gross revenues.....	$2,000,000	$1,875,000
Brokerage: Retail..	59%	51%
Personal lines.....	40%	48%
Invest. income.....	1%	1%
Employees.....	35	33
Offices.....	1	1

Year founded: 1849.
Brokerage: 99% commissions, 1% fees.
Acquisitions: Ash Agency, Parma, Ohio.
Principal officers: Robert E. Hutchinson, president; Charles C. Parsons, chairman; Peggy K. Bolles, treasurer; Kenneth S. Baldwin, secretary.
Licensed excess/surplus broker in: Ohio.

Brown & Brown Inc.

126 Volusia Ave., Daytona Beach, Fla. 32014; 904-252-9601

	1986	1985
Premium volume...	$152,500,000	$118,500,000
Gross revenues.....	$22,107,642	$17,122,989
Brokerage: Retail..	53.1%	53.7%
Wholesale.....	10%	6.5%
Reinsurance.....	1.8%	2.5%
Services.....	17.7%	16.1%
Personal lines.....	14.6%	16.8%
Invest. income.....	2.8%	3.3%
Other.....	0%	1.1%
Employees.....	425	307
Offices.....	25	16

Year founded: 1939.
Brokerage: 80.6% commissions, 19.4% fees.
Acquisitions: Heard/LeVeille Agency, DeLand, Fla.; Ettinger Insurance Agency, Eustis, Fla.; Osceola Insurance Agency, Kissimmee, Fla.; Hampton Insurance Agency, Orlando, Fla.
Retail brokerage branch offices: Boynton Beach, DeLand, Jacksonville, Tampa, Eustis and Orlando, Fla.; James/Hawkins & Associates Inc., West Palm Beach, Fla.; James/Johansing Inc., Coconut Creek, Fla.; Halcyon Underwriters Inc., Fern Park, Fla.; Osceola Insurance Agency Inc., Kissimmee, Fla.; Indian River Insurance Agency, Indialantic, Fla.;

Continued on next page

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Continued from previous page
Bridges & Bridges Insurance Agency, Brooksville and St. Cloud, Fla.; United Self Insured Services, Orlando, Fla.; Associated Insurance Services, North Fort Myers, Port Charlotte, Cape Coral, Fort Myers Beach and Sanibel, Fla.; Sunshine Health Plan, South Dayton, Fla.; Suncoast Health Plan, Sarasota, Fla.; MacDuff Underwriters Inc., Daytona Beach, Fla.; MacDuff America Inc., Miami.

Non-retail brokerage subsidiaries: MacDuff Underwriters, Daytona Beach, Fla.; MacDuff America Inc., Miami; Halcyon Underwriters, Orlando, Fla.; United Self-Insured Services, Orlando, Fla.

Principal officers: J. Hyatt Brown, president; H. Van Massey, senior executive vp; Kenneth E. Hill, executive vp; Jim W. Henderson, Robert Thomas III and E. Greg Brewer, senior vps.

Licensed excess/surplus broker in: Florida.

Brown-Hiller-Clark & Associates

5500 Euper Lane, Fort Smith, Ark. 72903; P.O. Box 3529, Fort Smith, Ark. 72913; 501-452-4000

	1986	1985
Premium volume...	$11,650,429	$8,107,950
Gross revenues.....	$1,877,988	$1,432,058
Brokerage: Retail..	84%	82%
Personal lines.....	15%	16%
Invest. income.....	1%	2%
Employees.....	37	42
Offices.....	3	4

Year founded: 1915.
Brokerage: 100% commissions.
Retail brokerage branch offices: BHC of Eureka Springs, Eureka Springs, Ark.; BHC of Oklahoma Inc., Sallisaw, Okla.
Principal officers: Sam B. Hiller, president/treasurer; William J. Green, senior vp; Larry R. Clark, executive vp/secretary; Tom Cooley and Gaylon B. Brown, vps.
Licensed excess/surplus broker in: Arkansas.

Bynum Insurance Inc.

1 Riverway, Suite 1500, Houston, Texas 77056; 713-621-1020

	1986	1985
Premium volume...	$11,600,000	$7,650,000
Gross revenues.....	$1,275,486	$1,018,211
Brokerage: Retail..	80%	81%
Services.....	1%	0%
Personal lines.....	17%	18%
Invest. income.....	2%	1%
Employees.....	20	18
Offices.....	1	1

Year founded: 1957.
Brokerage: 99% commissions, 1% fees.
Merger: Sam J. Saragusa & Co., Houston.
Principal officers: David D. Bynum, president; Fred A. Carpenter, William F. Duncan and Hilda Hines, vps; Chuck Robinson, marketing manager.
Licensed excess/surplus broker in: Texas.

Byrne, Byrne & Co.

20 N. Wacker Drive, Chicago, Ill. 60606; 312-346-2150

	1986	1985
Premium volume...	$17,000,000	$16,100,000
Gross revenues.....	$1,400,000	$1,300,000
Brokerage: Retail..	85%	84%
Personal lines.....	15%	16%
Employees.....	18	16
Offices.....	1	1

Year founded: 1898.
Brokerage: 90% commissions, 10% fees.
Principal officers: Thomas J. Byrne, chairman; Richard D. Byrne, president; Stephen J. Byrne, vp/treasurer; John T. O'Hara and William Reif, vps.

c

Calco Insurance-Brokers & Agents

1900 Alameda de las Pu gas, San Mateo, Calif. 94402; 415-572-4264

	1986	1985
Premium volume...	$50,000,000	$41,000,000
Gross revenues.....	$4,500,000	$3,656,000
Brokerage: Retail..	90%	90%
Personal lines.....	10%	10%
Employees.....	49	45
Offices.....	5	5

Year founded: 1914.
Brokerage: 100% commissions.
Retail brokerage branch offices: San Francisco, Fresno, Glendale and Orange, Calif.
Parent company: California Casualty Management Co.
Principal officers: Thomas R. Brown, chairman; Peter Goldberg, executive vp; Kai E.G. Anderson, senior vp; Charles W. Gross, vp/manager; Daniel R. Stahl, assistant vp.

The Cal-Surance Group

2790 Skypark Drive, Torrance, Calif. 90505; 213-530-5555

	1986	1985
Premium volume...	$75,000,000	$80,000,000
Gross revenues.....	$13,955,800	$14,982,000
Brokerage: Retail..	74.2%	55.3%
Wholesale.....	2.1%	26.6%
Services.....	16.8%	11.7%
Personal lines.....	1.8%	1.6%
Invest. income.....	3.7%	3.2%
Other.....	1.4%	1.6%
Employees.....	145	185
Offices.....	2	3

Year founded: 1962.
Brokerage: 79% commissions, 21% fees.
Retail brokerage branch offices: Anaheim, Calif.; Cal-Surance Benefit Plans, Torrance, Calif.
Non-retail brokerage subsidiaries: Lancer Claim Services Inc., Anaheim, 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 Nelson, chief operating officer-professional liability division & Lancer Claim Services Inc.; Donald Mehlig, president-Cal-Surance Benefit Plans.
Licensed excess/surplus broker in: California.

Clair Insurance Agency Inc.

120 W. Germantown Pike, Plymouth Meeting, Pa. 19462-1420; 215-825-5555

	1986	1985
Premium volume...	$29,371,948	$23,794,503
Gross revenues.....	$3,636,537	$2,903,703
Brokerage: Retail..	90%	89%
Personal lines.....	10%	11%
Employees.....	53	51
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 Jr. and Frank D. Svitek, vps.
Licensed excess/surplus broker in: Pennsylvania.

Classic Insurance Agency Inc.

885 Third Ave., New York, N.Y. 10022; 212-838-1700

	1986	1985
Premium volume...	$23,000,000	$14,000,000
Gross revenues.....	$2,100,000	$1,200,000
Brokerage: Retail..	57%	57%
Wholesale.....	3%	3%
Reinsurance.....	3%	8%
Services.....	10%	6%
Personal lines.....	1%	2%
Invest. income.....	4%	4%
Other.....	22%	20%
Employees.....	23	21
Offices.....	2	2

Year founded: 1984.
Brokerage: 50% commissions, 50% fees.
Acquisitions: Chelsea Insurance Agency Inc., Wappingers Falls, N.Y.
Retail brokerage branch offices: NV Insurance Brokers Inc., McLean, Va.
Non-retail brokerage subsidiaries: Classic Funded Risk Services Inc., New York.
Principal officers: David M. Fernandez, president.
Licensed excess/surplus broker in: New York.

Collier Cobb & Associates Inc.

128 S. Tryon St., P.O. Box 31817; Charlotte, N.C. 28231; 704-376-9161

	1986	1985
Premium volume...	$160,000,000	$120,000,000
Gross revenues.....	$20,000,000	$15,000,000
Brokerage: Retail..	93%	93%
Personal lines.....	5%	6%
Invest. income.....	2%	1%
Employees.....	207	194
Offices.....	9	9

Year founded: 1927.
Brokerage: 95% commissions, 5% fees.
Retail brokerage branch offices: Boston; Washington, D.C.; 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; Jay A. Norem, president; Neal L. McDuffie, John L. Clarke, Leonard S. Bullock and W. Eugene Mills Jr., executive vps.

Corroon & Black Corp.

Wall Street Plaza, New York, N.Y. 10005; 212-363-4100

See profile on page 45.

Crosby & Henry Inc.

590 Cascade West Parkway S.E., Grand Rapids, Mich. 49506; 616-942-5480

	1986	1985
Premium volume...	$16,000,000	$12,000,000
Gross revenues.....	$1,600,000	$1,000,000
Brokerage: Retail..	70%	69%
Personal lines.....	30%	31%
Employees.....	24	24
Offices.....	1	1

Year founded: 1858.
Brokerage: 100% commissions.
Principal officers: William H. Henry, president; James M. Crosby, executive vp.
Licensed excess/surplus broker in: Michigan.

Frank Crystal & Co. Inc.

40 Broad St., New York, N.Y. 10004; 212-344-2444

	1986	1985
Premium volume...	NA	NA
Gross revenues.....	$15,713,600	$11,224,000
Brokerage: Retail..	81%	84%
Services.....	5%	0%
Personal lines.....	10%	15%
Invest. income.....	4%	1%
Employees.....	125	120
Offices.....	3	3

Year founded: 1933.
Brokerage: 95% commissions, 5% fees.
Acquisitions: S.H. Kottwitz & Co. Inc., Houston.
Retail brokerage branch offices: Fort Lauderdale, Fla.; Houston.
Principal officers: James W. Crystal, president; Kenneth Liebman, executive vp; Arthur Littmann, chief financial officer; William Mann and Paul Miller, senior vps; David R. Dynes, vp-aviation.
Licensed excess/surplus broker in: New York, Texas, Florida.

d

DSI Insurance Services

1 California St., Suite 2700, San Francisco, Calif. 94111; 415-772-7033

	1986	1985
Premium volume...	$20,000,000	$15,000,000
Gross revenues.....	$2,000,000*	NA
Brokerage: Retail..	72%	80%
Services.....	8%	0%
Personal lines.....	15%	15%
Invest. income.....	5%	5%
Employees.....	25	17
Offices.....	2	1

* *BI* estimate.

Year founded: 1985.
Brokerage: 90% commissions, 10% fees.
Non-retail brokerage subsidiaries: SHG Ltd., San Francisco.
Principal officers: Douglas W. Shorenstein, chairman; Scott R. Heldfond, president/chief executive officer; Barbara A. Guernsey, executive vp; Ritchie E. Gingrich, senior vp.
Licensed excess/surplus broker in: California.

Daniel & Henry Co.

100 N. Jefferson Ave., St. Louis, Mo. 63103; 314-421-1525

	1986	1985
Premium volume...	$61,455,750	$45,948,304
Gross revenues.....	$8,859,847	$6,935,457
Brokerage: Retail..	70.6%	69.3%

Continued on facing page

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Continued from facing page

Services	4.8%	6.2%
Personal lines	13.4%	14.3%
Invest. income	1.2%	1.4%
Other	10%	8.8%
Employees	175	144
Offices	2	2

Year founded: 1921.
Brokerage: 99% commissions, 1% fees.
Principal officers: C. Peyton Daniel, president/chief executive officer; Charles S. Drew Jr., chairman; John S. Childress, executive vp; John A. Harrison, vp; Ronald C. Mueller, treasurer.
Licensed excess/surplus broker in: Missouri.

Curtis Day & Co.

50 California St., Suite 700, San Francisco, Calif. 94111; 415-433-0480

	1986	1985
Premium volume	$39,529,167	$32,671,453
Gross revenues	$4,516,386	$3,788,880
Brokerage: Retail	94%	93%
Wholesale	0.2%	0.2%
Personal lines	1.5%	2%
Invest. income	4.3%	4.8%
Employees	50	43
Offices	1	1

Year founded: 1966.
Brokerage: 94% commissions, 6% fees.
Acquisitions: Norman O'Conner Agency, Los Gatos, Calif.
Principal officers: Phillip J. Buchanan, president; Julie A. Ferro, executive vp; Harry F. Clifford III, vp; John Dineen, resident vp; Phyllis Bascomb, assistant vp.
Licensed excess/surplus broker in: California.

Robert F. Driver Co. Inc.

1620 Fifth Ave., San Diego, Calif. 92101; 619-238-1828

	1986	1985
Premium volume	$111,030,654	$85,185,712
Gross revenues	$12,849,981	$10,528,569
Brokerage: Retail	70%	85.4%
Services	0%	1.5%
Personal lines	18%	8.1%
Invest. income	0%	5%
Other	12%	0%
Employees	175	174
Offices	3	4

Year founded: 1927.
Brokerage: 94% commissions, 6% fees.
Retail brokerage branch offices: Escondido and Newport Beach, Calif.
Principal officers: Robert F. Driver, chairman; Irwin Sklar, president; LeGrand Rane, senior vp; Robert J. Young, executive vp; Robert Herring, treasurer/comptroller.
Licensed excess/surplus broker in: California.

e

Eastman & Co. Insurance Brokers

4001 W. Alameda Ave., Suite 300, Burbank, Calif. 91505; P.O. Box 2009, North Hollywood, Calif. 91602; 213-849-2400

	1986	1985
Premium volume	$8,070,000	$5,375,000
Gross revenues	$940,000	$726,000
Brokerage: Retail	86%	76%
Wholesale	0%	2%
Personal lines	13%	20%
Invest. income	1%	2%
Employees	15	10
Offices	1	1

Year founded: 1970.
Brokerage: 100% commissions.
Principal officers: Robert Eastman, president/treasurer; Linda Davidson, vp/secretary; James Waldorf, vp.

James Econn & Co.

3055 Wilshire Blvd., Suite 800, Los Angeles, Calif. 90010; 213-386-3131

	1986	1985
Premium volume	$53,057,637	$38,327,364
Gross revenues	$6,611,937	$5,128,862
Brokerage: Retail	94%	93%
Wholesale	0%	1%
Personal lines	2%	2%
Invest. income	4%	4%
Employees	47	37
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

	1986	1985
Premium volume	$13,135,000	$10,000,000
Gross revenues	$1,634,563	$1,258,608
Brokerage: Retail	77%	76%
Personal lines	20%	20%
Invest. income	3%	4%
Employees	21	18
Offices	1	1

Year founded: 1937.
Brokerage: 100% commissions.
Acquisitions: Ressler-Stern Insurance Agency, Miami.
Principal officers: Donald E. 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

	1986	1985
Premium volume	$26,805,000	$20,000,000
Gross revenues	$4,196,866	$3,376,907
Brokerage: Retail	91.5%	89.6%
Personal lines	4.3%	5.8%
Invest. income	3.7%	3.4%
Other	0.5%	1.2%
Employees	49	47
Offices	1	1

Year founded: 1963.
Brokerage: 96% commissions, 4% fees.
Acquisitions: Vernon Insurance Agency.
Principal officers: Peter G. Colis, Shirley Goode and William Loeb.
Licensed excess/surplus broker in: Illinois.

f

FAI Insurance Counseling

222 Columbia Turnpike, Florham Park, N.J. 07932-0037; 201-822-7900

	1986	1985
Premium volume	$18,775,000	$15,000,000
Gross revenues	$2,687,000	$2,200,000

Continued on next page

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Continued from previous page

Brokerage: Retail..	50%	58%
Wholesale.....	36%	30%
Personal lines.....	10%	9%
Invest. income.....	3%	2%
Other.....	1%	1%
Employees.....	33	30
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 Dana, vps.

FBS Insurance

8000 W. 78th St., Suite 400, Edina, Minn. 55435; 612-829-4800

See profile on page 74.

Financial Guardian Group Inc.

3100 Broadway, Kansas City, Mo. 64111; 816-561-8630

	1986	1985
Premium volume...	$160,000,000	$120,000,000
Gross revenues.....	$ 22,427,539	$19,921,373
Brokerage: Retail..	75%	74%
Wholesale.....	14%	14%
Reinsurance.....	1%	0%
Services.....	1%	2%
Personal lines.....	7%	8%
Invest. income.....	2%	2%
Employees.....	312	283
Offices.....	16	15

Year founded: 1970.
Brokerage: 98% commissions, 2% fees.
Acquisitions: Borian Agency, Chicago; Peterson & Gennaro, Phoenix, Ariz; Financial Guardian, Anchorage, Alaska.
Retail brokerage branch offices: Phoenix, Ariz.; Denver; Chicago; Wichita, Kan.; Detroit; St. Louis; Houston; Anchorage, Alaska; Financial Guardian Insurance Brokers Inc., San Jose, Los Angeles and Sacramento, Calif.; Motor Truck Owners Conference Inc., Kansas City, Mo.; FG Brokerage Services Inc., New York.
Non-retail brokerage subsidiaries: FG Special Risk, Houston and New Orleans; FG Technical Services Inc., Kansas City, Mo.
Principal officers: Donald R. Weber, president/chief executive officer; Darrell D. Prater, executive vp/chief financial officer; Barry R. Harper, Doran R. Oneale, Charles J. Longwello and Norbert F. Koehs, senior vps.
Licensed excess/surplus broker in: States in which branch offices are located.

Financial Insurance Service Inc.

2603 W. 22nd St., Suite 22, Oak Brook, Ill. 60521; 312-571-7500

	1986	1985
Premium volume...	$8,292,577	$6,807,913
Gross revenues.....	$1,648,840	$1,743,137
Brokerage: Retail..	55.5%	52%
Wholesale.....	27%	31%
Services.....	16%	14.2%
Invest. income.....	1.5%	2.8%
Employees.....	20	19
Offices.....	1	1

Year founded: 1969.
Brokerage: 100% commissions.
Principal officers: J.T. Ambrose, chief executive officer; M.E. LeVault, president; R.O. Anfenson, treasurer; Richard Morran and Kathy Whitney, vps.
Licensed excess/surplus broker in: Illinois.

Fitzgerald, Clayton, Noyes & Kasten Inc.

757 N. Broadway, Milwaukee, Wis. 53202; 414-271-3717

	1986	1985
Premium volume...	$7,000,000	$6,000,000
Gross revenues.....	$1,175,000	$1,000,000
Brokerage Retail..	72.2%	70.9%
Wholesale.....	15%	12%
Personal lines.....	10.6%	14%
Invest income.....	2%	2.5%
Other.....	0.2%	0.6%
Employees.....	19	13
Offices.....	1	1

Year founded: 1850.
Brokerage: 95% commissions, 5% fees.
Principal officers: Charles V. James, president; Jeffery Thiel, senior vp; Robert T. Clayton, vp/treasurer; William D. Hoppenjan, vp/secretary; Karen Rechlicz, vp.
Licensed excess/surplus broker in: Wisconsin.

Frenkel & Co. Inc.

123 William St., New York, N.Y. 10038; 212-267-2200

	1986	1985
Premium volume...	NA	NA
Gross revenues.....	$17,103,000	$12,380,000
Brokerage: Retail..	89%	89%
Personal lines.....	5%	5%
Invest. income.....	6%	6%
Employees.....	172	155
Offices.....	1	1

Year founded: 1878.
Brokerage: 99% commissions, 1% fees.
Principal officers: Charles W. Pachner, chairman; James J. Costa, vice chairman; Alan S. Samuels, president; 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, page 54.

Gallagher-Cole Associates

4500 Biscayne Blvd., Suite 310, Miami, Fla. 33137; 305-576-4100

	1986	1985
Premium volume...	$11,485,008	$6,872,965
Gross revenues.....	$1,205,345	$1,080,058
Brokerage: Retail..	70%	70%
Wholesale.....	5%	5%
Services.....	5%	5%
Personal lines.....	14%	15%
Invest. income.....	3%	2%
Other.....	3%	3%
Employees.....	21	18
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, Raymond O. Boon 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

	1986	1985
Premium volume...	$23,014,430	$17,449,795
Gross revenues.....	$2,617,996	$2,020,731
Brokerage: Retail..	91%	90%
Services.....	2%	2%
Personal lines.....	4%	4%
Invest. income.....	3%	4%
Employees.....	27	32
Offices.....	4	3

Year founded: 1924.
Brokerage: 98% commissions, 2% fees.
Retail brokerage branch offices: Pittsburgh, Altoona and Harrisburg, Pa.
Principal officers: Christopher K. Gleason, president; Robert A. Gleason Jr., treasurer; Carolyn Zierer, secretary.
Licensed excess/surplus broker in: Pennsylvania.

Glenn, Nyhan & Associates Inc.

44 Montgomery St., Suite 1400, San Francisco, Calif. 94104; 415-398-1246

	1986	1985
Premium volume...	$70,000,000	$46,000,000
Gross revenues.....	$7,190,000	$4,550,000
Brokerage: Retail..	58.1%	59.6%
Reinsurance.....	2.2%	2%
Services.....	36.6%	36.9%
Invest. income.....	2.1%	1.5%
Other.....	1%	0%
Employees.....	91	60
Offices.....	7	6

Year founded: 1980.
Brokerage: 100% commissions.
Retail brokerage branch offices: Rosemont, Ill.; Princeton, N.J.; Wallingford and Greenwich, Conn.; Philadelphia; Columbia, Md.
Non-retail brokerage subsidiaries: American Health Systems Inc. and American Insurance Services Inc., San Francisco.
Principal officers: Paul E. Dorroh, chairman/chief executive officer; Richard E. Glenn Jr., executive vp; Bartholomew G. Nyhan, president/chief operations officer; John T. Dorsett, senior vp; Ronald W. Shepherd, executive vp/chief financial officer.
Licensed excess/surplus broker in: California.

Richard N. Goldman & Co.

1 Maritime Plaza, San Francisco, Calif. 94111; 415-981-1141

	1986	1985
Premium volume...	$62,000,000	$50,000,000
Gross revenues.....	$6,500,000	$5,500,000
Brokerage: Retail..	82%	84%
Wholesale.....	0.5%	0.5%
Services.....	0.5%	0.5%
Personal lines.....	5%	5%
Invest. income.....	12%	10%
Employees.....	65	57
Offices.....	1	1

Year founded: 1949.
Brokerage: 99% commissions, 1% fees.
Principal officers: Richard N. Goldman, chairman; Stuart W. Seiler, president; Laurence A. Colton, Helen Castro and Gerald J. Fitzgerald, senior vps.
Licensed excess/surplus broker in: All states except Iowa, Minnesota and North Dakota.

S.H. Gow & Co. Inc.

344 Delaware Ave., Buffalo, N.Y. 14202; 716-856-1100

	1986	1985
Premium volume...	$46,000,000	$48,000,000
Gross revenues.....	$6,500,000	$6,600,000
Brokerage: Retail..	89%	89%
Wholesale.....	4%	4%
Services.....	3%	3%
Personal lines.....	2%	2%
Invest. income.....	2%	2%
Employees.....	111	110
Offices.....	4	5

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.

The Graham Building, 1 Penn Square W., Philadelphia, Pa. 19102; 215-567-6300

	1986	1985
Premium volume...	$55,500,000	$57,200,000
Gross revenues.....	$7,785,045	$7,182,000
Brokerage: Retail..	94%	91%
Wholesale.....	0%	1%
Personal lines.....	3%	3%
Invest. income.....	3%	5%
Employees.....	65	47
Offices.....	1	1

Year founded: 1950.
Brokerage: 72% commissions, 28% fees.
Principal officers: William A. Graham IV, president/chief executive officer; Judith A. Dooling, secretary/treasurer; Joseph M. McNasby Jr. and Philip K. Glick, vps.
Licensed excess/surplus broker in: Pennsylvania, New Jersey.

Grubb & Ellis Insurance Services

2390 E. Orangewood Ave., Suite 570, Anaheim, Calif. 92806; 714-937-0441

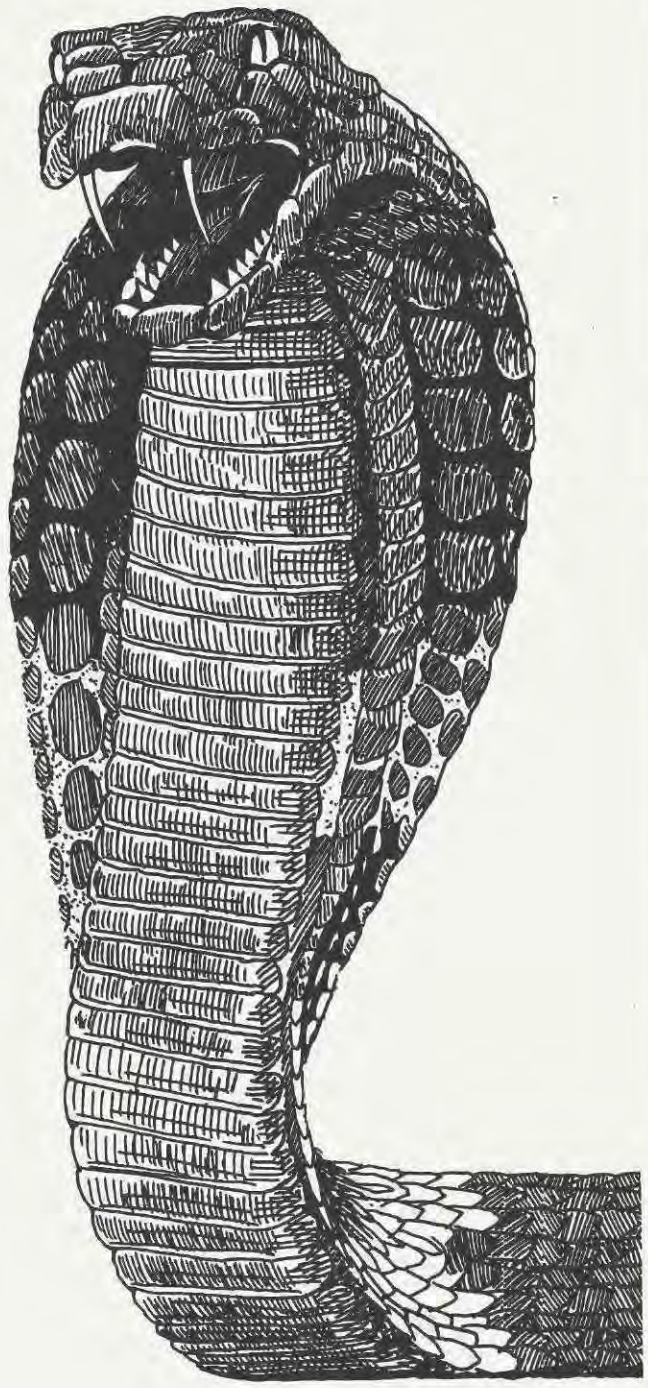
	1986	1985
Premium volume...	NA	NA
Gross revenues.....	$1,700,000	$1,750,000
Brokerage: Retail..	70%	65%
Wholesale.....	10%	10%
Personal lines.....	15%	20%
Invest. income.....	5%	5%
Employees.....	28	27
Offices.....	3	3

Year founded: 1958.
Brokerage: 98% commissions, 2% fees.
Retail brokerage branch offices: Oakland and Walnut Creek, Calif.
Parent company: Grubb & Ellis Co.
Principal officers: Michael A. Cipolla, president; Ronald Titus and Robert Robertson, senior vps; Jan Vickers and Martha Moon, vps.

Continued on facing page

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Continued from facing page

Gundermann & Gundermann Inc.

175 W. Carver St., Huntington, N.Y. 11743; 516-271-0600

	1986	1985
Premium volume...	$16,500,000	$14,000,000
Gross revenues.....	$2,542,930	$2,389,458
Brokerage: Retail..	58.8%	57.7%
Wholesale.....	1.1%	0.1%
Personal lines.....	35%	37.9%
Invest. income.....	1.5%	0.8%
Other.....	3.6%	3.5%
Employees.....	45	44
Offices.....	2	1

Year founded: 1937.
Brokerage: 100% commissions.
Acquisitions: Becker Brokerage, Island Park, N.Y.
Retail brokerage branch offices: Smithtown, N.Y.
Principal officers: Joseph A. Gundermann Jr., president; Donald E. Gundermann, treasurer/secretary; Joseph A. Gundermann III, vp.

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Haas & Wilkerson Inc.

4300 Shawnee Mission Parkway, Shawnee Mission, Kan. 66205; 913-432-4400

	1986	1985
Premium volume...	$89,587,210	$62,282,852
Gross revenues.....	$14,639,000	$10,401,610
Brokerage: Retail..	85%	92%
Wholesale.....	5%	0%
Personal lines.....	10%	8%
Employees.....	118	114
Offices.....	4	4

Year founded: 1929.
Brokerage: 99% commissions, 1% fees.
Retail brokerage branch offices: St. Petersburg, Fla.; St. Louis, Mo.; Philadelphia.
Principal officers: W. Ralph Wilkerson Jr., chairman of the board; William R. Wilkerson III, president; C.J. Jordan, executive vp/treasurer; Howard F. Walter, corporate secretary.
Licensed excess/surplus broker in: Kansas, Missouri, Florida.

Hackett, Valine & MacDonald Inc.

P.O. Box 2127, 140 Kennedy Drive, S. Burlington, Vt. 05403; 802-658-1100

	1986	1985
Premium volume...	$21,149,598	$12,762,228
Gross revenues.....	$2,717,099	$2,110,029
Brokerage: Retail..	88%	86%
Personal lines.....	8%	10%
Invest. income.....	4%	4%
Employees.....	38	32
Offices.....	1	1

Year founded: 1970.
Brokerage: 100% commissions.
Parent company: HVM Corp.
Principal officers: Luther F. Hackett, president; 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 41.

Harding-Conley-Drawert-Tinch Insurance Agency Inc.

Box 29069, San Antonio, Texas 78229; 512-732-9601

	1986	1985
Premium volume...	$4,500,000	$3,700,000
Gross revenues.....	$777,400	$756,000
Brokerage: Retail..	90%	90%
Personal lines.....	4.9%	4.7%
Invest. income.....	1.3%	0.6%
Other.....	3.8%	4.7%
Employees.....	8	8
Offices.....	1	1

Year founded: 1919.
Brokerage: 100% commissions.
Principal officers: A.C. Tinch Jr., president; Thomas A. Drawert and Maryanna S. Christensen, vps.

Harris & Co.

501 S. Second St., Louisville, Ky. 40202; 502-584-2193

	1986	1985
Premium volume...	$25,000,000	$17,000,000
Gross revenues.....	$2,900,000	$2,300,000
Brokerage: Retail..	83%	81%
Wholesale.....	1%	1%
Reinsurance.....	6%	6%
Services.....	1%	1%
Personal lines.....	6%	7%
Invest. income.....	2%	3%
Other.....	1%	1%
Employees.....	37	34
Offices.....	1	1

Year founded: 1915.
Brokerage: 99% commissions, 1% fees.
Principal officers: W. Grant Lewis, chairman; Michael F. Sheehan, vice chairman/chief executive officer; John G. Beam, president/chief operating officer; Pamela R. Wessel, executive vp.
Licensed excess/surplus broker in: Kentucky, Indiana.

Joseph Held Co. Inc.

127 John St., New York; N.Y. 10038; 212-962-3122; 800-221-9940 outside N.Y.

	1986	1985
Premium volume...	$16,500,000	$10,500,000
Gross revenues.....	$2,050,000	$1,350,000
Brokerage: Retail..	80%	80%
Wholesale.....	10%	10%
Personal lines.....	5%	5%
Invest. income.....	5%	5%
Employees.....	13	14
Offices.....	4	6

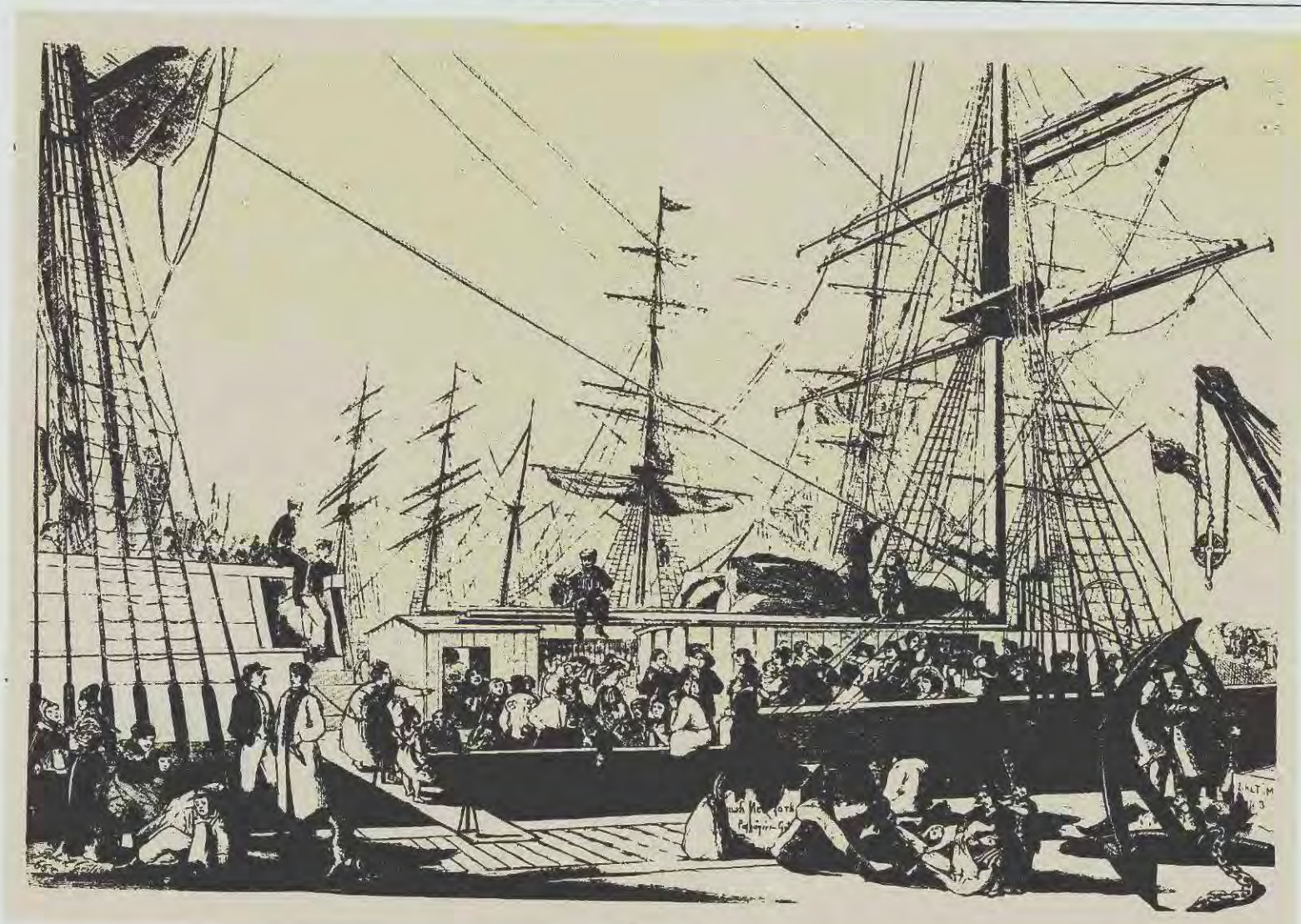
Year founded: 1897.
Brokerage: 95% commissions, 5% fees.
Retail brokerage branch offices: Trenton, N.J.; Standard Insurance Management Co. Inc./SIMCO, Boca Raton, Fla.; Rainbow Insurance Agency, New Britain, Conn.
Principal officers: Kenneth S. Held, president/chief executive officer; Arnold M. Held, executive vp-New York office; Dana M. Sanders, president-Standard Insurance Management Co. Inc./SIMCO; Donald A. Chinni, national programs administrator; Renee Held, secretary/treasurer.
Licensed excess/surplus broker in: New York, Florida.

Paul Hertel & Co. Inc.

Third & Chestnut Sts., Philadelphia, Pa. 19106; 215-925-7656

	1986	1985
Premium volume...	$38,000,000	$27,000,000
Gross revenues.....	$4,500,000	$3,280,000
Brokerage: Retail..	69%	68%
Services.....	2%	1%
Personal lines.....	24%	28%
Invest. income.....	3%	3%
Other.....	2%	0%
Employees.....	70	62
Offices.....	4	4

Continued on next page



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Continued from previous page

Year founded: 1908.
Brokerage: 98% commissions, 2% fees.
Retail brokerage branch offices: Feasterville, Media and Roxborough, Pa.
Principal officers: Paul R. Hertel, chairman; James J. McLaughlin, president; Jeremiah A. Caron and Robert J. Bush, vps.
Licensed excess/surplus broker in: Pennsylvania.

Hilb, Rogal & Hamilton Co.

6630 W. Broad St., Suite 120, Richmond, Va. 23230; 804-289-5300

See profile on page 66.

The Hirshorn Co.

14 E. Highland Ave., Philadelphia, Pa. 19118; 215-242-8200

	1986	1985
Premium volume...	$8,806,840	$5,536,010
Gross revenues.....	$1,500,000	$1,200,000
Brokerage: Retail..	80%	81%
Personal lines.....	11%	11%
Invest. income.....	9%	8%
Employees.....	15	14
Offices.....	1	1

Year founded: 1931.
Brokerage: 98% commissions, 2% fees.
Principal officers: Ralph S. Hirshorn, chairman; B. Graeme Frazier III, president; Stephen Wetherill and Dennis Murphy, vps; Margaret McAllister, assistant secretary.
Licensed excess/surplus broker in: Pennsylvania.

Holmes, Murphy & Associates Inc.

420 Keo Way, Des Moines, Iowa 50309; 515-286-4428

	1986	1985
Premium volume...	$150,000,000	$95,000,000
Gross revenues.....	$10,400,000	$7,700,000
Brokerage: Retail..	96%	97%
Services.....	1%	0%
Personal lines.....	2%	3%
Invest. income.....	1%	0%
Employees.....	105	93
Offices.....	1	-

Year founded: 1932.
Brokerage: 99% commissions, 1% fees.
Principal officers: Robert A. Dee, president/chairman of the board; Richard J. Noyce, executive vp; Robert J. McCauley Jr., Jon H. Pease and Marty Willis, vps.

Huffaker & Associates Inc.

P.O. Box 6217, 300 High St., Chattanooga, Tenn. 37401; 615-756-0711

	1986	1985
Premium volume...	$8,600,000	$7,200,000
Gross revenues.....	$1,544,000	$1,218,309
Brokerage: Retail..	63.1%	60.6%
Personal lines.....	30%	35%
Invest. income.....	2.7%	2.4%
Other.....	4.2%	2%
Employees.....	18	18
Offices.....	1	1

Year founded: 1887.
Brokerage: 100% commissions.
Principal officers: R.F. Huffaker, president; Theo F. King, vp; Roger Smith, treasurer; H.D. Huffaker III, secretary.
Licensed excess/surplus broker in: Tennessee, Georgia.

Charles E. Hyde Agency Inc.

10 Maple St., Port Washington, N.Y. 11050; 516-883-6300

	1986	1985
Premium volume...	$10,126,930	$5,961,380
Gross revenues.....	$1,412,126	$986,744
Brokerage: Retail..	62%	53%
Services.....	3%	3%
Personal lines.....	31%	40%
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., vice presidents; Charles H. Walker Jr., secretary.

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ISU/Marion A. Allen Inc.

E. Main St., P.O. Box 1439, Fort Valley, Ga. 31030; 912-825-5566

	1986	1985
Premium volume...	$40,000,000	$18,000,000
Gross revenues.....	$4,501,437	$3,747,418
Brokerage: Retail..	95%	95%
Personal lines.....	3%	3%
Invest. income.....	2%	2%
Employees.....	62	67
Offices.....	10	10

Year founded: 1952.
Brokerage: 100% commissions.
Retail brokerage branch offices: Gainesville, Baxley and Vidalia, Ga.; Ocala, Fla.; Knoxville, Tenn.; Allen & Lambert Inc.: Macon, Ga.; Allen & Furr Inc.: Roswell, Ga.; Fox Insurance Agency Inc.: Lillburn, Ga.; Allen Risk Management Inc.: Tucker, Ga.
Principal officers: Marion A. Allen, president; R. Gary Allen, vp; Jeanette J. Allen, secretary/treasurer.
Licensed excess/surplus broker in: Georgia, Tennessee.

ISU/Beauchamp & McSpadden

231 W. Canal St., P.O. Box 687, Wabash, Ind. 46992; 219-563-8821

	1986	1985
Premium volume...	$17,330,000	$9,013,000
Gross revenues.....	$2,676,000	$1,504,000
Brokerage: Retail..	66%	64%
Personal lines.....	32%	31%
Invest. income.....	2%	4%
Other.....	0%	1%
Employees.....	54	30
Offices.....	4	4

Year founded: 1927.
Brokerage: 99% commissions, 1% fees.
Acquisitions: Koors & Associates Inc., Warsaw, Ind.; Morrison-Galliher Inc., Muncie, Ind.
Retail brokerage branch offices: North Manchester and Warsaw, Ind.; ISU/Morrison Galliher, Muncie, Ind.
Parent company: Insurance & Financial Management Inc.
Principal officers: Robert W. Beauchamp, president; Frederick H. Squires, secretary; Joseph W. McSpadden and Larry D. McSpadden, vps; Michael J. Beauchamp, treasurer.

ISU/Blake Insurance Agency Inc.

P.O. Box 5300, 150 Greenleaf Ave., Portsmouth, N.H. 03801; 603-433-3300

	1986	1985
Premium volume...	$10,000,000	$6,000,000
Gross revenues.....	$1,770,000	$1,100,000
Brokerage: Retail..	65%	70%
Services.....	1%	1%
Personal lines.....	32%	27%
Invest. income.....	1%	1%
Other.....	1%	1%
Employees.....	36	25
Offices.....	3	1

Year founded: 1935.
Brokerage: 99% commissions, 1% fees.
Acquisitions: Bergeron Insurance Inc., Rochester, N.H.; Bragdon Insurance Inc., York, Maine.
Retail brokerage branch offices: Bergeron Insurance Inc., Rochester, N.H.; Bragdon Insurance Inc., York, Maine.
Principal officers: Eric G. Gustafson, chairman; Thomas E. Jackson, president; Joseph A. DeStefano Jr., executive vp.
Licensed excess/surplus broker in: New Hampshire, Maine.

ISU/Bradley & Parker

200 Oak Drive, Syosset, N.Y. 11791; 516-364-5500

	1986	1985
Premium volume...	$20,000,000	$10,000,000
Gross revenues.....	$3,010,000	$1,450,000
Brokerage: Retail..	63%	61%
Personal lines.....	21%	23%
Invest. income.....	1%	1%
Other.....	15%	15%
Employees.....	31	23
Offices.....	1	1

Year founded: 1939.
Brokerage: 100% commissions.
Acquisitions: Multi-Risk Brokerage Corp., Roslyn, N.Y.
Principal officers: T. Richard Cook, president; Joan M. Griesmeyer, executive vp; John E. Gibbons and R. Lee DiPietro, vps; Patricia Petro, treasurer.

Continued on facing page

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For further information regarding specific capabilities, clients and additional case histories, contact Dr. Allen Selz:

O'DONNELL & ASSOCIATES, INC.
241 Curry Hollow Rd., Pittsburgh, PA 15236 • (412) 655-1200

Continued from facing page

ISU/Brown, Howe & Robichaud Insurance Agency Inc.

47 Parker St., Gardner, Mass. 01440; 617-632-3311

	1986	1985
Premium volume...	$9,200,000	$8,000,000
Gross revenues.....	$1,489,000	$1,240,000
Brokerage: Retail..	58%	66%
Personal lines.....	39%	30%
Invest. income.....	3%	4%
Employees.....	24	19
Offices.....	1	1

Year founded: 1963.
Brokerage: 100% commissions.
Principal officers: John M. Brisbois, president; James D. Javaras, president-BHR Life & Group; Jay L. Hershman, president-BHR-ESL.
Licensed excess/surplus broker in: Massachusetts.

ISU/Brown-Spaulding & Associates Inc.

Dolores & 7th, P.O. Drawer 5276, Carmel, Calif. 93921; 408-624-1866

	1986	1985
Premium volume...	$5,152,480	$4,023,000
Gross revenues.....	$1,101,354	$851,000
Brokerage: Retail..	69%	67%
Wholesale.....	9%	10%
Services.....	0.5%	0.5%
Personal lines.....	21%	22%
Invest. income.....	0.5%	0.5%
Employees.....	20	17
Offices.....	2	1

Year founded: 1969.
Brokerage: 99% commissions, 1% fees.
Acquisitions: Mercurio Insurance, Monterey, Calif.
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

	1986	1985
Premium volume...	$9,400,000	$6,237,000
Gross revenues.....	$1,500,000	$1,094,000
Brokerage: Retail..	65%	65%
Personal lines.....	25%	25%
Invest. income.....	4%	4%
Other.....	6%	6%
Employees.....	20	18
Offices.....	1	1

Year founded: 1926.
Brokerage: 100% commissions.
Merger: Bruner Cassady Neeser Agency Inc. and Associated Insurance Plans Inc. merged April 1, 1987.
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/Dowis Agency Inc.

214 S. Third St., Sterling, Colo. 80751; 303-522-6260

	1986	1985
Premium volume...	$11,357,000	$8,355,000
Gross revenues.....	$1,703,080	$1,451,800
Brokerage: Retail..	80%	79%
Services.....	1%	1%
Personal lines.....	12%	13%
Invest. income.....	7%	7%
Employees.....	27	25
Offices.....	1	1

Year founded: 1924.
Brokerage: 100% commissions.
Principal officers: R.W. Dowis, president; Lyle D. Graham, senior vp; Richard A. Warren, secretary/treasurer; H.M. Dickson, Michael T. McCune and Marlon Bazata, vps.

ISU/Bob Gabriel Co.—Insurance

2325 Wilshire Blvd., Santa Monica, Calif. 90403; 213-829-0305

	1986	1985
Premium volume...	$6,000,000	$4,000,000
Gross revenues.....	$990,000	$610,000
Brokerage: Retail..	54%	54%
Personal lines.....	42%	42%
Invest. income.....	1%	1%
Other.....	3%	3%
Employees.....	12	10
Offices.....	1	1

Year founded: 1936.
Brokerage: 99% commissions, 1% fees.
Principal officers: Robert M. Gabriel, owner.

ISU/Glendale Agency Inc.

650 S. Cherry, Suite 600, Denver, Colo. 80222; 303-320-1717

	1986	1985
Premium volume...	$8,000,000	$7,500,000
Gross revenues.....	$810,000	$750,000
Brokerage: Retail..	95%	86%
Personal lines.....	0%	3%
Invest. income.....	5%	11%
Employees.....	13	10
Offices.....	2	1

Year founded: 1973.
Brokerage: 100% commissions.
Aquisitions: Pikes Peak Insurance, Colorado Springs, Colo.
Principal officers: Louis H. Wiersma, president; Anthony P. Stimac, vp/secretary; Edmund J. Lynch Jr., director.
Licensed excess/surplus broker in: Colorado.

Continued on next page

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Continued from previous page

ISU/Griffith-Prideaux Insurors

225 Madison Ave., CN 1917, Morristown, N.J. 07960; 201-538-6300; 800-624-0666 in New Jersey

	1986	1985
Premium volume...	$8,530,855	$6,027,508
Gross revenues.....	$1,116,877	$901,283
Brokerage: Retail..	58.91%	52.77%
Wholesale.....	1.95%	3.55%
Personal lines.....	29.67%	41%
Invest. income.....	3.33%	2.68%
Other.....	6.14%	0%
Employees.....	17	16
Offices.....	1	1

Year founded: 1899.
Brokerage: 100% commissions.
Principal officers: John R. Prideaux Jr., president; Thomas K. Gilmartin, vp-commercial lines department; Marsha Sheriff, vp-personal lines department; J. Raymond Prideaux III, vp-life department; Donna J. Prideaux, assistant secretary/commerical lines placer.
Licensed excess/surplus broker in: New Jersey.

ISU/John A. Guba & Associates

731 S. Garfield Ave., Traverse City, Mich. 49684; 616-947-4270

	1986	1985
Premium volume...	$6,500,000	$4,700,000
Gross revenues.....	$1,200,000	$850,000
Brokerage: Retail..	53%	50%
Wholesale.....	1%	1%
Personal lines.....	45%	48%
Invest. income.....	1%	1%
Employees.....	26	25
Offices.....	1	1

Year founded: 1977.
Brokerage: 100% commissions.
Principal officers: John A. Guba, president; Michael J. Smith, secretary/treasurer.
Licensed excess/surplus broker in: Michigan.

ISU/Hastings-Tapley Insurance Agency Inc.

271 Cambridge St., Cambridge, Mass. 02141; 617-876-7510

	1986	1985
Premium volume...	$59,055,213	$42,494,294
Gross revenues.....	$8,494,969	$6,956,209
Brokerage: Retail..	55.49%	52.1%
Services.....	2.04%	2.2%
Personal lines.....	40.82%	45.2%
Invest. income.....	1.35%	0.5%
Other.....	0.3%	0%
Employees.....	128	116
Offices.....	12	10

Year founded: 1866.
Brokerage: 97.96% commissions, 2.04% fees.
Acquisitions: Shaetman-Bartlett Insurance Agency, Reading, Mass.; Ralph C. Wilde Insurance Agency, Randolph, Mass.
Retail brokerage branch offices: Cambridge, Danvers, Gloucester, Ipswich, Medford, North Reading, Randolph, Reading, Saugus, Watertown and Woburn, Mass.; Richard D. Chase Insurance Agency Inc., Quincy, Mass.
Affiliated non-retail brokerage company: Lane England Associates Inc., Cambridge, Mass.
Principal officers: David C. Lane chairman; Frederick J. England Jr., president; Marsha K. Burridge and E Donald Lewis, executive vps; Frederick J. England Sr., treasurer.
Licensed excess/surplus broker in: Massachusetts.

ISU/T.D. Howe & Associates Inc.

P.O. Box 27 9163, Houston, Texas 77213; 713-558-8585

	1986	1985
Premium volume...	$4,500,000	$3,800 000
Gross revenues.....	$910,000	$790 122
Brokerage: Retail..	85%	35%
Services.....	1%	2%
Personal lines.....	7%	7%
Invest. income.....	7%	6%
Employees.....	9	9
Offices.....	1	1

Year founded: 1966.
Brokerage: 99% commissions, 1% fees.
Principal officers: T.D. Howe III, president; J.W. Franklin, vp.
Licensed excess/surplus broker in: Texas.

ISU/Insurance Corp. of America

110 N. Lake Destiny Drive, Suite 245, Maitland, Fla. 32751; 305-660-8180

	1986	1985
Premium volume...	$4,500,000	$3,750,000
Gross revenues.....	$600,000	$450,000
Brokerage: Retail..	94%	94%
Personal lines.....	5%	5%
Invest. income.....	1%	1%
Employees.....	11	9
Offices.....	1	1

Year founded: 1981.
Brokerage: 100% commissions.
Principal officers: Jack J. Jaggers, president; Michael E. Klocke, vp; Faye R. Morgan, secretary/treasurer.
Licensed excess/surplus broker in: Florida.

ISU/Klein Insurance Group

P.O. Box 1357, 2350 South Ave., LaCrosse, Wis. 54602; 608-788-5200

	1986	1985
Premium volume...	$13,500,000	$9,000,000
Gross revenues.....	$2,215,000	$1,709,609
Brokerage: Retail..	72.8%	74.4%
Personal lines.....	21%	21.9%
Invest. income.....	2.1%	2.5%
Other.....	4.1%	1.2%
Employees.....	40	38
Offices.....	2	3

Year founded: 1889.
Brokerage: 99% commissions, 1% fees.
Retail brokerage branch offices: Black River Falls, Wis.
Principal officers: Edward C. Tanke, president; Steven P. Tanke, vp/general manager; Richard Hieb, vp-sales.
Licensed excess/surplus broker in: Wisconsin.

ISU/Kouns & Green Inc.

1324 N. Hearne Ave., Shreveport, La. 71107; 318-226-1111

	1986	1985
Premium volume...	NA	NA
Gross revenues.....	$2,298,000	$2,140,000
Brokerage: Retail..	85%	85%
Wholesale.....	5%	7%
Personal lines.....	8%	6%
Other.....	2%	2%
Employees.....	30	31
Offices.....	1	1

Year founded: 1937.
Brokerage: 100% commissions.
Principal officers: Sinclair B. Kouns, chairman; D. Frank Green Jr., prsident; David F. Green III, vp.
Licensed excess/surplus broker in: Louisiana.

ISU/Lexington Insurance Agency Inc.

810 Kincaid Tower, 300 W. Vine St., Lexington, Ky. 40508; 606-253-6570

	1986	1985
Premium volume...	$5,200,000	$4,710,000
Gross revenues.....	$848,000	$764,000
Brokerage: Retail..	73.5%	72.5%
Wholesale.....	0.5%	0.5%
Personal lines.....	11%	10%
Invest. income.....	15%	17%
Employees.....	15	15
Offices.....	1	1

Year founded: 1953.
Brokerage: 95% commissions, 5% fees.
Principal officers: James B. Fightmaster, president; Larry R. Reesman, Bob Bosse, C. Stephen Taylor and Bill Lutts, vps.
Licensed excess/surplus broker in: Kentucky.

ISU/MBAH Insurance

2263 Duncan Road, Lafayette, Ind. 47903; 317-423-5421

	1986	1985
Premium volume...	$12,400,000	$10,100,000
Gross revenues.....	$1,870,000	$1,425,000
Brokerage: Retail..	76%	74%
Wholesale.....	1%	1%
Personal lines.....	15%	15%
Invest. income.....	2%	2%
Other.....	6%	8%
Employees.....	42	41
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; Andy Bain, vp; Bill Heath, treasurer; Steve Horner, secretary.
Licensed excess/surplus broker in: Indiana.

ISU/Mariemont Insurance Inc.

5725 Dragon Way, Cincinnati, Ohio 45227; 513-271-4060

	1986	1985
Premium volume...	$5,630,000	$3,830,000
Gross revenues.....	$815,000	$570,000
Brokerage: Retail..	73%	68%
Personal lines.....	26%	31%
Invest. income.....	1%	1%
Employees.....	12	11
Offices.....	2	2

Year founded: 1968.
Brokerage: 99% commissions, 1% fees.
Retail brokerage branch offices:

Continued on facing page

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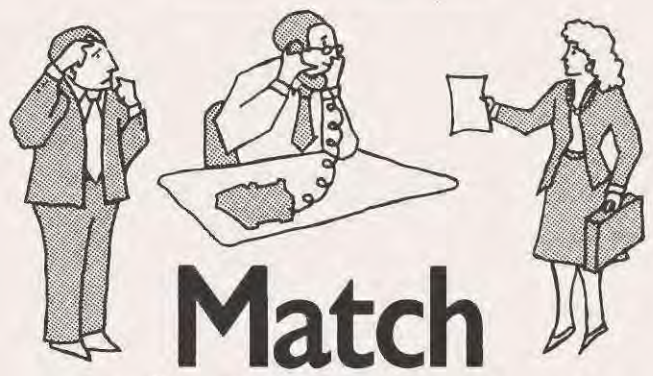


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Pittsburgh 412-566-1501
Washington 202-371-1057

Continued from facing page
Walnut Creek, Calif.

Principal officers: Clifford M. Clemons, president; Craig R. Ferrall and Gerald G. Hofmann, vps.

ISU/Montgomery Fansler & Carlson Insurance Inc.

1221 Chapola St., Santa Barbara, Calif. 93101; 805-965-0071

	1986	1985
Premium volume...	$18,500,000	$12,500,000
Gross revenues.....	$3,100,000	$2,400,000
Brokerage: Retail..	85%	80%
Personal lines.....	14%	19%
Invest. income.....	1%	1%
Employees.....	56	41
Offices.....	3	3

Year founded: 1935.
Brokerage: 99% commissions, 1% fees.
Retail brokerage branch offices: Willis & Griffith, Ventura, Calif.; Robert C. Lilley, Lompoc, Calif.; Santa Ynez Valley Insurance, Solvang, Calif.
Principal officers: Susan Rodriguez, president; Robert Montgomery, chief financial officer; Edmund Fansler and Jack Carlson, vps; B.J. Montgomery, treasurer.

ISU/Pembroke Insurance Agency Inc.

4668 Pembroke Blvd., Suite 117, Virginia Beach, Va. 23455; 804-497-9611

	1986	1985
Premium volume...	$11,000,000	$7,783,000
Gross revenues.....	$1,545,101	$1,476,253
Brokerage: Retail..	76%	76%
Personal lines.....	13%	15%
Invest. income.....	3%	2%
Other.....	8%	7%
Employees.....	24	29
Offices.....	1	2

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 and Kevin J. Molloy, vps.

ISU/Sherar, Cook & Gardner Inc.

2325 Severn Ave., Metairie, La. 70001; 504-837-4646

	1986	1985
Premium volume...	$15,000,000	$14,750,000
Gross revenues.....	$1,500,000	$1,250,000
Brokerage: Retail..	82%	82%
Wholesale.....	2%	2%
Reinsurance.....	5%	5%
Services.....	8%	9%
Personal lines.....	3%	2%
Employees.....	20	23
Offices.....	1	1

Year founded: 1979.
Brokerage: 95% commissions, 5% fees.
Non-retail brokerage subsidiaries: Reinsurance Brokers Co., Metairie, La.
Principal officers: J. William Sherar, president; Norman C. Cook, executive vp/secretary; James A. Gardner, vp/treasurer; Michael N. Brown and Wayne C. Solis, vps.
Licensed excess/surplus broker in: Louisiana.

ISU/Sun State Insurance

517 Lake Destiny, P.O. Box 5017, Maitland, Fla. 32751; 305-660-1986

	1986	1985
Premium volume...	$8,339,000	$6,991,000
Gross revenues.....	$1,423,000	$1,014,000
Brokerage: Retail..	66%	64%
Personal lines.....	31%	34%
Other.....	3%	2%
Employees.....	22	18
Offices.....	3	3

Year founded: 1979.
Brokerage: 99% commissions, 1% fees.
Retail brokerage branch offices: Orlando and Naples, Fla.
Principal officers: James M. Stephenson, president; Frank M. Arnall, executive vp.
Licensed excess/surplus broker in: Florida.

ISU/Taurus Insurance Agency Inc.

16561 Bolsa Chica Road, Suite 201, Huntington Beach, Calif. 92649; 714-846-3323

	1986	1985
Premium volume...	$4,500,000	$3,000,000
Gross revenues.....	$758,000	$574,000
Brokerage: Retail..	81%	81%
Services.....	3%	3%
Personal lines.....	15%	15%
Invest. income.....	1%	1%
Employees.....	15	13
Offices.....	1	1

Year founded: 1978.
Brokerage: 99.5% commissions, 0.5% fees.
Principal officers: Carl Lawrence, president; Iva Lee Lawrence, secretary/treasurer.

ISU/Thoits Insurance

250 Cambridge Ave., P.O. Box 60190, Palo Alto, Calif. 94306-0190; 415-324-0606

	1986	1985
Premium volume...	$13,000,000	$8,000,000
Gross revenues.....	$1,947,298	$1,475,024
Brokerage: Retail..	74%	77%
Personal lines.....	23%	20%
Invest. income.....	3%	3%
Employees.....	26	20
Offices.....	1	2

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; Viesha I. Treadwell and Diana Korolog, vps.

ISU/Triwest Insurance

4340 Fulton Ave., Sherman Oaks, Calif. 91423; 818-906-3350

	1986	1985
Premium volume...	$23,200,000	$17,900,000
Gross revenues.....	$2,900,000	$2,200,000
Brokerage: Retail..	81%	80%
Personal lines.....	18%	19%
Invest. income.....	1%	1%
Employees.....	49	42
Offices.....	1	1

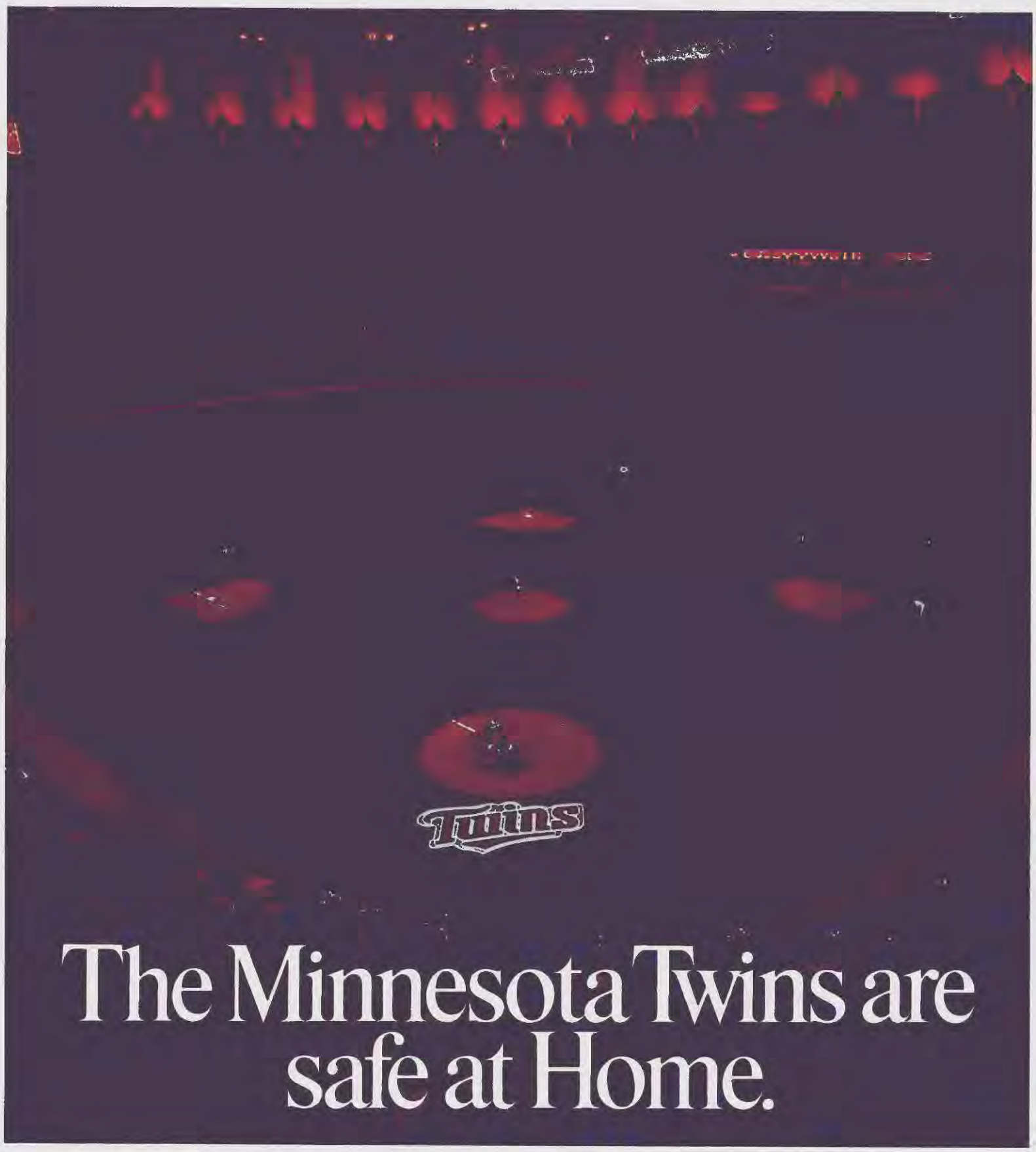
Year founded: 1982.
Brokerage: 90% commissions, 10% fees.
Principal officers: Maury Jones, Jeff Jones, Sy Maxwell and Paul Bronow.

ISU/United California Insurance Agency

6180 Laurel Canyon Blvd., Suite 225, North Hollywood, Calif. 91606; 818-984-1122

	1986	1985
Premium volume...	$11,000,000	$8,500,000
Gross revenues.....	$1,500,000	$1,100,000
Brokerage: Retail..	80.9%	84.2%
Wholesale.....	2%	2%
Personal lines.....	15.6%	12%
Invest. income.....	1.5%	1.8%
Employees.....	14	13
Offices.....	1	1

Continued on next page



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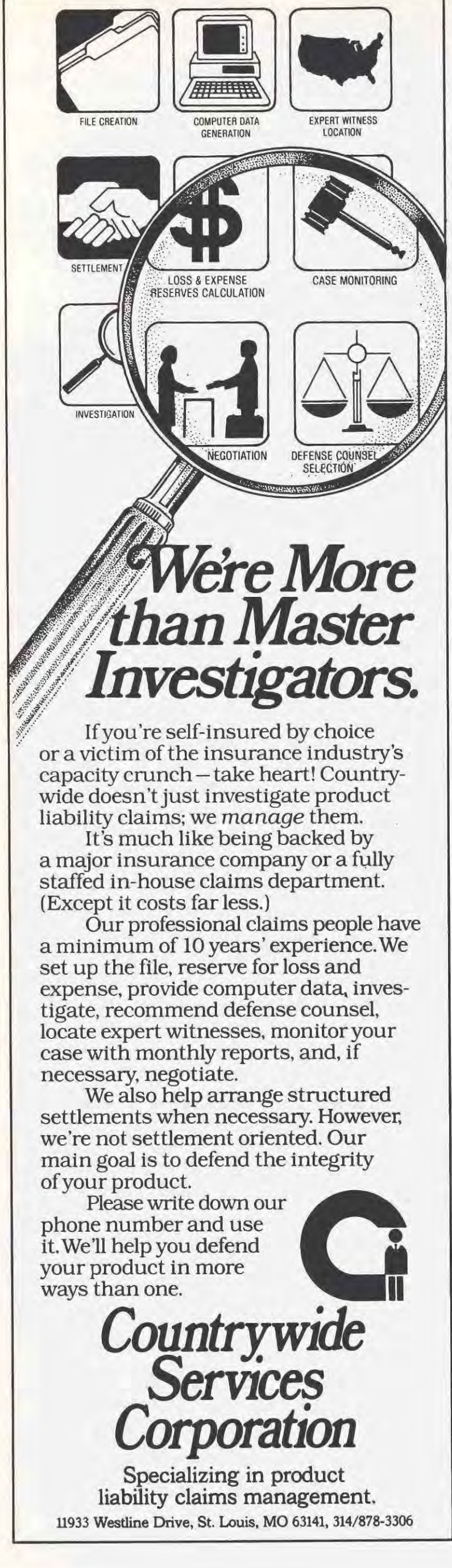
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Continued from previous pcge

Year founded: 1963.
Brokerage: 99% commissions, 1% 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

	1986	1985
Premium volume...	NA	NA
Gross revenues.....	$1,832,730	$1,680,389
Brokerage: Retail..	91%	89%
Personal lines.....	8%	10%
Invest. income.....	1%	1%
Employees.....	25	22
Offices.....	1	1

Year founded: 1960.
Brokerage: 100% commissions.
Principal officers: Melvin E. Rodney, chief executive officer; Richard A. Rodney, president; Ken Jorgensen, 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

	1986	1985
Premium volume...	$8,000,000	$6,000,000
Gross revenues.....	$1,000,000	$800,000
Brokerage: Retail..	93%	93%
Services.....	1%	1%
Personal lines.....	5%	5%
Invest. income.....	1%	1%
Employees.....	13	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.

Insurance Management Associates Inc.

600 IMA Plaza, 200 N. Water, Wichita, Kan. 67202; 316-267-9221

	1986	1985
Premium volume...	$94,607,000	$67,241,000
Gross revenues.....	$11,408,852	$8,284,189
Brokerage: Retail..	67%	75%
Services.....	10%	12%
Personal lines.....	6%	8%
Invest. income.....	5%	5%
Other.....	12%	0%
Employees.....	168	150
Offices.....	2	2

Year founded: 1974.
Brokerage: 90% commissions, 10% fees.
Retail brokerage branch offices: Topeka, Kan.
Principal officers: William C. Cohen Jr., president/chief executive officer; Joe Moddrell Jr., chairman of the board; Joseph Lukens, executive vp; Paul G. Starr and Richard B. Matassarin, senior vps.
Licensed excess/surplus broker in: Kansas.

Insurance Marketing Agencies Inc.

306 Main St., The Day Building, Worcester, Mass. 01608; 617-753-7233

	1986	1985
Premium volume...	$16,000,000	$12,000,000
Gross revenues.....	$2,250,766	$1,810,206
Brokerage: Retail..	86%	85%
Personal lines.....	10%	11%
Invest. income.....	3%	3%
Other.....	1%	1%
Employees.....	39	35
Offices.....	1	2

Year founded: 1924.
Brokerage: 97% commissions, 3% fees.
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.

15 Prospect St., P.O. Box 292, Paramus, N.J. 07652; 201-265-7110

	1986	1985
Premium volume...	$6,500,000	$5,200,000
Gross revenues.....	$1,062,000	$875,000
Brokerage: Retail..	79%	76%
Personal lines.....	21%	24%
Employees.....	10	10
Offices.....	1	1

Year founded: 1966.
Brokerage: 98% commissions, 2% fees.
Principal officers: John Jones, president; James Dooley, vp; Margaret Westhelle, secretary.

Insurance & Risk Management

P.O. Box 1705, 3811 Illinois Road, Fort Wayne, Ind. 46801; 219-436-1616

	1986	1985
Premium volume...	$49,000,000	$32,800,000
Gross revenues.....	$6,800,000	$4,850,000
Brokerage: Retail..	75%	70%
Services.....	10%	11%
Personal lines.....	11%	14%
Invest. income.....	4%	4%
Other.....	0%	1%
Employees.....	110	95
Offices.....	3	4

Year founded: 1963.
Brokerage: 88% commissions, 12% fees.
Acquisitions: Fishering, Sult & Co. Inc., Fort Wayne, Ind.
Retail brokerage branch offices: Muncie and Indianapolis, Ind.
Principal officers: Paul R. Porter, chairman; Harry A. Crawford, president; Dan Van Treese, vp-operations; Bart E. Bircheff, chief financial officer.
Licensed excess/surplus broker in: Indiana.

International Insurance Group Ltd.

Seven Winthrop Square, Boston, Mass. 02110; 617-542-4433

	1986	1985
Premium volume...	$17,000,000	$9,000,000
Gross revenues.....	$1,181,215	$700,000
Brokerage: Retail..	93.5%	95.5%
Wholesale.....	0.5%	0.5%
Invest. income.....	6%	4%
Employees.....	15	10
Offices.....	1	1

Year founded: 1984.
Brokerage: 90% commissions, 10% fees.
Principal officers: John J. Perkins, president/chief executive officer; Marianne E. Wronka, Frederic N. Lamb, James M. Healy and George J. Griffin, vps.
Licensed excess/surplus broker in: Massachusetts.

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Fred S. James & Co. Inc.

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

See profile on page 36.

Jardine Emett & Chandler Inc.

50 Francisco St., San Francisco, Calif. 94133; 415-391-2600

See profile on page 58.

Johnson & Higgins

95 Wall St., New York, N.Y. 10005; 212-701-7500

See profile on page 32.

Johnson, Kendall & Johnson Inc.

P.O. Box 8, Newtown, Pa. 18940; 215-968-4741

	1986	1985
Premium volume...	$15,221,561	$11,711,224
Gross revenues.....	$2,229,580	$1,694,497
Brokerage: Retail..	67%	64%
Personal lines.....	30%	32%
Invest. income.....	2%	3%
Other.....	1%	1%
Employees.....	34	27
Offices.....	1	1

Year founded: 1959.
Brokerage: 99% commissions, 1% fees.
Principal officers: Edwin T. Johnson, president; Richard B. Willis Jr., senior vp; Douglas D. Peterson, executive vp; John A. Wright, David R. Johnson, Richard J. Davis and William J. Alder, vps; Mary J. Rounsavill, secretary/treasurer.

k

Walter Kaye Associates Inc.

122 E. 42nd St., New York, N.Y. 10168; 212-210-9200

See profile on page 75.

Keenan & Associates

2355 Crenshaw Blvd., Suite 200, Torrance, Calif. 90501; P.O. Box 4328, Torrance, Calif. 90510; 213-212-3344

	1986	1985
Premium volume...	NA	NA
Gross revenues.....	$11,200,000	$10,125,100
Brokerage: Retail..	53%	52%
Services.....	41%	42%
Invest. income.....	5%	5%
Other.....	1%	1%
Employees.....	163	160
Offices.....	11	10

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.; South Bend, Ind.
Principal officers: John R. Keenan, president; James M. Eppolito and Frederick A. Johnson, executive vps.
Licensed excess/surplus broker in: California.

Kelter-Thorner Inc.

24600 Northwestern Highway, Southfield, Mich. 48075; 313-353-2200

	1986	1985
Premium volume...	$68,000,000	$46,000,000
Gross revenues.....	$7,490,000	$7,134,000
Brokerage: Retail..	65%	54%
Wholesale.....	20%	31%
Services.....	3%	3.9%
Personal lines.....	6%	6.5%
Invest. income.....	5%	3%
Other.....	1%	1.6%
Employees.....	74	70
Offices.....	6	6

Year founded: 1952.
Brokerage: 99% commissions, 1% fees.
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, New Jersey.

Kendall Insurance Inc.

90 S. Main St., Rochester, N.H. 03867; 603-332-5800

	1986	1985
Premium volume...	$64,260,895	$49,422,301
Gross revenues.....	$10,713,250	$8,164,000
Brokerage: Retail..	53%	52%
Wholesale.....	17%	13%
Services.....	12%	14%
Personal lines.....	10%	11%
Invest. income.....	2%	2%
Other.....	6%	8%
Employees.....	162	140
Offices.....	3	3

Continued on facing page

Continued from facing page
Credit Card Endowment Support System Inc., all in Newton, Mass.

Principal officers: Sanford D. Elsass, chairman; Michael J. Susco,

Brokerage: Retail..	65%	58%
Wholesale.....	5%	5%
Personal lines.....	27%	33%
Invest. income.....	3%	4%
Employees.....	140	125
Offices.....	7	7

in: New York, U.S. Virgin Islands.

May-Davis Inc.

McDowell Insurance Inc.
338 Lincoln Way E., P.O. Box 497, Chambersburg, Pa. 17201; 717-263-8401

The McElroy-Minister Co.
141 E. Town St., Columbus, Ohio 43215; 614-228-5565

Continued from facing page
Year founded: 1867.

Brokerage: 94% commissions, 6% fees.

Acquisitions: C.W. Varney & Co. Inc., Rochester, N.H.

Retail brokerage branch offices: Manchester, N.H.; National Ski Areas Assn. Insurance Plan, Salt Lake City, Utah.

Principal officers: Kennett R. Kendall Jr., president; Lawrence Cole, Richard Carr, Everett Page, Thomas Keating and Brian Derouin, vps.

Licensed excess/surplus broker in: New Hampshire, Maine.

Sander A. Kessler & Associates Inc.
9570 W. Pico Blvd., Los Angeles, Calif. 90035; 213-278-8740

	1986	1985
Premium volume...	$40,000,000	$40,000,000
Gross revenues.....	$5,740,869	$5,380,500
Brokerage: Retail..	90.3%	87.5%
Personal lines.....	5%	8%
Invest. income.....	4.7%	4.5%
Employees.....	64	62
Offices.....	1	1

Year founded: 1956.

Brokerage: 93.5% commissions, 6.5% fees.

Principal officers: Sander A. Kessler, president; Ronald A. Bloom, executive vp; Kenneth Kessler, senior vp; Steven Kessler, secretary/treasurer; Melvin Moss, vp.

Licensed excess/surplus broker in: California.

Kinney, Pike, Bell & Conner Inc.
98 Merchants Row, Rutland, Vt. 05701; 802-775-2311

	1986	1985
Premium volume...	$23,000,000	$20,500,000
Gross revenues.....	$3,603,633	$3,042,000
Brokerage: Retail..	78%	76%
Wholesale.....	1%	1%
Services.....	1%	1%
Personal lines.....	18%	20%
Invest. income.....	2%	2%
Employees.....	64	59
Offices.....	5	6

Year founded: 1904.

Brokerage: 99% commissions, 1% fees.

Retail brokerage branch offices: Hartford, Poultney, Essex Junction and Brattleboro, Vt.

Non-retail brokerage subsidiaries: Vermont Captive Management Inc. and Northeast Appraisal Service, both in Rutland, Vt.

Principal officers: Edward C. Pike, president; Robert K. Coyle, Stephen A. Carbine and Roger M. Pike, vps; Charles P. Huddleston, treasurer.

Licensed excess/surplus broker in: Vermont.

R.C. Knox & Co. Inc.
300 Pearl St., Hartford, Conn. 06103; 203-524-7600

	1986	1985
Premium volume...	$40,000,000	$32,000,000
Gross revenues.....	$6,100,000	$4,300,000
Brokerage: Retail..	71%	74%
Personal lines.....	22%	19%
Invest. income.....	7%	7%
Employees.....	70	63
Offices.....	7	6

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; E. Robert Zenke, senior 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

	1986	1985
Premium volume...	NA	NA
Gross revenues.....	$17,900,000	$14,400,000
Brokerage: Retail..	90.6%	68.6%
Wholesale.....	1.5%	0%
Services.....	2%	3%
Personal lines.....	3.9%	4.9%
Invest. income.....	1.9%	3.5%
Other.....	0.1%	20%
Employees.....	116	108
Offices.....	1	1

Year founded: 1917.

Brokerage: 95% commissions, 5% fees.

Principal officers: Matthew R. Kornreich, president/chief executive officer; Morton A. Kornreich, chairman; Steven L. Grossberg, vp/chief operating officer; Sanford H. Hersh, vp/chief financial officer; Lawrence W. Schott, senior vp; Philip J. Miller, senior vp-marketing; Alan N. Rovin, senior vp-casualty; George R. Klink, senior vp-property; Peter Goodstein, vp-life; Philip Ruggieri, vp-benefits; James D. Kornreich, Thomas A. Kornreich and William D. Kornreich, vps.

Licensed excess/surplus broker in: New York.

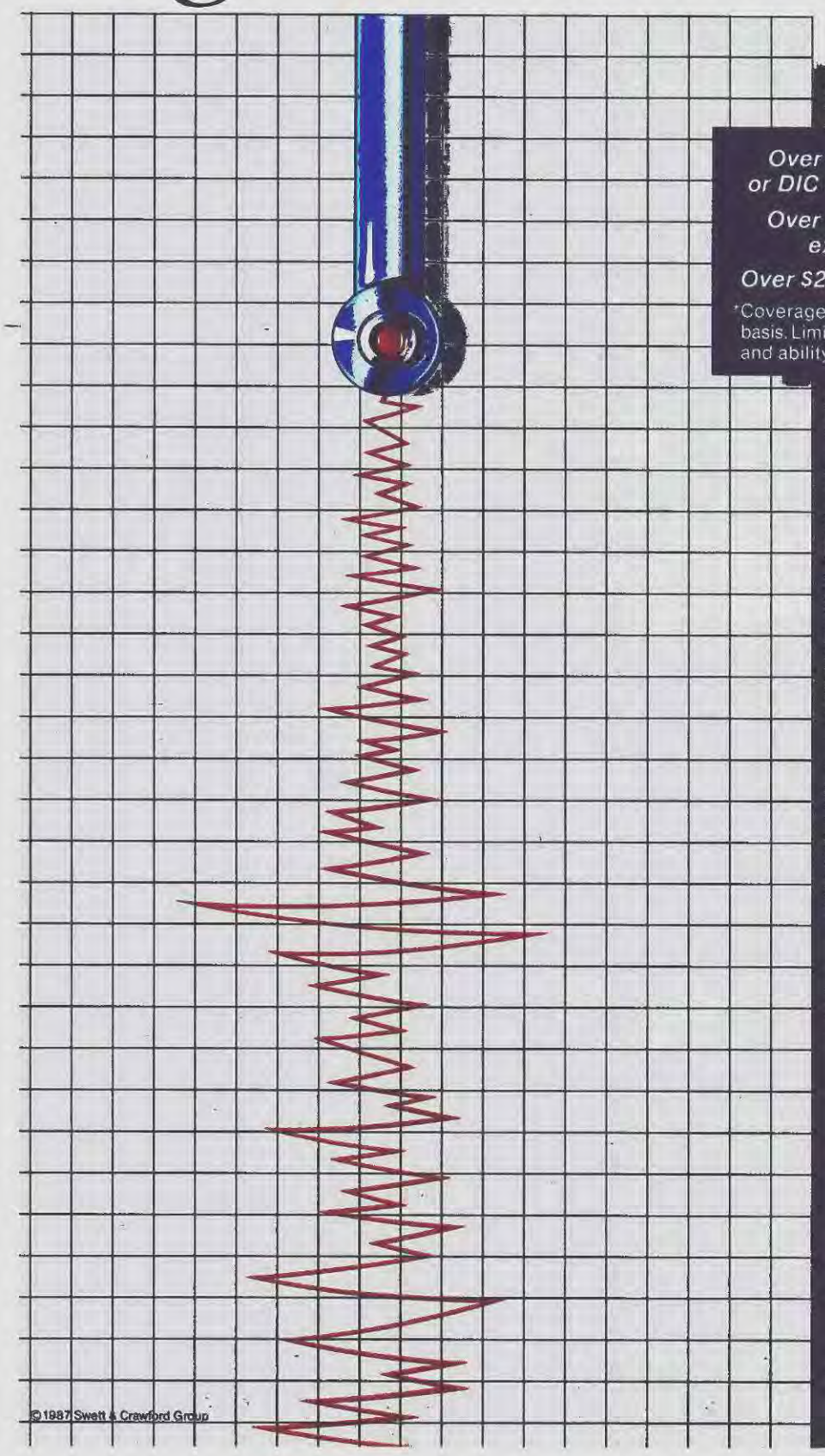
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I West Insurance Managers
Montgomery General Agency
Dana Roehrig & Associates
Swett & Crawford

Continued from previous page

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; 216-333-6300

	1986	1985
Premium volume...	$14,206,000	$8,350,000
Gross revenues.....	$1,460,617	$1,271,141
Brokerage: Retail..	77%	76%
Wholesale.....	1%	1%
Personal lines.....	21%	22%
Invest. income.....	1%	1%
Employees.....	23	26
Offices.....	1	1

Year founded: 1950.

Brokerage: 90% commissions, 10% fees.

Principal officers: Thomas B. McGowan, president; Thomas B. McGowan III, vp; Ed 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

	1986	1985
Premium volume...	$205,068,944	$138,231,057
Gross revenues.....	$20,396,375	$18,934,549
Brokerage: Retail..	72.3%	73.8%
Wholesale.....	6.7%	7.5%
Services.....	8%	7.8%
Personal lines.....	2.4%	2.4%
Invest. income.....	3.7%	3.6%
Other.....	6.9%	4.9%
Employees.....	293	293
Offices.....	6	6

Year founded: 1886.

Brokerage: 100% commissions.

Retail brokerage branch offices: Florence and Mobile, Ala.; Pensacola and Orlando, Fla.

Non-retail brokerage subsidiaries: Wood & Co., Atlanta.

Principal officers: Richard M. Womack, chairman; Bruce C. Dunbar, president/chief executive officer; Bruce S. Denson, executive vp/chief operating officer; Malcolm K. Miller, vice chairman.

Licensed excess/surplus broker in: Alabama, Florida, Georgia.

Meadowbrook Inc.

24370 Northwestern Highway, Southfield, Mich. 48075; 313-358-1100

	1986	1985
Premium volume...	$45,000,000	$38,000,000
Gross revenues.....	$8,000,000	$6,600,000
Brokerage: Retail..	50%	56%
Reinsurance.....	9%	7%
Services.....	29%	28%
Personal lines.....	5%	6%
Invest. income.....	6%	2%
Other.....	1%	1%
Employees.....	112	110
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., Southfield, Mich.; Meadowbrook Intermediaries Inc. and Meadowbrook Risk Management Inc., 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; Michael Murawski, vp; Robert Cubbin, vp/general counsel; Lee F. Kelly, vp/treasurer; Cheryl L. Reno, vp/corporate secretary.

Licensed excess/surplus broker in: Michigan.

Meeker Sharkey Financial Group Inc.

21 Commerce Drive, Cranford, N.J. 07016; 201-272-8100

	1986	1985
Premium volume...	$60,000,000	$52,500,000
Gross revenues.....	$12,889,000	$9,711,000
Brokerage: Retail..	65%	67%
Services.....	15%	11%
Personal lines.....	17%	19%
Invest. income.....	2%	2%
Other.....	1%	1%
Employees.....	226	203
Offices.....	8	8

Year founded: 1864.

Brokerage: 97% commissions, 3% fees.

Acquisitions: Edward F.C. McLaughlin Agency, Rye Brook, N.Y.

Retail brokerage branch offices: Cranford Agency, Meeker Sharkey Associates Inc. and Kohler MacBean Agency Inc., all in Cranford, N.J.; T. DiLeo Agency Inc., Piscataway, N.J.; T.C. Moffatt & Co. Inc., Sea Girt, N.J.; Edward F.C. McLaughlin Agency, Rye Brook, N.Y.

Non-retail brokerage subsidiaries: The MacKinnon Co. Inc., Wayne, N.J.; Kohler MacBean of Cranford Inc. and Actuarial Consultants of New Jersey Inc., both in Cranford, N.J.

Principal officers: Thomas J. Sharkey, chairman; Raymond B. Vaughn, William J. Redmond, Brian P. Leddy and Jeffrey Carlson, presidents of subsidiaries.

Midwest Commerce Insurance

107 W. Franklin St., P.O. Box 1724, Elkhart, Ind. 46515; 219-293-4565

	1986	1985
Premium volume...	$32,000,000	$21,000,000
Gross revenues.....	$4,296,860	$3,096,393
Brokerage: Retail..	82%	85.5%
Services.....	6%	0%
Personal lines.....	9%	10.5%
Invest. income.....	3%	4%
Employees.....	54	51
Offices.....	3	2

Year founded: 1915.

Brokerage: 98.3% commissions, 1.7% 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; Donald R. Anderson, vp-sales; Gaylord L. Russell, vp-administration; Farrel J. Zehr, vp-marketing; Jeffrey Waisler, vp-client services.

Licensed excess/surplus broker in: Indiana.

Julius Moll & Son Inc.

6160 N. Cicero Ave., Chicago, Ill. 60646; 312-286-7737

	1986	1985
Premium volume...	$18,200,000	$14,500,000
Gross revenues.....	$2,730,000	$2,350,000
Brokerage: Retail..	79%	74%
Services.....	3%	4%
Personal lines.....	6%	7%
Invest. income.....	3%	2%
Other.....	9%	13%
Employees.....	36	29
Offices.....	1	1

Year founded: 1901.

Principal officers: Theodore S. Ross, president; Richard M. Moll, chairman.

Licensed excess/surplus broker in: Illinois.

Molton, Allen & Williams Corp.

No. 4 Metroplex Drive, Suite 600, Birmingham, Ala. 35209; 205-879-6200

	1986	1985
Premium volume...	$33,000,000	$27,500,000
Gross revenues.....	$3,559,592	$3,474,741
Brokerage: Retail..	79%	78%
Services.....	3%	2%
Personal lines.....	10%	20%
Invest. income.....	8%	0%
Employees.....	43	47
Offices.....	3	3

Year founded: 1983.

Brokerage: 100% commissions.

Retail brokerage branch offices: Mobile and Huntsville, Ala.

Principal officers: Tommy C. Ritter, president/chief executive officer; William M. Jacka, president-insurance division; James A. Haggerty, executive vp-administration; Jeffrey L. Johnson, executive vp-large accounts; Kenneth W. Sprue.l, executive vp-sales.

Licensed excess/surplus broker in: Alabama.

Moore & Povenz Inc.

1923 Holland Ave., Port Huron, Mich. 48060; 313-987-6161

	1986	1985
Premium volume...	$23,000,000	$17,350,000
Gross revenues.....	$3,270,000	$2,480,000
Brokerage: Retail..	53%	46%
Services.....	1%	1%
Personal lines.....	39%	42%
Invest. income.....	2%	3%
Other.....	5%	8%
Employees.....	53	53
Offices.....	3	3

Year founded: 1923.

Brokerage: 99% commissions, 1% fees.

Retail brokerage branch offices: Moore & Povenz Metro Inc., Mount Clemens, Mich.; Moore & Povenz of Richmond, Richmond, Mich.

Principal officers: Douglas S. Povenz, president; William H. Moore, executive vp; R. James Marsh, vp/secretary; Robert E. Wilbrett, vp/treasurer; Warren B. Huey, vp/general manager-Mount Clemens office.

Fred A. Moreton & Co.

740 E. South Temple, Salt Lake City, Utah 84102; 801-531-1234

	1986	1985
Premium volume...	$35,700,000	$31,700,000
Gross revenues.....	$5,529,000	$4,840,000
Brokerage: Retail..	75%	67.6%
Wholesale.....	15%	18.4%
Services.....	4%	6.4%
Personal lines.....	3%	2.8%
Invest. income.....	3%	4.6%
Other.....	0%	0.2%
Employees.....	70	59
Offices.....	2	2

Year founded: 1910.

Brokerage: 99% commissions, 1% fees.

Retail brokerage branch offices: Idaho Falls, Idaho.

Non-retail brokerage subsidiaries: Moreton Benefit Administrators, Moreton General Agency and Moreton Insurance Credit Plan, all in Salt Lake City, Utah.

Principal officers: Edward B. Moreton, president; Ron Cornell, executive vp; Edward F. Folland, senior vp; L. Kent Bills and Jon Jepsen, vps; Craig Smith, vp-sales.

Licensed excess/surplus broker in: Utah, Idaho.

Morris & MacKenzie Ltd.

4141 Sherbrooke St. W., Montreal, Quebec H3Z 1C1; 514-937-5755

	1986	1985
Premium volume...	NA	NA
Gross revenues.....	$13,000,000	$10,600,000
Brokerage: Retail..	75%	70%
Personal lines.....	25%	30%
Employees.....	168	169
Offices.....	4	4

Year founded: 1939.

Brokerage: 90% commissions, 10% fees.

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, vp/director.

NIA Ltd./National Insurance Associates

66 Route 17, Paramus, N.J. 07652; 201-845-6600

	1986	1985
Premium volume...	NA	NA
Gross revenues.....	$9,810,000	$7,550,000
Brokerage: Retail..	51%	55%
Wholesale.....	20%	13%
Services.....	3%	8%
Personal lines.....	25%	21%
Invest. income.....	1%	3%
Employees.....	150	140
Offices.....	8	6

Year founded: 1926.

Brokerage: 90% commissions, 10% fees.

Retail brokerage branch offices: Newark, Long Valley and Freehold, N.J.; Spring Valley, N.Y.

Non-retail brokerage subsidiaries: Insurex, NIA Title Agency and NIA Professional Plans Inc., all in Paramus, N.J.; Insurex Brokerage Inc., Spring Valley, N.Y.

Principal officers: Paul L. Gross, president; William F. Meade, executive vp; Beulah J. Handler, senior vp; Howard P. Cantor, vp-finance/treasurer; Gregory A. Gross, vp.

Licensed excess/surplus broker in: New York, New Jersey.

National Coverage Corp.

2174 Jackson Ave., P.O. Box 40, Seaford, N.Y. 11783; 516-826-8000

	1986	1985
Premium volume...	$27,019,398	$21,350,001
Gross revenues.....	$3,804,349	$3,297,157
Brokerage: Retail..	85.2%	86.8%
Personal lines.....	9%	8.5%
Invest. income.....	5.8%	4.7%
Employees.....	48	44
Offices.....	1	1

Year founded: 1964.

Brokerage: 88% commissions, 12% fees.

Principal officers: William A. Kulesh, president/treasurer; Warren G. Aaronson, executive vp/secretary; Robert Buono and Russell J. Tillman, vps.

National Insurance Agency

P.O. Box 6750, Corpus Christi, Texas 78411; 512-993-6700

	1986	1985
Premium volume...	$5,600,607	$4,856,957
Gross revenues.....	$875,389	$764,146
Brokerage: Retail..	65%	75%
Personal lines.....	35%	25%
Employees.....	21	17
Offices.....	1	1

Year founded: 1965.

Brokerage: 100% commissions.

Acquisitions: Watts Insurance, Corpus Christi, Texas.

Principal officers: Robert E. Harris, president; Scot Oshman, Howard Schlegel, Claude Watts and John McFall, vps.

Near North Insurance Agency

875 N. Michigan Ave., Chicago, Ill. 60611; 312-280-5600

	1986	1985
Premium volume...	$120,000,000	$91,000,000
Gross revenues.....	$15,150,000	$11,800,000
Brokerage: Retail..	95%	95%
Personal lines.....	3%	3%
Invest. income.....	2%	2%
Employees.....	152	143
Offices.....	1	1

Year founded: 1962.

Brokerage: 95% commissions, 5% fees.

Principal officers: Michael Segal, president; Joshua A. Band, executive vp; David Green and Claude Lopiccolo, senior vps.

Licensed excess/surplus broker in: Illinois.

North American Insurance Agency Inc.

3800 Classen Blvd., Oklahoma City, Okla. 73118; 405-523-2100

	1986	1985
Premium volume...	NA	$50,469,000
Gross revenues.....	$6,365,000	$6,813,000
Brokerage: Retail..	80%	73%
Personal lines.....	19%	26%
Other.....	1%	1%
Employees.....	91	84
Offices.....	6	6

Year founded: 1959.

Brokerage: 98% commissions, 2% fees.

Acquisitions: Cella Insurance Agency, Denver.

Retail brokerage branch offices: Edmond and Tulsa, Okla.; Denver; Dallas; New Orleans.

Principal officers: Gene McCrory, president; Donald W. Glaspey, executive vp; Jack G. Barry, senior vp; John R. Mackey, vp.

Licensed excess/surplus broker in: Oklahoma, Colorado, Louisiana.

Continued on facing page

Forum Reinsurance Company Limited

The Specialist Financial Insurance Products Company

Statement of operations for the period ended January 15, 1987.

	US$000's
Premiums Written	104,965
Net Income (after interest on capital funds)	6,090
Dividends	(4,500)
Retained Earnings	1,590
Ordinary Shares	5,000
Subordinated Convertible Loan Stock	25,000
Total Capital Funds	31,590

Copies of the audited accounts may be obtained from the Company at: Continental Insurance Building, PO Box HM 2504, Hamilton HM GX, Bermuda.
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in: Kansas, Missouri.

The Loomis Cos. Ltd.

625 Spring St., P.O. Box 7011, Wyomissing, Pa. 19610-7011; 215-374-4040

	1986	1985
Premium volume...	$56,400,000	$45,000,000
Gross revenues.....	$7,050,000	$5,600,000
Offices.....	1	1

Year founded: 1929.

Brokerage: 98% commissions, 2% fees.

Non-retail brokerage subsidiaries: Surplus Services Inc., Marketing Associates Inc. and Affiliated

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O

O'Gorman & Young Inc.

159 Main St., Chatham, N.J. 07928; 201-635-1800

	1986	1985
Premium volume...	$44,000,000	$35,000,000
Gross revenues.....	$5,005,000	$4,136,000
Brokerage: Retail..	83%	83%
Personal lines.....	14%	14%
Invest. income.....	3%	3%
Employees.....	52	50
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; E.V. Tracey, executive vp/treasurer; E. Jay Lawton, Roberty 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. 91406; 818-988-6520

	1986	1985
Premium volume...	$30,000,000	$27,000,000
Gross revenues.....	$3,286,455	$2,509,710
Brokerage: Retail..	96.5%	97%
Personal lines.....	0.5%	1%
Invest. income.....	2%	2%
Other.....	1%	0%
Employees.....	35	42
Offices.....	1	2

Year founded: 1924.
Brokerage: 95% commissions, 5% fees.
Principal officers: A.F. Osterloh III, president.

P

Paige-Ruane Inc.

The Irwin Building, King of Prussia, Pa. 19406-0962; 215-265-4170

	1986	1985
Premium volume...	$16,000,000	$10,000,000
Gross revenues.....	$2,800,000	$1,694,971
Brokerage: Retail..	50%	50%
Wholesale.....	50%	50%
Employees.....	8	7
Offices.....	1	1

Year founded: 1978.
Brokerage: 100% commissions.
Principal officers: Ronald R. Ruane Sr., president; Frederick G. Paige, secretary/treasurer; Lisa Shaffran, resident vp; David B. Sheldon, assistant vp; Ronald R. Ruane Jr., assistant secretary.
Licensed excess/surplus broker in: Pennsylvania, Virginia.

Palley Simon Associates

Rydal Executive Plaza, Suite 300, Rydal, Pa. 19046; 215-884-2100

	1986	1985
Premium volume...	$16,000,000	$12,000,000
Gross revenues.....	$2,400,000	$1,700,000
Brokerage: Retail..	77.2%	73.7%
Personal lines.....	18.1%	20.1%
Invest. income.....	4.7%	6.2%
Employees.....	27	22
Offices.....	1	1

Year founded: 1974.
Brokerage: 96% commissions, 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

	1986	1985
Premium volume...	$90,902,389	$100,000,000
Gross revenues.....	$11,462,025	$10,500,000
Brokerage: Retail..	68%	68%
Services.....	10%	10%
Personal lines.....	18%	18%
Invest. income.....	3%	3%
Other.....	1%	1%
Employees.....	158	187
Offices.....	6	8

Year founded: 1915.
Brokerage: 96% commissions, 4% fees.
Acquisitions: Heyward & O'Neil, Charleston, S.C.
Retail brokerage branch offices: Brunswick, Atlanta, Augusta and Vidalia, Georgia; Charleston, S.C.; Almours-Carswell Inc., Jacksonville and Fernandina Beach, Fla.
Principal officers: John E. Cay III, president; Lewis H. Oden III, executive vp; Edwin P. Bendin, William H. Brown, Richard N. Haycock and G. David Reid, senior vps.
Licensed excess/surplus broker in: Georgia, South Carolina.

Palmer Goodell Insurance Agency Inc.

1500 Main St., Suite 2000, Springfield, Mass. 01115; 413-781-5940

	1986	1985
Premium volume...	$24,479,313	$28,708,135
Gross revenues.....	$4,465,826	$4,189,000
Brokerage: Retail..	50%	50%
Services.....	5%	8%
Personal lines.....	26%	26%
Invest. income.....	1%	1%
Other.....	18%	15%
Employees.....	88	94
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.

Perpetual Insurance Inc.

8401 Corporate Drive, Landover, Md. 20785; 301-731-6100

	1986	1985
Premium volume...	$17,000,000	$16,000,000
Gross revenues.....	$2,303,242	$2,312,138
Brokerage: Retail..	30%	28%
Personal lines.....	65%	67%
Invest. income.....	4%	4%
Other.....	1%	1%
Employees.....	41	42
Offices.....	1	1

Year founded: 1927.
Brokerage: 100% commissions.
Parent company: Perpetual Savings Bank F.S.B.
Principal officers: Will Bernardin, president; Lou Khalil, controller; Bruce Brown, Bob Kuhn and Lu Cook, vps.
Licensed excess/surplus broker in: Washington, D.C.; Maryland.

Pickett, Adams & Burkholder Insurance Inc.

P.O. Box 850069, 632 Hillcrest Road, Mobile, Ala. 36685; 205-639-9480

	1986	1985
Premium volume...	$8,500,000	$6,400,000
Gross revenues.....	$1,248,063	$1,086,000
Brokerage: Retail..	65%	60%
Personal lines.....	25%	30%
Other.....	10%	10%
Employees.....	23	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 Pickett, president; Paul H. Burkholder Jr., executive vp; Spencer M. Adams III, secretary/treasurer; H. Steven King and Anthony O'Conner, vps.
Licensed excess/surplus broker in: Alabama.

Pierson & Smith Inc.

65 Broad St., Stamford, Conn. 06901*; 203-327-2727

	1986	1985
Premium volume...	$23,762,000	$28,474,633
Gross revenues.....	$3,705,578	$4,271,089
Brokerage: Retail..	61%	60%
Wholesale.....	1%	1%
Services.....	2%	3%
Personal lines.....	29%	25%
Other.....	7%	11%
Employees.....	50	54
Offices.....	2	3

* As of Aug. 1, new address will be 1055 Washington Blvd., Stamford, Conn. 06901
Year founded: 1938.
Brokerage: 95% commissions, 5% fees.
Retail brokerage branch offices: Norwalk, Conn.
Retail brokerage affiliate: Danbury, Conn.
Principal officers: Richard H. Smith, executive vp; Jon Rudiger, treasurer; Michael G. Watts, vp/secretary.
Licensed excess/surplus broker in: Connecticut.

Poe & Associates Inc.

702 N. Franklin St., Tampa, Fla. 33602; 813-222-4100

See profile on page 71.

Pomerleau Agency Inc.

184 S. Winooski Ave., Burlington, Vt. 05402; 802-863-2841

	1986	1985
Premium volume...	$26,400,000	$17,560,000
Gross revenues.....	$4,300,000	$3,100,000
Brokerage: Retail..	50%	50.4%
Wholesale.....	30%	25%
Services.....	6%	10%
Personal lines.....	10%	11%
Invest. income.....	4%	3.6%
Employees.....	25	24
Offices.....	2	2

Year founded: 1954.
Brokerage: 86% commissions, 14% fees.
Principal officers: Antonio B. Pomerleau, chairman; Charles S. Lord, president; Thomas L. Mays, executive vp.
Licensed excess/surplus broker in: Vermont.

Popkin Lebson Bergstein Inc.

38 Franklin St., P.O. Box 800, Tenafly, N.J. 07670; 201-569-8090; 212-928-2473

	1986	1985
Premium volume...	$16,362,949	$12,466,787
Gross revenues.....	$2,612,372	$2,136,544
Brokerage: Retail..	68%	67%
Wholesale.....	1%	1%
Services.....	1%	1%
Personal lines.....	28%	29%
Invest. income.....	2%	2%
Employees.....	37	27
Offices.....	2	1

Year founded: 1974.
Brokerage: 99% commissions, 1% fees.
Acquisitions: Sidney Rosenthal and Farnham Agency, both in Tenafly, N.J.
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.

The Porter Allen Co.

513 Southard St., Key West, Fla. 33040; 305-294-2542

	1986	1985
Premium volume...	$7,250,000	$5,000,000
Gross revenues.....	$1,350,000	$1,100,000
Brokerage: Retail..	60%	55%
Personal lines.....	35%	40%
Invest. income.....	5%	5%
Employees.....	26	22
Offices.....	3	2

Year founded: 1891.
Brokerage: 100% commissions.
Retail brokerage branch offices: Marathon and Key Largo, Fla.
Principal officers: David W. Freeman, president; William A. Freeman III, vp; William A. Freeman Jr., secretary/treasurer.

Cecil W. Powell & Co.

P.O. Box 41490, Jacksonville, Fla. 32203; 904-353-3181

	1986	1985
Premium volume...	$30,000,000	$27,000,000
Gross revenues.....	$2,800,000	$2,560,000
Brokerage: Retail..	98%	91%
Services.....	2%	0%
Personal lines.....	0%	5%
Invest. income.....	0%	4%
Employees.....	32	25
Offices.....	1	1

Year founded: 1935.
Brokerage: 98% commissions, 2% fees.
Aquisitions: Consolidated Insurance Agency, Jacksonville, Fla.
Principal officers: Fitzhugh K. Powell Sr., president; Lon B. Bryan, executive vp; Stan L. Storey, vp-casualty; R.B. Hazard, vp-bonds; J. Cowart, benefits.
Licensed excess/surplus broker in: Florida.

Producers Exchange Inc.

1310 Texas American Bank Building, Dallas, Texas 75235; 214-357-6504

	1986	1985
Premium volume...	$12,500,000	$15,200,000
Gross revenues.....	$2,100,000	$2,060,000
Brokerage: Retail..	72%	50%
Wholesale.....	5%	16%
Services.....	18%	28%
Invest. income.....	5%	6%
Employees.....	21	26
Offices.....	3	4

Year founded: 1973.
Brokerage: 82% commissions, 18% 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.

Continued on next page

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— **Thomas S. Bloom,** *McAlear Associates, Inc.*

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St. Paul, Minnesota
Our name speaks for itself!

Continued from previous page

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ReagerHarris Inc.

10400 Linn Station Road, Louisville, Ky. 40223; 502-425-9444

	1986	1985
Premium volume...	$25,500,000	$17,750,000
Gross revenues.....	$4,091,163	$2,855,000
Brokerage: Retail..	87%	82%
Personal lines.....	8%	11%
Invest. income.....	5%	7%
Employees.....	55	52
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

	1986	1985
Premium volume...	$116,524,279	$89,447,604
Gross revenues.....	$14,287,575	$12,070,243
Brokerage: Retail..	70.14%	68.9%
Wholesale.....	12.6%	11.1%
Services.....	8.94%	9.7%
Personal lines.....	4.09%	4.6%
Invest. income.....	4.23%	5.7%
Employees.....	146	149
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.

Redland Group Inc.

35 N. Main St., Council Bluffs, Iowa 51501; 712-325-1010

	1986	1985
Premium volume...	$63,348,000	$53,922,000
Gross revenues.....	$18,565,000	$14,863,000
Brokerage: Retail..	8.5%	10%
Wholesale.....	75.5%	72.6%
Services.....	4.7%	4.4%
Personal lines.....	2.5%	3.1%
Invest. income.....	1.7%	2.6%
Life & Group.....	1.4%	1.7%
Other.....	5.7%	5.6%
Employees.....	170	155
Offices.....	3	3

Year founded: 1945.
Brokerage: 92% commissions, 8% fees.
Retail brokerage subsidiary: Insurance Agents Inc., Council Bluffs, Iowa.
Non-retail brokerage subsidiaries: American Agrisurance, Redland Insurance Co., American Insurance Adjusting Co. and American Adjusters Inc., all in Council Bluffs, Iowa.
Principal officers: H.H. Nelson, chairman-Redland Group Inc.; John P. Nelson, president-Redland Group Inc.; Richard Gibson, president-American Agrisurance; Gary Hurley, president-Insurance Agents Inc.; Omer C. Trout, executive vp-Redland Group Inc.

John M. Riehle Inc.

111 Fifth Ave., New York, N.Y. 10003; 212-614-3406

	1986	1985
Premium volume...	$48,000,000	$41,500,000
Gross revenues.....	$9,550,000	$8,675,000
Brokerage: Retail..	70%	68%
Services.....	5%	7%
Personal lines.....	20%	21%
Invest. income.....	4%	3%
Other.....	1%	1%
Employees.....	145	145
Offices.....	5	5

Year founded: 1896.
Brokerage: 90% commissions, 10% fees.
Acquisitions: Philip R. Dunst Co. Inc., New York; Certified Insurance Services, Orlando, Fla.
Retail brokerage branch offices: Selective Programs Inc., New York; Knox, Lent & Tucker Inc., White Plains, N.Y.; Hallman & Lorber Associates Inc., Valley Stream, N.Y.; Harvest & HBJ Insurance Inc., Orlando, Fla.
Affiliated companies: Federal Home Life Insurance Co. and Harvest Life Insurance Co.
Parent company: Harcourt Brace Jovanovich Inc.
Principal officers: J. William Brandner, chairman; Richard A. Fuhrman, president/treasurer.
Licensed excess/surplus broker in: New York.

Republic Hogg Robinson Inc.

177 Milk St., Boston, Mass. 02109; 617-542-5200

See profile on page 64.

Rhulen Agency Inc.

217 Broadway, Monticello, N.Y. 12701; 914-794-8000

	1986	1985
Premium volume...	$100,000,000	$85,000,000
Gross revenues.....	$22,244,000	$16,594,000
Brokerage: Retail..	27%	41%
Wholesale.....	60%	53%
Reinsurance.....	1%	1%
Services.....	4%	1%
Personal lines.....	2%	2%
Invest. income.....	4%	2%
Other.....	2%	0%
Employees.....	320	320
Offices.....	10	7

Year founded: 1934.
Brokerage: 95% commissions, 5% fees.
Retail brokerage branch offices: Greer, S.C.; Ocala, Fla ; Grove City, Ohio; Bridgeport, Conn.; Newport Beach, Calif.; Manasquan, N.J.; Levittown, Pa.; Murfreesboro, Tenn.; Annandale, Va.
Principal officers: Jesse M. Farrow, chairman/chief executive officer; Peter L. Rhuler, president; Walter A. Rhulen, chairman-executive committee; Murray Markman, executive vp.

Roanoke Agency Inc.

1900 E. Golf Road, Suite 740, Schaumburg, Ill. 60173; 312-490-9540; 800-762-6653

	1986	1985
Premium volume...	NA	NA
Gross revenues.....	$11,700,000	$10,900,000
Brokerage: Retail..	81%	82%
Wholesale.....	8%	7%
Services.....	1%	2%
Personal lines.....	7%	6%
Invest. income.....	3%	3%
Employees.....	177	172
Offices.....	10	10

Year founded: 1935.
Brokerage: 97% commissions, 3% fees.
Retail brokerage branch offices: Boston; New York; Baltimore; Miami; Houston; Los Angeles, San Francisco and Newport Beach, 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, Washington.

Robertson-Ryan & Associates Inc.

660 E. Mason St., Milwaukee, Wis. 53202; 414-271-3575

	1986	1985
Premium volume...	$24,996,994	$18,456,588
Gross revenues.....	$4,380,943	$3,526,722
Brokerage: Retail..	79%	77%
Personal lines.....	15%	15%
Invest. income.....	6%	8%
Employees.....	55	53
Offices.....	1	1

Year founded: 1960.
Brokerage: 100% commissions.
Principal officers: Jack T. Ryan, chairman; Charles V. Johnson, executive vp/general manager; Lloyd G. Schulte, secretary/treasurer; A.D. Robertson and John S. Borges, vps/directors.

Robinson-Conner Inc.

1030 State St., Erie, Pa. 16501; 814-452-6881

See profile on page 77.

Rogers & Belding Insurance Agency Inc.

2505 E. Missouri Ave., El Paso, Texas 79903; 915-544-3111

	1986	1985
Premium volume...	$25,313,267	$19,565,091
Gross revenues.....	$3,952,255	$3,153,432
Brokerage: Retail..	75.6%	77.7%
Personal lines.....	21.3%	20.2%
Invest. income.....	2.6%	1.5%
Other.....	0.5%	0.6%
Employees.....	70	57
Offices.....	1	1

Year founded: 1933.
Brokerage: 99.9% commissions, 0.1% fees.
Acquisitions: Goldfarb Insurance Associates and Richard D. Hughes, both in El Paso, Texas.
Principal officers: James E. Rogers Jr., president; Walter H. Stowe, Kenneth L. North Jr. and William D. Tippin, executive vps; Carl D. Watkins, senior vp/secretary/treasurer.

Rollins Burdick Hunter Co.

123 N. Wacker Drive, Chicago, Ill. 60606; 312-701-4000

See profile on page 49.

The M.H. Ross Co. Inc.

16933 Parthenia St., Sepulveda, Calif. 91343; 818-891-7811

	1986	1985
Premium volume...	$18,210,439	$14,651,461
Gross revenues.....	$2,400,000	$2,090,000
Brokerage: Retail..	86%	86%
Personal lines.....	9.5%	9.5%
Invest. income.....	4.5%	4.5%
Employees.....	39	33
Offices.....	1	1

Year founded: 1954.
Brokerage: 99% commissions, 1% fees.
Acquisitions: Doud Corp., Woodland, Calif.
Principal officers: Murray H. Ross, chairman; Lloyd T. Ross, president; Carl Inash, executive vp; Jerry Spitzer, senior vp; Connie Grisanti, vp.

S

SPWM Inc.- Insurance Brokers

1555 Pacific Ave., San Francisco, Calif. 94109; 415-763-9340

	1986	1985
Premium volume...	$6,000,000	$5,000,000
Gross revenues.....	$1,100,000	$800,000
Brokerage: Retail..	60%	60%
Personal lines.....	40%	40%
Employees.....	21	18
Offices.....	3	3

Year founded: 1947.
Brokerage: 100% commissions.
Retail brokerage branch offices: Sonoma and Santa Rosa, Calif.
Principal officers: John R. Prichard, president; Douglas R. Mahon, executive vp; Fred C. Seals, vp; Jerry Reodica, treasurer.

Sacramento Valley Insurance Agents/Brokers

1520 River Park Drive, Sacramento, Calif. 95815; 916-920-3400

	1986	1985
Premium volume...	$22,000,000	$17,000,000
Gross revenues.....	$3,200,000	$2,400,000
Brokerage: Retail..	85%	83%
Personal lines.....	12%	14%
Invest. income.....	1%	1%
Other.....	2%	2%
Employees.....	43	35
Offices.....	1	1

Year founded: 1932.
Brokerage: 99% commissions, 1% fees.
Principal officers: James C. Chenu, chairman/chief executive officer; Thomas D. Hobday, president; Charles J. Sigerseth, David M. Zancanaro and J. Gary Kerns, vps; David W. Garese, secretary.

Saldana & Associates Inc.

701 Ponce de Leon Ave., Suite 303, Santurce, Puerto Rico 00907; 809-721-2600

	1986	1985
Premium volume...	$48,000,000	$38,000,000
Gross revenues.....	$5,400,000	$4,100,000
Brokerage: Retail..	95%	95%
Personal lines.....	4%	4%
Invest. income.....	1%	1%
Employees.....	66	62
Offices.....	1	1

Year founded: 1972.
Brokerage: 100% commissions.
Principal officers: Jorge Y. Saldana, chairman; Ralph G. Christiansen Jr., president; Eduardo R. Emanuelli, executive vp.
Licensed excess/surplus broker in: Puerto Rico, U.S. Virgin Islands.

Schwartz Brothers Insurance Agency Inc.

135 S. LaSalle St., Suite 2035, Chicago, Ill. 60603; 312-630-0800

	1986	1985
Premium volume...	$50,700,000	$46,000,000
Gross revenues.....	$7,930,000	$7,744,000
Brokerage: Retail..	95%	95%
Personal lines.....	3%	3%
Invest. income.....	2%	2%
Employees.....	62	60
Offices.....	1	1

Year founded: 1919.
Brokerage: 99.9% commissions, 0.1% fees.
Principal officers: Edward H. Schwartz, president/treasurer; Raymond L. Miller, vp/secretary; Robert I. Schwartz, Kenneth R. Clark and Mark P. Nahin, vps.

Continued on facing page

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Continued from facing page

Seaboard Financial Group

235 E. Plume St., Norfolk, Va. 23510; 804-625-1800

	1986	1985
Premium volume...	$54,754,083	$36,657,077
Gross revenues.....	$8,895,670	$5,362,642
Brokerage: Retail..	64.4%	71%
Wholesale.....	12.7%	0%
Personal lines.....	18%	22.2%
Invest. income.....	4.2%	1.9%
Other.....	0.7%	4.9%
Employees.....	139	101
Offices.....	7	4

Year founded: 1896.
Brokerage: 93.2% commissions, 6.8% fees.
Acquisitions: Carneal Insurance Agency, Richmond, Va.; Overstreet & Associates, Atlanta; Bowen McMurren, Newport News, Va.
Retail brokerage branch offices: Henderson & Phillips, Norfolk, Va.; Commercial Insurance Agency, Portsmouth, Va.; Henderson & Phillips Peninsula, Newport News, Va.; Self Insurance Services, Richmond, Va.; Atlantic Benefit Managers, Virginia Beach, Va.; Miller-Carneal, Richmond, Va.
Non-retail brokerage subsidiaries: Overstreet & Newell, Atlanta.
Principal officers: George G. Phillips Jr., president; F. Dudley Fulton, executive vp; B.F. Gidley, senior vp-Henderson & Phillips Inc.; H.R. Turner, president-Henderson & Phillips Peninsula; P.W. Thomson, president-Commercial Insurance Agency.
Licensed excess/surplus broker in: Virginia, Georgia.

Seaman Ross & Wiener Inc.

500 N. Broadway, Suite 245, Jericho, N.Y. 11753; 516-681-8700

	1986	1985
Premium volume...	$12,000,000	$10,000,000
Gross revenues.....	$2,400,000	$2,000,000
Brokerage: Retail..	66%	67%
Personal lines.....	20%	20%
Invest. income.....	2%	2%
Other.....	12%	11%
Employees.....	18	15
Offices.....	1	1

Year founded: 1965.
Brokerage: 98% commissions, 2% fees.
Principal officers: Alex Seaman, president; Edward Poteet, vp; John J. Ross, Burton S. Seaman, Robert E. Wiener and Douglas Schenendorf, principals.

Seitlin & Co.

8125 N.W. 53rd St., Suite 200, Miami, Fla. 33166; P.O. Box 025220, Miami, Fla. 33102-5220; 305-591-0090

	1986	1985
Premium volume...	$37,025,000	$25,375,000
Gross revenues.....	$5,024,687	$3,960,000
Brokerage: Retail..	82%	85%
Personal lines.....	13%	12%
Invest. income.....	4%	3%
Other.....	1%	0%
Employees.....	85	81
Offices.....	2	1

Year founded: 1945.
Brokerage: 100% commissions.
Acquisitions: Justus Insurance, Fort Lauderdale, Fla.
Parent company: Seitco Corp.
Principal officers: Sam Seitlin, chairman of the board; M. Stephen Jackman, president; Robert L. Seitlin, secretary; Fannie Levitt, treasurer; Edward Falzarano, vp-finance; Judy Mulac, vp.

Shelton Insurance Agency Inc.

P.O. Box 2727, Corpus Christi, Texas 78403; 512-882-5586

	1986	1985
Premium volume...	$10,000,000	$8,000,000
Gross revenues.....	$1,500,000	$1,000,000
Brokerage: Retail..	89%	90%
Personal lines.....	9.5%	8.8%
Invest. income.....	1.5%	1.2%
Employees.....	28	27
Offices.....	1	1

Year founded: 1945.
Brokerage: 100% commissions.
Principal officers: W.J. Shelton, president; Lou E. Wells, secretary/treasurer; John M. Roberts, vp-property/casualty; Mike Rhyne, vp-bonds; Mike Morgan, vp.

Licensed excess/surplus broker in: Texas.

Forrest Sherer Inc.

24 N. 6th St., P.O. Box 900, Terre Haute, Ind. 47808-0900; 812-232-0441

	1986	1985
Premium volume...	$29,527,500	$25,497,500
Gross revenues.....	$3,995,000	$3,490,000
Brokerage: Retail..	82.24%	81.66%
Services.....	2.5%	3.6%
Personal lines.....	10.1%	8.15%
Invest. income.....	2.7%	2%
Other.....	2.46%	4.59%
Employees.....	59	57
Offices.....	2	2

Year founded: 1920.
Brokerage: 99% commissions, 1% fees.
Retail brokerage branch offices: Indianapolis.
Principal officers: Arthur Lukens, president; John Dinkel, vp-sales; Dennis Michael, vp-property; Malcolm Wright, vp-casualty; Wayne Sherer, secretary.

Continued on next page

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S.C. State Office: 1300 Pickens, Box 616, COLUMBIA, S.C. 29201; (803) 771-8820 — John W. Hamby, President.

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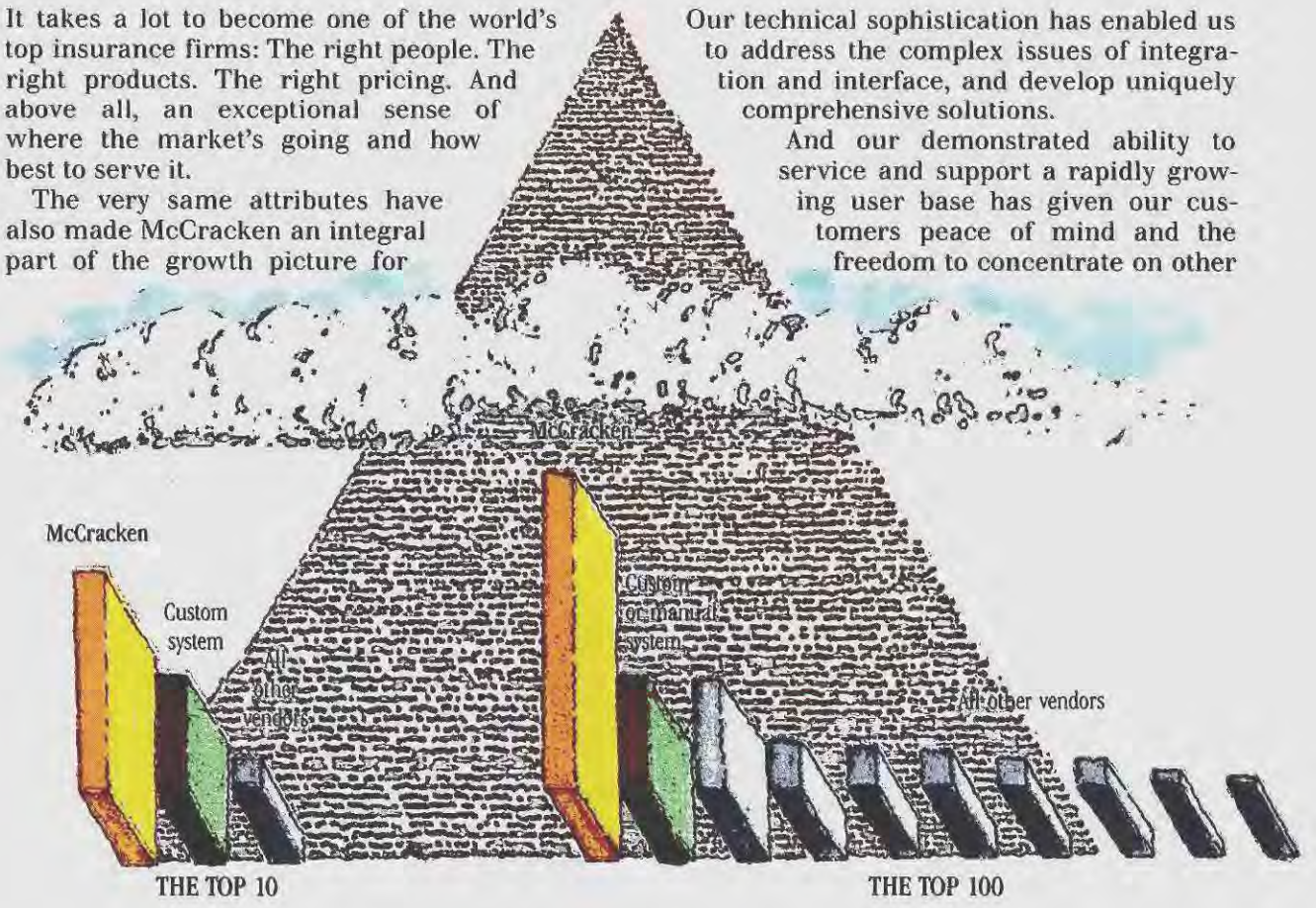
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Continued from previous page
Licensed excess/surplus broker in: Indiana.

Silberman-Braun Associates Inc.

777 W. Park Ave., Oakhurst, N.J. 07755; 201-493-4400

	1986	1985
Premium volume...	$22,043,124	$16,703,668
Gross revenues.....	$3,511,400	$2,734,516
Brokerage: Retail..	87%	84%
Personal lines.....	11.5%	15%
Invest. income.....	1.5%	1%
Employees.....	60	54
Offices.....	4	5

Year founded: 1957.
Brokerage: 100% commissions.
Retail brokerage branch offices: Bayonne and Toms River, N.J.; Brookville, Pa.
Principal officers: Arnold M. Silberman, president/chief executive officer; Louis Braun, vp-sales; John B. McLeod, vp-operations.
Licensed excess/surplus broker in: New Jersey.

J.H. Silversmith Inc.

825 E. Speer Blvd., Denver, Colo. 80218; 303-698-1221

	1986	1985
Premium volume...	$28,500,000	$25,000,000
Gross revenues.....	$4,600,000	$4,250,000
Brokerage: Retail..	76%	75%
Wholesale.....	1%	1%
Personal lines.....	19%	20%
Invest. income.....	3%	3%
Other.....	1%	1%
Employees.....	65	62
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. Silversmith Jr., president; John K. Munn, executive vp; David K. Hawkes, vp; Irene G. Falbo, secretary; Joyce L. Goodfellow, treasurer.
Licensed excess/surplus broker in: Colorado.

The Simkiss Cos.

150 Radnor-Chester Road, Saint Davids, Pa. 19087; 215-254-5000

	1986	1985
Premium volume...	$33,800,000	$25,900,000
Gross revenues.....	$3,760,000	$3,040,000
Brokerage: Retail..	91%	91%
Services.....	2%	2%
Personal lines.....	5%	5%
Invest. income.....	2%	2%
Employees.....	47	40
Offices.....	1	1

Year founded: 1965.
Brokerage: 79% commissions, 21% fees.
Principal officers: John A. Simkiss Jr., president; William F. O'Brien, Richard J. Decker 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

	1986	1985
Premium volume...	$7,500,000	$7,000,000
Gross revenues.....	$900,000	$850,000
Brokerage: Retail..	80%	80%
Services.....	7%	5%
Personal lines.....	10%	10%
Invest. income.....	3%	5%
Employees.....	8	8
Offices.....	2	2

Year founded: 1964.
Brokerage: 100% commissions.
Retail brokerage branch offices: New York.
Principal officers: Richard Sklover, president; Dominic Repetto, vp.

Archie Slawsby Agency Inc.

90 Main St., Nashua, N.H. 03060; 603-883-1776

	1986	1985
Premium volume...	$20,500,000	$18,000,000
Gross revenues.....	$3,000,000	$2,000,000
Employees.....	55	47
Offices.....	2	1

Year founded: 1935.
Brokerage: 99% commissions, 1% fees.
Acquisitions: Montrose E. Hill Co. Inc., Old Orchard Beach, Maine.
Retail brokerage branch offices: Montrose E. Hill Co. Inc., Old Orchard Beach, Maine.
Non-retail brokerage subsidiaries: Surplus Line Managers Inc., Nashua, N.H.
Parent company: Minuteman Services Inc.
Principal officers: Carl Barton, chairman; Francis O'Gara, president; Jon Barton, executive vp; William Stewart, senior vp; Arthur Molderez, vp.
Licensed excess/surplus broker in: Maine, New Hampshire, Massachusetts, Vermont.

Smith, Bell & Thompson Inc.

P.O. Box 730, 102 S. Winooski Ave., Burlington, Vt. 05401; 802-658-4600

	1986	1985
Premium volume...	$21,343,822	$12,517,875
Gross revenues.....	$4,075,191	$2,907,117
Brokerage: Retail..	33.4%	42.2%
Wholesale.....	38.7%	24.3%
Services.....	0.4%	0%
Personal lines.....	9.7%	9.2%
Invest. income.....	1.9%	1.3%
Other.....	15.9%	23%
Employees.....	44	35
Offices.....	1	1

Year founded: 1928.
Brokerage: 100% commissions.
Acquisitions: Vermont Professional Assns. Disability Programs.
Principal officers: Warren L. Thompson, president; Roger D. Teese, senior vp; Steven K.J. Gentile, vp; William D. Thompson, assistant vp.

South Continental Insurance Agency Inc.

252 Tetuan St., San Juan, Puerto Rico 00901; 809-721-7600

	1986	1985
Premium volume...	$30,409,000	$26,072,000
Gross revenues.....	$6,708,000	$5,000,000
Brokerage: Retail..	29%	28%
Wholesale.....	48%	52%
Personal lines.....	20%	17%
Invest. income.....	1%	1%
Other.....	2%	2%
Employees.....	65	54
Offices.....	2	2

Year founded: 1972.
Brokerage: 97% commissions, 3% fees.
Retail brokerage branch offices: Mayaguez Branch, Puerto Rico.
Principal officers: Angela Weyne, president; Raul Laborde, executive vp; Luis Collazo, vp-finance; America Colon, administrative vp; Lindin Garcia, vp-bonding.

DeWitt Stern, Gutmann & Co.

420 Lexington Ave., New York, N.Y. 10170; 212-867-3550

	1986	1985
Premium volume...	NA	NA
Gross revenues.....	$4,110,000	$3,180,000
Brokerage: Retail..	89%	90%
Wholesale.....	1%	0%
Personal lines.....	10%	10%
Employees.....	54	45
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, vp; Constance F. Gray, secretary.
Licensed excess/surplus broker in: New York.

Sullivan Co. Inc./U.S. Shelter Insurance Agencies

One Shelter Centre, P.O. Box 2860, Greenville, S.C. 29602; 803-239-1401

	1986	1985
Premium volume...	$44,600,000	$39,200,000
Gross revenues.....	$5,800,000	$5,100,000
Brokerage: Retail..	76%	75%
Personal lines.....	22%	23%
Invest. income.....	1%	2%
Employees.....	92	90
Offices.....	9	9

Year founded: 1974.
Brokerage: 97% commissions, 3% fees.
Retail brokerage branch offices: Washington, D.C.; Columbia and Charleston, S.C.; Sylva, Robbinsville, Andrews, Hayesville and Murphy, N.C.
Parent company: U.S. Shelter Corp.
Principal officers: Joseph F. Sullivan, president; Alex J. Edmonds, senior vp; Robert H. Heile, vp/controller; Albert Y. Hyndshaw, vp-underwriting; A. Aldo Charles, vp.
Licensed excess/surplus broker in: South Carolina.

The Talbert Corp.

1001 Lincoln St., P.O. Box 9364, Denver, Colo. 80209; 303-839-1773

	1986	1985
Premium volume...	$29,200,000	$29,700,000
Gross revenues.....	$6,137,000	$6,625,000
Brokerage: Retail..	93.2%	93%
Personal lines.....	5.2%	4.8%
Invest. income.....	1.6%	2.2%
Employees.....	81	86
Offices.....	5	5

Year founded: 1961.
Brokerage: 100% commissions.
Retail brokerage branch offices: Faucett Insurance Associates/Talbert, Littleton, Colo.; The Talbert Corp., Grand Junction, Colo.; The Talbert Corp. of Utah, Salt Lake City, Utah; Walt Forbes/Talbert, Casper, Wyo.
Principal officers: B.R. Clark, president; Courtney T. Peterson, executive vp; Charles H. Fleck, senior vp; Robert Gill, vp-insurance; Robert J. Sunich, vp-surety bonds.
Licensed excess/surplus broker in: Colorado, Wyoming.

Tanenbaum-Harber Co. Inc.

221 W. 57th St., New York, N.Y. 10019; 212-603-0200

	1986	1985
Premium volume...	$90,000,000	$81,000,000
Gross revenues.....	$11,190,000	$10,090,000
Brokerage: Retail..	80.45%	79.6%
Personal lines.....	16.55%	17.2%
Invest. income.....	3%	3.2%
Employees.....	96	90
Offices.....	4	3

Year founded: 1860.
Brokerage: 80% commissions, 20% fees.
Acquisitions: Tanenbaum-Harber of Florida, Miami.
Retail brokerage branch offices: Boston, Miami.
Non-retail brokerage subsidiaries: Hartan Brokerage Inc. and Tanenbaum-Harber Reinsurance Intermediaries Inc., both in New York.
Principal officers: Robert K. Harris, chairman of the board; Walter L. Harris, president; Richard J. Fleder and Robert J. Pulver, vps; Harvey S. Leder, treasurer.
Licensed excess/surplus broker in: New York.

Thilman & Filippini

150 N. Wacker Drive, Chicago, Ill. 60606; 312-726-4800

	1986	1985
Premium volume...	$24,000,000	$20,000,000
Gross revenues.....	$3,200,000	$2,800,000
Brokerage: Retail..	73%	71%
Wholesale.....	3%	3%
Services.....	5%	5%
Personal lines.....	15%	16%
Invest. income.....	3%	4%
Other.....	1%	1%
Employees.....	55	50
Offices.....	2	2

Year founded: 1929.
Brokerage: 95% commissions, 5% fees.
Retail brokerage branch offices: Evanston, Ill.
Principal officers: E. Thomas Thilman and Thomas W. Filippini.
Licensed excess/surplus broker in: Illinois.

H.A. Thomson Co.

730 Springdale Drive, Exton, Pa. 19341; 215-363-9009

	1986	1985
Premium volume...	$22,000,000	$12,000,000
Gross revenues.....	$3,100,000	$2,100,000
Brokerage: Retail..	70%	77%
Wholesale.....	2%	1%
Personal lines.....	25%	20%
Invest. income.....	3%	2%
Employees.....	40	33
Offices.....	3	3

Year founded: 1934.
Brokerage: 99% commissions, 1% fees.
Retail brokerage branch offices: Fort Washington, Pa.
Principal officers: Bernard J. Giangiulio Jr., president; Thomas P. Giangiulio, vp/general manager; Michael J. Giangiulio, vp; Barbara G. Towson, treasurer.

John P. Tilden Ltd.

10 Platt St., New York, N.Y. 10038; 212-635-2200

	1986	1985
Premium volume...	NA	NA
Gross revenues.....	$5,759,352	$5,193,744
Brokerage: Retail..	68.7%	73%
Wholesale.....	5%	5%
Reinsurance.....	1%	2.5%
Services.....	10%	0%
Personal lines.....	9%	10%
Invest. income.....	6%	8.5%
Other.....	0.3%	1%
Employees.....	80	81
Offices.....	2	2

Year founded: 1962.
Brokerage: 99% commissions, 1% fees.
Retail brokerage branch offices: Bay Shore, N.Y.
Principal officers: J. Robert Wilson, president; John J. McGowan, senior executive vp; Gerald L. Benson, executive vp; Richard A. McGuire and Albert Pollack, senior vps.
Licensed excess/surplus broker in: New York.

Timberline Insurance Services Inc.

700 Lavaca, P.O. Box 2083, Austin, Texas 78768; 512-472-9297

	1986	1985
Premium volume...	$41,479,908	$33,091,407
Gross revenues.....	$3,952,062	$3,502,442
Brokerage: Retail..	52.5%	48.5%
Personal lines.....	36.2%	35.5%
Invest. income.....	10.6%	15%
Other.....	0.7%	1%
Employees.....	42	47
Offices.....	3	2

Year founded: 1957.
Brokerage: 98.5% commissions, 1.5% fees.
Retail brokerage branch offices: San Antonio, Texas; Memphis, Tenn.
Parent company: Lumbermens Investment Corp.
Principal officers: Gary Cooper, president; Jim Boyd, Larry Brandon and Pat Bridgwater, vps; Brian Elkouri, treasurer.
Licensed excess/surplus broker in: Texas.

Topchik/Axelband Associates

1033 Clifton Ave., P.O. Box 1301, Clifton, N.J. 07015; 201-471-4444

	1986	1985
Premium volume...	$21,000,000	$17,000,000
Gross revenues.....	$3,100,000	$2,700,000
Brokerage: Retail..	89%	86%
Wholesale.....	1%	1%
Personal lines.....	8%	10%
Invest. income.....	2%	3%
Employees.....	32	29
Offices.....	1	1

Year founded: 1974.
Brokerage: 99% commissions, 1% fees.
Principal officers: Robert J. Topchik, president; Sanford D. Axelband, executive vp; David Topchik and Ramon C. Giordano, vps.

Continued on facing page

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Continued from facing page

U

Ulrich, Voorhees, Warner Associates

100 Davidson Ave., P.O. Box 228, Somerset, N.J. 08873; 201-469-3000

	1986	1985
Premium volume...	**$41,800,000**	$31,200,000
Gross revenues.....	**$5,825,000**	$4,650,000
Brokerage: Retail..	**70%**	68%
Services.....	**7%**	6%
Personal lines.....	**5%**	6%
Invest. income.....	**5%**	5%
Other.....	**13%**	15%
Employees.....	**41**	44
Offices.....	**1**	1

Year founded: 1972.
Brokerage: 90% commissions, 10% fees.
Principal officers: John N. Voorhees III, president; Stephen A. Warner, executive vp; William Cilente, senior vp-property/casualty division; Wade Byrum, vp-employee benefits; Adrienne Soricelli, vp-claims; John Birofka, vp-marketing; Elizabeth Wobensmith, controller.
Licensed excess/surplus broker in: New Jersey.

V

Truman Van Dyke Co.

6255 Sunset Blvd., Suite 1220, Hollywood, Calif. 90028; 213-462-3300

	1986	1985
Premium volume...	**$7,352,060**	$5,432,461
Gross revenues.....	**$873,570**	$706,293
Brokerage: Retail..	**89%**	95%
Wholesale.....	**10%**	2%
Personal lines.....	**1%**	3%
Employees.....	**16**	15
Offices.....	**1**	1

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, Suite 1035, Denver, Colo. 80203; 303-837-8500

	1986	1985
Premium volume...	**$46,000,000**	$39,000,000
Gross revenues.....	**$7,250,000**	$6,000,000
Brokerage: Retail..	**70%**	72%
Personal lines.....	**12%**	12%
Invest. income.....	**7%**	7%
Other.....	**11%**	9%
Employees.....	**95**	63
Offices.....	**3**	2

Year founded: 1905.
Brokerage: 100% commissions.
Acquisitions: Piper Johnson, Colorado Springs, Colo.; Frazell Gratrix, Denver.
Retail brokerage branch offices: Casper, Wyo.; Colorado Springs, Colo.
Principal officers: Dell Van Gilder, president; Ned Steel and Rollo Jacobs, senior vps; Karl Parker, vp; Henry Higginbottom, secretary/treasurer.
Licensed excess/surplus broker in: All states.

Variable Protection Administrators Inc.

7123 Pearl Road, Suite 300, Cleveland, Ohio 44130; 800-872-7253

	1986	1985
Premium volume...	**$55,000,000**	$66,500,000
Gross revenues.....	**$6,450,000**	$6,005,223
Brokerage: Retail..	**87%**	87%
Wholesale.....	**2%**	2%
Reinsurance.....	**1%**	1%
Services.....	**10%**	10%
Employees.....	**63**	91
Offices.....	**1**	1

Year founded: 1968.
Brokerage: 100% commissions.
Non-retail brokerage subsidiaries: VPA Insurance Ltd., VPA Group Dental Corp.
Principal officers: David T. Manley, president; David Campbell, vp-marketing; Susan Maddock, vp-underwriting; Timothy Eisenmann, vp-operations; Anthony Manley, vp-claims.

W

Weir Insurance Group Inc.

4514 Cole Ave., Suite 700, LB7, Dallas, Texas 75205-4129; 214-522-5204

	1986	1985
Premium volume...	**$12,750,000**	$10,016,000
Gross revenues.....	**$1,911,832**	$1,502,382
Brokerage: Retail..	**88%**	90%
Wholesale.....	**5%**	3%
Services.....	**2%**	2%
Personal lines.....	**5%**	5%
Employees.....	**17**	13
Offices.....	**1**	1

Year founded: 1980.
Brokerage: 80% commissions, 20% fees.
Principal officers: Van Weir, president; Kevin Curley and Dan Weir, vps.
Licensed excess/surplus broker in: Texas.

Wharton/Lyon & Lyon

101 S. Livingston Ave., Livingston, N.J. 07039; 201-992-5775

	1986	1985
Premium volume...	**NA**	NA
Gross revenues.....	**$5,351,000**	$4,554,000
Brokerage: Retail..	**80.5%**	80.5%
Personal lines.....	**17%**	17.5%
Invest. income.....	**2.5%**	2%
Employees.....	**60**	56
Offices.....	**1**	1

Year founded: 1912.
Brokerage: 95% commissions, 5% fees.
Principal officers: Albert L. Klein, chairman/chief executive officer.

John D. Williams Co.

415 E. Yandell, P.O. Box 9187, El Paso, Texas 79983; 915-533-2614

	1986	1985
Premium volume...	**$30,000,000**	$25,000,000
Gross revenues.....	**$4,570,000**	$4,445,000
Brokerage: Retail..	**64%**	65%
Wholesale.....	**1%**	2%
Services.....	**10%**	11%
Personal lines.....	**15%**	15%
Invest. income.....	**2%**	3%
Other.....	**8%**	1%
Employees.....	**84**	100
Offices.....	**3**	4

Year founded: 1929.
Brokerage: 95% commissions, 5% 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, chief operating officer; John W. Long, chief financial officer; David F. Basch, senior vp.
Licensed excess/surplus broker in: Texas.

M.E. Wilson Co. Inc.

101 S. Franklin St., Tampa, Fla. 33602; 813-229-8021

	1986	1985
Premium volume...	**$8,000,000**	$6,500,000
Gross revenues.....	**$850,000**	$650,000
Brokerage: Retail..	**60%**	60%
Wholesale.....	**5%**	5%
Personal lines.....	**30%**	30%
Invest. income.....	**4%**	4%
Other.....	**1%**	1%
Employees.....	**16**	14
Offices.....	**2**	2

Continued on next page

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Rollins Burdick Hunter Co.

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Pleasanton
Republic Hogg Robinson Inc.

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Kelter-Thorner Inc. of California

Riverside
Johnson & Higgins of California
Keenan & Associates

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SPWM Inc. Insurance Brokers

San Jose
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Keenan & Associates
Marsh & McLennan Cos. Inc.
Republic Hogg Robinson Inc.

San Mateo
Alexander & Alexander Services Inc.
Andreini & Co.
Calco Insurance
Frank B. Hall & Co. Inc.

San Rafael
Keenan & Associates

Santa Ana
Frank B. Hall & Co. Inc.
Jardine Emett & Chandler Inc.
Keenan & Associates

Santa Barbara
Alexander & Alexander Services Inc.
ISU/Montgomery Fansler & Carlson

Santa Clara
Alexander & Alexander Services Inc.
Frank B. Hall & Co. Inc.
Jardine Emett & Chandler Inc.

Santa Cruz
Frank B. Hall & Co. Inc.

Santa Monica
ISU/Bob Gabriel Co. Insurance

Santa Rosa
SPWM Inc. Insurance Brokers

Sepulveda
The M.H. Ross Co.

Sherman Oaks
Bayly, Martin &Fay International Inc.
ISU/Tri West Insurance

Solvang
Santa Ynez Valley Insurance (ISU/Montgomery Fansler & Carlson)

Sonoma
SPWM Inc. Insurance Brokers

South Pasadena
Bolton & Co.

Stockton
Frank B. Hall & Co. Inc.
Rollins Burdick Hunter Co.

Studio City
DeWitt Stern, Gutman & Co. Inc.

Sunnyvale
Frank B. Hall & Co. Inc.

Thousand Oaks
Keenan & Associates

Torrance
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Keenan & Associates

Van Nuys
Osterloh & Durham Insurance Brokers of N.A. Inc.

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Willis & Griffith (ISU/Montgomery Fansler & Carlson)

Walnut Creek
Grubb & Ellis Insurance Services Inc.
Frank B. Hall & Co. Inc.
ISU/Mariemont Insurance Inc.

West Covina
Alexander & Alexander Services Inc.

Woodland Hills
ABI Management Inc.
Frank B. Hall & Co. Inc.

Colorado

Colorado Springs
Tolley-Weidman Agency Inc. (Robinson-Conner Inc.)
The Van Guilder Insurance Corp.

Denver
Alexander & Alexander Services Inc.
Bayly, Martin & Fay International Inc.
Financial Guardian Inc.
Arthur J. Gallagher & Co.
Frank B. Hall & Co. Inc.
ISU/Glendale Agency Inc.
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J.H. Silversmith Inc.
The Talbert Corp.
The 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
The Talbert Corp.

Littleton
The Talbert Corp.

Sterling
ISU/Dowis Agency Inc.

Connecticut

Bridgeport
Beardsley Brown & Bassett Inc.

Danbury
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Walter Kaye Corp. of Connecticut

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Pierson & Smith Inc.

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O'Gorman & Young Inc.
Clifton
Topchik/Axelband Associates
Cranford
Meeker Sharkey Financial Group Inc.
Fairlawn
Alexander & Alexander Services Inc.
Florham Park
FAI Insurance Counseling
Fords
Kelter-Thorner Inc. of New Jersey
Freehold
NIA Ltd./National Insurance Associates
Hasbrouck Heights
Alpha Aviation Insurance Agency
Iselin
Marsh & McLennan Cos. Inc.
Livingston
Frank B. Hall & Co. Inc.
Wharton/Lyon & Lyon
Long Valley
NIA Ltd./National Insurance Associates
Manasquan
Rhulen Agency Inc.
Morristown
Frank B. Hall & Co. Inc.
ISU/Griffith-Prideaux Insurors
Marsh & McLennan Cos. Inc.
Mount Laurel
Arthur J. Gallagher & Co.
New Brunswick
O'Connell & Salisbury (Poe & Associates Inc.)
New Vernon
Bayly, Martin & Fay International Inc.
Newark
Walter Kaye Corp. of New Jersey
NIA Ltd./National Insurance Associates
Oakhurst
Silberman-Braun Associates Inc.
Paramus
Frank B. Hall & Co. Inc.
Insurance Professionals Inc.
NIA Ltd./National Insurance Associates
Parsippany
Corroon & Black Corp.
Jardine Emett & Chandler Inc.
Johnson & Higgins of New Jersey Inc.
Perth Amboy
Boynton Brothers & Co.
Piscataway
J. DiLeo Associates (Meeker Sharkey Financial Group Inc.)
Princeton
Glenn, Nyhan & Associates Inc.
Johnson & Higgins
G.R. Murray Insurance (O'Gorman & Young Inc.)
Roseland
Marsh & McLennan Cos. Inc.
Rollins Burdick Hunter Co.
Sea Girt
T.C. Moffatt & Co. (Meeker Sharkey Financial Group Inc.)
Short Hills
Fred S. James & Co. Inc.
Somerset
Ulrich Voorhees Warner Associates
Tenafly
Popkin Lebson Bergstein Inc.
Toms River
Silberman-Braun Associates Inc.
Trenton
Joseph Held Co. Inc.

New Mexico

Albuquerque
Alexander & Alexander Services Inc.
Corroon & Black Corp.
Arthur J. Gallagher & Co.
Marsh & McLennan Cos. Inc.

New York

Albany
Alexander & Alexander Services Inc.
Austin & Co. Inc.
Arthur J. Gallagher & Co.
S.H. Gow & Co. Inc.
Lawrence Agency Corp.
Marsh & McLennan Cos. Inc.
Bayshore
John P. Tilden Ltd.
Briarcliff Manor
Frank B. Hall & Co. Inc.
Brooklyn
Hirsch Wolf & Co. Inc.
Buffalo
Alexander & Alexander Services Inc.
S.H. Gow & Co. Inc.
Jardine Emett & Chandler Inc.
Lawrence Agency Corp.
Marsh & McLennan Cos. Inc.
Chestertown
Stevenson Agency (Austin & Co. Inc.)
Clifton Park
Lawrence Agency Corp.
Cortland
Lawrence Agency Corp.
Florida
Marshall & Sterling Inc.
Garden City
Arthur J. Gallagher & Co.
Glens Falls
Lawrence Agency Corp.
Huntington
Gundermann & Gundermann Inc.
Ithaca
Marsh & McLennan Cos. 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 Services Inc.
Middletown
Marshall & Sterling Inc.
Monticello
Rhulen Agency Inc.
Nanuet
Liebert Group
New Hyde Park
Marsh & McLennan Cos. Inc.

New York
Alexander & Alexander Services Inc.
B.R.I. Coverage Corp.
Bayly, Martin & Fay International Inc.
Classic Insurance Agency Inc.
Corroon & Black Corp.
Frank Crystal & Co. Inc.
Financial Guardian Inc.
Frenkel & Co. Inc.
Arthur J. Gallagher & Co.
Frank B. Hall & Co. Inc.
Joseph Held Co. Inc.
Fred S. James & Co. Inc.
Jardine Emett & Chandler Inc.
Johnson & Higgins
Walter Kaye Associates Inc.
The Kornreich Organization
Lawrence Agency Corp.
MLW Services Inc.
Marsh & McLennan Cos. Inc.
Meadowbrook Inc.
Republic Hogg Robinson Inc.
John M. Riehle Inc.
Roanoke Agency Inc.
Rollins Burdick Hunter Co.
The Sklover Organization
DeWitt Stern, Gutmann & Co. Inc.
Tanenbaum-Harber Co. Inc.
John P. Tilden Ltd.
Hirsch Wolf & Co. Inc.
Newburgh
Marshall & Sterling Inc
Ogdensburg
Arthur J. Gallagher & Co.
Port Washington
Charles E. Hyde Agency Inc.
Poughkeepsie
Marshall & Sterling Inc.
Rochester
Alexander & Alexander Services 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 Brook
Edward F.C. McLaughlin (Meeker Sharkey Financial Group Inc.)
Schenectady
Jardine Emett & Chandler Inc.
Lawrence Agency Corp.
Seaford
National Coverage Corp.
Smithtown
Gundermann & Gundermann Inc.
Spring Valley
Arthur J. Gallagher & Co.
NIA Ltd./National Insurance Associates
Syosset
ISU/Bradley & Parker
Syracuse
Alexander & Alexander Services Inc.
S.H. Gow & Co. Inc.
Jardine Emett & Chandler Inc.
Lawrence Agency Corp.
Marsh & McLennan Cos. Inc.
Tarrytown
Frank B. Hall & Co. Inc.
Troy
Lawrence Agency Corp.
Uniondale
Marsh & McLennan Cos. Inc.
Rollins Burdick Hunter Co.
Utica
Alexander & Alexander Services Inc.
Valley Stream
Hallman & Lorber Associates Inc. (John M. Riehle Inc.)
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. (John M. Riehle Inc.)

North Carolina

Andrews
Sullivan Co. Inc./U.S. Shelter Insurance Agencies
Asheville
Alexander & Alexander Services Inc.
Robinson-Conner of North Carolina Inc.
Burlington
Republic Hogg Robinson Inc.
Chapel Hill
Collier Cobb & Associates Inc.
Charlotte
Alexander & Alexander Services Inc.
Collier Cobb & Associates Inc.
Corroon & Black Corp.
Frank B. Hall & Co. Inc.
Fred S. James & Co. Inc.
Johnson & Higgins Carolinas Inc.
Marsh & McLennan Cos. Inc.
Poe & Associates
Goldsboro
Hilb, Rogal & Hamilton Co.
Greensboro
Alexander & Alexander Services Inc.
Lawrence Agency Corp.
Robinson-Conner of North Carolina Inc.
Hayesville
Sullivan Co. Inc./U.S. Shelter Insurance Agencies
Murphy
Sullivan Co. Inc./U.S. Shelter Insurance Agencies
Raleigh
Marsh & McLennan Cos. Inc.
Robinson-Conner of North Carolina Inc.
Robbinsville
Sullivan Co. Inc./U.S. Shelter Insurance Agencies
Salisbury
Alexander & Alexander Services Inc.
Sylva
Sullivan Co. Inc./U.S. Shelter Insurance Agencies
Wilkesboro
Poe & Associates Inc.
Winston-Salem
Alexander & Alexander Services Inc.
Rollins Burdick Hunter Co.

North Dakota

Cooperstown
First Insurance Cooperstown (FBS Insurance)
Fargo
FBS Insurance Rust Agency
Grand Forks
First Insurance Grand Forks (FBS Insurance)
Jamestown
First Insurance Jamestown (FBS Insurance)
Langdon
First Insurance Langdon (FBS Insurance)
Lidgerwood
First Insurance Lidgerwood (FBS Insurance)
Minot
First Insurance Minot (FBS Insurance)
Wahpeton
First Insurance Wahpeton (FBS Insurance)

Ohio

Akron
James R. Davis & Associates (McElroy-Minister Co.)
Frank B. Hall & Co. Inc.
Cincinnati
Alexander & Alexander Services Inc.
James R. Davis & Associates (McElroy-Minister Co.)
ISU/Mariemont Insurance Inc.
Johnson & Higgins of Ohio Inc.
Marsh & McLennan Cos. Inc.
Thomas E. Wood Inc.
Cleveland
Alexander & Alexander Services Inc.
Arthur A. Gallagher & Co.
Frank B. Hall & Co. Inc.
Brooks & Stafford Co.
Insurance Management Services Inc. (Robinson-Conner Inc.)
Johnson & Higgins of Ohio Inc.
Marsh & McLennan Cos. Inc.
McDonough Caperton Insurance Group
Roanoke Agency Inc.
Rollins Burdick Hunter Co.
Variable Protection Administrators Inc.
Columbus
Alexander & Alexander Services Inc.
Corroon & Black Corp.
Arthur J. Gallagher & Co.
Johnson & Higgins of Ohio Inc.
Marsh & McLennan Cos. Inc.
McElroy-Minister Co.
Dayton
Hilb, Rogal & Hamilton Co.
McElroy-Minister Co.
Dublin
Frank B. Hall & Co. Inc.
Grove City
Rhulen Agency Inc.
Middleburg Heights
Kelter-Thorner Insurance Agency of Ohio
Niles
Lawrence Agency Corp.
Pepper Pike
Republic Hogg Robinson Inc.
Rocky River
McGowan & Co. Inc.
Toledo
Arthur J. Gallagher & Co.
West Chester
Arthur J. Gallagher & Co.
Youngstown
Arthur J. Gallagher & Co.

Oklahoma

Edmond
North American Insurance Agency Inc.
Oklahoma City
Frank B. Hall & Co. Inc.
Fred S. James & Co. Inc.
North American Insurance Agency Inc.
Marsh & McLennan Cos. Inc.
Rollins Burdick Hunter Co.
Sallisaw
BHC of Oklahoma Inc. (Brown-Hiller-Clark & Associates)
Tulsa
Alexander & Alexander Services Inc.
Bayly, Martin & Fay International Inc.
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.
Frank B. Hall & Co. Inc.
Marsh & McLennan Cos. Inc.
Rollins Burdick Hunter Co.
Medford
Frank B. Hall & Co. Inc.
Fred S. James & Co. Inc.
Portland
Alexander & Alexander Services Inc.
Corroon & Black Corp.
Arthur J. Gallagher & Co.
Frank B. Hall & Co. Inc.
Fred S. James & Co. Inc.
Johnson & Higgins of Oregon Inc.
Marsh & McLennan Cos. Inc.
Rollins Burdick Hunter Co.

Pennsylvania

Allentown
Arthur J. Gallagher & Co.
Altoona
The Gleason Agency Inc.
Brookville
Silberman-Braun Associates Inc.
Camp Hill
Marsh & McLennan Cos. Inc.
Carlisle
McDowell Insurance Inc.
Chambersburg
McDowell Insurance Inc.
Erie
Arthur J. Gallagher & Co.
Robinson-Conner Inc.
Exton
H.A. Thomson Co.
Feasterville
Paul Hertel & Co. Inc.
Fort Washington
Alexander & Alexander Services Inc.
H.A. Thomson Co.
Greencastle
McDowell Insurance Inc.
Greensburg
Arthur J. Gallagher & Co.
Harrisburg
Alexander & Alexander Services 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.

Continued on facing page

Why are these men smiling?



Bill Rosenfeld, President, Canon Insurance Service
Ron Young, Executive Vice President,
Kelter Thorner Inc. of Southern California, Costa Mesa, CA

Securing coverage for hard-to-place lines is no laughing matter. But Canon Insurance Service gives Ron Young something to smile about. As the underwater underwriters for scuba equipment and the diving industry, Canon helps Ron breathe easy. When the water gets too hot, brokers call on Canon. Tanning salons? Canon sees they don't get burned. Gyms? No sweat. Fitness facilities? Canon goes the distance. Canon can keep your head above water, too. **Canon: the placement professionals.**

Canon
Insurance Service

9171 Wilshire Boulevard, Suite 509, Beverly Hills, CA 90210
213-859-8600 Fax: 213-278-3617 · Telex: 67 3616

Continued from facing page

Leavittown
The Rhulen Agency Inc.
Mechanicsburg
Robinson-Conner Inc.
Media
Paul Hertel & Co. Inc.
Newtown
Johnson, Kendall & Johnson Inc.
Philadelphia
Alexander & Alexander Services Inc.
Bayly, Martin & Fay International Inc.
Glenn, Nyhan & Associates Inc.
The Graham Co.
Haas & Wilkerson Inc.
Frank B. Hall & Co. Inc.
Paul Hertel & Co. Inc.
The Hirshorn Co.
Fred S. James & Co. Inc.
Johnson & Higgins of Pennsylvania Inc.
Marsh & McLennan Cos. Inc.
Rollins Burdick Hunter Co.
Pittsburgh
Alexander & Alexander Services Inc.
Babb Inc.
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.
Roxborough
Paul Hertel & Co. Inc.
Rydal
Palley Simon Associates
St. Davids
The Simkiss Cos.
Scranton
Arthur J. Gallagher & Co.
Springhouse
Rollins Burdick Hunter Co.
Waynesboro
McDowell Insurance Inc.
Willow Grove
Robinson-Conner Inc.
Wynnewood
Republic Hogg Robinson Inc.
Wyomissing
The Loomis Cos. Ltd.

Rhode Island

Cranston
Arthur J. Gallagher & Co.
Walter Kaye Corp. of Rhode Island
Providence
Alexander & Alexander Services Inc.
Frank B. Hall & Co. Inc.

South Carolina

Charleston
Marsh & McLennan Cos. Inc.
Palmer & Cay/Carswell Inc.
Sullivan Co. Inc./U.S. Shelter Insurance Agencies
Columbia
Alexander & Alexander Services Inc.
Corroon & Black Corp.
Frank B. Hall & Co. Inc.
Fred S. James & Co. Inc.
Marsh & McLennan Cos. Inc.
Sullivan Co. Inc./U.S. Shelter Insurance Agencies
Greenville
Corroon & Black Corp.
Arthur J. Gallagher & Co.
Marsh & McLennan Cos. Inc.
Sullivan Co. Inc./U.S. Shelter Insurance Agencies
Greer
Rhulen Agency Inc.
Myrtle Beach
Frank B. Hall & Co. Inc.

South Dakota

Clark
First Insurance Clark (FBS Insurance)
Corsica
First Insurance Corsica (FBS Insurance)
Gettysburg
First Insurance Gettysburg (FBS Insurance)
Highmore
First Insurance Highmore (FBS Insurance)
Hot Springs
First Insurance Hot Springs (FBS Insurance)
Lemmon
First Insurance Lemmon (FBS Insurance)
Madison
First Insurance Madison (FBS Insurance)
Miller
First Insurance Miller (FBS Insurance)
Platte
First Insurance Platte (FBS Insurance)
Presho
First Insurance Presho (FBS Insurance)
Redfield
First Insurance Redfield (FBS Insurance)
Vermillion
First Insurance Vermillion (FBS Insurance)

Tennessee

Athens
Athens Insurance Co.
Chattanooga
Alexander & Alexander Services Inc.
Corroon & Black Corp.
Huffaker & Associates Inc.
Hendersonville
Newman, Hayes & Dixon (Robinson-Conner Inc.)
Knoxville
ISU/Marion A. Allen Inc.
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.
Timberline Insurance Services Inc.
Murfreesboro
Rhulen Agency Inc.
Nashville
Alexander & Alexander Services Inc.
Corroon & Black Corp.
Arthur J. Gallagher & Co.
Fred S. James & Co. Inc.
Johnson & Higgins of Tennessee Inc.
Marsh & McLennan Cos. Inc.

Texas

Abilene
Alexander & Alexander Services Inc.
Frank B. Hall & Co. Inc.
Amarillo
Marsh & McLennan Cos. Inc.
Austin
Alexander & Alexander Services Inc.
Anco Insurance
Frank B. Hall & Co. Inc.
Timberline Insurance Managers Inc.
John D. Williams Co.
Beaumont
Frank B. Hall & Co. Inc.

Continued on next page



Employee Benefits Communications Conference

On August 3 & 4 an influential group of employee benefit executives will meet to explore issues critical to their professional responsibilities. The annual Business Insurance Conference provides an opportunity to gain valuable insight into communicating benefits to employees.

Speakers

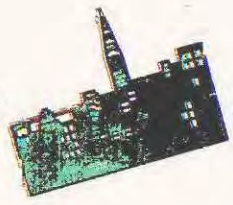
Jim Biggerstaff
Manager, Compensation & Benefits
PEARL HEALTH SERVICES
Tax Reform and 401K

Catherine A. Corse
Employee Benefits Officer
BARNETT BANKS INC.
Communicating COBRA

Laura Fairman
Director, Product Research & Development
Group Insurance Marketing
METROPOLITAN LIFE INSURANCE COMPANY
PANELIST: *Triple Options*

Victoria George
Benefits Specialist
Benefit Planning Department
BANKAMERICA CORPORATION
PANELIST: *Utilization Review*

Sally Gottlieb
Flex Plan Coordinator
PACIFIC GAS & ELECTRIC COMPANY
CASE STUDY: *Total Benefit Programs*



Alfred Hayes
Director, Human Resources
SONY CORPORATION OF AMERICA
CASE STUDY: *Computer Communications*

Jeffrey Horn
Principal
TOWERS, PERRIN, FORSTER & CROSBY
CASE STUDY: *Total Benefit Programs*

Alfred Malecki
Publisher
BUSINESS INSURANCE
EBC AWARDS

H. L. Marchant
Principal
WILLIAM M.MERCER-MEIDINGER-HANSEN,INC
CASE STUDY: *Interactive Video*

Kathryn J. McIntyre, A.R.M.
Editor
BUSINESS INSURANCE
OPENING REMARKS

Arnold Milstein, MD
President
NATIONAL MEDICAL AUDIT
PANELIST: *Utilization Review*

Agenda

Keynote Address ***Monday, August 3***

Influence — Elaine Zuker, President of Success Strategies, sets the tone for the 1987 EBC Conference. Effective communication possesses a powerful ability to influence. Communicators sometimes get lost in a maze of glitz and glitter, worrying too much about deadlines and production values. Employee benefits communicators may also get bogged down by legislative and health care cost control requirements. But no communicator should ever lose sight of the impact communication has ... its potential to influence attitudes, choices and response. Ms. Zuker will walk you through six influence styles — discover an approach that can get you results.

Communicating COBRA

COBRA Simplified — Creative ways of communicating COBRA to employees and keeping paper work down to a minimum. Find out how one company took the sting out of COBRA.

Triple Options

The Challenge — Communicating indemnity plans, HMO and PPO options to employees. The challenge begins with devising a plan that keeps information overload to a minimum and ends with effective communication that still defines the parameters of employees' choices.

EBC Awards Luncheon

Achievement — Recognizing outstanding communications programs, Alfred Malecki, Publisher, Business Insurance, presents the 15th Annual EBC Awards. Also shown will be the first place a-v winner.

Research — Techniques

Inspiration — Developments in consumer research and statistical techniques inspire a new management strategy that identifies employee satisfaction with benefits and their direct relation to corporate benefit costs.

Case Studies

Informal workshops, presented as concurrents, give you the opportunity to attend all sessions.

Flexible Benefits — A Total Program

Innovative — Pacific Gas & Electric Company's benefits program, "Flex," is a 1986 award winning example of a total communications effort, effectively communicating flexible benefit options. They've taken the complexity out of choice. Their innovative approach incorporated input from their employees.

Interactive Videos

Creative Technology — When is it appropriate? This case study of the Ford Motor Company will cover the evaluation process that confirmed the use of interactive videos, the strategy for implementing this communication program, and examples of the technology used: touch screen, digital audio and video disc.

EBC
• conference •

John Parkington, PhD
Director, Organization Research
& Analysis Services
THE WYATT COMPANY
Research

Timothy Stentiford
Consultant
HEWITT ASSOCIATES
CASE STUDY: *Computer Communications*

I. B. Wallman
Employee Benefits department,
Employee Relations Staff
FORD MOTOR COMPANY
CASE STUDY: *Interactive Video*

Herb Zeltner
President
HERBERT ZELTNER CONSULTING INC.
You Be The Judge

Edward J. Zeman
Director, Employee Services
THE LONG ISLAND RAILROAD
PANELIST: *Triple Options*

Elaina Zuker
President
SUCCESS STRATEGIES
KEYNOTE: Influence In Communication

Registration

The BI Conference opens Sunday, August 2, with registration check-in and a cocktail reception from 5-7pm. Sessions begin Monday, August 3 at 8:30am. The conference adjourns Tuesday, August 4 at 4:30pm.

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 prior to 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 the name of another person from your company without penalty.

To register, complete the form and send it with your payment to:

Business Insurance, Communication Services Department,
220 E. 42nd St., Suite 930, New York City, NY 10017
For information call: Barbara Dalton, Registrar, at (212)210-0780.

Hotel Accommodations

We have set aside a limited block of rooms at a special rate of **$130 single/$150 double**, at the Grand Hyatt Hotel in New York City. These rates are available to Conference Registrants only, and will be honored until July 13.

You must mention the *Business Insurance Benefits Conference* when making your reservations. Hotel cards will be included with your Conference Registration Confirmation. Or call the Grand Hyatt Hotel at **(212)850-5900**; or toll free at **(800)228-9000**.

Travel Arrangements

We have arranged for discounted airline tickets to New York City from almost every location in the U.S. Contact Travel Technology Group at **800/524-4442**. You must mention the *Business Insurance Benefits Conference* to take advantage of these low rates with no restrictions.

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.

Computer Communication
The Cutting Edge — Why Sony Corporation opted for computer communication and how they combined market trends with technological innovations to implement state-of-the-art interactive computer communication vehicles. This case study walks you through personalized benefits and provides scenarios for combining benefit options.

Case Studies ***Tuesday, August 4***
All three case studies [illegible]ated.

You Be The Judge
A-V Excellence — Prese[illegible] 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
A final opportunity to gather with industry leaders and peers.

Utilization Review
Performance — The nature of utilization review demands peak performance. This session provides an examination of operations, key findings on performance levels and a look at how one benefits department performs this communications task.

Tax Reform & 401k
Issues and Ideas — Better marketing is essential to communicating tax reform and 401k, especially to lower paid employees. Find out how humor and a promotional contest got attention and boosted participation.

Adjournment
Until next year ...

Please register me for the 1987 BI Conference
Employee Benefit Communications:
August 3 and 4 • The Grand Hyatt Hotel in New York City

Name _____
Title _____
Organization _____
Address _____
City _____ State _____ Zip _____ Phone ( ) _____

Additional Registrant from my organization:
Name _____
Title _____

Name _____
Title _____

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Account # _____ Expiration Date _____
Signature _____

business insurance

Business Insurance, Communication Services Department
220 East 42nd Street, New York, NY 10017
Barbara Dalton, Registrar — (212)210-0137

BI 6/22

Continued from page 121
months of 1986 and does not include Crump's revenues for the first 10 months, which totaled $105.9 million.

James' contribution to Sedgwick's revenues is down from 46% from in 1985, however, because reinsurance brokerage John F. Sullivan Co. is not included in the James Group's revenues. Sullivan's revenues are now included with Sedgwick's reinsurance unit, E.W. Payne Cos. Ltd., said Mr. Page.

Also, James' revenues do not include its employee benefits claims administration business which was sold last year for $25.1 million.

• Sedgwick Ltd., which includes Sedgwick's Lloyd's of London brokerage subsidiaries.

Based in London, Sedgwick Ltd. is headed by Chief Executive Niven Duncan, who is also vice chairman of Sedgwick Group. Mr. Duncan replaced Michael Butt, who earlier this year became chief executive of Eagle Star Holdings P.L.C., a unit of B.A.T. Industries P.L.C.

Sedgwick Ltd., which absorbed James' Lloyd's broker Wigham Poland Holdings, also includes Sedgwick Special Risks Group Ltd., Sedgwick Risk Management Ltd., Sedgwick Associated Risks Ltd., Sedgwick U.K. Ltd. and Sedgwick International Ltd., which oversees the international operations of Sedgwick outside Britain and North America.

In addition, Sedgwick Ltd. includes Sedgwick Offshore Resources Ltd., which continues to be one of Sedgwick's major strengths in the London market. "Despite the continuing recession in the oil and gas industry and the low level of oil prices in 1986, which had a significant effect on insured values, Sedgwick Offshore Resources again increased revenue and profit," Mr. Duncan said in the annual report.

However, in April, Sedgwick Offshore lost four senior directors to the oil, gas and energy division of Alexander Howden Ltd., a subsidiary of A&A.

"This has made a difference in that they were four good people and you don't like to lose them," Mr. Duncan said. "But, there is a very strong and able young team there and you do lose people from time to time. . .but we are a net gainer in people."

Sedgwick Ltd.'s other main subsidiary is Price Forbes Ltd., which is the London wholesale broker for North American primary and excess insurance risks. During a reorganization earlier this year, Sax Riley, deputy chairman of Sedgwick Ltd., became chairman of Price Forbes.

Much of James' business that comes to Sedgwick in London is handled by Price Forbes. However, Price Forbes also places insurance in London for other U.S. brokers, and James can use other brokers to place business in London.

"It is important to emphasize that Price Forbes maintains its skills for all the world for anyone who chooses to come to its doors," he said.

Sedgwick Ltd. generated 33.9%, or 217 million pounds ($321.2 million) of Sedgwick Group's 1986 revenues as reported to shareholders.

• E.W. Payne Cos. Ltd., which include Sedgwick's reinsurance brokerage subsidiaries. E.W. Payne contributed 16.6% or 106 million pounds ($156.9 million) of the company's 1986 revenues as reported to shareholders.

E.W. Payne employs 1,600 people, including 1,000 in London, 400 in the United States and 200 in other parts of the world, said Chairman and Chief Executive Jim Payne.

About half of its revenues were generated in London, where E.W. Payne (U.K.) Ltd. and E.W. Payne (International) Ltd. are based; 30% were generated in the United States; and the remaining 20% were generated elsewhere in the world.

Next year, Mr. Payne hopes 40% of revenues will be generated in London, 40% from indigenous North American business and 20% from the rest of the world.

E.W. Payne's U.S. subsidiary Sullivan Payne Co. has not had an easy year, however, Mr. Payne admits. On July 1, 1986, James' former 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 executive officer of 16 months and the former president of Fireman's Fund Insurance Cos., resigned on May 15 and has since 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, Sullivan Chairman W.E. (Gene) Taylor retired several months earlier than planned. In October, 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 employment 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).

Taylor Re already had landed four former Sullivan Payne clients whose business produced $440,000 in annual commissions last year.

The preliminary injunction was to stand until the Sullivan Payne complaint was resolved in trial.

However, Mr. Taylor was hit by a car in February and suffered serious injuries. He currently is recovering and is again working part time at Taylor Re. But, as a result of Mr. Taylor's accident, the litigation "is subject to indefinite postponement," said Mr. Payne in London.

Mr. Payne says he believes it was a good decision to form Sullivan Payne and have it report to London. The E.W. Payne Group, including Sullivan Payne, primarily places treaty reinsurance, which is "an activity which by definition has to be global," he said. "It is not trapped to one area, country or region. It is a series of concentric circles of reinsurance activities throughout the world.

"It is only logical that we should join these forces together, which is precisely what we did," he said.

Overall, Sedgwick Group's revenue growth slowed in 1986, in line with the experience of most European brokers. Revenues increased only 10.1% to 640.4 million pounds as reported to shareholders in 1986 from 581.5 million pounds in 1985, compared to an increase of 27.5% in 1985 from 456 million pounds in 1984.

In dollar terms, revenues increased 12.4% to $947.8 million, from $843.2 million in 1985, compared to a huge 59.4% increase from $529 million in 1984.

The slower growth was due in part to the weakening of the dollar against the pound: Some 65% of Sedgwick's revenues are in dollars, noted Mr. Mosselmans.

And, insurance rates began to flatten toward the latter half of last year, which also slowed revenue growth, added Mr. Page. The softening of rates "really hasn't happened in the U.K. or in Europe or elsewhere in the world. It is a U.S. phenomenon, and it really occurred in James, as far as we can tell, right at the end of the year. We're only just feeling the impact, however.

"London feels it because London underwriters are refusing to chase down the property premium dollars in the United States, so the London property broker is being deprived of the property business he might otherwise have enjoyed," he added.

About 90.5% of Sedgwick's revenues, or 579.5 million pounds ($857.6 million), is derived from brokerage; 8.8%, or 56.7 million pounds ($83.9 million) is attributable to interest and investment income; and less than 1%, or 4.2 million pounds ($6.2 million), is attributable to Lloyd's and insurance company underwriting income.

Sedgwick's pretax profits increased 9% to 135.5 million pounds ($200.5 million) from 124.3 million pounds ($180.2 million), slowing from a 20% growth in 1985.

Profits were affected by currency exchange fluctuations, the flattening of rates and increased premiums for errors and omissions coverage to 20.6 million pounds ($30.5 million) from 7.9 million pounds ($11.5 million), according to the annual report. A Sedgwick captive insurer and Lloyd's E&O underwriters write the coverage.

Sedgwick's E&O insurers face a possible $62.2 million claim because U.S. and European insurers are refusing to pay for a storm-damaged oil rig in the Beaufort Sea. The insurers refuse to pay the claims, contending the risk was misrepresented either by the oil companies that own the rig or by the Sedgwick units when coverage was renewed (*BI*, Feb. 23).

An effort by all parties to settle the case earlier this year failed and litigation continues in a Canadian court.

Sedgwick's aftertax earnings before extraordinary income increased 7% to 84.4 million pounds ($124.9 million) from nearly 79 million pounds ($114.5 million) in 1985. Extraordinary income totaled 10.2 million pounds ($15.1 million) and this gain increased net profits to 94.6 million pounds ($140 million), a 10% increase from 86.1 million pounds ($124.8 million) in 1985.

For the first three months of 1987, Sedgwick's pretax profits showed little growth, totaling 53.5 million pounds ($86.1 million), compared with 52.3 million pounds ($77.4 million) at March 31, 1986.

However, revenues increased 14%, to 192.7 million pounds ($310.2 million) from 168.3 million pounds ($249.1 million) in the first quarter of 1986.

In the first quarter, Sedgwick established a contingent liability of 10 million pounds ($16.1 million) for its contribution to Lloyd's 103 million pound ($170.9 million) settlement offer to members of PCW Underwriting Agencies Ltd. The contribution will be treated as an extraordinary item if the offer is accepted.

—By Stacy Shapiro

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 121.

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 brokers and the pages on which their profiles appear are:

- Marsh & McLennan Cos. Inc., page 14.
- Alexander & Alexander Services Inc., page 25.
- Johnson & Higgins, page 32.
- Frank B. Hall & Co. Inc., page 41.
- Corroon & Black Corp., page 45.
- Rollins Burdick Hunter Co., page 49.
- Arthur J. Gallagher & Co., 54.
- Bayly, Martin & Fay International Inc., page 61.

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 36; Jardine Emett & Chandler Inc., an affiliate of Jardine Insurance Brokers, is profiled on page 58; and Republic Hogg Robinson Inc., which is owned by Lloyd's of London broker Hogg Robinson Group P.L.C., is profiled on page 64.

Top 20 world brokers

Company	Revenues (in millions) 1986	1985
1. Marsh & McLennan (U.S.)	$1,830.0	$1,392.7
2. Alexander & Alexander (U.S.)	1,135.5	967.9
3. Sedgwick Group (U.K.)	1,053.7[1]	843.2[1]
4. Johnson & Higgins (U.S.)	647.6[2]	523.5[2]
5. Frank B. Hall (U.S.)	390.9	360.5
6. Corroon & Black (U.S.)	338.3	277.7
7. Willis Faber (U.K.)	251.7[1]	203.5[1]
8. Minet Holdings (U.K.)	180.8[1]	145.0[1]
9. Rollins Burdick Hunter (U.S.)	170.0	141.5
10. Jardine Insurance Brokers (U.K.)	162.7[1]	122.2[1]
11. C.E. Heath (U.K.)[3]	159.6	146.5
12. Stewart Wrightson (U.K.)	141.0[1]	123.5[1]
13. Hogg Robinson (U.K.)[3]	139.4[2]	119.4[2]
14. Bain Clarkson (U.K.)	120.1[1]	62.5[1]
15. Arthur J. Gallagher (U.S.)	118.8	95.2
16. Bayly, Martin & Fay (U.S.)	92.7	91.9
17. Faugere & Jutheau (France)	90.9[4]	71.1[4]
18. Jauch Hubener (Germany)	82.2[5]	63.3[5]
19. Hudig-Langeveldt (Netherlands)	69.4[6]	53.9[6]
20. Lowndes Lambert (U.K.)[3]	61.3	54.9

[1]British pound=$1.483 (Dec. 31, 1986); $1.45 (Dec. 31, 1985)
[2]*BI* estimate
[3]Fiscal year ending March 31; British pound=$1.61 (1987); $1.48 (1986)
[4]French franc=15.7 cents (Dec. 31, 1986); 13.3 cents (Dec. 31, 1985)
[5]German deutsche mark=52.03 cents (Dec. 31, 1986); 40.87 cents (Dec. 31, 1985)
[6]Dutch guilder=46.0 cents (Dec. 31, 1986); 36.4 cents (Dec. 31, 1985)
Source: *BI* survey

Chart: Amy Palmer



7 worldwide

Willis Faber P.L.C.

10 Trinity Square, London EC3P 3AX, England; 01-488-8111

Lloyd's of London broker Willis Faber P.L.C. remains "alert to possible acquisitions in the U.S.," according to Chairman and Chief Executive Officer David Palmer.

Although Mr. Palmer stressed the broker has no acquisitions "currently in mind," he did not rule out the possibility of future acquisitions in the United States, "if the right company presented itself."

Willis Faber was particularly active in the United States last year, strengthening its surplus lines activities with the acquisition of Michigan-based broker McAlear Associates Inc. for between $18.5 million and $19.5 million.

"The development of our American reinsurance business also has been encouraging, and there has been steady growth in the contribution to profits from Willcox Inc. Reinsurance Intermediaries, our joint venture with Johnson & Higgins," Mr. Palmer added.

Worldwide, new business and continuing high premium rates for many classes of insurance helped boost the company's gross revenues 21% to 169.7 million pounds for 1986 from 140.3 million pounds in 1985, said Mr. Palmer. In dollar terms, that represents growth of 23.7% to $251.7 million from $203.5 million, making Willis Faber the seventh-largest broker in the world.

Net retained premium income, interest and dividends of the group's insurance companies of 23.1 million pounds ($34.2 million) and Willis Faber's share of income of associated companies of 20.1 million pounds ($29.8 million) increased unconsolidated revenues to 212.9 million pounds ($315.7 million) in 1986, compared with 176.3 million pounds ($255.7 million) in 1985.

Pretax operating profit increased 16.7% to 74.8 million pounds ($110.9 million) from 64.1 million pounds ($92.9 million). The profit figure for 1985 has been increased by 3.36 million pounds ($4.87 million), as Morgan Grenfell P.L.C., a merchant bank in which the broker has a 21% stake, has "discontinued making transfers to undisclosed reserves," according to the annual report.

Pretax profit from insurance brokerage rose 13.8% to 57 million pounds ($84.5 million) from 50.1 million pounds ($72.6 million), while losses from the group's underwriting and other interests fell to 255,000 pounds ($378,100) from 1.5 million pounds ($2.2 million).

Some 80% of Willis Faber's gross revenues, or 136.6 million pounds ($202.6 million) came from insurance brokerage. This represents a 27.1% increase from 107.5 million pounds ($155.9 million) in 1985. Of this, some 38% stems from the United Kingdom, 29% from North and South America, 13% from Europe, 15% from Asia and the Pacific and 5% from the Middle East and Africa.

"As always, the American market, which generates half the world's premium income, is of particular significance to us," said Mr. Palmer.

In particular, Willis Faber's account with Johnson & Higgins, its largest source of U.S. income, "has prospered," he noted.

"Jointly with Johnson & Higgins we continue to . . . step up the communication and exchanges between our two organizations at all levels . . . leading to an increase in the flow of business," he said.

Mr. Palmer stressed that J&H's purchase last month of Lloyd's broker Carter, Brito e Cunha Ltd. will not affect Willis Faber's relationship with J&H (*BI*, May 25).

"Carter, Brito e Cunha deals with non-dollar reinsurance business, a field in which we operate separately" from J&H, he explained.

"We have a very close relationship with Johnson & Higgins. It's been a major part of our joint strategy to do as much business together as we can," he added.

Significant progress also was made in Willis Faber's surplus lines activities in the United States, he said. These activities now consist of:

- Neal Lloyd, a joint venture with J&H in Chicago and Los Angeles.
- Global Special Risks, a subsidiary specializing in the oil and gas business based in New Orleans with offices in Los Angeles, San Francisco and Dallas.
- McAlear Associates, based in Grand Rapids, Mich., and with an office in Kansas City, Mo.

"Collectively these ventures, employing over 250 people, generate significant earnings in the U.S.," Mr. Palmer said. "The contribution to profits of our U.S. operations on the ground, including the equivalent of a year's earnings from McAlear, was about 7 million pounds."

Willis Faber increased its workforce by 10.9% in 1986 to 3,936 employees from 3,548 employees a year earlier.

In addition, Willis Faber employs 28 people in its underwriting agencies.

About 3,470 of the employees are based in the United Kingdom, where Willis Faber has branches in 19 locations. Its British retail brokerage operation "sustained very encouraging growth" during the year, said Mr. Palmer.

"We have recently expanded our branch network in the U.K. with the acquisition of two companies based in Wolverhampton and Cheltenham," he said.

In addition, Willis Faber's participation in UNISON, a worldwide network of independent brokers including J&H, has continued to "enhance" its worldwide retail income growth, Mr. Palmer said.

Other areas of growth highlighted by Mr. Palmer include:

- Specialist risk management.

"There is an increasing demand from corporate clients for specialist risk management to deal with property loss control, environmental and health hazards," he noted in the company's annual report.

He particularly stressed the need for captive management: "A lot of the business that has gone into captives has been lost to the conventional insurance market, at least for the foreseeable future. We see the captive market as a playing field we have to be active in."

Willis Faber has a captive management company in the Isle of Man and a representative office in Bermuda.

Special risks such as political risks also are a major growth area, he noted. The company's recently established special risk services unit, which serves financial institutions, has enjoyed particular success, he said.

- Employee benefits.

"Employee benefits is still a relatively small part of our U.K. operations, but it is an area which we view has great potential," he said. Willis Faber will concentrate its employee benefits services in Britain, but will go overseas "to the extent that we will be following our multinational clients," he added.

Willis Faber Advisory Services Ltd., its employee benefits subsidiary, already has strengthened its U.K. network and added staff, he said.

In addition, the broker purchased a 49% stake in communications company PCL Group Ltd. in April to help convey employee benefit information to its own staff. "With requirements developing for pension and other related information to be communicated effectively, our investment in PCL will enhance our . . . capability," Mr. Palmer said.

However, he stressed that the company plans to continue concentrating on the profitable development of its "core" insurance and reinsurance brokerage business.

"We have no intention of diverting from this successful strategy," Mr. Palmer said.

—By Carolyn Aldred

8 worldwide

Minet Holdings P.L.C.

100 Leman St., London E1 BHG, England; 01-481-0707

London-based broker Minet Holdings P.L.C. prides itself on more than doubling its revenues over the last five years despite its haunting troubles from former subsidiary PCW Underwriting Agencies Ltd.

Since fraud and mismanagement at the Lloyd's of London underwriting subsidiary were first alleged in 1982, Minet's gross revenues have jumped 120% to 121.9 million pounds ($180.8 million) from 55.5 million pounds ($89.9 million at the appropriate exchange rate) in 1982.

Minet's 1986 revenues represent a nearly 22% surge from 100 million pounds ($145 million) in 1985, boosting Minet up two notches to the No. 8 spot in the *Business Insurance* ranking of the Top 20 world brokers.

Minet also has strengthened its reputation as one of the leading property/casualty insurance brokers in the world; gained expertise in placing fine arts, jeweler's block and bloodstock coverages; and maintained strength in other areas, such as oil and gas.

"If we can trade as we have with a problem like that, just imagine what we can do without it," said Brian Chapple, Minet's deputy chairman and finance director. "We can divert all that energy (used to solve the PCW problems) back into the business."

Profits before taxation and extraordinary items set a record for the company last year, increasing 20.8% to 36.2 million pounds ($53.7 million) from 30 million pounds ($43.5 million) in 1985.

Also, Minet's aftertax earnings before extraordinary items increased 31.2% to 21.5 million

Continued on next page

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Continued from previous page
pounds ($31.9 million) from 16.4 million pounds ($23.8 million) in 1985.

However, the PCW problem forced Minet to take an exceptional charge of 12.2 million pounds ($18.1 million) against its 1986 earnings, dropping the group's shareholder profit, equivalent to net income in the United States, to 8.7 million pounds ($13 million) in 1986 from 16.2 million pounds ($23.5 million) the previous year.

The exceptional charge is for Minet's unspecified portion of a 103 million-pound settlement ($170.9 million at current exchange rates) that Lloyd's offered to members of PCW non-marine syndicates, plus any future PCW-related costs (*BI*, May 11).

The amount reserved by Minet also would cover any legal action against the broker by PCW members who may turn down the Lloyd's offer.

Last week, members of PCW non-marine syndicates were expected to decide whether to accept the offer. More than 90% of the members would have had to accept the settlement by June 19 for it to be approved.

Under the terms of the settlement, Lloyd's and 37 other parties, including Minet, will pay 100 million pounds ($165.9 million) to a special Lloyd's syndicate as a reinsurance premium to close the PCW accounts. Lloyd's also agreed to grant PCW members immunity from any further losses and to pay 3 million pounds ($4.98 million) to the Inland Revenue to cover tax disputes.

For their part, PCW non-marine syndicate members must pay 34 million pounds ($56.4 million) as a reinsurance premium to a special Lloyd's syndicate; agree not to sue Lloyd's; and transfer to Lloyd's their right to sue other parties involved in the PCW affair.

However, Minet Chairman Ray Pettitt stresses in Minet's annual report that despite the broker's contribution to the Lloyd's settlement, "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."

If the Lloyd's offer is accepted, Minet will call a general meeting to request shareholder approval of its contribution, the size of which will be disclosed at the meeting.

Altogether, Minet has reserved about 30 million pounds ($49.8 million) for expected PCW losses since 1982, when Lloyd's and the Department of Trade and Industry first began investigating the alleged misappropriation of millions of pounds from PCW non-marine syndicates.

"I think we have got to the end of the line (monetarily) on PCW," said Mr. Chapple.

'If we can trade as we have with a problem like (PCW), just imagine what we can do without it,' says Minet's Brian Chapple. 'We can divert all that energy back into the business.'

"Either the offer is accepted and it becomes unconditional or members go for litigation, and we have provided for that," he added.

PCW aside, Minet has a "strong trading history," Mr. Chapple said.

Insurance brokerage operations contributed 79.6%, or 97 million pounds ($143.9 million), to the company's gross revenues in 1986, up 24.4% from 78 million pounds ($113.1 million) in 1985. The increase was achieved despite severe capacity problems, Mr. Pettitt said.

Minet's brokerage operations include:

- Minet's retail operations, through three profit centers: Minet International Professional Indemnity Ltd.; Minet Insurance Brokers (Holdings) Ltd., operating in 18 countries; and J.H. Minet (Canada) Inc.

The Minet retail companies are probably best known for their expertise in placing professional liability insurance for international accountants and other professions—such as lawyers and architects—through MIPI, headed by Group Director Peter S. Christie. MIPI, based in Montreal, has offices in Canada, Australia, the United Kingdom and the United States.

As a result of the continuing hard market and capacity shortage, MIPI initiated several alternative risk financing projects during 1986, which resulted in the establishment of "a number of mutuals and captives for our clients," according to Minet's annual report.

- Lloyd's broker J.H. Minet & Co. Ltd., the largest single profit center of the company.

London-based wholesale broker J.H. Minet is considered by Mr. Chapple to be one of the three largest brokers specializing in the placement of oil and gas risks. "That is an area of potential growth," he said.

Also, J.H. Minet's North American property and casualty division "enjoyed particular success" last year despite stabilizing rates, according to Minet's annual report.

Other divisions also did well last year, particularly the North American reinsurance division, "a major operator in that market"; North American marine; fine arts and jewelry, "probably the major force in the London market in this specialist area"; and bloodstock.

J.H. Minet opened new offices last year with local partners in Monaco, Florence and Milan, Italy.

- Bowes Holdings Inc., the group's U.S. excess/surplus lines broker, which opened two new divisions and an office in Newport Beach, Calif., last year.

Through Bowes, Minet acquired 90% of marine surplus lines broker Continental Underwriters Ltd. of New Orleans for $4.8 million last December, as well as 49% of Los Angeles fine arts broker Allen Insurance Associates.

"We haven't penetrated enough in the U.S.," Mr. Chapple observed. "It is a source for expansion."

"Bowes has a strong interrelationship with J.H. Minet," he said. "It suffers from the vagaries of the underwriting cycle, operating well in a hard market and having difficulties in a soft market. We are therefore trying to ensure that Bowes can provide unique facilities to carry it through the peaks and troughs."

- Prescot Insurance Holdings Ltd., the underwriting manager for St. Katherine Insurance Co. P.L.C., which is about 25% owned by Minet, provides underwriting and management services to insurance companies in Great Britain and worldwide.

- Illinois Surplus Lines Underwriting Agency Inc., the group's U.S. managing general agent, had a difficult trading year because of the loss of markets and contributed less to the group's overall results in 1986, according to Minet's annual report.

About 42.5% of Minet's brokerage business, or 44.6 million pounds ($66.1 million), is generated in North and South America; 20.8%, or 21.8 million pounds ($32.3 million) is generated in the United Kingdom and Ireland; and the remaining 36.7%, or 38.4 million pounds ($57 million) is generated in other parts of the world.

A total of 6.4% of the group's 1986 gross revenues were attributable to Lloyd's agencies' profit commissions and fees of 1.4 million pounds ($2.0 million) and insurance company underwriting agency fees of 6.4 million pounds ($9.5 million).

Minet increased its workforce 4.7% in 1986 to 2,954 employees worldwide from 2,821 employees in 1985.

The broker continues to be 25%-owned by U.S. broker Corroon & Black Corp. and 26%-owned by insurer St. Paul Cos. Inc.

—By Stacy Shapiro

10 worldwide

Jardine Insurance Brokers Group

19 Eastcheap, London EC3M 1HJ, England; 01-623-4611

The acquisition of Emett & Chandler Cos. Inc. and Horan Goldman Cos. Inc. in the United States pushed revenues for Jardine Insurance Brokers Group up 33% during 1986, making it the 10th-largest broker in the world.

But, the weakness of the U.S. dollar and the dramatic rise in the cost of professional liability insurance squeezed the broker's profits.

JIB reported revenues of $162.7 million for 1986, compared with $122.2 million in 1985, an increase of 33.2%. Most of the increase in revenues was attributable to the U.S. acquisitions, JIB officials said.

However, 1986 profits fell 1.6% to $16.9 million from $17.1 million in 1985.

The dramatic rise in the value of the pound against the U.S. dollar was largely responsible for the decline in profits, said John Barton, chief executive of JIB.

The dramatic rise in the value of the British pound against the U.S. dollar was largely responsible for the decline in profits, says John Barton, chief executive of JIB. The dollar's slide cost the broker $3 million in lost profits, he says.

The majority of JIB's revenues are earned in dollars, while a significant portion of its expenses are incurred in pounds sterling, he noted.

Mr. Barton said the dollar's slide cost the broker $3 million in lost profits.

And, the increased cost of professional liability insurance and the resulting increase in the broker's deductible, which JIB fully funds, cost the broker another $3 million in lost profits.

Nearly half of JIB's 1986 revenues were generated by U.S. operations, which doubled in size during 1986 as a result of the two acquisitions.

And, next year, JIB is predicting that these operations will generate 60% of its revenues.

The broker also predicts revenues will increase 25% to 30% during 1987, primarily due to incorporation of a full-year's revenue from the acquired operations.

The largest of the two acquisitions was the purchase of Los Angeles-based Emett & Chandler. With revenues of $47.3 million in 1985, Emett & Chandler would have ranked 11th among U.S. brokers.

The merger of Emett & Chandler with JIB's U.S. brokerage operation, Jardine Insurance Brokers Inc., produced Jardine Emett & Chandler Inc.—now the ninth-largest broker in the United States with revenues in 1986 of $94.2 million (see story, page 58).

In 1986, JIB also acquired Bryn Mawr, Pa.-based Horan Goldman, a wholesale broker and managing general agency. Horan Goldman provides underwriting facilities for American managing general agents and wholesalers, and it also brokers and underwrites U.S. risks for Lloyd's of London syndicates.

In 1985, Horan Goldman generated $32 million in premium volume and gross revenues of $3.4 million.

"That's a new move and an important move," says Harold R. Talbot Jr., president and chief executive officer of Jardine Emett & Chandler and a member of the JIB board of directors.

Mr. Talbot says Horan Goldman will give JIB's U.S. operations access to Lloyd's syndicates interested in writing excess property and casualty risks in North America.

Overall, Jardine Emett & Chandler contributed 49% of JIB's worldwide revenues, while the broker's European and Pacific basin operations contributed 40% and 11%, respectively.

Mr. Talbot says in addition to these acquisitions in the United States, JIB also acquired Bergvall Far East Pte. Ltd., a marine broker in Singapore.

The acquisition reflects JIB's continuing commitment to the marine market, Mr. Talbot said, noting that this market continues to be depressed as a result of the decline in the number and size of shipping fleets worldwide.

In another important move, Mr. Talbot says, JIB hired Marcus Brown, formerly with Willis Faber P.L.C. in London, to head its North American open market division, also in London.

Mr. Brown will be responsible for bringing large North American risks to the London insurance market, Mr. Talbot explains.

"That is particularly helpful to us at Jardine Emett & Chandler because it gives us access to markets that write large individual risks," he says.

JIB also acquired Leslie & Godwin Names Agency, formerly a division of Leslie & Godwin, a London-based broker that is owned by Frank B. Hall & Co. Inc., based in Briarcliff Manor, N.Y.

The names agency facilitates investment in Lloyd's syndicates, Mr. Talbot explains, saying the purchase indicates JIB's "continuing support of the Lloyd's market."

Results for JIB's Pacific basin operations were flat, largely as a result of the continuing softness in the marine insurance market and the weak economies in the region.

Mr. Talbot said Hong Kong proved to be an exception, and JIB's property and casualty brokerage business there improved substantially in 1986.

However, "The very positive development of non-marine business in Hong Kong was not enough to offset the slowdown in the marine in Hong Kong and in the non-marine in all the other Asian countries," Mr. Talbot said.

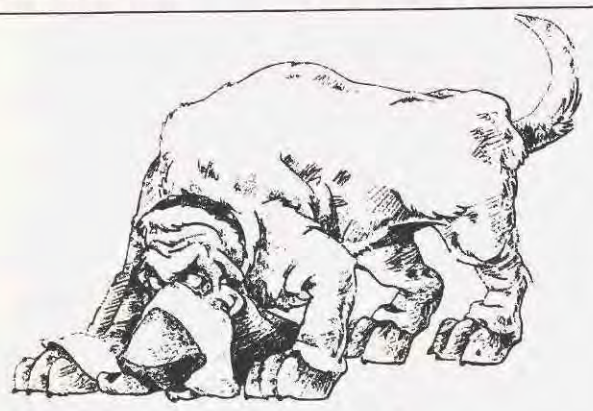
By contrast, JIB's Australian operations had an outstanding year in 1986.

Concern about the nationalization of workers compensation insurance in Australia in 1984 prompted JIB to acquire a large property/casualty broker Down Under to shift its business away from workers compensation.

Revenues for Jardine Australian Insurance Brokers in 1986 reflect strong growth in the broker's property and casualty business, Mr. Talbot said.

JIB has 3,029 employees and 73 offices worldwide, including offices in the United States, United Kingdom, Ireland, Spain, Nigeria, Italy, Guernsey, Thailand, Indonesia, Singapore, Malaysia, Australia, New Zealand, Philippines, Hong Kong, Taiwan, Japan, and Bermuda.

—By Robert A. Finlayson



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C.E. Heath P.L.C.

Cuthbert Heath House, 150 Minories, London EC3M 1NR; 01-488-2488

Restoring the fortunes of Lloyd's of London broker C.E. Heath P.L.C. will not be achieved overnight, admits the company's new chairman.

However, "from hereon we can expect a steady, albeit not immediate, return to the levels of profitability seen in the recent past," says Chairman and Chief Executive Officer Richard Fielding.

C.E. Heath, the 11th-largest world broker and one of London's most established brokerage companies, suffered immense upheaval in the second half of last year, including mass defections among its staff and a merger with fellow Lloyd's broker Fielding Insurance Holdings Ltd.

"The year. . . was one of the most difficult in the history of this group," said Mr. Fielding, who took the helm at Heath after the merger last November (*BI*, Dec. 1, 1986).

But, the process of merging the two brokerage companies is well-advanced, he said.

"Both operations in London are now operating as one unit under a common management, and morale has substantially improved," Mr. Fielding said.

The broker also has rebuilt its North American and aviation brokerage teams following mass resignations last year.

Gross revenues for the company, including 15 months of Fielding and 12 months of Heath results, increased to 99.1 million pounds for the year ending March 31, 1987 ($159.6 million at the applicable exchange rate of $1.61 per pound).

Including underwriting profits of 11.7 million pounds ($18.8 million) and share of profits of associated companies of 1.1 million pounds ($1.8 million), total revenues increased to 111.6 million pounds ($179.7 million), according to Heath's preliminary figures published last month.

This figure, however, includes 15 months of Fielding's results and is compared with restated group gross revenues, including underwriting profit and profit from associated companies, of 99 million pounds ($146.5 million) for 1985-86. The 1985-86 figures include only 12 months of Fielding results.

The restated revenues take into account both companies' results for 1985-86 and is arrived at using merger accounting principles, said Financial Director Peter Presland.

However, despite revenue growth, pretax profits for the group plummeted 58.3% to 14.5 million pounds ($23.3 million), compared with 34.7 million pounds ($51.4 million) for 1985-86.

Much of the decline in profits was due to 11.2 million pounds ($18.1 million) set aside by the broker for bad debts and outstanding litigation, said Mr. Fielding.

And, the company also lost business following the departure of key personnel, Mr. Fielding admitted.

The most severe loss was the August departure of the three North American division directors, including division Chairman Nigel Chamberlain, who subsequently joined Stewart Wrightson P.L.C.

"This had two important effects," Mr. Fielding said. "The most immediate was a substantial loss of brokerage. . . . The second effect was on the morale of management and staff, particularly in the U.K."

Mr. Fielding declined to say how much brokerage business was lost, but he admits the amount was substantial. One senior executive in the company estimates that Heath has lost North American business generating revenues of as much as 2 million to 3 million pounds ($3.3 million to $5 million at current exchange rates).

Just two months later, in October, Heath announced it was holding talks with Hambros P.L.C. that could lead to a merger with the bank's subsidiary Fielding Insurance.

"Almost immediately, the group received an unwelcome bid from another insurance brokering group, PWS Holdings P.L.C., and for several weeks was subject to the uncertainties of a bid battle," explained Mr. Fielding.

Although the PWS bid was defeated and the merger of Fielding and Heath followed, "the unease and doubts created in the minds of management and staff by these events" led to a new round of staff departures, Mr. Fielding said.

In December, 28 senior Heath executives resigned to join Lloyd's broker Citicorp Insurance Brokers Ltd. They included John Percy-Davies, chairman of Heath's international division; John Bassett, chairman of the aviation division; Tony Frost, chairman of the marine division; Tony Hamilton, chairman of the Latin American division; and Hugh Tilney, director of C.E. Heath Development (*BI*, Jan. 5).

Heath, however, stresses that the amount of brokerage business lost, or likely to be lost, because of these departures is minimal.

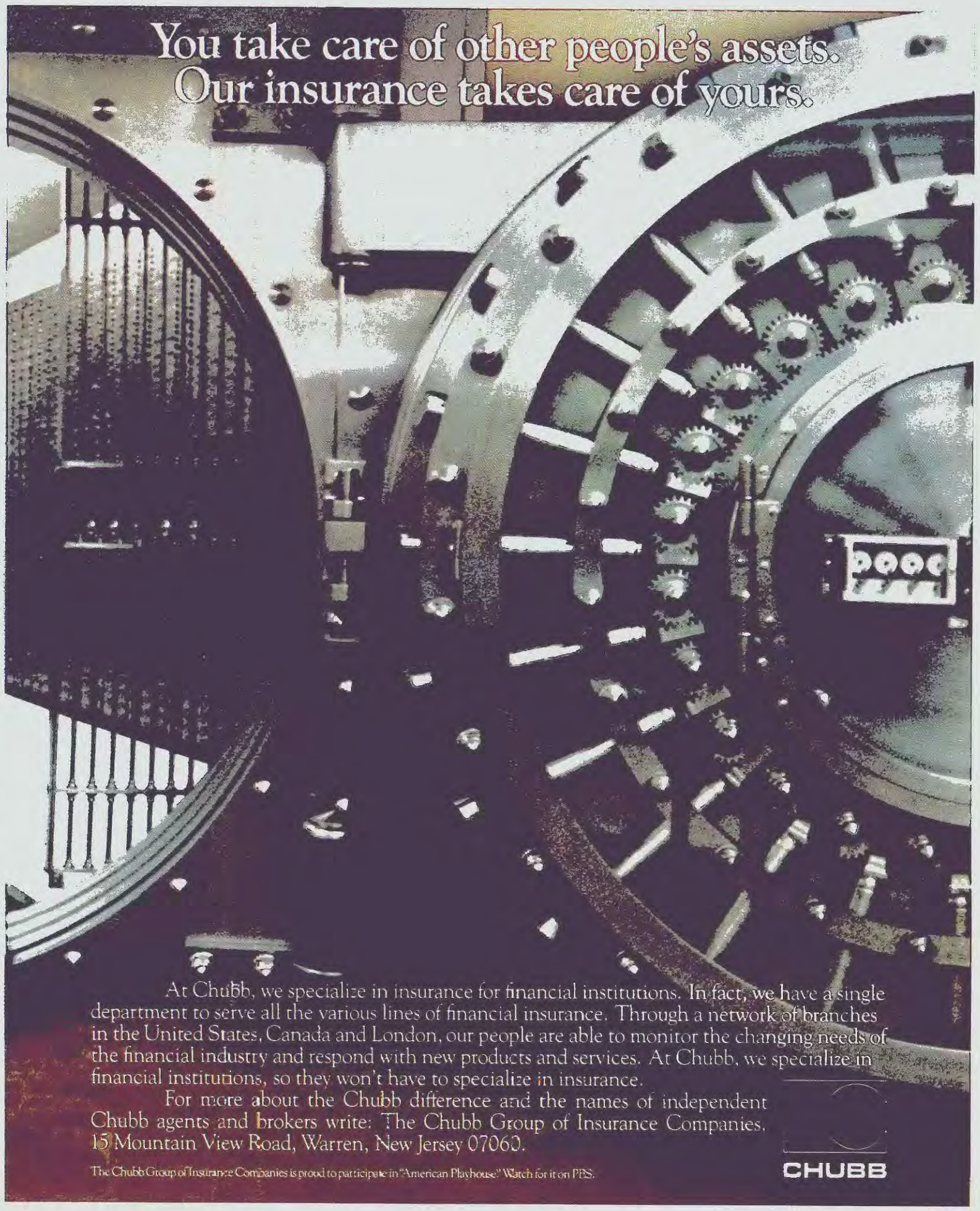
"Citicorp has taken very little of our business. On the aviation side, which is where 10 of the 28 brokers worked, we have only lost two accounts," said Callum Stewart, the new chairman of Heath's aviation division.

However, "it is not surprising against the background of the events. . . that the financial results of the group. . . are extremely disappointing," Mr. Fielding admitted.

"The group operations experienced a 4 million pound shortfall in brokerage income against the forecast" by directors at the time of the merger, he said. "Approximately half of this shortfall was renewal business lost that was expected to be retained, and the remainder a failure to achieve new business targets. Both losses related to the defections of brokering personnel. . . many of whom left after the forecast had been prepared."

In another setback this month, five of Heath's senior non-marine London market excess-of-loss (LMX) brokerage executives an-

Continued on next page



Continued from previous page
handling wholesale marine, energy, aviation and non-marine business, as well as units handling contractors and professional indemnity risks and North American business. The International Division handles direct and reinsurance business worldwide.

● The Overseas Management Division, responsible for the performance of more than 50 overseas offices in Europe, Africa, the Pacific and North and Central America.

About 75% of Bain Clarkson's business worldwide is retail brokerage, with the remainder wholesale brokerage, Mr. Arnold estimates. In addition, some 80% of the broker's business is likely to originate from the British domestic market, he said.

"We plan to consolidate our position as one of the top three retail brokers in the U.K. As well as maintaining our broad service, we are looking to specialize in certain areas," Mr. Arnold said.

Currently about three-fourths of the broker's British retail business is commercial property/casualty insurance, with about 10% stemming from personal lines and the remaining 15% from financial services, such as life insurance and pensions, he said.

In Bain Dawes' and Clarkson Puckle's entire network of British offices, the two brokers both had branch offices in only two cities, Edinburgh and Manchester. And outside Britain, the geographical spread and business mix of the two brokers were just as complementary, Mr. Arnold said.

For example, Bain Dawes was particularly strong in Australia, New Zealand and Hong Kong, while Clarkson Puckle had an operation in Japan, offices in Europe and associated brokers in Africa, the Middle East, Central America and the U.S., including Clarkson Puckle U.S.A. Holdings Inc.

In Europe, Bain Clarkson now has subsidiaries or associated companies in France, Belgium, Spain, the Netherlands, Switzerland and Sweden.

Meanwhile, 1986 "saw our North American division blossoming into a very effective force," Mr. Arnold said.

"Despite the changes in the U.S. market currently going on, we have still been able to maintain good interest from brokers in the States. And we have had more inquiries this year than last year, despite the downturn in the market," he said.

While the company serves a large number of regional brokers in the U.S., it is also turning its attention to the large national brokers, said Mr. Arnold. "We are getting considerable support from a number of the mega-brokers."

John Sawkins, former chairman of Bain Dawes' North American division, is now chairman of the North American division of Bain Clarkson.

Despite an almost doubling of revenues following Bain Dawes' acquisition of Clarkson Puckle, Mr. Arnold is determined to expand the company further.

For example, the group's London market excess-of-loss reinsurance division, Bain Dawes LMX Ltd., is increasing its staff next month after recruiting almost the entire non-marine LMX team from Lloyd's broker C.E. Heath P.L.C.

Six of Heath's eight-person non-marine LMX team, including Directors Ian Frisby and Keith Hyland, will join Bain Clarkson on July 13, confirmed John McNamara, joint managing director of the division.

Mr. McNamara left Jardine Thompson Graham Ltd. two years ago with fellow Managing Director Nigel Fenner-Fownes and a team of eight LMX brokers to set up the division. Since then, it has grown to a staff of 24 people handling non-marine and aviation LMX business, he said.

—By Carolyn Aldred

17 worldwide

Faugere & Jutheau S.A.

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4-268-1500

Faugere & Jutheau S.A. maintains its position as the largest insurance broker in France because it seizes opportunities to grow both internally and by acquisition.

"In the last 10 years, the development of the brokerage has been due to internal growth and acquisitions," said President Robert Husson.

The trend, in fact, has been to buy minority interests in various brokers that approach Faugere & Jutheau and accumulate more stock until Faugere & Jutheau is a majority shareholder, said Mr. Husson.

Last year, for example, Faugere & Jutheau acquired majority interests in B.T.A.-Socodel S.A. in Lyon and Boistel S.A., Societe Universelle de Garantie and Societe Malatier & Cie in Paris.

In addition, Faugere & Jutheau also folded its employee benefit department last year into William M. Mercer Faugere & Jutheau, a venture with Marsh & McLennan Cos. Inc., to become stronger in the employee benefit consulting business.

This year, Faugere & Jutheau has bought a Spanish reinsurance brokerage, Agencia Generale de Reaseguros.

"Now we are considering other partnerships in France as well as abroad," said Mr. Husson.

Faugere & Jutheau, which maintained its ranking as the 17th-largest world broker, produced 1986 gross revenues of 578.8 million French francs, up 8.3% from 534.3 million francs in 1985. This compares with a 10.4% increase in 1985 over its 1984 revenues of 484 million French francs ($50.3 million).

In dollars, the brokerage's revenues increased 27.9% to $90.9 million last year from $71.1 million in 1985.

Growth was slower last year because of the capacity crunch in the French market and the economic downturn in some industries, such as offshore oil exploration, Mr. Husson explained.

"In the U.S., there was an increase in rates and (U.S.) brokers benefited from the hardening in the market," he said. "In France, though, we have been faced with the difficulties of a toughening market capacitywise rather than ratewise. . . .So, we have had more work to do and no substantial increase in revenues. . . .It is quite a hard time."

Two-thirds of Faugere & Jutheau is owned by the family of its founders, including Mr. Husson, and staff members, and one-third by M&M. Faugere & Jutheau family members also owns a corresponding number of shares in M&M.

The brokerage has no intention of becoming a publicly held company, Mr. Husson says.

Faugere & Jutheau had 1,296 employees last year, up 6.8% from 1,213 employees in 1985.

Faugere & Jutheau clients have direct contact with account executives, known as "charge de clienteles," who are "the nucleus of our company," Mr. Husson explained.

The account executives coordinate the client's needs with the brokerage's eight technical departments.

Six of those departments are responsible for property risks; special industrial risks; marine risks; employee benefits; personal lines; and aviation and space risks. The other two departments provide claims handling and legal services.

Sometimes the technical department personnel, particularly in aviation and space risks where Faugere & Jutheau is considered one of the world's leading brokers, also serve as the account executives, said Mr. Husson.

"We want to maintain a close relationship with the client," explained Mr. Husson. "Each client should think he is unique."

Some of Faugere & Jutheau's largest property insurance clients are French retailers, including Paris department stores Au Printemps S.A., Galeries Lafayette, Casino, Nouvelles Galleries and Darty.

Last summer, four of Faugere & Jutheau's department store clients were hit by a series of terrorist explosions outside of their stores. Property and business interruption insurance paid most of the losses from the explosions, Mr. Husson said..

However, "big discussions" are continuing on whether business interruption clauses in property insurance policies are sufficient to cover terrorist incidents in which a store may not be closed due to damage but business is lost because customers are too frightened to come to shop, he added. French underwriters are discussing how to amend the policies to cope with similar losses in the future, Mr. Husson said.

Faugere & Jutheau's other strengths are in:

● Energy and utilities. Accounts include EDF/GDF, the French government-owned electricity and gas utility.

In addition, Faugere & Jutheau brokers insurance for more than 75% of the country's nuclear risks, like the Eurodif nuclear fuel enrichment plant and the Cogema nuclear waste treatment plant. Nuclear power provides about 80% of France's electricity.

New nuclear plant development, however, has slowed considerably, reducing potential brokerage business, said Mr. Husson.

● Aerospace, where Faugere & Jutheau is ranked among the leading world brokers. Among the broker's clients are CNES, the French space agency, and Arianespace, the European space agency that launches satellites aboard Ariane rockets from French Guiana.

The broker places coverage for many satellites, too, though the placement of launch coverage declined last year because of disasters involving the Ariane and the U.S. space shuttle.

● Marine risks, particularly oil and cargo risks.

● Civil engineering and construction, where Faugere is one of three brokers for the Eurotunnel project, which will link Britain with France.

Roughly 40% of Faugere & Jutheau's revenues are generated from risks outside France, particularly in Africa where the brokerage has had offices since the 1950s in Cameroon, the Central Africa Republic, Ivory Coast, Gabon and Chad.

A big growth area for Faugere & Jutheau is in employee benefits, said Mr. Husson, where the broker's employee benefit department is now a part of William M. Mercer Faugere & Jutheau, a joint venture between the broker and M&M.

"We do not want to miss that growing sector," said Vianney Bollier, general manager of Faugere & Juthreau.

Another area of growth is in banking risks, where Faugere & Jutheau recently placed a bankers blanket bond for one of the world's five largest banks.

Faugere & Jutheau's management thinks last December's European Court of Justice ruling, which will force the French government, as well as other European Community nations, to allow the cross-border placement of insurance, will have a positive influence on the market (*BI*, Dec. 15, 1986; Dec. 8, 1986).

On the other hand, Mr. Husson hopes the French government repeals or revises its premium tax, because it hurts French underwriters' competitiveness. Other European nations do not have a premium tax.

Following the death last year of one of the founders, Raymond Jutheau, the broker's top management structure changed. Although Mr. Husson, Mr. Jutheau's son-in-law, remains chairman, two assistant managers, Mr. Bollier and Patrick Lemaitre, have been promoted to general managers of the brokerage.

—By Stacy Shapiro

18 worldwide

Jauch & Hubener

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49-208-3071

The strength of the West German deutsche mark against the U.S. dollar has pushed West Germany's largest insurance broker, Jauch & Hubener, into the Top 20 world brokers for the first time.

A privately owned partnership, Mulheim, West Germany-based Jauch & Hubener would not reveal its results, but *Business Insurance* estimates the company's 1986 gross revenues topped 158 million deutsche marks, only a 2% increase from gross revenues of 155 million deutsche marks in 1985.

But in dollar terms, revenues jumped nearly 30% in 1986 to $82.2 million from $63.3 million in 1985, due to the strength of the deutsche mark, the value of which rose 27.1% against the dollar between year-end 1985 and year-end 1986.

However, the strengths of Jauch & Hubener, the 18th-largest broker in the world, do not lie solely with currency.

The company, whose largest office is in Mulheim, just outside of Dusseldorf near the industrial Ruhr district, 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 European insurance companies, while the remaining two-thirds is derived from placing insurance for corporate and industrial risks.

And, Jauch & Hubener has prospered even though most of the largest West German companies own captive insurance brokerages.

Jauch & Hubener specializes in brokering international, excess of loss liability, contractors all-risks and machinery breakdown coverage to corporations that own captive brokers, said Christian Dahms, a Jauch & Hubener partner.

Jauch & Hubener, formed by Walter Jauch and Otto Hubener in 1919 as a private partnership, was one of the last insurance brokers to be formed in Hamburg, according to Mr. Dahms.

The business faltered until the early 1920s when Mr. Hubener was selected to place treaty reinsurance for the Soviet state-owned insurer Ingosstrakh, which "set the company up," Mr. Dahms explained.

Mr. Hubener placed part of the treaty in London through Lloyd's of London broker Willis Faber P.L.C., which started a long-term relationship that still exists today, Mr. Dahms said.

Jauch & Hubener no longer places Ingosstrakh's reinsurance, but it still has a close relationship with Ingosstrakh's German subsidiary, Black Sea & Baltic Insurance Co.

Prior to World War II, Jauch & Hubener operated from headquarters in Hamburg, with branches in Berlin and Dusseldorf, Germany, as well as in Belgium, Czechoslovakia, France, Spain, Italy, Austria and Brazil, according to Mr. Dahms. "We also had a small joint venture with Marsh & McLennan (Cos. Inc.) in the U.S."

But during the war, "everything collapsed," he explained. "We lost all of our offices outside Germany, except we kept our office in Austria." The broker also lost its office in Dusseldorf, which was bombed, prompting the group to open its office in Mulheim.

After World War II, Jauch & Hubener focused on insurance and reinsurance brokerage for West German industry. The broker opened new offices in Munich and Frankfurt, while maintaining its offices in Hamburg, Mulheim and Berlin. Hamburg continues to be Jauch & Hubener's headquarters, though more employees work in the Mulheim office.

In addition, Jauch & Hubener currently has four offices in Austria and other offices in Switzerland, the United States, Venezuela and Brazil. The Brazilian office is a partnership with Johnson & Higgins, said Mr. Dahms.

Altogether, Jauch & Hubener employs 750 people, mainly in Germany.

The brokerage's management is headed by six "personlich haftende gesellschafter" or partners, who are personally liable for any losses the company may suffer and who are not covered by directors and officers liability insurance. The partners have discussed incorporating the brokerage to reduce their potential liability, but have decided against it for various reasons, Mr. Dahms noted.

Under the company's partnership agreement, partnerships cannot be sold or inherited and must revert to the brokerage when a partner retires at age 60, Mr. Dahms said. The partnerships then are filled by qualified employees.

"This condition does a lot for our profile in-house and with our clients," Mr. Dahms noted. As a result, "the most professional blood is on top of the company."

Jauch & Hubener is the third-largest partner in UNISON, a worldwide network of retail brokers whose largest members are Johnson & Higgins and Willis Faber.

Currently, UNISON business accounts for less than 5% of Jauch & Hubener's revenues, though that percentage may grow as German corporations centralize their insurance departments from largely decentralized operations, Mr. Dahms points out.

Only about 6% of the company's revenues are in U.S. dollars, although Jauch & Hubener has 110 German clients in the United States. Those clients are serviced by Johnson & Higgins, assisted by a Jauch & Hubener representative in J&H's New York office.

Last year, the group acquired a small Hamburg broker, Agte Gebr, with a staff of about 30 employees. And, on Jan. 1, Jauch & Hubener sold its German reinsurance company, EXKO GmBH, to private investors so it could devote its energies to brokerage, Mr. Dahms said.

The brokerage also owns various

Continued on next page

Continued from previous page

service units that provide property loss control, cargo loss control and cargo surveyors consulting services.

Jauch & Hubener also is expanding its employee benefit consulting unit, which currently has 70 employees and "is growing year by year," noted Joachim F. Scheele, another brokerage partner.

Mr. Dahms and Mr. Scheele estimate that approximately 30% of the company's revenues are derived from property and business interruption risks, 25% from marine cargo business, 5% from marine hull business, 20% from machinery breakdown business and 20% from the placement of casualty risks.

However, these percentages "will change in favor of casualty in the future because it is becoming expensive, especially environmental coverage," Mr. Dahms added.

As politicians become more concerned about pollution issues, they are introducing legislation to protect the environment, which will increase the need for pollution liability coverage, Mr. Dahms said.

However, nervous German insurers, concerned about new legislation and a more claims-conscious society, have excluded gradual pollution from general liability policies and have introduced complicated environmental liability policies to cover pollution losses.

Jauch & Hubener began hiring English, French, Italian and Spanish-speaking employees in response to the European Court of Justice ruling that allows cross-border placement of insurance.

"Ten years ago, you needed nothing more than a phone call to place water liability pollution" coverage, Mr. Dahms pointed out. "Today, underwriters would say nothing on the phone and send you a 35-page application form with scientific questions to answer."

German manufacturers also are finding it difficult to buy product liability insurance for U.S. exports and U.S. subsidiaries, said Mr. Dahms.

"Limits are still low and premiums are exorbitant," he observed.

"And, punitive damages and pollution are excluded," Mr. Scheele points out.

Last year, Jauch & Hubener tried to promote a group captive called DIRAG—similar to A.C.E. Insurance Co. Ltd. in Bermuda—to provide excess liability insurance.

However, "it did not take off the ground because the German finance officers were not willing to invest in it," Mr. Dahms explained.

Jauch & Hubener began hiring English, French, Italian and Spanish-speaking employees in response to the December ruling by the European Court of Justice that forces West Germany, as well as other European Community nations, to allow the cross-border placement of insurance (*BI*, Dec. 15, 1986; Dec. 8, 1986).

Mr. Dahms says the ruling "will make the world of corporate insurance in Europe easier."

—By Stacy Shapiro

19 worldwide

Hudig-Langeveldt Group bv

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Hudig-Langeveldt Group bv is concentrating on strengthening its European brokerage activities, according to Chairman and Chief Executive Officer J.G.A. Ten Bokkel.

The Dutch broker, which is the 19th-largest world broker and the third-largest broker in mainland Europe, hopes to strengthen those positions by expanding its presence in the European Community, says Mr. Ten Bokkel.

In particular, Hudig, which already employs nearly 1,900 people worldwide, plans to increase its presence through acquisitions in West Germany, Spain and France.

Meanwhile, the Rotterdam, Netherlands-based broker is continuing to divest itself of some of its non-brokerage interests, which has resulted in fairly static revenues for 1986 compared with 1985.

"Also, although insurance rates have gone up, some of our larger clients have increased their deductibles and therefore paid similar premiums, resulting in no real growth in revenues," Mr. Ten Bokkel noted.

In fact, Hudig's gross revenues have increased marginally to 150.7 million Dutch guilders for the year ended Dec. 31, 1986, from 148 million Dutch guilders in 1985. However, in dollar terms that represents a growth of 28.8%, to $69.4 million from $53.9 million, because of the increased strength of the Dutch guilder compared with the U.S. dollar. The exchange rate for Dec. 31, 1986, is 46 cents to the guilder, compared with 36.4 cents at year-end 1985.

Hudig-Langeveldt's total revenues, including income from group and related companies, rose to 156 million Dutch guilders ($71.8 million) in 1986 from 153.3 million guilders ($55.9 million) in 1985.

When measured in Dutch currency, pretax profit for the group's brokerage and non-brokerage activities combined slid 5.1% to 18.6 million Dutch guilders in 1986 from 19.6 million guilders in 1985, but in dollars, profits surged 21% to $8.6 million from $7.1 million.

"We concentrated last year on consolidation of the company and moving out of sideline interests," said Mr. Ten Bokkel.

For example, he said, "We reduced our interest in computer services and in banking services, and now plan to further divest our underwriting activities."

Hudig-Langeveldt has an 80% interest in Dutch computer company Computer Service Holland bv, but it plans to "reduce our interest over a period of years in that sector," Mr. Ten Bokkel said.

In November 1986, the broker also sold 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 addition, Hudig-Langeveldt now plans to divest its brokerage activities in Australia.

"We intend to concentrate on broking activities in areas where we already have a sizable presence. We have enough to do in Europe and the Far East as it is," said Mr. Ten Bokkel. "There is little synergy between Australia and the Netherlands."

The broker intends to divest Hudig-Langeveldt Pty Ltd. (Australia) by a "process of gradual management buy-out that will take about five years," he explained.

In the Far East, Hudig-Langeveldt's partnership with Heath includes brokerage offices in Singapore, Thailand, Malaysia and Hong Kong. In Japan, the Philippines and Indonesia, the Dutch broker works with local brokers. It also has a stake in Rollins Heath Korea Co. Ltd. in Seoul, South Korea, and Rollins Heath (Japan) Ltd. in Tokyo.

"We have about 500 people in total in the Far East, and it is an area that is still very much growing," said Mr. Ten Bokkel.

In Europe, Hudig-Langeveldt plans to "continue its controlled gradual process of expansion," he said.

"In Europe, our success formula is to slowly acquire local offices and combine their existing portfolio with our own," he said.

This process of "regionalization" is now being applied to Hudig's domestic market in the Netherlands.

Only last month Hudig acquired broker Pierson Assurantien bv from Dutch banking group Amro Bank, which itself has a 20% stake in Hudig.

Pierson has offices in Amsterdam and The Hague, and deals primarily with Dutch business, said Mr. Ten Bokkel.

"Most of Pierson's business stems from the Dutch government and medium-sized companies," he said. Mr. Ten Bokkel estimated that Pierson's total brokerage income is about 10% of Hudig's.

"Our strategy is aimed at medium-sized companies, which make up most of our clients. We want to regionalize our activities, thus servicing our clients from closer," he explained.

Last year, Hudig also acquired Penners & Schoenmakers bv, a small commercial broker in Tilburg, Netherlands.

However, Mr. Ten Bokkel believes the Dutch insurance market is a "rather static market," and although he hopes to "attack more aggressively, we expect more of our growth to come from outside Holland."

"We are investing abroad and expect our income from there to rise accordingly," he added.

For example, Hudig plans to acquire more local brokers in West Germany. It already has offices in Hamburg, Dusseldorf and Frankfurt and last year acquired a broker in Beckum. "Now, we are considering our next step in Germany," Mr. Ten Bokkel said.

"We tend to look for locally based brokers with clients who have an industrial or enterprise type background. That type of client is our specialty," he said.

"We are now expanding rapidly in Germany and have experienced substantial growth in the last few years," added Financial Director Dick Koning, who did not specify how much revenue came from Germany.

In Spain, Hudig has had an office in Madrid for 25 years. It also has an office in Barcelona and last year it acquired two small Spanish brokers in San Sebastian and Bilbao. "We are very confident of our future in Spain," said Mr. Ten Bokkel.

In Italy, Hudig operates under a cooperative agreement with Marsh & McLennan Italia & Co. SpA, with offices in Milan, Rome, Brescia and Padua. Marsh & McLennan Cos. Inc. holds a 30% stake in the Dutch broker.

In France, Hudig has a 49% stake in Paris-based broker Moulin & Langeveldt SA, and it hopes to increase its holding. "We would like a majority shareholding in the broker, whose business comes from all over France," said Mr. Ten Bokkel.

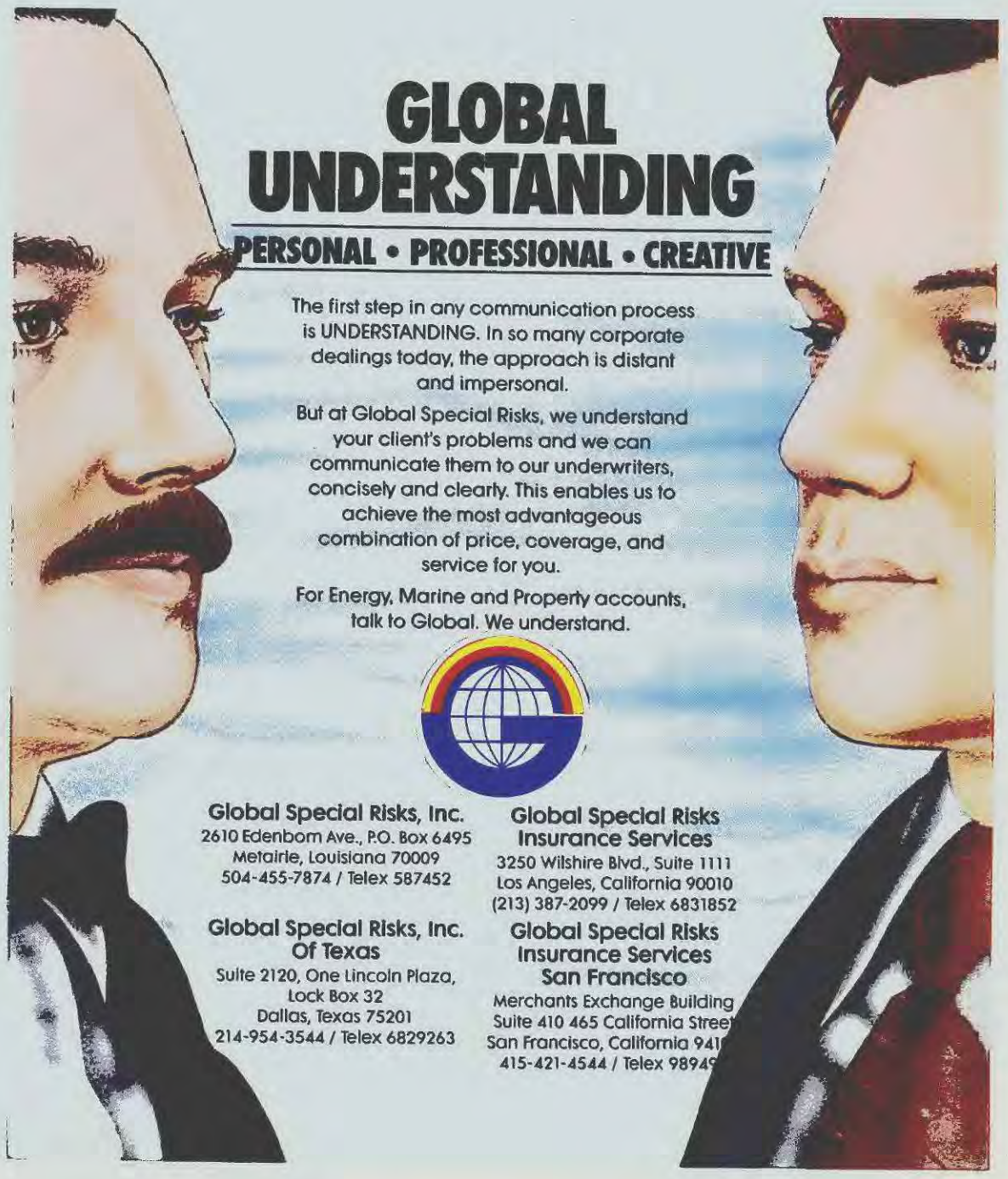
Despite a decision in the European Court of Justice last year that helped break down trade barriers in the European insurance market, Mr. Bokkel believes changes in the market will be "very gradual."

"I don't think the moves toward freedom of trade in the EC will move very fast; however, any change in the market is good for a clever broker," he said.

Mr. Ten Bokkel believes there will be a gradual concentration among European brokers, resulting in fewer, but larger internationally orientated brokers.

"There will also be an increase in direct writing by insurance companies throughout Europe, eliminating the intermediary in many instances," he added.

—By Carolyn Aldred



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Lowndes Lambert Group Ltd.

53 Eastcheap, London EC3P 3HL, England; 01-283-2000

The reactivated North American property/casualty division of London-based Lowndes Lambert Group Ltd. is doing well after its first year in operation.

Since hiring Michael A. Barnfield from Fenchurch North America Ltd. last May as managing director of its then-moribund North American division, along with two other Fenchurch directors, Lowndes Lambert has captured important U.S. accounts.

Those accounts include wholesale brokering for Sheraton Corp., whose two U.S. retail brokers are Alexander & Alexander Services Inc. for international operations and Frank B. Hall & Co. Inc. for U.S. operations, and the wrap-up liability policy for the Illinois State Toll Highway Authority.

The new North American business also help make Lowndes Lambert the 20th-largest world broker in the *Business Insurance* rankings.

"It is an encouraging start in the first year to boost one of our weaknesses," said Richard Shaw, chief executive and joint deputy chairman of the brokerage.

Altogether, the company had a "mixed year," said Mr. Shaw. Gross revenues excluding associated companies increased 2.7% to 38.1 million pounds at the end of March 31 from 37.1 million pounds at March 31, 1986.

In dollar terms, the brokerage increased its revenues 12.7% to $61.3 million from $54.9 million on March 31, 1986.

About 52% of the company's revenues are generated in U.S. dollars.

Aftertax profits decreased marginally to 2.6 million pounds ($4.2 million) from 2.7 million pounds ($4 million) at March 31, 1986. "This was a satisfactory result, particularly bearing in mind that the strength of sterling during the year under review compared with the preceding year reduced the profits by over 1 million pounds after taxation," said Mr. Shaw in the annual report of parent company Hill Samuel Group P.L.C.

It is a good result, too, considering that Lowndes Lambert only began operating in the black in 1982 after losing money for five years. Parent company Hill Samuel has credited new British management headed by Mr. Shaw for turning the broker around since he joined in 1980 (*BI*, June 27, 1983).

Two years ago, the broker boosted its reinsurance operations by buying Lloyd's of London broker P.W. Kininmonth Ltd. to form Kininmonth Lambert Ltd. Kininmonth was strong in North American reinsurance treaty business, an area in which Lowndes Lambert was not.

In 1986, with 45 full-time employees, Kininmonth Lambert generated about 40% of its 3 million pounds ($4.8 million) in reinsurance brokerage revenues from North America, said Michael J. Caley, managing director of Kininmonth Lambert.

About 6.5 million pounds ($9.6 million) of the company's 1986 brokerage revenues of 34 million pounds ($54.7 million) were generated by British personal lines insurance brokerage through subsidiary Hillhouse Hammond in Bristol. With 66 offices in the country employing 550 people, Mr. Shaw says Hillhouse Hammond is now the third-largest personal lines broker in the United Kingdom.

Roughly 6.5 million pounds ($10.5 million) of the company's 1986 brokerage revenues came from commercial and industrial risks handled in the United Kingdom, mostly on a fee rather than a commission basis, said Mr. Shaw. Clients include British department store conglomerate Marks & Spencer and the auction house Christie's.

Lowndes Lambert also considers itself to be "the most eminent of CAR (construction all-risks) brokers internationally," said Mr. Shaw. Its Australian subsidiary currently is the sole broker for the Sydney Harbor Tunnel project, he said.

Roughly 2.25 million pounds ($3.3 million at year-end 1986 exchange rates) of brokerage revenues emanate from CAR risks internationally, including risks in France, Austria, Belgium and Holland.

Lowndes Lambert also is strong in marine insurance, including hull, cargo, oil and energy risks.

In the future, Mr. Shaw hopes Lowndes Lambert will grow "indigenously" and by "aggressively seeking acquisitions to increase our mass."

Financial services conglomerate Hill Samuel also owns Noble Lowndes & Partners, an employee benefit services company with 6.6 million pounds ($9.8 million at year-end 1986) in aftertax profits. But, Nobel Lowndes is a separate entity from Lowndes Lambert and is not included in the broker's results.

Mr. Shaw is on the board of Hill Samuel, holding 17,600 shares valued at 56,672 pounds ($94,019 at current exchange rates), according to Hill Samuel's annual report.

Australian insurance company FAI Insurances Ltd. owns 14% of Hill Samuel, and Mr. Shaw is strongly opposed to FAI owning any more of the group.

"It might seriously affect our relationship with our clients," he said.

About 6.9% of Hill Samuel is owned by Norwich Union Insurance Group of Great Britain.

—By Stacy Shapiro

Sodarcan drops from ranks of the Top 20

Despite a 9.3% rise in gross revenues, Sodarcan Inc. of Montreal was nudged out of *Business Insurance's* 1986 rankings of the Top 20 world brokers.

Nonetheless, last year was exciting for the brokerage, which made its first public offering after 14 years of operation as a "semi-public" company.

Until last year, shares of the Montreal-based corporation were held only by employees and certain financial institutions. But last December, Sodarcan appeared under the ticker symbol SDO.A on the Montreal Exchange.

The offering raised $8.9 million Canadian ($6.4 million U.S.), which was used to reduce Sodarcan's debt and to increase its stake in The Insurance Group of Canada West Ltd.

Since its issue at $6 Canadian per share, Sodarcan's stock has ranged from just above $7 Canadian per share to a low of $5 Canadian. On June 10, it was trading at $5.88 Canadian ($4.39 U.S.).

Sodarcan earlier this year used $3 million from the stock offering to gain control of The Insurance Group of Canada West by purchasing an additional 18% of the holding company to add to the 35% it already held. The Alberta-based company offers brokerage, underwriting and other services through its subsidiaries in Edmonton, Calgary and Red Deer.

Apart from the public offering, Sodarcan President Robert Parizeau said the brokerage's growing profitability, which resulted from the streamlining of operations, was a highlight of 1986. Two years ago, Sodarcan consolidated the management of its direct brokerage units into Dale-Parizeau Inc. in Montreal.

During 1986, Sodarcan cut back on direct insurance underwriting while emphasizing development of its insurance and reinsurance brokerage, actuarial, consulting and reinsurance underwriting sectors. It sold The Albion Insurance Co. of Canada, a personal lines and small commercial risk underwriter based in Montreal.

Sodarcan's management points to net income that grew 43.7% to $3.7 million Canadian ($2.7 million U.S.) from $2.6 million Canadian ($1.9 million U.S.) as proof that the streamlining was successful.

Sodarcan's 1986 gross revenues rose 9.3% to $82.1 million Canadian ($59.5 million U.S.) from $75.1 million Canadian ($53.7 million U.S.) in 1985. Those figures do not include net earned premiums from insurance operations.

The growth in revenues comes on the heels of a slightly higher increase in 1985, when Sodarcan recorded a revenue jump of 10.8% over the 1984 figure of $67.8 million Canadian ($52 million U.S.).

Still, Mr. Parizeau contends that, "We really reached our objectives for growth, profitability and development of various sectors in 1986."

Results for the first quarter of 1987 indicate that Sodarcan's growth is continuing.

First-quarter gross revenues jumped 8.6% above last year's opening quarter to $22.7 million Canadian ($17.4 million U.S.) from $20.9 Canadian ($16 million U.S.). That figure includes income of $293,000 Canadian ($223,676 U.S.) from the sale of Albion to Metropolitan Life Insurance Co.

Net income for the first quarter of 1987 rose 56% to $694,000 Canadian, ($529,800 U.S.) up from $445,000 Canadian ($339,713 U.S.) in 1986.

During the first full year of the consolidated brokerage's operation last year, brokerage income rose 18.2% to $53.5 million Canadian ($38.7 million U.S.) from $45.3 million Canadian ($32.4 million U.S.) the year before.

Net income from the brokerage sector rose 25.7% to $2 million Canadian ($1.4 million U.S.) from $1.6 million Canadian ($1.1 million U.S.).

In 1986, Sodarcan expanded its presence in Canada by acquiring brokerages in Amos, Hull, Toronto and other cities.

Pierre Chouinard, Sodarcan's executive vp, said the retail brokerage operation's strategy is to "continue to grow within the bounds of Canada."

Insurance brokerage operations accounted for 66% of Sodarcan's revenue last year. Reinsurance brokerage income was 16% of the total, while actuarial and consulting services contributed 10%, and 8% came from underwriting and special services, such as data processing.

The reinsurance brokerage operation contributed around $13.1 million Canadian ($9.5 million U.S.) in revenues last year, up 24.8% from $10.5 million Canadian ($7.5 million U.S) in 1985.

Mario Myre, who served as president of le Blanc Eldridge Parizeau until assuming the position of president of Dale-Parizeau earlier this year, explained that the reinsurance brokerage has its sights set on increasing its revenues through expansion in the United States.

While he would not say which cities Sodarcan has targeted for opening or acquiring offices, Mr. Myre remarked that "we have defined a few cities in our plan to start with."

Revenues from Sodarcan's actuarial and consulting sector grew 18% in 1986 to about $8 million Canadian ($5.8 million U.S.) from about $6.8 million. MLH + A Inc., formerly known as Hebert, Le Houillier Inc., generated those revenues.

During 1986, MLH acquired the actuarial consulting firm Hartog Associates in Toronto.

Last year, Sodarcan completed its move into new quarters at 1140 de Maisonneuve Blvd. W. in Montreal. Currently, around 700 of Sodarcan's 1,500 employees are based at the new office.

In addition to Mr. Parizeau, Mr. Chouinard and Mr. Myre, managers of Sodarcan are: Raymond Gilbert, president of le Blanc Eldridge Parizeau; Marcel Le Houillier, president of MLH + A Inc.; Claude Genest, president of The National Reinsurance of Canada; Harry Richardson, president of Mathema Inc.; Gary Connauton, president of The Insurance Group of Canada West; Louis G. Grenier, vp administration and resources of Sodarcan; Giles P. Grenier, vp-finance and treasurer of Sodarcan; and Jean Lapierre, vp-planning of Sodarcan.

—By Michael Bradford

COBRA violation proposal

Continued from page 1

imperfection. Your benefit administration system has to be perfect. I wonder if that is humanly possible," Mr. Tievsky added.

For large employers, thousands of participants annually are entitled to COBRA benefits, creating a lot of room for inadvertent error.

Benefit experts are outraged that the rules do not propose smaller penalties for inadvertent COBRA violations or for when violations are corrected retroactively.

"You have to comply with the law each and every day. There is nothing that gets you off the hook if you right the wrong," complained Gerald Uslander, a principal in the Louisville, Ky., office of William M. Mercer-Meidinger-Hansen Inc.

In addition to the proposed penalties for violating COBRA rules, the proposed regulations make it clear that:

- COBRA coverage has to be offered to individuals who become dependents of a beneficiary after the beneficiary obtains the coverage.
- COBRA coverage has to be offered when employees strike or are laid off.
- Employers can pass on health care plan rate increases to COBRA beneficiaries once a year, if the employer sets in advance the so-called determination period in which rates are adjusted.
- COBRA beneficiaries who are covered by flexible benefit plans have the right to change health care options, such as opting for a plan with a higher or lower deductible, if the employer has an open enrollment period for active employees.
- While COBRA generally exempts companies with fewer than 20 employees from compliance, if an employer—regardless of its size—is part of a controlled group with at least 20 employees overall, the employer must comply with COBRA.

In addition, employers of any size that belonged to collectively bargained multiple employer welfare trusts with at least 20 employees overall would have to comply with the law.

Employers have been waiting for these rules since President Reagan signed COBRA on April 7, 1986. While the law went into effect as early as July 1, 1986, for some employers, the employers have had to use their own judgment, in the absence of IRS regulations, in complying with the act.

Under COBRA, most public and private employers must extend health care continuation coverage to employees' widowed or divorced spouses and dependent children for up to three years.

In addition, except when fired for gross misconduct, former employees have the right to obtain continuation coverage for up to 18 months after employment ends.

The only groups of employers that are clearly excluded from this broad benefit mandate are those with fewer than 20 employees (including part-time employees) that are not part of a controlled group or a collectively bargained multiemployer welfare plan, and religious organizations that operate so-called church plans.

Companies can charge COBRA beneficiaries up to 102% of the cost of coverage, including any costs that were formerly paid by the employer.

COBRA beneficiaries have to pay for this premium at least monthly, or more frequently if the employer requests.

For many employers, the most significant provision in the proposed rules, published in the June 15 issue of the Federal Register, would strip away tax deductions for health care expenses for all members of a controlled group for a single COBRA violation by one affiliate member.

The severity of the penalty is likely to force corporate parents to take a much more active interest in the benefit administration and compliance practices of subsidiaries and affiliated units, benefit experts say.

"I think you would see a greater move toward centralization of benefit administration for units that had a lot of autonomy," said Linda Havlin, a consultant with Hewitt Associates in Lincolnshire, Ill.

"The penalties demand that employers take an active interest in benefit plans of affiliated companies," said Francesca Bruno, an attorney with Towers, Perrin, Forster & Crosby in New York.

"Employers would have to rethink how they administer their benefit plans to make sure they don't get penalized," said Edward J. Davey, a vp with Johnson & Higgins in New York.

While there is some ambiguity in the proposed regulations, most benefit experts say that the rules generally would take away an employer's tax deduction for health care expenses if it participated in a collectively bargained multiemployer welfare plan and the plan administrator or another unrelated employer did not comply with COBRA.

Continued on next page

update

Mutual Fire plan opposed

Continued from page 2

In a separate filing in May, the committee petitioned the Commonwealth Court of Pennsylvania to disqualify Mutual Fire, Marine's counsel in the rehabilitation, charging the firm with an "irreconcilable conflict of interest." They charged that the New York firm of Wilson, Elser, Moskowitz, Edelman & Dicker should be disqualified because it has contractual relationships with insurers and agents that dealt with Mutual Fire, Marine.

The firm denies the allegation in a response filed with the court last week, said Thomas Manisero, an attorney with the firm.

Mutual Fire, Marine was insolvent by $5.8 million at year-end 1985 (*BI*, March 30, Feb. 2).

Briefly noted

Union Carbide Corp. has asked an Indian court to adjourn proceedings in the Bhopal chemical leak litigation until October because the U.S. Supreme Court has not yet ruled on where the case should be tried. Meanwhile, the Indian government has filed in the Bhopal court for summary judgments to dismiss Union Carbide's counter claim and hold Union Carbide liable for the gas leak that killed 2,000 people. . . .One of the top ranking civil servants in Bermuda who also has been closely involved in the regulation of captive insurance companies, **Mansfield Brock,** will retire at the end of the year. Mr. Brock, 55, is secretary to the minister of finance. . . .Peter Coster will become president of **William M. Mercer-Meidinger-Hansen Inc.** in New York on July 1, succeeding Diljit S. Juneja, who is retiring. Mr. Coster, currently chairman of William M. Mercer Fraser Ltd., Mercer's operating company in the United Kingdom and Europe, also will become president of parent company William M. Mercer Inc. later this year. . . .A proposal to establish a **guaranty fund for health maintenance organizations** in Illinois is being introduced as an amendment to a bill that would broaden the Insurance Department's regulatory authority over HMOs. . . .Minnesota employers with more than 20 employees must offer up to six weeks of **unpaid parental leave** to new mothers and fathers under a law that goes into effect Aug. 1. . . .Creditors and Bermuda's Supreme Court last week approved a plan drawn up by **Oceanus Mutual Underwriting Assn.** liquidators that would allow preferential payments to Oceanus creditors that contribute to the liquidators' $1.63 million fighting fund to recover from stop-loss reinsurers (*BI*, May 18). . . .Legislation to expand **Medicare** to cover the costs of catastrophic health care—including prescription drugs—is heading to the House floor.

COBRA rules

Continued from previous page

The only major exception to this rule would be if the multiemployer plan set different options or benefit levels for each employer, according to an analysis by J&H.

In that case, each employer would be considered to have a separate plan, and only the employer that was not in compliance with COBRA would lose its deduction.

But, such arrangements are unusual among the 2,500 to 3,000 collectively bargained multiemployer welfare plans, according to benefit experts.

Since an employer could lose a tax deduction through no fault of its own, companies might be reluctant to join multiemployer plans with the threat of COBRA penalties hanging over them, benefit experts said.

"A lot of employers would be gun-shy of joining such a plan because their tax deduction would be at risk. That is a significant issue," said Mr. Davey.

However, the rules would not have the same effect on employers that belong to non-collectively bargained multiple employer trusts. Those arrangements, also known as multiemployer trusts, or METs, often are offered by trade associations to members.

In a MET situation, each employer is considered to have its own separate plan. Thus, if an unrelated employer in the MET does not comply with COBRA, other employers in the trust would not lose their tax deductions.

Some benefit experts also believe the IRS is overstepping the law in proposing that so-called newly acquired dependents of a COBRA beneficiary be allowed to obtain coverage from the employer plan.

For example, assume an employee covered under a group health plan died and his widow purchased COBRA coverage from her late husband's employer. The widow would be entitled to a maximum of 36 months of coverage.

Twelve months later, the widow remarried a man with a son. The widow could elect to have her new husband and her husband's child covered as dependents.

As a result, individuals who had no connection with an employer could be brought into the plan.

However, if an employer does not allow active employees to add new dependents to its group health plan, the employer would not have to give COBRA beneficiaries the right to add new dependents to their plans.

"The intent of the law was to cover people who would have lost coverage because of certain events, like death or divorce," observed John Hickey, a partner with Kwasha Lipton in Fort Lee, N.J.

"It is overstepping the law when a plan has to be opened up to those who were never covered in the first place and have no relationship with an employer," Mr. Hickey said.

However, these newly acquired dependents would not have the same rights as dependents of former employees. In the example of the widow who remarried, if the step-child were to lose coverage upon becoming an adult, the child would not be entitled to buy COBRA coverage. However, a child of a deceased employee upon becoming an adult is entitled to COBRA coverage for the full three years.

An IRS official last week defended the severity of the proposed regulations. "The statute does not provide for a de minimis exception" to the penalties, he said. "We are carrying out what the statute provides for."

The IRS is inviting public comment on its proposed regulation. Comments, which must be received by Aug. 14, should be sent to Commissioner of Internal Revenue, attention CC:LR:T(EE-143-86), Washington, D.C. 20224. ■

HBJ coverage

Continued from page 1b

said the lawsuit would not necessarily spur underwriters to exclude recapitalizations from coverage, although they have excluded coverage for activities involving mergers, acquisitions or tender offers and other similar activities, because they often are the basis for shareholder lawsuits.

"I would rather doubt" that an insurer would exclude a recapitalization effort specifically, because they can be beneficial to the company, notes D&O expert Joseph DeAllessandro, chairman and chief executive officer of Commercial Credit Insurance Services in New York.

"It might be very difficult to underwrite a policy to exclude any losses arising out of a recapitalization of a company," said Mr. DeAllessandro, who recently moved to Commercial Credit after a 19-year career with AIG.

However, a recapitalization might come under the poison pill activity that is excluded under some policies, he said.

There may not be a need for an additional exclusion because the wording in certain policies might be broad enough to exclude recapitalizations, said Albert L. Salvatico, a partner with ARC Excess & Surplus Inc. in Mineola, N.Y. "The critical point is that today none of the policies are standardized. There are many variations on the form," he noted.

Under the older D&O forms, there were no exclusions for mergers, acquisitions, hostile takeovers or recapitalization plans, Mr. Salvatico said.

The newer forms may have an exclusion for hostile takeovers, he said. And, the format could exclude any activity involving resistance of a takeover, he added.

National Union's new D&O policy has such an exclusion, he said.

However, it is not known what form HBJ purchased from National Union.

Federal, meanwhile, never changed its D&O standard form, Mr. Salvatico said, but it could have added an endorsement.

HBJ's recapitalization plan increases the company's total debt to about $2.9 billion from $837 million as of March 31.

While HBJ says the plan will place more than 30% of the company's voting stock with forces friendly to the company, British Printing contends that actually more than 40% of the voting stock and ultimately more than 60% will be acquired by those that favor current management.

The plan calls for:

- Payment of a special dividend of $40 per share in cash and a fraction of a share of newly issued preferred stock to shareholders of record as of June 8.
- Issuance to HBJ's employee stock ownership plan preferred stock convertible into 4.7 million shares of common stock.
- Authorization for HBJ to repurchase up to 6 million shares of HBJ common stock.
- Permission for First Boston Securities Corp. to purchase 40,000 shares of a new issue of preferred HBJ stock, giving FBSC nearly 8.2 million votes that can be voted with HBJ common stock.

The recapitalization plan will be financed with the assistance of FBSC, high-yield securities and a $1.9 billion loan from Morgan Guaranty Trust Co. and a syndicate of banks.

"The total cash financing required for the recapitalization plan is approximately $3 billion," the company says.

The June 1 lawsuit filed by British Printing calls the HBJ recapitalization plan an "unlawful entrenchment scheme," and "unprecedented in its illegality."

"It rests on the payment of a $1.6 billion 'special dividend' that constitutes a fraudulent conveyance, and far exceeds HBJ's surplus, all in violation of New York law," the suit says.

At the same time, the suit contends HBJ management has unlawfully attempted to "seize control" of the corporation by placing more than 40% of the outstanding stock of HBJ in its hands and those associated with management.

Among the charges by British Printing is that issuance of the special dividend violates the New York Business Corporation Law, which requires that dividends be paid only out of surplus that is defined as the excess of net assets over stated capital.

"Simply stated, the cash portion of the special dividend will amount to approximately $1.6 billion—an amount that exceeds HBJ's surplus by more than $1 billion," the suit says.

The payment of the proposed $1.6 billion also would render HBJ insolvent, thereby making the payment a fraudulent conveyance under the state's debtor and creditor law, the suit adds.

British Printing's suit also notes that New York's corporation law requires that a merger must be approved by two-thirds of the company's voting stock.

HBJ's efforts, however, would place more than 40% of the voting stock in the hands of those friendly to HBJ's position, which amounts to a "lock out" and unlawfully prevents potential acquirers from seeking control of the corporation, the suit adds.

Moreover, combined with senior management's intention to use a substantial part of the cash received by them in the special dividend to purchase outstanding shares of HBJ common stock, HBJ management and directors will get an additional 20% of outstanding shares.

"Thus, the ultimate result of defendant's scheme will be the accumulation of more than 60% of HBJ's outstanding voting stock in the control of management and its associates," the suit says.

"In effect, defendants will have accomplished a management leveraged buyout: HBJ's public shareholders will be reduced to minority status, while management will have majority control of HBJ."

The suit also charges that HBJ's management has deliberately failed to disclose the significance of these matters to be voted on by shareholders. British Printing currently holds 460,600 shares of HBJ common stock.

HBJ also has failed to disclose to debenture holders and the investing public any information about the adjusted conversion price and the terms on which debenture holders will be able to convert the day after the record date, British Printing charges.

By these and other actions, the suit charges HBJ with breaching its fiduciary duties to the corporation and to British Printing, violating the New York Business Corporation Law, engaging in a fraudulent conveyance and violating sections 10(b) and 10(b)5 of Securities Exchange Act of 1934.

The suit seeks preliminary and permanent injunctions barring the defendants from implementing the recapitalization plan. The suit does not seek monetary damages other than for costs and disbursements connected with bringing the suit.

"All stockholders of HBJ are being irreparably damaged by HBJ's abrogation of their right to control the ultimate destiny of their corporation and their investment. . . ," British Printing's federal court suit says.

"HBJ believes the recapitalization should go forward and intends to defend the suit vigorously," said Sheldon Raab, who is representing HBJ and its directors and officers in the federal court action in New York brought by British Printing as an HBJ shareholder.

Mr. Raab is with the New York firm of Fried, Frank, Harris, Shriver & Jacobsen.

On another front, HBJ has filed a declaratory judgment action in Orange County Circuit Court in Orlando, Fla., that seeks a ruling on the conversion formula that will be used for holders of HBJ debentures who did not convert them to common shares by a June 8 record date.

A trial in that case is set to begin today. ■

Regulator may block HBJ plan

LANSING, Mich.—The Michigan Insurance Bureau is considering taking legal action to block a recapitalization plan sought by Harcourt Brace & Jovanovich Inc.

HBJ's subsidiary, HBJ Life & Health Coverage Inc., owns three insurers: PHF Life Insurance Co., domiciled and licensed in Michigan; Federal Home Life Insurance Co., domiciled in Indiana and licensed in Michigan; and The Harvest Life Insurance Co., domiciled in Ohio and licensed in Michigan.

Last week, the bureau was evaluating its options after the three HBJ insurance subsidiaries failed to demonstrate that they would not be adversely affected by the recapitalization plan, an Insurance Bureau official said.

One option is to go to court to stop the plan, said Leon A. Hank, director of the bureau's financial analysis and examinations division.

Among the lines of business the companies write are group life and accident and health insurance, credit life and accident and health and term life insurance.

The department had sent a routine letter to the HBJ insurers requesting assurances that the HBJ recapitalization plan would not adversely affect the three HBJ-owned insurers.

"We are evaluating our options right now based on the fact the company hasn't demonstrated to us that it won't be adversely affected," said Mr. Hank. "To our satisfaction they haven't done that yet."

The information requested was open-ended and included requests for pro forma financial statements, Mr. Hank said.

The department not only is concerned about the impact that a takeover of HBJ or recapitalization by HBJ would have on the insurance companies, but also HBJ's decision to move PHF to Florida. In addition, the Lansing administrative offices for the other two insurers are to be moved to Florida as well.

"We certainly would like the company to stay in Michigan," added Mr. Hank. About 550 jobs are at stake.

Michigan law requires insurers to obtain approval from the state insurance commissioner before relocating to another state, but PHF has not yet done so, said Mr. Hank.

"They have moved a substantial portion of records out of the state without our approval," he said.

Walter D. Runkle, PHF's general counsel, was out of town and could not be reached for comment last week.

Someone taking phone calls in PHF's legal department said that she was instructed to say the company had no comment. ■

Mission

Continued from page 1b

generated was a cross-claim in March by seven reinsurers: Abeille-Paix Reassurances in Paris; Ohio Reinsurance Co., a defunct unit of Celina Insurance Group of Celina, Ohio; Walton Insurance Ltd. of Bermuda; Compagnie Transcontinentale de Reassurance in Paris; Hassneh Insurance Co. of Israel Ltd. in Tel Aviv; Hamburger International Ruckversicherung in Hamburg, West Germany; and Imperial Casualty & Indemnity Insurance Co. in Omaha, Neb.

The reinsurers are seeking rescission of reinsurance contracts, claiming they were "wrongfully induced" to enter them by intentionally fraudulent activities of the Mission companies.

The reinsurers' allegations against MIC include: manipulation of loss reserve figures and underwriting loss ratios; negligent underwriting practices; and misrepresentations of the profitability of MIC's reinsurance programs.

In addition, the cross-complaint names MIG accountants Coopers & Lybrand and five former executives of Mission Insurance Group, MIC's ultimate parent. MIG consented to an involuntary Chapter 11 bankruptcy petition in February (*BI*, Feb. 9).

Since the allegations in the reinsurers' cross-complaint are the subject of four other lawsuits and arbitrations, defendant Coopers & Lybrand intends to file a motion to stay the suit on the grounds that the same dispute is pending in a prior action, according to court papers.

The former MIG executives named in the cross-complaint are E. Richard DeRosa, president of MIG from 1963 to 1983; Louis F. Marioni, successor to Mr. DeRosa until February 1985; Ronald C. Bengston and Robert L. Marsh, former executives and directors of MIG's Pacific Reinsurance Management Corp; and John Horner, former PRMC controller.

Counsel for the reinsurers in their cross-complaint is Kroll, Tract, Harnett, Pomerantz & Cameron, the New York law firm that has represented some of the same, and other, plaintiffs in various—and similar—actions against the Mission units over the past three years.

If the reinsurers succeed in rescinding their contracts, Ms. Gillespie seeks indemnification on behalf of the Mission units from Cincinnati-based AFC, which is MIG's principal shareholder, Mr. Lindner and the 13 former and current executives.

"What we want to do, basically, is safeguard the estate," she explained.

"Through its nominees on the MIG board of directors, AFC controlled the affairs and business of MIG and the Mission companies," Ms. Gillespie says in the suit.

AFC's general counsel did not return phone calls.

The 13 former and current MIG directors and employees whom Ms. Gillespie is suing, some of whom also are co-defendants with the Mission units in the demand for recision filed by the seven reinsurers, are: Messrs. Bengston, Marsh, DeRosa and Marioni; Michael A. Mullholland, MIG's former chief financial officer; Ronald F. Walker, current MIG director; and former MIG directors E.M. Benson, Joseph M. Klein, William A. Noll, H. Safford Nye, Edward A. Smith, Maarten van Hengel and James C. Wilson.

Any amount that the Mission units may be ordered to pay "is based on the conduct of the cross-defendants," she maintains in her eight-page complaint. Each individual "aided, abetted or participated with each other" in wrongful acts, she says.

Should any of the seven reinsurers "receive any monetary or other item of value" from the Mission companies in liquidation, she claims the Mission estate is entitled to indemnification by the cross-defendants.

California Deputy Attorney General Jack T. Kerry dubs the latest action "an anticipatory defense."

Undeterred by the reinsurers' cross-complaint, MIC is determined to increase the flow of incoming reinsurance proceeds.

"We're really putting an awful lot of energy and resources into getting the reinsurance story solved," Ms. Gillespie said.

To that end, William S. Price, special deputy insurance commissioner for MIC's liquidation, has galvanized a special unit of reinsurance collectors. About 60 people, including reinsurance underwriters, are working full-time to increase the flow of incoming reinsurance proceeds, he estimates.

Since Jan. 1, MIC has collected about $51 million in outstanding reinsurance recoverables from about 520 companies that MIC says were not making payments. That amount should jump soon: Mr. Price recently received permission from Los Angeles Superior Court to draw down $28 million in letters of credit against several reinsurers.

However, those funds will satisfy only part of what the reinsurers owe, Mr. Price noted.

This would be the second-largest amount received by MIC's estate at one time. The largest—making up more than half of the $51 million gathered so far—is $34 million paid by Unigard Security Insurance Co. on May 11 (*BI*, May 11).

Gill & Roeser, a 4-year-old New York actuarial firm, negotiated the settlement on Unigard's behalf.

The commutation, which releases Unigard from any obligation to the Mission companies, is the fruit of about 18 months of effort, including eight months of negotiations. It was during that time that Unigard auditor Norris Hayes was killed while examining Mission's books (*BI*, Aug. 11, 1986).

The commutation was the second one Gill & Roeser has helped arrange with MIC. In November 1985, Federated Reinsurance Corp. of Piscataway, N.J., commuted its losses in a confidential cash settlement and dismissed its lawuist against MIG and PRMC.

As collection efforts mount, 12 more reinsurers have been added as defendants to the suit filed in December by the California Insurance Department, including Arkwright-Boston Insurance Co. in Waltham, Mass; The Home Reinsurance Co. in New York; and Assucom Insurance Co. in Antwerp, Belgium.

Reinsurers are taking a variety of approaches to the action.

Some reinsurers, like U-Haul International affiliate Republic Western Insurance Co. of Phoenix and Camelback Reinsurance Underwriters, seek rescission of reinsurance contracts on the grounds they were wrongfully induced into entering them.

They also claim statutes of limitations prohibit the commissioner's action and that they are entitled to conduct an audit of MIC's reinsurance accounts to determine sums owed.

Republic Western and Camelback want the issues to be arbitrated under the terms of the contracts.

Other reinsurers—including Scor Reinsurance Co., Yasuda Fire & Marine Insurance Co. and Copenhagen Reinsurance Co., all of New York—seek rescission, arbitration and an audit, but do not claim they were wrongfully induced into entering the contracts.

Still others, like RLI Insurance Co. of Peoria, Ill., claim the Mission units are not meeting their own contractual obligations. RLI says any amount it may owe MIC units must first be offset by what the MIC companies owe it.

One of the first to speak out was Employers Reinsurance Corp., which had settled its bills with the Mission units. The California department dropped its claim against the Overland Park, Kan., company.

The department's action against several other defendant reinsurers also have been dropped, often because the reinsurers' balances were settled either before the action was filed or shortly thereafter.

On June 12, defendant Unione Italiana di Riassicurazione in Rome was dismissed without prejudice, after denying reinsuring Mission at all.

Others that have been dismissed include insolvent Pine Top Insurance Co. of Chicago; Transatlantic Reinsurance Co. of New York; United Fire & Casualty Insurance Co. Cedar Rapids, Iowa; and Metropolitan Reinsurance Co. of New York.

Meanwhile, the Los Angeles Superior Court order regarding the work comp deposits was issued after Arizona regulators and guaranty funds in Massachusetts and Connecticut raised concerns about the liquidator repaying the loan with incoming reinsurance collectibles: Those proceeds might not be available to other states if they are deposited into MIC's work comp account when the insurer is in liquidation. Money in that account is earmarked to pay only California work comp claims during a liquidation.

From the total amount borrowed from this account, about $113 million was applied to claim payments outside of California, Mr. Price estimates.

In court papers, Arizona Insurance Director S. David Childers said that, without a dollar-for-dollar accounting, regulators are being asked to "take on faith" that the money used to repay the work comp account is not money that

Continued on next page

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Mission plan to be signed this week

By STEVE TARAVELLA

LOS ANGELES—A definitive rehabilitation agreement for Mission American Insurance Co. is expected to be signed this week.

As set forth by an interim agreement approved by Los Angeles Superior Court May 5, most of Mission American's assets, liabilities and in-force policies will be taken over by a new insurer, Rancho Dominguez-based National American Insurance Co. of California (*BI*, May 11).

In exchange, Mission American would receive common stock in KCP Holding Co., National American's parent, valued at the amount that Mission American's assets are determined to exceed its liabilities.

"The process is going in the right direction and everything's on track, but these things are tedious and always take longer than you think," explained Donald Kramer, chairman of National American and chairman and chief executive officer of Greenwich, Conn.-based KCP.

The agreement last week was awaiting the fine-tuning of attorneys, who had "clauses and little details to be ironed out," Mr. Kramer said.

"It's proceeding very well. We're very happy," agreed California Insurance Commissioner Roxani M. Gillespie, who placed Mission American in state conservatorship Feb. 3, where it has remained under state control.

The rehabilitation agreement already has been approved in concept by a committee of Mission Insurance Group bondholders that is chaired by Martin J. Whitman, a New York financier and principal of the recently formed investment banking firm Whitman Heffernan Rhein & Co. Inc.

MIG is the ultimate parent of the Mission companies and is in bankruptcy proceedings.

MIG consented to an involuntary Chapter 11 bankruptcy petition in February (*BI*, Feb. 9).

The final version of the rehabilitation agreement is to be signed by Mr. Whitman, Ms. Gillespie, Mr. Kramer and an MIG representative.

It must then receive Los Angeles Superior Court approval, after which Mission American will remain under state control until no later than Sept. 30.

During that period, two separate audits of the insurer will be conducted.

The first audit, which will be conducted on behalf of KCP, will analyze loss reserves and try to identify Mission American's true assets and liabilities as of June 30. It will be conducted by Peat Marwick Main & Co. and should take between 60 and 90 days to complete, Mr. Kramer estimated.

The second audit, which will be performed on behalf of Mission American, will serve as an independent check of KCP's audit. It will be conducted by Ernst & Whinney.

In the meantime, National American is proceeding according to the terms of the interim agreement and has begun soliciting Mission American policyholders for renewal.

National American will underwrite workers compensation and primary property and casualty insurance, principally in California, Arizona and the Pacific Northwest. It bound its first Mission American renewal policy June 12.

"I think we've accomplished a lot in a very, very short period of time," said Ray D. Johnson, the newly appointed president and chief executive officer of both National American and parent company KCP.

Mr. Johnson, who assumed these new responsibilities full-time June 1, retains his position as president and director of MIG but is not involved in the day-to-day management of that company.

Mr. Johnson is one of several MIG executives who have joined National American. Since May 5, National American has hired about 35 employees from various MIG companies. The insurer, which KCP acquired from H.F. Ahmanson & Co. in September 1986, previously employed about 85 people to run off business written before its purchase.

Among the MIG executives to join National American are:

- Former Mission American President William Story, who is now executive vp and chief operating officer of National American.
- Andy Hendricks, who supervised the Sunbelt Division of MIG's insurer units as a senior vp in Atlanta. He now is senior vp for field and internal operations for National American.
- Dan Stevens, who supervised California and Arizona Mission units as a Los Angeles senior vp. He now is National American's senior vp for underwriting.
- Mike Galati, who served MIG's home office as senior vp in charge of claims. He now is National American's senior vp-claims.

Other employee losses and layoffs have reduced MIG's workforce by almost 60% in just six months. Last December, MIG's subsidiaries, including Mission American, collectively employed 992 people.

Today, they issue paychecks to 402 persons, about 150 of whom work at Mission American, estimates William S. Price, special deputy commissioner in charge of Mission American's conservation and liquidation of its subsidiary.

Meanwhile, MIG has decided not to make the second—and last—installment on cash bonuses to 15 executives who had helped it through tumultuous times. The company received some criticism regarding the bonuses after *Business Insurance* reported in March that MIG was giving the individuals a total of $275,000, half of which had been paid (*BI*, March 2).

And, MIG, which has not shared office space with its non-insurer units since mid-February, has moved into new offices in downtown Los Angeles. The company is now headquartered at: 530 W. Sixth St., Suite 750, Los Angeles, Calif. 90014; 213-623-2087. ■

Mission

Continued from previous page

could otherwise be available to policyholders or guaranty funds in other states.

On another front, Mr. Price has decided that MIC should proceed with its November 1983 subrogation case that stems from the 1981 Las Vegas Hilton Hotel fire. MIC is seeking to recoup from about 22 businesses the $25 million in policy limits it paid to Hilton in business interruption and property damage claims.

The businesses MIC is suing include a variety of manufacturers, vendors and design professionals. Among the defendents are Kiesling-Hess Finishing Co. of California, which flameproofed some of the hotel's draperies; Philadelphia Carpet Co., a division of Shaw Industries Inc. in Dalton, Ga.; Beverly Hills architect Martin Stern Jr.; and mechanical engineers Hellman, Silver & Lober in Los Angeles, now operating as Hellman & Lober.

"The case is very, very active and we're gearing up for trial," noted Leon Gladstone, an MIC attorney with Berger, Kahn, Shafton & Moss in Marina del Rey, Calif.

Trial has been set for May 1988 in the 8th District Court in Las Vegas, and all parties have been ordered to attend a pre-trial settlement conference in November, according to the law firm. ■

EIM obtains reinsurance, plans branch

By ROBERT A. FINLAYSON

BRIDGETOWN, Barbados—Energy Insurance Mutual Ltd., a Barbados-based captive for U.S. utility companies, has obtained reinsurance through Lloyd's of London, reports Irene M. Moszer, chairwoman of Energy Insurance Mutual.

Also, the captive will soon be managed from a new branch office in the United States, said Ms. Moszer, a vp with Virginia Electric & Power Co. in Richmond. The captive has been managed in Barbados by Sedgwick Group Management (Barbados) Ltd., a subsidiary of Sedgwick Group.

Ms. Moszer says the reinsurance policy covers losses excess of $25 million.

The policy period is from Dec. 1, 1986 to Dec. 1, 1987.

The reinsurance was placed by Lukis Stewart, a Toronto-based reinsurance broker specializing in insurance and reinsurance for mutuals and group captives.

Managing Energy Insurance Mutual out of Barbados has proved difficult, says Ms. Moszer.

The coverage is led by Lloyd's syndicates with substantial support from "major insurance and reinsurance companies in continental Europe," according to Jonathan Beach, president of Lukis Stewart.

Ms. Moszer says that a major U.S. reinsurer also is on the risk, but both she and Mr. Beach declined to name any of the reinsurers.

EIM currently has 54 member companies and assets of nearly $102 million. The mutual began writing excess liability coverage on July 1, 1986.

Managing Energy Insurance Mutual out of Barbados has proved difficult, according to Ms. Moszer.

EIM's board of directors decided the facility could be more efficiently run and better serve its members by being managed onshore, she said.

The captive currently is conducting a study to determine where the office will be located, she said. A decision is expected later this summer.

Ms. Moszer said the facility will be internally managed, adding that Energy Insurance Mutual will continue to be operated as a mutual.

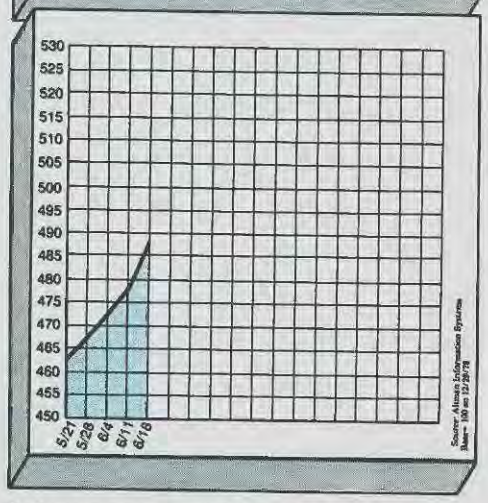
BI Industry Stock Report

June 18, 1987 — 6/12/87 thru 6/18/87

		Price	% Chg.	P/E	$ Div.	% Yld.	High	Low	Vol.(000)
Brokers									
Alexander & Alexander Svcs	NYSE	25.38	0.0	30.2	1.00	3.9	25.63	25.13	848.1
Baldwin & Lyons Inc	OTC	20.00	5.3	8.4	0.20	1.0	20.00	20.00	0.5
Corroon & Black Corp	NYSE	30.50	2.5	14.2	0.84	2.8	30.50	29.88	172.6
Gallagher Arthur J & Co	OTC	21.25	1.2	16.3	0.40	1.9	21.25	21.00	129.6
Hall Frank B & Co Inc	NYSE	13.50	10.2	0.0	0.00	0.0	13.63	12.38	169.3
Marsh & Mclennan Cos Inc	NYSE	66.25	3.9	18.1	2.40	3.6	66.25	63.88	754.2
Poe & Assoc Inc	OTC	12.25	0.0	15.5	0.40	3.3	12.25	12.25	13.8
AGENTS/BROKERS	AVERAGE			15.8		3.0			
Conglomerates & Holding Cos.									
Anderson Clayton(Ranger/PanAm)	NYSE	65.63	0.0	18.8	0.00	0.0	0.00	0.00	0.0
Armco Inc	NYSE	10.50	5.0	0.0	0.00	0.0	10.88	10.50	3,688.3
Berkley W R Corp	OTC	29.25	1.7	10.0	0.28	1.0	29.25	28.50	107.7
Berkshire Hathaway Inc Del	OTC	3430.00	2.1	113.9	0.00	0.0	3430.00	3360.00	1.1
CIGNA Corp	NYSE	63.38	2.2	9.1	2.80	4.4	63.38	62.63	1,717.0
CNA Finl Corp (CNA)	NYSE	55.63	6.5	12.7	0.00	0.0	55.63	53.88	130.1
General Re Corp	NYSE	57.63	2.4	17.7	1.00	1.7	57.63	56.00	2,123.1
ITT (Hartford Group)	NYSE	58.88	0.0	15.1	1.00	1.7	59.63	58.88	2,723.5
Sears Roebuck & Co. (Allstate)	NYSE	52.38	3.2	13.6	2.00	3.8	52.38	51.13	4,152.7
Transamerica Corp (Occidental)	NYSE	36.38	4.3	8.2	1.76	4.8	36.38	35.50	1,130.2
CONGLOMERATES/HOLDING COS.	AVERAGE			60.7		0.2			
Insurers									
Aetna Life & Cas Co	NYSE	60.75	5.2	9.3	2.76	4.5	61.00	59.50	2,720.5
American General Corp	NYSE	40.75	6.2	10.9	1.25	3.1	40.75	39.50	1,292.8
Amern Heritage Life Invt Co	NYSE	32.63	-1.9	16.5	0.96	2.9	33.25	32.63	3.2
American Indty Finl Corp	OTC	14.13	0.9	0.0	1.12	7.9	14.13	14.00	31.5
American Intl Group Inc	NYSE	72.25	3.2	15.9	0.25	0.3	72.25	69.88	1,383.0
Aneco Reins Ltd	OTC	2.75	0.0	11.0	0.00	0.0	2.75	2.75	3.8
Avemco Corp	NYSE	22.00	-2.2	15.9	0.28	1.3	22.13	21.38*	41.2
Business Mens Assurn Co Amer	OTC	34.75	10.3	0.0	1.10	3.2	34.75*	31.75	783.4
Chubb Corp	NYSE	64.25	0.8	10.2	1.68	2.6	64.38	63.75	769.7
Combined Intl Corp	NYSE	26.50	0.0	9.4	1.20	4.5	26.50	26.50	47.3
Continental Corp	NYSE	47.00	4.4	10.7	2.60	5.5	47.00	45.38	660.3
Crown Life Ins Co	OTC	250.00	0.0	8.6	6.40	2.6	250.00	250.00	0.0
Durham Corp	OTC	33.25	0.0	19.6	0.92	2.8	33.88	33.25	3.6
Farmers Group Inc	OTC	45.50	7.1	14.4	1.20	2.6	45.50	43.50	1,329.7
Fairmont Finl Inc	AMEX	17.63	0.0	9.9	0.00	0.0	0.00	0.00	0.0
Fireman Fd Corp	NYSE	37.63	0.3	12.9	0.40	1.1	38.25	37.25	619.5
Fremont Gen Corp	OTC	18.25	6.6	0.0	0.60	3.3	18.25	17.75	360.2
Great West Life Assurn Co	OTC	700.00	0.0	14.4	18.00	2.6	0.00	0.00	0.0
Home Group Inc	AMEX	21.13	5.6	5.4	0.20	0.9	21.38	21.13	421.0
Hanover Ins Co	OTC	35.25	5.2	8.4	0.36	1.0	35.50	33.25	71.7
Harleysville Group Inc	OTC	17.00	4.6	5.3	0.40	2.4	17.50	16.75	59.1
Hartford Steam Boiler Insptn	OTC	31.00	-4.6	13.5	1.00	3.2	32.00	31.00	95.0
Kans City Life Ins	OTC	28.50	0.9	11.0	0.96	3.4	28.50	28.25	14.0
Kemper Corp	OTC	33.00	4.8	11.4	0.60	1.8	33.00	32.25	1,129.9
Liberty Corp S C	NYSE	39.50	2.3	14.2	0.72	1.8	39.63	39.00	15.0
Lincoln Natl Corp Ind	NYSE	51.00	2.5	10.8	2.16	4.2	51.00	49.75	297.3
Mission Ins Group Inc	PAC	1.50	0.0	0.0	0.00	0.0	4.38	0.69	4.0
Monumental Corp	OTC	55.63	0.0	18.8	0.00	0.0	55.63	55.63	1.1
Nac Re Corp	OTC	25.25	-3.8	33.2	0.00	0.0	27.50	25.25	194.8
Nobel Ins Ltd	OTC	14.50	3.6	10.9	0.37	2.6	14.50	14.00	56.8
Northwestern Natl Life Ins	OTC	26.88	3.9	7.7	0.96	3.6	27.00	26.13	382.3
Ohio Cas Corp	OTC	47.25	1.6	13.4	1.68	3.6	47.75	47.25	218.8
Old Rep Intl Corp	OTC	29.88	3.9	10.7	0.80	2.7	30.13	29.88	287.9
Orion Cap Corp	NYSE	22.50	1.7	0.0	0.76	3.4	22.50	22.38	44.4
Protective Corp	OTC	14.38	2.7	11.7	0.70	4.9	14.38	13.88	267.7
Provident Life & Acc Ins Co	OTC	20.88	-0.6	11.5	0.84	4.0	21.38	20.88	167.6
St Paul Cos Inc	OTC	49.00	5.4	11.3	1.76	3.6	49.88	47.75	1,384.8
SAFECO Corp	OTC	32.00	7.6	11.9	0.96	3.0	32.25	30.50	815.2
Scor U S Corp	OTC	13.75	5.8	16.4	0.00	0.0	13.75	13.00	155.2
Seibels Bruce Group Inc	OTC	15.75	0.0	98.4	0.80	5.1	16.00	15.75	82.9
Selective Ins Group Inc	OTC	26.25	2.9	10.1	0.92	3.5	26.25	25.63	151.8
Statesman Group Inc	OTC	4.81	-2.5	0.0	0.05	1.0	5.00	4.81	45.2
Tokio Marine & Fire Ins Co	OTC	84.63	0.0	95.1	0.17	0.2	84.63	84.63	11.0
Torchmark Corp	NYSE	27.88	3.2	10.0	1.20	4.3	28.00	27.13	759.0
Travelers Corp	NYSE	45.13	2.3	9.6	2.28	5.1	45.75	45.13	1,795.9
Trenwick Group Inc	OTC	14.75	-4.8	25.0	0.00	0.0	15.50	14.75	144.3
United Fire & Cas Co	OTC	32.25	7.5	10.3	0.96	3.0	32.25	29.50	29.3
United States Fid & Gty Co	NYSE	40.38	1.6	9.7	2.48	6.1	40.50	40.25	1,852.7
Unum Corp	NYSE	23.88	1.6	0.0	0.40	1.7	24.00	23.75	388.1
Uslife Corp	NYSE	39.00	3.3	10.0	1.20	3.1	39.00	38.38	111.5
Washington Natl Corp	NYSE	26.00	7.8	13.4	1.08	4.2	26.13	25.50	37.4
Zenith Natl Ins Corp	OTC	22.00	4.8	12.7	0.80	3.6	22.50	21.25	148.6
INSURANCE COMPANIES	AVERAGE			12.3		2.7			

System design: Altman Information Systems

BI Insurance Index



Industry stocks continued a four-week climb, as the *Business Insurance* index rose 11 points to 488.3 on June 16 from 477.3 on June 11. Forty-five stocks increased during the period, eight dropped and 10 remain unchanged. Advancing issues were led by: Business Men's Assurance Co. of America, up 10.3%; Frank B. Hall & Co. Inc., up 10.2%; and Washington National Corp., up 7.8%. Declining issues were suffered by: Tokio Marine & Fire Insurance Co. Ltd.; down 8.0%; Trenwick Group Inc., down 4.8%; and Hartford Steam Boiler Inspection & Insurance Co., down 4.6%. The *BI* index climbed 2.3% for the period. The Standard & Poor's 500 average also grew 2.3%, the New York Stock Exchange composite rose 2.1%, and the Dow Jones 30 Industrials rose 2.0% during the week.

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