Excess/Surplus Lines: Pages 15-71

WEEK OF JUNE 23, 1980

business insurance

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$2.2 billion market

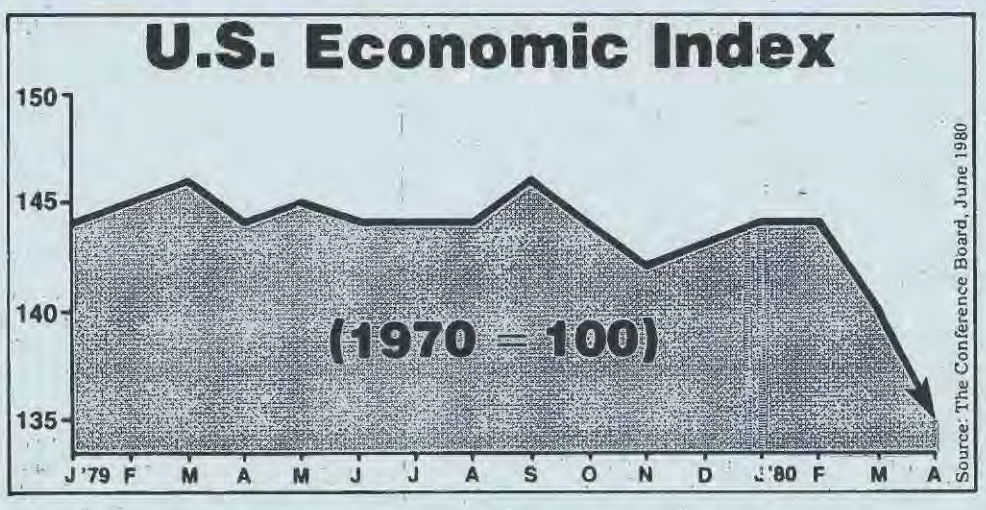
Despite hot competition, the surplus lines market keeps growing. *BI* charts state premium volumes: **Page 15.**

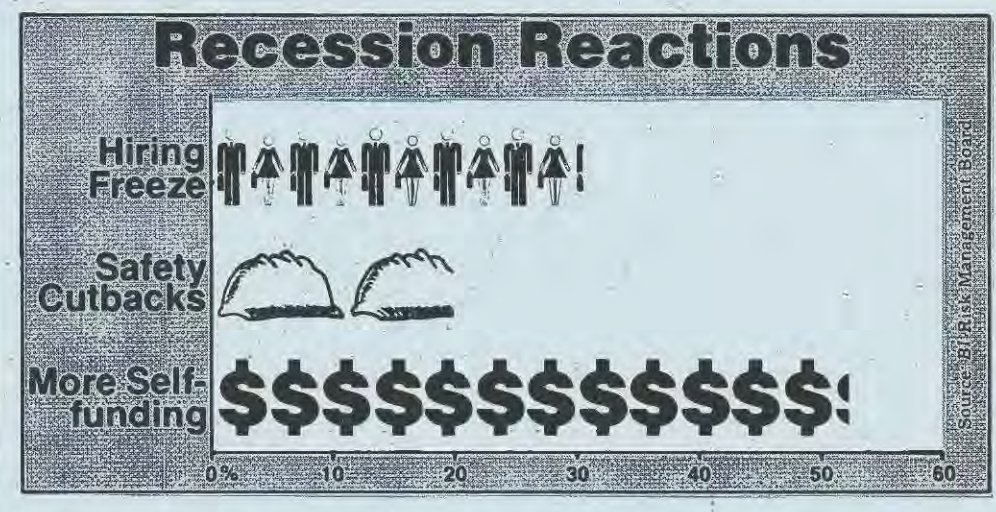
Broker profiles

New and booming surplus lines brokers mask the market's depression: **Page 20.** Profiles of 17 leaders and miniprofiles of 91 more brokers begin on **page 30.**

Rates and forms

More on rates, policies, new markets and regulations: **Pages 60-71.**





The Recessionary Pinch

New divisions may suffer most

By RHONDA L. RUNDLE

LOS ANGELES—Risk managers of ailing small and medium-sized companies in recently created positions may be in peril of losing their jobs during the current recession, indicates a telephone survey of 30 companies by *Business Insurance*.

Two recession casualties in the risk management ranks found by *BI* were in that predicament.

Major corporations in the automotive, airline, construction and related industries, however, have not given pink slips to personnel in their risk management departments despite massive layoffs of both blue- and white-collar workers.

But if sales performance continues to deteriorate at the present alarming rates in the nation's hardest hit industries, nobody's job will be secure, note risk managers at several suffering Fortune 100 companies.

Some sources hint that layoffs in risk management departments may be imminent, although none wished to make such announcements before decisions are finalized and affected personnel informed. Such actions would be aimed first at support and perhaps technical staff, not the risk manager.

The resilience of risk management departments in such troubled companies as Chrysler, United Airlines and Firestone Tire & Rubber Co., which have reduced their workforces by 10% or more or plan to do so, belies the belief often heard in industry circles that risk managers are the first casualty of bad economic times.

The corporate insurance department at Chrysler Corp., for instance, has already withstood several shockwaves of corporate cost-cutting. Risk manager Daniel Gaitley reports he has lost two people to retirement, but that there have been no involuntary layoffs in his 18-person department.

He does not plan to hire new staff to fill those jobs even tho-

Continued on page 81

Amerace Corp. canned the No. 2 risk management

spot in a recent 20% corporate staff cutback.

Alan Friedlander, the one to go, quickly found a new job in a similar spot with the Crane Co., just uptown in New York from Amerace.

Back at Amerace, Charles Russell, director of insurance, is faced with getting the job done but with one assistant rather than two. Inevitably, something has to give.

"We're not doing away with any crucial functions such as loss prevention," said Mr. Russell. "We are taking a look at procedures that although worthwhile, may not be terribly cost effective."

In that category, he includes meticulous checking of policies and review of loss prevention reports from insurers before they are sent to plant managers.

Mr. Friedlander handled loss prevention and managed claims. "He gave our loss prevention program a very professional twist that will be missed," said Mr. Russell, whose background is in underwriting.

When he left, Mr. Friedlander was in the process of setting up a sophisticated computer system to furnish reports to plant managers on workers compensation losses at their locations.

Mr. Russell says now he will be asking for more problem-solving from agents and brokers.

Companies cut risk staffs: Poll

By STACY SHAPIRO

CHICAGO—Squeezed by the recession, corporations are cutting risk management department staffs, the latest survey of the *Business Insurance* Risk Management Board reveals.

More than a third of the risk managers responding to the survey say they have cut staff, frozen hiring or are not replacing employes who leave.

But of the 84 responses from the 120-member board, only 4% have or will cut top jobs in the risk management department within the next six months.

Risk managers say they are using these and other techniques to conserve cash and manage costs in their departments in response to tough economic times. To reduce spending and make their departments indispensable, they are:

- Increasing self-insurance and raising deductibles to gain cash-flow advantages (52%).
- Negotiating better cash-flow or premium payment plans (48%).
- Putting property or liability programs out for bids (35%).
- Demanding faster reimbursement for losses from insurers (35%).

But risk managers in 20% of the responding companies are also reluctantly cutting safety and security budgets.

"Tight money and lost profits cause deferrals of loss prevention projects such as sprinkler systems, etc.," said one risk manager. "It's too bad, but. . ."

Other risk managers comment, however, that to decrease spending one must prevent losses to begin with and not cut back on devices that prevent loss.

risk management board

"There is a danger in cutting back safety people in the insurance department or in factories which can prove costly in layoffs from accidents and an increase in claims," said one member.

"Instead of cutting back on valuable employes such as

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Coming soon

Are benefit management departments feeling the recession's pinch, too? The *Business Insurance* Employe Benefit Board and Rhonda Rundle report next month.

NEWSPAPER

Longshore reform Page 3

for your information

RIMS wants competitive rating of workers comp insurance

DENVER—The Risk & Insurance Management Society is calling for competitive rating of workers compensation insurance, breaking with the report of an industry advisory committee presented to the National Assn. of Insurance Commissioners meeting here.

RIMS is represented on the committee by its immediate past president, Berry L. Griffin of Baker International Corp.

The advisory committee report recommends that workers compensation be included in the competitive rating law rather than in separate regulation; that rates be subject to a prior filing, but not prior approval; that mandatory bureau membership and adherence to rates and classifications be prohibited, and that uniform data be collected (*BI*, June 2).

Mr. Griffin objected to the "prior filing" approach, saying that "the present noncompetitive situation serves insurers and regulators well but adversely affects purchasers."

Railroad pays $9.5 million

MISSISSAUGA, Ontario—Canadian Pacific Ltd. has paid out $9.5 million for out-of-pocket expenses incurred by area residents evacuated from their homes Nov. 10, 1979, as the result of a train derailment and explosion (*BI*, Nov. 26).

About 50,254 claims were processed by the railroad from Nov. 19 to May 16, with each claim representing about three persons. Approximately 250,000 persons were evacuated as a result of the incident, for which no more claims will be accepted by the railroad, a spokesman said.

A federal inquiry into the cause of the derailment, which started in February, is still underway.

OSHA exemption bill stalled

WASHINGTON—Legislation that would exempt 90% of employers from safety inspections by the Occupational Safety and Health Administration is stalled in a Senate committee.

The bill (S. 2153), introduced by Sen. Richard Schweiker (R-Pa.), won't move until a more precise formula can be worked out to determine whether an employer would be exempted from an inspection, said an aide to Sen. Schweiker.

The House has not discussed the issue, making it unlikely the Schweiker legislation will gain congressional approval this year.

Chrysler pays insurance bills

DETROIT—Chrysler Corp., while leaving other major suppliers high and dry, is still paying its insurance premiums, the financially ailing automaker confirmed last week.

"All insurance bills are being paid," a Chrysler spokesman said. "There is no question about that."

The bulk of Chrysler's group health insurance benefits are supplied by Blue Cross/Blue Shield plans.

Meanwhile, the automaker must come up with about $400,000 by July 31 for its annual termination insurance premium due to the Pension Benefit Guaranty Corp., the federal agency that guarantees workers' pensions.

If Chrysler misses the deadline, it will owe an additional $400,000 to the PBGC as a penalty.

Sasse members sue reinsurer

LONDON—Members of the Sasse Syndicate are now suing another Lloyd's underwriter in connection with their $41 million in losses for 1976-77.

The suit demands $18 million in reinsurance payments from Michael J. Meacock and his associate Leonard A. Blackburn, based on a legal interpretation of reinsurance contracts they wrote for Frederick H. Sasse, manager of the troubled syndicate. The contracts, written by a small family syndicate of Mr. Meacock, allowed Mr. Sasse to write more than his normal premium volume for U.S. fire risks, the suit charges. The U.S. fire risks produced big losses contributing to the $41 million loss for the syndicate.

But Mr. Meacock, a member of Lloyd's since 1958, is fighting the action, saying it was a special arrangement for the Sasse Syndicate that ought to go to arbitration rather than be tested in the U.K. High Court. "In any case, there's substantial reinsurance behind my own contracts, so I don't regard my own commitments to the Sasse group as likely to be as much as $18 million," he told *Business Insurance*.

Sasse members are also trying to get $13.5 million from the state-owned Brazilian reinsurance company IRB (Instituto de Resseguros de Brazil). Efforts are being made to consolidate all the litigation into one massive court hearing in London next January.

Meanwhile, Lloyd's announced it will not suspend Derek Gravestock and Stanley Elsbury, formerly of Brentnall Beard, for the firm's involvement in brokering risks to the Sasse Syndicate.

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Judge bars class suit for Love Canal claims

By ELLIS SIMON

NIAGARA FALLS, N.Y.—A state supreme court ruling will likely bar class-action suits by Love Canal residents seeking to recover for injuries stemming from chemical contamination of their neighborhood.

The first of five class-action suits against Hooker Chemical & Plastics Corp. and four other defendants was barred June 13 by Judge Joseph Kuczynski. The other class-action cases, all before Judge Kuczynski, are likely to be thrown out also, said Dan Cohane of Hurwitz & Fine, a Buffalo law firm representing Niagara County, one of the defendants.

The other defendants are Occidental Petroleum, parent company of Hooker, and the city and school district of Niagara Falls.

The Hartford Insurance Co. writes primary liability coverage for the city of Niagara Falls and the school district. It also insured Hooker until 1973, when Hooker's coverage was integrated with that of its parent company Occidental Petroleum Corp. Numerous primary and excess insurers participated in Oxy's program since then (*BI*, Jan. 21).

Utica Mutual Insurance Co. wrote primary coverage for Niagara County.

Members of the potential class would be better served by controlling the prosecution of their own suits, Judge Kuczynski ruled. "Each case may call for individual handling because difficult questions of causation, manifestation and extent of injuries are present," he said.

Most members of the potential class already have local counsels and would prefer to continue being represented by them, the court said.

A class action is not warranted to protect the rights of unknown litigants since the Love Canal disaster has been well publicized, he said.

If all class-action suits stemming from Love Canal are denied, plaintiffs seeking relief on an individual basis could add to the cost of litigating these cases—a fact not taken lightly by insurers defending these claims.

As Judge Kuczynski was ruling out the class-action suit, Love Canal defendants gained another victory in Albany.

The state senate adjourned June 14 without acting on a bill that would have granted an additional two-year statute of limitation for filing suit in toxic waste cases (*BI*, June 16). ■

Pilot group changes insurer

By ELLIS SIMON

NEW YORK—The Air Line Pilots Assn., one of two defendants in a fiduciary liability suit stemming from real estate investments by the Eastern Airlines pilots pension fund, is changing fiduciary liability insurers.

ALPA dropped Lloyd's of London after Professional Indemnity Agency of New York, Lloyd's managing general agent for U.S. fiduciary liability coverage, changed ALPA's rating base. ALPA's ranking was changed from a Railway Labor Act trustee to a Taft-Hartley Act trustee, said Stuart Hall of ALPA's retirement insurance department.

This change would have tripled ALPA's premium, industry sources said. The premium had been $50,000, Mr. Hall said.

New coverage for ALPA was bound effective June 1 with National Union Fire Insurance Co. of Pittsburgh, a member of the American International Group. ALPA is reviewing the policy and terms before paying the premium, Mr. Hall said.

The new premium is close to what ALPA paid for coverage by Lloyd's, he added, but would not disclose the actual figure.

Hess, Egan, Haggerty & L'Homidue replaced Lipscomb Agency Inc. as broker on the account. Both are in Washington.

Mr. Hall attributed the higher premium sought by Professional Indemnity to bad experience of other multiemployer plan fiduciaries rather than the lawsuit filed against it and Eastern last August

Continued on page 79

Brilab grand jury indicts 4

By SHARON WATSON

HOUSTON—Texas house speaker Billy Clayton and three other targets of the FBI's Brilab investigation were indicted June 12 by a federal grand jury on charges of fraud, conspiracy and extortion in connection with a scheme to influence the awarding of an $80 million insurance contract for state employes.

Indicted with the Texas politician were L.G. Moore, a labor official from Deer Park, a Houston suburb, and two Austin attorneys, Randall B. Wood and Donald Ray.

The indictments are the first among cases arising from the FBI's investigation into bribery of labor and government officials involving employe benefit plans.

Grand juries in California and Louisiana also are considering evidence surrounding officials in those states.

The six-count indictment against Mr. Clayton includes two charges of wire fraud, one count of conspiracy, one count of using interstate commerce to aid a racketeering enterprise, one count of conspiracy to commit extortion and attempted extortion.

Mr. Clayton, who was immediately placed under a gag order by U.S. District Judge Robert O'Coner, was expected to plead "not guilty" and ask for a speedy trial at a June 20 arraignment. He is seeking an unprecedented fourth term for the influential house

Continued on page 78



Photo: Wide World

Policy KOs fight risks

MONTREAL—If Roberto Duran had failed to show up for his middleweight world championship bout with Sugar Ray Leonard here Friday night, the fight promoters were insured for lost revenues.

If fighting had broken out in sold-out theaters where spectators were viewing the fight via closed-circuit television, there was coverage for injuries.

And if the entire closed-circuit operation had broken down during the fight, leaving hundreds of thousands of fight fans staring at a blank screen in more than 250 locations across the country, insurance would have covered refunded admissions.

The whole insurance package was assembled by American Home Assurance Co., an American International Group company.

The policy was designed to cover BADK Inc., promoters of the fight, and J.J. Sports Productions, producers of the closed-circuit telecast, said Nick Creatore, vp of American Home's inland marine division.

—*John Maes*

Longshore bill would cut cost: NCCI

By JERRY GEISEL

WASHINGTON—Employers would land 10% premium reductions if just three reforms of new legislation to amend the Longshoremen's and Harbor Workers' Compensation Act were adopted, says a national rating bureau.

Rep. John Erlenborn (R-Ill.) unveiled legislation last week to slash benefits and close loopholes in the federal law governing workers compensation benefits for dockside maritime workers.

Maritime employers complain that the 1927 law covering more than a million workers is driving insurers from their workers compensation risks and costing them too much money.

"Costs will continue to skyrocket" if the bill isn't passed, Rep. Erlenborn told *Business Insurance*.



Applying brakes
'Costs will continue to skyrocket' if the bill isn't passed, says Rep. John Erlenborn of Illinois.

The proposal, a refinement of legislation he introduced last year (*BI*, Nov. 12, 1979), may offer shippers relief from escalating premiums. The National Council on Compensation Insurance estimates premiums would drop by about 10% annually if three major provisions of the legislation were enacted into law:

- A 3% cap on annual benefit increases, cutting premiums 7.4%.
- Eliminating death benefits payable to survivors of injured employes who die from causes that are unrelated to employment injury.
- Capping death benefits at 200% of the national average weekly wage—the same cap applicable to employes' beneficiaries.

The combined effect of these last two reforms would cut premiums 2.5%, NCCI says.

The measure also targets overly generous benefits and jurisdictional uncertainties as major sources of escalating costs.

Annual increases in compensation benefits would be limited to 3%, a slower pace than current increases based on the escalating national average weekly wage. Last year the average weekly wage increased 8%.

The indexing of benefits to salary increases has resulted in costs going "through the ceiling," says Les Cheek, vp-federal affairs for Crum & Forster.

Rep. Erlenborn's bill would also overturn a 1979 Supreme Court (*BI*, March 5, 1979) ruling that widows are entitled to up to two-thirds of the deceased workers' weekly wages without a cap.

Under the new legislation, survivor's death benefits would be limited to 200% of the national average weekly wage, subject to a weekly maximum of $426.26. Because some maritime workers are extremely well paid, making as much as $800 a week, the cost savings from the new limitations on death benefits would be substantial.

For the first time, under the bill, longshore benefits would be integrated with other benefits such as Social Security and unemployment compensation.

Without benefit integration, an injured maritime worker can earn more by not working than by returning to the job.

That "makes it all but impossible for a rehabilitation program to work," says Thomas Wilcock, executive director of the National Assn. of Stevedores.

Under another key section of the

Continued on page 79

Insurers will ask big Ky. rate hike for black lung

By ELLIS SIMON

NEW YORK—The National Council on Compensation Insurance's coal mine committee will meet here Tuesday to finalize a rate increase request of as much as 400%, *Business Insurance* learned.

Increased rates are needed, insurers say, because liberalized black lung eligibility standards under the 1977 federal Black Lung Reform Act have unleashed a flood of claims.

Kentucky coal mine operators now pay $32.06 per $100 of payroll for workers compensation coverage. Of that, $24.49 is for traumatic losses or injuries and $7.57 is for occupational disease or black lung. Sources said a slight drop in the traumatic portion of the rate is expected to be sought in addition to the fourfold increase in the black lung portion.

NCCI officials could not be reached to confirm this.

Liberty Mutual assistant secretary George J. Hutchinson, a member of NCCI's coal mine rating committee, said the figures are expected to be finalized at Tuesday's meeting.

Members of the three coal mine reinsurance pools, the residual market facilities for federal, Kentucky and Virginia black lung coverage, were asked this month to put up an additional $162 million in reserves for losses occurring in 1979 or earlier. The pools include more than 80% of the U.S. workers compensation insurers.

The call is on top of $150 million in additional reserves sought by the pools' governors last March to cover losses for the fourth quarter of 1979 (*BI*, April 14).

An additional $75 million in reserves for incurred but not reported losses are needed for 1980, says Conning & Co., a Hartford investment firm, in a study released in May.

Without a rate increase for black lung coverage, availability of other forms of insurance in Kentucky would be in jeopardy, said Richard W. Palczynski, associate actuary with The Travelers Insurance Co., a servicing insurer for the Kentucky reinsurance pool.

"With present rate inadequacy estimates of the NCCI, the insurance industry will incur 20 cents of

Continued on page 81

Photo: Mary Cairns



Robert Heffron, left, and his brother Jack say demand for their furniture benefit plan is booming.

Plan cushions furniture expense

By JILL KAPLAN

CHICAGO—Employes in the Chicago area are resting easier—in rockers, beds and sofas they've purchased at cut-rate prices through a novel employe benefit plan.

Employers Home Furnishings Assn. plan offers its member companies 30% to 40% off retail prices on quality furniture. Furnishings are housed in the Merchandise Mart here, the world's largest furniture display showcase.

"Employes think the plan is fabulous," said Donald Britton, business manager of the Lyric Opera in Chicago that bought the furniture discount benefit plan.

"It promotes good morale," said Richard Boester, vp at Libby, McNeil & Libby, also a plan purchaser. "Employes know we're thinking of their welfare and have their interests at heart."

The three-year-old program is the brainchild of 44-year-old Robert A. Heffron, an ex-assistant treasurer of Bunker Ramo, an electronics and textile manufacturer in Oak Brook, Ill.

Firms pay a $100 annual membership fee to belong to EHFA. Employes are then entitled to free use of the program and savings

Continued on page 78

Panel tacks preemption onto multiemployer bill

WASHINGTON—ERISA preemption is emerging as the new issue surrounding passage of legislation guaranteeing pension benefits to members of multiemployer pension plans.

The Senate version of the bill going to the floor later this month includes a provision exempting California's and Hawaii's prepaid health care laws from ERISA preemption.

The amendment, proposed by Sen. Spark Matsunaga (D-Hawaii), was added to the bill without discussion by the Senate Finance Committee.

Employer groups are expected to oppose the Matsunaga amendment. They charge that allowing Hawaii and California to regulate employers' health care plans under their current laws will eventually destroy ERISA preemption of state laws.

Without ERISA preemption, businesses with multistate operations will be forced to continually revamp their benefit plans to comply with changing state regulations, employer groups argue.

The Senate Finance Committee also added a sunset provision in approving the legislation that gives benefit guarantees to the nation's eight million multiemployer pension participants.

The amendment, introduced by Sen. Robert Dole (R-Kan.), would terminate the multiemployer termination insurance program on June 30, 1983.

This sunset provision would force Congress to take a second look at how well the multiemployer program is doing once it begins operating, Senate aides suggest. But it also might delay renewal of the program.

The legislation (S. 1076) is designed to give the Pension Benefit Guaranty Corp. more assets and reduce its liability when it begins mandatory coverage of multiemployer pension plans, now set for July 1.

Under the measure, premiums for termination insurance would rise to $2.60 per participant over a nine-year period. The current annual premium is 50 cents per participant.

Participants of most terminated multiemployer plans would be guaranteed 100% of the first $5 per month per year of vested benefits and 75% of the next $15 per month per year in vested benefits. ■

DC10: Trial begins in Chicago

By JOHN MAES

CHICAGO—The first damage trial stemming from the May 1979 crash of an American Airlines DC10 jetliner near O'Hare Airport that killed 273 persons will go to a federal court jury here this week.

The plaintiff, Jewel Valladares of Chicago, is seeking an unspecified amount of compensatory damages for the death of her husband Craig Valladares, then 30, who worked as a buyer for A&P Food Stores.

Testifying Wednesday, the second day of the trial, was a personnel manager for A&P who told the court Mr. Valladares probably would have been promoted from his $24,700-a-year job because he had a good work record.

Hearing the case is senior U.S. District Judge Hubert L. Will.

An actuary also testified that the victim would have contributed about $290,000 to the welfare of his wife and young daughter if he had spent another 31 years in the workforce.

Attorneys predict the case will go to the jury early this week.

The case is the first to be tried under an agreement by defendants American Airlines and McDonnell Douglas Corp. that they will not contest the question of compensatory damages if the plaintiffs agree not to seek a punitive award.

In another development, the 7th Circuit Court of Appeals has agreed to hear appeals stemming from a recent court decision that McDonnell Douglas, but not American Airlines, can be held liable for punitive damages in the crash. Both plaintiffs and the defendants in the case have appealed the ruling made late last month by Judge Will (*BI*, June 2). ■

Dock workers pile up higher pensions

benefit beat

PENSIONS FOR New York and New Jersey dock workers with 35 years of service will jump to a maximum of $750 a month from $550 under terms of a new three-year contract effective Oct. 1.

The pact, covering 10,000 workers, is subject to a ratification vote by International Longshoremen's Assn. locals in mid-July.

The local agreement, announced June 16 by the New York Shipping Assn. and the ILA, also provides for a $200 boost in pensions, up to a maximum of $700 a month, for dock workers with 25 years of service.

Five employer groups from Maine to Texas reached agreement with the ILA last month on a three-year master contract. New York-New Jersey is the only port area to reach a local settlement as well. Under terms of the master contract, contributions by dock workers to pension and welfare funds would increase by one-third over the life of the pact (*BI*, June 9).

Dental plan

Employes of Cities Service Co., based in Oklahoma City, are now covered under a dental insurance plan initiated June 1.

Employes will pay part of the premium for the plan, underwritten by Metropolitan Life. Employe premiums are $2.50 per month for individual coverage and $4.50 per month for family coverage, said R.L. Gilchrist, regional office manager in Cities Service's Oklahoma City headquarters. He could not give an estimate of the plan's cost to the company.

The dental plan covers four classes of treatment. Type A services include examinations, cleanings and X-rays, all 100% covered. Type B services include fillings, root canals, dentures and oral surgery and are 80% covered after a $50 deductible. Type C includes bridgework, crowns and inlays and is 50% covered after a $50 deductible. Type D is orthodontia for dependents under age 19, which is 50% covered.

Benefit limits for type A, B and C treatment are $1,000 per person per year with a $650 lifetime maximum for orthodontia.

Executive plans

Hospitalization and medical insurance ranks highest in popularity as a supplementary compensation plan for executives and middle managers, according to a study of 185 corporations by the Dartnell Institute of Business Research in Chicago.

Eighty-four percent of the companies surveyed offer such plans, while 79% offer major medical; 71% offer life insurance; 71% offer long-term disability; 25% offer key man coverage, and 21% offer dental plans.

Of the companies offering life insurance, 38% said they set coverage for executives at two times annual salary; 12% provided three times annual salary.

Other life insurance coverage formulas used by companies include: 1.5 times annual salary to nearest $1,000 with a $50,000 maximum; 1.5 times salary to $20,000 and more for 10, 20 or 30 years of service; $50,000 for officers and $20,000 for others, and a range of 1.5 to 2.5 times salary.

Blue Shield rates

Subscribers to Pennsylvania Blue Shield's Prevailing Fee and Plan C programs will pay $17 million more for coverage after acting state insurance commissioner James R. Farley approved a 15.9% community rate increase, effective July 1.

The increase, the first for the two programs in three and a half years, was almost $10 million less than the 25% hike requested for the 1.4 million subscribers.

A third Blue Shield program, a diagnostic/anesthesia rider that can be added to basic benefits, was denied a rate increase. Blue Shield had requested a 17.3% increase.

HMO savings

Health maintenance organizations reduce hospitalization costs "by almost 50%," according to a study done by Frost & Sullivan, a New York market research firm.

The study, "Health Maintenance Organizations: Medical Products and Services Markets," predicts the number of HMO members will triple to 24 million by 1990 from the current eight million. The number of HMO-owned hospitals is projected to triple to 150 during the same period.

Soaring fee-for-service medical costs remain the driving force behind HMOs, although widespread promotion, better legislation and the establishment of the Independent Practice Assn. also have fueled HMO acceptance, the report says.

Employers responding to the F&S survey say HMO subscribers now comprise less than 3% of their workforces, but forecast that figure will increase to 9% by 1985 and 13% by 1990.

Prudential appears to lead insurance companies in backing the HMO movement, having supported at least 11 prepaid group practices, including a recent $3 million loan to the newest Kaiser HMO in Texas.

•

Made any benefit changes? Write Valerie Berg, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611 or call 312-649-5430.

Judge orders new drug trial

ORLANDO, Fla.—A federal judge here overturned a jury verdict and a $12 million damage award against Richardson-Merrell Laboratories over use of the drug Bendectin, granting the firm a new trial.

The jury awarded the damages to an Orlando couple, Elizabeth and Michael Meckdeci, who sued the drug firm alleging that Ms. Meckdeci's use of the drug during pregnancy caused her son to be born with a deformed arm (*BI*, Feb. 18).

But the jury didn't award damages to the child, David Meckdeci, now five years old. Judge Walter Hoffman stated, the award was inconsistent with the verdict.

The Cincinnati-based pharmaceutical corporation says it is insured for product liability but will not furnish details. ■

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Communications confab to honor best programs

CHICAGO—Awards for the best employe benefit communications efforts will be presented during the *Business Insurance* Communicating Employe Benefits Conference here Oct. 26-29.

Companies that found problem-solving techniques for communicating benefits will be honored at a dinner Oct. 28. Awards will be presented in five categories: booklets, personalized correspondence, audiovisuals, special projects and total communication program.

The conference kicks off Sunday evening with a film "Medi$ense" that explains the consumer's role in fighting rising health care costs. Tylie Jones of Tylie Jones Communications will discuss the film.

Monday begins with Alan Siegel, president of Siegel & Gale Inc., explaining techniques for simplifying the benefit message.

Three concurrent sessions conducted in the late morning and repeated after lunch will look at:

- Designing benefit programs to benefit employes, with William J. O'Connor, executive vp of Source/Inc., and David A. Williams, president of Williams Communications.
- Pacing your message, with John G. Willard, acting relocations administrator for Rockwell International.
- Tools, tactics and timing with Terrance T. Toth, director of communication services at Buck Consultants Inc.

Monday's luncheon will feature entries to the *BI* competition.

CPC International's use of an imaginative benefits story will be explained after the afternoon concurrent sessions by Richard T. Whitman, a partner with Kwasha Lipton consultants. He will be followed by Robert Zabel, president of NW Ayer ABH International-Chicago, who will show how to personalize their programs.

Tuesday morning, Herbert Zeltner, group vp of Crain Communications, will lead the audience in judging benefit communications programs.

Tuesday's luncheon features Thomas F. Masloski, director of communications for Source/Inc., examining the role of corporate advertising and public relations in benefit communications.

Kathy Groon, audiovisual training coordinator for Jewel Food Stores, begins the afternoon with an account of Jewel's use of audiovisual presentations and how the programs have affected claims.

Joseph Young, vp-manager of compensation and benefits for Bank of California, will demonstrate how to adapt communication programs to changing work atmospheres and new employe needs.

Wednesday morning's program is on how and why to develop a total communications program, with Walter D. LeGrow, director of personnel services for Control Data of Canada Ltd.

How to deal with the legal department to preserve clear communications will be revealed by Robert W. Ridley, partner with Forster, Gemmill & Farmer.

A registration fee of $385 includes admission to all scheduled sessions and functions, resource materials, receptions, luncheons and the awards dinner.

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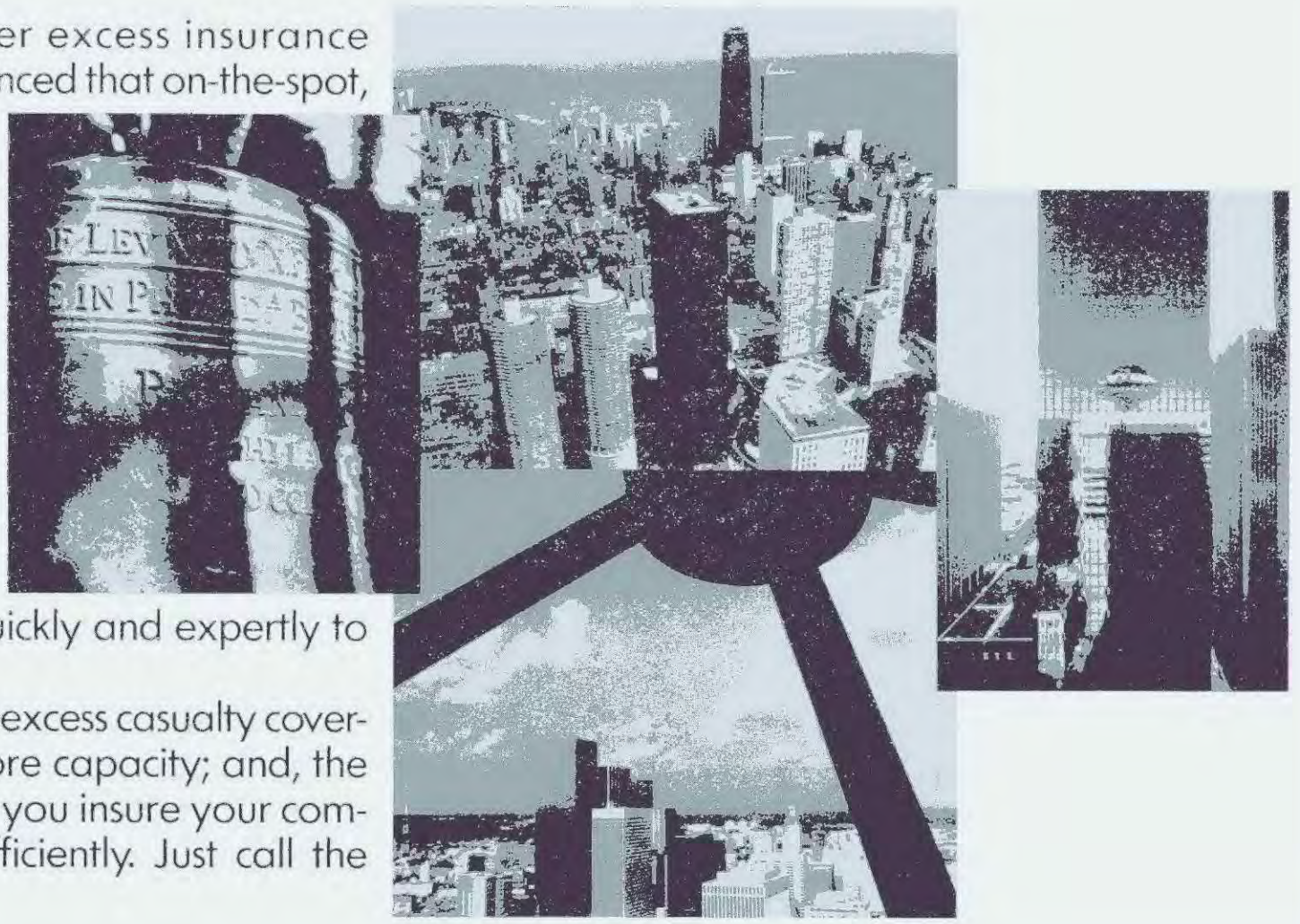
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editorial opinions

Check out the players

A REINSURANCE expert recently advised risk managers to check out the reinsurance behind any insurer writing more than $10 million of coverage with less than $400 million in surplus. The reason: the reinsurer is the real risk taker.

We advise buyers to also check out the surplus lines broker placing their risks with the nonadmitted market, no matter how small the amount of coverage or how reputable the quality of the insurer.

Why? The surplus lines broker is transmitting your premium dollar to the risk taker and is a vital link in the chain. If the E/S broker breaks the chain, your coverage is lost.

Unfortunately, this happens more often than surplus lines professionals would like to admit.

Buyers can easily check the credentials of retail brokers. And they can look their account executives in the eye—still a good test for honesty.

But many buyers never meet the surplus lines broker on their accounts. With or without a personal meeting, a buyer should check out the credentials of the firm. Who are the principal officers? How big is the firm? Is it an established force in the marketplace? Does it belong to one of the professional surplus lines organizations?

This information on 108 surplus lines brokers and specialty companies is printed in this issue with the cooperation of the surplus lines firms willing to present their credentials to insurance buyers. When your broker presents an E/S broker on your account, look the broker up in our listing. See what he says.

If the broker is missing, it doesn't mean he is shady or unworthy of your business. It does mean he didn't want to open up his business to you and his colleagues for scrutiny. Some brokers aren't in our listing because they refused to reveal their gross revenues to us, arguing it's an invasion of privacy. We contend the buyers have a right to know the size of a firm servicing their account.

Since the gross revenues we seek are net of commissions paid to retail agents and brokers, you can calculate how much the E/S broker is making in commission on his average piece of business. Could it be that the brokers who won't reveal their gross revenues don't want the buyer to see how much they are being paid for their services? Any surplus lines broker that can't justify his commissions doesn't deserve the business.

When analyzing the 91 brokers in our listing following the major profiles, you may find brokers reporting gross revenues of around 20%. This probably represents revenues before paying retail agents and brokers, because most E/S brokers make 8% to 12% of premiums as their commissions. Our questionnaire didn't define gross revenues—but will next year.

Next year we will also ask the surplus lines brokers to tell the year they were established. This will help you determine that a firm has staying power.

Our additional listing this year of membership in professional surplus lines organizations was prompted by the recommendation of a surplus lines broker. It was a good point. Membership indicates his peers consider him someone they want to be associated with—always a good recommendation.

We did

OUR OVERSIGHT on defining gross revenues is just one example of how confusing the surplus lines market can be. Another example is the confusion over the definition of the players.

A surplus lines broker is easily defined: anyone with a license to place business in the nonadmitted markets. Managing general agents, however, often distinguish themselves from surplus lines brokers. Although they may hold a surplus lines brokerage license, they also have binding authority for one or more insurers, usually on a territorial basis. Those who further distinguish themselves as underwriting managers mean they are the exclusive underwriters for a risk taker, and may or may not hold a surplus lines brokerage license.

Knowing this, who qualifies for our E/S listing? All of the above. We reason that in each case the surplus lines broker, MGA and underwriting manager is a link in the chain between the buyer and the risk taker. We want to present you all the information on the links. We know you'll use it.

letters

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

'Wake up, Detroit'

To the editor: I was startled to read "GM employe claim fraud can't be stopped" (*BI*, May 26).

This type of comment was made to me by an executive manager of the city of Anaheim regarding abuse of the city's industrial injury leave, disability retirement and workers compensation benefit programs when I joined the city in 1978. I thought the individual obviously didn't know what he was talking about. However, in fairness, he was demonstrating a not-too-uncommon attitude which I knew was all too common in the public sector then.

It is interesting to note that the pessimism and ignorance in this area is not unique to the public sector. The attitude is an unfounded one and I am surprised that top executives of one of the nation's top corporations would hold such views. But I am not too surprised to learn that GM has failed to resolve the problem, if for no other reason than they have, apparently, relied on an insurance company to manage a program that could be better managed in-house.

Most risk managers familiar with claims administration are well aware of the inefficiency of insurance companies when it comes to claims administration. There are ways to reduce fraud and abuse in various benefit programs, but a clerical paper-moving operation only results in "money shoveling."

Since 1978 the city of Anaheim has reduced its industrial accident leave costs by 54%, its workers compensation overall costs by 25% and its safety member disability retirement allowances by almost 50%. A good risk management program that concentrated on solutions other than risk transfer did the trick.

Perhaps the auto industry needs to look around and revise its thinking on more than a few subjects. No wonder the Japanese are "stealing the auto market from Detroit." Wake up Motor City!

Jack Love
Risk manager
City of Anaheim, Calif.

Big Brother role

To the editor: While I feel very compassionate toward the people of Washington State and other Northwestern states, a statement by a Glen Rose, "Volcano losses create a $1 billion nightmare," (*BI*, June 2), insurance adviser to the state risk manager, upsets me. He indicates the state is "pretty well self-insured," but goes on to intimate the federal government will be asked to contribute.

I do agree that this is an extreme case, but if cities, counties, and states choose self-insurance (very often this means no insurance), they should not expect a higher government to bail them out of every problem they have.

If the federal government is ever going to balance the budget (at a realistic spending level, not on today's bloated figure), more of the pork barrel programs are going to have to go. Municipalities will have to assume more responsibility for local expenditures, and if the funds aren't available, cut services. I do not want to see my tax money sent to Washington to support a gargantuan bureaucracy which in their "generous" Big Brother role gives us back 20 cents on the dollar.

Edward W. Bawden
Grinnel-Row Co.
560 Old Kent Bldg.
Grand Rapids, Mich.

ERISA explained

To the editor: An article by Jerry Geisel on IRS vesting (*BI*, April 21) stated: "Under ERISA, pension plans must offer a minimum of 100% vesting to employes after 10 years of service."

I do not believe that this is correct. If it is, I would like to have Mr. Geisel send me the specific location in the ERISA regulations that contains that statement.

Richard A. Adams
Vp-finance
Connecticut Printers
Bloomfield, Conn.

▪ *Indeed, the statement was incorrect. As BI explained in a May 19 Action Line column item discussing vesting options, ERISA requires a pension plan participant to be at least 50% vested after 10 years of service and 100% vested after 15 years of service.*

Good experience

To the editor: Thank you for the coverage given my recent speech on health care cost containment in the June 2 Perspective section.

While I read your newspaper religiously as one of my major sources of information regarding current activities in the health welfare and insurance areas, this was my first experience as a contributor. The placement, illustrations and editing were professional. Thank you; it's nice to have confidence in one of the major periodicals in our business.

Robert J. Cardinal
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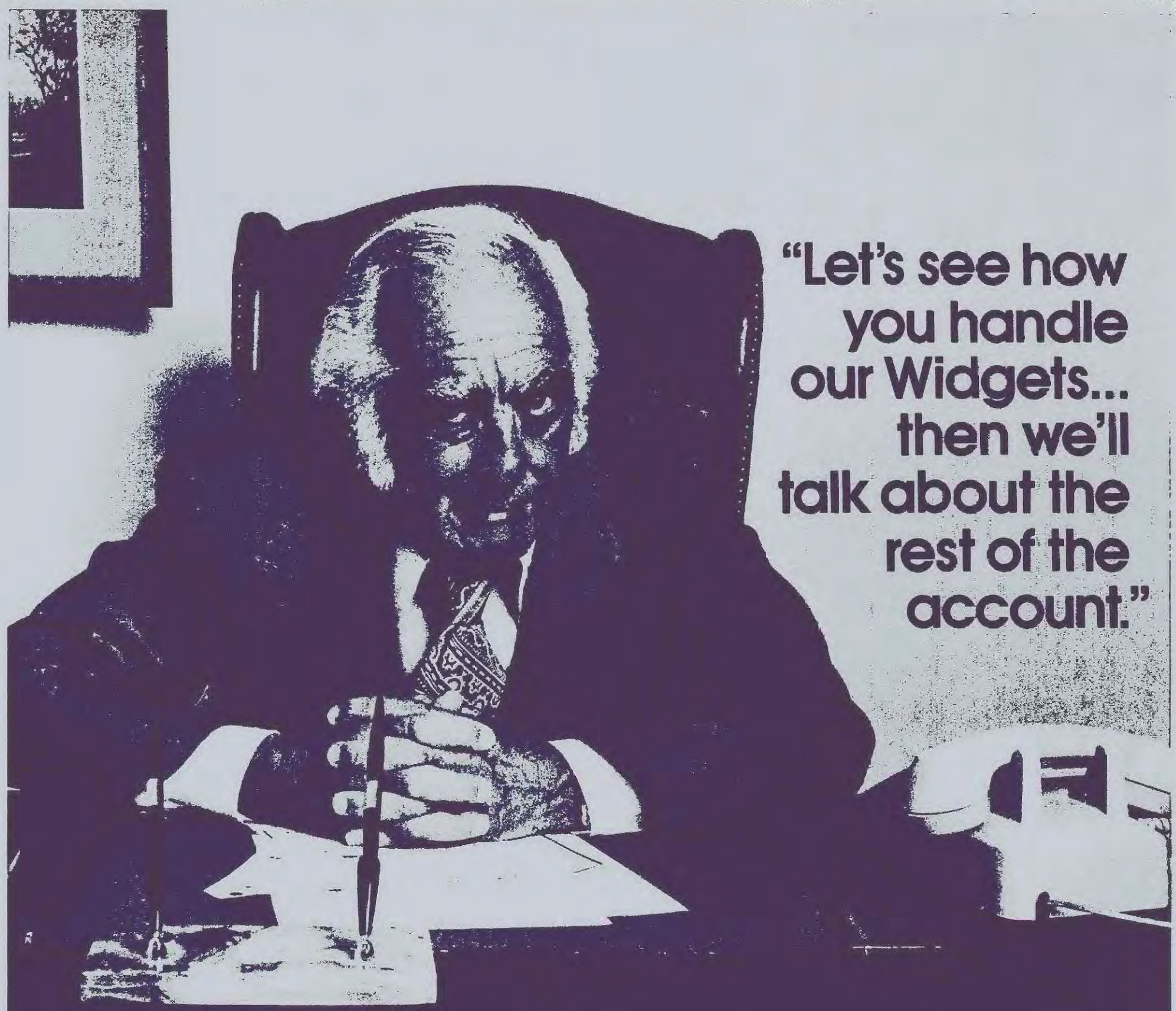
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Insurer's lawyer faces conflict of interest suit

By JERRY GEISEL

WASHINGTON—The Supreme Court will decide whether an attorney representing Firestone Tire & Rubber Co.'s excess insurer should be disqualified from representing plaintiffs in product liability cases against Firestone.

Firestone argues the cases present a conflict of interest for the Kansas City attorney John C. Risjord. He should be disqualified from the ongoing litigation involving injuries and deaths resulting from exploding multipiece tire rims, Firestone says.

The multipiece tire rim litigation now winding its way through the courts involves suits asking for at least $200 million from manufacturers of the rims: Firestone, Goodyear Tire & Rubber Co., Kelsey Hayes and Budd Co.

More than 300 injuries allegedly have resulted from defective rims.

Mr. Risjord represents several plaintiffs who were allegedly injured by defective Firestone truck tire rims. The attorney also represents The Home Insurance Co., which provides excess liability coverage over Firestone's self-insured retention of $500,000.

Firestone, in a brief to the Supreme Court, said Mr. Risjord is in an "inherently improper situation" by representing its insurer and plaintiffs who have brought suit against the huge tire and rubber company.

"The temptation which Risjord inevitably confronts to further the interests of his valued, long-standing client Home, in developing a strategy against Firestone, creates an inherently improper situation, not only in the context of Home's fiduciary obligation to the insured but also in terms of Risjord's duty of loyalty to the Risjord plaintiffs," the brief said.

Dual role

Mr. Risjord is in an 'inherently improper situation,' Firestone charges in the suit.

Mr. Risjord, though, points out in his brief that he and his Kansas City law firm, Niewald, Risjord & Waldeck, have only represented The Home "from time to time on a case-by-case basis" and is not paid a retainer by the insurer.

Firestone, however, told the high court that the Risjord-The Home relationship is long-standing, extending over a 20-year period.

In that time, Mr. Risjord has represented The Home "in a number of matters and consistently held Home out to the public as their foremost insurance client."

Courts have taken note of the danger that an attorney linked to an insurer might be influenced by coverage considerations in handling a personal injury suit, Firestone said.

"An attorney who represents a firm's insurer and plaintiffs could be influenced because in cases involving multiple claims against the insured, some of which fall within the policy coverage and some of which do not, the insurer may be subject to substantial temptation to shape its defense so as to place the risk of loss entirely upon the insured," Firestone said in quoting another court case.

But Mr. Risjord's brief said Firestone's charges of collusive conduct of the attorney were "yet unfounded."

Mr. Risjord also argued that disqualification from the multipiece rim litigation would be damaging to the plaintiffs he currently represents. ■

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Calif. investigates medical claim fraud

By RHONDA L. RUNDLE

SACRAMENTO— Doctors who write slanted, biased or downright fraudulent medical reports for workers compensation cases are under investigation by a California state agency that regulates medical practices.

Also under scrutiny are nonmedical agencies that drum up business for doctors willing to sign made-to-order reports for insurance companies, self-insured employers or attorneys who represent injured workers.

Medical report fraud is one of the abuses singled out by Gov. Jerry Brown and the state division of industrial accidents as a byproduct of the current workers compensation system that pits medical evidence produced by the injured worker against that submitted by the employer.

A bill (S.B. 375) to reduce the roles of both doctors and attorneys in the disputed claim process (*BI*, May 26) is now the subject of intense debate in the California legislature. The bill also mandates increases in temporary and death benefits for workers that could cost employers $330 million more a year.

"Solicitation of business for a doctor—sometimes called 'capping and steering'—is illegal in California," said Robert Rowland, executive director of the board of medical quality assurance heading up the medical report probe.

Mr. Rowland confirmed that an investigation has been underway since March, but he declined to speculate on what action might be brought against the doctors or nonmedical groups involved.

Blatant falsification of medical reports is unlawful and could result in criminal charges against a doctor. Less clearcut improper practices might prompt disciplinary action against a physician by the board, including possible revocation of a doctor's license to practice medicine in California.

Participants in the workers compensation process in California, including claims examiners, employers and attorneys, say some doctors will prepare just about any kind of medical report if the price is right.

"Our awareness of a growing number of abuses led to the current investigation and is a key reason behind our attempts to bring about major legislative changes in the workers compensation system," said Don Vial, director of the department of industrial relations.

The board of medical quality assurance acted after receiving information from the division of industrial accidents and other sources that offered some concrete leads about wrongdoing, Mr. Rowland said.

Specifically, the medical advisory committee of the division of industrial accidents learned that an orthopedic surgeon in Southern California had been approached to sign slanted medical reports substantially written by someone else.

He reported the incident to a colleague, Dr. Homer Pheasant, who is a member of the medical advisory committee. That committee in turn recommended the state medical quality board launch an investigation.

Unlawful act

Blatant falsifying of medical reports could result in criminal charges against a doctor.

Dr. Pheasant, head of the Adult Back Clinic at Orthopedic Hospital in Los Angeles, says he has long been suspicious of some doctors whose reports he has seen.

"Over many years of practice," he said, "one becomes conscious of doctors who always seem to see the medical evidence in a light favorable to the plaintiff, or favorable to the defense."

Also, he occasionally sees industrial injury patients who say, "This is the first time I've been examined," or "the last doctor only saw me for 15 minutes," even though their files contain long, detailed reports.

Some doctors who merely "examine" but never "treat" patients employ a staff of assistants who interview the patient, superficially examine him or her and write the report. The doctor may collect $600 to $800 for this service.

"Doctors can do a large number of such examinations in a single day," Dr. Pheasant said. ■

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CSP program sets exam dates

CHAMPAIGN, Ill.—The Board of Certified Safety Professionals has set 1981 dates for the Certified Safety Professional examination. The exam will be given May 16 and Oct. 17.

The deadlines for receipt of complete applications from new applicants will be Jan. 16, 1981, for the May exam and June 1, 1981, for the October exam. The exam locations will be determined according to the geographical distribution of the examinees. Lists of tentative locations will be available about two months before each test date.

For further information or applications, contact the BCSP at 501 S. Sixth St., Suite 101, Champaign, Ill. 61820; 217-359-9263. ■

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Excess/Surplus

Buyers splurge on cheap policies

BI Roundup

CHICAGO—Buyers are spending more in the surplus lines market for a variety of products in most states, but more E/S brokers and underwriters are sharing the income in this highly competitive marketplace.

Buyers spent about $2.2 billion in premiums with nonadmitted insurers in 1979, an increase of 6.5% over 1978, according to a *Business Insurance* survey of state insurance departments. From 1977 to 1979, the total premium increased nearly 28.6%.

For seven states in which insurance department tallies were not yet available, *BI* used 1978 premium records for the 1979 estimates. New reports, especially from large surplus lines states like Florida and New York, are likely to increase the 1979 total.

Bargain basement

The scene is a bargain basement sale with corporations stocking up on cheap umbrella, product liability, errors and omissions and directors and officers policies, while sellers slash prices until it hurts.

And brokers and underwriters are hurting. Though most states surveyed by *Business Insurance*—38 of 53, including Puerto Rico, D.C. and the Virgin Islands—reported increases in excess/surplus premiums ranging from 2% to more than 783% from 1977 to 1979, a survey of brokers and underwriters revealed lots of lost business.

In some states, use of the surplus lines market has increased dramatically in the past two years. In Delaware, for example, the tiny amount of premium paid to surplus lines insurers increased nearly eight times, from about $334,000 in 1977 to nearly $3 million in 1979.

More premiums

In Rhode Island, premiums paid to surplus lines underwriters jumped 132% since 1977 when buyers spent about $3.3 billion.

Oklahoma buyers also increased their use of the surplus lines market with premiums jumping over 40% from 1978 and showing a 98% increase from 1977 to 1979.

The brokers and insurers that grew in premium volume last year succeeded by aggressively marketing new products, especially professional liability.

"Our business increased about 23% last year, to about $10 million in premium. That was right on tar-

Continued on page 17

Surplus Lines Premiums by State

State	Surplus Lines Premiums 1979	1978	1977	79-78% change	79-77% change	Surplus Lines Taxes 1979	1978	1977
ALABAMA	$26,309,225	$24,532,850	$19,256,025	7.24%	36.62%	$1,052,369	$981,314	$770,241
ALASKA	43,423,684	39,906,649	31,807,530	8.81	36.52	1,136,214	1,086,310	906,696
ARIZONA	20,939,455	17,686,415	13,287,139	18.39	57.59	628,184	530,592	398,614
ARKANSAS	11,544,100	9,514,928	6,693,919	21.32	72.45	461,764	380,597	267,756
CALIFORNIA	286,316,744	302,540,429	257,116,000	-5.36	11.35	8,589,502	9,076,211	7,713,480
COLORADO	25,362,750	20,769,627	14,674,796	22.11	72.83	497,650	415,393	293,497
CONNECTICUT	20,369,003**	20,369,003	12,546,904	NA**	62.34	814,759**	814,759	501,876
DELAWARE	2,951,910	2,370,998	334,127	24.5	783.46	59,038	47,419	6,682
DIST. OF COLUMBIA	13,464,000*	13,236,806	9,886,882	1.72	36.18	269,279	264,736	197,738
FLORIDA	95,016,876**	95,016,876	82,692,401	NA**	14.90	2,449,544**	2,449,544	2,139,351
GEORGIA	43,513,426	43,924,684	35,471,211	-0.93	22.67	1,740,537	1,756,987	1,418,848
HAWAII	9,690,877	8,980,426	7,321,675	7.91	32.35	453,532	420,285	342,654
IDAHO	6,161,833	5,844,302	4,687,836	5.43	31.44	184,855	175,324	140,557
ILLINOIS	126,646,933	111,233,133	85,155,063	13.86	48.72	3,808,399	3,336,994	2,554,651
INDIANA	36,384,528	30,000,000	28,000,000	21.28	29.94	909,613*	750,000*	700,000*
IOWA	12,804,294	13,686,199	10,951,640	-6.4	16.92	256,086	273,724	219,033
KANSAS	21,207,162	20,994,476	17,338,779	1.01	22.31	424,143	419,889	346,775
KENTUCKY	16,454,753	18,746,178	16,105,737	-12.22	2.16	493,642	562,710	402,316
LOUISIANA	174,313,430	153,831,396	125,555,426	13.31	38.83	4,357,839	3,846,963	3,141,044
MAINE	3,923,191*	3,269,325	NA	20.0	NA	117,696*	98,079	NA
MARYLAND	29,540,066*	22,632,466*	20,635,700*	30.52	43.15	886,202	678,974	619,071
MASSACHUSETTS	45,130,000	41,320,000	32,845,000	9.22	37.40	1,805,638	1,652,825	1,313,839
MICHIGAN	84,335,896	80,651,797	61,115,500	4.56	37.99	1,780,641	1,716,290	1,306,876
MINNESOTA	26,389,905	28,732,000	26,656,881	-8.15	-1.0	719,724	623,777	533,177
MISSISSIPPI	10,437,436	8,175,064	9,602,081	27.67	8.69	417,497	327,002	384,038
MISSOURI	40,720,037	38,139,347	36,202,008	6.76	12.48	2,031,896	1,910,322	1,810,100
MONTANA	2,647,986	2,767,352	2,275,113	-4.31	16.38	74,760	75,839	63,320
NEBRASKA	10,796,274	9,723,751	7,707,875	11.02	40.06	233,282	201,583	157,724
NEVADA	6,892,730**	6,892,730	5,118,403	NA**	34.66	137,854**	137,854*	102,368*
NEW HAMPSHIRE	8,515,763	9,660,745	8,009,031	-11.85	6.32	170,883	192,793	160,138
NEW JERSEY	103,862,636	90,907,456	68,990,531	14.25	50.54	3,115,879	2,715,429	2,068,757
NEW MEXICO	3,589,573**	3,589,573	2,785,706	NA**	28.85	89,739**	89,739	69,643
NEW YORK	212,840,676**	212,840,676	192,241,158	NA**	10.71	7,649,135**	7,649,135	7,022,617
NORTH CAROLINA	19,267,702**	19,267,702	15,378,498	NA**	25.28	963,827**	963,827	768,942
NORTH DAKOTA	2,663,000	2,773,929	2,380,635	-3.99	11.86	64,581	69,336	59,468
OHIO	14,219,046	12,328,032	11,682,652	15.33	21.71	710,969	622,188	584,076
OKLAHOMA	24,463,022	17,445,927	12,360,058	40.02	97.91	1,467,791	1,046,755	741,603
OREGON	32,090,635	26,858,281	24,277,223	19.48	32.18	765,427	639,733	580,694
PENNSYLVANIA	98,000,000	92,000,000	76,000,000	6.52	28.94	2,895,920	2,739,687	2,242,010
PUERTO RICO	3,539,956	1,378,222	2,163,300	156.84	63.64	318,596	124,040	194,697
RHODE ISLAND	7,582,000**	7,582,000	3,274,166	NA**	131.57	227,460**	227,460	98,225
SOUTH CAROLINA	13,546,283	12,818,857	9,794,391	5.67	38.30	541,851	512,754	391,775
SOUTH DAKOTA	3,135,404	3,981,426	2,500,000	-21.24	25.42	126,386	149,338	75,123
TENNESSEE	26,811,377*	20,000,000	22,000,000	34.06	21.87	603,256	480,713	473,752
TEXAS	197,528,060	180,881,888	152,748,389	9.2	29.31	7,604,830	6,963,952	5,880,813
UTAH	7,205,000	6,327,000	4,661,000	13.87	54.58	216,000	190,000	140,000
VERMONT	3,336,414	2,714,851	1,987,743	22.89	67.85	100,092*	81,445*	59,632*
VIRGINIA	18,556,810	17,585,342	10,990,309	5.52	68.84	510,587	483,597	302,233
VIRGIN ISLANDS	80,008	391,238	46,924	-79.55	70.5	1,600	7,759	803
WASHINGTON	54,423,596	48,548,060	35,903,059	12.1	51.58	1,088,472	990,961	718,061
WEST VIRGINIA	6,322,000	6,387,478	5,782,151	-1.0	9.33	116,000	117,082	106,089
WISCONSIN	31,366,791	23,926,831	23,804,902	31.09	31.76	941,192	963,166	707,949
WYOMING	3,491,359	2,874,563	1,776,731	21.45	96.5	107,883	88,824	54,901
TOTALS/AVERAGES	**2,150,125,615**	**2,018,559,284**	**1,672,580,208**	**11.78**	**52.59**	**67,190,495**	**63,122,009**	**52,254,323**

*BI estimate

**Figures still being compiled, 1978 listed

Chart: *BI* Survey of Insurance Depts.

Buyers hold upper hand in soft market

BI Roundup

CHICAGO—Risk managers are milking the competitive insurance markets to lower insurance costs, buy back unwanted deductibles, increase limits and consolidate coverages into fewer policies.

Only a few risk managers report any problem finding the insurance they want from admitted or nonadmitted underwriters.

Fred W. LaMar, risk manager for Farmland Industries in Kansas City, complains that pollution liability for the conglomerate isn't available. But he's increased the company's general liability insurance by 33% in a market he calls moderately softer than a year ago.

William G. Robertson, director of insurance for Combustion Engineering Inc. in Windsor, Conn., says he can't find engineers errors and omissions insurance at what he considers an acceptable price in either the admitted or nonadmitted markets. He grants, however, that prices for excess insurance are lower now.

Unhappy a year ago, John Woods, director of insurance for Marriott Corp. in Washington, D.C., is now praising the markets



"We're trying to put together an all-encompassing program," says The Allen Group's William Blick.

for lowering the price of excess workers compensation insurance.

"This year the market is being much more responsive to the needs of self-insurers."

There are more companies writing excess workers compensation insurance this year, Mr. Woods says, and the companies are now more inclined to look at an individual company's loss experience in setting a premium.

Marriott's excess insurance costs are lower than they were two years ago even though limits have been increased, Mr. Woods said.

Most other risk managers report big savings on premiums and not having to look too hard or far to find the insurance they want.

"The American market is suddenly not only competitive with London but has taken the ball and and is running away with it," noted John C. Pinner, assistant treasurer at Mattel Inc. in Los Angeles.

"Nothing is really difficult in today's soft market," Mr. Pinner added. A few years ago, the Ringling Bros. Circus owned by Mattel was a tough risk, but not now.

Also, "Since the market went soft we find quotes coming in on a timelier basis—a full month before renewals," Mr. Pinner said.

Through retail broker Johnson & Higgins in Los Angeles, Mr. Pinner has been able to consolidate Mattel's substantial excess liability coverage with four insurers, down from 17. He anticipates about a 30% premium cost decrease in the renewal he is currently negotiating.

Terry Anderson, risk manager for city of Tucson, Ariz., is "looking for competitive quotes right now and indications are there that

Excess/Surplus

we might be able to cut our premium in half."

Casualty coverage above a $100,000 self-insured retention of up to $25 million is now written by one standard insurer: Central National, for $520,000.

"Our casualty umbrella coverage costs about half of what it did just three years ago," observed Dee McCloskey, manager of corporate insurance for Tiger International in Los Angeles.

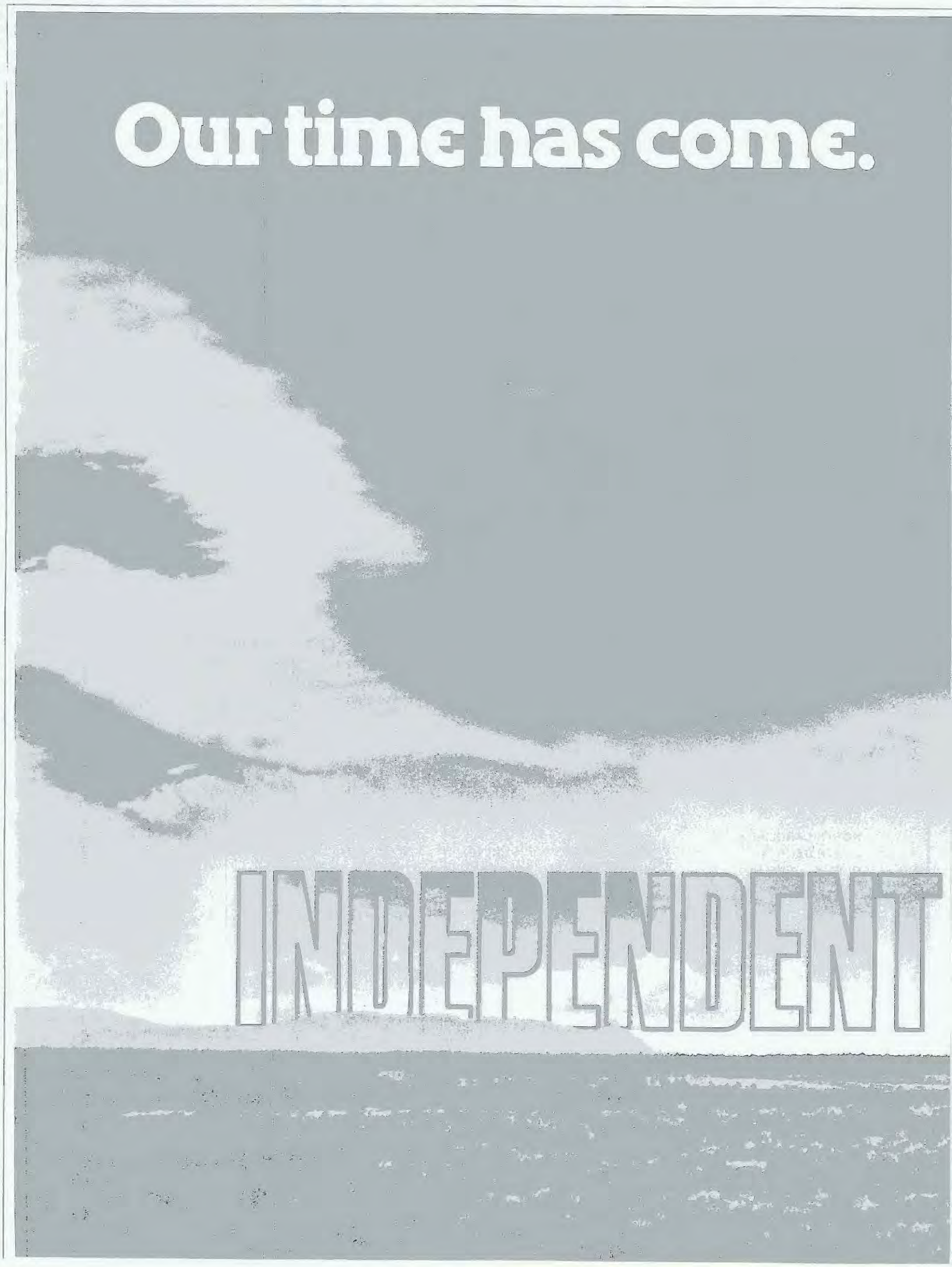
"Since the corporation is growing and expanding its operations outside the aviation field, we've increased our coverage across the board," Ms. McCloskey said. With negotiations about to begin for renewals through broker Frank B. Hall, she is optimistic about further savings this year.

Donald L. Doss, director of risk management for two Black & Decker Corp. divisions, McCulloch Corp. and Pacific International Division, saved 10% on excess liability insurance upon renewal last November. Since the price was right and product liability claims have increased, Mr. Doss also increased excess liability coverage.

William Blick, assistant treasurer at The Allen Group in Melville, N.Y., is increasing property insurance and restructuring the layered program. "We're trying to put together an all-encompassing program," he explained.

Jerry Surfus, insurance manager at Kaiser Cement & Gypsum, has shopped the nonadmitted insurers recently for both property and liability insurance. "In both cases we've been able to buy back some deductibles imposed on us by the standard market," he said.

Kaiser Aluminum & Chemical Corp., however, is moving property and liability policies previously written by nonadmitted insurers to admitted insurers, said Emmett Monahan, director of insurance. ■



Shopping days to continue

Risk managers have 100 to 1,000 easy shopping days until the next tight market cycle, depending on which broker or excess/surplus insurer you ask.

Though some industry watchers say insurers' loss ratios are already above the level that investment income can cover—ending plummeting prices—other experts see no end in sight.

No one exactly agrees.

"The flood of business back to higher prices and the excess/surplus market is a fantasy a lot of people want to believe," says Allen Kirshner, president of Markel Service Inc. "My own staff is telling me tight markets will be here in nine to 12 months, but I don't believe it.

"I say standard markets won't tighten until 1983, but I hope they're right and I'm wrong," he said.

E/S business suffers from slashed prices

Continued from page 15

get with what we had projected, even though we were also prepared to live without any growth at all because of the year that it is," said James Bryson, president of James H. Bryson Associates in Jenkintown, Pa.

His marketing followed the national trend: increased sales of excess self-insured workers compensation and errors and omissions.

"We are seeing a much greater demand for E&O policies than we used to. They are now available and we are selling them, for almost any kind of professional service," he noted.

A few other brokers kept revenues growing, but not because buyers came to them begging for coverage as they had during tighter market days. The E/S vendors flagged down retail agents and brokers with more salesmen, cheaper products, better commissions and promises of more attentive service.

Thomas J. Sheehan Inc., for example, more than doubled its sales staff and expanded its geographic attack, entering states where the firm was practically unknown, including Texas and California. The firm brought in $21 million in premiums for 1979, an increase of about $8 million.

Better service

"We're having a more intensive review of operations and offering better service to keep up with competition," Mr. Sheehan said.

Better service means giving timely quotations, following up the quotations for acceptance and letting the producer know how the claims are developing.

The turning point in competition for the firm came in August 1979, Mr. Sheehan said. Submissions dropped to the high teens from the high 20s at that time, he said.

"It was contagious," Mr. Sheehan said. "It hit the standard market first and us second."

But the Sheehan and Bryson firms were exceptions to the rule. Most brokers report either no growth or decreases of as much as 5% in revenues and rising operating expenses fueled by inflation. Some firms turned to placing primary coverages in addition to specialty lines.

Towers, Perrin, Forster & Crosby reinsurance and surplus lines brokers in San Francisco tried to turn the tables on the standard insurers now competing in traditional surplus products by underwriting both primary, property and liability lines. Retail broker clients also demanded more E&O and D&O policies for their accounts.

Though pricing was very competitive last year, "Pricing suffered serious deterioration this year," TPF&C's David Roddy said. "We're seeing risks for $15 million excess of $1 million for a premium of 15% of the limits. That reinsurers are supporting something of this nature is shocking."

Some E/S underwriters are holding the line at $100,000 per million, but prices as low as $400 for $1 million are being quoted, E/S brokers and underwriters say.

Package deals

Nonadmitted underwriters are finding they have to package their products, Mr. Roddy says.

"Before we'd pick out different areas that would be excluded," he said. "But today we might be competing on a package basis—property, business interruption and liability—with a small deductible."

Competition in the E/S markets continues unabated this year, agrees Mr. Bryson, but "prices can't keep dropping 20% to 25% a year. I think the bottom is really going to be reached in 1980.

"You can't keep pitting insurers against each other and always expect better terms. I think you will find insurers that will say they can't allow these prices any more and will just stop," he said.

Just as insurance buyers complain to brokers about radical swings in rates and costs, agents and brokers charge that insurers

Continued on next page

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WHOLESALER

IWest INSURANCE MANAGERS

E/S market feels slash

Continued from previous page
are responsible for intense competition.

"Good insurers," according to E/S brokers, look at loss experience before arbitrarily granting a massive rate reduction. "Good brokers," the insurers charge, should do more than hand in applications: They should also bear in mind what the insurer really wants and suggest price guidelines.

But everybody says they don't have the time to do this and still keep up with competitive demands.

"In a soft market, you have to work twice as hard to do the same amount of business," responded William Goldman, president of Horan Goldman Cos. Inc. in Bryn Mawr, Pa. His firm lost about 5% of revenues.

"The market is much softer today compared to the first half of 1979 and the biggest factor behind the intense competition is the growth of capital available," he said. "Furthermore, there has been a significant increase in the number of excess/surplus insurers in the last five years."

"The markets have become very irresponsible," snapped Patrick T. Moore, vp for Worldwide Facilities Inc. in Los Angeles. "Insurance companies are writing cash-flow business in hopes of making a killing in investments."

Mr. Moore says this practice will eventually catch up with insurers that are underreserving for future losses.

"The tail on liability claims is growing longer and longer," he said. "Congestion in the courts, inexperienced claims handling and inadequate computer records are fouling up insurance company loss records, some of which are hopelessly inaccurate."

Forced competition

Surplus lines insurers, however, charge that competition from standard markets and a glut of reinsurance forces them to be competitive, though no one will take the blame for leading price cuts.

Zurich of Illinois is one of the new excess/surplus insurers to enter the competition since the last tight market era of the mid-1970s. It started underwriting in 1978, but already growth has been slower than vp Herbert Baker had hoped.

"We're up probably 25% in premiums, but we are still in the growth stages," he said. "Our goal was about $10 million in premium for 1979 and we came in at about $9.4 million. Our target for this year is $15 million, but more realistically we may reach $13.5 million.

"Remember, we are losing some business ourselves," he added.

In 1979, Zurich insured about 17% of the risks it quoted. In 1980 so far, the insurer is underwriting slightly more than 11% of its bids.

"We're seeing more applications, certainly," he said, "but that's because producers are shopping more protectively and getting quotes from everyone."

Zurich has introduced a series of new products, including police professional liability insurance and "incidental malpractice" plans that cover detoxification centers, halfway houses and tanning salons. Zurich would introduce more new plans, "but in a lot of instances, the wholesale broker hasn't had a chance to work on it. The standard markets are willing," Mr. Baker said.

Standard markets are also swiping premiums from surplus lines insurers, though the number of policyholders may remain the same, says Robert Agnew, president of Northbrook Excess/Surplus Lines Insurance Co., owned by Allstate.

Buyers are able to purchase higher primary limits this year, taking some of the bread from the mouths of E/S insurers. Some insurers have gone the way of broker Towers, Perrin, Forster & Crosby and started to offer primary policies, intensifying the competition further. Others have decided to wait it out and absorb losses.

Fewer renewals

"One year ago, the strongest competition was from standard markets," explained Wayne Prather, president of Columbia Casualty. "Today surplus lines insurers have joined the competitive posture, so more insurers are competing than a year ago."

Mr. Prather could not estimate how many policyholders Columbia lost to the standard markets, but did note the insurer had only a 50% renewal rate.

Any change in the marketplace is unlikely before next year, however, he said.

"I'm sure a lot of the volume given back to the standard market will come back to the excess/surplus insurers," Mr. Prather predicted. But the E/S market will be a lot different in the next tight insurance cycle, he said.

"During the last market crunch around 10 markets were available," Mr. Prather said. "Now there are around 50." ■

winterthur insurance

Consolidated Accounts 1979

Consolidated Profit and Loss Account in million francs		1979 Non-Life Insurance	Life Insurance	Total	1978 Total
Premium income	Direct business, gross	1 917.5	1 147.9	3 065.4	2 726.8
	Reinsurance accepted, gross	259.9	24.5	284.4	329.7
	Total, gross	2 177.4	1 172.4	3 349.8	3 056.5
	Reinsurance ceded	– 170.1	– 19.1	– 189.2	– 187.2
	Total, for own account	2 007.3	1 153.3	3 160.6	2 869.3
Insurance claims paid, for own account		–1 152.0	– 417.1	–1 569.1	–1 377.1
Dividends paid to policyholders, for own account		– 12.9	– 150.9	– 163.8	– 156.4
Change in insurance reserves, for own account		– 272.4	– 689.7	– 962.1	– 942.6
Expenses, for own account		– 654.0	– 184.3	– 838.3	– 762.9
Investment income		283.5	344.5	628.0	581.8
Yield from our share in non-consolidated participations		7.9		7.9	6.4
Interest paid		– 16.4	– 20.7	– 37.1	– 41.0
Depreciation		– 92.2	– 14.2	– 106.4	– 69.0
Minority interests		– 0.1	0.0	– 0.1	– 0.1
Profit before taxes		98.7	20.9	119.6	108.4
Taxes				– 51.8	– 48.0
Annual profit				67.8	60.4

Consolidated Balance Sheet per end of 1979, before allocation of net profit — in million francs

Assets		**Liabilities**		
Real estate	2 168.2	Insurance reserves, Non-Life	3 591.8	
Mortgages	1 414.4	Insurance reserves, Life	6 060.3	
Bonds and loans	6 199.3	Insurance reserves, Total		9 652.1
Stocks and shares	559.1	Policyholders' dividends left on deposit		263.6
Non-consolidated participations	88.7	Deposits from reinsurance ceded		168.3
Loans on policies	84.9	Convertible debentures		78.4
Deposits from reinsurance accepted	187.4	Other liabilities		846.4
Bank accounts and cash	147.4	Minority interests		0.8
Other assets	738.1	Shareholders' Funds		577.9
	11 587.5			11 587.5

The consolidated accounts comprise the assets, the liabilities, the earnings and the outlays of the parent company and of those companies, of which Winterthur Insurance owns directly or indirectly more than 50 per cent. The valuation of assets and liabilities is in conformity with the provisions laid down in the individual countries for the published annual accounts.

The figures of Winterthur Norwich Reinsurance Corporation and of Norwich–Winterthur Holdings, in which our company has a 45 per cent share, and for the first time of Itaú–Winterthur are consolidated in accordance with the equity method of accounting. The value of our shares in the capital and in the results of these companies appears under the headings 'Non-consolidated participations' and 'Yield from our share in non-consolidated participations'.
The remaining participations are included in the consolidated figures with their book value and with the dividends received.

The shareholders' funds include the consolidation reserve which is given by the difference between the surplus recorded by the subsidiaries and their book values in the parent company. It would have been roughly 323 million higher, had the investments in securities been carried at their market value.

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Top brokers grow 16.3%

Big gainers mask the depressed market

By KATHRYN J. McINTYRE

CHICAGO—Bolstered by the impressive growth of a few new and rapidly expanding companies, 17 leading surplus lines brokers and specialty companies grew an average 16.3% in gross revenues in 1979 compared with 1978.

Thomas F. Sheehan Inc., the two-year-old Park Ridge, Ill.-based professional liability insurance specialist, finished 1979 with gross revenues of $2.4 million, a 55.3% increase from 1978.

Montgomery & Collins Inc., the West Coast-based subsidiary of INA Corp., answered the parent company's orders to expand with a 49.2% increase in gross revenues to $4.9 million in 1979 from $3.3 million in 1978.

E.H. Crump Cos. capitalized on

Excess/Surplus

new acquisitions and increasing revenues from branch offices to pull out a 38.3% growth in gross revenues in 1979 to $9.1 million from $6.6 million in 1978.

A few other leaders—Sayre & Toso, J.H. Blades & Co., The Saex Group—stepped up their marketing efforts and capitalized on their specialties to pull good growth of more than 23% out of a bad year.

These results mask the near stagnation and even falling revenues of other surplus lines brokers plagued by a hungry pack of admitted insurers slicing prices to get back business once dumped on the E/S market.

Even the business retained or won by the E/S market was at slashed prices, which cut the brokers' commission income. And to make it worse for the E/S broker, retail brokers were asking for more like 75% of the commission instead of 66% for producing the scarce business.

"Very depressed," is how Joseph F. Wecklerle, president of H&W Insurance Services in Encino, Calif., described the market. H&W's $3.3 million in gross revenues in 1979 was only a 9.9% increase from 1978.

"We're preparing ourselves for a rough road ahead," says Mac Henderson, president of Swett & Crawford Group. The Los Angeles-based surplus lines broker eeked out a 3.5% increase in gross revenues in 1979 compared with 1978 on a premium volume that fell 9.1%.

Mr. Henderson's prescription for surviving the present competitive environment is to trim operation costs, boost staff expertise and add branch offices in prime geographic locations to make Swett & Crawford more accessible to agents and brokers.

Shand, Morahan & Co., which most often acts as an underwriting manager for other surplus lines brokers, lost 6.3% in gross revenues in 1979 compared with 1978, based on *Business Insurance* estimates of its gross revenues. The drop in business flowing to insurers represented by Evanston, Ill.-based Shand—to $225 million in 1979 from $240 million in 1978—is indicative of the decreased demand for nonadmitted insurers' capacity and lower premiums charged in 1979.

Alexander Underwriters General Agency Inc. in Atlanta and Myron F. Steves & Co. in Houston also felt the pinch of the highly competitive insurance markets.

Premiums handled by Alexander Underwriters fell 5.5% in 1979 to $27.5 million from $29.1 million

Business Insurance Chart

Surplus Lines Brokers and Specialty Lines Companies

	Gross Revenues (000)			Premium Volume (000)			Employes		
	1979	1978	% change	1979	1978	% change	1979	1978	% change
Sayre & Toso Inc.	$26,056	$21,136	23.3%	$215,162	$183,819	17.1%	466	400	16.5%
Shand, Morahan & Co.	24,750[1]	26,400[1]	–6.3	225,000	240,000	–6.3	315	220	43.2
Swett & Crawford	13,098	12,654	3.5	184,029	202,554	–9.1	218	194	12.4
Wohlreich & Anderson Group	10,000[2]	10,000[2]	0	100,000	100,000	0	118	133	–11.2
E.H. Crump Cos.	9,125	6,600	38.3	97,000	75,000	29.3	220	224	– 1.8
Montgomery & Collins Inc.	4,850	3,250	49.2	56,000	38,000	47.3	120	68	76.4
John H. Crowther	4,050[1]	3,510[1]	15.3	45,000	39,000	15.4	85	70	21.4
J.H. Blades & Co.	4,100	3,300	24.2	84,000	65,000	29.2	117	91	28.6
Alexander Underwriters General Agency Inc.	3,500	3,700	–5.4	27,475	29,067	–5.5		148	–12.1
McAlear Associates Inc.	3,439[3]	2,926[3]	17.5	39,781	36,484	9.0	31	24	29.1
H & W Insurance Services	3,307	3,010	9.9	39,830	36,264	9.8	75	69	8.7
I West Insurance Managers Inc.	2,901	2,518	15.2	29,500	27,000	9.3	90	70	28.6
Thomas F. Sheehan Inc.	2,400[4]	1,545[4]	55.3	20,643	12,861	60.5	32	18	78
Dryden & Co.	2,300	NA[5]	NA[5]	19,600	NA[5]	NA[5]	35	NA[5]	NA[5]
The Saex Group	2,250	1,825	23.3	22,000	18,000	22.2	95	83	14.5
South Continental Insurance Agency Inc.	2,009	1,991	0.9	20,089	19,809	1.41	62	56	10.7
Myron F. Steves & Co.	1,601	1,670	–4.2	14,285	14,233	.37	37	37	0
TOTALS/AVERAGES	119,736	106,035	16.3	1,239,394	1,136,371	14.37	2246	1905	21.44

[1]*Business Insurance* estimate.
[2]Wohlreich & Anderson approximation.
[3]Includes Pilot Management Subsidiary.
[4]Fiscal year 3-1 to 2-28
[5]Company formed in 1979.

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Interpreting the results

Profiles of excess/surplus lines brokers in this issue are based on information supplied to *Business Insurance* by the brokers. The information is accurate to *BI's* knowledge, but cannot be verified.

Profiles of 17 E/S brokers with gross revenues (after commissions to retail agents and brokers) of more than $2 million begin on **page 30.** The companies' growth, specialties and operating philosophies are detailed.

A listing of 91 more E/S brokers whose gross revenues are below $2 million begins on **page 41.** These miniprofiles outline the size, management and specialties of the brokers.

Each profile notes if the broker belongs to a national professional organization.

Membership in NAPSLO, National Assn. of Surplus Lines Offices Ltd., certifies the broker is a professional wholesaler in the surplus lines business. A broker is a member only if "he is deemed by his peers to be a professional in the surplus lines field," says Jack Crowther, vp of NAPSLO. More than 400 offices belong to NAPSLO, based in Marietta, Ga., including 35 supporting members such as adjusting facilities and Lloyd's brokers.

The American Assn. of Managing General Agents, AAMGA, located in Washington, D.C., is "the toughest association to get into in the surplus lines field," says William R. Dyer, executive vp of AAMGA. To qualify for membership in the 53-year-old organization, a managing general agent must prove he's been in business for at least three years and has represented two or more admitted companies for at least three years. The agent must also prove he represents a well-defined territory and that more than 51% of his business is as a managing general agent.

Brokers or managing general agencies listing membership in NAII—National Assn. of Independent Insurers—either own an insurer that belongs to NAII or represent a member of NAII. NAII members must be a bona fide property/casualty insurer licensed in the U.S., although there is an international membership for non-U.S. companies.

The lineup of the six biggest E/S brokers in major E/S states are described in stories beginning on **page 22.** (New York, estimated to be the second largest E/S state, won't release figures on 1979 results until later this year. Florida's 1978 figures, previously unpublished by *BI*, are reported in this issue because 1979 figures aren't ready.)

One note of caution on the state leader listings: These premium volumes only represent placements with nonadmitted insurers.

in 1978. The drop in premiums cut the firm's gross revenues by 5.4% to $3.5 million in 1979 from $3.7 million in 1978.

Myron F. Steves & Co. increased its premium volume by less than 1% from 1978, but its gross revenues after paying commissions to retail agents/brokers fell 4.3% to $1.6 million.

Wohlreich & Anderson Group Ltd. in Cranford, N.J., reported no growth on its response to the *BI* questionnaire for this listing. Executives of the parent company in London, Alexander Howden Group Ltd., blame the stagnation on the competitiveness of the admitted insurers.

The admitted market's willingness to take business it once dumped on surplus lines insurers and to slash prices to get business reached Puerto Rico. South Continental Insurance Agency Inc. increased gross revenues only .9% in 1979 compared with 1978 on a premium volume that grew just 1.4%. But a 9% surplus lines tax in Puerto Rico puts the nonadmitted market at a disadvantage when admitted insurers will cut prices and take more risk, noted vp Charles C. Carr.

Some surplus lines brokers, however, prepared for the heavy competition in 1979 and turned a good increase in gross revenues despite the odds.

Sayre & Toso Inc., the surplus lines brokerage subsidiary of the Mission Group in Los Angeles, produced a 23.3% increase in gross revenues to $26.1 million, making it the largest E/S broker on the *BI* leader list.

"We realized this cycle was coming and that we had to do something about it," said Geoffrey Nicholls, vp-marketing. The answer: stepped-up marketing that brought in "more submissions and hopefully a better selection of risks," Mr. Nicholls said.

J.H. Blades & Co., a Crum & Forster subsidiary in Houston, tapped its specialty in energy-related risks to chalk up a 24.2% increase in gross revenues to $4.1 million in 1979 compared with 1978.

The Saex Group in Holyoke, Mass., produced a 23.3% growth in gross revenues in 1979 to $2.3 million with increased business in property coverages. Sharply rising gold and silver prices increased demand for inland marine insurance, noted president Robert J. Saex.

Other leading surplus lines brokers whose growth in gross revenues fell closer to the 16.3% average include John H. Crowther Inc. in Minneapolis (15.4%), McAlear Associates Inc. in Grand Rapids (17.5%) and IWest Insurance Managers Inc. in Stockton, Calif. (15.2%).

Dryden & Co., the new Prudential Reinsurance Co. subsidiary, brought in $19.6 million in premiums and $2.3 million in gross revenues its first full year by concentrating on product liability insurance and unusual professional liability insurance policies.

As a group, the 17 leaders increased their gross revenues 12.9% in 1979 compared with 1978, on a premium volume of only 9% more than in 1978.

The $1.2 billion in premiums handled by these 17 leaders is about half the estimated $2.2 billion in premiums paid to nonadmitted markets in 1979, according to *BI's* survey. ■

Other leaders

Major retail brokers own surplus lines brokerage subsidiaries to place business with nonadmitted insurers. Because these firms only handle their parent companies' business, they don't report gross revenues or premium volume separate from the parent. Their results will show up in the annual Agent/Broker Profiles issue of *BI* to be published July 28.

Among these captive forces in the E/S brokerage business are NBA Excess & Surplus Lines Inc., a subsidiary of Marsh & McLennan; Alexiam, a subsidiary of Alexander & Alexander and RBH Agency Inc., the subsidiary of Rollins Burdick Hunter.

Other surplus lines brokers that did not complete the *BI* questionnaire to be listed in this issue and would have ranked among the leaders include: Avreco; Stewart Smith; George F. Brown; Victor O. Schinnerer & Co. Inc.; Bowes & Co.; Cravens, Dargan & Co. Special Risks (Texas); Cravens, Dargan Pacific Coast, and Hull & Co.



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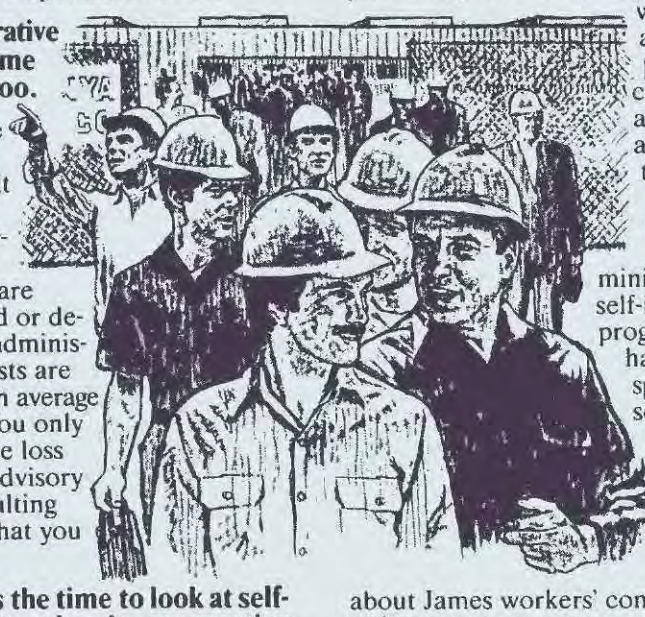
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California buyers spend the most on surplus lines

SACRAMENTO—California insurance buyers paid more surplus lines premiums in this state than any other, according to a *Business Insurance* survey of state insurance departments.

Surplus lines brokers placed more than $286 million in premiums in 1979, slightly less than in 1978 but over 11% more than in 1977, despite a growing competition from admitted insurers.

But surprisingly, only one of the four top nationwide surplus lines brokers based in California broke into the local top six: H&W Insurance Services. Swett & Crawford, ranked third largest locally in 1978, was bumped out of the top six ranking in 1979. Sayre & Toso and IWest Insurance Managers Inc. were unranked in the top six in 1978.

Walker Sullivan & Co. maintained the No. 1 position in California, placing nearly $29.9 million in surplus lines premium in 1979, 4.3% more than in 1978, and 40.2% more than in 1977.

Next in line pressed two divisions of large national retail brokerages, Marsh & McLennan Inc. and Johnson & Higgins of California as No. 2 and No. 3, respectively. The two divisions had the largest premium volume growth rate among the leading brokers, indicating the parent firms were placing an increasing portion of California risks in the surplus lines market.

M&M reported about $12 million in premium volume paid locally in 1979, a 34.2% increase from 1978 and an 85.6% increase from 1977, when the firm placed only $6.5 million. From 1977 to 1979, J&H increased premium volume paid by a whopping 178.6%, jumping from a tiny $4.1 million placed in the surplus lines market in 1977 to $11.4 million in 1979.

The massive increases go against the grain of the statewide trend to less use of the surplus lines market. Overall, buyers paid about 5% less in premiums to the surplus lines market in 1979 than in 1978.

The top brokers of 1978, excluding the national subsidiaries that didn't make the top six that year, placed 32.4% of the state's surplus lines premiums. The top six with those firms in 1979 placed only 30%. The former six leaders of 1978, including Swett & Crawford and George F. Brown & Sons, who were bumped out in 1979, placed only 28.4% of the overall premium volume in the state.

The bottom three brokers in the top six all placed less premiums in surplus lines for California risks. H&W Insurance Services handled $11.4 million in 1979, 4.3% less than in 1978 and 13% less than in 1977.

Baccala & Shoop, ranked fifth in the state, handled slightly more than $11 million, nearly 43% less than in 1978 and 24.4% less than in 1977. In 1978, Baccala & Shoop ranked the second largest in the state with a premium volume of $19.6 million.

Stewart Smith Haidinger Inc. stayed stable in the midst of other ranking upsets. Though the firm placed 6.8% less premiums to surplus lines markets in 1979 than in 1978, it maintained a No. 6 position and forged a 6.9% increase over 1977, when standard markets were considered less competitive. ■

Only one of the four top nationwide surplus brokers based in Calif. made the local top six: H&W Insurance Services.

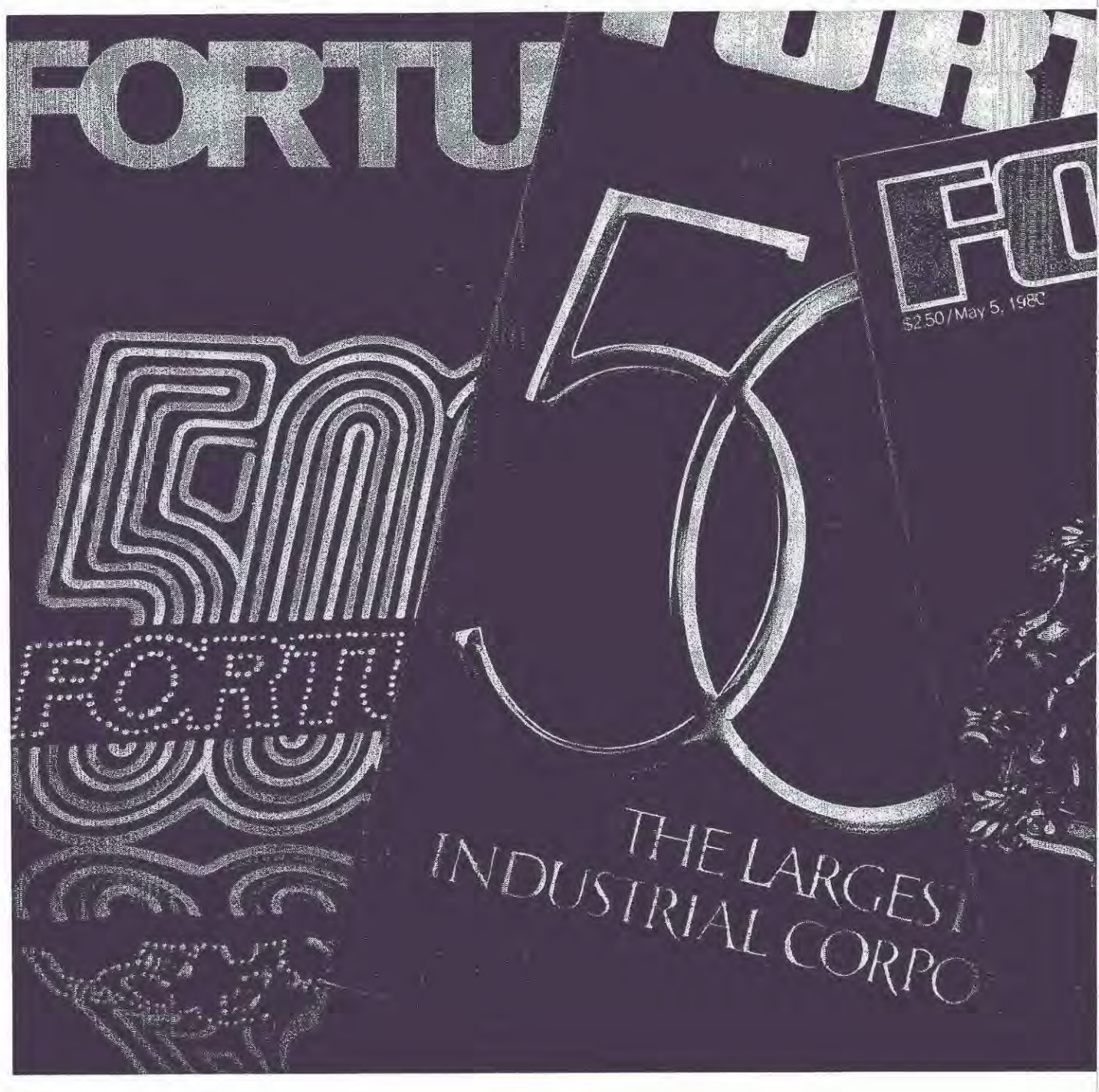
Big Six E/S Brokers in California

Surplus Lines Premium Volume

Company	1979	1978	1977	% change 1979/ 1978	% change 1979/ 1977
Walker Sullivan & Co.	$29,876,407	$28,638,967	$21,296,939	4.3	40.2
Marsh & McLennan Inc.	12,087,917	9,002,222	6,509,833	34.2	85.6
Johnson & Higgins of Calif.	11,444,111	5,225,429	4,107,001	119.0	178.6
H&W Insurance Services	11,411,443	11,920,381	13,117,163	-4.3	-13.0
Baccala & Shoop Insurance Services	11,171,118	19,555,445	14,767,634	-42.9	-24.4
Stewart Smith Haidinger Inc.	10,740,273	11,520,618	10,047,345	-6.8	6.9

Chart: *BI* survey of Calif. Insurance Dept.

LOOK WHERE THE SMART MONEY IS IN HEALTH CARE COVERAGE.



Big Six E/S Brokers in Texas

Surplus Lines Premium Volume

Company	1979	1978	1977	% change 1979/1978	% change 1979/1977
Cravens Dargan & Co. Special Risks	$11,061,178	$10,259,105	$8,384,371	7.8	31.9
J.H. Blades & Co. Inc.	10,424,753	8,506,574	7,439,169	22.5	40.1
Sayre & Toso Inc.	8,851,528	5,843,670	4,513,399	51.5	96.1
Swett & Crawford of Texas Inc.	8,762,775	5,291,961	5,127,894	65.6	70.9
Myron F. Steves & Co.	7,869,824	8,791,047	7,792,278	-10.5	1.0
Alexander & Alexander of Texas	6,354,790	4,412,766	4,754,514	44.0	33.7

Chart: *BI* Survey of Tex. Insurance Dept.

Texas buyers increase use of surplus lines

Excess/Surplus

HOUSTON—Texas insurance buyers continued to make increased use of the surplus lines marketplace, paying a total of nearly $198 million in premiums in 1979, 9.2% more than in 1978 and over 29% more than in 1977.

The leading Texas brokers as a group expanded their premium volume paid to surplus lines insurers even more.

Premiums for the top six Texas surplus brokers grew an overall 19% from 1978 and accounted for 27% of all surplus lines premiums paid in the state last year. In 1978, these six brokers handled 24% of all surplus lines premiums paid in the state that year, indicating a slight growth in market share for the leading brokers from 1978 to 1979. The leaders of 1978, however, held 23.7% of that year's premium volume.

Texas is the third largest state E/S market and the home of two of the 17 biggest E/S brokers on the *BI* chart: J.H. Blades (No. 8) and Myron F. Steves & Co. (No. 17).

Sayre & Toso Inc. and Swett & Crawford of Texas Inc. grew most dramatically—51.5% and 65.6%, respectively, from 1978 to 1979, but not enough to dislodge Cravens Dargan & Co. Special Risks from the top spot and J.H. Blades from the No. 2 position.

Myron F. Steves & Co. was the biggest loser, moving from the second largest in 1978 to fifth largest in 1979. From 1977 to 1979, Myron Steves grew only 1% in premium volume in Texas, with the other leading brokers reporting giant increases over the past two years.

Sayre & Toso, for example, nearly doubled its local business since 1977, jumping from $4.5 million in 1977 to nearly $8.9 million in 1979. Swett & Crawford was not

Continued on next page

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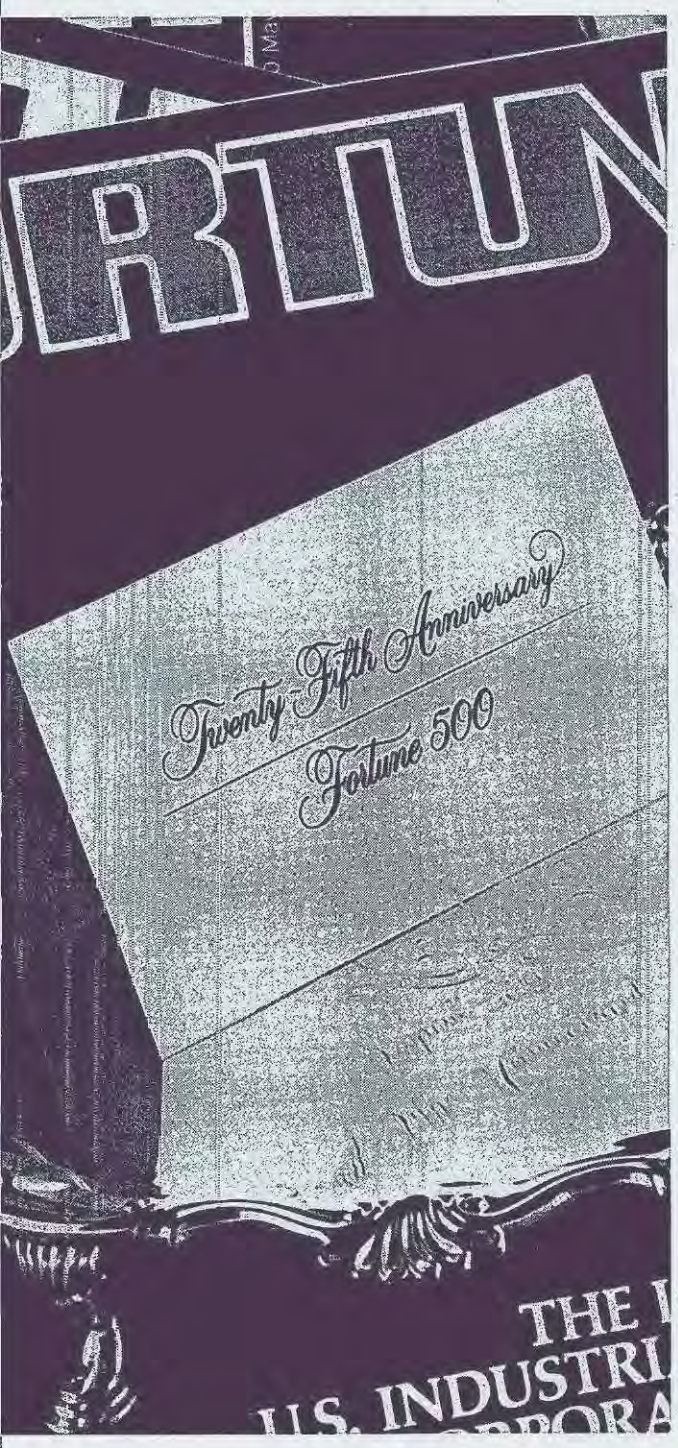
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Tex. buyers increase use of surplus lines

Continued from previous page

far behind in growth rate, increasing volume more than 70% from 1977 to about $8.8 million.

J.H. Blades, which moved up from third in 1978 to second in 1979, has also produced significant multiyear growth, increasing revenues more than 40% from 1977 to $10.4 million in 1979.

Cravens Dargan, however, maintained its lead despite a slowing growth rate. Though the firm posted a 31.9% local premium volume increase from 1977 to 1979, the volume increased only 7.8% from 1978 to 1979, topping $11 million for the first time in the last three years.

Alexander & Alexander of Texas also moved up, breaking into the

Excess/Surplus

top six surplus lines brokers on the strength of a 44% premium volume increase from 1978 to 1979 and an overall 1977 to 1979 increase of 33.7%.

The subsidiary of the nation's second largest retail brokerage reported $6.4 million in premiums placed in Texas, up from about $4.4 million placed last year, indicating a greater move to the surplus lines markets for A&A Texas accounts.

Two brokers—Dub Martin & Co., which ranked second in 1978, and Richard L. Jarrett Sr., which ranked third—did not make the 1979 top six.

Soft surplus lines markets and unusual conditions in Texas accounted for the shift in the Myron Steves & Co. ranking, according to the firm. Though up slightly in premium volume from 1977 to 1979, the brokerage lost more than 10%

Switching around

Changes in Texas have moved some E/S business into admitted markets, says Myron Steves.

of premium volume in Texas from 1978 to 1979. It reported about $7.9 million in premiums paid in 1979, compared with about $8.8 million in 1978.

"Changes in the state of Texas have moved some nonadmitted business into the admitted markets," explained partner Myron F. Steves. "For instance, the patrolman, private detective and security business has been nonadmitted for at least 15 years.

"With the licensure of this, liability is more and more often written in admitted insurers," he said.

The broker dropped three large fleet accounts in the first three months of 1980, an example of another problem plaguing the firm's surplus lines business.

"We are losing in the fleet and trucking areas because of deregulation," Mr. Steves said. "We are not certain, but we feel that many of the large premium items are going to the standard market, which is offering more coverage for less."

Some business, though, is returning to the surplus lines market, accounting for the slight overall growth of surplus lines premiums in the state.

"Taxi fleet excess over self-insured retentions has always been admitted, for example," Mr. Steves noted. "We are not putting together a plan for writing a nonadmitted market coverage."

Surplus lines package plans are due for a comeback, agreed Joe Blades of J.H. Blades & Co.

"We're attracting more bank customers for a variety of policies, including directors and officers liability coverage, trust coverage, errors and omissions and ERISA plans," he said. "These folks are interested in very high limits."

Despite Blades's successful performance in the state ranking, the firm "lost an awful lot of business in property and casualty lines to the standard markets," Mr. Blades said. ■

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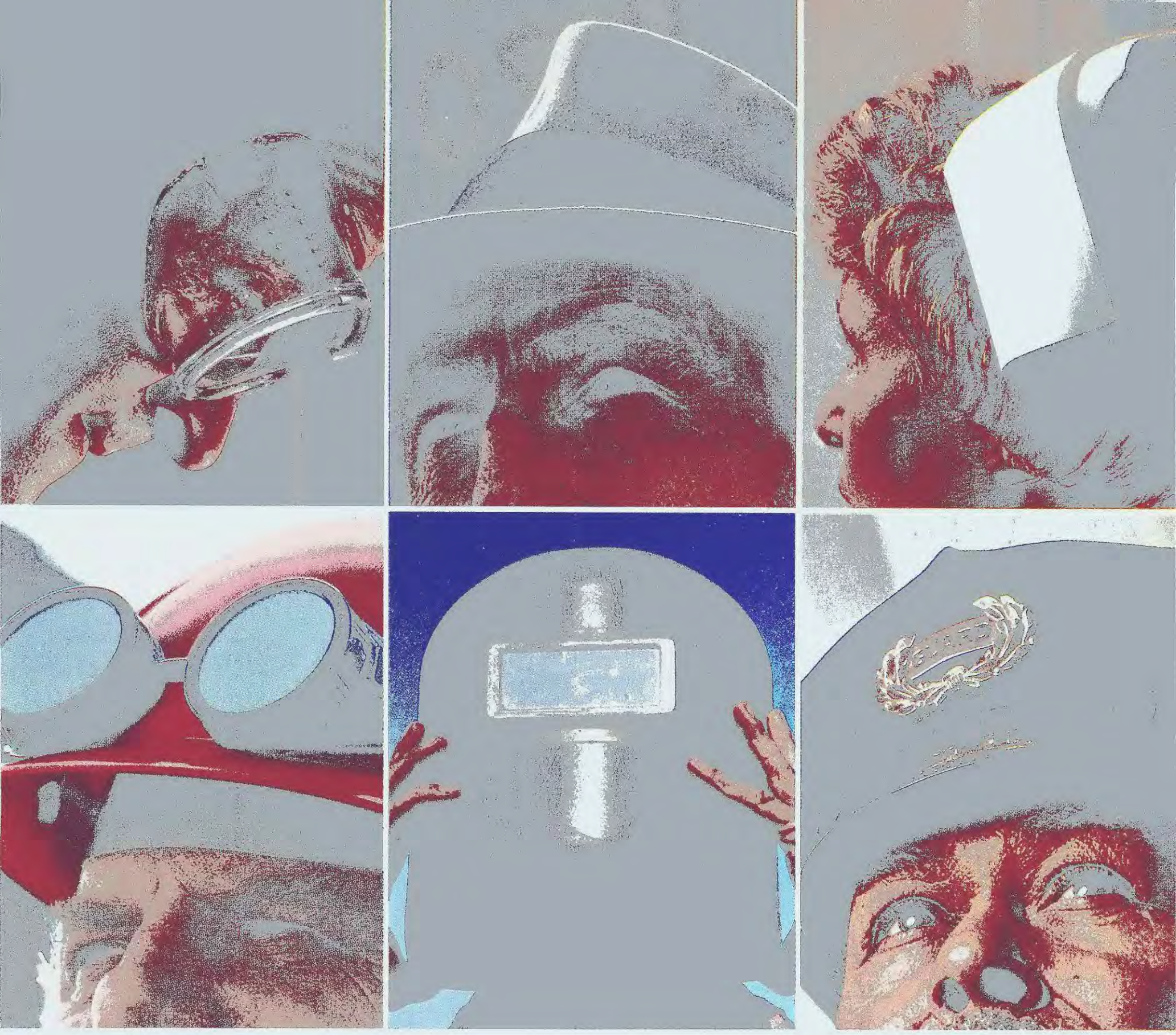


Rick Weinkauf, Weinkauf & Crust Agency John D'Angelone, AAU—Kansas City Dennis Koontz, Weinkauf & Crust Agency

Too often, insurance agencies try to land a big aviation account only to find that, when it comes to service, they're way off course. Just ask Rick Weinkauf and Dennis Koontz of Weinkauf & Crust Agency, Broomfield, Colorado. In the beginning, the agency just didn't have aviation insurance expertise. "Meanwhile," Rick wrote, "so many (prospective) accounts were searching for better service, adequate coverage and limits and a knowledgeable agent".
The solution? They went out and got all the experience and expertise they needed. They got hold of John D'Angelone of Associated Aviation Underwriters.
"John offered the training and advice we so badly needed. With his knowledge, we soon felt like professionals. And large commercial accounts were contacting us."
John D'Angelone and AAU backed Weinkauf & Crust in many other ways, too. For example, with the aid of Associated's corporate aircraft, "we were able to visit the risk in person and quote on the spot. That gave our agency prestige we could not otherwise have attained."
The bottom line, of course, is that "the ability to place aviation business with AAU has proven to be a very valuable source of income to our independent insurance agency."
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Fla. top six keep same market share

Big Six E/S Brokers in Florida

Surplus Lines Premium Volume

Company	1978	1977	% change 1978/1977	Company	1978	1977	% change 1978/1977
Hull & Co.	$10,655,080	$9,628,577	10.7	The London Agency	3,705,645	2,740,676	35.2
Dana Roehrig & Associates	7,611,263	7,369,029	3.3	George F. Brown & Sons	3,400,053	4,423,739	–23.1
Risk Management Services	5,418,806	3,939,088	37.6	Crump London Underwriters	3,347,651	2,717,835	23.2

Chart: *BI* Survey of Fla. Insurance Dept

TALLAHASSEE—One change in players and mixed growth among the leading six surplus lines brokers in Florida in 1978 didn't change the big six's market share: 37.3% of total premiums in 1977 and 1978.

The big six 1978 brokers controlled $34 million of the $95 million Florida buyers spent in the surplus lines market that year. The big six 1977 brokers controlled $30.8 million of the $82.6 million Florida buyers spent with nonadmitted insurers in that year.

The Florida insurance department won't release figures for 1979 until later this year; the 1978 results, unavailable for *BI's* E/S report last year, are published here.

Hull & Co. and Dana Roehrig & Associates held the No. 1 and No. 2 spots, respectively, both years. Hull & Co.'s premium volume grew 10.7% to $10.6 million in 1978 from 1977; Dana Roehrig brought in $7.6 million in premiums in 1978, only 3.3% more than in 1977.

Risk Management Services jumped into third place in Florida, spurred by 37.6% growth in 1978 over 1977 for a 1978 premium volume of $5.4 million.

The London Agency wasn't far behind with a premium growth rate of 35.2% pushing it into the No. 4 spot. But starting from a 1977 premium volume of $2.7 million, The London Agency was $1.7 million behind Risk Management Services in 1978.

Excess/Surplus

A 23.1% drop in premiums from George F. Brown & Sons's Florida clients cleared the way for Risk Management Services and The London Agency to move up in the state ranking. With $3.4 million in premium volume for 1978, Brown fell to the No. 5 spot for the year.

Crump London Underwriters moved into the No. 6 spot in Florida, edging out Arthur J. Gallagher & Co. Crump's $3.3 million premium volume in 1978 was 23.2% more than its 1977 premium volume of $2.7 million.

The 1978 premium volume for all top six Florida surplus lines brokers grew 10.8% compared with their combined premium volume in 1977. Total premiums paid in 1978 were 14.9% more than in 1977. ■

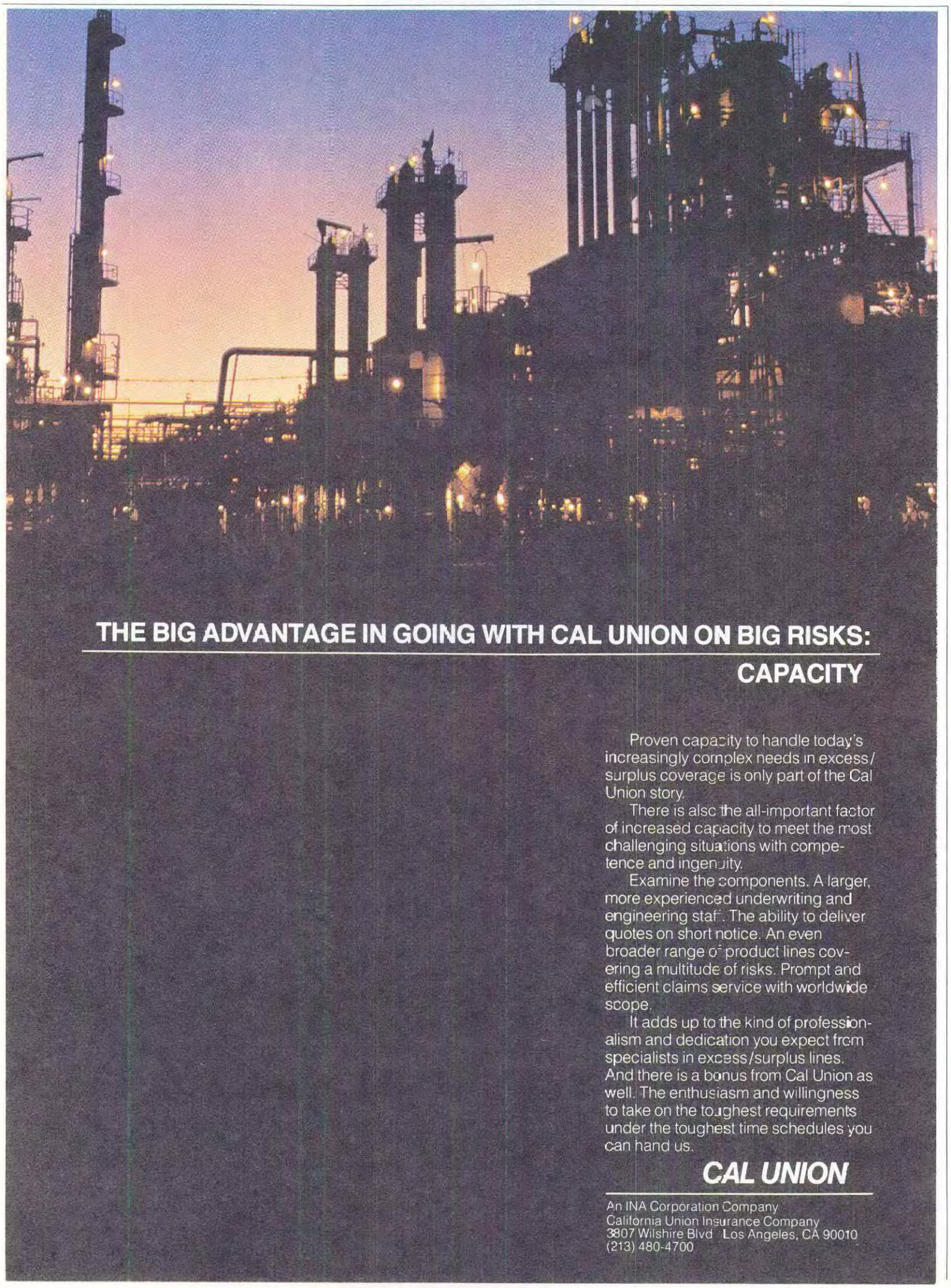
State laws circumvented

State laws requiring that admitted insurers get first crack at underwriting a risk before it lands in the surplus lines market are easily circumvented, insurance regulators say.

In Illinois, for example, it's almost impossible to enforce a state law requiring brokers to try to place a risk in the admitted market before tapping surplus lines insurers, says Ken Smith, deputy director of the state insurance department's property/casualty division.

"I suspect that there is an awful lot of business going to the nonadmitted market that could well be placed in the admitted market," Mr. Smith said. "But I don't think there is an easy way of dealing with the problem."

The New York insurance department thinks it has a way: It is calling for tighter scrutiny of the five rejections brokers are required to have before they can seek coverage from the nonadmitted markets.



Biggest brokers in Louisiana barely hold share

BATON ROUGE—The top six surplus lines brokers in Louisiana are only barely holding their market share in the state, and their premium volume in the state grew much slower than Lousiana's surplus lines market.

The same six surplus lines brokers hold the top six spots in premium volume in 1978 and 1979, although reshuffled by dramatic growth at Mid-Continent Underwriters Inc. and a big loss of business at Southern Marine & Aviation Underwriters Inc.

Their market share of total state premiums in 1979 fell slightly to 33.3% from 33.9% in 1978. The big six controlled $57.9 million of the state's $174 million surplus lines premium volume in 1979 and $52.2 million of $153 million in 1978.

The six, however, brought in 11% more in premium volume in 1979 than in 1978 while all surplus lines brokers in the state turned in 13.31% more in premiums in 1979 than in 1978.

With $174 million paid by Louisiana insurance buyers to surplus lines insurers, Louisiana is the fourth largest E/S state in the country.

Mid-Continent Underwriters Inc. jumped into first place among Louisiana surplus lines brokers with a 53.8% increase in premium volume to $20.3 million in 1979 compared with $13.2 million in 1978.

Gray & Co. Inc., taking first place from Mid-Atlantic in 1978 with just a little more than a $1 million increase in premium volume, didn't stand a chance in 1979 when its premium volume fell 2.3% to $13.9 million. Gray is now No. 2 in the state.

Southern Marine & Aviation Underwriters opened up the next three spots to other brokers in 1979 when its premium volume nosedived 25.5%. The third largest broker in 1978 dropped to the No. 6 spot in 1979 with $5.3 million in premium volume.

Pulling up to No. 3 in 1978 from No. 4 in 1978 was Southern States General Agency Inc., with a 3.1% growth in premium volume to $6.2 million.

Agency Management Corp. hauled in 13.9% more in premiums in 1979 than in 1978, moving itself up to Louisiana's fourth largest surplus lines broker in 1978 from sixth in 1978. Its 1979 premium volume was $6 million.

Frank B. Hall & Co., which lost 2.2% in premium volume in 1979 compared with 1978, held its spot as the state's fifth largest E/S broker with 1979 premiums of $5.9 million.

All six brokers showed growth over 1977 premium volume. Mid-Continent in 1979 more than doubled its 1977 premium volume, making it the biggest gainer among the six and almost four times the size of No. 6 Southern Marine & Aviation Underwriters.

Gray and Agency Management grew at almost the same rate from 1977: Gray's 1979 premium volume is 35.9% more than it was in 1977; Agency Mangement's premium volume is 33.6% more than in 1977.

Southern States General Agency and Frank B. Hall are running neck-to-neck over 1977: Southern State's premium volume for 1979 is 29.8% more than in 1977; Hall's is 29.1% more. ■

Big Six E/S Brokers in Louisiana
Surplus Lines Premium Volume

Company	1979	1978	1977	% change 1979/ 1978	% change 1979/ 1977
Mid-Continent Underwriters Inc.	$20,393,045	$13,259,581	$9,386,934	53.8	117.2
Gray & Co. Inc.	13,985,305	14,319,969	10,293,920	–2.3	35.9
Southern States General Agency Inc.	6,278,435	6,090,267	4,838,803	3.1	29.8
Agency Management Corp.	6,053,107	5,313,470	4,530,061	13.9	33.6
Frank B. Hall & Co. of La. Inc.	5,917,324	6,053,385	4,581,977	–2.2	29.1
Southern Marine & Aviation Underwriters Inc.	5,334,773	7,165,388	5,494,777	–25.5	2.9

Chart: BI Survey of La. Insurance Dept.

Holding their own

Despite competition, all six showed growth over 1977 premium volume.

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Illinois brokers see dramatic changes

Illinois Top Six E/S Brokers
Surplus Lines Premium Volume

Company	1979	1978	1977	% change 1979/ 1978	% change 1979/ 1977
Rollins Burdick Hunter Co. Agency Inc.	$15,341,607	$8,577,285	$4,158,832	78.9	268.0
Alexander & Alexander	7,727,827	4,785,357	5,718,716	61.5	35.1
Bowes & Co. Inc.	7,075,599	5,151,438	2,303,034	37.4	207.0
NBA Excess & Surplus Lines Inc.	6,744,191	10,898,832	10,713,168	–38.1	–37.1
John E. Irland & Co.	5,615,348	5,286,149	4,133,108	6.2	35.9
George F. Brown & Sons Inc.	5,297,853	4,482,499	2,095,800	18.2	152.8

Chart: *BI* Survey of Ill. Insurance Dept.

SPRINGFIELD, Ill.—The individual and group market share of leading surplus lines brokers in Illinois changed dramatically in 1979.

One 1978 leader grew by leaps and bounds but another lost a lot of business and three new brokers joined the top six ranking in 1979, compared with 1978.

As a group, the top six 1978 brokers controlled 34.6% of the total $111.2 million in surplus lines premiums paid by Illinois insurance buyers in 1978. But the new 1979 leaders controlled 37.7% of the $126.6 million spent by Illinois buyers in the surplus market in 1979. The 1979 leaders' share of the 1978 market, however, was only 30.9%.

Rollins Burdick Hunter Co. Agency Inc. rocked into first place in 1979 from second in 1978 among surplus lines brokers in Illinois with a whopping 78.9% growth in premium volume in 1979.

Excess/Surplus

The increase to $15.3 million in premiums in 1979 from $8.6 million in 1978 reflects the acquisition of new major Illinois accounts using the surplus lines market and possibly the addition of more self-insurers looking for excess insurance in the surplus lines market, speculated an RBH executive.

RBH Agency Inc. places business in the E/S market only for RBH accounts.

Another major retail broker was the second fastest growing E/S Illinois broker: Alexander & Alexander. A&A's placements with the nonadmitted market for Illinois buyers jumped 61.5% in 1979 from 1978 to $7.7 million in premiums.

A&A's increased placements, possibly a reflection of the acquisition of R.B. Jones, moved it into second place among Illinois surplus lines brokers in 1979 from eighth in 1978. Illinois R.B. Jones fell off the top chart six chart in 1979 from fourth in 1978.

Big changes
One 1978 leader grew by leaps and bounds, but another lost a lot of business.

Losing a lot of E/S business, however, was NBA Excess & Surplus Lines Inc., the Marsh & McLennan E/S brokerage subsidiary. Its premium volume fell 38.1% from 1978 to $6.7 million from $10.7 million. That moved NBA down to fourth place from first in 1978.

The other three Illinois leaders in 1979 ranged from good to only slight growth over 1978.

Bowes & Co. Inc. increased its premium volume 37.4% in 1979 to $7.1 million, moving into the No. 3 spot. Bowes & Co.'s 1978 premium volume of $5.2 million ranked it seventh.

George F. Brown & Sons Inc., recently acquired by Fireman's Fund Insurance Co., grew 18.2% in 1979 to $5.3 million in premium volume. That growth pushed it into the No. 6 spot in 1979 from No. 9 in 1978. Its growth from 1977 is even more impressive: 152.8% in premium volume.

John E. Irland & Co. inched up the ranking with just 6.2% growth in premium volume to the fifth spot in 1979 from sixth in 1978. But Irland's 1979 premium volume of $5.6 million is 35.9% more than in 1977.

Falling off the top chart in 1979 compared with 1978 are Wohlreich & Anderson and Stewart Smith. ■

Tender cover limit raised

SANTA MONICA, Calif.—NAS Insurance Services has raised the limit on its tender offer defense expense coverage to $5 million from $1 million (*BI*, May 19).

The special coverage, introduced in May, reimburses publicly held corporations for outside legal expenses resulting from successfully defending unfriendly tender offers. ■

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When creative protection is essential

Here's a glance at 17 top brokers

1 Sayre & Toso Inc.

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

Excess/Surplus

	1979	1978
Premium vol.	$215,162,000	$183,819,000
Gross rev.	$26,056,000	$21,136,000
% E/S bus.	100%	100%
Employes	466	400

Despite intense competition in the surplus lines markets, Los Angeles-based Sayre & Toso managed an enviable 17.3% increase in premium volume last year through a concerted corporate marketing push.

Premium volume topped $215 million and net revenues were about $26 million, based on business produced primarily through Sayre & Toso but including results from the Mission Group's two other managing general agencies, George S. Kausler and Carillon Managers International.

"We realized this cycle was coming and that we had to do something about it," said Geoffrey Nicholls, vp-marketing. "Our approach has been to put marketing people in all S&T offices to cover the territory and to ensure that everyone—including underwriters and managers—gets involved in marketing."

This strategy has given Sayre & Toso a broader production base, Mr. Nicholls explained. "We get more submissions and hopefully a better selection of risks." To offset declining premium income on existing business, Sayre & Toso has had to increase its number of clients, he said.

Sayre & Toso's book of business breaks down into about 60% casualty and 40% property. Ninety-five percent of the casualty business is umbrella coverage, the balance in broad-form third-party property damage, excess workers compensation and others.

In 1980, Sayre & Toso's property coverages have been coming along faster than its casualty lines, Mr. Nicholls said. Sayre & Toso will write almost any commercial property risk that meets its underwriting and minimum premium standards, typically about $1,000. The exact minimum varies by state and type of risk, he explained.

"In states such as Colorado, Montana, Idaho, Iowa and Nebraska, we can charge less premium because exposures are less, due to a legal climate more favorable to policyholders and insurers in those states," he said.

George S. Kausler is developing a new package program that will be offered to medium-sized retail and mercantile risks, Mr. Nicholls said. In addition to standard lines business, the New Orleans-based agency is seeking unusual package risks it can insure through facilities in the nonadmitted market.

Kausler also plans to build up its marine book, Mr. Nicholls adds. To capture more West Coast business, Kausler recently added a representative in the Mission Group's Seattle office.

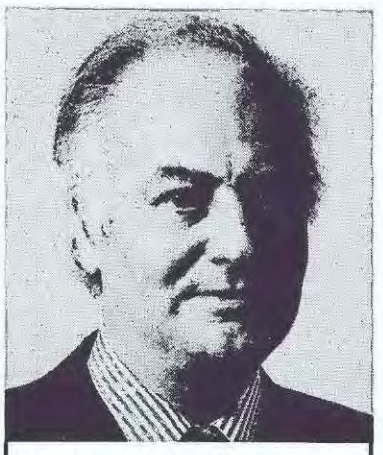
Last year, Mr. Nicholls told *Business Insurance*, Sayre & Toso was investigating primary aviation insurance. But the company decided not to broach that market. "It's still highly competitive," he noted.

About 90% of Sayre & Toso's operating is as managing general agent for its sister insurance companies in the Mission Insurance Group as well as for more than 200 foreign companies, Mr. Nicholls says.

Mission's risk-bearing subsidiaries include the Mission Insurance Co., Mission National Insurance Co. and Holland-America Insurance Co.

"We have a growth ethic and will open new offices when we feel there is opportunity in those locatons for underwriting profit as well as commission income," Mr. Nicholls said. Sayre & Toso is obliged to make money for the group's insurance subsidiaries, he said; it cannot merely write business to earn commission income.

This month, Sayre & Toso will put a representative in Mission's new Ventura County office northwest of Los Angeles. For now, the Houston office serves Dallas, but it probably won't be long before Mission opens a second office in Texas. Mr. Nicholls also expects to see a new office in Cleveland soon.



Bigger selection

'We get more submissions,' says Geoffrey Nicholls.

Full service offices with underwriters-in-residence are located in Los Angeles, San Francisco, Orange County, Calif., Seattle, Portland, Denver, Houston, Chicago, New York, New Orleans, Atlanta, Boston, St. Louis, Philadelphia and Minneapolis. There are also field offices in Sacramento, Fresno, Phoenix, Tampa, Tulsa and Milwaukee.

Principal officers of Sayre & Toso include: W.M. Heyward, president; W.A. Greenup, executive vp; O.O. Johnson, senior vp-property; R.E. O'Hara, senior vp-casualty; C.M. Floyd, vp-internal operations, and Geoffrey Nicholls, vp-marketing.

Sayre & Toso is a member of NAPSLO.

2 Shand, Morahan & Co. Inc.

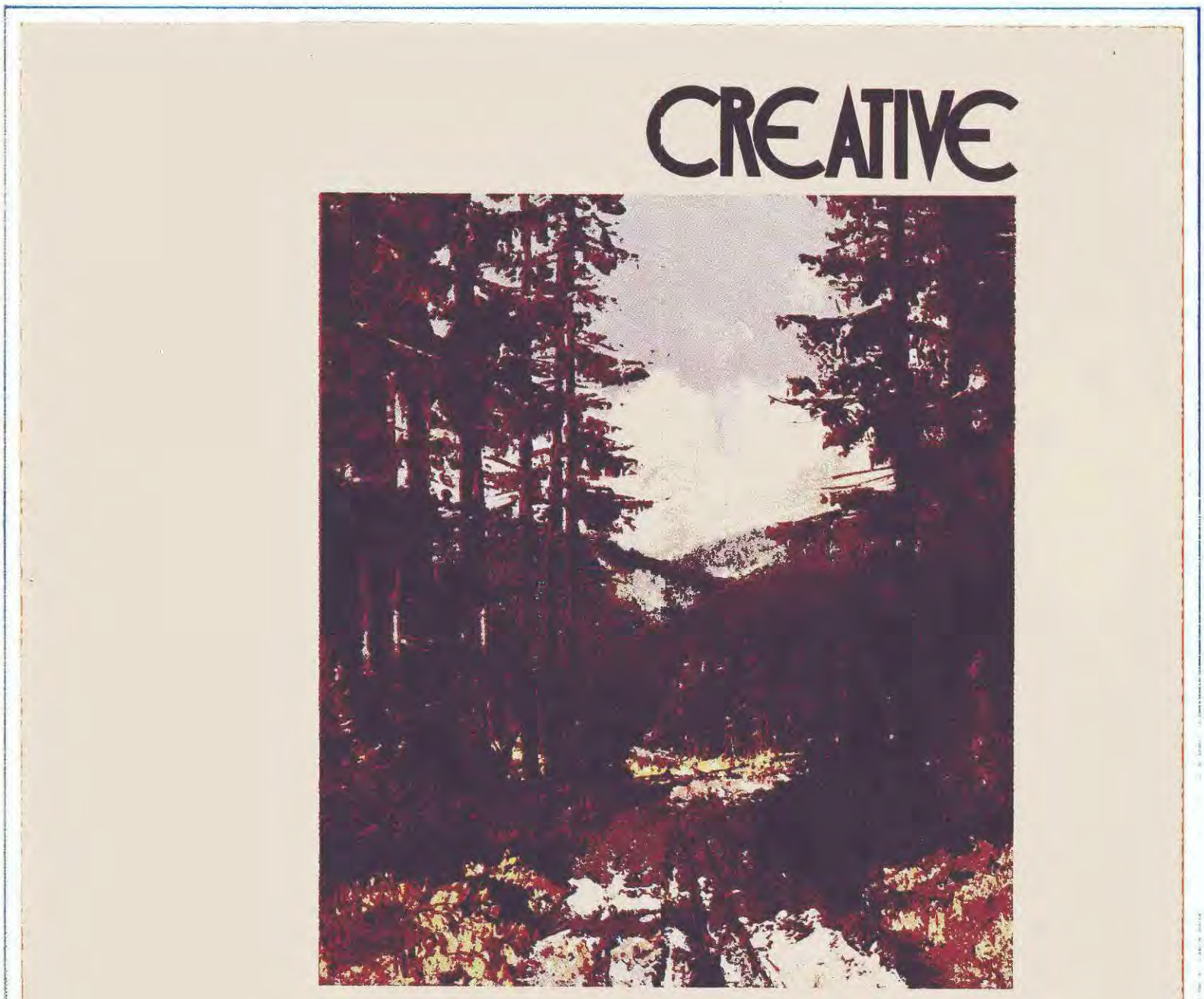
One American Plaza, Evanston, Ill. 60201; 312-866-2800

	1979	1978
Premium vol.	$225,000,000	$240,000,000
Gross rev.	$24,750,000*	$26,400,000*
% E/S bus.	315%	220%
Employes	100	100

* BI estimate

Professional errors and omissions coverages have been good to Shand, Morahan & Co. Inc., helping the firm to maintain a steady growth rate during the last decade in spite of radical market swings.

Shand, Morahan, as underwrit-



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ing manager for many specialty insurers, provides markets primarily to wholesale brokers, although it also holds a surplus lines license.

In 1970, the firm had only five employes and premium volume of $1.4 million, but by 1980 premium volume had grown to more than $220 million and the staff expanded to 315. It still has its only office in Evanston, Ill., preferring to concentrate its talent.

Premium volume figures for 1978 and 1979 were taken from Shand, Morahan promotional literature. President Max Beam, however, told *Business Insurance* that the published 1978 volume figure was based on 1978 midyear estimates and that the firm did not meet those estimates.

Although premium income was off the 1978 pace by about $20 million, Shand, Morahan added 95 employes, a sign that the firm continues to expand and plan new products.

"Our secret has been to anticipate Lloyd's," explained assistant vp Don Brayer. "We try to offer markets for coverages before the need has reached foreign markets."

Shand, Morahan began offering professional liability insurance for lawyers in 1973, beating much of the competition to the punch. The firm's legal malpractice business continues to go strong, in spite of increased competition from standard and other specialty markets.

Since 1973, the underwriting management firm has added E&O programs for architects and engineers, medical doctors, insurance agents and brokers, real estate agents and brokers, accountants and directors and officers.

This year has added markets for insurance company errors and omissions coverage and liability insurance for financial institutions.

More than 50% of the firm's business is derived from E&O coverages, though Shand also offers product liability and umbrella coverages. Pollution liability insurance for hazardous waste storage facilities covering gradual and nonsudden pollution is being introduced this year.

Though growth has been swift and markets plentiful (Shand represented seven insurers in 1970 and more than 150 markets in 1980), heavy competition has forced the firm to draw in its reins a bit.

"Everyone is bemoaning what's going on in the umbrella markets," Mr. Brayer noted. "Price cutting has been outrageous. And in product liability, reductions of 40% have certainly been common."

Shand has cut rates as everyone else has, he added, but has tried to avoid hitting rock bottom during this soft market cycle.

"We see ourselves as a long-term market and we need to compete, especially in the professional liability areas," he explained. "When we reduce premiums, we are doing it to meet our competition."

Lawyers liability insurance is especially competitive, he noted. "Some plans are extremely underpriced now." One of the Shand, Morahan markets, Evanston Insurance Co., which is also owned in part by retail broker Alexander & Alexander, has provided a steady flow of that coverage and other professional liability plans since 1977.

Evanston Insurance, with a premium volume of more than $44.3 million, is licensed to provide coverage in 44 states.

Shand, Morahan officers include: Joseph E. Morahan Jr., chairman and chief executive officer; Max Beam, president and chief operating officer; E.L. Calhoun, executive vp; Brigitte A. Carroll, senior vp; and Joseph J. Prochaska Jr., vp and treasurer.

3 Swett & Crawford

4201 Wilshire Blvd., Los Angeles, Calif. 90010; 213-937-5411

	1979	1978
Premium vol.	$184,029,434	$202,554,000
Gross rev.	$ 13,098,000	$ 12,654,000
% E/S bus.	80%	80%
Employes	218	194

"Last year was definitely not up to our expectations," admits Mac Henderson, president of The Swett & Crawford Group, troubled by declining premium volume in an excessively competitive market.

The Los Angeles-based surplus lines broker's performance peaked in 1977. It started to drop off at the end of the first quarter of 1978, coinciding with an enormous influx of capacity into the market. Swett & Crawford's writings have been down in 24 of the past 27 months.

Swett & Crawford producers have also been frustrated by the

Continued on next page

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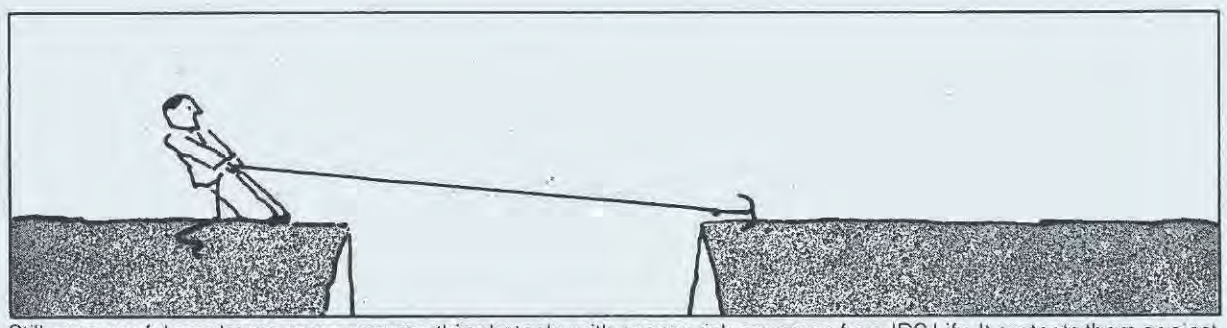
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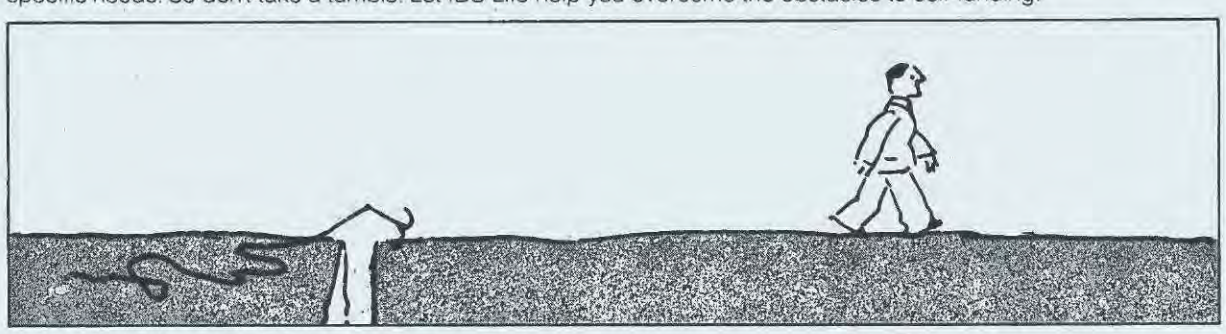
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Photo: Rhonda Rundle



Forewarning
'We are preparing ourselves for a rough road ahead,' says Mac W. Henderson.

Continued from previous page

conservative underwriting stance of the Harbor Insurance Co., the group's captive insurer for hard-to-place risks. The underwriters there consider current market rates inadequate to insure liability risks with a long payout period. The company has virtually stopped underwriting.

Although the broker's accounts have held steady at about 4,500 over the past two years, lower rates have eroded commission income. In 1979, the broker's net revenues showed a slight increase of 3.5% despite a decline in total premium volume because of a change in the mix of business on which commissions were paid.

"We are preparing ourselves for a rough road ahead," said Mr. Henderson, who assumed the group presidency this year when William F.W. Fellows was appointed chairman pending his retirement at the end of 1980.

Roy D. Oddy became executive vp and chief executive officer of Swett & Crawford's brokerage operations last spring.

Excess/Surplus

Mr. Henderson's prescription for surviving the present competitive environment is to trim operation costs, boost staff expertise and add branch offices in prime geographic locations to make the company more accessible to agents and brokers.

Swett & Crawford expects to register a boost in business from new offices in Denver, Boston and Newport Beach, Calif., by the end of 1980, Mr. Henderson said. Other offices are in Atlanta, Boston, Chicago, Columbus, Dallas, Greensboro, Greenwich, Honolulu, Houston, Los Angeles, New Orleans, New York, Portland, San Diego, San Francisco and Seattle.

Swett & Crawford is also looking for new areas of opportunity. Excess coverage for self-insured employe benefit programs is one new Harbor Insurance Co. product for which S&C has high hopes.

"We're also looking at the inland marine business, motion picture coverages and the accident and health business, " he said.

Business is healthy in Swett & Crawford's directors and officers liability line, where Swett & Crawford ranks second nationwide behind American Home, Mr. Henderson says. S&C has been able to meet market demand for higher limits by using domestic and London markets to place excess coverage.

Energy-related business, including builders risks for onshore and offshore drilling, have also held up pretty well, Mr. Henderson reports. The brokerage has good facilities for political risks coverage, he adds.

Swett & Crawford identifies among its other specialties: political risk insurance including confiscation, expropriation and nationalization coverage; oil & gas coverages; course of construction/ builder's risk, and differences in conditions.

Seeking to capitalize on its highly acclaimed engineering services, Swett & Crawford is starting to promote them to other underwriting companies for claims and risk analysis.

To upgrade the technical skills of staff, S&C offers brokers a wide range of in-house training programs and subsidizes participation in various industry seminars. Selected brokers, key producers and branch managers are enjoying a firsthand glimpse of the London market during work tours there.

Swett & Crawford is a longtime Lloyd's correspondent and has close contacts with London brokers.

Principal officers besides Mr. Henderson and Mr. Oddy include: Thomas Carey, senior vp-national accounts and Robert B. Angle, L.J. Cromer and John W. Hanna, senior vps and regional managers.

Swett & Crawford is a member of NAPSLO.

4 Wohlreich & Anderson Group Ltd.

6 Commerce Drive, Cranford, New Jersey; 201-272-2500

	1979	1978
Premium vol.	$100,000,000*	$100,000,000*
Gross rev.	$10,000,000*	$10,000,000*
% E/S bus.	95%	95%
Employes	118	

*W&A estimates.

Wohlreich & Anderson Group Ltd. is in the midst of arranging large-scale acquistions of brokerages and consulting firms, says James Wilkens, senior vp.

The formation of a bigger Wohlreich & Anderson into a nationwide company will be completed within a year, said Mr. Wilkens, declining to be more specific now.

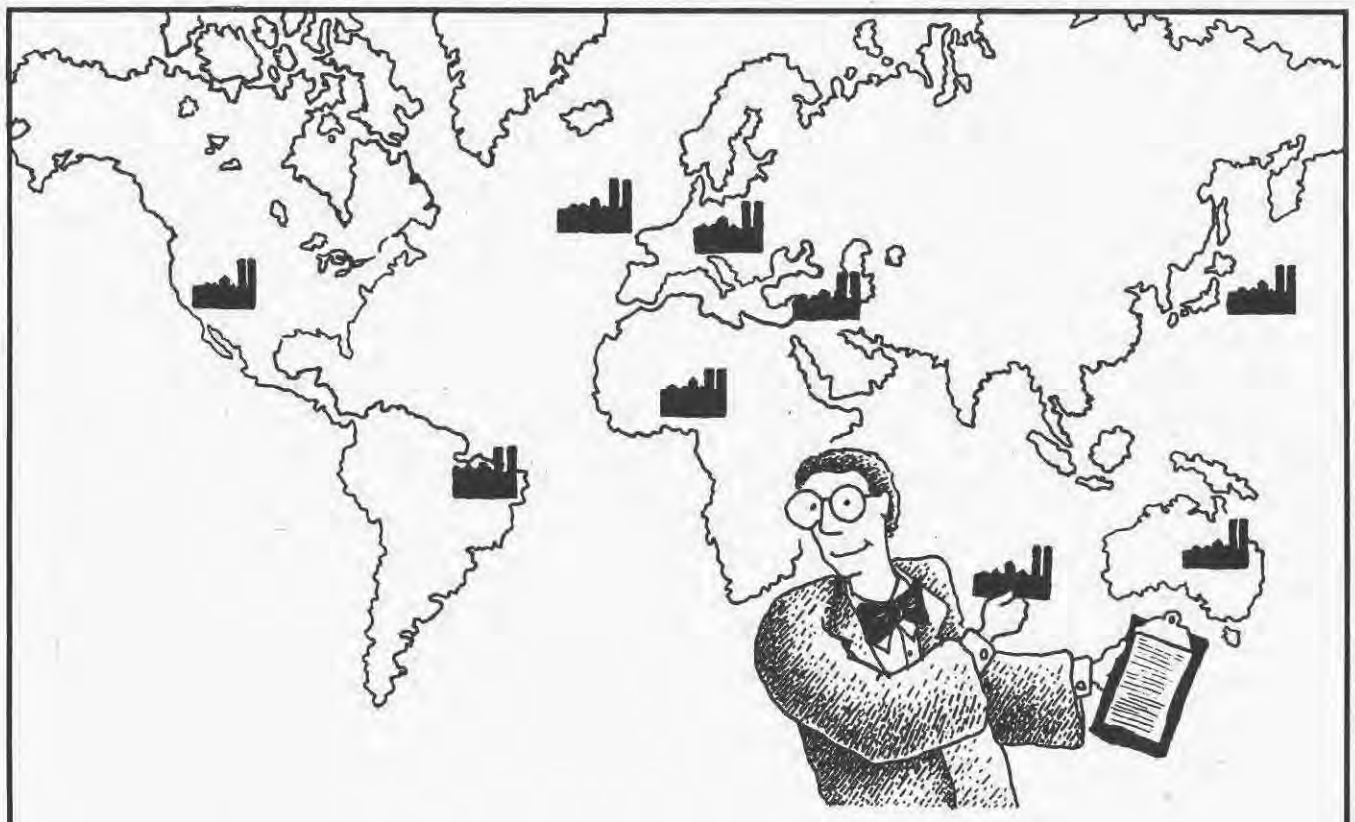
Wohlreich & Anderson Group, a subsidiary of the U.K. firm Alexander Howden Group Ltd., saw slow growth in the U.S. last year. Approximate revenues and premium volume held steady from 1978 to 1979.

The results, however, were not too disappointing for the excess/ surplus wholesaler, considering the highly competitive market for its specialty lines.

"Our businesses in the United States are progressing satisfactorily," Howden chairman K.V. Grob told shareholders of the parent firm. "However, the excess and surplus lines market is still at the bottom of its cycle.

"We were optimistic at the start of the second half of last year that the upturn had commenced, but soaring interest rates are delaying this development," he added.

Wohlreich & Anderson markets a



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We can "deliver" for two principal reasons: our people and our excess and surplus carriers. The brokers at M&C all have strong underwriting and brokerage experience. And, over the years, we have developed productive relationships with the leading U.S. E&S companies – and Lloyds. Result: your local M&C representative can quickly select the carriers whose products or specialists best suit your clients' needs.

For complete details, write directly to Joseph J. Graham, President, Montgomery and Collins, Inc.

Montgomery and Collins, Inc.

3807 Wilshire Blvd., Los Angeles, CA 90010 (213) 386-2991. Or contact our nearest regional office: Atlanta, Boston, Buffalo, Charlotte, Chicago, Dallas, Denver, Hartford, Honolulu, Houston, Indianapolis, Kansas City, Los Angeles, New Orleans, New York City, Philadelphia, Portland, Sacramento, San Francisco, San Jose, Seattle.

variety of professional liability coverages, all risk plans, financial institution policies and malpractice plans through 17 offices and two subsidiaries in the U.S. A special pollution liability policy developed by the firm covers gradual and nonsudden pollution by hazardous waste disposal and storage facilities.

Wohlreich & Anderson has branch offices in: St. Louis; Southfield, Mich.; Los Angeles; Livingston, N.J.; San Francisco; New York; West Hartford, Conn.; Seattle; Garden City, N.Y.; Chicago; Cleveland; Indianapolis; Portland; Columbia, Md.; King of Prussia, Pa., and Boston.

The firm is a member of NAPSLO.

President Bernard J. Daenzer is in semi-retirement. Other officers include: Anthony C. Bova, senior executive vp; Robert B. Clay, executive vp, and Mr. Wilkens.

5 E.H. Crump Cos.: Affiliated Excess/Surplus Brokers

5330 Poplar Ave., Memphis, Tenn. 38117; 901-761-1550

	1979	1978
Premium vol. ...	**$97,000,000**	$75,000,000
Gross rev.	**$9,125,000**	$6,000,000
% E/S bus.	**98%**	98%
Employes	**220**	224

Defying a national trend, E.H. Crump Cos.: Affiliated Excess/Surplus Brokers scored impressive premium and revenue gains during the last year.

Crump says net commissions rose to $9.12 million in 1979, up 38% from $6.6 million in 1978. Premiums also rose sharply, jumping to $97 million compared with $75 million in 1978.



Keeping up
'We did as well as we could hope for,' says Sidney A. Stewart Jr. of E.H. Crump.

"Viewing the soft market, we did as well as we could hope for," said Sidney A. Stewart Jr., president. Increased revenues per office and several new acquisitions contributed to the broker's growth.

Crump considers the South and Southeast its home turf, but the E/S broker is beginning to expand.

Crump has acquired a new office in New York, Crump-Northeast Risk Managers Ltd., as well as Loveless & Co. Inc. of California in San Francisco.

Other new offices include Crump-Davis of Colorado Inc. in Denver and Crump-Davis of Houston Inc. in Houston. Crump also acquired Crump-Specialty Risk Underwriters Inc. of Kirkland, Wash., and Tigard, Ore.

As an excess/surplus broker, Crump doesn't specialize nationally in certain risks, but each office has its own specialties.

The Memphis flagship office specializes in such risks as gas utilities, product liability, commercial inland marine, large property accounts and umbrella policies. The Florida offices specialize in workers compensation risks and large property accounts while the New Orleans office, G & M Marine Inc., is strong in oil-related risks and municipality coverages.

Crump will continue to expand around the country and will "seriously consider areas where the firm is not represented now and where there are above-average opportunities," Mr. Stewart said.

Public utilities, municipalities, aviation and coal mining companies were Crump's biggest buyers in the last year. Business slowed for product liability and umbrella liability programs, Mr. Stewart said.

Crump's business primarily comes from two groups: small retailers needing a specific problem solved on a one-time basis and brokers of all sizes specializing in the placement of complex large and medium-sized risks.

Branch offices of Crump are in: Altamonte Springs, Fla.; Springfield, Mo.; Conway, Ark.; Kirkland, Wash.; Tigard, Ore.; Glendale, Calif.; New Orleans; Omaha; Dallas; Denver; Houston; San Francisco; Columbus; New York; Atlanta; Charlotte, N.C., and Tampa, Fla.

Principal officers are: E.H. Crump Jr., chairman of the board and chief executive officer; Sidney A. Stewart Jr., president and chief operating officer; Earl R. Lanning, executive vp; Freeman E. Martin, executive vp of Crump London Underwriters, Altamonte Springs, Fla.; E.R. Kinnebrew III, vp of Crump Aviation Underwriters, Memphis, and Lloyd Schaefer, vp of Arkansas Insurance Service, Conway, Ark.

Crump is a member of NAPSLO and AAMGA.

6 Montgomery & Collins Inc.

3807 Wilshire Blvd., Los Angeles, Calif. 90010; 213-386-2991

	1979	1978
Premium vol....	**$56,000,000**	$38,000,000
Gross rev.	**$4,850,000**	$3,250,000
% E/S bus.	**90%**	90%
Employes	**120**	68

Montgomery & Collins has doubled its branch offices to 22 over the past 18 months. Four have opened since the start of the year.

"Although we're the new kid on the block in New York City, Columbus, Indiana and Charlotte, we're really one of the nation's oldest surplus lines brokers, founded in 1935," said Joseph J. Graham, chairman and president.

The parent company, INA Corp., has been pushing M&C expansion to build a strong subsidiary whose

Continued on next page



Continued from previous page
performance runs countercyclical to that of the standard markets.

When the standard markets are tight, more business flows to surplus lines brokers. In a soft market like the current one, risks gravitate back into the standard markets.

Reflecting its much broader marketing base, M&C hopes to handle $100 million in premium this year, Mr. Graham says. Such rapid growth hurts profits, but the older offices are doing well and losses generated by the others have been less than anticipated, he says.

Umbrella liability policies have been the sturdiest for Montgomery & Collins, perhaps because "they fit the skills of our staff," Mr. Graham said. Like other surplus lines brokers, however, M&C has been heavily hurt by renewal business lost to the standard markets.

Although M&C handles a full spectrum of primary and excess property and casualty coverages,

Excess/Surplus

Mr. Graham identifies among the broker's specialties errors & omissions, builders risks and short-line railroad policies.

Montgomery & Collins provides about half the market for short-line railroads, which comprise about 5% of the broker's business. Coverage is handled in California, but most of the 250 or so railroad lines in this category are located east of the Mississippi River.

"We don't turn our back on small accounts," Mr. Graham said, but he describes the bulk of the broker's business as within the $5,000 to $50,000 premium range.

Mr. Graham anticipates a shortage of capacity for product liability, long-haul trucking and major railroad risks and umbrella policies within the next 12 months. "The excess/surplus markets made those lines healthy," he said, "now the standard market is feeding them germs again with underpriced coverage."

Earlier this year, M&C made headlines in a dispute with the California insurance department over the charging of policy service fees. M&C maintains it was legal and proper to apply a $25 service fee to policies generating less than $2,500 in premium (*BI*, March 31).

The insurance department argues that such fees are unlawful unless both the insurer and the policyholder are aware of them. A trial is pending Aug. 12.

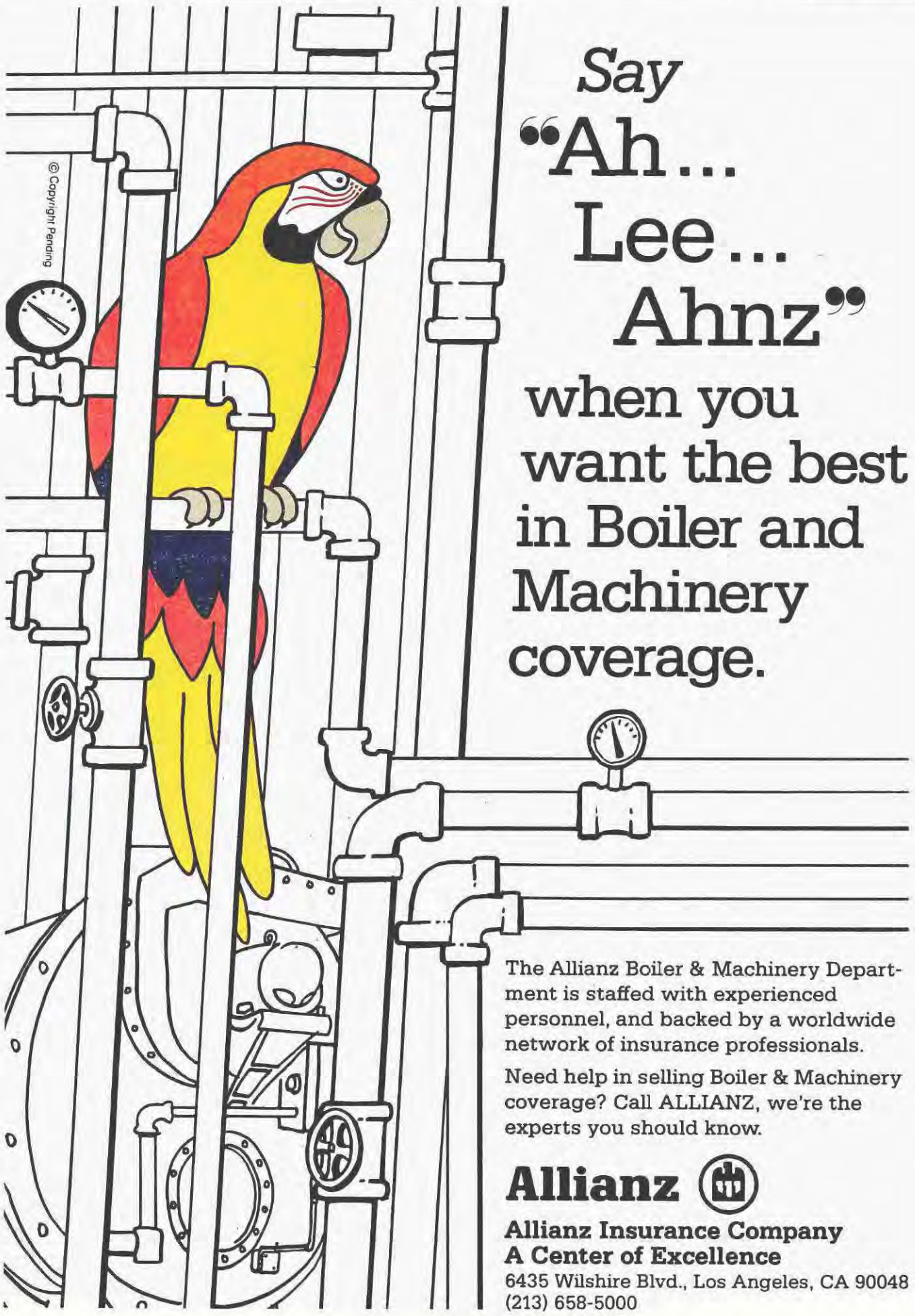
"The extreme notoriety brought to Montgomery & Collins by this incident has hurt business some, but not badly," Mr. Graham said. Following early reports of the insurance department's action, some clients believed the broker's license had been revoked and did not renew business with it.

A new computer system is in the experimental stages at M&C's home office in Los Angeles. Eventually the company will install terminals in every branch office. Besides its value to management as a tool to measure and control the performance of field offices, the computer system should speed up and improve the accuracy of billing, collections and payments.

Montgomery & Collins branch offices are in Honolulu, Seattle, Portland, San Francisco, Sacramento, San Jose, Denver, Los Angeles, Dallas, Houston, New Orleans, Charlotte, Atlanta, Chicago, Indianapolis, Columbus, Buffalo, Boston, New York, Hartford, Philadelphia and Kansas City.

Mr. Graham plans to retire at the end of the year. His replacement will be named soon to ensure an orderly transition, he says. Other principal officers include four regional vps: Robert Keul, George F. Hagg, John D. Blum and Frank R. Fischer.

Montgomery & Collins is a member of NAPSLO and AAMGA.



7 John H. Crowther Inc.

750 Soo Line Bldg., Minneapolis, Minn. 55402; 612-333-0361

	1979	1978
Premium vol.	**$45,000,000**	$39,000,000
Gross rev.	**$4,050,000***	$3,510,000*
% E/S bus.	**100%**	100%
Employes	**85**	70

*BI estimate.

A 15% growth in gross revenues is way down from the doubling growth John H. Crowther Inc. stacked up in 1976 and 1977, "but considering the marketplace, we're pleased," said Douglas H. Crowther, vp and treasurer of the Minneapolis surplus lines brokerage.

The product liability insurance specialist has taken a beating in competition from the standard marketplace on product liability risks, a business that represents 30% of its $45 million premium volume.

Recently the firm was quoting on a medical products manufacturer's product liability policy. Crowther came in with a $90,000 quote from a surplus lines insurer against a $180,000 premium charged the year before by one of the major admitted insurers. The admitted insurer came back at $80,000 and kept the account.

Umbrella policies, another specialty of Crowther, are selling for half of what they cost last year, Mr. Crowther said. But the firm has increased its unit count of umbrella policies.

"We're not giving in to the standard market," he said. "We're hoping to hang on until we can reprice the business."

Mr. Crowther predicts insurers will start raising prices in the middle or end of 1981. A combination of underwriting losses and a drop in interest rates, cutting insurers' investment income, will force insurers to raise prices, he predicts.

In the meantime, Crowther is trying to diversify to keep growing. It's capitalizing on its entry five years ago into commercial auto lines, building the product to be its second biggest seller bringing in 25% of its premium volume.

With binding authority for 20 surplus lines companies, Crowther is also looking for an exclusive managing general agency contract to represent an insurer and appoint subagents.

Crowther serves 7,500 agents from 12 offices in 12 states. Outside Minneapolis, where Crowther does a lot of business with the national alphabet houses, the firm mostly serves local regional brokers. Its two newest offices, opened this year, are in Topeka, Kan., where Crowther acquired Blakely General Agency, and Eugene, Ore., where Crowther started an office.

Other offices are in Bismarck, Billings, Boise, Denver, Springfield, Ill., Madison, Omaha and Des Moines. Smith-Crowther in Sioux Falls is a subsidiary.

The major markets tapped by Crowther are American Universal Insurance Co. and Canadian Universal Insurance Co. for product liability insurance; First State or New England Re; Commercial Standard Insurance Co. for commercial auto policies; Bellefonte Cos., and Northland Insurance Co.

John H. Crowther is president of the firm; David W. Crowther is vp and secretary.

Crowther is a member of AAMGA and NAPSLO.

8 J.H. Blades & Co. Inc.

P.O. Box 22003, Houston, Tex. 77027; 713-780-8770

	1979	1978
Premium vol.	**$84,000,000**	$65,000,000
Gross rev.	**$4,100,000**	$3,300,000
% E/S bus.	**90%**	90%
Employes	**117**	91



Doing well

'We have been able to maintain our leadership,' says Joseph H. Blades.

J.H. Blades & Co. Inc., a Houston-based subsidiary of Crum & Forster Corp., realized a substantial increase in its oil and gas specialities in 1979 while recording impressive growth in overall volume.

The Blades Group handles all classes of insurance and reinsurance, specializing in large coverage packages with major placements in the London market.

Blades is one of the principal markets in America for energy-related risks as well as a market for E/S lines above self-insured and captive programs.

One growing component is specialty packaging for financial institutions.

The E/S market remains difficult and highly competitive, says chairman Joseph H. Blades. The new American energy markets have brought in additional capacity but also have lowered the rate structure at least 25%, he said.

"We have been able to maintain our leadership because of the expertise of our staff," he said.

"The property market is extremely soft; our volume has not increased in property in the last several years," Mr. Blades said. Marine cargo and inland marine business increased considerably in 1979, after a decline in 1978.

Mr. Blades expects to meet or exceed the 1980 budget of $100 million in premiums in 1980. Business of $84 million in premiums in 1979 was above budgeted expectations.

Pursing its primary buyers in the energy business, Blades has opened a New Orleans subsidiary, joining branches in San Antonio, Denver, Tulsa and Houston.

Mr. Blades foresees further expansion in energy-related coverages as new energy sources are developed. As coal use becomes more popular, for instance, Blades will provide coverages for slurry pipelines and other exposures.

Specialty coverage for the banking industry, likewise, looks promising. Blades currently provides directors and officers liability, trust and errors and omissions insurance for more than 300 banks, primarily in the Southwest. The bulk of Blades' business comes from 50 of the 500 agents utilized.

Two major changes in 1980 will alter the complexion of the Blades operation. As of Jan. 1, the Bermuda offices were split off to report to another Crum & Forster division in New York. The Bermuda vp and general manager Robin Spencer-Arscott resigned after C&F appointed Alan Elwell to run the office, but is still employed as a consultant to the firm. Meanwhile, C&F has dismissed Mr. Elwell and is looking for a new manager.

Continued on next page

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Schaumburg, Illinois 60196
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Continued from previous page

It also appears Blades will be changing London brokers since its major broker for more than 24 years, C.T. Bowring, has been acquired by Marsh & McLennan. Blades placed more than $50 million of business in the London market in 1979.

"It's like the end of a marriage," Mr. Blades said, but he sees unresolvable conflict in continuing the relationship.

"We're being heavily courted," he said of competition in London for Blades business.

Subsidiary companies are J.H. Blades Inc. (Oklahoma and Colorado), J.H. Blades & Co./Life Inc. and J.H. Blades of Louisiana Inc.

Principal officers in addition to Mr. Blades are: Robert F. Quinn, president, and J.W. Page Jr., John N. Molbeck Jr. and Donald E. Baty, senior vps.

J.H. Blades & Co. is a member of NAPSLO

9 Alexander Underwriters General Agency Inc.

P.O. Box 105051, Atlanta, Ga. 30348; 404-981-7100

	1979	1978
Premium vol. ...	$27,475,332	$29,067,185
Gross rev ...	$3,500,000	$3,700,000
% E/S bus. ...	100%	100%
Employes ...	130	148

The past year brought a slight decline in both revenues and size for Atlanta-based Alexander Underwriters. Gross revenues dropped 5.4% to $3.5 million from 1979's $3.7 million. The number of employes also dropped slightly, to 130 from a peak of 148 in 1978.

Besides its main Atlanta location, Alexander Underwriters has branch offices in Natchitoches, La., and Orlando, Fla. It is affiliated with International Indemnity Co. and is a member of AAMGA and NAPSLO.

Company officers include James Alexander, president; Farris Alexander, vp and secretary; C. Glenn Alexander, vp and treasurer, and Benny Byrd Jr. and Joseph Murphy, vps.

Among the company's services is a special program for municipalities.

10 McAlear Associates Inc.

4450 Cascade Rd. S.E., Grand Rapids, Mich. 49506; 616-942-8000

	1979	1978
Premium vol. ...	$39,780,508*	$36,483,949
Gross rev.	$3,438,740*	$2,926,011
% E/S bus.	100%*	100%
Employes	31*	24

*Includes Pilot Management Corp. subsidiary.

Charles McAlear says he is "watching the lemmings run to the sea," but what he is really seeing are excess/surplus brokers and insurers running themselves into the ground.

Back-breaking competition for business is the problem, he told *Business Insurance*, "and nothing is going to stop it."

McAlear Associates, one of the largest excess/surplus brokerages in the U.S., is feeling the pressure of that competition in spite of new business that continues to flow into the firm.

"Our item count, individual policies we are writing, was up 70% in 1979," explained Mr. McAlear, president of the brokerage. "And for the first four months of 1980, the count is up 80%. The firm has about 6,000 commercial policyholders.

"But you have to work twice as hard just to stay in the same place," he added, as the battle for business among insurers slashes premiums for most casualty insurance buyers.

Premium volume for the firm increased only slightly from about $36.5 million in 1978 to $36.7 million in 1979. Gross revenues, the broker's commissions and fees after paying retail agents, increased about $500,000, or 18%, from 1978 to nearly $3.5 million. Pilot Management Corp., a separate division introduced in 1979, produced revenues of slightly more than $289,000 and has about 5,000 commercial policyholders.

Product liability coverage and umbrella plans, formerly excess/surplus mainstays, are now available from standard markets or specialty insurers that are slashing rates, Mr. McAlear explained.

They are the main culprits, slowing a growth rate for the firm that topped 70% for the last five years, he said.

Product liability premiums dropped nearly 40% from 1978 and are set for at least another 40% reduction this year, he noted. Umbrella policies dropped even more.

"And there's no sign of change in the offing," Mr. McAlear added. "We could be entering an era in which insurers will just write and write new business until they go broke. Surplus lines may never recover."

Within the dark cloud, however, he sees a silver surplus lining. Excess property insurance to cover rapidly increasing property values is in big demand and providing a steady flow of premium that is not facing the same giant reductions as casualty lines.



Dark cloud
'Surplus lines may never recover,' says Charles McAlear.

Errors and omissions insurance for public officials and excess medical malpractice policies continue to grow for the firm, in addition to other municipal and medical liability coverages that are still difficult to place in the standard markets.

McAlear & Associates has also opened a branch office in Kansas City, Mo., McAlear-Nason Associates. Both firms are branches of Anchor Holding Co.

Besides Mr. McAlear, officers of the firm are: James F. Lanagan, Ralph F. Leistner and Thomas S. Bloom, senior vps and Derek J. Redpath, vp.

McAlear Associates is a member of NAPSLO.

11 H & W Insurance Services

16255 Ventura Blvd. No. 406, Encino, Calif. 91436; 213-990-3040.

	1979	1978
Premium vol. ...	$39,829,572	$36,264,157
Gross rev.	$3,306,901	$3,009,925
% E/S bus.	100%	100%
Employes	75	69

Despite a 10% increase in premium volume and gross revenues, 1979 did not live up to the expectations of Joseph F. Weckerle, president of H & W Insurance Services Inc.

"We saw tremendous price deterioration in umbrella liability," one



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of H & W's specialty lines, he said. "At the same time, we've experienced a tremendous increase in capacity. There are 25 companies writing E/S today that weren't even in the business five years ago."

For the immediate future, the H&W president characterized the market for excess/surplus brokers as "very depressed."



Expertise needed

'Special talent is required' in E/S, says Joseph Weckerle.

"Things will start to come back if interest income for underwriters stays down," he said, adding he looked forward to the time when "insurance companies will be forced to make their living as underwriters instead of investment brokers."

The major change experienced by H&W during 1979 was the sale of the company to Continental Financial Services of Richmond, Va., member of The Continental Group Inc. Mr. Weckerle has remained acting president since the sale in September 1979.

H&W is a wholesaler, dealing with 1,100 retail producers and representing 83 E/S underwriters. Among them are Admiral Insurance Co., Columbia Casualty, Northbrook, First State Insurance Co. and Lloyd's of London.

One of the main challenges facing the E/S market, the H&W president says, is "the necessity to learn how to do this business more efficiently."

To that end, the company established a risk management subsidiary, H&W Risk Management Services, in Encino in 1979.

Another problem E/S brokers and underwriters must contend with is the need for expertise. "Special talent is required to market and underwrite E/S business," Mr. Weckerle said, "and that should be reflected in the prices. But with the current rate-cutting climate, we're not seeing that."

A market tightening is inevitable, he concluded, "but not in the near future. We'll eventually see prices going up 25%, but they're not going to increase the way they did in the last cycle."

The company's specialty risks include public entities, insurance agents E&O, real estate agents E&O, product liability and umbrella liability. Branch offices are in Atlanta, Chicago, Denver, Encino, Irvine, Los Angeles, Miami, New York, Philadelphia and Pittsburgh.

Principal officers of H&W besides Mr. Weckerle are Glenn E. Isiminger, John J. Francis, Alan G. Cooper and Charles R. Price, vps.

H&W Insurance Services is a member of NAPSLO.

12 IWest Insurance Managers Inc.

P.O Box 1651, Stockton, Calif. 95201; 209-948-0555

	1979	1978
Premium vol. ...	$29,500,000	$27,000,000
Gross rev.	$2,901,000	$2,518,000
% E/S bus.	100%	100%
Employes	90	70

IWest Insurance Managers Inc. considers itself the heavyweight among excess/surplus insurance wholesalers in the Western U.S. "We like to call ourselves the largest independent wholesalers on the West Coast," said president James Bradley.

Premium volume of $29.5 million in 1979 fell short of the projected $32 million and operating revenues fell short of expectations, Mr. Bradley said.

But the Stockton, Calif.-based brokering and underwriting firm

Excess/Surplus

launched some costly new ventures in 1979. It opened a subsidiary in Kansas City, N.C. Collocott & Associates, Mr. Bradley said.

IWest's premium growth was 9.26% last year, the smallest over the last five years as the firm fell victim to the same market conditions that have stymied growth in many areas of the insurance industry.

"We wrote more risks last year and had good renewals, but the gross premium just wasn't there," Mr. Bradley said. IWest was particularly hard-hit in excess and umbrella coverages, a mainstay of its business. "It's an area of little growth," he said.

With nearly all its business in commercial lines, IWest bills itself as a "pure generalist," not favoring any one type of risk. The company avoids workers compensation risks and bonds, but does substantial business in primary and product liability, public agency liability, aviation and property risks, Mr. Bradley said.

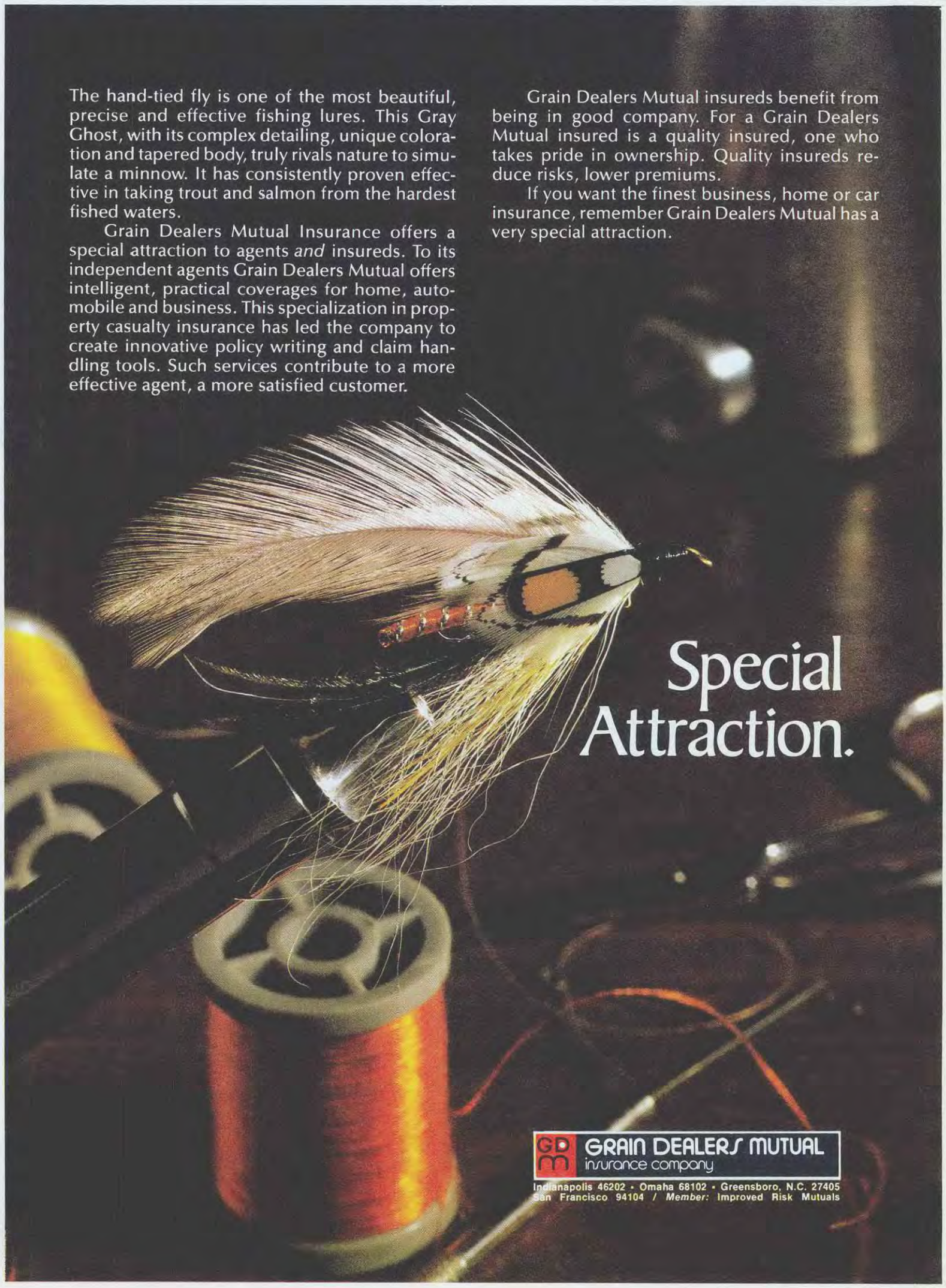
IWest serves more than 13,000 policyholders which generate average premiums of $2,000 to $3,000. IWest dealt with 2,200 brokers last year, most of them with large national houses, Mr. Bradley said.

About 60% of business is underwriting and related functions while the other 40% is brokering. However, premium volume is about evenly split between the two, he said.

Mr. Bradley is as optimistic about the future of IWest as he is about the wholesale system of brokering and underwriting. As a wholesaler, IWest does not need to seek as much commission as an agent because its costs are lower, a prospect sure to continue drawing insurers attempting to save money.

"Our delivery system is different and our total acquisition costs are

Continued on next page



Continued from previous page
traditionally lower than they are in the branch office retail system," he said.

IWest likes to place business with a number of companies and no one insurer gets more than 15% of its business.

Among its major markets are Columbia Casualty Co., Transcontinental Insurance Co., First State Insurance Co., Western World Insurance Co., Great American Insurance Co., St. Paul Fire & Marine Insurance Co., Northbrook Excess & Surplus Lines Insurance Co., California Union Insurance Co., North Star Reinsurance Corp., Wausau Insurance Cos. and New England Reinsurance Corp.

IWest opened a branch office in Reno, Nev., adding to 10 other branch facilities covering a 13-state region in the West.

This year, Mr. Bradley said, IWest will also open an office in Orange County and a New York City office to tap the fledgling New York Insurance Exchange as a new market.

Other branch offices are in Seattle, Portland, Stockton, San Francisco, San Jose, Fresno, Encino, Los Angeles, San Diego and Denver.

Principal officers in addition to Mr. Bradley include: Robert Stahl, chairman; Don Webb, treasurer; Warren Stanley, executive vp, and M. Horrigan, secretary.

IWest Insurance Managers is a member of NAPSLO and AAMGA.

13 Thomas F. Sheehan Inc.

460 S. Northwest Highway, Park Ridge, Ill. 60068; 312-696-3366

	1979/80*	1978/79*
Premium vol. ...	$20,643,169	$12,860,827
Gross rev.	$2,400,181	$1,545,068
% E/S bus.	100%	100%
Employes	32	18

*52 week running totals: 3-1 to 2-28.

Thomas F. Sheehan Inc., a two-year-old broker based in Park Ridge, Ill., is growing faster than any other major E/S broker or specialty company in the *BI* listing.

Commercial clients expanded to more than 16,000 this year from about 10,000 last year and staff nearly doubled in size, to 32. Gross revenues were up 55.3% from last year.

"Last year measured way beyond our expectations," said president Thomas F. Sheehan, formerly of GATX in Chicago and a recognized expert in professional liability policies.

"We're very pleased with our renewal retention in terms of percentage of policies expired and percent of expiring premium."

The firm retained more than 90% of its policies last year and more than 80% of the expiring premium.

Coverages for architects and engineers, such as errors and omissions and professional liability, led the areas of fastest growth. The firm also excels in coverages for lawyers and accountants.

"We can sell continuity of coverage," Mr. Sheehan boasted. The firm services all sizes of retail brokers and accounts, from the smallest to the international broker and from the minimum to the greatest risk, Mr. Sheehan said.

Umbrella and directors and officers liability insurance business deteriorated the most. "Prices are very cheap," he explained. "There are too many people making a market."

Spurred on by success, Thomas F. Sheehan Inc. is staffing up and casting its eyes toward conquests in new territories.

"We're adding more products in close to 10 key states," Mr. Sheehan said. Intensive territorial development will begin in California, Illinois, Michigan, Minnesota, Massachusetts, New York, New Jersey, Connecticut, Texas and Washington State.

A more intensive review of operations and personnel increases is also being made to keep pace with the increasing competition and to prepare for the next market downturn.

The broker is now deciding whether to join the New York and Illinois insurance exchanges. "It's too early to tell if joining would be a positive or a negative," Mr. Sheehan said. "We're looking at that very carefully."

The 3% of premium charged for using the exchange's computer system to send submissions to underwriters seems to be very expensive, he said. He will most likely wait to see how well others fare on the exchanges. "There's no way we could deal with the volume we have without a retail agent or producer," Mr. Sheehan said. "It's worth every dollar."

Excess/Surplus



Photo: Mary Cairns

Sweet success

'Last year measured way beyond our expectations,' says Thomas F. Sheehan.

The insurer receiving most of Thomas F. Sheehan's business is Imperial Casualty & Indemnity Co. of Omaha, Neb. Runner-up is Pine Top Insurance Co. in Phoenix, Ariz., with which the broker also has an agency contract.

Principal officers, in addition to president Mr. Sheehan, are: Ram H. Chandarana, executive vp, and James F. Whitaker, vp and treasurer.

Thomas F. Sheehan Inc. is not a member of a professional E/S organization.

14 Dryden & Co. Inc.

P.O. Box 999, 1 Main St., Chatham, N.J., 07928; 201-635-1200

	1979	1978
Premium vol. ...	$19,600,000	NA
Gross rev.	$2,300,000	NA
% E/S bus.	100%	NA
Employes	35	NA

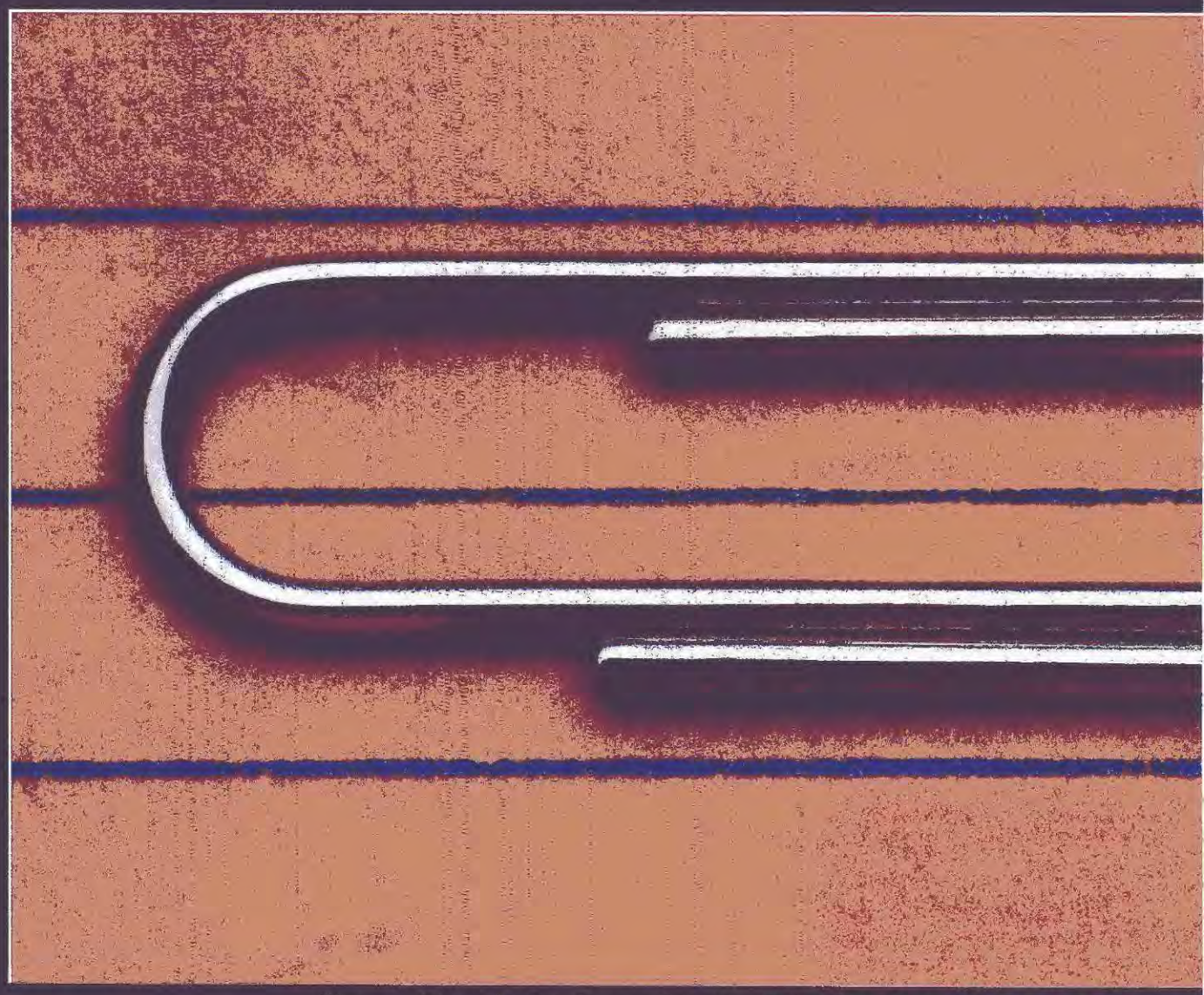
Dryden & Co.'s first year in the excess/surplus lines business was a good one: almost $20 million in premium volume and $2.3 million in gross revenues.

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Reinsurance Co., which deals solely through about 65 brokers around the country, carved out this impressive niche by concentrating on an area where it thought it could make the quickest inroads: product liability insurance.

"There has been a big hue and cry in the past couple of years over product liability insurance. We felt we had the people and the experience to successfully offer this coverage and we knew there would be a market for it," said Roger Consolla, company vp.

"The competition is fierce in umbrella coverage, so we aren't really pushing that too hard right now," he added.

Besides offering a wide range of product liability coverage for manufacturing industry risks, Dryden has also started marketing two unusual professional liability coverages it hopes will further establish Dryden in the E/S business.

One is errors and omissions coverage for commercial divers who repair ships underwater.

The diver is covered for property damage or bodily injuries resulting from possible faulty workmanship, Mr. Consolla said. The coverage includes defense costs.

Another specialty coverage is one that might be called geologists E&O. If a geologist estimates how much natural oil or gas is below ground in a field and the estimate later turns out to be inaccurate, Dryden will protect the geologist against claims.

"If he performs an error or omission in determining the information and someone else risks a business decision based on that judgment and suffers a loss because of it, we will protect him," Mr. Consolla said.

"We're not saying that if the geologist reports that there are 300 barrels of oil below the ground and only 100 are found that we will cover the difference in expected revenues. But someone who takes this report and makes a business investment based on what may later turn out to be erroneous information is probably going to want to sue.

"We protect the geologist against claims arising out of the reputed inaccuracy of his report," he said.

Dryden also offers coverage in such areas as excess liability and special event liability. All of its policies are written through Gilbraltar Casualty Co., another Prudential subsidiary.

Even though the E/S market looks "very very difficult, with rates being reduced 10% to 20% from the thin rates a year ago," Mr. Consolla said Dryden is optimistic about its future.

"We are not out there just competing on price. We think that our success will lie in providing some stability and consistency in the market that should be attractive to buyers over the long run," he said.

"We are going to write other products that perhaps some other companies will not and show the marketplace that we are here to stay."

Dryden is a member of NAPSLO. It has no branch offices.

Besides Mr. Consolla, other top company officers include: P. Ingrey, president, and N. Briante and F. Bowers, assistant vps.

15 The Saex Group

444 Appleton St., Holyoke, Mass. 01040; 413-538-8261

	1979	1978
Premium vol.	$22,000,000	$18,000,000
Gross rev.	$2,250,000	$1,825,000
% E/S bus.	100%	100%
Employes	95	83

The Saex Group's 1979 revenues growth of 23.3% came within the firm's target projections but on the low end, said president Robert J. Saex, who predicted his firm would have a 1979 premium volume of $22 million to $25 million.

For 1980 he projects a premium volume of $25 million to $30 million, and based on results to date, expects it to be on the high side.

Superior markets and aggressive advertising contributed to last year's growth, which was in line with the firm's experience in the last five years, he says. The Saex firm has binding authority for many of its markets and can produce a quote from them within 48 hours, he told *Business Insurance*.

Property coverages, including special multiperil lines and inland marine, were last year's growth leaders. Sharply rising gold and silver prices influenced growth in demand for inland marine lines, Mr Saex said.

The firm's worst slowdown came in the umbrella liability and product liability markets. "Standard companies and excess/surplus companies are becoming more aggressive in these areas," Mr. Saex said.

"We've received quotes with reductions of 50% to 60% over past years' premiums. With 25 years in the business, I've never seen a more competitive environment than the past year."

Commercial risks account for 97% to 98% of the Saex firm's volume, he said. The firm represents brokers ranging in size from a one-person shop in neighboring Northampton to the Boston, Hartford and Providence offices of the alphabet houses. Average premium on a risk handled by Saex is $2,000.

Saex's book of business is mostly regional, with New England and the Mid-Atlantic states accounting for the bulk. The firm also services some national accounts based in New York. Its specialties include restaurants, detective and patrol agencies, hotels and motels, department stores and shopping centers.

The firm is looking to expand its activities into Delaware, Maryland, Virginia and West Virginia within the next several months by establishing relationships with leading producers there, Mr. Saex said. Last year it established a New Jersey affiliate, Cowles & Connell Inc. in East Orange. The firm met its first year premium target of $1.5 million to $2 million.

Saex added no new services last year, but it has begun marketing special accident coverage for celebrities, athletes and surgeons underwritten by Lloyd's of London and expanded its marine and aviation activities. These moves were intended to make up for slack in other areas, Mr. Saex says.

These slow areas are likely to turn around shortly, if Mr. Saex's scenario for the industry proves true. Standard companies, he says, will repeat their 1974-76 cycle, with an extensive retrenching and very tight markets.

Many standard insurers have sacrificed underwriting integrity, he charges. This, he adds, coupled with the drastic decline in interest rates, bodes ill for most conventional companies.

"Some toughening has already

Continued on next page

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Continued from previous page
begun and we should be in a new cycle by the early part of next year. We've already detected signs of hardening, primarily in the property areas.

"The excess/surplus broker is continually challenged by the entry of conventional insurers into areas of the business they previously did not understand or express interest in," Mr. Saex said. "They're an absolute competitive threat."

The Saex Group's writings are heavily oriented toward the London market. The group is an underwriting member of Lloyd's.

Other markets used by the firm include Jefferson Insurance Co. of New York, Northbrook Insurance Co., Puritan Insurance Co., First State Insurance Co., American Excess Insurance Co. and Interstate National Insurance Co.

Other principal officers are: Stuart Kossler, M.B. Weisman and Herbert Siegel, senior vps.

Saex is a member of NAPSLO.

16 South Continental Insurance Agency Inc.

252 Tetvnan St., Old San Juan, Puerto Rico, 00903; 809-724-7300

	1979	1978
Premium vol. ...	$20,089,041	$19,309,037
Gross rev.	$2,009,012	$1,991,201
% E/S bus.	99%	100%
Employes	62	54

South Continental Insurance Agency Inc. in Puerto Rico posted slight gains in its excess/surplus lines business in 1979 despite increasing competition from standard markets.

Excess/Surplus

"There was some growth, but it wasn't exceptional," said vp Charles C. Carr. The firm's premium volume increased less than 1% in 1979 over 1978, compared with gains of 30% to 40% in each of the five previous years.

"One of the reasons is the softer market has seeped down into Puerto Rico. Another is the 9% surplus lines tax that works against us," Mr. Carr said.

This combination, he said, has encouraged admitted companies to underwrite more types of coverage such as miscellaneous liability policies, taking some business from the surplus lines market. Still, the firm saw increased demand for professional liability coverages for accountants, architects and hospital personnel.

South Continental uses its own insurance company—Corporacion Insular de Seguros—for hospital malpractice.

South Continental places professional coverages through managing general agents including: L.W. Bigler for directors and officers liability insurance and lawyers errors and omissions policies; Shand, Morahan & Co. for architects and accountants coverage, and PCM Intermediaries in New York for lawyers and architects coverage.

Lloyd's of London, Lincoln Insurance Co. and Northeastern Fire Insurance Co. are underwriters frequently used to place these professional liability risks and other specialty risks of the firm such as security guard liability, amusements, hull and liability and cargo.

The company has 300 clients, which range from small to large brokers in Puerto Rico and the Caribbean. But the company will "expand where and when we can," Mr. Carr said.

Other officers of the company are: Frank W. Fournier, president; Victor M. Laborde, executive vp, and Raul Laborde and America Colon Colon, vps.

South Continental is not a member of a professional surplus lines organization.

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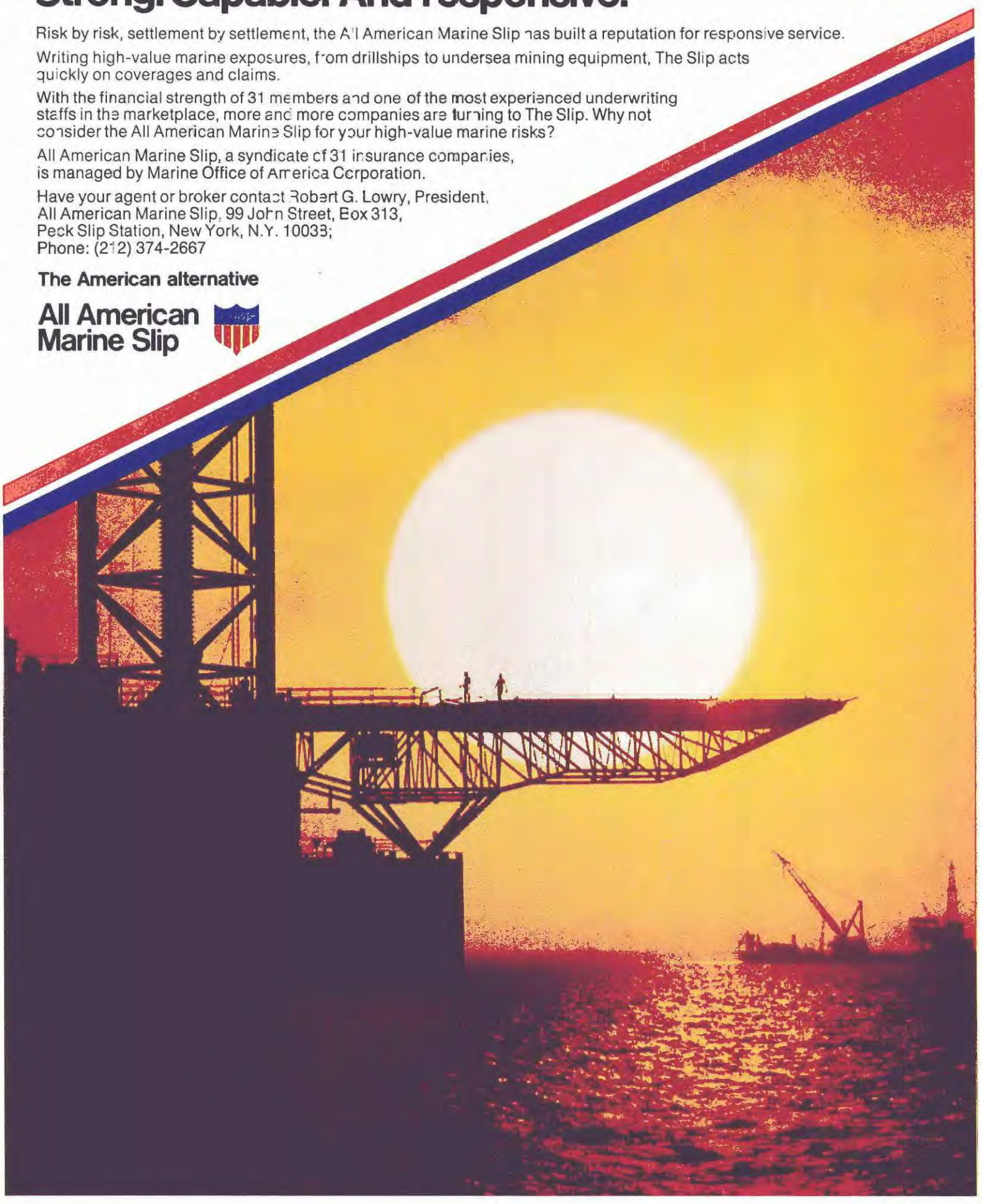
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17 Myron F. Steves & Co.

P.O. Box 20787, 1404 Fannin Bank Bldg., Houston, Tex. 77025; 713-790-1511

	1979	1978
Premium vol. ...	$14,285,000	$14,233,000
Gross rev.	$1,600,818	$1,670,183
% E/S bus.	95%	95%
Employes	37	37

Increased competition in auto and general liability insurance markets for large-premium risks put the skids on growth for Myron F. Steves & Co. of Houston.

Last year's premium volume was up less than 1% from 1978 and gross revenues fell 4.2%. Account losses in early 1980 will mean "no overall growth," said Myron F. Steves, senior partner.

Despite account losses in auto, trucking and taxi areas, Steves is placing more umbrella policies, hospital professional liability coverages and educators professional liability insurance.

Steves has moved its private investigator and security guard liability from nonadmitted to admitted markets because of new Texas licensing requirements for that industry.

Competition has been extreme. Since the first of the year, one large account with a 100% loss ratio was lost to a standard market company offering a substantial rate cut.

Steves deals with more than 700 brokers, with 24% of them providing 94% of premium. Brokers range from the alphabet houses to the single agent, primarily in the Gulf Coast area. Major markets are Guaranty National Insurance Co. of Denver, which handles about 60% of the business; Surplus Underwriters Casualty Insurance Co., formed in 1978; Guaranty County Mutual, and INA County Mutual.

Myron F. Steves, Frederick B. Steves, Myron F. Steves Jr. and William K. Davis Jr. are partners in the firm, which is a member of NAPSLO and AAMGA. ■

91 E/S brokers list vital statistics

A

Agency Specialty Service

P.O. Box 1, 1501 Lady St., Columbia, S.C. 29202; 803-748-2600

	1979	1978
Premium vol.	$7,800,000	$6,700,000
Gross rev.	$1,024,287	NA
% E/S bus.	NA	NA
Employes	21	NA

Principal officers: Robert E. Bowden, vp; Gale Golightly, office manager.
Branch offices: Orlando, Fla.
Parent company: Seibels, Bruce & Co.
Member of: AAMGA, NAPSLO.

Agents Insurance Services Inc.

P.O. Drawer 1250, Pine Bluff, Ark. 71613; 501-535-2422

	1979	1978
Premium vol.	$652,850	$636,348
Gross rev.	$167,806	$174,412
% E/S bus.	4%	4%
Employes	3	NA

Principal officers: Marc Oudin, CPCU, president; Patricia D. Clemons, manager.
Member of: AAMGA.

All Lines Insurance Agency Inc.

2300 Kohler Memorial Drive, Sheboygan, Wis. 53081; 414-458-8700

	1979	1978
Premium vol.	$970,114	$1,183,931
Gross rev.	$109,362	$130,936
% E/S bus.	95%	95%
Employes	6	NA

Principal officers: John R. Holden, chairman; Russell B. Cichy, treasurer; Richard A. Hoskinson, president.
Parent company: Heritage Mutual Insurance Co.
Member of: NAPSLO, NAII.

Alpine Management Corp.

P.O. Box 2072, Great Neck, N.Y. 11022; 516-829-5511

	1979	1978
Premium vol.	$1,500,000	$1,000,000
Gross rev.	$75,000	$50,000
% E/S bus.	100%	100%
Employes	3	NA

Principal officers: Raymond G. Forgays, president.
Parent company: Alpine Management Corp.
Specialty lines: Contractors.
Member of: NAPSLO.

America's Insurance Center

562 Boulevard, Kenilworth, N.J. 07033; 201-272-6300

	1979	1978
Premium vol.	$4,368,270	$4,939,308
Gross rev.	$1,040,055	$1,149,079
% E/S bus.	55%	65.4%
Employes	21	NA

Principal officers: Raymond R. Kravetz, president; Arthur F. Kravetz, vp/secretary; Sylvia Kravetz, treasurer.
Branch offices: Flushing, N.Y.
Specialty lines: Clinical laboratory malpractice; condominium and country club D&O; coin-op laundries; bank inside/outside hold-up; automatic car wash; dry cleaners.
Member of: NAPSLO.

American Insurance Facility Inc.

504 Standard Life Bldg., 345 Fourth Ave., Pittsburgh, Pa. 15222; 412-261-2383

	1979	1978
Premium vol.	$3,000,000	NA
Gross rev.	$250,000	NA
% E/S bus.	90%	NA
Employes	4	NA

Principal officers: Bernard D. Smith, president; Peggy A. Lutz, secretary; Frank X. Lutz, risk analyst.
Parent company: American Insurance Facility Inc.
Specialty lines: Oil, coal and gas risks: E&O and D&O products; river risks; excess and umbrella layers.

Anderson & Murison Inc.

201 S. Lake Ave., Pasadena, Calif. 91101; 213-684-3114

	1979	1978
Premium vol.	NA	NA
Gross rev.	$1,867,732	$1,925,497
% E/S bus.	75%	75%
Employes	36	NA

Principal officers: David F. Anderson, president; Horst Lechler, senior vp; Keith Cozean, vp-operations; Hermann Schlander, vp-property; Robert Radisky, vp-commercial auto.
Branch offices: San Jose, Calif.; Tempe, Ariz.
Specialty lines: General liability; commercial auto, including long haul; product liability; commercial property; inland marine.
Member of: AAMGA.

Excess/Surplus

Anexco Insurance Agency Inc.

60 State St., Boston, Mass. 02109; 617-227-6722

	1979	1978
Premium vol.	$5,500,000 est.	NA
Gross rev.	$4,000,000 est.	NA
% E/S bus.	100%	NA
Employes	4	NA

Principal officers: Kenneth L. Cook, president; Patrick Ciano, executive vp.
Branch offices: Boston, Mass.; opening New York office later in year.
Parent company: Aneco Group of America.
Specialty lines: Mercantile and manufacturing; financial institutions; self-insured retention programs.
Member of: Applications submitted to NAPSLO.

Antero Insurance Services Inc.

1858 S. Wadsworth Blvd., Lakewood, Colo. 80226; 303-989-5560

	1979	1978
Premium vol.	New, 1980	NA
Gross rev.	NA	NA
% E/S bus.	100%	NA
Employes	2	NA

Principal officers: Stanley A. Moore, president.
Specialty lines: Full spectrum of commercial e/s coverages.
Member of: Applications submitted to NAPSLO.

Atlanta Insurance Brokers Inc.

3169 Holcomb Bridge Road, Norcross, Ga. 30071; 404-449-7292

	1979	1978
Premium vol.	$1,300,000	$900,000
Gross rev.	$130,000	$92,000
% E/S bus.	87%	96%
Employes	8	NA

Principal officers: R.L. Lowe, president; R.L. Beeson, vp; J.R. Turner, vp/treasurer.
Branch offices: Nashville, Tenn.
Parent company: Mr. Agency of

Continued on page 44

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Yes No

- ☐ ☐ Did you underwrite more than $1 billion worth of direct premiums for overseas risks last year?
- ☐ ☐ Do you have your own insurance facilities in over 130 countries and jurisdictions, giving you central control over both the domestic and overseas portions of an account?
- ☐ ☐ Have you been writing direct insurance on overseas risks for more than 60 years?
- ☐ ☐ Can you boast that you have over 11,000 employees overseas and that they have firsthand knowledge of local conditions, laws and regulations?
- ☐ ☐ Can you offer a complete line of Property, Casualty, Marine, Political Risk, D & O and K & R coverages to the multinational account, for both domestic and overseas exposures?
- ☐ ☐ Do you offer a full range of risk management services including captive management, policy issuance, reinsurance, and administrative services programs?
- ☐ ☐ Do you provide worldwide engineering service that can respond to the needs of both domestic and overseas exposures?
- ☐ ☐ Can you provide premium collection overseas in local currency and can claims be paid in local currency?
- ☐ ☐ Can your staff provide claims service overseas without depending on independent or agency relationships?
- ☐ ☐ Do you have your own loss adjustment facilities in the U.S.A.?

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Yes	No	
☑	☐	Did you underwrite more than $1 billion worth of direct premiums for overseas risks last year?
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☑	☐	Do you have your own loss adjustment facilities in the U.S.A.?

The AIG Companies.

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Continued from page 41

Georgia Inc.

Specialty lines: Commercial auto liability and physical damage, property, general liability umbrella.

Member of: NAPSLO.

B

Bache Special Risk Brokers Inc.

Bache Plaza, 100 Gold St., New York, N.Y. 10038; 212-791-7333

	1979	1978
Premium vol.	$7,800,000	New operation in 1980
Gross rev.	est. 1980 $ 596,000	

Bjornson Inc. of Iowa

810 First Ave. N.E., Cedar Rapids, Iowa 52402; 319-362-1161

	1979	1978
Premium vol.	$2,200,000	$2,000,000
% E/S bus.	est. 1980 95%	NA
Employes	3	NA

Principal officers: Roger S. Walsh, president.

Parent company: Bache Group Inc.

Specialty lines: Excess workers compensation, product liability with emphasis on pharmaceuticals, excess liability, DIC, property and bullion dealers.

Member of: NAPSLO.

Bohrer, Croxdale & McAdoo Inc.

Suite 710, 430 South Ave., Springfield, Mo. 65806; 417-869-2550

	1979	1978
Gross rev.	$230,000	$240,000
% E/S bus.	100%	100%
Employes	10	NA

Principal officers: Fred L. Bjornson, CPCU, president; Richard K. Cooper, CPCU, executive vp; Gerri Repass, CPIW, chief underwriter; Donna Cooper, specialty underwriter.

Specialty lines: Motorcycles, mobile home, nurses malpractice, transportation, fire.

Member of: NAPSLO, AAMGA.

British American Associates Inc.

Public Ledger Bldg., Philadelphia, Pa. 19106; 215-925-8823

	1979	1978
Premium vol.	$2,200,000	$1,600,000
Gross rev.	$187,000	$120,000
% E/S bus.	40%	30%
Employes	6	NA

Principal officers: Yvonne S. Bohrer, president; Sidney M. McAddo, secretary; Sydney T. Croxdale, assistant secretary.

Specialty lines: All lines.

Member of: NAPSLO.

	1979	1978
Premium vol.	$6,580,000	$7,675,000
Gross rev.	$330,000	$383,000
% E/S bus.	100%	100%
Employes	8	NA

Principal officers: James J. Ward, president; Kenneth A. Rudert, vp; William A. Watts, assistant vp; Karen J. Gearhart, assistant vp.

Member of: NAPSLO.

Brokers' Marketplace Inc.

68 Broadway, Buffalo, N.Y. 14203; 716-842-0502

	1979	1978
Premium vol.	$2,450,000	$2,000,000
Gross rev.	$525,000	$475,000
% E/S bus.	63%	67%
Employes	14	NA

Principal officers: Gary L. Hoffman, president.

Specialty lines: Commercial auto physical damage, liquor legal liability, vacant properties, demolition contractor.

Member of: NAPSLO.



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C

Cochrane, Griffin & Co. Inc.

2700 Northup Way, C 02700, Bellevue, Wash. 98009; 206-828-4541

	1979	1978
Premium vol.	$5,928,000	$6,495,415
Gross rev.	$898,280	$982,563
% E/S bus.	65%	65%
Employes	20	NA

Principal officers: John C. Griffin, president; Evan E. Cochrane, vp; Carol Griffin, treasurer; Maxine Melcher, secretary; Van C. Griffin, executive vp.

Member of: NAPSLO.

Compass Insurance Group of Agencies

6420 Wilshire Blvd., Suite 1225, Los Angeles, Calif. 90048; 213-655-0368

	1979	1978
Premium vol.	$1,200,000	$980,000
Gross rev.	$120,000	$98,000
% E/S bus.	85%	85%
Employes	4	NA

Principal officers: Harry W. Gorst, president; Donald J. Penniall, executive vp; Leighton R. Cairns, vp; Michael F. Heagerty, assistant vp; Robert C. Blackwell, secretary/treasurer.

Specialty lines: Liability, fire, auto.

Member of: NAPSLO.

Connecticut Underwriters Inc.

329 Main St., Portland, Conn. 06480; 203-342-0713

	1979	1978
Premium vol.	$10,310,000	$7,640,000
Gross rev.	$1,154,720	$855,680
% E/S bus.	NA	NA
Employes	11	NA

Principal officers: H. Stone, president/treasurer; M.M. March, vp/secretary; Donald Rittman, assistant vp; Arthur Peterson, account executive.

Subsidiaries: Professional Service Associates Inc.; R.I. Underwriters, Inc.

Parent company: Connecticut Underwriters Inc.

Specialty lines: OLT, MJC, professional, town clerk errors and omissions.

Member of: NAPSLO.

Coplen General Insurance Agency Inc.

100 N. Winchester Blvd., P.O. Box 28363, San Jose, Calif. 95128; 408-248-0925

	1979	1978
Premium vol.	$2,745,000	$3,000,000
Gross rev.	$385,507	$485,916
% E/S bus.	80%	80%
Employes	11	NA

Principal officers: Robert S. Coplen, president; Richard S. Coplen, executive vp; Susan C. Kazlauskas, underwriting vp; Patricia K. Coplen, secretary/treasurer.

Specialty lines: Clinical laboratory malpractice, commercial truck, commercial fire, umbrellas,

liability gap layers.
Member of: AAMGA, NAPSLO.

Creative Underwriters of the South Inc.

90 Bagby Drive, Suite 309, Birmingham, Ala. 35209; 205-942-2547

	1979	1978
Premium vol.	$2,397,650	$1,414,927
Gross rev.	$540,075	$363,405
% E/S bus.	80%	80%
Employes	5	NA

Principal officers: Evelyn Kerce, president/treasurer; D.L. Lackey, executive vp; Betty Hancock, secretary.
Specialty lines: Truck physical damage, umbrellas, general liability, fire, auto liability.
Member of: NAPSLO.

Crump-Kientz Co.

250 E. Broad St., Columbus, Ohio 43215; 614-224-3330

	1979	1978
Premium vol.	$9,000,000	$7,000,000
Gross rev.	$560,000	$390,000
% E/S bus.	85%	100%
Employes	12	NA

Principal officers: William D. Kientz, president; Thomas C. Devore, vp/general manager; Elaine O. Triplett, vp; Paul Brauer, vp.
Specialty lines: Marine, umbrella, commercial auto.
Member of: NAPSLO.

D

Day, Webb & Taylor Inc.

1017 S. Gaylord St., Denver, Colo. 80209

	1979	1978
Premium vol.	$13,563,669	$9,100,000
Gross rev.	$1,910,376	$1,749,716
% E/S bus.	15%	15%
Employes	42	NA

Principal officers: Robert W. Webb, president; H. Howell Taylor, vp; J. Emmett Taylor, secretary/treasurer.
Branch offices: Seattle, Phoenix, Colorado Springs.
Specialty lines: Daily auto rentals.

Delta Special Risks Agency

4801 Woodway, 100W, Houston, Tex. 77056; 713-621-8650

	1979	1978
Premium vol.	$7,686,110	$6,629,910
Gross rev.	$1,921,527	$1,657,477
% E/S bus.	75%	75%
Employes	26	NA

Principal officers: Avrohm I. Wisenberg, president; Donald A. King, executive vp; Harold Smith Jr., casualty manager; Dudley Carey, property manager; Sandra Ford, personal lines manager.
Parent company: Delta Insurance Group/Delta Lloyd's Insurance Co.
Specialty lines: Jewelers block, umbrellas, complex property lines, excess auto, professional liability.
Member of: NAPSLO, AAMGA.

Derek Ware Insurance Brokers Inc.

1970 Broadway, Suite 650, Oakland, Calif. 94612;415-839-3070

	1979	1978
Premium vol.	$3,200,000	$2,800,000
Gross rev.	$300,000	$270,000
% E/S bus.	100%	NA
Employes	9	NA

Principal officers: Derek Ware, CPCU, president; Martha J. Linich, chief financial officer.
Branch offices: Sacramento, Calif.; Tarzana, Calif.
Specialty lines: Primary liability, garage, saddle-animal liability, products, commercial umbrella.
Member of: NAPSLO.

Dub Martin & Company Inc.

1900 Pacific Ave., Suite 711, Dallas, Tex. 75201; 214-748-0853

	1979	1978
Premium vol.	$15,500,000	$17,000,000

Excess/Surplus

Gross rev.	$1,330,000	$1,440,000
% E/S bus.	100%	100%
Employes	16	NA

Principal officers: W.C. Martin Jr., president/chief executive officer; Carol McRae, senior vp; Paula McCrea, secretary/treasurer; Ron Fuos, vp; Frances Griffin, vp; Johnny Bledsoe, vp.
Specialty lines: Association umbrella program, long-haul trucks, large utility property lines, personal jewelry and fur schedules, all excess buffers and umbrellas.
Member of: NAPSLO.

Dupuy-Busching Cos. Inc.

3750 Interstate 55 N., Jackson, Miss. 39216; 601-982-3533

	1979	1978
Premium vol.	$25,000,000	$18,000,000
Gross rev.	$1,250,000	$900,000
% E/S bus.	20%	20%
Employes	48	NA

Principal officers: Aaron B. Dupuy Jr., president; Harold W. Busching, secretary/treasurer.
Subsidiaries: West Monroe, La.; Jackson, Miss.
Parent company: Dupuy-Busching Cos. Inc.
Specialty lines: Commercial fire, auto, general liability, umbrella, commercial physical damage.
Member of: NAPSLO.

E

E & S Facilities Inc.

Building 10, Suite 102, Office Park Circle, Birmingham, Ala. 35253; 205-879-9340

	1979	1978
Premium vol.	$10,200,000	$8,500,000
Gross rev.	$575,030	$416,958
% E/S bus.	100%	100%
Employes	11	NA

Principal officers: Don J. Pate, president; James A. Rikard, vp; Sondra Pate, secretary/treasurer; Beverly Langham, vp; Charles H. Garrison, vp.
Specialty lines: Umbrella, buffer, DIC general liability, products
Member of: NAPSLO.

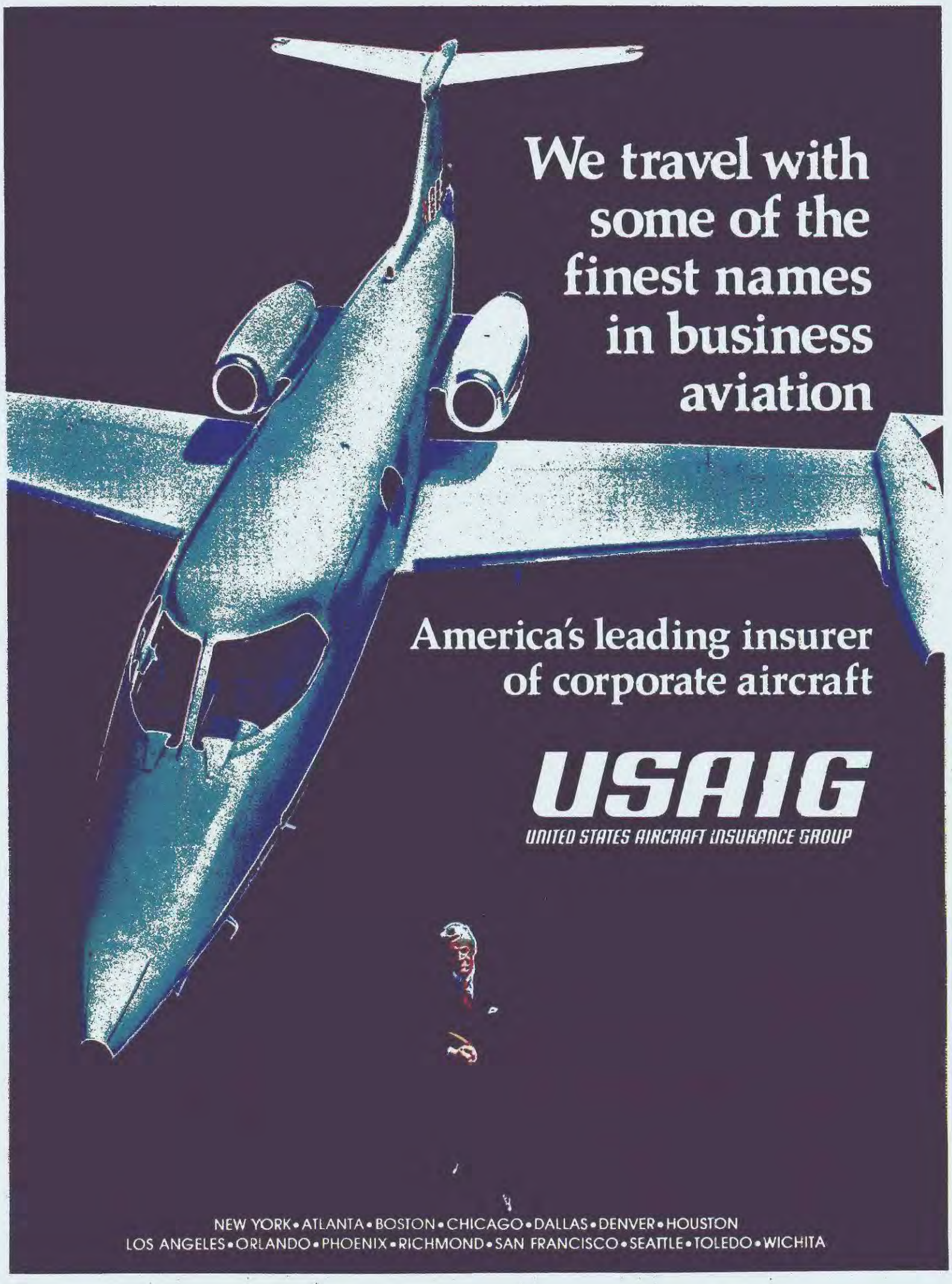
Equity Insurance Managers Inc.

P.O. Box 322, 465 E. High St., Lexington, Ky. 40594; 606-233-4262

	1979	1978
Premium vol.	$4,500,000	$3,600,000
Gross rev.	$475,000	$370,000
% E/S bus.	100%	100%
Employes	15	NA

Principal officers: William W. Davis, president; William R. Reed, vp; Eugene A. Bieger, vp.
Member of: AAMGA, NAPSLO, USA Alliance.

Continued on page 50





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perspective

Intermediary threat

Competition, laws squeeze E/S lines . . .

By Charles McAlear

BY THE END of the next decade the surplus lines intermediary may have no role at all, may play a far diminished role in the placing of your insurance or may, depending on any number of factors, play an expanded role.

Some forces are at work to eliminate the intermediary and excess/surplus lines insurance as it has been developing over the past decade.

It is broadly assumed that the E/S lines intermediary is looking forward to the next capacity "crunch" as an opportunity to increase profits or recoup losses. Some firms may well have such expectations, but at this writing there is no indication at all that the competition will indeed cease. There is every indication that additional capacity directed at the E/S marketplace is still being formed.

Although a rational analysis would suggest that too much capacity chasing too little premium will eventually lead to serious losses, there is also the old saying, "There is one born every minute." There may be an unending supply of naive capacity available to keep the competition heated up for an indefinite period.

It must also be recalled that the E/S insurers themselves are participating in this competition. If, as any objective analysis would suggest, present premium levels will lead to horrendous underwriting losses that will dry up capacity, there is no reason to believe that the E/S insurers themselves will not be among the casualties.

They may all withdraw or reduce their writings at the same time, leaving the intermediary stranded high and dry.

There has been a tendency among specialty insurers, those interested in marketing relatively limited lines of insurance, to go direct to the local agent, the first producer of the business. This trend could also continue or more insurers could perceive this as the way to cut expenses. In that case, the intermediary's function would remain important, but it simply wouldn't be done. This too could eliminate his role.

The national brokerage firms also could be 100% successful in integrating vertically. They could, perhaps, tie up all the markets for all coverages both in the U.S. and overseas. Certainly their active support of an alternate market in the form of insurance exchanges would indicate that having this as a goal is not beyond the realm of possibility. Perhaps they could create a single royal road to London or New York that everyone would have to follow. This would not bode well for the independent intermediary.

The single most unpredictable and dangerous threat to the intermediary's livelihood may well be the legislature. Insurance—and E/S coverages are insurance—is a complex mechanism not readily understood by many who spend their lifetime in the field. Insurers, agents and brokers have not done a very good job of explaining to buyers and their state and Washington representatives the great advantages and singular limitations of the system.

Well-intended legislation can easily contain provisions that actively discourage insurers from entering into or remaining in a given territory or from providing or continuing to provide a given coverage.

In recent years, state and federal laws proposed or enacted have established rules that effectively eliminate the underwriting process. Underwriting is then by legislative fiat, it is taken completely out of the hands of the underwriters. The laws can require that the capital of the insurers, their surplus, be devoted to serving the citizens of the state as the state decides.

Recent laws proposed or enacted include FAIR plans with no real mechanism for depopulation actively in competition with private insurers; product liability pools where the declination of one member of a class makes the pool the exclusive insurer of all members, a pool for all public business which, at the option of an insurance commissioner, can be designated the exclusive insurer for the class within the state, and an expansion of the FAIR plans into all areas of insurance, private and commercial, and their extension into very nearly all lines of insurance.

Proposals include rules for the underwriting of all insurance—property and casualty, private and commercial—that meet standards set by consumer groups rather than by underwriters. Of course, workers compensation pools already have to be supported.

If in fact this kind of legislation, which requires insurers' support to achieve its goals without giving them

Continued on page 49

Charles McAlear is principal of excess/surplus brokerage McAlear Associates Inc. and a loud voice in the E/S industry.

. . . and forge new vocabulary

Hot competition in the standard and excess/surplus marketplace has led Mr. McAlear to the opinion that the language of insurance may be changing a bit. His new vocabulary is reprinted from the McAlear Associates Inc. newsletter.

Insurance Lexicon-1980
By the Underwriter who couldn't say no

Accounting: 1) Method by which a business measures its success or failure, 2) method by which a predetermined financial position is created.

Attachment point: 1) Part of the body of a parasite that forms union with its host, 2) mythical limit beloved of reinsurers over which they are eager to provide excess; applies to broad classes of business regardless of substantial individual differences, i.e., the attachment point for hospital professional is $1 million-$3 million.

Essential insurance: 1) Necessary coverage, 2) scheme by which city dwellers and men could have their insurance costs subsidized by farmers and women.

Excess and surplus lines: 1) Redundant cordage on sailing vessels, 2) an insurance community regarded as essential in tight markets and redundant in soft.

Exchange: 1) Post-Christmas retail activity, 2) a place where value of one kind is traded for another that is somewhat diminished in the process, 3) scheme for rearranging insurance company surplus to suit political goals.

FAIR plan: 1) Any scheme that equally affects all involved, 2) slum landlords protection act.

Float: 1) The ability of a substance to maintain itself on top of a liquid, 2) principal source of agency profits, 3) principal source of intermediaries' profits, 4) principal source of everyone's profits.

Free Trade Zone: 1) 42nd and Broadway, 2) Shannon Airport, 3) mythical kingdom where insurance companies may behave in New York State as they actually behave elsewhere.

Investment income: 1) Income derived from invested assets, 2) insurer income derived from noninsurance activities, 3) that which when it is high reduces underwriting criteria and when it is low raises them.

Pen, The: 1) Designated writing instrument; used when exercising authority to accept business on behalf of a (hopefully distant and incurious) principal, 2) increasingly popular retirement location for erstwhile surplus lines brokers.

Personal lines: 1) Stylized methods of attracting or persuading the opposite sex, 2) shapes or forms peculiar to an individual, 3) certain insurance business characterized by the impersonal way in which it is marketed and serviced.

Pinto: 1) Small spotted horse, 2) small flammable vehicle, 3) (prospective) deadly weapon.

Policy fee: 1) Additional money charged by company or broker to type policy, the amount of which depends on what the traffic will bear, 2) additional income to brokerage firm, 3) entire profit of brokerage firm.

Pool: 1) Small body of water, 2) large container of chlorine solution, 3) device by which a group will insure at low rates what its individual members would reject at any price.

Program: 1) A segment of time on radio or television, 2) a card or booklet identifying players, teams, artists or events, 3) a scheme for marketing identical coverages to similar clients with somewhat different needs.

Rate: 1) Indicative of insurance classes not responsive to the law of large numbers, 2) a rate that is consistently too high or too low, 3) an opportunity for underwriters to write insurance at less than loss costs or, alternatively, at whatever price panic dictates.

Rex: 1) King, 2) small dog, 3) scheme for marketing facultative reinsurance in which a computer earns the brokerage commissions.

Risk manager: 1) One responsible for the preservation of corporate assets, 2) (if highly successful) division manager of offshore diversification adventure. ■



Photo: Ellis Simon

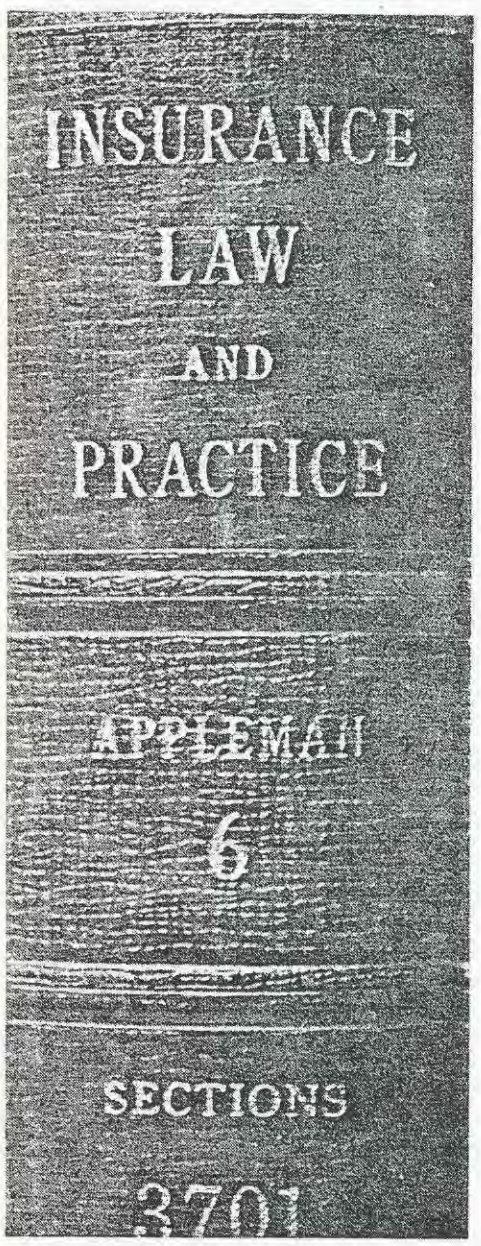
Free Trade Zone?

42nd and Broadway offers another view of the New York City marketplace, according to Mr. McAlear's Insurance Lexicon-1980, where risks are also taken.

perspective

Comparative negligence

Calif. decision clarifies good faith issue



By Frederick J. Fisher

IN LATE 1978, THE case of *American Motorcycle Assn. vs. Superior Court,* 20 C. 2d 578, was decided by the California supreme court. The case extended the doctrine of comparative negligence and how it would affect numerous defendants in multiple defendant litigation. The issue was apportionment of liability. In the decision, the supreme court found that a good faith settlement by a defendant would bar any subsequent liability for indemnity or contribution to any other defendants or any new parties.

In addition, the court extended code of civil procedure section 877 to discharge any defendant who entered into a "good faith settlement" with the plaintiff. The court implied that the settling defendant would be free from any claim for partial or comparative indemnity that may be pressed by any other defendant.

The problem, however, was that this case left undecided how the question of good faith settlement would be asserted and determined. Many defense attorneys and adjusters as well as risk managers have already found that in California courts, the superior court and "rules of court" had not provided for any procedural application of the American Motorcycle decision.

Frederick J. Fisher is the manager and vice president of Miller & Gilbert of Southern California, an excess/surplus lines claims adjusting facility providing risk management services, adjusting services and claims training services.

Litigation has begun to grow. In an earlier article (*BI*, Feb. 4), I mentioned the case of *Jordan Jones & Associates vs. Superior Court,* 94 Cal App 3d 490, in which the court held that a settling defendant was not immune to a cross complaint for total indemnity. In another case known as *American Bankers vs. Avco-Lycoming Diving,* 97 Cal App 3d 732, the court said a settling defendant was not barred from bringing its own lawsuit for contribution against other defendants even when the case had been dismissed!

Although my earlier article points out a lot of confusion, the California court of appeal has recently decided a new case that clarifies the situation.

In Fisher vs. Superior Court, decided in March, the court of appeal addresses itself to these problems. In this case, a car driven by Norma Schultz had struck the plaintiff, Frank Fisher, pinning him against a parked vehicle and severely injuring him. Fisher filed suit naming Ford Motor Co., the service agency and Norma and James Schultz as defendants.

In December 1974, the Schultzes settled with the plaintiff for $100,000, which was the limit of their automobile policy. The settlement was disclosed to all of the other defendants, although a formal dismissal was not filed until much later.

Before the dismissal was filed, Ms. Schultz filed a complaint against Ford, which cross complained against her, each alleging that the other was at fault and seeking indemnification. As a defense, Ms. Schultz raised her good faith settlement as an affirmative defense to Ford's cross complaint.

The key issue in these cases was whether or not the Schultz settlement was in good faith and barred the Ford cross complaint.

The court of appeal held that the issue of good faith settlement between a plaintiff and settling defendant should be tried separately in advance of the main tort cases and tort issues. It also held that upon motion of any party, the mattter should be tried as soon after the settlement as the court's calendar can permit, thus giving the good faith settlements trial calendar priority.

The appellate court further held that it was never the intent of American Motorcycle to allow cross complaints against the concurrent defendant for partial indemnity on a comparative fault basis when the defendant has entered into a good faith settlement with the plaintiff. To do so would directly undermine California's explicit statutory policy to encourage settlements reflected by provisions of CCP Section 877, the court added.

However, what is still at issue is whether or not a defendant's settlement is in good faith. The Fisher decision recognized this problem and indicated that in each case a trial shall determine whether or not the settlement was made in good faith. This trial shall be held as soon after the settlement as the court's calendar permits, in advance of the main case.

In the trial of the merits of the good faith settlement, the burden of proving there has been a good faith settle-

speaking out

Cynic offers equal chance for distrust

By Peter Downes

LUNCH AT THE Brass Rail was taking its usual liquid course when Fred suddenly lowered his glass and said:

"I've been thinking."

We burst into polite applause, leaving Fred looking bewildered and somewhat irritated. Taking pity on him, I ventured:

"All right, Fred. Tell us what you have been thinking about and in the process convince us that this is not a first for an insurance broker."

"It's not a first," interrupted Earl, a manager employed by a local insurer.

"A couple of years ago I did some business with an insurance broker and I will swear that he actually thought at one point."

Peter Downes's satire and humor on insurance issues regularly appear in the Perspective section. He is manager of insurance at American Trading & Production Corp. in Baltimore.

"Is that the reason that the insurer you work for is in the process of becoming the former insurance company?" Fred snapped. "Anyway, what I've been thinking is why can't people say exactly what they mean?"

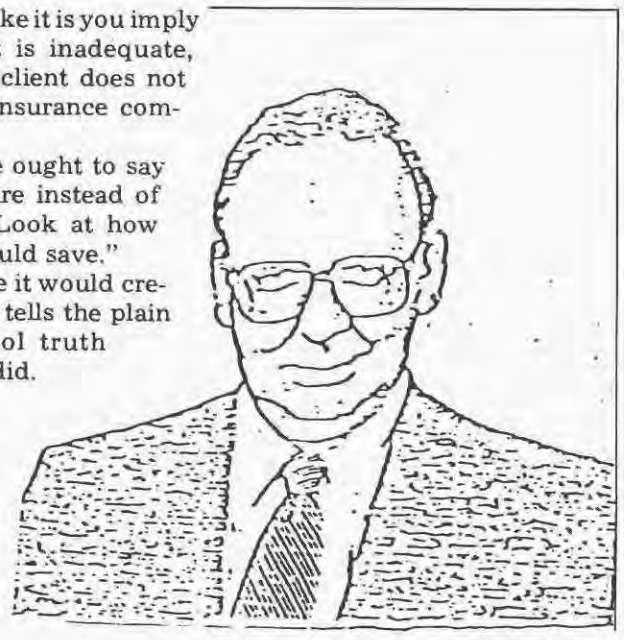
"What have you been and gone and done, Fred? Did you call some underwriter a dirty, lowdown conniving thief because he upped your rates? And how about that female underwriter you dislike so much, do you still insist on calling her Lady Macbeth?"

"Nothing like that, although I still say she is a reincarnation of the original. This occurred to me because of an inspection report I have just received. The insurer's recommendation was that the client should use some safety device that is already in the plant, but what the insurer really meant was that plant supervision stinks and the client should do something about it. So why be mealy-mouthed about it?"

There's nothing mysterious about that," I replied. "If you tell it like it is you imply that corporate management is inadequate, too. No doubt it is, but the client does not want to hear that from an insurance company hack."

"Just the same, I think we ought to say some things just like they are instead of skirting around the issue. Look at how much time and trouble it would save."

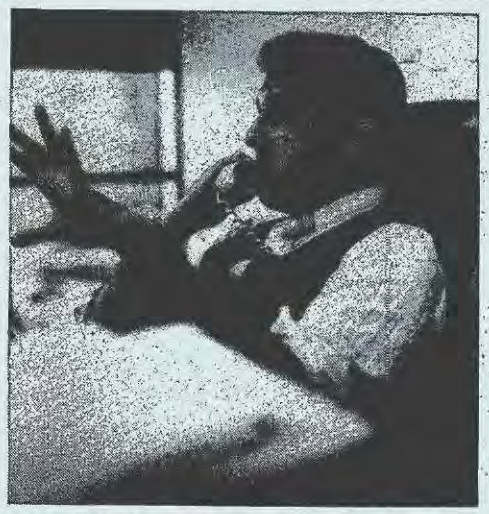
"Look at how much trouble it would create, you mean. Fred, nobody tells the plain unvarnished Sunday school truth about anything and never did. Take insurance brokers. Did you ever know one that told things exactly like they are?"



"You're talking garbage, Downes. At least I try to tell things the way they are."

"The hell you do, Fred. When you get on your bike and try to peddle me a new bill of goods, what kind of things do you say?

"First of all you assure me that something has long been known. What you really mean is that you vaguely recall reading about it someplace but can't quite remember where or can't be bothered to look it up if you think you do remember.



Additional expense

A good faith settlement may have to be defended, says Frederick Fisher.

ment is on the party who has settled the case and is now asserting that the settlement is a bar to all claims for contribution or comparative indemnity by any other defendant. Once a prima facie case has been made, the burden then shifts to the other parties to prove that a bad faith settlement has in fact been made. It was also indicated in this decision that the settler can make a prima facie case by merely showing that a settlement was made.

What risk managers should now realize is that if they are parties in multiple defendant litigation, they can settle a claim that can bar any further involvement in the action if they are sued for partial indemnity or contribution. However, under Jordon Jones & Associates vs. Superior Court, a claim for complete indemnity may not necessarily be barred by a settlement.

However, what you should also know is that additional defense expenses may be incurred as a result of having to try the issue of a good faith settlement before the main trial has taken place. What you should therefore realize is that although you may make a settlement, you still may have to defend the settlement in a separate trial, incurring additional expenses. ■

legal briefs

Insurer must pay attorney fees, interest

A FEDERAL appellate court ruled that an insurer's voluntary termination of its refusal to pay a death benefit claim did not foreclose a court's jurisdiction to assess attorney's fees and interest.

A beneficiary of a group life policy issued by The Equitable Life Assurance Society filed a claim for $20,000 in benefits after the policyholder, her husband, was killed in November 1976 during an altercation with a neighbor over a property line. Under the policy, benefits were payable in case of death "caused exclusively by external, violent and accidental means."

Equitable delayed paying the claim until December 1977, one week before the beneficiary's claim was scheduled for trial. Equitable also included 5.5% interest on the claim.

Equitable's reason for delaying was to determine the result of criminal charges against the slayer. However, Equitable had received an official report in January 1977 confirming the deceased had not been the aggressor. Wyoming law gave an insurer 45 days to accept or reject a claim after notice.

The beneficiary sought to recover $6,000 in attorney's fees and an additional 4.5% interest. The claim was based on a Wyoming law allowing such fees and 10% interest on judgements for insurance benefits withheld when the insurer's refusal to pay was unreasonable or without cause. The trial court ruled in her favor.

The appellate court said the law allowing recovery of expenses incurred in pursuing a just and reasonable claim was not penal but remedial in that actual loss was at issue, traceable directly to the insurer's improper conduct. The court said the intentional killing of a policyholder during a fight was deemed "accidental" when the policyholder did not provoke such and was not the aggressor.

Thus, the court concluded that Equitable's conduct in delaying payment of the claim was unreasonable. *Smith vs. The Equitable Life Assurance Society of the U.S.*, U.S. Court of Appeal for the 10th Circuit, Feb. 4, 1980 (*BI/04/Jy.-$4*).

These abstracts were prepared by Cases Unlimited Inc. Copies of the entire decision may be obtained by sending a check for $4 made out to Cases Unlimited, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611. Please list the number for each opinion.

E/S market to feel the squeeze

Continued from page 47

any participation in the decision-making process, is successful, it is easy to see that capital formation in the insurance business would decline and that insurers would find other means to utilize their surplus.

To the extent that such legislation would affect the E/S business—and there is no doubt that it would— the role of the intermediary, unable to attract insurers across such formidable barriers, would cease to exist.

It is possible, however, that the intermediary would not be eliminated.

In the brightest of possible worlds for the intermediary the E/S marketplace may provide it an expanded role.

Despite the prophets of doom, competition may not rob his insurers of their capacity. It may remain intact or even expand to meet the challenges of the future. Other problems I've mentioned may not come to pass.

Insurers that have in the past benefited from the current system may decide to stick with it. They may, as they've shown every evidence of doing, remain loyal to the intermediaries that have continued to provide them with access to business in good times and bad. The E/S intermediary will feel more secure when competition becomes rational, when underwriting is consistent.

A severe "crunch" is not in the intermediary's or the buyer's best interest. It is difficult to appear responsible when quoting premiums one year that are a multiple of those enjoyed by the buyer a year before. Nor does it make any sense to provide the same coverage at a fraction of what it's worth, knowing the premiums must again skyrocket.

The underwriting cycle must be dampened. Insurance buyers have a right to some consistency, and when they don't find it, may be loud and effective in their righteous wrath.

If insurers stopped thinking of their service as a "product" and their agents did not regard themselves as minding stores, the E/S intermediary would be delighted. The buyer would not be served with something off the shelf but with the coverages that particularly suit his or her exposures and considered his preferences. The agents would work hard to provide this kind of service and the chances are that he would often find use for an E/S intermediary.

If insurance buyers would demand at all times the very best security suitable to the risk being insured, this would be a plus for the professional intermediary. Much of the competition seen as irrational is coming from sources with no track record and questionable long-term stability.

In this ideal world, buyers would confess their doubts and their inability to make rational decisions based, very often, on inadequate data. They would employ the best counselors in order to ensure that their decisions in important areas were substantiated by data.

In this greatest of all possible worlds, many more risk managers would become truly sophisticated. They would insist that they deal in verifiable facts rather than in buzz words. They would realize that in a highly competitive business such as insurance, there is no such thing as "the 30% solution," that it is possible to defer the costs of some losses but never to eliminate them.

They would have a keen eye for their own firms' return on capital and not advocate without serious consideration the allocation of their employers' resources into areas where that return could not be achieved. ■

'If you tell it like it is you imply that corporate management is inadequate.'

—Peter Downes

"Then you may tell me that you have studied three cases in depth, when what you really mean is that the other cases you looked at contradict the arguments you are trying to put across to me. Then you display figures you say are typical, but carefully omit the other figures you collected because they make no sense at all.

"Then in the magnificent oration that ends your sales ploy, you insist that such-and-such is believed to be the case, whereas what you really mean is that you think it is regardless of what anybody else has to say. Of course, if you do happen to know somebody who thinks the same thing, then you say that it is a general belief."

"There are days," Fred mused, "when I wonder why I do not have lunch in the bar down the street or any other place where you people ain't."

"The reason is that nowhere other than this august establishment can you hear the scintillating conversation we provide you with; and you've made my point. You don't want anybody to lie to you but you like your truth dressed up somewhat the same as the rest of us."

"Pete, any resemblance between anything you have said and the way it is in the real world is purely coincidental. If everybody played games to the extent you say they do, then nobody would do any business at all."

"Somebody give Fred a lantern so that he can look for an honest man. Earl, get out of his light! Look, Diogenes, no matter what walk of life is involved, everybody does it. When the President of the United States tells us as much as he thinks it is good for us to know, it is called statesmanship, or it is if you subscribe to his party.

"And when ambassadors get together and swap tall stories, it is called diplomacy. And when your doctor refrains from calling you bonkers but discourses on your childhood trauma, it is called psychology. And when advertisers tell you they are the biggest and the best, everybody may think they are lying but laugh it off as hyperbole, which in some way seems to be forgivable.

"For that matter, look at our own trade. When insurers start blaming everything and everybody else for the outrageous prices they charge us, instead of confessing that they are suffering from their own past stupidities, they call it sound underwriting. And when a certain insurance broker sends me a piece of sales puffery, it is called service to the client."

"Yes," Fred said. "And I suppose that when people like you tell me how much better your loss experience will be next year, you call that good risk management."

"There may be some risk managers who behave like that but I and a few others like me are brave, steadfast, upright, painfully truthful and totally unprejudiced. And be careful with that drink or you'll tarnish my armor."

"You have the reputation for saying the craziest things but that bit about being totally unprejudiced really grabs me. How in creation can you even think a thing like that?"

"It's very simple really—I distrust everybody equally." ■

Continued from page 45

The Excess & Special Risk Market Inc.

3333 California St., San Francisco, Calif. 94119; 415-929-3527

	1979	1978
Premium vol.	$4,200,000	$1,200,000
Gross rev.	$312,000	$72,000
% E/S bus.	70%	70%
Employes	42	16

Principal officers: Gerald A. Isom, president; Timothy T.M. Koo, assistant vp.

Branch offices: San Francisco, Los Angeles, Chicago, Atlanta, Houston, Philadelphia, New Orleans, Kansas City, Minneapolis, Seattle, San Rafael, Calif.

Parent company: Fireman's Fund Insurance Cos.

Specialty lines: Property.

Member of: NAPSLO.

Excess Insurance Underwriters Inc.

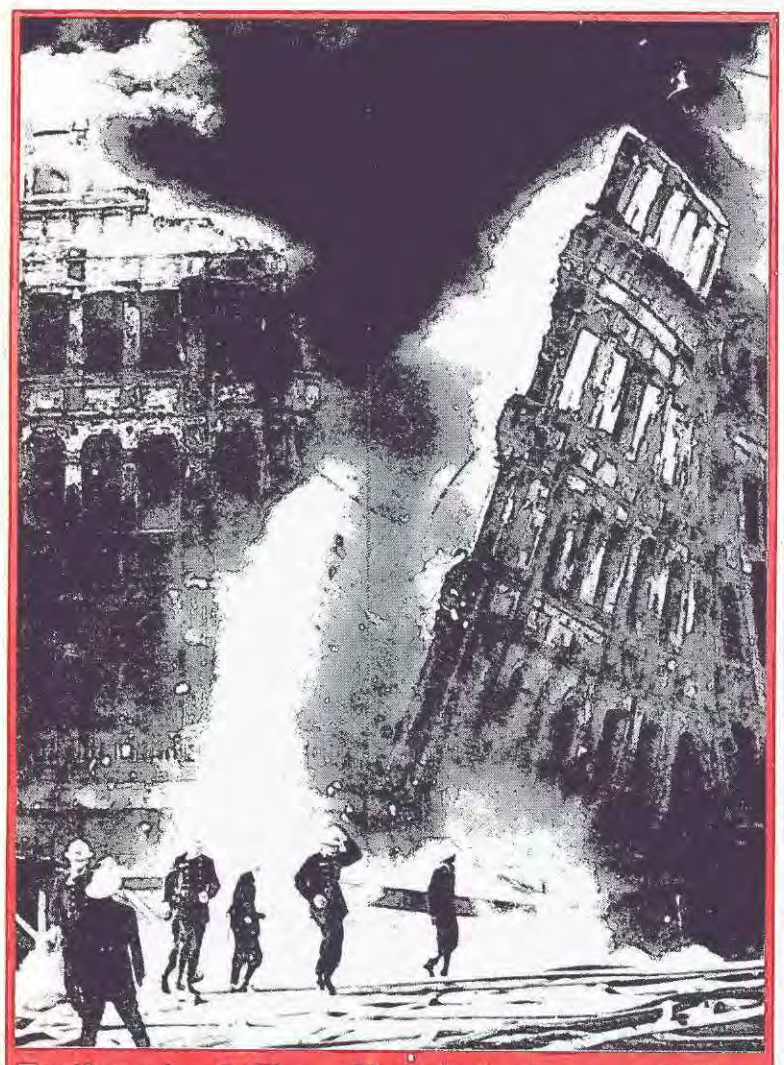
517 Forest Ave., P.O. Box 1518, Portland, Maine 04104; 207-775-0136

	1979	1978
Premium vol.	$2,600,000	$1,200,000
Gross rev.	$450,000	$167,000
% E/S bus.	100%	100%
Employes	14	NA

Principal officers: Michael S. Adams, president; A. Thomas Pratt, vp; Herbert Smith, CPCU, vp; Martin Johnson, secretary.

Specialty lines: Commercial auto, umbrellas, contractors' equipment, restaurants, professional liability, commercial marine.

Member of: NAPSLO.



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Excess/Surplus

Excess/Surplus Lines Insurance Brokers Inc.

3440 Wilshire Blvd., #810, Los Angeles, Calif. 90010, 213-487-4545

	1979	1978
Premium vol.	$4,800,000	$4,000,000
Gross rev.	$360,000	$300,000
% E/S bus.	100%	100%
Employes	7	NA

Principal officers: Douglas DeLano, executive vp; Jerry C. Boyer.

Specialty lines: Commercial umbrellas, primary liability, program for "paper" and general contractors.

Member of: NAPSLO.

Exsure Inc.

100 Constitution Plaza, Suite 364, Hartford, Conn. 06103; 203-277-6888.

	1979	1978
Premium vol.	$450,000	$250,000
Gross rev.	$79,000	$49,000
% E/S bus.	100%	100%
Employes	5	NA

Principal officers: M. Norman Kemp, president; David N. Huit, secretary/general manager; George E. Lawrence, treasurer.

Parent company: The Plaza Corp.

Specialty lines: Full range of E&S, including umbrella, FF excess, primary general and product liability, DIC and property.

Member of: NAPSLO.

F

Fidelity General Agency

1131 West Cudahay Lane, North Salt Lake, Utah 84054; 801-531-8081

	1979	1978
Premium vol.	$3,700,000	$3,100,000
Gross rev.	$696,000	$558,000
% E/S bus.	40%	50%
Employes	13	NA

Principal officers: F. Darrell Lindsey, president/chief executive officer; Don Elsworth, executive vp; Ray Richards, vp; Deon Fennell, operations vp; Ralf Niebuhr, account vp; Mel Israelsen, sales vp; June Schipper, transportation vp.

Subsidiaries: Canyonlands General Agency, Fidelity Premium Finance, Fidelity Computer Service Co.

Parent company: Fidelity Insurance Group.

Specialty lines: Oil and gas, mining, trucking, motorcycles, special events, SMP packages.

Member of: NAPSLO, AAMGA, PIA, IIAA, NALC, PIMA, NAII.

First Ohio Financial Corp.

Insurance Square, Celina, Ohio 45822; 419-586-5181

	1979	1978
Premium vol.	$6,200,000	$3,500,000
Gross rev.	$323,557	$200,571
% E/S bus.	80%	75%
Employes	8	NA

Principal officers: Bernard Moore, vp; Thomas Anderson, brokerage production manager.

Branch offices: Belleville, Ohio; Rogersville, Tenn.; Peoria, Ill.; Indianapolis, Ind.; Grand Rapids, Mich.; Clarksburg, W.Va.

Parent company: First Ohio Financial Corp.

Specialty lines: Commercial fire, commercial auto, inland marine, D & O, general liability.

Member of: NAPSLO.

Forest Products Agency Co. Inc.

Box 426, Norwich, Conn. 06360; 203-642-7559

	1979	1978
Premium vol.	$1,500,000	$1,000,000
Gross rev.	$87,000	$80,000
% E/S bus.	100%	100%
Employes	3	NA

Principal officers: Ernest Poore, president; Leslie H. Young, vp; Gary Young, secretary.

Parent company: R L & G Agency Inc.

Specialty lines: Forest products industry.

G

Global Facilities Inc.

200 Sunrise Highway, Rockville Center, N.Y. 11570; 516-678-5353 and 212-523-5959

	1979	1978
Premium vol.	$2,167,000	$1,640,000
Gross rev.	$201,000	$152,000
% E/S bus.	60%	65%
Employes	6	4

Principal officers: Robert Shapiro, president; Robert Forman, vp/treasurer.

Branch offices: East Orange, N.J.; New Haven, Conn.

Specialty lines: Security guards, liveries, laundromats and cleaners, restaurants.

Member of: NAPSLO.

Harry W. Gorst Co. Inc.

6420 Wilshire Blvd., Suite 1240, Los Angeles, Calif. 90048; 213-653-1607

	1979	1978
Premium vol.	$5,800,000	$4,200,000
Gross rev.	$435,000	$315,000
% E/S bus.	90%	90%
Employes	15	NA

Principal officers: Harry W. Gorst, president; Leighton R. Cairns, vp; Michael F. Heagerty, vp; Donald J. Penniall, vp; Robert C. Blackwell, secretary/treasurer.

Specialty lines: Fire, auto, umbrella, business interruption.

Member of: NAPSLO.

The Gulf Agency Inc.

P.O. Box 17216-1020, Monticello Court, Montgomery, Ala. 36117; 205-277-6014.

	1979	1978
Premium vol.	$4,718,000	$3,800,000
Gross rev.	$778,759	$705,370
% E/S bus.	98%	98%
Employes	15	NA

Principal officers: Tom Albrecht, president; Ray Johnston, vp; Alan Mitchell, secretary; Debra Bradsher and Jere Peak, secretaries.

Member of: AAMGA.

H

H & W Underwriters (Agency) Inc.

3125 Broadway, Kansas City, Mo. 64111; 816-756-0400

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PHONE 203-642-7559

	1979	1978
Premium vol. ...	$6,639,762	$5,630,456
Gross rev.	$1,496,276	$1,037,437
% E/S bus.	68%	85%
Employes	16	NA

Principal officers: Neil R. Poupirt, president; Bernard R. Geis, secretary; Frank Maike, treasurer.
Branch offices: Barrington, Ill.
Specialty lines: Taxicab and public transportation liability, libel and slander, agent/broker E&O, D&O professional liability for nonprofit groups, professional liablity for blood banks.
Member of: NAPSLO.

L.E. Harris Agency Inc.

1511 K St. N.W., Washington, D.C. 20005; 202-393-4200

	1979	1978
Premium vol.....	$7,126,928	$7,288,919
Gross rev.....	$529,702	$543,721
% E/S bus.	95%	95%
Employes	18	NA

Principal officers: Jerome J. Harris, CPCU, president; David A. Riffert, CPCU, executive vp; Nicholas Taube, CPCU, vp.
Branch offices: Baltimore.
Specialty lines: Special events, difficult casualty, umbrella, commercial auto, unique property.
Member of: NAPSLO, AAMGA.

Hartje & Co.

1175 Peachtree St. N.E., Atlanta, Ga. 30361; 404-892-8350

	1979	1978
Premium vol.....	$5,190,175	$6,154,978
Gross rev.....	$393,491	$404,307
% E/S bus.	100%	100%
Employes	8	NA

Principal officers: Richard N. Hartje, president; Linda G. West, vp.
Branch offices: Nashville.
Member of: NAPSLO.

Hightower & Luck General Agency Inc.

No. 4 Office Park Circle, Suite 313, Birmingham, Ala. 35223; 205-879-8589

	1979	1978
Premium vol. ...	$1,378,000	$1,059,000
Gross rev.	$285,000	$224,000
% E/S bus.	50%	60%
Employes	6	NA

Principal officers: King G. Luck, president; Martha C. Hightower, vp.
Specialty lines: Capacity fire, excess general liability, umbrella, inland marine, logging, primary general liability.
Member of: NAPSLO.

Hillside-Rhodes Insurance Service Corp.

111 W. Eighth, P.O. Box 42, Lawrence, Kan. 66044; 913-842-9991

	1979	1978
Premium vol.....	$1,350,000	$1,891,320
Gross rev.....	$268,750	$472,830
% E/S bus.	100%	45%
Employes	9	NA

Principal officers: Chas. Rhodes, Jr., president; Francis Rhodes, executive vp; Marvin E. McDougal, vp; Peggy Hudson, secretary/treasurer.
Branch offices: Atlanta, Denver.
Parent company: Rhodes Insurance Industries Agency Inc.
Specialty lines: Dealers open lot, product liability, recreational-type risks, saddle-animal risks, rental-type risks.
Member of: NAPSLO.

Horan, Goldman Cos. Inc.

2 Bryn Mawr Ave., Bryn Mawr, Pa. 19010; 215-527-4400

	1979	1978
Premium vol.....	NA	NA
Gross rev.....	$1,660,000	$1,727,000
% E/S bus.	100%	100%
Employes	41	NA

Principal officers: William Goldman, president; Victor D. Giordano, executive vp; Jack McCabe, vp; Stanley Pustilnick, vp/treasurer; Mary Marines, vp/secretary.
Branch offices: Bryn Mawr, Pa.; Baltimore; Cherry Hill, N.J.: Concord, N.H.; New York.
Subsidiaries: Horan, Golman & Co. of Pa. Inc. and Md., N.J., New England and N.Y.; H.G. Managers Inc.; H.G. Realty Corp.
Parent company: Horan, Goldman Cos. Inc.
Member of: AAMGA, NAPSLO.

Huycke General Agency

508 W. Sixth Ave. Anchorage, Alaska 99501; 907-276-5333

	1979	1978
Premium vol.....	$938,000	$773,476
Gross rev.....	$133,731	$81,676
% E/S bus.	66%	53%
Employes	4	NA

Principal officers: Peter C. Huycke, owner.
Member of: AAMGA, NAPSLO.

Insurance Marketing Center of New England Inc.

Continued on next page

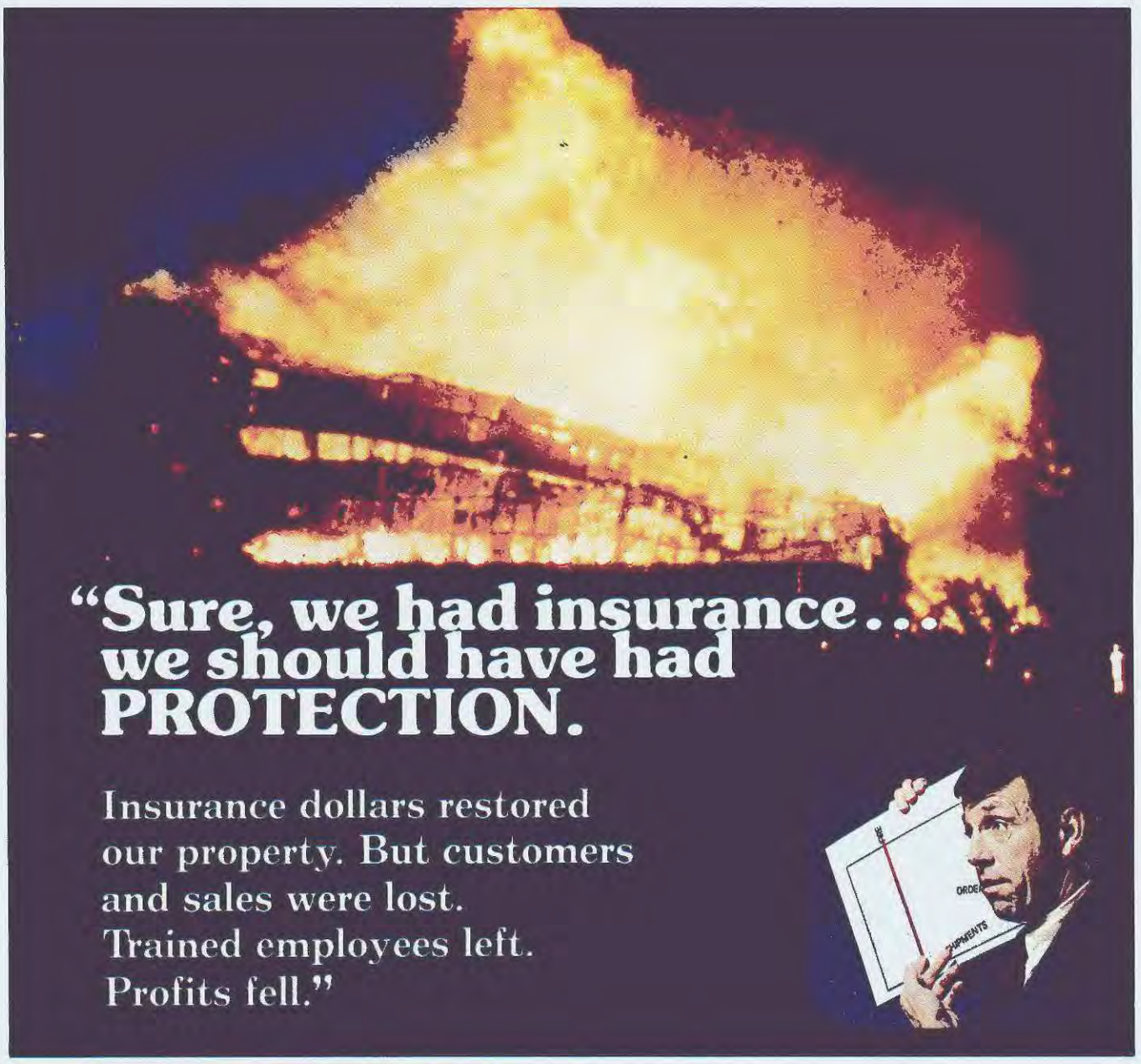
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Continued from previous page

50 Bridge St., Suite 269, Manchester, N.H. 03101; 603-625-5711

	1979	1978
Premium vol.	$1,300,000	$478,000
Gross rev.	$203,624	$94,260
% E/S bus.	100%	100%
Employes	4	NA

Principal officers: Joseph Williamson, president; Thomas Reussé, chairman of the board.

Specialty lines: Boats, vacant properties, older apartment buildings, seasonal risks, restaurants.

Member of: NAPSLO.

International Excess Agency Inc.

2111 S. Green Road, P.O. Box 21170, South Euclid, Ohio 44121; 216-291-1818

	1979	1978
Premium vol.	$1,750,000	$1,600,000
Gross rev.	$200,000	$170,000
% E/S bus.	100%	100%
Employes	5	NA

Principal officers: Thomas H. Paterson, president; Edward J. Hull, vp.

Specialty lines: General liability, police professional, public officials, errors and omissions, D&O, garage.

Member of: NAPSLO.

Excess/Surplus

J

Jackson & Brunson Co. Inc.

P.O. Box 4917, 3000 Old Canton Road, Jackson, Miss. 39216; 601-362-1661 or 800-962-2110

	1979	1978
Premium vol.	$1,850,000	$1,250,000
Gross rev.	$288,000	$174,389
% E/S bus.	65%	55%
Employes	6	NA

Principal officers: William C. Brunson, president.

Specialty lines: Commercial truck physical damage and liability, commercial fire, general liability, inland marine, association package policy.

Member of: AAMGA.

Jaeger & Haines Inc.

34 E. Center, P.O. Box 1623, Fayetteville, Ark. 72701; 501-521-2551

	1979	1978
Premium vol.	$2,250,000	$1,791,000
Gross rev.	$495,000	$394,000
% E/S bus.	100%	100%
Employes	14	NA

Principal officers: Larry Haines, president; Tish Jones, vp; Maxine Jaeger, assistant vp; Mike Johnson, assistant vp; Tricia Story, comptroller.

Specialty lines: Commercial auto, property, casualty, professional liability.

Member of: NAPSLO, AAMGA.

K

Kappes-Coombe Insurance Services Inc.

10405 San Diego Mission Road, P.O. Box 20072, San Diego, Calif. 92120; 714-280-8175

	1979	1978
Premium vol.	$3,000,000	$6,000,000
Gross rev.	$300,000	$500,000
% E/S bus.	50%	100%
Employes	8	NA

Principal officers: George Kappes Jr., president; Connie E. Shoen, vp; K.J. Bethel, D.H. Coombe and D.A.W. Foster, directors.

Subsidiaries: Uni-Re Intermediaries Inc.

Member of: NAPSLO.

L

Landmark Management Corp.

1515 Classen Blvd., Box 676, Oklahoma City, Okla. 73101; 405-521-9911

	1979	1978
Premium vol.	$9,900,000	$8,500,000
Gross rev.	$1,700,000	$1,200,000
% E/S bus.	65%	70%
Employes	59	NA

Principal officers: William E. Thompson, chairman; Charles C. Caldwell, president; Marilyn M. Thompson, secretary.

Branch offices: Scottsdale, Ariz.; Wichita, Kan.; Helena, Ark.

Subsidiaries: Joe B. Fears General Agency Inc., Landmark Management Corp. of Arizona.

Parent company: Landmark Insurance Group Inc.

Specialty lines: Transportation risks, umbrella and excess liability.

Member of: NAPSLO, AAMGA.

Lawrence Excess Ltd.

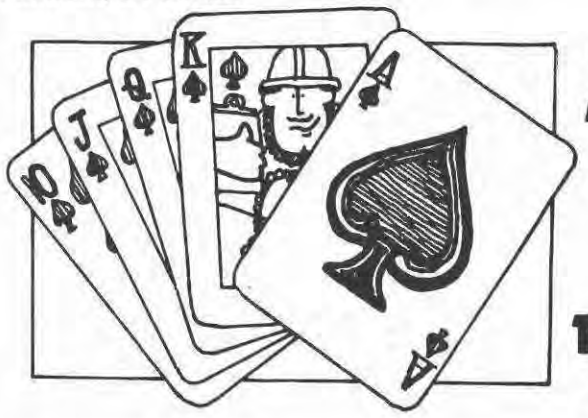
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P.O. Box 690, 8 Freer St., Lynbrook, N.Y. 11563; 212-961-8600 and 516-887-7600

	1979	1978
Premium vol.	$18,500,000	$17,000,000
Gross rev.	$1,900,000	$1,650,000
% E/S bus.	55%	60%
Employes	50	NA

Principal officers: Richard L. Wolf, president; Walter S. Groden, executive vp; Harold Wolf, secretary; Helen S. Wolf, treasurer; David Isenberg, marketing vp.

Branch offices: Lawrence Excess Ltd. of New Jersey; Lawrence Excess of Kentucky Ltd.

Subsidiaries: David C. White Agency Inc. in New Jersey and Kentucky; H.S.W. Agency Inc.

Parent company: Wolf, Wolf & Groden Ltd.

Specialty lines: Garage, high risk product liability, restaurant packages, commercial umbrella, CGL-contractors.

Member of: NAPSLO.

Bernard W. Levmore Co. Inc.

2 W. 46 St., New York, N.Y. 10036; 212-840-2280

	1979	1978
Premium vol.	$1,500,000	$1,250,000
Gross rev.	$250,000	$175,000
% E/S bus.	80%	75%
Employes	7	NA

Principal officers: Bernard W. Levmore, president.

Specialty lines: Jewelers block and related high-value risks, antique auctions, precious metals refiners, worldwide shipments, safe deposit vaults.

London Brokers Inc.

822 Marquette Ave. S., Minneapolis, Minn. 55402; 612-332-5571

	1979	1978
Premium vol.	$4,200,000	$3,900,000
Gross rev.	$420,000	$390,000
% E/S bus.	100%	100%
Employes	7	NA

Principal officers: C. Bruce Solomonson, president; J. Brower, managing vp; M. Drager, marketing vp.

Specialty lines: Liquor liability.

Member of: NAPSLO.

M

MacCready & Gutmann Insurance Services Inc.

220 Sansome St., San Francisco, Calif. 94104; 415-788-0281

	1979	1978
Premium vol.	$7,000,000	$5,000,000
Gross rev.	$650,000	$450,000
% E/S bus.	100%	100%
Employes	14	NA

Principal officers: Bruce B. MacCready, president; John L. Dalton, Paul Feldsher, Boris E. Gutmann, vps.

Subsidiaries: B.E. Gutmann & Co.

Specialty lines: Excess workers compensation, umbrella liability, general and automobile liability in excess of self-insured retentions.

Member of: NAPSLO.

Robert Mack United Inc.

124 E. 39th St., New York, N.Y. 10016; 212-725-0505

	1979	1978
Premium vol.	$850,000	$750,000
Gross rev.	$148,000	$131,000
% E/S bus.	98%	98%
Employes	10	NA

Principal officers: Philip M. Schlusser, president/chairman of the board; Alan M. Mack, executive vp.

Branch offices: Greenwich, Conn.

Parent company: United Coverage Consultants Inc.

Specialty lines: Auto, physical damage, cargo.

Major Surplus Inc.

99 John St., New York, N.Y. 10038; 212-285-1109

	1979	1978
Premium vol.	$12,500,000	$6,000,000
Gross rev.	$650,000	$320,000
% E/S bus.	100%	100%
Employes	12	NA

Principal officers: Jeremy D. Cooke, executive vp; Gregg S. Lister, vp; Maria C. Valle, vp.

Branch offices: Morristown, N.J.

Parent company: Dewey Warren (North America).

Specialty lines: Umbrellas, products, excess auto, aggregate stop-losses, malpractice, physical damage.

Member of: NAPSLO.

Market Finders Insurance Corp.

P.O.Box 6046, 9117 Leesgate Road, Suite 201, Louisville, Ky. 40222; 502-423-1800

	1979	1978
Premium vol.	$14,300,000	$12,000,000

Continued on next page

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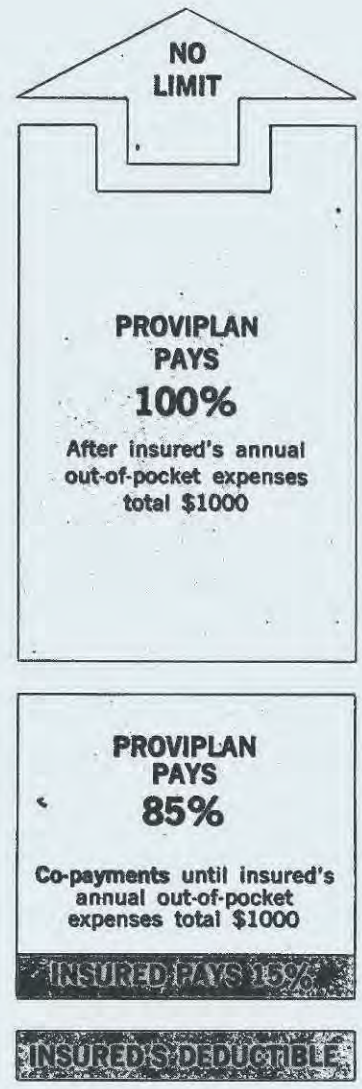
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Asbestos Litigation Reporter

ANDREWS PUBLICATIONS, INC.

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Continued from previous page

Gross rev	$1,700,000	$1,400,000
% E/S bus.	90%	90%
Employes	36	NA

Principal officers: James R. Ryan, president; Jerome H. Boyett, secretary/treasurer.
Branch offices: Cincinnati, Pittsburgh, Nashville.
Subsidiaries: MFI Premium Budget Co.
Parent company: Market Finders Insurance Corp.
Specialty lines: Aviation, commercial auto, commercial property, primary casualty, umbrella.
Member of: NAPSLO.

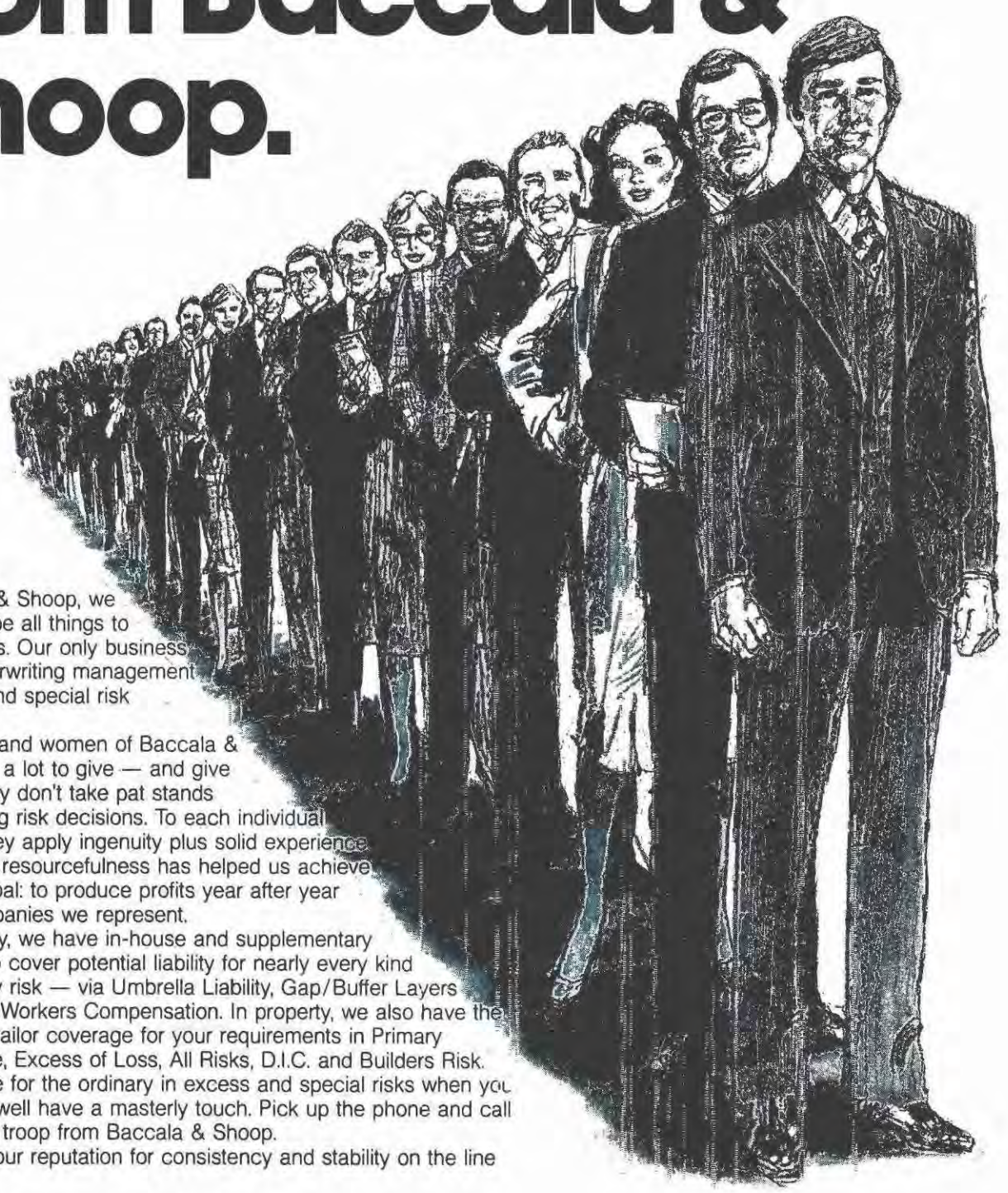
Louis T. Mastos & Associates Inc.

533 California Ave., Reno, Nev. 89509; 702-786-7742

	1979	1978
Premium vol.	$2,479,517	$2,412,899
Gross rev.	$707,700	$648,767
% E/S bus.	100%	100%
Employes	10	NA

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Excess/Surplus

Principal officers: Louis T. Mastos, president; Eva B. Mastos, secretary/treasurer; Andra C. Murray, vp.
Subsidiaries: Placement Insurance Brokers Inc.
Specialty lines: All general liability, E&O covers.
Member of: NAPSLO, AAMGA.

Midtown Risk Specialists Inc.

1230 Ave. of the Americas, New York, N.Y. 10020; 212-975-0975

	1979	1978
Premium vol.	$25,390,166	$19,141,463
Gross rev.	$886,114	$682,367
% E/S bus.	100%	100%
Employes	27	NA

Principal officers: Warren C. Benn, president; Ed Ilic, Nick Papatsos, and Stan Kulesa, assistant vps.
Branch offices: New York, Rochester,N.Y.
Parent company: Risk Specialist Cos. Inc.
Specialty lines: Property, casualty, international, ocean marine, programs, product liability.

Moore Excess Inc.

Center Street, P.O.Box 565, Croton Falls, N.Y. 10519; 914-277-3955

	1979	1978
Premium vol.	$1,250,000	$950,000
Gross rev.	$85,000	$56,000
% E/S bus.	99%	98%
Employes	2	NA

Principal officers: Robert J. Moore, president/treasurer; Jean B. Moore, vp/secretary.
Member of: NAPSLO.

N

Natesco General Agency Inc.

1900 Pacific Ave., Suite 1111, Dallas, Texas 75201; 214-651-0774

	1979	1978
Premium vol.	$6,803,574	$9,670,016
Gross rev.	$476,250	$676,901
% E/S bus.	100%	100%
Employes	12	NA

Principal officers: Robert O. Zeiler, chairman/president; Jarrel B. Zachry, vp; Forrest C. Roan, secretary; Judy A. Thomeczek, treasurer/assistant secretary.
Parent company: Farmers Alliance Mutual Insurance Co.
Specialty lines: Primary general liability, excess auto and general liability, umbrella liability, commercial physical damage and property.
Member of: NAPSLO.

NIA Excess Lines Inc.

66 Route 17, Paramus, N.J. 07652; 201-845-6600

	1979	1978
Premium vol.	$3,000,000	$3,000,000
Gross rev.	$520,000	$480,000
% E/S bus.	98%	98%
Employes	5	NA

Principal officers: Paul L. Gross, president; Frances Golardi, vp.

North Island Excess & Surplus Corp.

1295 Northern Blvd., Manhasset, N.Y. 11030; 516-365-7440

	1979	1978
Premium vol.	$5,168,678	$4,961,302
Gross rev.	$401,449	$342,400
% E/S bus.	100%	100%
Employes	9	NA

Principal officers: Michael A. Orlando, president; John G. Orlando, vp; Shirly Chadwick, assistant secretary.
Specialty lines: Product liability, professional liability, multiperil general liability, umbrella liability.
Member of: NAPSLO.

O

Oklahoma General Agency

809 N.W. 36th, Oklahoma City, Okla. 73118; 405-525-8181

	1979	1978
Premium vol. ...	$16,090,223	$13,973,565
Gross rev.	$1,287,204	$1,215,651
% E/S bus.	60%	57%
Employes	23	NA

Principal officers: Marie E. Welch, president; Rick Welch, secretary/treasurer.
Parent company: Oklahoma General United Corp.
Specialty lines: Umbrellas, E&O, D&O, aviation.
Member of: NAPSLO.

Overseas & Domestic Underwriters Ltd.

3384 Peachtree Road N.E., Suite 850, Atlanta, Ga. 30326; 404-261-4102

	1979	1978
Premium vol.....	$9,000,000	$8,000,000
Gross rev.....	$792,000	$656,000
% E/S bus.	90%	90%
Employes	20	NA

Principal officers: Alan S. Quaif, president; Allen Eskind, president-Nashville; Paul Tobin, president-Orlando.
Branch offices: Nashville, Orlando.
Parent company: Overseas & Domestic Underwriters Ltd.
Specialty lines: Malpractice-abortion clinics, vacant property, pest control liability.
Member of: NAPSLO.

Overstreet & Associates Inc.

1800 Peachtree Road N.W., Suite 620, Atlanta, Ga. 30309;404-351-1450

	1979	1978
Premium vol. ...	$2,200,000	$2,700,000
Gross rev.	$130,000	$160,000
% E/S bus.	100%	NA%
Employes	6	NA

Principal officers: Roy Overstreet, president; Judith H. Overstreet, secretary/ treasurer.
Specialty lines: Property/casualty, apartments, restaurants, nursing homes, special events, detective agencies.
Member of: NAPSLO.

P

Frank Perfetti Inc.

1544 Union St., Schenectady, N.Y. 12309; 518-393-2124

	1979	1978
Premium vol. ...	$1,700,000	$1,350,000
Gross rev.	$240,000	$210,000
% E/S bus.	60%	60%
Employes	5	NA

Principal officers: Frank Perfetti,president.
Branch offices: Troy, N.Y.; Syracuse, N.Y.
Subsidiaries: Rest Pac Administrators.
Specialty lines: Restaurants, taverns, discos, excess fire.

R

Richter/Robb Underwriters Ltd.

1245 E. Colfax, Denver, Colo. 80218; 303-831-7888

	1979	1978
Premium vol. ...	$3,500,000	$1,900,000
Gross rev.	$787,500	$427,500
% E/S bus.	50%	35%
Employes	29	NA

Principal officers: Roger A. Richter, president; A.W. Wood, executive vp; Charles A. McCarron, senior vp.
Branch offices: Scottsdale, Ariz.
Parent company: Richter/Robb Co.
Specialty lines: Outfitters and guides, all types of trucking risks, product liability.
Member of: NAPSLO.

Risk Insurance Brokers of the West

3570 Camino Del Rio N., San Diego, Calif. 92108; 714-280-7561

	1979	1978
Premium vol. ...	$6,300,000	$2,000,000
Gross rev.	$373,000	$120,000
% E/S bus.	70%	NA%
Employes	26	NA

Principal officers: Kenneth Buller, president; Robert Burgoyne, John Barbot and Dan Harron, vps.
Branch offices: Santa Ana, Calif.; Walnut Creek, Calif.
Parent company: Western Insurance Holdings.
Specialty lines: Products, umbrella, excess liability, DIC, E&O.
Member of: NAPSLO.

Continued on next page

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National Association of Professional Surplus Lines Offices Ltd.
2131 Kingston Ct., S.E. Suite 116 Marietta, GA. 30067

Continued from previous page

S

W.A. Schickedanz Agency Inc.

110 W. Main St., Belleville, Ill. 62222; 618-233-0644

	1979	1978
Premium vol. ...	$6,000,000	$5,500,000
Gross rev.	$900,000	$850,000
% E/S bus.	60%	65%
Employes	25	NA

Principal officers: Carl J. Miller Sr., president; Albert A. Seppi, executive vp; Steven C. Miller, secretary/treasurer; C. Jack Miller, consulting broker; Raymond W. Juenger, assistant secretary/special agent

Specialty lines: Liquor liability, nonstandard general liability, surcharged fire, commercial auto, physical damage.

Member of: AAMGA.

Ralph Schram Inc.

P.O. Box 5427, 4435 O St. Lincoln, Neb. 68505; 402-483-2991

	1979	1978
Premium vol. ...	$4,500,000	$4,000,000
Gross rev.	$755,000	$680,000
% E/S bus.	98%	95%
Employes	11	NA

Principal officers: Ralph Schram, president; Gloria J. Nelson, executive vp; Fred L. Bovee, treasurer; Kenneth R. Baker, vp; Karen J. Metzger, assistant vp.

Subsidiaries: Lincoln Insurance Center Inc.

Specialty lines: Umbrellas, malpractice, professional liability, product liability, long-haul trucking, commercial fire and casualty.

Member of: AAMGA, NAPSLO.

Shelly, Middlebrooks & O'Leary Inc.

725 Peninsular Place, P.O. Box 2909, Jacksonville, Fla. 32203; 904-354-7711

Excess/Surplus

	1979	1978
Premium vol. ...	$7,846,087	$7,408,058
Gross rev.	$794,725	$759,339
% E/S bus.	100%	100%
Employes	25	NA

Principal officers: Dan O'Leary, president; Roger T. Gobler, executive vp; Lerliene S. Connolly, vp/secretary; Michael S. O'Leary, vp; Timothy O'Leary, vp; Patrick O'Leary, assistant vp.

Specialty lines: Commercial auto, primary general liability, SMP, professional, umbrella and excess.

Member of: NAPSLO.

Sherwood Insurance Services

201 California St., Suite 900, San Francisco, Calif. 94111; 415-956-3236

	1979	1978
Premium vol. ...	$12,500,000	$4,000,000
Gross rev.	$745,000	$235,000
% E/S bus.	50%	50%
Employes	15	NA

Principal officers: Donald K. Sherwood, president/chief financial officer; F.W. Booth Jr., vp.

Specialty lines: Commercial and industrial large risk property and casualty accounts.

Southern Cross Underwriters Inc.

P.O. Box 5108, Fondren Station, Jackson, Miss. 39216; 601-981-5172

	1979	1978
Premium vol. ...	$3,500,000	$3,000,000
Gross rev.	$340,000	$295,000
% E/S bus.	90%	90%
Employes	14	NA

Principal officers: Charlie M. Phillips, president; Diane Petty, vp; Ford Petty, secretary/treasurer.

Member of: NAPSLO, AAMGA.

Southern Insurance Managers

95 Whitebridge Road, 101 Cavalier Bldg., P.O. Box 50297, Nashville, Tenn. 37205; 615-356-2900

	1979	1978
Premium vol. ...	$7,555,840	$7,285,625
Gross rev.	$688,949	$619,307
% E/S bus.	77%	76%
Employes	25	NA

Principal officers: Edward J. Knish, CPCU, partner; J. Stuart Jones, partner; May Bell, operations manager; Darlene Trent, casualty underwriting manager; Roger Evans, production manager.

Specialty lines: Long-haul trucking, liability, physical damage and cargo, commercial fire, standard and nonstandard, general liability specialty lines, nursing homes, umbrella, mobile home dealers, used car dealer garage liability.

Member of: NAPSLO.

Southern Insurance Service

P.O. Box 29523, New Orleans, La. 70189; 504-944-3301

	1979	1978
Premium vol. ...	$3,500,000	$2,800,000
Gross rev.	$834,000	$613,000
% E/S bus.	100%	100%
Employes	17	NA

Principal officers: Robert E. Cochran, president; Garner J. Knoepfler, CPCU, vp; Crystal Smith, office manager/comptroller; Fay Guggenheim, marketing coordinator; Kathy Cramer, casualty supervisor.

Specialty lines: General liability, property, SMP, "wet" general liability, trucks.

Member of: AAMGA, NAPSLO.

Southwest Surplus Insurance Agency Inc.

P.O. Box 9187, El Paso, Tex. 79983; 915-779-3651

	1979	1978
Premium vol. ...	$3,900,000	$3,200,000
Gross rev.	$300,000	$250,000
% E/S bus.	75%	75%
Employes	11	NA

Principal officers: Ralph Lowenfield, president; James Driscoll, vp; Don Litchfield, vp.

Parent company: Alexander & Associates Inc.

Member of: NAPSLO.

Sovereign Facilities

156 William St., New York, N.Y. 10038

	1979	1978
Premium vol. ...	$3,000,000	$3,800,000
Gross rev.	$330,000	$450,000
% E/S bus.	100%	100%
Employes	8	NA

Principal officers: W.J. Lynch, president; W.F. Lynch, vp; M.T. Lynch, treasurer; D. J. Lynch, secretary.

Member of: NAPSLO.

Statewide Insurance Corp.

P.O. Box 10038, Phoenix, Ariz. 85064; 602-264-1010

	1979	1978
Premium vol. ...	$6,500,000	$5,380,000
Gross rev.	$938,408	$802,371
% E/S bus.	100%	100%
Employes	28	NA

Principal officers: Robert Katz, president; George Mang, vp; Bertha Solou, secretary/treasurer.

Member of: NAPSLO, AAMGA.

Superior Underwriters

309 Colman Bldg., Seattle, Wash. 98104; 206-223-3666

	1979	1978
Premium vol. ...	$7,150,000	$6,900,000
Gross rev.	$1,080,000	$962,000
% E/S bus.	100%	100%
Employes	32	37

Principal officers: Guy N. Hedreen, president; Johanis R. Sinon, executive vp; Ormand Keller, vp; Eugene Caruso, secretary/treasurer.

Branch offices: Beaverton, Ore.

Parent company: Groninger & Co. Inc.

Specialty lines: A/S builders risk, DIC, SMP, umbrella, large contractors equipment schedules.

Member of: AAMGA.

Surplus Line Managers Inc.

90 Main St., P.O. Box 487, Nashua, N.H. 03061; 603-883-1776

	1979	1978
Premium vol. ...	$2,700,000	$2,800,000
Gross rev.	$500,000	$520,000
% E/S bus.	100%	100%
Employes	6	NA

Principal officers: Walter C. Cogswell, CPCU, president; Elizabeth Marston, general manager; Roland Labbe, fieldman.

Parent company: Archie Slawsby Agency Inc.

Specialty lines: Mortgage impairment, short-term liability, substandard and excess fire.

Member of: NAPSLO.

T

Towers, Perrin, Forster & Crosby Inc.

111 Pine St., San Francisco, Calif. 94111; 415-434-0222

	1979	1978
Premium vol. ...	$5,000,000	$4,500,000
Gross rev.	$500,000	$450,000
% E/S bus.	100%	100%
Employes	14	NA

Principal officers: B. Peter Brown, vp; David F. Riding, assistant vp.

Branch offices: Los Angeles.

Member of: NAPSLO.

V

W.N. Van Camp Co.

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	1979	1978
Premium vol.	$5,000,100	$4,200,000
Gross rev.	$375,000	$315,000
% E/S bus.	8%	8%
Employes	18	NA

Principal officers: Howard Van Camp, president; James E. Van Camp and William Van Camp, vps; M. Farnham, casualty department; Carolyn Krueger, fire department.

Vaughan & Van Wagoner Co. Inc.

705 N. Bowser, Suite 108, Richardson, Tex. 75081; 214-699-0551

	1979	1978
Premium vol.	$5,000,000	$3,000,000
Gross rev.	$500,000	$300,000
% E/S bus.	100%	100%
Employes	6	NA

Principal officers: William H. Vaughan and Paul Van Wagoner.
Parent company: William H. Vaughan & Co. Inc.
Specialty lines: Oil, mining, boats, livestock, solar.

Vipac Agency Inc.

111 John St., New York, N.Y. 10038; 212-227-8900

	1979	1978
Premium vol.	$7,000,000	$6,000,000
Gross rev.	$1,400,000	$1,200,000
% E/S bus.	80%	75%
Employes	18	NA

Principal officers: Frederick Viamo, president; Charles Pace, vp.
Branch offices: Fort Lee, N.J.
Specialty lines: Restaurants, supermarkets, product liability, hospital malpractice.
Member of: NAPSLO.

W

The Walnut Advisory Corp.

438 Springfield Ave., P.O. Box 7, Berkeley Heights, N.J. 07922; 201-464-6830

	1979	1978
Premium vol.	$2,700,000	$1,700,000
Gross rev.	$270,000	$170,000
% E/S bus.	50%	60%
Employes	10	NA

Principal officers: Sigmar Hessing, president; Albert H. Paolucci and Herbert Dubno, vps; Laurel Hessing, secretary/treasurer.
Specialty lines: Product liability, garages, service stations, taverns, restaurants.

Weghorn International Inc.

156 William St., New York, N.Y. 10038; 212-227-4600

	1979	1978
Premium vol.	$3,065,431	$4,571,016
Gross rev.	$263,366	$292,468
% E/S bus.	100%	100%
Employes	8	NA

Principal officers: John C. Weghorn, chairman; Richard J. Weghorn, president; Quentin J. Hagel, vp; Michael E. Twomey, secretary/treasurer.
Branch offices: Morristown, N.J.
Parent company: John C. Weghorn Agency Inc.
Member of: NAPSLO.

Welch, Winning & Levey

1100 Larkspur Landing Circle, Larkspur, Calif. 94939; 415-461-6336

	1979	1978
Premium vol.	$13,000,000	$16,000,000
Gross rev.	$1,500,000	$2,000,000
% E/S bus	100%	100%
Employes	48	NA

Principal officers: Roger Kleinecke, president/treasurer; Robert P. Welch, vp/secretary.
Branch offices: Los Angeles; Fresno.
Specialty lines: Trucking, bus, general liability, municipal liability, nonstandard auto.
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	1979	1978
Premium vol.	$6,593,000	$6,301,000
Gross rev.	$1,480,000	$340,000
% E/S bus.	100%	05%
Employes	25	NA

Principal officers: Louis A. Williams, president; Raymond Williams, vp.
Subsidiaries: Houston Premium Finance

J.M. Wilson Corp.

234 W. Cedar, Kalamazoo, Mich. 49007; 616-349-1555

	1979	1978
Premium vol.	$14,000,000	$16,303,030
Gross rev.	$1,285,000	$1,342,000
% E/S bus.	53%	55%
Employes	80	NA

Principal officers: J.M. Wilson, president; Robert Pfister, William Hayes and P.C. Wilson, vps; Clare Rothi, assistant treasurer.
Subsidiaries: Wolverine Computer Corp., Wolverine Financial Inc.
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Phoenix
Statewide Insurance Corp.

ARKANSAS

Fayetteville
Jaeger & Haines Inc.

Pine Bluff
Agents Insurance Services Inc.

CALIFORNIA

Encino
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Excess/Surplus

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Excess/Surplus Lines Insurance Brokers Inc.
Harry W. Gorst Co. Inc.
Montgomery & Collins Inc.
Sayre & Toso
Swett & Crawford

Oakland
Derek Ware Insurance Brokers Inc.

Pasadena
Anderson & Murison Inc.

San Diego
Kappes-Coombe Insurance Services Inc.
Risk Insurance Brokers of the West

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The Excess & Special Risk Market Inc.
MacCready & Gutmann Insurance Services Inc.
Sherwood Insurance Services
Towers, Perrin, Forster & Crosby Inc.

San Jose
Coplen General Insurance Agency Inc.

COLORADO

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Antero Insurance Services Inc.
Richter/Robb Underwriters Ltd.
Day, Webb & Taylor Inc.

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Exsure Inc.

Norwich
Forest Product Agency Co. Inc.

Portland
Connecticut Underwriters Inc.

DISTRICT OF COLUMBIA

L.E. Harris Agency Inc.

FLORIDA

Jacksonville
Shelly, Middlebrooks & O'Leary Inc.

GEORGIA

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Alexander Underwriters Ltd.
Hartje & Co.
Overseas & Domestic Underwriters Ltd.
Overstreet & Associates Inc.

Norcross
Atlanta Insurance Brokers Inc.

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Excess/Surplus

Continued from previous page

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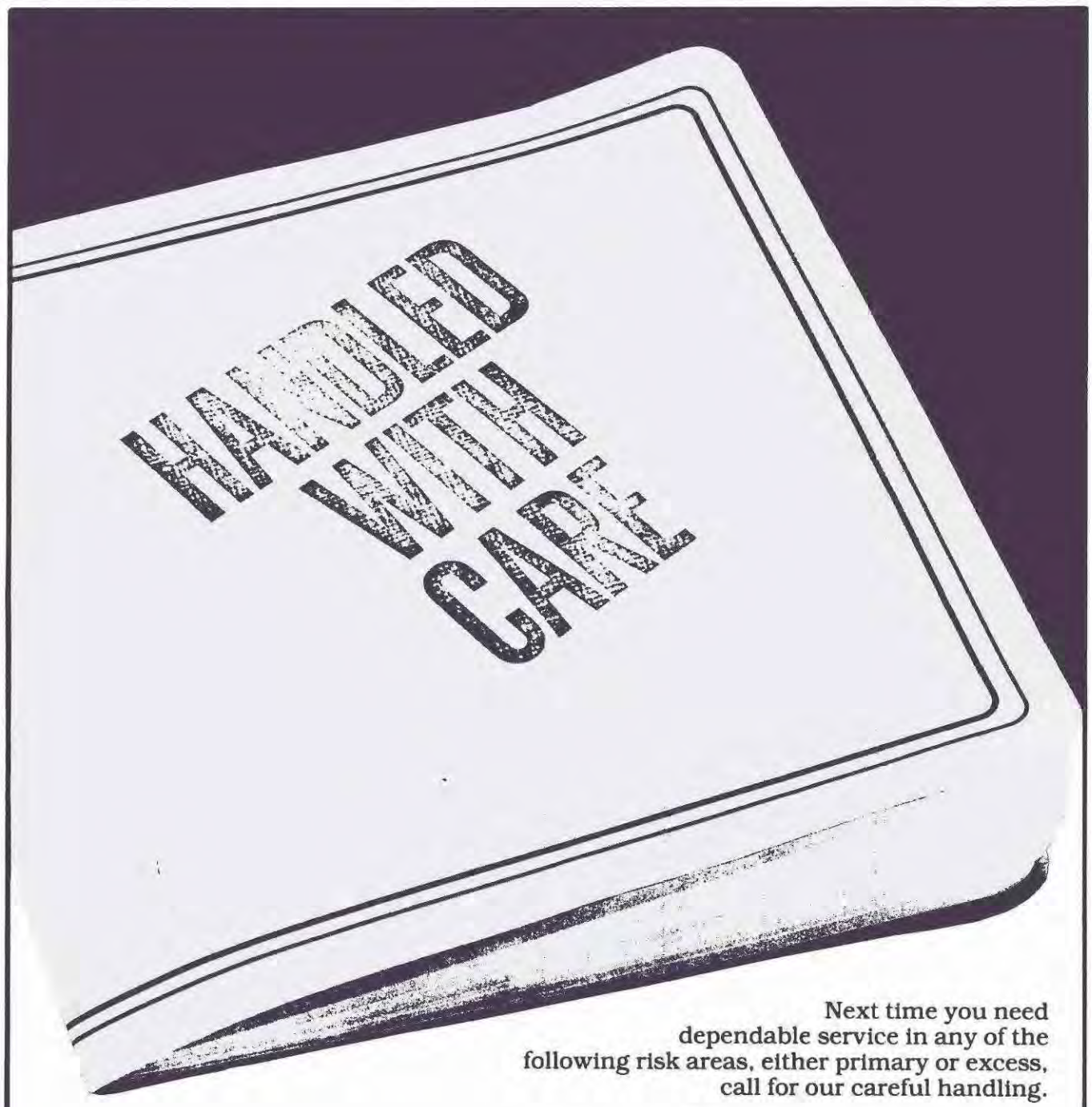
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Going saves

BI Roundup

CHICAGO—Wholesalers swing cheaper prices than retailers in any industry, and insurance products are no exception.

"We save between 12.5% and 20% on premiums by dealing directly with the broker, depending on the kind of coverage we're talking about," says Robert E. Rich, director of risk management and insurance at Gold Kist Inc. in Atlanta.

Umbrella and excess property insurance policies placed directly with an E/S broker produce the most savings for Gold Kist.

Mr. Rich goes directly to three or four E/S brokers, but a licensed retail agent in Georgia countersigns the policies to comply with state law. Georgia is one of the few states that require a retail agent to handle an account with an E/S broker, noted Dennis McGovern in the risk management department at Gold Kist.

Many surplus lines brokers would argue with Mr. Rich's estimates of premium savings by going directly to an E/S broker. They maintain an insurer will merely lower the commission paid on a policy if there isn't a retailer to be paid.

Surplus lines brokers also argue they don't have the staff or the time to make the initial contact with buyers and depend on retail brokers to gather the needed underwriting information.

Some buyers not yet going directly to an E/S broker are interested in the move as a way to get closer to the underwriter to explain their risks. "With a retail broker, I have the feeling that things might get lost in translation," says Terry Anderson, risk manager for the city of Tucson. "We very rarely talk to our underwriters and I don't know if they are aware of all aspects of our risk that might result in a more favorable premium. I would like to talk directly to someone."

Although E/S brokers cherish their image as the broker's broker and won't admit to dealing directly with a buyer unescorted by a retail broker, many E/S brokers will meet with buyers represented by retail brokers. "Because of the size of risks, we have greater rapport with financial vice presidents and risk managers," says Joe Blades, chairman of J.H. Blades & Co. "There's a place for each player."

Buyers, for the most part, respect the wholesaler image. Many won't even publicly admit they buy directly from wholesalers. Others contend they need their retail brokers' service and wouldn't give it up to slice commissions paid on their policies.

Fred W. LaMar, risk manager for Farmland Industries in Kansas City, said his one trip to the E/S market without a retail broker produced only marginal savings that weren't worth the time and trouble. Going direct requires more legwork and contacts than it's worth, he maintains.

"We're not overstaffed here," he says, "and the retail broker is easier to use." Farmland uses Marsh & McLennan.

"I could conceive of situations where we might deal directly with the E/S market, but for the most part it's advantageous to coordinate everything through a single broker," says Emmett Monahan, director of insurance at Kaiser Aluminum & Chemical Corp.

direct to broker buyer premium

Premium saving

'We save between 12.5% and 20% on premiums by dealing directly with the broker,' says Robert E. Rich, risk management director at Gold Kist.



"That way there's less chance of finding a hole in your insurance program."

Robert Redden, risk manager at Williams International Group in Tulsa, Okla., depends on his retail broker to make sure claims are paid under the umbrella and other liability policies he buys in the sur-

Excess/Surplus

plus market. "If you place any business in the nonadmitted market, you may find you have problems collecting on a claim and you have more assistance if you have a retail broker.

"It's the job of the retail broker to make the E/S broker perform. If you deal with an E/S broker yourself, you're on your own."

Mr. Redden also wants the retail broker to research the surplus markets being used for solvency. And he wants the broker as a buffer if something does go wrong with a market used—he can sue the retail broker for errors and omissions liability.

If E/S brokers ever wanted to tackle competition from the admitted markets by going directly to buyers, Duane Allen at Hanna Mining has encouraging words. 'We've never gone direct to an E/S broker. If an E/S guy came in to me with a better quote than a direct broker, I might go that route." •

State throws roadblock

In Vermont, the state insurance department is going after insurance buyers who even skip the surplus lines broker and buy from the nonadmitted insurer.

Starting next month, Vermont risk managers who buy directly from nonadmitted insurers will be responsible for paying the state's 3% tax on premiums paid to nonadmitted insurers.

"A lot of money is escaping through the cracks," said Bob Garvey, Vermont's director of insurance regulation.

Mr. Garvey concedes, however, that enforcement of the nonadmitted premium tax could pose problems. "How do you enforce it? Frankly, I don't know. Enforcement probably will come as a result of complaints and if there is a complaint we now have the legal power to do something."

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New markets appear despite bad odds

By STUART EMMRICH

Excess/Surplus

NEW YORK—It is far from the best of times for entrepreneurs to be jumping into the excess/surplus lines business, looking to snare a piece of the market and start turning a profit.

Businessmen with long experience in the field moan that 1980 is a year in which prices will continue to fall to levels previously unheard of, profit margins will become thinner and thinner, competition will become even more fierce and business more scarce.

They warn that some of the marginal companies will probably fall by the wayside and that even some of the larger, well-established firms are going to be hurt. Wohlreich & Anderson, one of the best known in the business, even decided to close down two of its branches in the past year.

"A person would have to be crazy to go into this business right now, if that were the only thing he had to fall back on," said William Sampson of Jackson, Miss. Mr. Sampson, nonetheless, has recently expanded his managing general agent company, F.W. Williams State Agency, to write some E/S business for regional clients.

"It would surprise me if there were a lot of new markets this year. This just isn't the best time for it," concurred James Bryson, president of the Pennsylvania-based James H. Bryson Associates. "There aren't going to be too many new guys in the business."

Despite the odds, new markets emerge.

Most of the new companies are regional businesses, geared to a specific geographical location. The areas around Atlanta and Houston are most often mentioned as likely places for new businesses to spring up.

The other major source of new business is retail brokers expanding into the E/S markets and standard insurers that have started up their own E/S subsidiaries. In both cases, the reputation and name of the parent company goes a long way in offering the new company instant respectability.

One of the most successful of the insurer subsidiaries—although company officials play down the connection to the parent—is Dryden & Co. Inc., a subsidiary of Prudential Reinsurance Co.

In its first year of business, the Chatham, N.J.-based Dryden took in $19.6 million in premiums and produced gross revenues of $2.3 million. Already it has links with about 65 brokers and accounts.

Southern expansion

Most of the new companies are regional businesses. The areas around Atlanta and Houston are most often mentioned as likely places for new excess/surplus businesses to spring up.

"This is a terrible time to start," conceded company vp Roger Consolla. "It is very difficult to get business right now. But we are somewhat different from others new to this area in that we are part of Prudential and have that immediate name recognition and reputation for stability."

Dryden also made a splash in the E/S market by deciding to go after business few others seemed willing to write, such as hazardous product liability risks, he said.

Company officials decided they would be able to effectively compete by not just offering lower prices, but by offering to write unusual policies.

"There are kinds of risks to write where price competition isn't the reason to be in the business," Mr. Consolla said. "In some areas of product liability, there are companies that won't even quote a price. We are looking for those classes of coverage where not many people want to tread."

Other companies that have been in the business for a while are also bucking the trend and expanding their operations.

Ideal Mutual Insurance Co. of New York recently formed a standard insurance subsidiary, the Optimum Insurance Co. of Illinois, and company officials say plans to move into other states as an E/S insurer are "in the talking stages."

One company that has gone ahead with ambitious expansion plans is Delaware Valley Underwriting, which in the past year and a half has added offices in Pittsburgh; West Orange, N.J.; Highland Heights, Ohio; New York City and West Virginia.

New business from those offices totaled about $20 million in premium last year, approximately 30% of the Wyncoate, Pa.-based company's total, said senior vp Leroy Ellman.

"We know we are going against the trend," Mr. Ellman said of the expansion during a time when others are worried about holding on to existing business. "But we looked at these areas and decided there was a need there for our type of business." ■

Aviation rates start taking off

LOS ANGELES—After seven years of decline, aviation rates are just now starting to go up, says Stephen L. Way, president of the Stephen L. Way International Corp. of Houston.

The slight tightening in the aviation market is also perceptible in more selective underwriting, Mr. Way says. In some cases, lower limits are offered and underwriters are asking more questions about the risk.

The six-year-old Way Corp., with an office here, writes diverse risks but specializes in aviation and association business, Mr. Way says.

Although the company expects to earn about $60 million in premium this year, it writes only about 200 policies for large commercial risks. ■



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BI Roundup

Excess/Surplus

NEW YORK—New York Insurance Exchange directors contend the fledgling market is on target for growth, but excess/surplus brokers see a ghost town at 59 John St.

"If there is a sudden drying up of capacity, that will change my opinion about the need for the exchange," remarked James Crystal, president of Frank Crystal & Associates in New York. "But if you go over there now, it is like a ghost shop—maybe two or three risk placements a day.

"At this moment it is in its infancy, and I don't expect it to be much of an influence for another four or five years," he said.

Brokers around the country told *Business Insurance* that excess capacity in standard, excess/surplus and reinsurance markets is keeping the exchange nearly empty. Most brokers report that they just don't need the exchange yet.

"It's like when Ford made the Edsel," said Joseph Blades of J.H. Blades & Co. in Houston. "So far, New York has not received a great deal of support."

"I don't view it as a factor," said Don Sherwood, president of Sherwood Insurance Services in San Francisco.

James Blodgett, underwriting manager for the Cambridge General Agency in San Francisco, agrees. Though the exchange concept tickles the innovative style of the excess/surplus broker, no one sees an immediate need.

"We haven't felt any competition from the New York Insurance Exchange," Mr. Blodgett said. "There's already an oversupply of capacity in the market, which drives prices down. So you've got to wonder, why the exchange? More capacity doesn't bode well for price stability in the market."

"The exchange hasn't really gotten going," said David Roddy, vp of Towers, Perrin, Forster & Crosby. Although TPF&C is licensed as a broker for the exchange, "We're sort of sitting back, waiting to see what develops."

The New York exchange will offer no serious threat to the excess business placed in the London market, Mr. Roddy added. "London's been awfully good to the U.S. market for more than 200 years," he said, "I don't see New York's exchange changing that."

Surprisingly, E/S brokers predicted that an insurance exchange may prove useful and helpful—in some place other than New York where regulation and political ties are less demanding.

"The New York Insurance Exchange is a self-serving concept that has not proven itself yet," said Jeremy Cooke, executive vp and general manager of Major Surplus Lines Inc. of New York. "Ultimately, it will work" when it proves to buyers it is a viable market, he added.

"I think the Illinois exchange has a greater chance of success than New York," added Mr. Blades of Houston. "It seems to be a more realistic approach to the insurance industry; less friction and red tape.

"There's even been talk of an exchange in Texas. We have a healthy climate here," he continued. "And I don't see the need for additional machinery elsewhere."

Thomas F. Sheehan Inc. is presently deciding whether to join the New York and Illinois insurance exchanges. "There is no sense rushing in now, there are no accounts to be written," Thomas Sheehan said. "It's too early to tell if the exchanges are a plus or a minus." ■

Little support

'It's like when Ford made the Edsel,' says Joe Blades of J.H. Blades.

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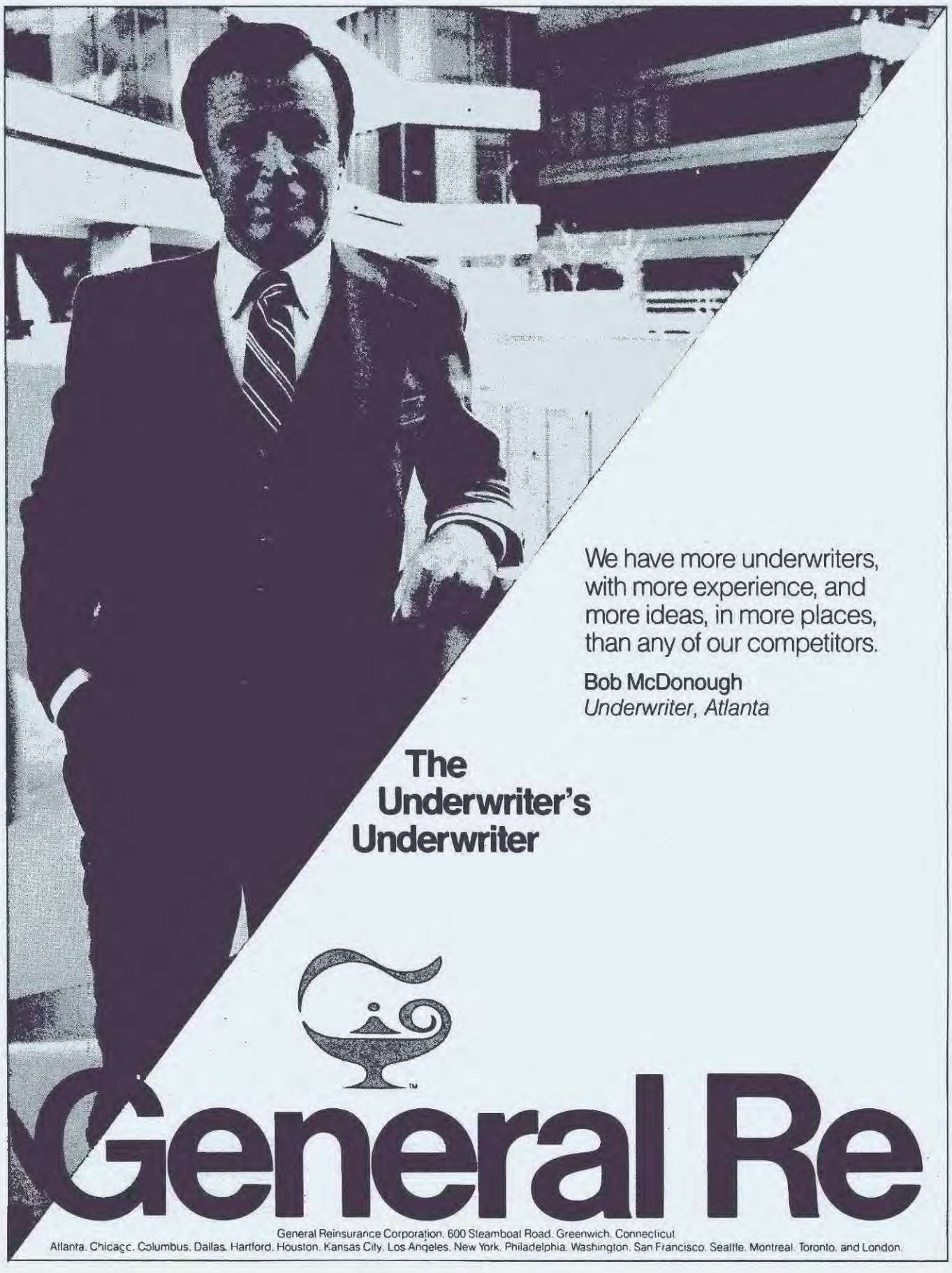
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Coverage pays for itself

Stop-loss insurance is worth the price, agree managers at three companies self-insuring employe health plans.

Managers at Hartzel Corp. and Owatona Tool Co., both in Minneapolis, and the City of Paterson, N.J., all said the price of stop-loss insurance is worth the control it provides.

"It's a very, very minor expense in relation to what you get," said Bill Meyer, personnel director at Hartzel, with 1,000 employes. His firm started self-insuring medical benefits four years ago.

At Owatona Tool, benefit administrator Rita Stilwell said the price of aggregate stop-loss is relatively inexpensive compared with the advantages of self-funding. Her firm has increased cash flow through self-funding.

For Paterson, a $22,000 yearly investment for aggregate stop-loss insurance saved thousands of dollars in 1979 when a $400,000 claim was filed by one of its 1,600 employes.

The cost of the city's aggregate stop-loss insurance increased to about $25,000 per year. Coverage was kept in the London market, city consultant Joe Eagan said.

Stop-loss buyers find eager sellers, low price

By MARY ANN MATLOCK

Excess/Surplus

NEW YORK—Shopping for stop-loss insurance for self-insured health benefit plans is like strolling through the automobile sales showroom to pick a luxury gas guzzler. No problem.

More standard and specialty insurers are offering the coverage and are eager for customers. Rates are dropping in the face of competition.

"Ten years ago we went begging to insurers just to get them to understand what stop-loss was. Now it's extremely competitive. We can get 10 quotes on any plan for excess coverage," said Robert Swanke, president of third-party administrators Swanke-Lapp Inc. in Minneapolis.

"An increasing number of insurers have been willing to write specific and aggregate stop-loss at very reasonable prices," agrees Clarence R. Messick Jr., vp of Alexander & Alexander in Kansas City. "Before that, you had to go to firms that were strictly in that sort of business, like Lloyd's or Employers Reinsurance Corp."

Specific stop-loss insurance starts paying on an individual or family member of a self-insured health plan after a loss has reached a pre-agreed-upon limit. Aggregate stop-loss insurance starts paying when the entire self-funded plan has paid out a percentage more than was expected in claims.

The point at which the excess insurance will start paying is called the attachment point, expressed as a dollar amount for specific stop-loss insurance and as a percent of expected claims for aggregate.

Stop-loss insurance has become more available, administrators and brokers marketing the risk agree, because it provides underwriters with the bait to sell highly profitable group life insurance to a growing number of buyers.

Mid-sized life insurance companies are the latest to enter the market Mr. Messick said, and the crowd of eager insurers has made shopping a real treat.

If a corporation doesn't have trouble getting group life from an insurer, it is likely to be able to purchase stop-loss coverage for benefits at 40% to 50% less than what a competing insurer would offer, Mr. Messick added.

Because "business hasn't leveled off to a standard form," the buyer can shop around for bargains, especially in aggregate coverage, Mr. Swanke also noted.

Aggregate coverage is often quoted on a flat premium per year regardless of the number of employes involved. Premiums for the year can range from $1,800 to $3,000 if life insurance is also purchased.

Attachment points, not premiums, can vary.

Fee-cutting abounds in package deals, however. Lafayette Life Insurance Co., one of the first to underwrite stop-loss, is promoting 100% aggregate excess coverage at an attachment point of 125% of expected claims for a $1,000-a-year premium.

Buyers must purchase both aggregate and specific stop-loss insurance and group life insurance to get the discount rate, says group vp Tom Anderson.

Insurers that do not require a group life insurance to be purchased—such as Employers Reinsurance or Lloyd's of London—often compute aggregate limits as a percent of expected losses.

At Employers Re, aggregate policy limits would normally be 1% or 2% of expected losses with a minimum yearly premium of $3,000, says assistant secretary Sandra Ruder.

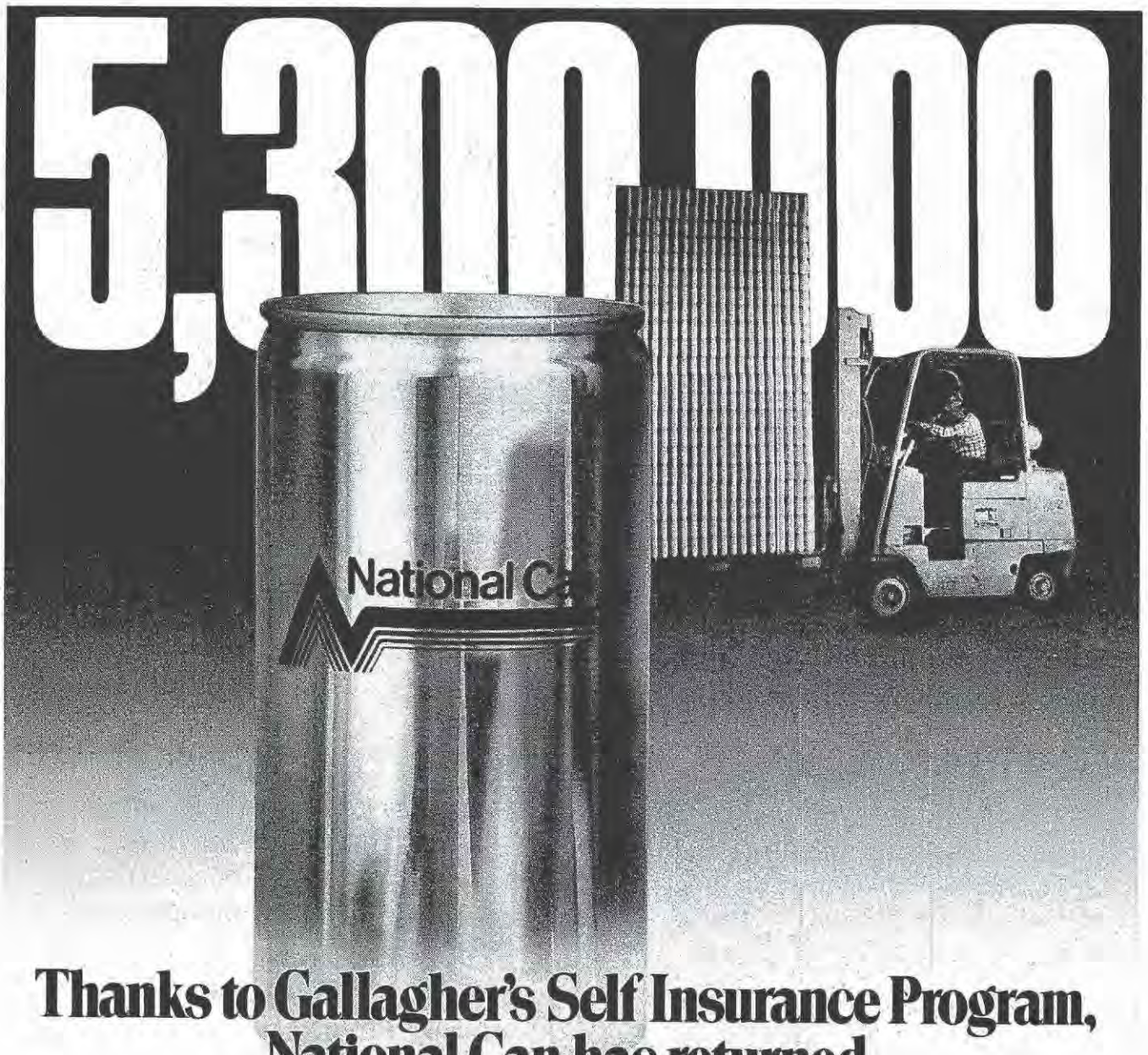
The attachment point for coverage is typically 125%, but it can drop to 110% or 115% for larger firms, she said.

Though soft market conditions have lowered prices for aggregate cover, they have had less effect on specific excess policy prices, attachment points and percentages of coverage, insurers say.

Underwriters, including Lafayette Life, Northwestern National Life, Employers Re, SAFECO and Lloyd's, admit specific coverage rates have increased from 15% to 40% in the last year because of health care inflation.

The insurers declined to divulge rates, but brokers say rates can still differ markedly.

For example, with a $15,000 attachment point for specific excess insurance per individual the rate can range from $1.33 to $3.46 per month for 100% coverage. The rate



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Management problem

"I see the whole business going through a whole upheaval, with regulators stepping in, in a short time," says Jeff Brougher.

for specific excess insurance on a family can range from $2.43 to $6.80 per month.

Rates set by insurers new to stop-loss underwriting are generally lower than those of more experienced insurers, said Jeff Brougher, president of Brougher Agency Inc. in Greenwood, Ind.

The attachment point though, has hovered at 125% for aggregate coverage over past years.

Only Lafayette Life actually lowered the attachment point to increase its competitive edge. This firm formerly used a 130% to 135% attachment point, but recently dropped it to 125%.

Other insurers, including SAFECO, allow the attachment point for aggregate coverage to shift with the premiums charge. Most fall within a 125% to 130% range, but if the attachment point is raised, premiums fall and vice versa, said Dale Mendenhall, SAFECO regional group marketing manager.

But the higher attachment point for specific coverages is up from $5,000 or $10,000 per person a few years ago to $20,000 or $25,000, industry observers agree.

Some underwriters, Lafayette and Employers Re, for example, suggest specific attachments should not dip below $10,000 because the premium needed would drastically reduce the cash-flow advantages of self-insurance.

Most insurers will now generally assume 100% of liability for losses after the set attachment, a shift from limiting their liability to 80% or 90% of excess losses.

Management, not excess insurance markets, could turn into a major problem. Mr. Brougher cautions that the future of stop-loss insurance and self-funded benefit plans depends on the quality of administrator firms.

"We see a lot of firms dealing with inferior administrators. We see people setting attachment points at a level where they have to get burned pretty bad. I see the whole business going through a whole upheaval, with regulators stepping in in a short time."

Barring state regulation, Mr. Brougher suggests checking references of third-party administrators, the experience of claims examiners and the speed of claims processing before hiring.

A partial list of those currently underwriting stop-loss insurance includes: SAFECO Insurance Co. in Seattle; Lafayette Life Insurance Co. in Lafayette, Ind.; Northwestern National Life Insurance Co., North American Life & Casualty and Investors Diversified Services in Minneapolis; Jefferson National Life Insurance Co. in Indianapolis; Benefit Trust Life Insurance Co. in Chicago, and Safety Mutual Casualty Corp. in St. Louis. ■

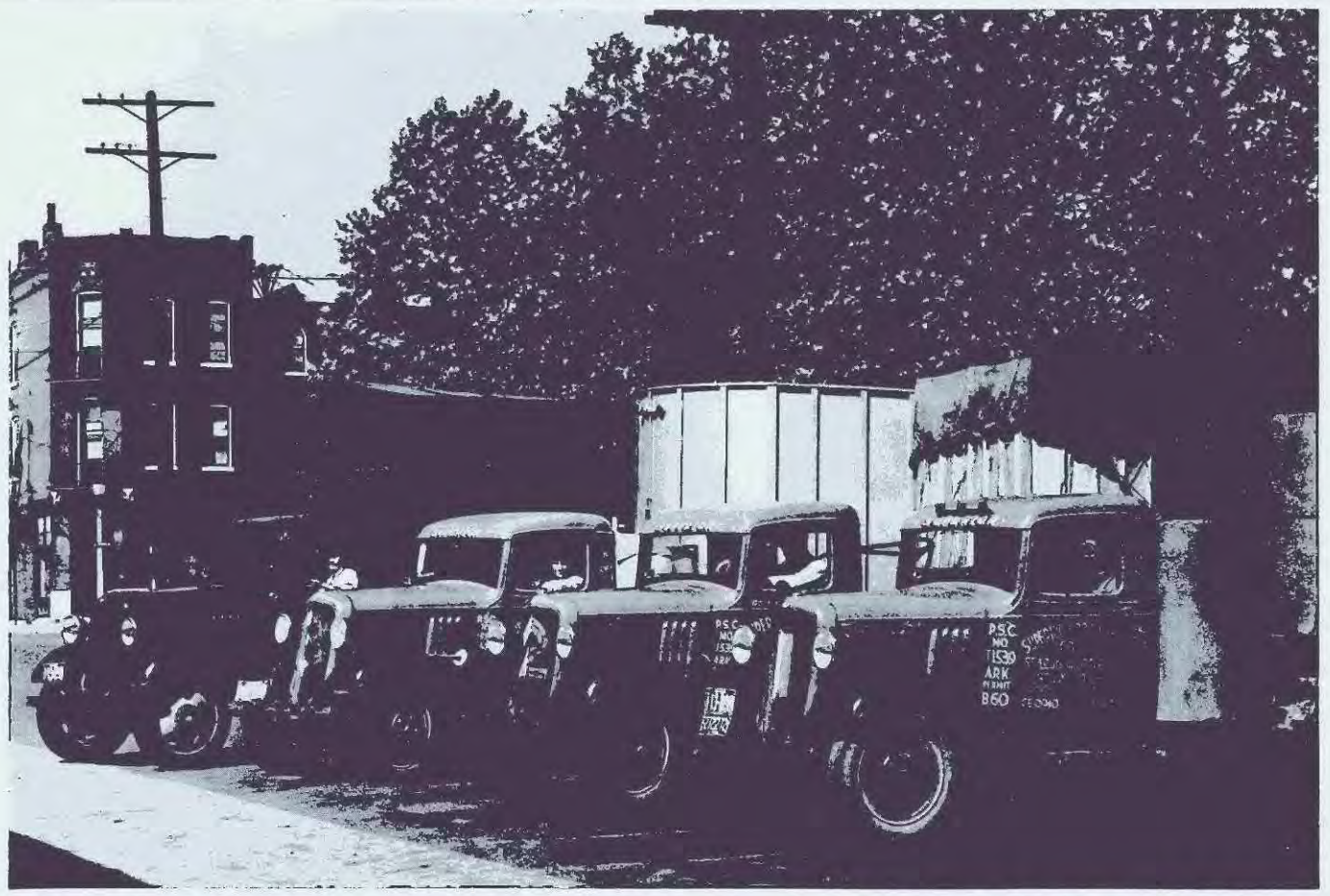
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States step up control of surplus line market

By JERRY GEISEL

WASHINGTON—State insurance departments and legislatures around the country are stepping up controls over the surplus lines insurance market to keep pace with its continued growth.

In Vermont, a new law requires that alien insurers must maintain a $1 million trust fund in a national bank in the U.S.

The state of Washington has tightened the requirements for securing an excess/surplus broker license: surplus brokers must now purchase special bonds to reimburse policyholders if the broker pockets the premium.

Other states are adopting or opposing stricter regulation of surplus lines brokers and insurers.

The new laws and regulations still leave the surplus lines market freer of state insurance department scrutiny and control than the admitted market.

The heightened regulatory activity is created by the dramatic growth of the surplus lines market, state and national regulators say. Reported premiums for coverage purchased in the nonadmitted market nine years ago totaled about $200 million; last year, buyers plunked down $2.2 billion with nonadmitted insurers.

Washington state passed comprehensive legislation to crack down on excess/surplus lines abuse after the state was rocked by a scandal in which broker H. Martyn Hall of H & A Associates of Tacoma allegedly made off with $500,000 in premiums (*BI*, Sept. 3, 1979).

In the wake of that scandal, the state toughened the test brokers need to pass to earn an excess/surplus license. Just to take the test, the broker, in most cases, now must possess an all-lines license. "The surplus lines business is no place for beginners," said Dave Rogers, chief deputy of the Washington insurance department.

And excess/surplus brokers now must purchase $50,000 bonds to indemnify clients "so there is some money for policyholders if the broker heads south with the premium," Mr. Rogers said.

But the primary purpose of the bonding requirement isn't reimbursement to buyers, Mr. Rogers said.

"A bonding requirement makes it harder for an unscrupulous sort to get into the business. A surety company on the hook for $50,000 presumably would take a fairly hard look at the broker," Mr. Rogers said.

Other changes in Washington include increasing the capital and surplus requirement of nonadmitted companies to $3 million from $1.5 million and requiring alien insurers to maintain a $1.5 million trust fund in the U.S. "We want the insurer to be serious about doing business in the U.S. to the point where the firm is willing to have that much on deposit in the U.S.," Mr. Rogers said.

In Arizona, controversy is raging following the decision of the new insurance commissioner, J. Michael Low, to transfer to the department review of excess/surplus policy forms. Currently, the Arizona surplus lines association, a nonprofit organization of brokers with surplus lines licenses, reviews excess/surplus policies.

Excess/Surplus

"I have serious questions about the validity and propriety of a private trade association being delegated regulatory responsibilities to police itself and its membership," Mr. Low said.

But Arizona brokers question whether the state has the staff and expertise to regulate the excess/surplus market. "I don't think the insurance department in Arizona, or for that matter in most states, has anyone on the staff at the present time sophisticated enough to do a good job," said T.C. Anderson, chairman of Skanco International Ltd., a Scottsdale-based wholesaler. "I don't think they (the state insurance department) would know something is wrong, even if it were done in front of their eyes."

Mr. Low's proposal is expected to be debated at a public hearing next month.

The Arizona insurance department has also proposed the creation of a "white list" of insurers in the state that would carry the name of a sponsoring broker for each unauthorized surplus lines insurer.

The rule would establish procedures for sponsoring a nonadmitted insurer as well as standards of eligibility at least equal to those required by the NAIC.

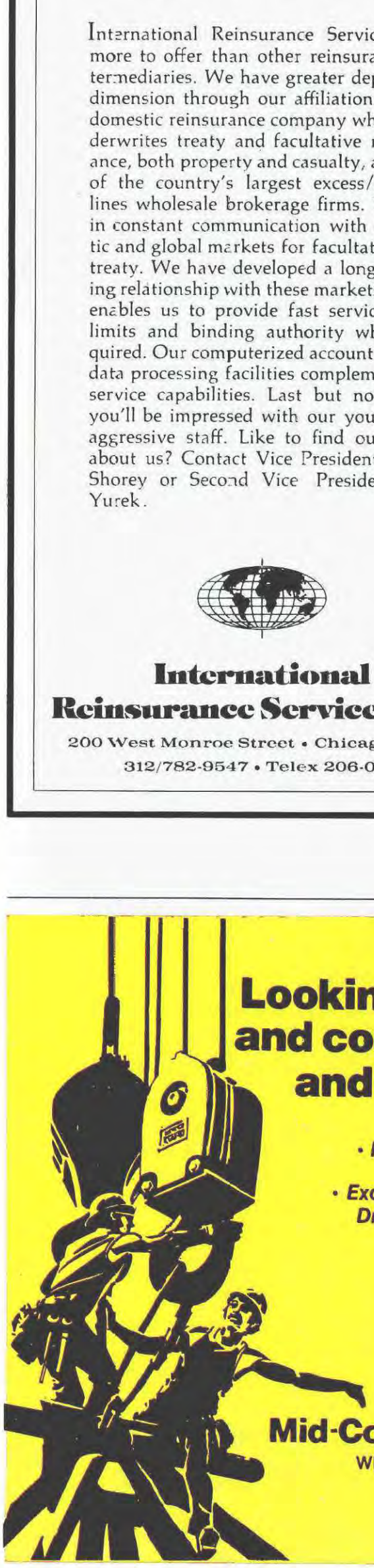
In Michigan, the senate is sitting on house-passed legislation (H. 4962) proposed by Rep. Matthew McNeeley that would speed state approval of nonadmitted insurers. Presently, Lloyd's of London is the only alien insurer writing surplus lines coverage in Michigan.

The measure would authorize the insurance commissioner to draw up a list of coverages unavailable in the admitted market that could be written by nonadmitted markets. The bill would also give the department greater power to act against a broker who receives a premium from a policyholder but fails to transmit the premium to the insurer.

The legislation would impose a 1% premium surcharge on nonadmitted premiums to establish a $1.5 million insolvency fund. The surcharge would be cut off once the fund had received $1.5 million and resume when the fund fell below $1.4 million.

In Oklahoma, the state insurance department requires insurers to post a special $100,000 deposit before granting them surplus lines eligibility.

Maine, meanwhile, has formalized its procedures for granting surplus lines status. Among the requirements is a trust fund of at least $1 million. ■



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Few buyers want more regulation of E/S market

BI Roundup

Excess/Surplus

CHICAGO—Reaping the benefit of flexible policies and rates, risk managers don't want more regulation of the excess/surplus lines market.

We're tough enough to take care of ourselves, most risk managers boast of their abilities to sniff out an unsavory character among the brokers and underwriters operating in the less regulated surplus lines market.

"Overregulation could destroy the freedom and flexibility needed to operate in the excess/surplus market," said Mike Glapion, manager of risk, cash and foreign exchange at Graco Inc. in Minneapolis.

"The risk manager has a responsibility to protect his company against rogue operators," said James R. Sessions, risk manager at Ralph M. Parsons Cos., a Pasadena, Calif., engineering and contracting company doing business worldwide. "The companies that get burned may be those that believe they can get something for nothing."

Overregulation could destroy needed flexibility, says Mike Glapion.

"The E/S market takes more care of large accounts than the standard market when things get rough and tough," said Robert E. Rich, director of risk management and insurance at Gold Kist Inc. in Atlanta. "Certainly prices are more flexible."

Surplus lines insurers aren't bound by policy rates and forms as admitted insurers are, benefiting the buyer. In competitive markets, risk managers pay bargain basement rates. In tight markets the surplus lines insurer can charge whatever the hungry buyer will pay to get a policy, but he gets a policy when admitted insurers aren't underwriting. The policy written in the surplus lines market is also easily drawn to suit a particular risk and can cover risks admitted insurers won't touch.

But surplus lines insurers don't participate in state guaranty funds. The insurance buyer could be out of coverage if the surplus lines insurer goes broke or the broker pockets the premiums.

"I certainly wouldn't want to see less regulation," said Emmett Monahan, director of insurance at Kaiser Aluminum & Chemical Corp., explaining he knows it's possible a surplus lines insurer could default on claim payments with no one to foot the bill.

A minority opinion was expressed by Al Pearsall, insurance manager of Firestone Tire & Rubber Co. in Akron, Ohio. He wants stricter reporting requirements placed on brokers setting up trust funds for the premium money they handle. "When you handle that kind of money, the opportunities for all kinds of malfeasance are tremendous," he said.

"Brokers hold the money for two or three months before they remit it to the insurance company. There is a heck of a temptation to borrow the money for one's own personal use," he speculated.

But more than one risk manager expressed doubt that the state insurance departments could adequately regulate the market more than they do now. "The government really isn't competent enough to regulate the insurance industry," said Fred W. LaMar, risk manager for Farmland Industries in Kansas City. "They really don't know what they're doing." ■

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No guaranty funds

NAIC panel opposes stiffer regulation

By STUART EMMRICH

DENVER—Insurance buyers hoping for more regulation of surplus lines insurers around the country will have to be patient a bit longer. The National Assn. of Insurance Commissioners is expected to follow the advice of its special task force and pick out its regulatory path slowly.

The task force, appointed last year by the NAIC, told commissioners meeting here that they should avoid imposing guaranty funds and restrictions on surplus lines underwriting but should try to encourage competition.

In researching revisions of the NAIC's model surplus lines law, the commissioners and other industry observers had mixed reactions to the report, especially the guaranty fund suggestions.

Although some regulators have argued that the guaranty funds are needed to protect policyholders from insolvent insurers, the committee argued that not only is there "no persuasive evidence requiring guaranty funds for nonadmitted insurers," but that risk managers seem to be vehemently opposed.

"Large corporate insureds, which buy a large portion of the insurance which is placed in the nonadmitted market, do not want guaranty fund protection if it means, as it must, payment of higher premiums," the report says. "These insureds employ sophisticated risk managers and retain knowledgeable brokers responsible for assessing the financial stability of an insurer.

Excess/Surplus

"Furthermore, many guaranty funds do not provide large corporate insureds with full protection in the event of an insolvency, because claims against funds are limited to a certain dollar," the report explained.

Two well-known risk managers of large corporations—Edith Lichota of Kennecott Copper and Howard Weber of 3M—were on the committee making this recommendation.

The issue of guaranty funds also sparked some heated discussion at the annual convention of the American Assn. of Managing General Agents, held last month in Boca Raton, Fla. Indiana insurance commissioner H. Pete Hudson predicted that those funds may not be far off.

"There are those companies that are going to flop," Mr. Hudson said, "which will bring greater pressure for guaranty funds. I don't think guaranties are imminent, but I think they are likely somewhere down the road."

Derek Hughes, president of the World Insurance Co., attacked that possibility, saying guaranty funds were only a "crutch" used by some regulators to absolve them of the responsibility of keeping close tabs on insurers.

Just because an insurer can post a guaranty before underwriting business in a state is no reason to assume it will operate prudently, Mr. Hughes said. Once the state regulators get this money, he added, they may be less likely to continue policing the industry.

Donald Green, an attorney with LeBoeuf, Lamb, Leiby & MacRae and a member of the NAIC committee, said the guaranty fund was not needed because "the record for solvency in the surplus lines business is far better than the record that preceded a guaranty fund for admitted insurers."

Though a new surplus lines model law may not be imminent, more interest in regulation is a certain result of the NAIC meeting, says commissioner Hudson.

"Few regulators are even remotely expert in surplus lines business," Mr. Hudson told managing general agents. "They do have an interest in it, but have had little time to really study it. But attention—and regulation—will increase as the reputation of surplus lines business continues to grow.

Limited solution
Many guaranty funds do not provide full protection in case of insolvency, the task force reports.

"You are not the total picture," he told the AAMGA group. "There is the 5% out there who are playing the same game, but by different rules."

The NAIC committee, however, recommended the commissioners adopt strict standards for licensing of surplus brokers.

"Special licensing standards for such brokers are either nonexistent or woefully inadequate in the vast majority of states," the report says. "The committee strongly recommends that the prospective surplus lines licensees should be required to demonstrate greater skills than, and the same excellent reputation required of, regular insurance brokers and pass a rigorous qualification examination."

The committee also suggested surplus lines brokers should not be required to obtain declinations from residual markets before placing risks in the surplus market.

"Insureds have a constitutional right to procure insurance wherever they please and that right should not be infringed," the report says.

The committee also repeated its proposal for more state free trade zones that allow unusual risks to be placed by admitted insurers without following rate and form-filing requirements (*BI*, Feb. 4).

If a state does not want a free trade zone, the regulators must accomplish the same goal by suspending rate and form-filing requirements for special classes of business, such as nonfiled inland marine insurance, the committee suggested. ■

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Excess policies may limit claims fight

By RHONDA L. RUNDLE

Excess/Surplus

LOS ANGELES—Coverage restrictions and rate hikes for excess insurance may loom for self-insurers intent to fight large, questionable claims.

Excess insurers may write policies to tie the hands of self-insurers in fighting large claims in reaction to a recent California supreme court decision that policyholders have no implied duty to protect an excess insurer from liability (*BI*, May 5).

The landmark case, Commercial Union Assurance Cos. et al vs. Safeway Stores, resolved divergent opinions by two lower courts of appeal. Previously, Transit Casualty Co. vs. Spinks Corp. had appeared to uphold such a duty.

The majority opinion written by Justice M.O. Sabraw suggested insurers might want to insulate themselves from inept claims handling by a self-insurer through "appropriate policy language."

Before making such a move, insurers are eyeing each other, sizing up the situation and perhaps merely waiting for cutthroat competition in the current soft market to ease, giving them more leverage with policyholders.

Only American Excess Insurance Co. confirms it is definitely considering policy amendments that would protect it from bad claims handling, a company spokesman reports.

Other companies officially say the court decision will not alter the way they do business. At the same time, it is clear after talking to corporate counsels that many insurers are at least studying legal clauses that might be used to ensure consultation over a serious claim. And they are estimating the cost of the ruling if contracts aren't altered.

It will cost excess insurers about 10% more to write above a self-insured layer than above a primary insurer, estimates D.L. Hall, assistant vp-claims and legal affairs at General Re in Los Angeles, who has studied the impact of the Safeway decision on his company.

The court's ruling sets up a clear distinction between coverages over self-insured retentions and primary insurance, he explained. Underwriters will eventually recognize that difference in their pricing strategies. It's logical to assume that if risk managers litigate and lose, insurer loss experience will deteriorate and premiums will increase on that class of business.

Commercial Union, a defendant in the precedent-setting California decision, is not planning any changes, says William E. Bailey, senior vp-claims. He expects, however, that risk managers, brokers and underwriters will talk more specifically about claims handling when they negotiate a contract.

"If there is an understanding that a self-insurer will consult its excess carrier about a claim, then that duty ought to be spelled out in the contract," he said. Because excess policies are usually manuscript anyway, claims consultation may become an important provision subject to negotiation.

"This is not the time to put hard-and-fast protective language into an excess contract," observed George Boser, second vp in charge of facultative claims at General Reinsurance Corp. When the markets tighten, he thinks many companies will adopt such language.

There is a well-defined body of law in California and other states that establishes that primary insurers—as distinct from self-insurers—have an implied duty of care toward an excess insurer, notes Mr. Hall of General Re.

To extend the same duty to self-insurers, T. Darrington Semple Jr., resident counsel of American Excess Insurance Co., suggests the following as the type of language that his company or others might eventually adopt:

"The insured shall use diligence and prudence to settle all such claims and suits which in the exercise of sound judgment should be settled, provided, however, that the insured shall not make or agree to any settlement for any sum in excess of the retained limits without the approval of the company."

There is no standard language in an excess policy, Mr. Semple emphasized. Each contract is typed up individually, and the language is part of the policy negotiation.

Corporate counsels for several of the nation's leading excess insurers are divided on whether the California decision will withstand future legal tests. Some say the law might flip-flop again if a flagrant case of negligent claims handling wends its way to the high court.

Also, it's not clear whether the court would see the issues in the same light under slightly different circumstances. In the Commercial Union vs. Safeway case, Safeway self-insured a buffer liability layer of $50,000 to $100,000. The court defense was directed by The Travelers Insurance Co. and The Travelers Indemnity Co., primary insurers on the first $50,000 of risk.

Excess coverage through Commercial Union and Mission Insurance Co. brought Safeway's limits up to $20 million. Commercial Union alleged that Safeway and The Travelers had a chance to settle the case and should have known there was a "possible and probable liability" in excess of $100,000.

"The decision is a healthy one for risk managers who should not feel obligated to pay an excessive demand out of fear," said Mr. Bailey of Commercial Union. But the ruling should not be construed as a license to self-insurers to act in bad faith toward excess insurers, he warned. ■

Studying the situation

Excess insurers may be waiting for cutthroat competition to ease, giving them more leverage with policyholders having self-insured retentions.



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Truck coverage rates to drive higher



"The markets are super-competitive and the rates are impossible," says Tony Markel, executive vp of Markel Services.

By LEN STRAZEWSKI

CHICAGO—Small truck lines and independent owner/drivers searching for bargains in package plans for physical damage coverage had better take a look over their shoulder. Rate increases are coming up fast.

Right behind the increases, experts say, are cancellations, slower claim payments and many angry buyers.

"Anybody who writes physical damage coverage for 3% to 4% of insured value just can't be making any money, even with good return from investment income," explained Dennis McCarthy, transportation consultant for Marsh & McLennan.

"Rates are headed way up, to about 7% to 9% of value, I think.

Excess/Surplus

Lloyd's has always been the pacesetter for this business and the word is that their rates are going up soon," he added.

Other trucking experts agree, saying brokers who search the surplus lines market just for low prices for their clients are setting the truckers up for trouble.

"A buyer must shop for a broker with a certain amount of integrity," maintains Frank Daggs, vp for Alexander & Alexander's Tulsa, Okla., office. "In this market, a good broker may not get you the lowest dollar price, but he will find you a stable market."

A&A shuns some small surplus lines insurers offering rock bottom prices because "3% of insured value is unreal," said Mr. Daggs, "though we did get that low during the last soft markets of 1974.

"Today, anything under 5.75% to 6.25% (for primary coverage) is pretty low," he continued, "but we have seen some agents creating markets with little county mutuals. We don't think they can last."

Although standard insurance markets usually shun long-haul trucking coverage, specialty markets enjoy the high premiums—$3,000 to $7,000 per truck—gathered in even competitive markets. High short-term investment yields earlier this year added to the attractiveness of the risk for some surplus lines insurers.

Small insurers pop in and out of the marketplace and rarely get enough underwriting experience to succeed, Mr. Daggs said.

"Actually, they buy the business," Mr. McCarthy added, "and they can't handle it, so they get out."

An over-anxious specialty insurer can easily overwrite its limits and teeter on disaster with just a few big claims. The problem has even reached back to Lloyd's of London, where the Ashby Syndicate overwrote limits on "bobtail" (tractor without trailer) and other physical damage coverages (*BI*, Sept 17, 1979).

In Kentucky, former broker Robert R. Campbell lost physical damage coverages from London insurers. He drove his brokerage, Transportation Insurers, and a small mutual insurer he operated out of business by trying to replace the policies.

A grand jury is now investigating Mr. Campbell (*BI*, April 14). He has lost his broker's license in Kentucky and his insurer, Highlands Mutual, is in preliquidation court proceedings.

"The markets are super-competitive and rates are impossible," observed Tony Markel, executive vp of Markel Services, an excess/surplus brokerage that has stayed with the trucking insurance business for 50 years.

"There's a smattering of players who jump into the coverage every time the rest of the markets get competitive," he continued. "Then they leave when they get burned."

But a combination of problems, including bad underwriting, lousy drivers, crooks and inflation, are bringing bargain days to an end.

Big truck lines—Transcon, Yellow Freight, Spector and others—are well-insulated from rate hikes by large self-insured retentions that guarantee low rates for excess coverage. But small lines will feel the pinch, said M&M's Mr. McCarthy.

Truckers will be more angry because rates will rise dramatically and quickly, catching some on the road with no coverage after a long-distance cancellation, say brokers and insurers.

When an insurer backs out of the trucking coverage, he cancels policies, sometimes leaving a trucker uncovered. Then the problem compounds. Away from home base, the owner/driver buys the nearest and cheapest plan he can find. Then he's likely to get canceled again.

Experienced truckers, however, shouldn't be very surprised at rate hikes and cancellations. Long-haul trucking coverage, including liability, cargo, workers compensation and physical damage policies, traditionally are volatile and chancy for underwriters. Since the advent of commercial transportation, rates have been as bouncy as a 16-wheeler with bad shocks.

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Traveling long distances from home, truckers resist regular schedules, normal resting and eating habits and safety regulations. Some drivers, anxious to meet deadlines and avoid overtime penalties, resist speed laws, making their trucks large physical damage exposures.

Brokers and insurers often have solid reasons for cancellations. A semi-truck and trailer accident can easily produce a claim for $10,000 to $20,000 just to repair custom chrome work, special paint finishes and other body repairs.

A total truck wreck can cost underwriters $50,000 to $100,000, depending on the truck design.

"Also, most of the commodities they haul are not regulated, so many drivers can drive as long as they like," noted Russ Shreiner, underwriting manager for J. Gordon Gaines Agency, a firm recommended by both brokers and state insurance departments.

"When they get over 500 miles from home, they start doing all sorts of things they shouldn't be doing: popping pills to stay awake, taking chances with their driving. They can become careless."

Statistics agree. The National Highway and Traffic Safety Administration reports that deaths resulting from truck accidents have risen by a third since 1975 and the number of trucks involved in fatal accidents has increased 34% since 1975.

Theft of commercial vehicles is also on the rise and an expensive truck is a likely target, said M&M's Mr. McCarthy.

"When inflation goes up, crime goes up. It's an old story," he said. "And for the first time in my 17 years of working with trucking insurance, I'm hearing reports of truck chop shops."

The high cost of parts has also made some insurers skeptical of claims and more demanding of documentation.

"I can sympathize with the trucker when he calls to complain about his claim," remarked Thomas Burke, partner with LeBoeuf, Lamb, Leiby & McCrae, Lloyd's U.S. general counsel.

"But if there is a legitimate question about a loss, we have to wait and they get mad," he said.

The trucker might get mad enough to change insurers, and if he follows the buying trend to lowest price, he may be looking over his shoulder for trouble again. ■

Testing your trucking insurance broker

Ask these questions before buying coverage, trucking insurance experts say:

- Does your broker understand trucking terms like "bobtail" and "deadhead"?
- How long has he handled policies for truck physical damage, cargo and liability?
- What other clients does he have? If he won't tell, it is a bad sign.
- What markets does he apply to? Some insurers often recommended by brokers include Occidental, National Indemnity, Empire, Great West Casualty, Northland, Transit Casualty, AIG, Lloyd's of London, Nationwide and Fireman's Fund.
- Can he offer safety or training help?
- Does he deal with claims adjusters you or other truckers know?

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Patient can sue doctor working for Va.

around the states

RICHMOND—Doctors employed by the state of Virginia who practice in state-operated hospitals may be sued for negligence, the Virginia supreme court has ruled.

"A physician who fails to use reasonable care in the treatment of a patient acts at his own risk and is not entitled to invoke the doctrine of sovereign immunity," Justice Albertis S. Harrison Jr. wrote in his opinion.

The ruling applied to two cases in which patients sued physicians at the University of Virginia medical school. The high court overturned the rulings by Albemarle County circuit Judge David F. Berry that granted the doctors immunity.

Justice Harrison wrote that no "all-inclusive rule can be enunciated or applied in determining entitlement to sovereign immunity."

Some state officials—the governor and judges, for example—are immune from suits in the performance of their duties because "they are required by the constitution and by general law to exercise broad discretionary powers, often involving both the determination and implementation of state policy," he wrote.

However, the argument for immunity does not have the same strength it previously had because of the "intrusion of government into areas formerly private and because of the thousandfold increase in the number of government employes."

Product liability

COLUMBUS—The Ohio assembly has put a major product liability bill (S.B. 67) on the back burner, dimming the chances of tort reform in the state this year.

The measure, which would bar most product liability suits 10 years after the time a product was first sold, has been set for a vote on June 11. But backers of the legislation agreed to send the bill back to the rules committee when they realized they didn't have the votes needed for passage by the senate.

Support for the controversial measure began to slip after state labor groups vowed to defeat it. Labor says the bill would take away consumer rights, while business groups argue that tort reform is needed to restore balance to the legal system.

Risk sharing

ALBANY—The issue of municipal risk sharing will remain unresolved until this fall, after the New York legislature adjourned June 14 with each house advocating a different approach.

Failure of the state senate and assembly to reach a consensus on a municipal risk sharing bill this fall will doom chances of getting such a bill passed in New York this year. Those chances are considered slim because the legislature normally considers only the most pressing issues when it reconvenes in the fall.

A bill permitting municipalities to form reciprocal insurance companies or join insurance pools passed the assembly June 11. The bill was sponsored by Rep. Arthur J. Kremer (D-Long Beach), chairman of the assembly ways and means committee.

The senate failed to act on the bill before it adjourned June 14, but earlier that day approved legislation introduced by former insurance committee chairman Sen. John Dunne (R-Garden City), authorizing creation of the reciprocals. That bill was submitted at the request of insurance superintendent Albert B. Lewis, whose department would regulate the reciprocals but not the pools.

Supporters of municipal pooling will continue to press for enactment of a bill, but it is too early to tell what the prospects are, said Patrick J. Carter of Weber/Euclid Associates Inc., consultant to the committee for the organization of municipal self-insurance pools.

The Kremer bill was referred to the senate finance committee. Sen. John Marchi (R-Staten Island), chairman of that committee, is a member of the National Conference of State Legislators and helped Mr. Kremer's committee receive a conference grant to study municipal insurance problems, Mr. Carter noted.

Legislation letting municipalities choose regulated or unregulated pooling mechanisms was introduced in the assembly as a result of that study.

Utility liable

MASON—Consumers Power Co. must pay a Michigan worker more than $1 million for injuries he received at a substation, a jury here has ruled.

The decision means utility companies and construction contractors can be held liable for safety and design standards and can be sued if an injury results from improper standards, says William Kritselis, attorney for George Heathman, the injured man.

The actual award is $951,000 for Mr. Heathman and $250,000 for his wife, plus interest, which would bring the total to about $1.3 million, the attorney said.

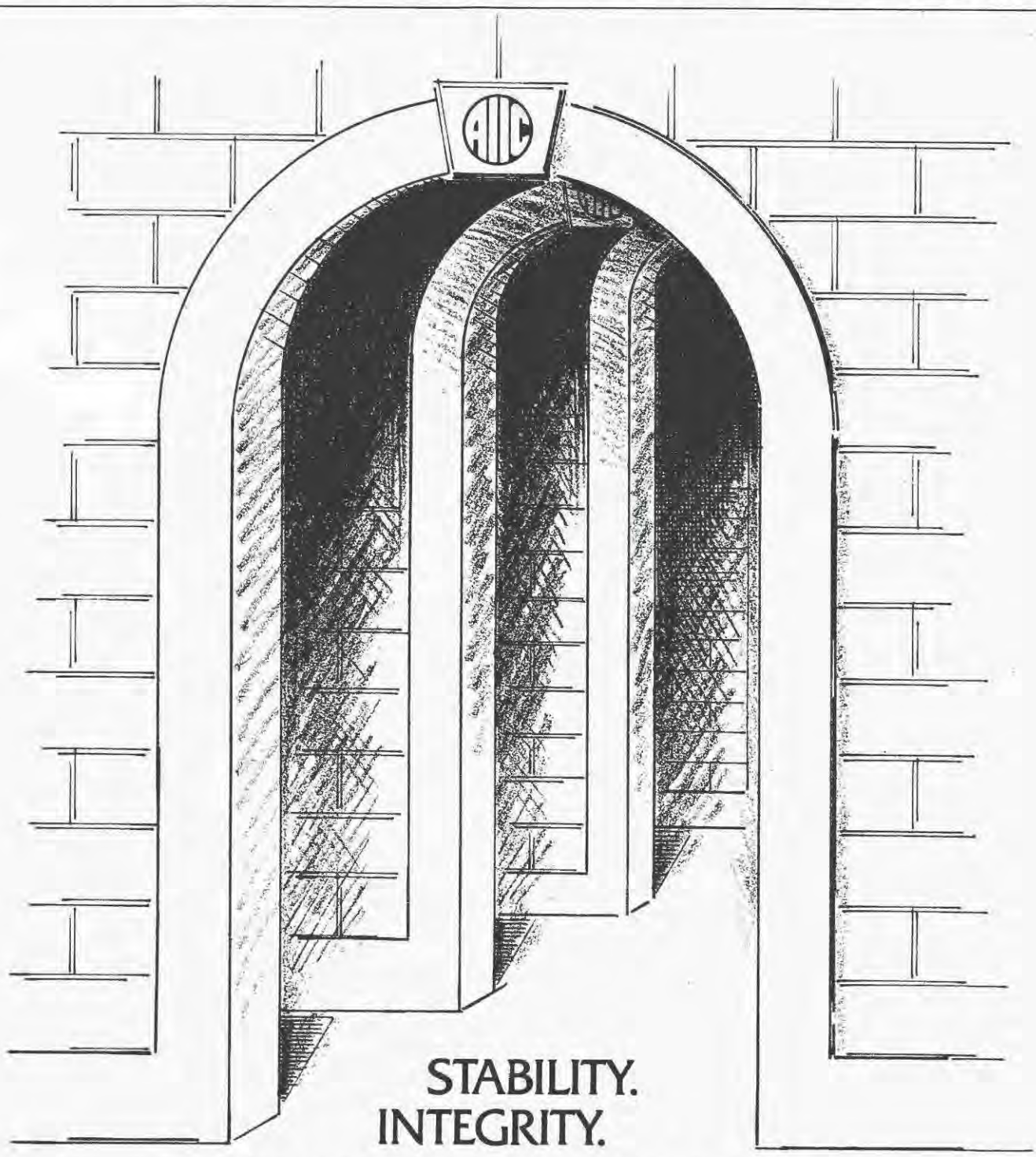
By hiring outside contractors, companies like Consumers have been able to avoid the costs of safety equipment and meeting safety standards that would have been required under contracts with their own employes, Mr. Kritselis said.

Mr. Heathman was injured in an accident at the Lawndale substation in Saginaw in March 1972. He was reportedly nearly totally paralyzed after a section of a 21-foot-high fence fell on him as he was working for Newkirk Electric, a contractor on the substation.

Consumers was negligent in not setting safety standards equivalent to those that would have been required had the utility company been doing the work itself, Mr. Kritselis argued. He also argued that engineers had designed the fence improperly, significantly increasing the danger.

Mr. Heathman, now 64, has regained use of his arms and legs, Mr. Kritselis said, but still needs constant attention. He is unable to dress himself or drive, let alone earn a living, the lawyer said.

"There is nothing productive to say about (the case) at this time," said Lawrence B. Lindemer, general counsel for the utility. "Whatever course of action there is will be determined in the courts." ■



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Broker switch

C&B picks Guillaume new vp-international

NEW YORK—**Marnix L. Guillaume** has been named vp-international for Corroon & Black Corp.

Mr. Guillaume will have responsibility for production of new international business and the servicing of current accounts. His duties will include developing, coordinating and improving international operations in conjunction with C&B's operating subsidiaries and with Minet Holdings Ltd. He was formerly with Alexander & Alexander.

Other broker changes:

Fred Michel Jr. named vp of Corroon & Black Corp. in charge of product quality control and supervision of systems and procedures. Also at C&B, **Thomas N. Perez** has been named president of Corroon & Black Management Inc., a Nashville-based subsidiary.

Donald M. Murray named managing vp of the Boston office of Alexander & Alexander.

Robert A. Papp named manager of life and benefit operations in the North Palm Beach, Calif., office of Bayly, Martin & Fay. Also, **Jeffrey M. Kraus** named director of safety services of the Los Angeles division of BMF; **Andreas Hauer** named vp of life and benefit operations of the Oakland division; **William E. Davis** named vp and senior account executive of BMF-Dallas; **Isiah M. Lee** named account executive of BMF-L.A.; **Jack Barber** named manager of benefit operations of BMF-Jacksonville, Fla., and **Paul E. Davidson III** named marketing manager of BMF-Jacksonville.


Lee

Walter E. Wisniewski named senior legal counsel with special involvement in the area of captives at Poe & Associates of Tampa, Fla.

Betty McNatt named assistant vp of Reed Stenhouse Inc. of Texas; **Barry N. Smith** named vp.


McNatt

Frederick W. Nichols Jr. named account executive of Insurance Management Services Inc. of Cleveland; **Michael J. Cancelliere** named account executive.

Carol Odinet Godfrey named assistant vp of Swett & Crawford.

Insurer changes

Rudolph F. Landolt elected to Kemper Corp.'s board of directors. He is senior vp and chief insurance officer of the corporation.

David L. McIntyre named president of Comstock Insurance Co.

Jack J. Haller appointed executive vp-underwriting for Employe Benefits Insurance Co. in San Jose, Calif.; **Gordon F. Diss** named manager of the actuarial department.

Rodger Nogaki elected assistant vp of Reliance Insurance Co.

John C. Driscoll appointed assistant manager-boiler and machinery department of Royal Insurance; **Joseph S. Murphy** appointed commercial lines underwriting manager in the San Francisco regional office; **Bill C. Nash** appointed marketing manager in the Los Angeles regional office.

Robert E. Lineberger promoted to superintendent-major case unit in the claims department of Zurich-American Insurance Cos.; **Howard Donald Hanson** appointed chief actuary in the company's property/casualty actuarial department.

James E. Buncher appointed president of Hospital Affiliates International Inc. in Nashville.

John W. McKee appointed assistant vp of the Rochdale Insurance Co. of New York.

Wesley Malcolm elected resident vp of the Spokane division of SAFECO Insurance Cos.

S. Alan Slade promoted to second vp of the new business division of Massachusetts Mutual Life Insurance Co. ■

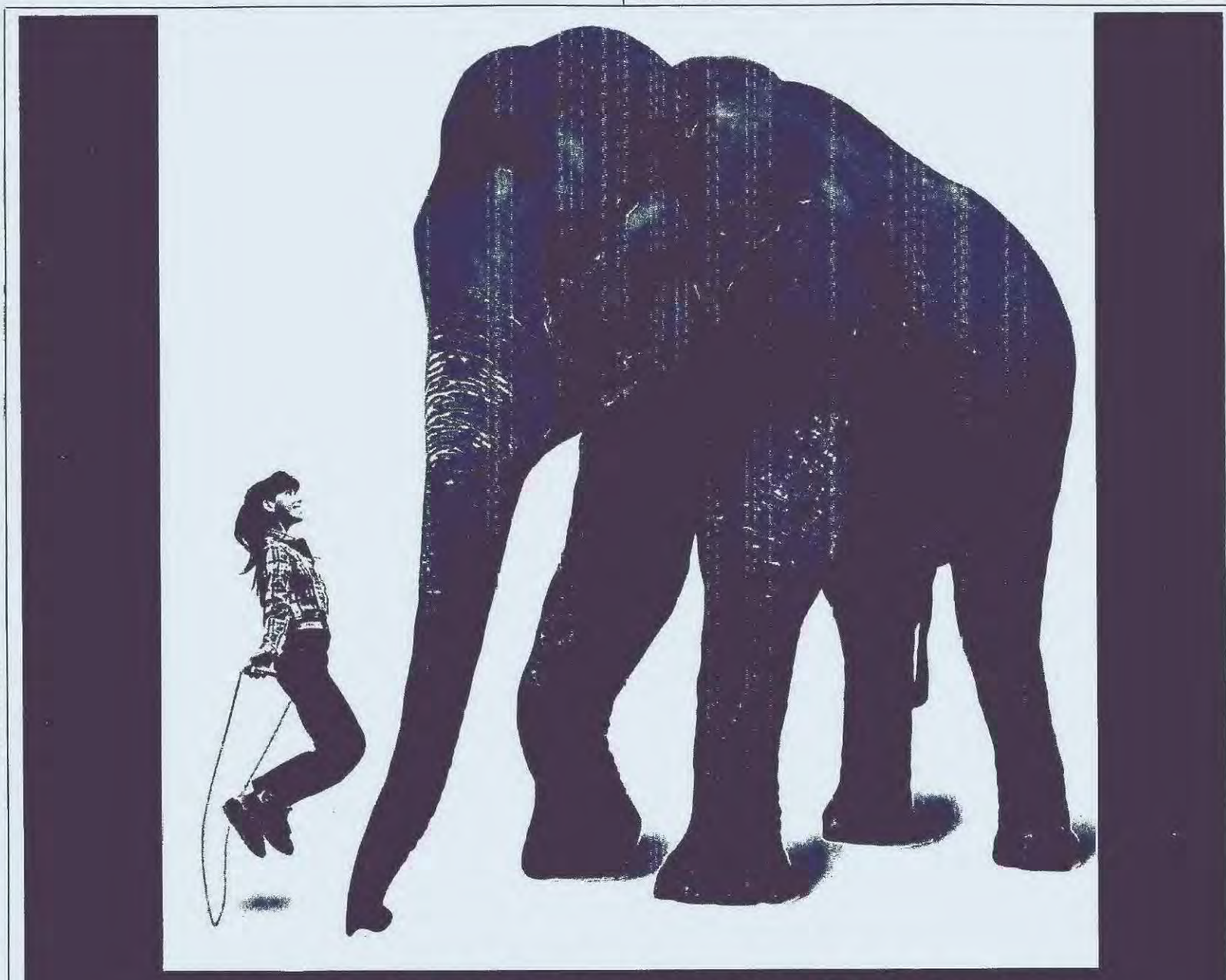
comings & goings: industry

Va. RIMS elects officers

WILLIAMSBURG, Va.—The Virginia chapter of RIMS has elected new officers: president, Robert Esenberg, city of Virginia Beach; vp, Bonnie G. Forrest, Virginia Electric & Power Co.; treasurer, Virginia L. Ayres, Whittaker General Medical; secretary, Michael C. Hulsey, Virginia Chemicals Inc., and national rep, William Murphy, Reynolds Metals Co.

Directors are: Lewis Saunders, Bank of Virginia; James Jones, Newport News Shipbuilding & Dry Dock Co., and Robert Witt, Richfood Inc. ■

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Lamb moves ahead in Digital's flock

comings & goings: buyers

RONALD J. LAMB has been named corporate risk manager at Digital Equipment Corp. in Maynard, Mass., to replace **Howard C. Austen,** who has accepted the director of risk management position at General Host Corp. in Stamford, Conn. Mr. Lamb, previously corporate insurance manager at Digital, will report to Larry Ricci, director of taxation. A new insurance manager has not been named at Digital. Mr. Austen, in his new job, will report to Morris Kinne, vp of staff administration.

* * *

Crane Co. in New York has named **Alan W. Friedlander,** 31, assistant insurance manager to replace **Les Welch,** who left the company as reported. Mr. Friedlander, who reports to insurance manager Stephen Frey, was previously insurance supervisor at Amerace Corp., a position that will be eliminated. He has a bachelor's degree in electrical engineering from City College of New York and an M.B.A. from New York University.

* * *

Jeff Kuehn, 32, has been named supervisor of group insurance/benefits at Western Airlines in Los Angeles to replace **George Chesney,** who left the company. Mr Kuehn previously was a consultant with William M. Mercer Co. in Albuquerque, N.M. He reports to employe benefits manager Bruce Wallace.

* * *

Circle K Corp. in Phoenix, Ariz., has named **Don Dukate,** 49, risk manager. Mr. Dukate, who reports to vp of finance Bill Farmer, joins Circle K after supervising insurance and claims at Del E. Webb Corp. headquarters, also in Phoenix. He has a bachelor's degree in business administration from Brescia College in Owensboro, Ky., and has worked in the insurance field for 25 years. He belongs to the Arizona chapter of RIMS.

* * *

Gary J. Bausom has been promoted from director of risk management to assistant treasurer and director of risk management at Esmark Inc. in Chicago. With this new designation, Mr. Bausom will



Bausom

add assistant treasury responsibilities to risk management duties. He has a bachelor's degree in business administration from the University of Wisconsin at Madison and an M.B.A. from Golden State University in San Francisco. He reports to vp and treasurer Jay Proops.

•

We'd like to report on staff changes in your risk management or employe benefits department. Just drop a note to Mary Ann Matlock, Business Insurance, 708 Third Ave., N.Y., N.Y., 10017 or call 212-986-5050. We'd also like to receive pictures of the people.

Damages model proposed

CHICAGO—A model state law allowing plaintiffs or defendants to demand periodic payment of damages and settlements in death and injury cases will be submitted in August to the National Conference of Commissioners on Uniform State Laws.

The model law would also link the structured payments to the growth of 52-week U.S. Treasury bills and cut off payments at a recipient's death to eliminate windfalls to heirs.

The conference is pushing the structured settlement and periodic damage payment concept as a more equitable means of paying damages. The payment system relieves the plaintiff of managing a huge sum of money when he or she does not have financial expertise, NCCUSL says. It also protects him or her against inflation and could be less expensive for the defendants.

If the commissioners accept the proposal at a conference late next month, the model law will be distributed to all states that do not

'We've tried to please everybody,' says attorney Phillip Carroll.

have laws governing structured payments, said Phillip Carroll, a Little Rock, Ark., attorney who helped draft the legislation.

Fourteen states permit some type of periodic payment of damages in bodily injury cases, he said.

But the model law may be in for rough sailing in many states because of strenuous opposition from the insurance industry and trial lawyers.

At a conference last December in Chicago, industry representatives hit the model law as unfair to insurers because the floating inflation would keep them in the dark about the extent of their losses from year to year (*BI*, Dec. 24, 1979). Insurers essentially favor paying a lump sum adjusted for inflation and closing their books.

Trial lawyers object to allowing payments to stop when the plaintiff dies, saying heirs should be paid for continued suffering after the death of their loved ones.

In response to the objections, the NCCUSL, which had originally proposed a uniform national law, pared its recommendation. The model bill can be revised and tailored by individual states.

"We've tried to please everybody," Mr. Carroll said. "We hope it will catch on. We think it's a good law, it seems like a reasonable, partial solution to the problem." ■



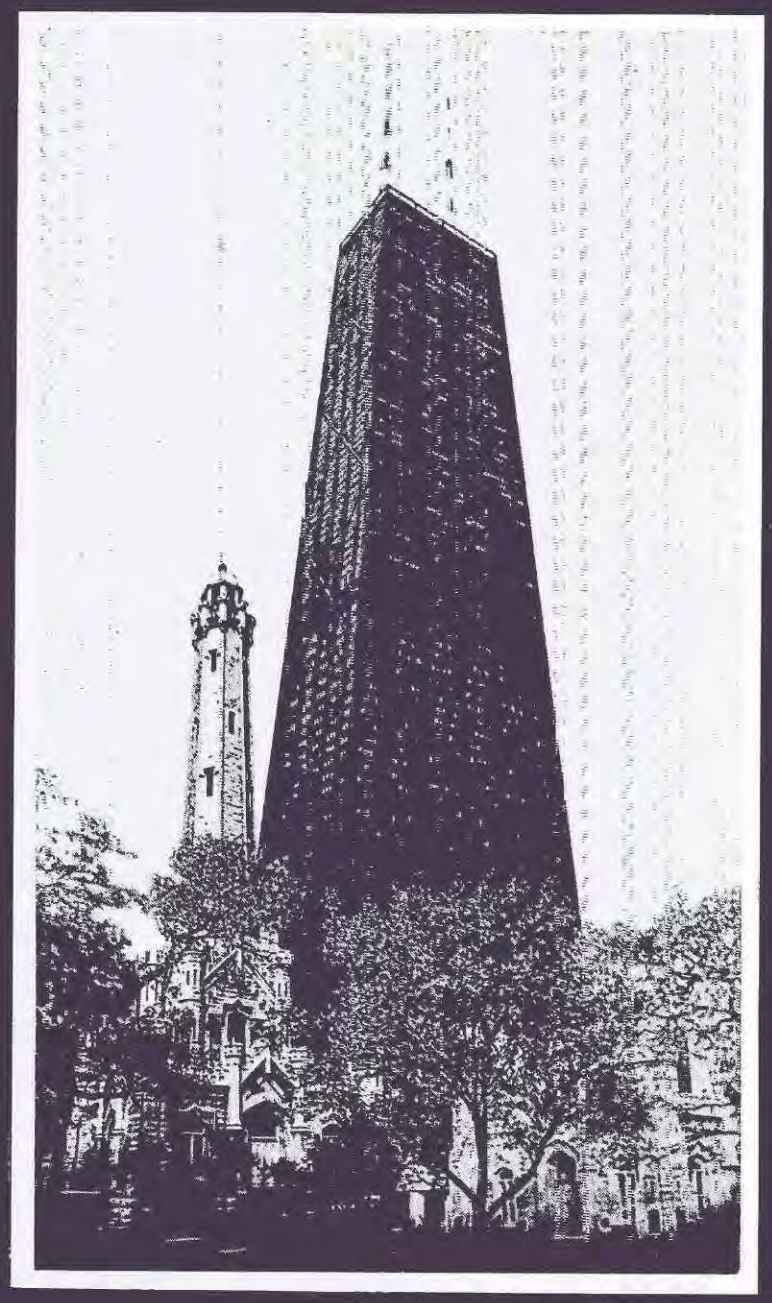
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JULY 13-16. Risk and Insurance Management in Banking Seminar in Lincolnshire, Ill., sponsored by the American Bankers Assn.; $315. Registration coordinator, risk and insurance management in banking seminar, American Bankers Assn., 1120 Connecticut Ave. N.W., Washington, D.C. 20036; 202-467-4046.

JULY 14-16. Self-Insurance and Risk Retention Conference in Chicago sponsored by the American Management Assns.; $510 for members, $585 for nonmembers. Gerald Krako, program director, AMA, 135 West 50th St., New York, N.Y. 10020; 212-586-8100.

JULY 14-16. Disaster Recovery Seminar in Milwaukee, sponsored by the Computer Security Institute; $495. Also **July 21-23** in Anaheim. Gerald I. Isaacson, director, Computer Security Institute, 675 Line Rd., Aberdeen, N.J. 07747; 201-566-6622.

JULY 14-18. Workers Compensation Symposium in Orono, Maine, sponsored by the University of Maine; $375. HCNC, NSWC coordinator, 1721 Pine St., Philadelphia, Pa. 19103; 215-735-0205.

JULY 14-18. Auditing Safety Program Management Seminar for corporate safety directors only, in Atlanta, sponsored by the International Loss Control Institute; $575. ILCI, P.O. Box 345, Loganville, Ga. 30249.

JULY 14-18. Fundamentals of Modern Safety Management Seminar in Atlanta, sponsored by the International Loss Control Institute; $425. ILCI, P.O. Box 345, Loganville, Ga. 30249; 404-466-2208.

JULY 17-18. Physical Security Seminar in Milwaukee sponsored by the Computer Security Institute; $395. Also **July 24-25** in Anaheim. Gerald I. Isaacson, director, Computer Security Institute, 675 Line Rd., Aberdeen, N.J. 07747; 201-566-6622.

JULY 21-22. Fundamentals of Pension Design and Funding Seminar in Atlanta, sponsored by the Wharton School; $670. Heidi E. Kaplan, Dept. 20 NR, university conference center, 360 Lexington Ave., New York, N.Y. 10017; 800-223-7450.

JULY 21-23. An Advanced Course in Employe Benefits in Chicago, sponsored by the American Management Assns.; $555 for members, $635 for nonmembers. Gerald Krako, program director, AMA, 135 West 50th St., New York, N.Y. 10020; 212-586-8100.

JULY 21-23. Fundamentals of Marine Insurance Conference in San Francisco, sponsored by the American Management Assns.; $555 for members, $635 for nonmembers. Gerald Krako, program director, AMA, 135 West 50th St., New York, N.Y. 10020; 212-586-8100.

JULY 21-25. The Development and Growth of a Modern Safety Program Seminar in Houston, sponsored by the International Loss Control Institute; $525. ILCI, P.O. Box 345, Loganville, Ga. 30249; 404-466-2208.

JULY 22. Computer Recovery Operations Seminar in St. Louis, sponsored by Data Processing Security Inc.; free. Also **July 29** in Detroit and **Aug. 5** in Chicago. CRO seminars, Data Processing Security Inc., 200 East Loop 820, Fort Worth, Tex. 76112; 817-457-9400.

JULY 24-25. Strategies for Health Cost Containment Course in Chicago, sponsored by American Management Assns.; $435 for members, $495 for nonmembers. For three managers attending the same session of a meeting: $380 for members, $430 for nonmembers. Gerald Krako, program director, AMA, 135 West 50th St., New York, N.Y. 10020; 212-586-8100.

AUG. 4-8. Loss Control Management Seminar in Atlanta, sponsored by the International Loss Control Institute; $450. ILCI, P.O. Box 345, Loganville, Ga. 30249; 404-466-2208.

AUG. 6-7. How to Reduce Your Construction Insurance Costs Seminar in Washington, sponsored by the International Risk Management Institute; $475 per person, $415 for two-person teams. Also **Aug. 20-21** in Chicago. IRMI, 10300 North Central Expressway, Suite 350, Dallas, Tex. 75231; 214-363-9656. ■

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Investments won't solve trouble: Exec

By STUART EMMRICH

THE WORDS "investment income" have had a magical ring for most insurers during the past two years.

As combined ratios for the industry continue their climb past 100%, insurance companies have been able to count on the parallel rise of investment income to keep them from feeling what in past years would have been a severe earnings crunch.

But some sour notes are beginning to be heard by insurers that have been relying too heavily on investment income, warns a prominent insurance company executive who adds that loose underwriting practices are finally going to catch up with these companies.

"There is concern today that the industry is becoming so enamored with investment income that individual companies are throwing caution to the wind in an effort to produce cash flow," James Meenaghan, executive vp of Fireman's Fund Insurance Cos., told a gathering of financial analysts in New York June 11.

He warned that insurance companies looking to investment income as a cure for their underwriting ills are too soon forgetting that similar thoughts five and six years ago led to "a significant number of large, then highly respected companies (wiping) out their entire investment income as a result of cash-flow underwriting and pricing philosophies they had followed in 1972, 1973 and 1974. The net result was a disaster for many companies."

Companies out to get more investment cash through "unwarranted price-cutting" are playing a dangerous game, Mr. Meenaghan said. Although they temporarily will get high investment income, they will, in effect, be borrowing money from policyholders at a cost that cannot be calculated because of inflation.

"For a company that plays it smart and maintains a sound pricing approach to the business, higher investment income can be a boon," Mr. Meenaghan said. "It could well be a bust for any company that thinks it can pursue a grow-at-any-cost approach without understanding the dangers."

BI ticker

Reliance Group

First-quarter operating income totaled $22.2 million for Reliance Group Inc., 41% more than the $15.8 million earned during the first three months of 1979. Revenues increased 13%, to $331.3 million from $292.6 million.

But results for the company's property and casualty insurance operations were not as favorable. The company reported an underwriting loss of $104,000, compared with an underwriting income a year ago of $185,000.

The life and health insurance operations recorded an operating income of $4.7 million, more than double 1979's $2 million.

General Re

General Reinsurance Corp. is forming a holding company, a move chairman Harold Hudson said will "facilitate deployment of assets and will provide a better management structure for companies comprising the group."

Aneco Re

Aneco Reinsurance Co. reported a net loss of $182,000 for the first quarter of 1980, compared with a net income of $136,000 in 1979.

Company president Francis Mulderig attributed the drop in income to what he called Aneco's "continuing conservative underwriting approach to the acceptance of new reinsurance business in what the company perceives to be a period of high capacity and low rates in the reinsurance industry."

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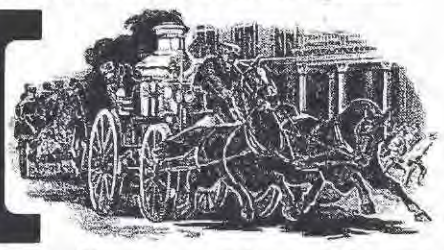
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Grand jury indicts 4

Continued from page 2

speaker's post and wants the matter cleared before elections this fall, he has said.

The Texas speaker has admitted taking $5,000 from Mr. Moore, a longtime friend, and Joseph Hauser, a Los Angeles insurance man working for the FBI and posing as a representative of Fidelity Financial Consultants of Los Angeles. He told the grand jury earlier he took the money because he did not want to embarrass Mr. Moore and that he intended to return it the next time he saw Mr. Hauser.

Mr. Hauser, whose company was set up as part of the FBI undercover operation, posed as its representative seeking to secure the state employes' contract for Prudential Insurance Co. As part of the scheme, Mr. Hauser contacted Mr. Moore and the Austin attorneys to secure their help in approaching Mr. Clayton.

The indictment alleges that the trio approached Mr. Clayton with a $5,000 bribe and a promise of $600,000 in return for reopening bidding on the Employes Retirement System of Texas, which was awarded to Metropolitan Life after bidding last summer.

The indictment charges that Mr. Clayton and the three other defendants planned to "defraud the state of Texas and its citizens of their right to have the business of the state of Texas and the office of the speaker of the house conducted honestly, impartially, free from deceit, craft, trickery, corruption, fraud, undue influence, dishonesty, official misconduct, conflict of interest and in accordance with the laws of the state."

The Brilab grand jury is expected to continue reviewing evidence in July in connection with the Clayton indictment and also in connection with testimony relating to the city of Houston and Houston labor union contracts. ▪

Plan cushions expense

Continued from page 3

of up to 40% on home furnishings.

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"They've been very prompt with service," said Libby's Mr. Boester. "If there's a piece with damage, they'll repair it immediately."

The EHFA is one of three groups serviced by the Robard Furniture Co. in Chicago. It is also the largest, with more than 50,000 employes at some 100 firms participating.

Libby is the largest EHFA member, with close to 700 employes participating, But Mr. Heffron is close to sealing a deal with the Burroughs Corp. in Oak Brook that would boost plan membership by at least 1,000. About 10% of the firm's employes typically take advantage of the program.

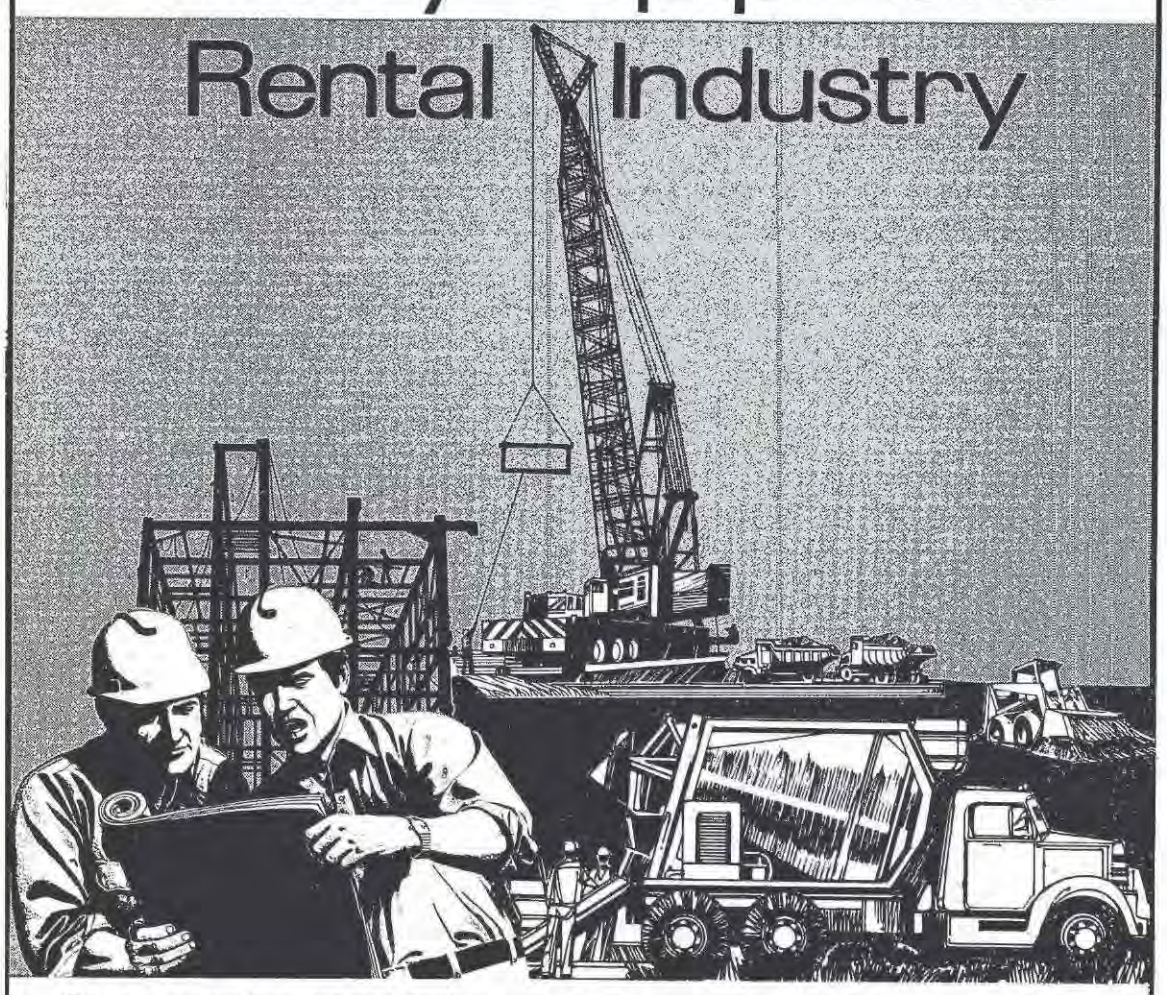
The firm will only consider applicants within the Chicago delivery area, which ranges from southern Wisconsin to northern Indiana.

Although tremendous savings are available on high-priced furniture, the brothers admit their operation does not offer all of the services of a retail outfit.

"We offer no credit and there is no immediate delivery," Robert Heffron said. ▪

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Erlenborn offers longshore reform bill

Continued from page 3
bill, the reach of the federal longshore law would be limited to the "point of rest," the spot where the cargo comes off the ship and is put on the ground.

This proposal is particularly controversial because recent court decisions have vastly expanded the scope of the act. "In many cases, no one is sure where jurisdiction lies until after a claim is filed," said Frank Sioli, vp at Frank B. Hall & Co. of Florida in Coral Gables. "Everyone has a different interpretation of the act."

Resolving the jurisdictional issue is vital because benefits payable under the federal act are more than double the benefits payable under many state workers compensation programs.

Without a solid definition of the scope of the law, underwriters face enormous difficulties setting proper reserves for claims, maritime experts say.

Workers who build and service recreational boats—vessels of less than 70 net tons—would be excluded from the federal program unless they were unable to obtain benefits from a state workers compensation program.

Congress never intended to cover recreational boat builders in the longshore program, Rep. Erlenborn told *Business Insurance* and previous amendments to the longshore act have been "ill-advised, overly expensive and discourage rehabilitation."

Rep. Erlenborn's bill comes on the heels of a Labor Department contractor's report revealing that exaggerated claims, expensive benefits, an uncontrolled accident rate and uncertainty over jurisdiction threaten to torpedo the longshore compensation act.

That report, prepared by Cooper & Co. of Stamford, Conn., and suppressed by the Labor Department for five months, found that high benefits have created a "negative incentive to return to work," inflating costs and stretching out disability periods (*BI*, Jan. 21).

Most observers doubt if the Erlenborn bill has any chance of clearing Congress this year because it's late in the session. But a coalition of insurers, shipbuilders and stevedoring firms intends to lobby hard next year to win passage.

"Unless something is done to get costs down, more and more stevedoring firms are going to be driven out of business," says John Walton III, secretary of Lavino Shipping of Philadelphia. ■

One shipyard's woes

Previous amendments to the federal longshore act, quadrupling benefits and extending the scope of the act to cover a huge new class of workers, have created nightmarish cost increases for the maritime industry.

In 1972, Fairhaven Marine Inc., which operates a shipyard and construction yard in Fairhaven, Mass., paid $21,000 in benefits for injured employes. Six years later, the firm was shelling out five times as much—$102,500—for longshore benefits.

"How can our yard survive with an almost 500% increase in costs?" asked William H. Potter, president and treasurer of the shipyard employing about 60 workers.

American shipyards in the upper Midwest are losing business to Canadian ports where the benefits are lower. "Higher costs mean we can't stay competitive," says Frank J. Dempsey, vp of Meehan Seaway Service Ltd. in Milwaukee.

Pilots switch insurer

Continued from page 2
in U.S. District Court in Brooklyn (*BI*, Oct. 29, 1979).

But Marshall Rattner, Professional Indemnity president, said his agency sought additional premium because of ALPA's experience. The Eastern suit is the only claim reported against ALPA to date, he added. Lloyd's will pay ALPA's defense and is liable for any judgment.

National Union also writes Eastern's fiduciary liability coverage. The airline has not sought to renew coverage since the suit was filed, said William Ott, director of insurance.

National Union fiduciary liability underwriter Chris Cavalero would not discuss the insurer's relationship with Eastern other than to say it has been good. Insuring both ALPA and Eastern does not represent a conflict of interest because Lloyd's covers ALPA in this suit, he added.

Meanwhile, the Department of Labor has intervened in the lawsuit filed by Eastern pilot David L. Mudd of Southhold, N.Y.

Ian D. Lanoff, DOL administrator of pension, welfare and benefit programs, has called for removal of chairman Charles Dyer and the other three members of the pilots' retirement committee.

DOL is also considering joining that action or initiating a suit of its own, Mr. Lanoff warned ALPA president J.J. O'Donnell and Eastern president Frank Borman.

Reinstatement of any retirement committee members would be a new violation for ERISA that could be the subject of additional litigation brought by the Labor Department, he added.

"Eastern and ALPA will have to respond (to DOL). I hope this development will be a positive one," said Eric Bressler, Mr. Mudd's attorney.

Paul O'Connor, attorney for the retirement committee, does not expect DOL's intervention to affect the Mudd case, however.

"DOL's investigation was selectively focused," he said. "Discovery in the case is about half complete and not all the information has been devleoped to put the facts into the appropriate places. They've got half a case because the defense hasn't spoken yet." ■

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Companies cut risk staff

Continued from page 1

safety/security people, risk managers, are trimming their support staff to eliminate unneeded or incompetent employes. This accounts for about 29% of the layoffs reported by the Risk Management Board.

"We eliminate mediocre personnel and get the best to improve productivity," said one risk manager. "We also review computer opportunities for reduction of in-house personnel costs."

But while some machines will replace employes to cut costs, other machines will be crossed off the list of necessary expenses. The gas guzzlers—the car and the airplane—will only be used for unavoidable travel, while present office equipment will have to do for the moment.

Nearly 11% of the Risk Management Board respondents have sent their company cars back to the fleet. "This is because we are experiencing constraints on our operating budget expenses," said one risk manager.

Other constraints include trimming travel costs by planning routine trips before departing to save on air travel and hotel rooms. One risk manager says his company will be considering eliminating attendance at conventions and conferences, too.

Besides these visible cutbacks to save corporate cash, members of the *BI* Risk Mangement Board are working harder to make tried and true risk management techniques work better.

"The techniques mentioned are certainly not restrictive to economically trying times," said a board member. "Any risk manager worth his or her salt does this on an ongoing basis and goes much further."

Risk managers are increasing cash flow by looking for higher deductibles and bigger self-insured retentions.

One risk manger, whose primary casualty program is up for renewal, will not renew his policy. "We will consider instead a combination of SIRs and compensating balance programs to improve cash flow, save premium dollars and discontinue trading dollars with the insurer," he said.

Self-insurance, board members say, can produce the best monetary results, especially for a large corporation. To do so, policies must be reviewed to prevent unreasonable risks of loss for the company. "A fine-tuning of each insurance or self-insurance program is being conducted to minimize costs without jeopardizing company assets," said a board member.

Risk managers are also negotiating better cash-flow or premium payment plans with insurers to lower their annual insurance costs. These recession plans will realign 24% of workers compensation and 20% of general liability policies purchased by the Risk Management Board respondents alone.

Another way to cut expenses is to check the market for better policies at lower costs, risk managers suggest. "The market appears a bit soft," said a risk manager. "This might be the time for a risk manager to check the market, either through his present broker or others. Many companies are in a very competitive posture now," said one panel member. ■

Others expand

CHICAGO—While many risk managers are being forced to decrease spending in their departments, others are increasing their staff to fight the recession.

"This is a good time for fine-tuning but not cutting back," said one risk manager. "Reduction of risk management services including loss control at this time would be foolhardy."

Of the 70% response to *Business Insurance*'s latest Risk Management Board survey, only 13% said they hadn't been affected by the recession. Some corporations are increasing risks and, therefore, spending more in their departments than less.

"My corporation is increasing in size by something like 40%," said one risk manager, who has new oil ventures, ocean tankers and commercial property to insure. "I would be doing a disservice to my company if I did not demand to have optimum cash-flow plans, adequate limits or a larger staff."

Some risk managers are fortunate to be employed by companies "where the only way to control losses, regardless of economic conditions, is to maintain an effective loss-control program," said a board member.

Other risk managers cannot shop to reduce premiums because of the types of risks they're insuring. "We have a loss-free account in spite of a catastrophic risk exposure. Therefore, we need all the limits we can get. The market for our risk is so technically balanced that we do not 'shop' out risks very often," said one board member.

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New units suffer most

Continued from page 1

ugh no official hiring freeze has been announced. "We're reassigning tasks to spread around the work," he explained.

Several other risk managers told *BI* that although their employers have not announced formal hiring freezes, they are "sensitive" to the corporate situation and would not rush to replace support staffers who quit or were terminated.

So far there have been no personnel cutbacks among risk manager Thomas V. Hallett's 55-person staff at General Motors Corp., although some could be coming. Recently, the nation's largest automaker announced a 10% reduction in its white-collar workforce effective before Aug. 31, the end of the current model year.

No pink slips

United Airlines and Continental Airlines have both made similar announcements within the past 10 days. United, the largest U.S. air carrier, has already trimmed its 56,000 workforce by 2,000 this year. Continental will furlough 10% of its 12,000 employes before the end of July.

United, Continental, Western, TWA and Northwest Orient all report, however, that their declining passenger volume and poor financial results have not yet brought any pink slips to risk managers.

During a recession, the risk management function becomes more important, notes John Kent, risk specialist at Western Airlines in Los Angeles. That's because increased losses and claims frequency can occur when the corporation can least afford it.

"We're handling a heavier volume of claims submitted by furloughed employes with three months extended group insurance benefits," notes Don Hansen, director of insurance at United Airlines. Everyone on his staff is having to work a lot harder.

Companies that clearly recall the days before they formed risk management departments may be the first to disband them, judging by the experience of several risk managers who were victims of such a situation.

Barbara Fein recently lost her job as risk manager at R & B Enterprises in Los Angeles, a real estate management firm. She became the company's first risk manager 2½ years ago at a time when the business was expanding rapidly.

Ms. Fein was among about 60 employes in R&B's 1,600 workforce to be terminated in the wake of declining company fortunes. Her boss, vp Cline Martin, now shoulders the company's risk management responsibilities along with other administrative duties.

Although no one likes to be fired, regardless of the circumstances, Ms. Fein now happily reports she will start a new job as risk manager with a bigger company that will announce her arrival this week.

Another risk manager, whose employer is about to close its risk management department, has not been so lucky. He has been job hunting since April and asks not to be identified because he believes his chances of relocating are better if prospective employers do not know he is a lame duck in his present position.

"I worked my way out of a job," he lamented. When he joined the company four years ago, he organized an insurance program that is now running so smoothly the company thinks his expertise is no longer needed. An assistant will manage the paperwork and a broker will handle renewals.

Although employment opportunities are out there, this job hunter is finding that landing an offer is harder than it looks. He believes companies are deliberately dragging their heels, taking longer to fill openings in order to keep down payroll costs.

Fallout from poor sales in the automotive industry are taking their toll on other component suppliers, especially in the tire industry.

So far so good, says Joe Carroza, risk manager at Uniroyal Inc., whose tire division has recently announced two plant closings in Detroit and Chicopee Falls, Mass. "I wish I could say for certain we won't have any," said Mr. Carroza when asked about layoffs in his department.

Same limits

Unlike the last recession in 1974-75, he notes, Uniroyal has not needed to increase its property insurance to reflect higher values in backed-up inventory.

Al Pearsall, manager of corporate risk and insurance for Firestone Tire & Rubber Co., knocks on wood when he reports that his 12-person risk management department has not been hurt.

He admits he has given some thought to how work might be redistributed if pink slips did start to appear.

"I imagine I won't be able to hire replacements on the clerical side if anyone leaves," he added.

Mr. Pearsall says he has not noticed an increase in workers compensation claims, although they may start to pick up after two plants in California close next week.

About 2,000 white-collar workers and 6,500 of 20,000 blue-collar workers have lost their jobs at Firestone since January, said a company spokesman. ■

Insurers to ask for rate increase

Continued from page 3

pool assessment for every dollar of voluntary premium written in Kentucky. This cannot continue for very long without severe market restrictions for all risks," Mr. Palczynski said.

"If rates continue to be 200% inadequate in Kentucky on new policies and we therefore continue to provide federal coverage on a guaranteed substantial underwriting loss basis, I would advise my company to support discontinuance of federal black lung coverage. A market cannot continue to exist at such an expected underwriting loss," he said at a recent NCCI seminar.

Mr. Palczynski, a member of the coal mine committee for the past two years, said rate filings had not been made earlier "because we could not adequately defend the data or because we were waiting for the Kentucky legislature to stop talking about state fund legislation. We do not have the luxury of waiting any more."

Committee members are still studying how to cover claims of miners who are refiling claims under the 1977 reform act. Workers compensation policies presently cover first time claims, but under the law, these refilings are also considered first time claims, Mr. Hutchinson said.

The existing coverage did not consider this change in the law.

It is possible the new filing will be in two parts, with different rates depending upon whether the policyholder wants coverage for these refilings, he added.

"Prospects for much rate relief in Kentucky are not very optimistic and the 1980 year is likely to generate an additional underwriting loss to the industry in Kentucky," Mr. Palczynski said. Other classes in Kentucky recently received a 27% decrease in rates because of a legislative cap on permanent partial benefits, and this is likely to hurt NCCI's case for black lung rate relief, he said.

NCCI also plans to file for rate hikes in Virginia and Pennsylvania, but because black lung rates in those two states are already $25 per $100 of payroll, the rate increase won't be as large, Mr. Palczynski said.

Since a previous filing in Pennsylvania took six months to implement, it's expected this one will, too. As a result, rate increases in Pennsylvania are unlikely before 1981, Mr. Palczynski said.

Rate increases would help the industry pay future claims, but probably won't help recoup losses to date, said Conning & Co. partner Robert A. Brian.

Insurance departments do not grant rate increases to make up for losses on old claims, he said. ■

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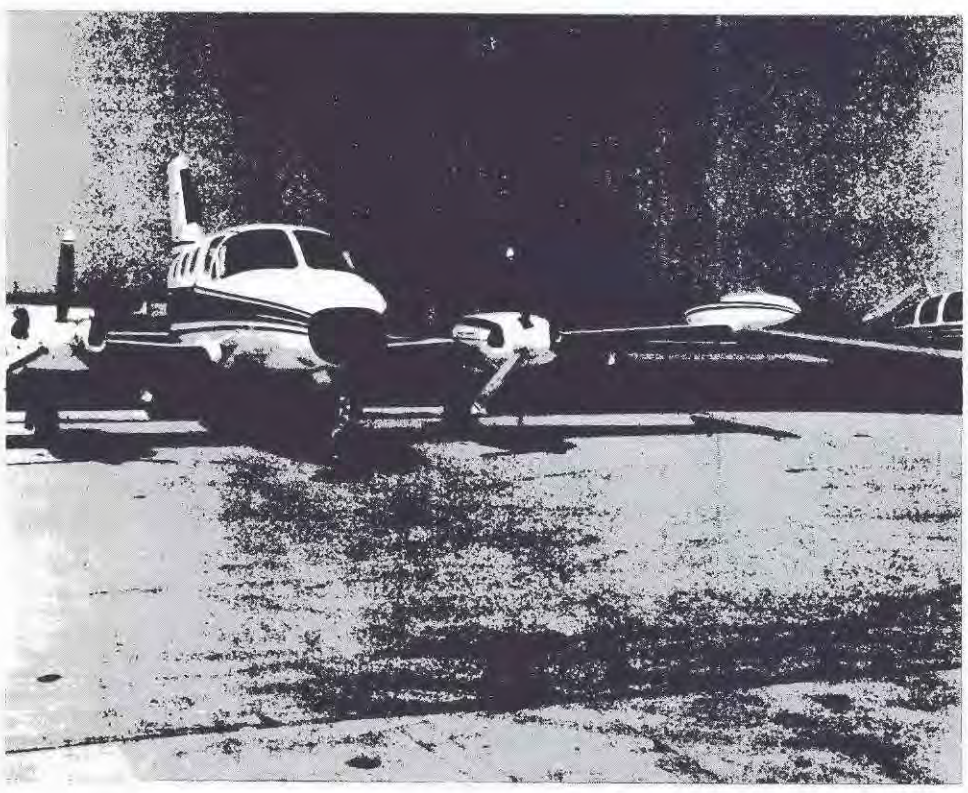
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"We did our groundwork. Now we're taking off."

Lost profit claims from volcano ash wait, gather dust

By HARRIET KING

SEATTLE—Insurers expect the $10.2 million in claims already filed for losses from the May 18 and 25 eruptions of Mt. St. Helens to double in coming weeks.

Coverage for business interruption losses is still up in the air, but at least one insurer says it may pay the small claims it has received. It may be mid-July before insurers respond to business interruption claims, predicts a claims adjuster.

Insurance commissioner Richard Marquardt has organized a Mt. St. Helens task force of the nine largest underwriters in Washington State.

"The companies were concerned about the antitrust implications of getting together, but it was a direct order from the commissioner so they complied," says Scott Jarvis, public defender in the state insurance commissioner's office.

"We wanted to get some action, to get companies pointed in the same direction. We want consistency without complicity."

Of 4,751 claims filed through June 6, about 1,063 miscellaneous claims include business interruption losses, estimates the Washington Insurance Council.

"But business interruption claims are some of the most difficult to figure," Mr. Jarvis said. "There are so many different forms with different provisions out there and each case is unique. We are dealing with variables such as did police tell them to close or did actual damage cause closure?"

Unfortunately, only one court case in the state, filed in 1950, deals with what constitutes a direct loss and this involves an auto claim, Mr. Jarvis said.

In Bruener vs. the Twin City Fire Insurance Co., the claimant said skidding caused an accident but the court said damage was caused by the trees the driver hit. "The court said you must look at the last direct cause," Mr. Jarvis said.

"It was a minority decision and restrictive on what constitutes a direct loss. It eliminates the consideration of an approximate cause. It was a correct result for its own set of facts, but now we are dealing with a volcano. In most cases, it was not losses stemming from the volcanic blast itself, but the ensuing fallout, gravity, wind, storm and rain."

Some insurance companies might welcome the chance to go to court on this issue, Mr. Jarvis said, "because they might just as soon see the issue settled. With as many people affected as there are, it is likely someone will sue."

United Pacific/Reliance Insurance has received several business interruption claims, mostly in their Yakima office in eastern Washington where ash fell heavily. The downtown area was closed for three days on police order.

"A lot of our agents are holding back claims with the idea that the insured will not have a business loss but instead will have deferred sales," said Ed Crosby, manager of property claims. "Obviously there are exceptions such as motels and cafes because you cannot eat today for yesterday.

"I have a hunch that some people will not be satisfied with the idea they can make up sales," Mr. Crosby added.

United Pacific has received at least three business interruption claims that probably will be covered, Mr. Crosby said. One involved a law firm, "on the basis that they could not get to work so could not bill clients for their time spent on legal work. Several people who did get to work were instructed by civil authorities to clean the ash off the roofs and ventilation filters.

"Another involved a carpet retailer. The owner felt strongly that his sales were not deferred but lost altogether as shopping malls elsewhere in the vicinity were open. His net sales loss came to $1,500," said Mr. Crosby. The same was true of an auto parts dealer who had a net sales loss of $3,000. "Our claims are rather nominal at this point," Mr. Crosby notes.

In the Portland, Ore., headquarters of Farmers Insurance Group, regional claims manager Don Baughman said, "I heard we have 14 business interruption claims at our company. None appears to be major. We have also had a lot of inquiries.

"We are setting up a system in my department to look at the claims and to see what we are faced with. We have different forms so cannot say one thing and have it apply to all. Some forms are dovetailed or modified. We are having the claims investigated by the general adjustment bureau in Spokane and we will consider their recommendations."

GAB Business Services, employed by eight insurance companies, has investigated a couple hundred claims filed from Spokane County, mostly by merchants. The claims are for shutdowns of two to three days after the May 18 ash fallout.

"Most people are bringing claims in for business interruption and some clean-up costs," said Bill Nicks, branch manager. "They are still contacting us and we should get through the remainder in the next few days.

"A lot of agents had tried to get a decision from their insurance companies before giving us claims to investigate. But because of the time involved the agents are now turning them directly over to us.

"We will soon go into a holding pattern while the companies read our reports. If they say go settle, then we will go back and through the books and see what the actual business losses were."

GAB expects to know by mid-July if claims will be paid. ■

Day in court

With so many people affected, it is likely someone will sue, says Scott Jarvis.

Compensation up

Total compensation of private nonfarm workers—including the cost of vacations, holidays, insurance, merchandise discounts and Social Security and workers compensation insurance—rose 2.7% from the previous quarter, the Bureau of Labor Statistics says.

Policy bargains end next year: INA exec

By STUART EMMRICH

HARTFORD, Conn.—Risk managers should grab all the extra insurance they can right now, because the days of cheap and easy coverage will be over by the end of the year, predicts INA president John Cox.

"We are less than a year away from a restrictive market," Mr. Cox told the Connecticut Valley chapter of RIMS at a June 12 meeting. "Examine all your coverages right now and all your markets. If you can get extensions on coverages—get them. Fix any weaknesses now, because you may not be able to do it next year."

Risk managers who have been able to save money by self-insuring or buying bargain-rate coverage from some newer insurers may find those savings evaporate as inflation catches up with self-insurers and the recession with new insurers, Mr. Cox argued.

Especially vulnerable, Mr. Cox said, are companies that bought coverage from insurers that may be unable to weather a long economic slump.

"There are a couple of impending failures" of insurers, Mr. Cox said, among smaller, regional firms. Their failures will not greatly affect the national insurance market, but will hurt some risk managers and their employers.

"You must examine the financial stability of your insurers. If you have any doubts, then consider making some changes while you can," he said.

Change may not come easy, however. Risk managers who have been "avoiding the need for long-term relationships with suppliers and brokers so they can get a cheap price now" may have trouble, Mr. Cox warned.

The savings earned by self-insuring some coverages are going to become "illusory" in the near future, Mr. Cox predicted, particularly in workers compensation.

"Workers comp is going to be the main problem in the next few years and it will hit risk managers the hardest," he said.

"There is going to be no abatement in costs over the next few years and as economic problems increase, such as unemployment, more people are going to be using workers compensation benefits to solve social problems."

Insurers are also less willing to cover workers compensation risks now that many large firms use captives and self-insurance plans, Mr. Cox said. Inflation is also taking a heavy toll.

And insurance sellers are changing, Mr. Cox noted, predicting insurance buyers will get some surprises from their agents and brokers.

Independent agents will represent far fewer markets, but will survive by being consultants and risk managers to small firms, Mr. Cox said.

Brokers will also change, he added, by expanding their involvement in underwriting.

"The line between underwriters and brokers is becoming more blurred daily," he said.

Policyholders can also expect large brokers to gobble up small insurers. As part of the trend, the number of insurance companies will continue to decline through failures or acquisitions.

Banks and financial institutions will do much of the buying, realizing the potential for profit in the insurance business and following the lead of the Bache Group and Merrill Lynch, which have made broker and insurer acquisitions, he said. ■

'Don't drain nuclear pool'


Photo: RIMS

John Cox is breaking ranks with the insurance industry over coverage for nuclear power plants.

"The nuclear pool is not a viable pool the way it is today," Mr. Cox said at a recent RIMS meeting in Hartford. "Writing the insurance as a retro and giving part of the premium back to the utilities doesn't make any sense at all."

He argued that refunding premiums to utility companies works against insurance companies wanting to invest more of their capacity in the nuclear pool.

"There should be a catastrophe charge in the premium that is held by the companies taking the risk," he argued. INA is one of dozens of American insurers that take part in the nuclear pool, which provides up to $560 million of liability insurance for nuclear plants.

Mr. Cox also scoffed at industry arguments that more capacity for nuclear plants would be hard to find.

"I was recently involved in putting together $1 billion in capacity for a plant in Japan. It is not hard to do if you get the right price and the proper layers," he said.

'Candy bar syndrome'

Expect to pay about the same premiums for product liability insurance next year, but be ready for ever-increasing deductibles.

That's the advice from product liability expert Victor Schwartz, who is leaving the Commerce Department.

The "candy-bar syndrome" will hit the product liability insurance market, Mr. Schwartz said. The price of the candy stays the same; the bar just gets smaller.

Some relief on product liability rates may come if Congress passes the Risk Retention Act, Mr. Schwartz told a recent meeting of the Connecticut Valley chapter of RIMS.

The bill is now mired in the Senate, but Mr. Schwartz hopes an endorsement this month by the National Assn. of Manufacturers will spur interest in it (*BI*, June 9).

Although a model law for tort reform has also been underwhelmingly received by the states, Mr. Schwartz said increased pressure from the federal government might bring some change on the local levels.

"If the states don't act, you will see federal action in this area in a few years," Mr. Schwartz said of tort reform.

Although a bill being considered by a House committee to do just that has no chance of passing, Mr. Schwartz said states should see "the handwriting is on the wall."

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