

# business insurance

**12th  
annual  
agent/broker  
profiles issue**

Reporting weekly for corporate risk, employee benefit and financial executives/\$2 a copy; \$40 a year Entire contents copyright 1983 by Crain Communications Inc. All rights reserved.

## More bruises for brokers

Never in the 12 years that *Business Insurance* has tracked the business of retail commercial insurance brokers have the financial results been so bad and the news so controversial as in 1982.

In the United States, the collective gross revenues of the Top 20 U.S. brokers grew just 10% to \$3.1 billion, the lowest rate of growth in the 12 years *BI* has ranked the brokers. Falling commissions on ever-decreasing insurance premiums were primarily to blame, but fewer acquisitions also curtailed their collective growth.

In Britain, disclosures and accusations of inside dealing and fraud among some brokerage managements only compounded the suffering from falling insurance prices and reduced insurance orders from abroad.

In Canada, the three largest brokers all complained of not only cheaper insurance rates but also of the recession that has slashed demand for insurance.

And in France, in *Business Insurance's* first report on that country's brokerage industry, brokers are looking for new international contacts to develop more business in the face of stagnant domestic opportunities.

These trends are revealed in the 12th annual *Business Insurance* report on the retail brokerage business. *BI* takes you inside 241 brokerages that service corporate and institutional insurance, risk management and employee benefit management needs. The combined gross revenues of these surveyed brokers exceed \$5.1 billion: \$3.4 billion in the United States; \$1.2 billion in Britain; \$336.4 million in Canada; and \$195.4 million in France.

This year's special report again includes *Business Insurance's* exclusive ranking of the Top 100 U.S. retail brokers. The Top 20 U.S. brokers (see chart below) receive special attention, with in-depth articles on their business achievements and failures in 1982 and their

strategies for the future, beginning on page 8. Summaries of the next five-largest brokers—including New York-based B.R.I. Coverage Corp., which just missed the 20th spot by falling \$121,000 short of Rhulen Agency Inc.—appear on page 78.

The full ranking by gross revenues of the 21st-through 100th-ranked U.S. brokers is presented on page 3. Financial and management information on these 80 brokers and another 118 brokers appears in an alphabetical listing beginning on page 79.

For the first time, *BI* presents a geographical index to all the domestic offices of the U.S. brokers participating in our survey, beginning on page 99.

Also, for the first time, *BI* ranks the 20-largest brokers worldwide participating in our survey (see page 3).

Profiles of the leading brokers in Canada, the United Kingdom and France conclude our special report.

### Top 20 U.S. Brokers: 1982 Performance

Company	Ranking		Gross revenues (000)			Employees			Rev./Employee	
	1982	1981	1982	1981	Change	1982	1981	Change	1982	1981
Marsh & McLennan Cos. Inc.	1	1	\$924,294	\$846,844	9.1%	15,791	15,074	4.8%	\$58,533	\$56,179
Alexander & Alexander Services Inc.	2	2	573,254	423,264 <sup>1</sup>	35.4	10,400	7,500	38.7	55,121	56,435 <sup>1</sup>
Frank B. Hall & Co. Inc.	3	3	364,871	353,470	3.2	7,000	7,500	-6.7	52,124	47,129
Johnson & Higgins	4	4	323,705 <sup>2</sup>	320,500 <sup>2</sup>	1.0	5,950 <sup>2</sup>	5,950 <sup>2</sup>	—	54,404 <sup>2</sup>	53,866 <sup>2</sup>
Fred S. James & Co. Inc.	5	5	241,333	241,537 <sup>1</sup>	-0.1	4,422	4,570 <sup>1</sup>	-3.2	54,576	52,853 <sup>1</sup>
Corroon & Black Corp.	6	6	172,078	158,413 <sup>1</sup>	8.6	2,900	2,700	7.4	59,337	58,671 <sup>1</sup>
Rollins Burdick Hunter Co. <sup>3</sup>	7	8	118,366	117,168 <sup>1</sup>	1.0	2,070	2,134 <sup>1</sup>	-3.0	57,182	54,905 <sup>1</sup>
Bayly, Martin & Fay International Inc.	8	7	84,818	85,500	-0.8	1,584	1,660	-4.6	53,547	51,506
E.H. Crump Cos. Inc.	9	9	49,296	47,778	3.2	929	1,025	-9.4	53,064	46,613
Arthur J. Gallagher & Co.	10	10	48,477	42,536	14.0	893	897	-0.4	54,286	47,420
Jardine Insurance Brokers Inc.	11	12	34,051	33,144	2.7	625	661	-5.4	54,482	50,142
Emett & Chandler Cos. Inc.	12	13	29,900	27,100	10.3	575	589 <sup>1</sup>	-2.4	52,000	46,010 <sup>1</sup>
Poe & Associates Inc.	13	16	25,752	19,316 <sup>1</sup>	33.3	565	525 <sup>1</sup>	7.6	45,579	36,792 <sup>1</sup>
Republic Hogg Robinson Inc.	14	14	25,077	24,624 <sup>1</sup>	1.8	597	540	10.6	42,005	45,600 <sup>1</sup>
Financial Guardian Group Inc.	15	15	22,317	21,224	5.1	376	379	-0.8	59,354	56,000
Hilb, Rogal & Hamilton Co. <sup>4</sup>	16	17	17,600	17,000	3.5	382	425	-10.1	46,073	40,000
John L. Wortham & Son	17	19	14,470	13,110	10.4	230	233	-1.3	62,913	56,266
Lawton-Byrne-Bruner	18	18	13,532	13,527	—	258	267	-3.4	52,450	50,663
Dinner Levison Co.	19	21	12,500 <sup>2</sup>	10,200 <sup>2</sup>	22.5	185 <sup>2</sup>	145 <sup>2</sup>	27.6	67,568 <sup>2</sup>	70,345 <sup>2</sup>
Rhulen Agency Inc.	20	23	12,321	9,789	25.9	190	180	5.6	64,847	54,383
<b>Totals/Averages</b>			<b>3,108,012</b>	<b>2,826,044</b>	<b>10.0</b>	<b>55,922</b>	<b>52,954</b>	<b>5.6</b>	<b>55,578</b>	<b>53,368</b>

<sup>1</sup> Restated.

<sup>2</sup> *BI* estimate.

<sup>3</sup> Includes RBH and Ryan-owned offices.

<sup>4</sup> Formerly Insurance Management Corp.

**Inside: The next 80 top U.S. brokers . . . Page 3**

**J&H thinks the way to  
get the best international  
insurance service  
is to get the best broker  
in each country.**

**What do you think?**

If you think that local experience is vital to risk management programs in foreign countries, we couldn't agree more.

That's the concept that built the J&H international network, the most experienced in the world.

Starting in the 1890's, we enlisted the outstanding insurance broker in each country as our exclusive working partner. Where this wasn't possible, we opened our own J&H offices.

In Europe, our correspondents are now linked in a unique working relationship we call UNISON, a network within our network. Besides offering an unsurpassed grasp of local requirements, UNISON adds new dimensions to our ability to coordinate programs internationally.

Today, the J&H international network is a global organization of 13,000 people dedicated to serving clients with a single standard of excellence.

This is why we're the primary international broker for 33 of the top 100 U.S. multinationals and why 24 more have us on their team.

We'd like to talk with you about this.

**Johnson & Higgins**  
We answer only to you.

# business insurance

Reporting weekly for corporate risk, employee benefit and financial executives/\$2 a copy; \$40 a year

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## Bermuda regulators liquidate broker-owned marine insurer

HAMILTON, Bermuda—Government officials are liquidating Thames Insurance Co. Ltd., a marine underwriter owned by Bermuda broker Beauchamp, Wilde, Collard & Co. Ltd.

The government order, signed June 10, appointed Bermuda Registrar of Companies Verbena Daniels and Richard Kempe, a partner at Price Waterhouse-Bermuda, as provisional  
*Continued on next page*

## Regulators back off on plan for more insurer financial data

By STEPHEN TARNOFF

ST. LOUIS—Insurance companies should not be required to disclose the market value of some securities in annual statements filed with state regulators, a National Assn. of Insurance Commissioners subcommittee recommends.

In a controversial 8-1 vote, members of the Financial Conditions subcommittee voted not to require insurers to disclose the market value of bonds and preferred stock in footnotes on what is known as a "blank," an annual financial statement that insurers file with state insurance departments.

That decision overturned an earlier vote by the subcommittee's Blanks Task Force, which recommended 9-1 that such disclosures should be made. However, further study of the issue is planned.

The measure, which has been debated for about three years, has caused a split among state regulators over whether the additional financial data should be included in these annual statements (BI, Nov. 9, 1981).

Currently, insurers report to state regulators the amortized value of securities they hold, such as bonds. Some say this method of valuation does not give a true picture of the actual value of insurers' reserves and the companies' abilities to handle financial crises, like large underwriting losses or depressed premium income.

Requiring market valuation would be an effective tool with which regulators could assess insurers' financial conditions, they say.

But those opposing the measure say requiring market value assessments of securities could unduly undermine public confidence in the industry if the data is misinterpreted.

A spokesman for Allstate Insurance Cos. said that the requirement is not needed since, except for rare situations, bonds are kept by insurance companies until maturity.

Regulators also have the power to obtain the information from an insurer if there is genuine concern about its financial condition.

In many cases, there is no established market value for certain bonds that property/casualty insurers often purchase, including municipal, governmental and private-placement bonds, according to James Mack, controller at State Farm Insurance Co.

Wyoming was the only state that voted in favor of the proposal when it came up before the subcommittee.

One regulator speculated that the subcommittee defeated the proposal despite the task force's approval because the task force is made up of technicians in state insurance departments who are less subject to political pressure than the commissioners on the subcommittee.

Some states, including California and Wyoming, are considering requiring the market value assessments despite the NAIC action.

## Capacity still falls short of shuttle's requirements

By STACY SHAPIRO

The National Aeronautics and Space Administration is still trying to iron out insurance problems plaguing its space shuttle program.

NASA is faced with at least two major complaints from companies and foreign nations connected with the shuttle program:

- Shuttle users—those with satellites or experiments aboard the spacecraft—say it is impossible to purchase the required \$500 million in third-party liability insurance for each payload if more than two payloads are carried on one flight.

- The builders of the shuttles themselves are complaining that they are being charged extra premium—as high as \$1 million per launch—to obtain liability coverage for shuttle flights.

The problems faced by the shuttle users are clearly illustrated by a minor panic that occurred just before the launch of the space shuttle Challenger earlier this month.

Messerschmitt-Bolkow-Blohm G.m.b.H., the West German manufacturer of the SPAS-01 space platform that was carried aboard the shuttle, could not find the \$500 million in liability coverage that NASA requires for shuttle users.

The other two payloads aboard the shuttle—Telesat Canada's Anic D-2 satellite and the Indonesian government's Palapa satellite—were already insured for \$500 million each.

The world insurance market did not have the capacity to underwrite the West German payload for another \$500 million, explained Robert Woj-

tal, an adviser to NASA's general counsel.

Two days before the shuttle's June 18 liftoff, NASA asked the Indonesian government to include the West German company as a named insured on its policy for the Palapa satellite and then waived the \$500 million insurance requirement for the space platform.

Thus, the shuttle flew with only \$1 billion of liability insurance, instead of the normally required \$1.5 billion, Mr. Wojtal said.

Underwriters, primarily in the London market, charged an extra premium to name the West German payload on the Indonesian policy, which was brokered by Corroon & Black/Inspace Inc. (see story, page 34). The total premium for the policy increased to \$112,000 from \$85,000 after the added payload was included, with the West Germans paying the difference.

Because it is clear that the world insurance markets, at least for the time being, cannot provide more than \$1 billion of liability insurance per shuttle flight, NASA is reconsidering its coverage requirements for shuttle users.

"It is not tough to insure up to \$1 billion, but it does become difficult after that limit," said Mr. Wojtal.

"In the case of the German payload, we (the U.S. government) could have indemnified it ourselves, but we think the insurance industry should get the benefits as well as the risks. The U.S. government does not want to take the risk if insurance is available and insurers want to take the risk."

However, International Technol-  
*Continued on page 114*

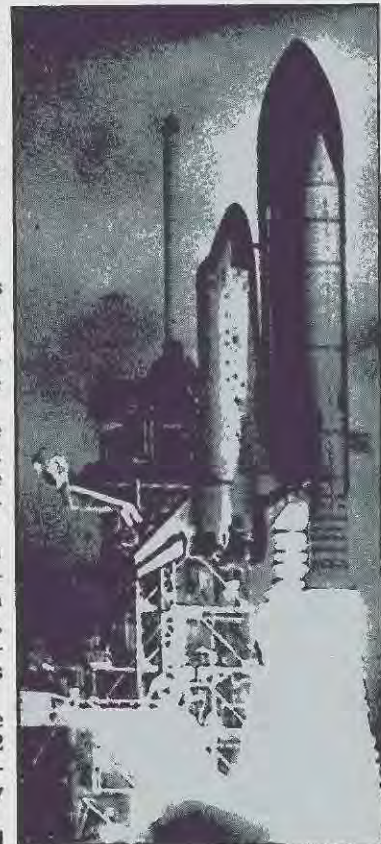


Photo: Wide World

One shuttle user couldn't find liability coverage before liftoff.

## Court demands pension benefit equality

By JERRY GEISEL

WASHINGTON—The Supreme Court made it clear last week: Employers must provide equitable pregnancy benefits to spouses of male employees.

In a 7-2 decision, the high court said Newport News Shipbuilding & Dry Dock Co. of Newport News, Va., violated the 1978 Pregnancy Discrimination Act because it placed a \$500 cap on pregnancy hospitalization benefits for spouses of male employees, while providing full health care coverage for husbands of female employees.

The decision could raise annual health care costs by as much as 5% to 7% for any employer that has to upgrade its family health insurance plan to provide equitable pregnancy coverage for male employees' wives, insurance company actuaries and consultants say.

The biggest cost increases will be felt by firms, like Newport News Shipbuilding, that have young predominately male workforces.

It isn't known exactly how many firms currently don't provide equitable pregnancy

benefits for spouses of employees.

However, the Equal Employment Opportunity Commission, the federal agency in charge of enforcing the pregnancy law, says it has received complaints from employees at about 50 firms who say their companies didn't provide equitable pregnancy benefits or any pregnancy benefits at all for wives of male employees.

Besides Newport News, other large employers that don't provide equitable benefits for male employee spouses include Emerson Electric Co. of St. Louis and Joslyn Manufacturing & Supply Co. of Chicago.

And, Lockheed Missiles & Space Co. Inc. of Sunnyvale, Calif. overhauled its health care plan in December 1980 so that pregnancies of male employees' wives are treated just like any other disability. Ironically, in 1982 an appel-

late court would rule that Lockheed only had to provide equitable benefits for employees not employees' spouses (BI, Aug. 2, 1982).

The high cost of adding or upgrading pregnancy benefits may prompt some companies to require their employees to pick up a greater share of dependent health care coverage, predicts John Hickey, a partner with Kwasha Lipton, a benefit consulting firm in Fort Lee, N.J.

In addition, the June 20 Supreme Court ruling may increase employers' interest in flexible benefit plans in which employees choose from a menu of benefits, said Judith Mazo, a vp and director of research with Martin E. Segal & Co., a New York-based actuarial and benefit consulting firm.

Male employees whose wives are beyond childbearing age might select benefit pack-

ages that include dental care or extra vacation days instead of full pregnancy benefits.

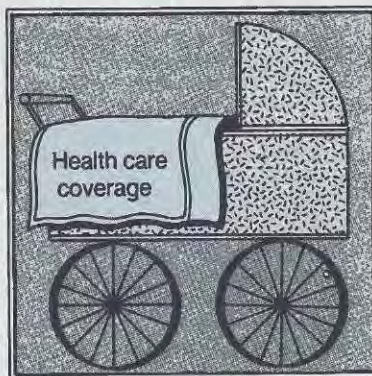
However, the impact of the decision is much less today than it would have been several years ago. Women, who have joined the workforce in increased numbers during the last decade, are much more likely now to be covered as an employee in a group health insurance plan than as a dependent in a family plan.

The Newport News Shipbuilding case goes back to 1978. That year, Congress passed a landmark law that requires firms to provide coverage for pregnancy on the same basis that they cover other sicknesses or disabilities.

That law outlawed, for example, employer plans that limited hospitalization coverage to \$500 for pregnancy-related expenses while paying up to 80% of expenses for other illnesses.

In April 1979, just prior to the law's April 29 effective date, the EEOC published regulations to aid employers in complying with the pregnancy law.

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Graphic: Amy Palmer

## update

## Bermuda liquidates insurer

Continued from previous page

liquidators. The accounting is still incomplete, Mr. Kempe said, but should be finished for a creditors' meeting in early August.

Mr. Kempe would not estimate the amount of outstanding claims, but he did confirm that Canadian brokerage Tomenson Saunders Whitehead Ltd. is a major creditor. TSW had reserved more than \$3 million against slow payment of fishing boat risks insured offshore, according to industry sources (see story, page 107).

## High court upholds Penthouse

WASHINGTON—The Supreme Court last week refused to reinstate a \$14 million libel judgment against Penthouse International Ltd., publishers of Penthouse magazine.

The judgment had been rendered by a U.S. District Court judge in Cheyenne, Wyo., in a suit filed by Kimberli Jayne Pring, who was Miss Wyoming in 1978-1979. She claimed she was libeled by a Penthouse story detailing the sexual exploits of a fictional Miss Wyoming. Ms. Pring's attorney, flamboyant Wyoming trial lawyer Gerald Spence, obtained a \$26.5 million jury verdict in a 1981 trial, which included \$25 million in punitive damages (BI, March 9, 1981). The judge later reduced the punitive award to \$12.5 million.

In November 1982, the 10th U.S. Circuit Court of Appeals reversed the entire jury award and dismissed the libel action. Miss Pring then asked the Supreme Court to reinstate the case.

## First Hyatt trial begins

KANSAS CITY, Mo.—The first damage trial arising from the skywalks collapse at the Kansas City Hyatt Regency Hotel is now under way in a state court, almost two years after the tragedy.

Testimony is expected to be completed this week in the trial of a suit by Kay Kenton, a former law student who suffered crushed vertebrae and other injuries in the July 17, 1981, collapse.

Plaintiffs' attorneys say Ms. Kenton's case, now before a Jackson County Circuit Court, is one of the largest of the 30 or so significant claims that have not been paid in two class settlements. They predict the jury will award between \$1 million and \$4 million.

## Grand jury indicts Mamarella

NEW YORK—Richard Mamarella, a former colleague of convicted insurance fraud artist John V. Goepfert, has been indicted on extortion charges related to insurance premium financing.

The indictment, handed down by a federal grand jury in New York earlier this month, charged that Mr. Mamarella conspired with four others to extort the repayment of a \$100,000 loan to Chinese businessman Landy Tang. According to the court documents, Mr. Mamarella and co-defendants Louie Chung, Frank D. Murrello, Patrick Ray and Eugene Brew allegedly used expressed and implicit threats of violence from December 1982 until April 1983 to force Mr. Tang to repay the loan.

Mr. Brew and Mr. Mamarella had been partners in a New Jersey surplus lines brokerage, Loudon French Ltd., and, according to sources interviewed by investigators, also operated an insurance premium financing company that made the loan to Mr. Tang.

Mr. Mamarella was convicted of perjury last year during the trial of Mr. Goepfert, who was convicted of diverting premiums owed to the Sasse Syndicate at Lloyd's of London. Mr. Mamarella was sentenced to five years' probation (BI, Oct. 4, 1982).

## Lloyd's to conclude probes

LONDON—Lloyd's of London will complete its investigation of alleged improprieties at Alexander Howden Group P.L.C. and P.C.W. Underwriting Agencies Ltd. by early autumn, Lloyd's Chairman Peter Green said last week.

Lloyd's is investigating allegations that officials at both Howden and P.C.W., a subsidiary of Minet Holdings P.L.C., allegedly misappropriated millions of dollars in syndicate funds through reinsurance arrangements. The reports will be forwarded to the Council of Lloyd's, which will decide if disciplinary action is needed. No public statement will be made about the investigations until disciplinary proceedings, if any, are concluded.

## NAIC endorses moratorium

ST. LOUIS—The National Assn. of Insurance Commissioners has endorsed a proposed moratorium on bank purchases of insurance companies until the ramifications on consumers are studied.

The NAIC endorsement follows action taken by the regulators in March calling for a study of insurance sales by banks (BI, April 11).

A similar call for a moratorium is expected to be introduced in Congress soon by members of the Senate Banking Committee. That legislation is expected to call for a halt, pending further study, to interstate branching of banks. It would also bar securities firms or insurance companies from purchasing certain banks, and banks from purchasing insurance companies.

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## Commissioners oppose federal unisex rating law

By CAROL CAIN

ST. LOUIS, Mo.—Insurance regulators are overwhelmingly against federal legislation that would eliminate the use of sex as a rating factor.

They say such legislation pre-empts state's regulatory rights.

The National Assn. of Insurance Commissioners at its annual summer meeting earlier this month voted 23-6 to go on record opposing H.R. 100 and S. 372, proposed by Rep. John Dingell, D-Mich., and Sen. Robert Packwood, R-Ore. (BI, May 16).

Congressional action on these unisex bills, however, has been held up pending a study by the General Accounting Office (BI, June 20).

The bills would prohibit the use of gender-based classifications as a rating and underwriting factor in all lines of insurance and in computing annuities and pension coverages.

If the legislation were adopted, employers no longer could offer defined contribution plans that provide different levels of benefits to men and women through annuities that typically pay women smaller amounts per month on the assumption that they will live longer.

State insurance regulators debated the issue in a closed-door session for several hours at the close of NAIC's summer meeting before the vote opposing the legislation. The week-long meeting opened with a 15-

member panel discussion on the issue.

Commissioners from Hawaii, Minnesota, Florida, California, West Virginia and Massachusetts did not back the NAIC stand. In fact, Florida, California and Massachusetts are considering state unisex legislation (BI, June 13).

New York and South Dakota abstained from the NAIC vote.

Commissioners basically oppose the federal legislation because they say it invades the regulatory rights of the states in insurance matters.

Others believe the effects of unisex legislation would threaten the solvency of some pension plans.

Commissioners say such a law also could affect insurance costs for some individual consum-

ers, putting some coverages out of their reach. NAIC has been studying unisex legislation since 1978.

"This is a civil rights issue with economic implications to women," said Mary Gray, a proponent of the measure and president of the Women's Equity Action League who participated in the NAIC panel discussion. "This legislation won't go away. If it's defeated, it will be back."

"Women are currently being hurt by the insurance industry," added Ms. Gray, chairwoman of the department of mathematics, statistics and computer science at American University in Washington.

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Next week, *Business Insurance* will have a full report on the annual summer meeting of the National Assn. of Insurance Commissioners, including its work on a model bill to regulate self-insured workers compensation pools and a study on occupational disease.

## Mission won't withdraw dividends

By BILL DENSMORE

PHOENIX, Ariz.—Mission Insurance Co. is paying a \$25,000 civil fine and has agreed that it will no longer chop dividends to Arizona policyholders that fail to renew workers compensation coverage with the insurer.

Mission also agrees under a June 6 consent order to let an arbitrator decide if it must also pay up to \$700,000 to a group of Arizona workers compensation policyholders that disputed the loss of their dividends.

The consent order means the arbitrator, Richard E. Stewart, will ultimately decide whether Arizona work comp insurers in general can use policyholder dividends as a competitive weapon to discourage buyers from changing work comp underwriters.

The dispute arose in March 1982, when Mission stopped paying dividends to a group of Arizona employers in apparent retaliation for their switch to another insurer at renewal.

Two of the employers complained to the Department of Insurance that they had been promised the dividends and the department responded by opening an

investigation (BI, Feb. 7).

The buyers complained the lack of dividends was a form of non-renewal penalty that violated Arizona statutes. Mission argued that policyholder dividends aren't guaranteed by the policy and are paid solely at an insurer's discretion.

In some states, work comp insurers are permitted by regulation to reduce dividends to policyholders that do not renew their coverage to take into consideration incurred-but-not-reported losses. However, Arizona Insurance Director J. Michael Low disputes the right of insurers to do that in his state.

Under the consent order, Mission and Mr. Low agree to drop two lawsuits and the administrative proceeding that had provoked bitter charges from both sides.

Mission had accused Mr. Low of bias and asked that he be disqualified from making any rulings in the dispute. Attorneys for Mr. Low charged Mission with delaying and "frivolous" legal maneuvers.

Under the consent order, Mr. Low agrees to drop two of six claims that Mission violated state law and Mission, in return, agrees to be bound by the arbitrator's

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## Some NYC bus operators can skip their pension withdrawal liabilities

By JERRY GEISEL

WASHINGTON—Many New York City school bus operators can leave their multiemployer pension plan without paying any of the plan's liabilities.

Last week, the Pension Benefit Guaranty Corp. approved an amendment adopted by Division 1181 Amalgamated Transit Union-New York Employees Pension Fund and Plan that allows some employers to leave the plan without incurring withdrawal liability.

Under the amendment, an employer that left the plan would be subject only to withdrawal liability if it remained in the business in the jurisdiction of the collective bargaining agreement or resumed work in the area within five years of leaving the plan.

As a result, withdrawal liability will be eliminated for employers who retire, die or go bankrupt.

Under the Multiemployer Amendments Act of 1980, the PBGC has authority to approve amendments proposed by plans to exempt certain employers leaving the plans from withdrawal liability (BI, March 29, 1982).

An exemption from withdrawal liability can save an employer leaving a plan millions of dollars. Some employers that have left multiemployer plans now face withdrawal liability claims that exceed their net worth.

"There is a flexibility in the act" that many employers may not be aware of, said Edwin Jones, executive

director of the PBGC, the federal agency that insures both multiemployer and single employer pension plans.

Just seven multiemployer plans of the nation's 2,000 plans have applied for permission to the PBGC to adopt withdrawal liability exemptions and the ATU plan exemption is the first to be approved. However, when the Multiemployer Amendments Act was passed, employers in construction and entertainment industries that went out of business or left a particular area were generally exempt from withdrawal liability claims.

PBGC approval to exempt employers from withdrawal liability depends on several factors. For example, by statute, the PBGC cannot approve an exemption for a plan if the agency determines that the exemption poses a "significant risk" to the PBGC pension insurance system.

A plan that covers an industry with grave financial problems would not likely win PBGC approval for a withdrawal liability exemption.

But the ATU plan, which is maintained under a collective bargaining agreement between Division 1181 of the Amalgamated Transit Union and employers operating school buses for the New York City Board of Education is in "healthy financial condition," according to the PBGC.

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# Big brokers take action to offset falling premiums

By KATHRYN J. McINTYRE

Drastic expense controls, affiliations with insurance companies, diversification into new services and a shift to fee compensation marked the leading U.S. retail commercial insurance brokers' responses to one of their toughest years.

The brokers in 1982 faced further reductions in commissions on renewal premiums as insurers cut prices even more in their fight for business. Interest rates fell, helping reduce debt costs but restricting investment income. The hoped-for economic recovery of 1982 stalled into 1983, leaving business demands for insurance stagnant.

The brokers' responding strategies eked out revenue growth for all but two of the 20 largest U.S. brokers in 1982. Fred S. James and Bayly, Martin & Fay International both reported revenue losses of less than 1% compared with 1981.

Collectively, the Top 20 U.S. brokerages in 1982 broke \$3 billion in gross revenues for the first time, with an average gross revenue gain of 10% that brought collective gross revenues to \$3.1 billion.

The other 193 U.S.-based brokers reporting financial results to Business Insurance this year generated a total of just \$381.6 million in gross revenues. Collectively, their revenue gain was 13.7% above 1981.

Half of the 10% revenue gain among the Top 20 brokers is attributable to the 35.4% revenue gain reported by Alexander & Alexander Services Inc. on the strength of its 1982 purchase of London-based Alexander Howden Group.

The collective revenue of gain of the other 19 brokers was only 5.5%, much more in line with what one would expect from a year of tough business conditions and a slowdown in acquisitions.

The aggregate 10% growth rate for the Top 20 brokers is the lowest in the 12 years *Business Insurance* has tracked the revenues of the leading U.S. brokers. Since 1977, the revenue growth of each year's Top 20 brokers has fallen, from 24.3% in 1977, to 19.6% in 1978,

18.4% in 1979, 16.2% in 1980 and 14.2% in 1981.

Each year, however, the complexion of the Top 20 brokers changes somewhat due to acquisitions and mergers and as fast-growing up-and-comers outpace once-leading brokers.

Last year was no exception.

The first upheaval in the rankings was created by the sale of Rollins Burdick Hunter Co. to Combined International Corp. In absorbing the \$40.3 million in gross revenues generated by the former Ryan Insurance agencies of Youngberg-Carlson and Kemper, which had previously been sold to Combined, RBH recaptured the seventh spot among the Top 20.

That is the position RBH held from 1972 until year-end 1980 when Bayly, Martin & Fay International Inc. jumped ahead.

The RBH-Ryan combination also opened a new spot in the second tier of brokers as Ryan was removed from the 11th position.

Jardine Insurance Brokers Inc., Emmet & Chandler Cos. Inc. and Hilb, Rogal & Hamilton (formerly Insurance Management Corp.) all moved up one slot.

Republic Hogg Robinson Inc. and Financial Guardian Group Inc. were able to hold their 14th and 15th positions respectively even though Poe & Associates Inc. moved ahead of both in gross revenues with a 33.3% revenue gain. Poe moved into the 13th position, up from No. 16

last year.

The acquisitions of a London reinsurance underwriting manager and some smaller U.S. operations contributed about 40% of Poe's growth, said Chairman William F. Poe, but 60% was generated by existing operations including a special insurance product for dentists.

More upheaval in the rankings was created by the departure of Cook International Agencies Inc. from the Top 20 chart. Cook's 1982 revenues fell to \$9.1 million from \$11.9 million in 1981, documents filed with the Securities and Exchange Commission reveal, dropping Cook down to the 26th spot.

Continued on next page

Not counting A&A, whose gain was largely due to the Howden acquisition, the Top 20's revenues increased only 5.5%.

## U.S. brokers lead world rankings

New York can rightfully be called the capital of the international insurance brokerage industry, according to a ranking of the world's largest brokers by *Business Insurance*.

The three largest brokerages in the world based on

gross revenues—Marsh & McLennan Cos. Inc., Alexander & Alexander Services Inc. and Frank B. Hall & Co Inc.—are all headquartered in the New York area (see chart). M&M and A&A are based in Manhattan itself, while Hall maintains headquarters in nearby Briarcliff Manor, N.Y.

The dominance of the New York-based brokers is even more clearly seen in that six of the top 10 brokers in the world, ranked by gross revenues, are based there. However, no New York-based brokers appear in the *BI* ranking of the 20 largest world brokers after No. 8-ranked Corroon & Black Corp., although three other non-New York U.S. brokers made the Top 20: Chicago-based Rollins Burdick Hunter Co.; Bayly, Martin & Fay International Inc., based in Newport Beach, Calif.; and E.H. Crump Cos. Inc. of Memphis, Tenn.

Besides holding the top places on the chart, the U.S. brokers also command a lion's share of the \$4.31 billion in gross revenues reported by the 20 brokerages.

The nine U.S. brokers on the worldwide Top 20 list posted 1982 gross revenues of \$2.85 billion, or 66.2% of the total revenues reported by the Top 20. The eight British brokers in the Top 20 reported revenues of \$1.11 billion, or 25.8% of the total.

Two Canadian brokers made the Top 20 with combined revenues of \$289.9 million, or 6.7% of the total, while the lone French broker in the Top 20 reported revenues of \$53.2 million, just 1.3% of the total.

Although the U.S. brokers dominate the Top 20 in terms of gross revenues, the British contingent was hampered in 1982 by the weakness of the pound sterling compared with the U.S. dollar.

For example, if the value of the pound on Dec. 31, 1981, (1 pound=\$1.89) had been used to convert the British brokers' results into dollars, the total revenues of the British brokers would have increased 16.5% to just less than \$1.3 billion, 28.8% of the total revenues reported by the Top 20.

In addition, had the 1981 conversion rate been used, Sedgwick Group P.L.C., the largest of the British brokers, would have easily passed Hall for third place in the rankings with gross revenues of \$409.5 million.

Likewise, several of the other British brokers could have leapfrogged a spot or two past U.S. companies in the rankings had it not been for the weakness of the pound.

### The next top 80 U.S. brokers

Company	Gross Revenues
21 B.R.I. Coverage Corp.	\$12,200,000
22 McDonough Caperton Insurance Group	12,000,000
23 McGriff, Seibels & Williams Inc.	10,783,105
24 Walter Kaye Associates Inc.	10,559,000
25 Robinson-Conner Inc.	9,600,000
26 Cook International Agencies Inc.*	9,149,000
27 Frenkel & Co. Inc.	8,165,000
28 Olliver/Pilcher Insurance	7,664,917
29 Rebsamen Insurance	7,627,899
30 John M. Riehle Inc.	6,850,000
31 Cal-Surance Group	6,168,942
32 Keenan & Associates	6,125,000
33 North American Insurance Agency Inc.	6,043,000
34 Frank Crystal & Co. Inc.	5,815,000
35 Redland Group Inc.	5,552,533
36 Robert F. Driver Co. Inc.	5,529,555
37 Kendall Insurance Inc.	5,100,000
38 The Daniel & Henry Co.	4,650,000
39 Alliance Brokerage Corp.	4,400,000
40 A.W. Lawrence & Co. Inc.	4,310,095
41 Meadowbrook Insurance Group	4,200,000
42 Insurance Management Associates Inc.	4,159,594
43 MacIntyre, Fay & Thayer Insurance Agency Inc.	4,013,300
44 Fred A. Moreton & Co.	3,975,000
45 The McElroy-Minister Co.	3,942,617
46 Atkins Insurance Corp.	3,911,313
47 Mahoney & Wright Insurance Agencies	3,850,000
48 Hastings-Tapley Insurance Agency Inc.	3,786,820
49 Walter P. Dolle Inc.	3,745,000
50 Haas & Wilkerson Inc.	3,675,088
51 Mack & Parker Inc.	3,612,741
52 Variable Protection Administrators Inc.	3,600,000
53 The Lockton Insurance Agency Inc.	3,580,000
54 Sander A. Kessler & Associates Inc.	3,497,866
55 NIA Ltd./National Insurance Associates	3,482,000
56 Henderson & Phillips Inc.	3,300,000
57 Laub Group Inc.	3,260,000
58 W.K.P. Wilson & Son Inc.	3,230,000
59 Arthur L. Owen Co. Inc.	3,200,000
60 Seitin & Co.	2,936,000
61 Associated Insurance Managers Inc.	2,935,000
62 Lester Eckert & Co. Sullivan Co. Inc.	2,900,000
64 Ulrich Voorhees Warner Associates	2,850,000
65 Richard N. Goldman & Co.	2,800,000
66 Sol L. Wisenberg Insurance Agency	2,722,849
67 Montgomery & Montgomery Inc.	2,674,552
68 Wharton/Lyon & Lyon	2,584,000
69 American Coverage Corp.	2,309,000
70 Root & Boyd Inc.	2,250,000
71 The Lasher-Cowie Agency Inc.	2,225,000
72 Universal Pacific Insurance Services Inc.	2,145,000
73 Foa & Son Corp.	2,050,000
74 National Coverage Corp.	1,997,876
75 Woodsmall, Frick & Innis Inc.	1,965,000
76 ISU/Wellington Agencies Inc.	1,901,000
77 Boynton Brothers & Co.	1,900,000
78 Clair Insurance Agency Inc.	1,830,566
79 Winn & Co.	1,815,603
80 Kelter-Thorner Inc. Producers Exchange Inc.	1,800,000
82 Thilman & Filippini	1,750,000
83 Wright & Co.	1,700,000
84 J.H. Silversmith Inc.	1,693,000
85 DeWitt Stern, Gutmann & Co. Inc.	1,681,000
86 Financial Insurance Service Inc.	1,653,242
87 Knox, Lent & Tucker Inc.	1,650,000
88 Levinson Bros. Inc.	1,638,289
89 Sacramento Valley Insurance Agency	1,626,000
90 Maxson-Mahoney-Turner Inc.	1,613,015
91 Paul Hertel & Co. Inc.	1,594,000
92 McDowell Insurance Co. Inc.	1,575,907
93 H&R Phillips Inc.	1,570,000
94 Valley View Inc.	1,560,000
95 Robertson-Ryan & Associates Inc.	1,552,638
96 Robson, Cavnac & Associates	1,550,000
97 Hackett, Valine & MacDonald Inc.	1,545,649
98 The Simkiss Agency Inc.	1,527,000
99 The Frankel Co.	1,436,000
100 Boockford & Co.	1,420,000

\* Figure from public documents.

### Top 20 world brokers

Company	Gross Revenues (in millions)
1. Marsh & McLennan (U.S.)	\$924.3
2. Alexander & Alexander (U.S.)	573.3
3. Frank B. Hall (U.S.)	364.9
4. Sedgwick Group (U.K.)	351.5 <sup>1</sup>
5. Johnson & Higgins (U.S.)	323.7 <sup>2</sup>
6. Fred S. James (U.S.)	241.3
7. Reed Stenhouse (Canada)	236.9 <sup>3</sup>
8. Corroon & Black (U.S.)	172.1
9. Willis Faber (U.K.)	169.3 <sup>1</sup>
10. Stewart Wrightson (U.K.)	125.7 <sup>1</sup>
11. Rollins Burdick Hunter (U.S.)	118.4
12. Jardine Insurance Brokers (U.K.) <sup>4</sup>	110.2 <sup>1</sup>
13. C.E. Heath (U.K.)	94.8 <sup>1</sup>
14. Minet Holdings (U.K.)	89.9 <sup>1</sup>
15. Hogg Robinson (U.K.)	86.5 <sup>1</sup>
16. Bayly, Martin & Fay (U.S.)	84.8
17. Bain Dawes (U.K.)	84.2
18. Faugere & Jutheau (France)	53.2 <sup>5</sup>
19. Sodarcan Inc. (Canada)	52.9 <sup>3</sup>
20. E.H. Crump (U.S.)	49.3

<sup>1</sup> Conversion rate on Dec. 31, 1982: 1 pound=\$1.82 (U.S.).

<sup>2</sup> Estimate.

<sup>3</sup> Conversion rate on Dec. 31, 1982: \$1 Canadian=80.98 cents (U.S.).

<sup>4</sup> Includes Jardine Insurance Brokers Inc. in U.S.

<sup>5</sup> Conversion rate on Dec. 31, 1982: 1 FF=14.85 cents (U.S.).

## Brokers react

Continued from previous page

The 23.4% decline in Cook's revenues reflects the sale of its Knoxville, Tenn., agency in 1982 and the sale of four agencies during 1981, SEC documents reveal. Cook management declined comment.

The strong Houston economy and the departure of Cook and Ryan helped John L. Wortham & Son climb two spots to No. 17 over Lawton-Byrne-Bruner, which maintained its 18th position with just \$5,000 in revenue growth.

The two new brokers in the Top 20 are San Francisco-based Dinner Levison Co. in the 19th position and Monticello, N.Y.,-based Rhulen Agency Inc. in the 20th spot.

Dinner Levison, a privately held corporation, does not publish its financial results, but cooperated in the annual BI survey for the first time this year. BI confidently estimates Dinner Levison's 1982 revenues

at \$12.5 million and its 1981 revenues at \$10.2 million. A strong 22.5% revenue gain by Dinner Levison is attributable to the acquisition of The FPE Group, a San Francisco-based loss-control engineering company, and the addition of major accounts.

Rhulen Agency Inc. grabbed the 20th position with a 25.9% revenue gain in 1982 to \$12.3 million, edging out New York City-based B.R.I. Coverage Corp. by just \$121,000.

Specializing in animal and livestock-related coverage contributed to Rhulen's big growth.

For most of the brokers, however, slower revenue growth required some retrenchment.

Most often they responded with drastic expense controls, namely reducing head count.

The Top 20 brokers generally clamped down on staff size, imposing hiring freezes and even laying off employees. A 5.6% increase to 55,922 employees at year-end 1982

among the Top 20 brokers is the smallest gain since BI began tracking the Top 20 brokers' results.

Eliminating A&A from the figures, whose ranks were swelled by Howden, leaves just a 68-person gain among the other 19 brokers.

Twelve of the Top 20 brokers reduced their ranks in 1982. Most of the brokerage managements stressed that only unproductive people were cut.

By trimming their forces, each of the 12 brokers increased its revenues/employee result, a measure of productivity among brokerage firms. Another five brokers also increased their revenues per employee in 1982 without cutbacks.

Only A&A, Republic Hogg Robinson and Dinner Levison reported reduced revenues per employee. Dinner Levison, however, commands the highest revenues per employee of all 20 brokerages: \$67,568, more than \$12,000 ahead of the average of \$55,578.

Among the other 193 domestic brokers that joined in the BI survey, employment grew 9.6% to 7,654. Average revenue per employee grew to \$49,858 from \$48,063.

Besides trimming employee ranks, some of the leading brokers consolidated offices to cut expenses. James and Jardine, for example, consolidated some offices.

Other brokers, including Dinner Levison and Jardine, are reducing the number of insurers with which they place business.

The leading brokers' 1982 business strategies were not entirely retrenchments. In addition to Combined's acquisition of RBH and Ryan, Fred S. James was sold to Transamerica Corp. Both say they are preparing for a stronger future in delivering financial services.

There's plenty of room for more such sales, as these two brokers are the only ones among the Top 20 owned by insurers. Jardine and Republic Hogg Robinson are owned

by a conglomerate and a joint venture, respectively, but the other 16 brokers are still independent: seven publicly traded companies, eight privately held companies and one partnership.

Although Johnson & Higgins Chairman Robert Hatcher predicts that only privately held J&H and mammoth M&M will remain independent, the independent brokers that even allow they would be willing to talk about selling out say their prices would be higher than buyers would be willing to pay.

Two insurers have been investing in brokerage stocks, but the brokers maintain no sales are forthcoming.

Reliance Insurance Co. owns 44% of E.H. Crump Cos., 9.6% of Frank B. Hall and a few percentage points of Corroon & Black's stock. Old Republic Insurance Co. owns 9.6% of Emmet & Chandler and a few percentage points in C&B.

Two brokers among the BI Top 20 deserted vertical integration in 1982. Poe decided to spin off its wholly owned insurance subsidiary. And M&M is selling its risk-taking operations acquired with London-based C.T. Bowring & Co. Ltd. Both brokers insist that risk taking and broking don't mix.

Without selling to insurers, more and more brokers are taking over some of the functions of insurers. Financial Guardian is increasingly acting as a managing general agent and is looking for more underwriting opportunities. Rhulen, too, blurs the distinctions between retail broking and underwriting.

Mass marketing insurance products is drawing the attention of more brokers.

M&M already mass markets group life and health products to smaller employers in like businesses—called affinity groups—through its M&M Group unit.

Diversifying into insurance-related services and other consulting is another tact brokers are taking.

M&M is looking to become a diversified consulting corporation by adding economic forecasting to its bevy of risk management, employee benefit management and money management services.

Several of the major brokers are garnering more and more of their revenues from claims administration services.

Arthur J. Gallagher, for example, derives only about 55% of its gross revenues from buying insurance for its clients. Its claims administration services for self-insurers continue to generate an increasing percentage of its business.

Republic Hogg Robinson also reports that its self-insurance claims administration business grew faster than broking business last year.

But, all the Top 20 brokers are still primarily delivering broking services. Among the Top 20 brokers whose revenues are more than 90% generated by traditional retail insurance broking are Hilb, Rogal & Hamilton; RBH; Lawton-Byrne-Bruner; Wortham; and, it's believed, Johnson & Higgins.

Those whose traditional broking activities generate less than 90% of their gross revenues are Dinner Levison (88%), Bayly, Martin & Fay (85%), Rhulen (75%), Crump (72%), Financial Guardian (69%), Hall and C&B (68%), Republic Hogg Robinson (67%-68%), Emmet & Chandler (65%-71%), Poe (65%) and James (52%).

Some brokers—M&M, A&A and Jardine—say they can't separate their broking commissions from service revenues.

When acting as a retail broker, more and more of the leaders are looking for fees rather than commissions as compensation.

For example, almost 70% of M&M's large brokerage clients pay a fee rather than a commission. At least 40% of Fred S. James' clients also pay for at least some of their services on a fee basis.



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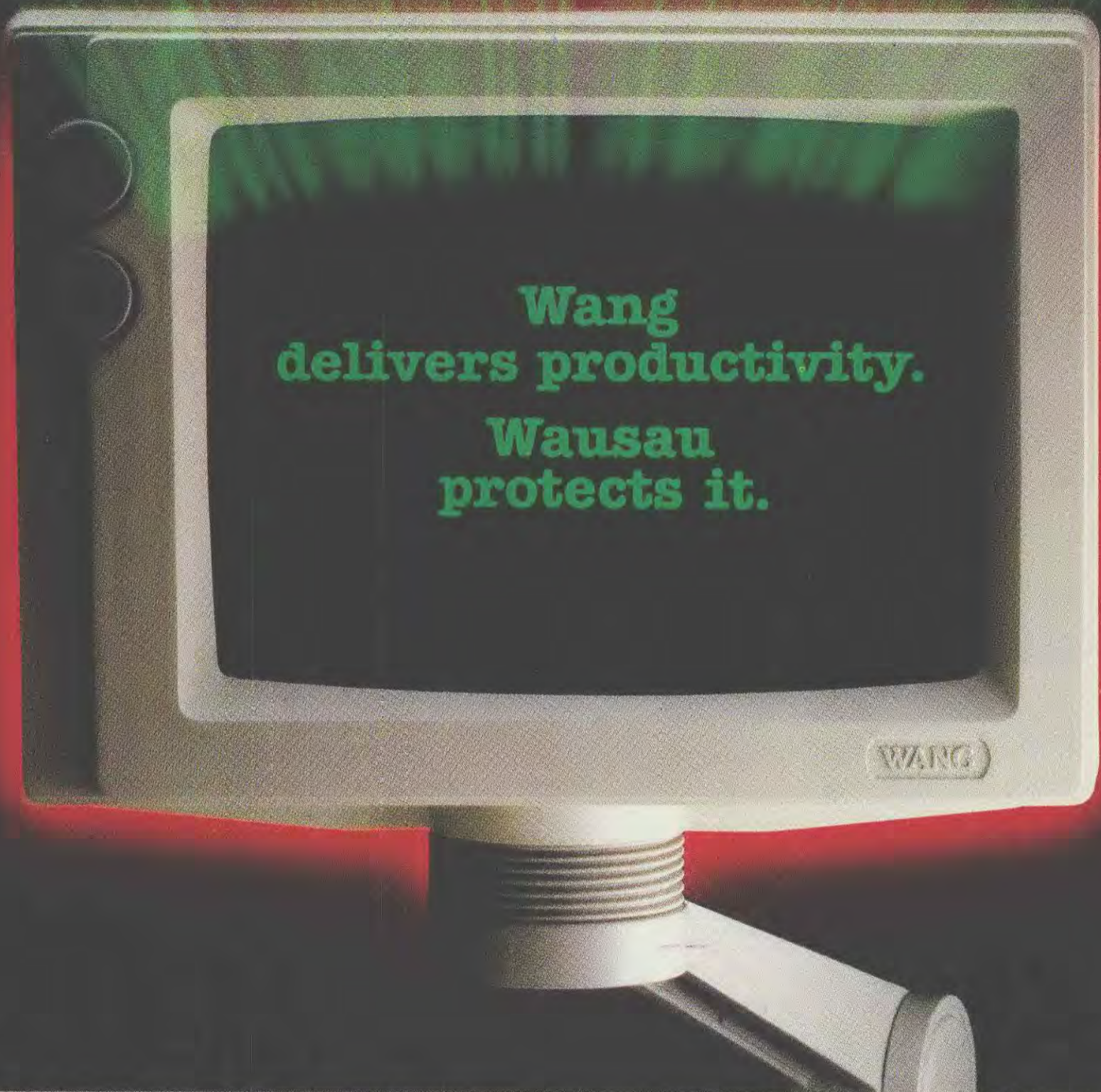
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# opinions

## Sometimes, it's not so obvious

**Y**ou get what you pay for. Brokerage clients had better remember that when their brokers come calling to talk about fees for their services rather than a commission.

And you get paid for what you deliver.

Brokers better remember that as they look for new ways to cut costs in the delivery of their services.

Throughout our special report this week on the state of the retail brokerage business, brokerage executives are talking about how difficult it is today to be fairly compensated for their services.

It's easy to recall when brokers were making huge commissions on very expensive insurance policies. And when buyers suggested that perhaps a fee somewhat closer to previous commissions would be more appropriate than a percentage of the ever-increasing premium, many brokers said no. After all, they had worked harder to place the insurance.

Now, however, as brokers watch their commissions shrink on ever decreasing premiums, they want to talk fees. A client could suggest that in this market it is so much easier to place an insurance policy that the commission ought to go down.

Nonsense on both counts.

Whether the supply of insurance exceeds or falls short of demand, the broker ought to be compensated for the value of each service performed. Whether the compensation is called a commission, a negotiated commission or a fee, the compensation ought to be an amount that the buyer of insurance knows and believes to be a fair price for the service delivered.

Risk managers should analyze just what they are asking their brokers to do, how well the broker is fulfilling that assignment and what the service is worth. Risk managers who squeeze brokers for service will inevitably see the quality of the service delivered diminish.

Brokers should continue their quest to be more efficient in the delivery of insurance and insurance-related services. But, brokers had better be careful that as they wield the cost-cutting ax they don't chop off quality. Clients dissatisfied with service will go elsewhere, or—as we have seen in the face of high-priced insurance—find an alternative.

Obvious? Yes. But, when everybody is scrambling to cut costs—the buyer to reduce the costs of insurance and services and the broker to make a profit—the obvious is often forgotten.

# letters

## Finding program merger options

To the editor: The article on merging workers compensation and group health programs (*BI*, May 2) concludes that administrative and statutory obstacles preclude immediate action. While institutional barriers do exist, it appears worthwhile to consider alternatives to complete program merger.

Preferred provider organizations and health maintenance organizations under the independent practice association model are receiving great attention as a method for employers to take an aggressive prospective stance in purchasing employee health care as you have reported.

The most common type of workers compensation plan requires the employer to furnish medical care, at least in the first instance. If convenient access to a choice of quality health care providers is offered, there seems little reason for the worker to demur if a PPO or IPA-model HMO is used as the workers comp medical provider. Since under most comp plans workers cannot be coerced into using a particular provider, it is important that the PPO/HMO offer a sufficient number of physicians, range of specialties and adequate geographic dispersion. If an uninjured worker is dissatisfied with the initial physician, he or she can then choose another from the provider organization.

Employee satisfaction with quality and accessibility can logically spill over to use of the same physicians for care under the company's group health plan. Various incentives relating to copayments, deductibles, preventive care, etc., can make the PPO more attractive for the employee's family care.

Combining care for both plans can give the employer the leverage of greater volume in negotiating reimbursements, while preserving the administrative distinctions between comp and group health. Additional benefits include better monitoring of multiple treatments and medication, ensuring that benefits are charged to the proper program and involving the worker and family in all aspects of each other's medical needs.

I don't presume to offer the PPO/HMO models as an easy panacea to health care cost escalation. Safeguards against overutilization and ensuring quality of care must be employed. The organization must be carefully evaluated to ensure adequate geographic dispersion, range of specialties and provider choice.

Many small and medium-sized employers will not have resources to organize such a program. The local business coalition might take the lead in coordinating the participation of multiple employer in a PPO/HMO program. Collection and analysis of utilization and cost data could be quite readily incorporated into the coalition's role, including comparing cost savings between combined work comp/health programs and single plans. Some maintain that merging two coverages will not necessarily reduce costs. This certainly seems to be a time to objectively evaluate whether and how cost savings can be achieved.

**George H. Cannon**  
Medical Analyst  
Florida Department of Labor and  
Employment Security  
Tallahassee, Fla.

## Tired of the affair

To the editor: I have worked for Alexander & Alexander for 21 years and am very proud of my association. Many years before it was popular or legislated, A&A led all the big brokers in the development and actually encouraged their female employees to executive positions, especially me. A&A has truly assisted me and my career has flourished. I, like many other A&A employees, am loyal and very grateful for the career opportunities they have given me.

Frankly, I detest and am very tired of the degrading articles that appear in the press about the "Howden affair." I would appreciate more feature articles on the positive side of the continuing A&A achievements; the thousands of satisfied clients we service daily; the A&A innovations like Anistics, ARIS and Alexsis.

Loyalty is old-fashioned, but then so am I.

**Catherine T. Hartlieb**  
Vp  
Alexander & Alexander Inc.  
Chicago

## An agent's legal duty

To the editor: As mergers/acquisitions intermediaries, we also have been watching the insolvency scene unfolding intently. Charles McAlear is eminently correct in stating in a recent Perspective article that there must be a willing, and certainly gullible, buyer of such bargain basement insurance coverage (*BI*, June 13).

There undoubtedly will be more insolvencies and there will be further litigation.

I wonder if the average surplus lines agent realizes that a part of his legal responsibility is the "due diligence" involved in knowing the financial condition of every company he or she represents. This same requirement exists for every independent agent.

In other words, if the insurer can't pay and the insolvency fund won't pay, the local agent or broker may have an errors and omissions claim of monstrous proportions.

**W.F. "Bill" Vest**  
Vest & Co.  
Dallas

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

## Blurring fact and perception

To the editor: There is no scientifically validated relationship between stress and diabetes, cancer, ulcers, etc. as stated by Greg Pappas, in "Laid-off workers accumulate medical problems" (*BI*, June 6). If doctors draw these connections, as they too frequently do, it is because they are subject to the same impressions and perceptions as lay people in our society.

In the first place, one has great difficulty in even quantitating stresses in individuals. Secondly, the ability to determine what stresses are most relevant to an individual and whether these stresses represent distress or positive stress factors is the subject of current research, but is clearly not well-delineated. Finally, placing these multisystem disorders under the

rubric of "stress-related" is simply a common perception, not backed by any validated, controlled epidemiologic studies.

The danger here is that with each recitation of this relationship, it becomes codified as though it were medical fact. The difference between popular perception and scientific truth is progressively blurred. For those involved in the compensation of occupational disease and environmental claims, the dangers are obvious. Compensability is increasingly determined by popular beliefs regarding causality rather than by scientific fact.

**Ronald E. Gots, M.D.**  
President  
National Medical Advisory Service  
Bethesda, Md.

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Premium vol. ....	\$10 billion	\$9.6 billion
Gross rev. ....	\$924,294,000	\$846,844,000
Employees .....	15,791	15,074
Rev./employees .....	\$58,533	\$56,179
Offices .....	500	483

Marsh & McLennan Cos. Inc., the world's largest insurance brokerage holding company, is rejecting underwriting as a potential area of expansion, but not much else in the field of financial services.

M&M is on its way to becoming a diversified consulting corporation with its fingers in every consulting business "in which highly talented people are the main asset," says President L. Patton Kline. "We would like to be the product itself."

M&M's plans to sell the insurance companies it acquired with the purchase of British broker C.T. Bowring & Co. Ltd. and the purchase of economic forecaster National Economic Research Associates this year mark the beginning of a new business strategy. M&M believes it can apply the service style that built a near-\$1 billion insurance brokerage and employee benefit company to develop a multibillion-dollar consulting company.

All this may sound familiar, like just a recap of the direction in which Marsh & McLennan has been heading for some time. But the search for a new marketplace with a growth potential not limited by the quirky pricing cycle of the insurance industry has taken on new emphasis and urgency in 1983.

M&M, the slowly evolving insurance services company that in 1981 had dreams of being a global con-

glomerate, was rudely thrust into 1982, its slowest-moving year in recent history.

The company says it maintained its planned rate of growth and its profit pace was ahead of its less diversified large insurance brokerage competitors.

However, M&M's 1982 growth slowed to less than half the revenue and income gains that the company had reported during the last 10 years.

M&M's 1982 operating revenues grew only 9.1% to \$924.3 million from about \$846.8 million. Net income also grew, but only slightly to \$120.4 million from \$120.1 million in 1981.

Meanwhile, operating expenses jumped 11.6% to \$714 million from

\$639.6 million in 1981.

The first quarter of 1983 wasn't much better. Operating revenue was further off the pace, growing only 2.6% to \$257.7 million from \$251 million for the same period in 1982. Net income grew 4.7% to \$36.5 million from \$34.8 million for the same period in 1982.

Expenses continued to grow, but after selected layoffs and cost-cutting, they increased only 2.9% to \$187.7 million from \$182.5 million.

M&M's slower growth in 1982, however, reflects its success. Its operating subsidiaries are big, powerful forces in their respective marketplaces—so successful they have little room for growth:

• Marsh & McLennan Inc. and C.T. Bowring & Co. Ltd., M&M Cos.' two retail and wholesale insurance brokerages, combine to be the world's largest insurance brokerage operation with 300 offices in 50 countries. They easily top the nearest competitors, Sedgwick



Mr. Kline

Group P.L.C. in London and Alexander & Alexander Services Inc. in the United States.

But even including the 1982 acquisition of the large Henrijean International brokerage group of Belgium, brokerage commissions and fees (excluding investment income and underwriting management fees) from this key profit center grew only 11.5% to \$445 million in 1982 from \$399 in 1981.

The U.S. brokerage business grew the slowest, with total direct insurance brokerage revenues growing only about 4% in 1982 to \$348 million.

• Guy Carpenter & Co. Inc. and Bowring's reinsurance divisions also combine to be the world's largest. Reinsurance has been a relative bright spot in the corporate picture, but still not spurring the growth that company executives and financial analysts would like to see.

Reinsurance brokerage revenues (excluding investment income) grew 13.8% in 1982 to \$164 million from \$144 million. Again, U.S. reinsurance activities were disappointing, increasing only 3% in 1982 to about \$92 million.

• William M. Mercer Inc. and Marsh & McLennan Group Associates, two-thirds of the company's loosely-constructed consulting and financial services division, make up the largest benefits consulting and sales operation in North America with more than 60 offices in the United States and Canada.

Operating revenue from Mercer's consulting and M&M Group's mass-marketed affinity-group insurance plans grew 15% to \$164 million in 1982 from \$143 million. Perhaps even more important, the two divisions' net income grew 26% to \$25 million, an indicator that the business is becoming increasingly profitable.

The consistent success of Mercer as a fee-based consulting business is probably the largest single corporate encouragement for a focus on consulting.

• Putnam and Eberstadt funds, the third component of the consulting and financial services group, make M&M Cos. a force among the nation's money managers.

Although still a small part of the company's overall revenues, Putnam and Eberstadt had more than \$13.7 billion under management, up from \$11.2 billion in 1981. Operating revenues grew 9% in 1982 to \$49 million from \$46 million the previous year.

Executives believe that investment management still has significant growth opportunities, since M&M by no means dominates the market for these kinds of services.

It's clear from the results of M&M's operating subsidiaries that selling advice and consulting generally is more profitable than handling small insurance transactions and more suited to the M&M corporate temperament.

"We want to build a firm on the concept of giving valuable advice to a client and being responsible for seeing that advice implemented," Mr. Kline says. "Many kinds of consulting fit that definition and we expect that eventually we will be in most of the likely candidates."

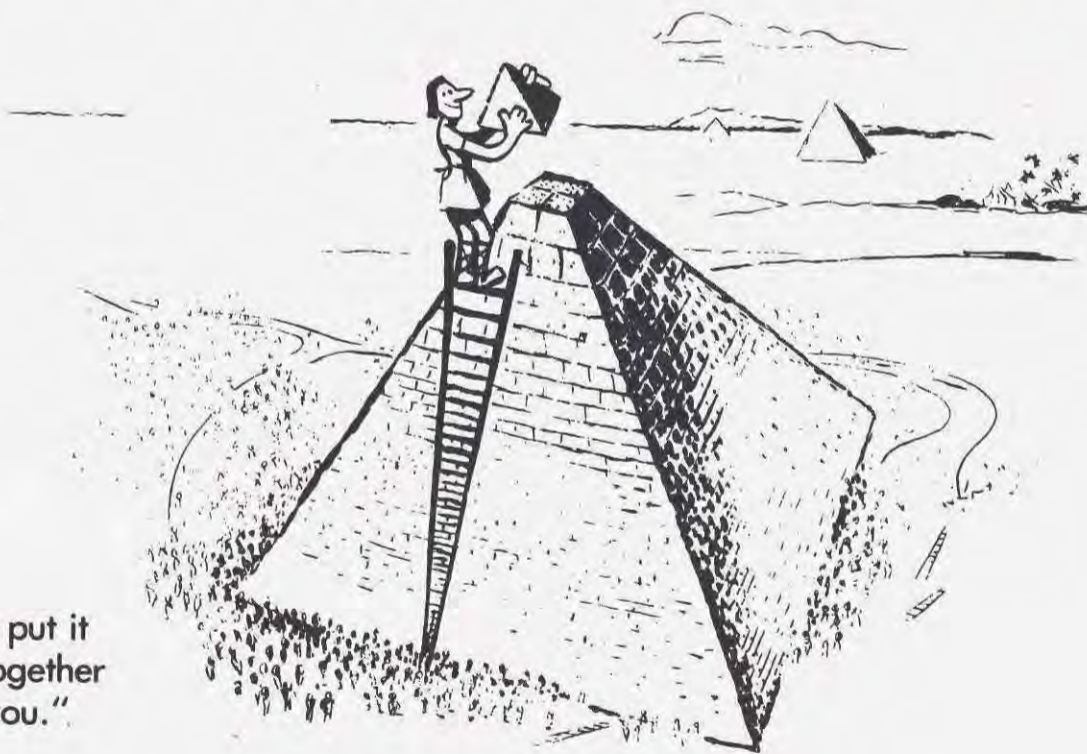
He says M&M "can and should be in just about any kind of consulting that deals with human beings and their relationship to their employment environment."

Accounting and legal services don't quite fit in that scope now, says Mr. Kline, "but I won't speak for the next generations. General management consulting is out for the time being, too, but I feel we will be doing general management consulting within the context of other specific consulting disciplines."

Underwriting and risk taking simply don't fit into this structure, Mr. Kline notes. That's a

Continued on page 10

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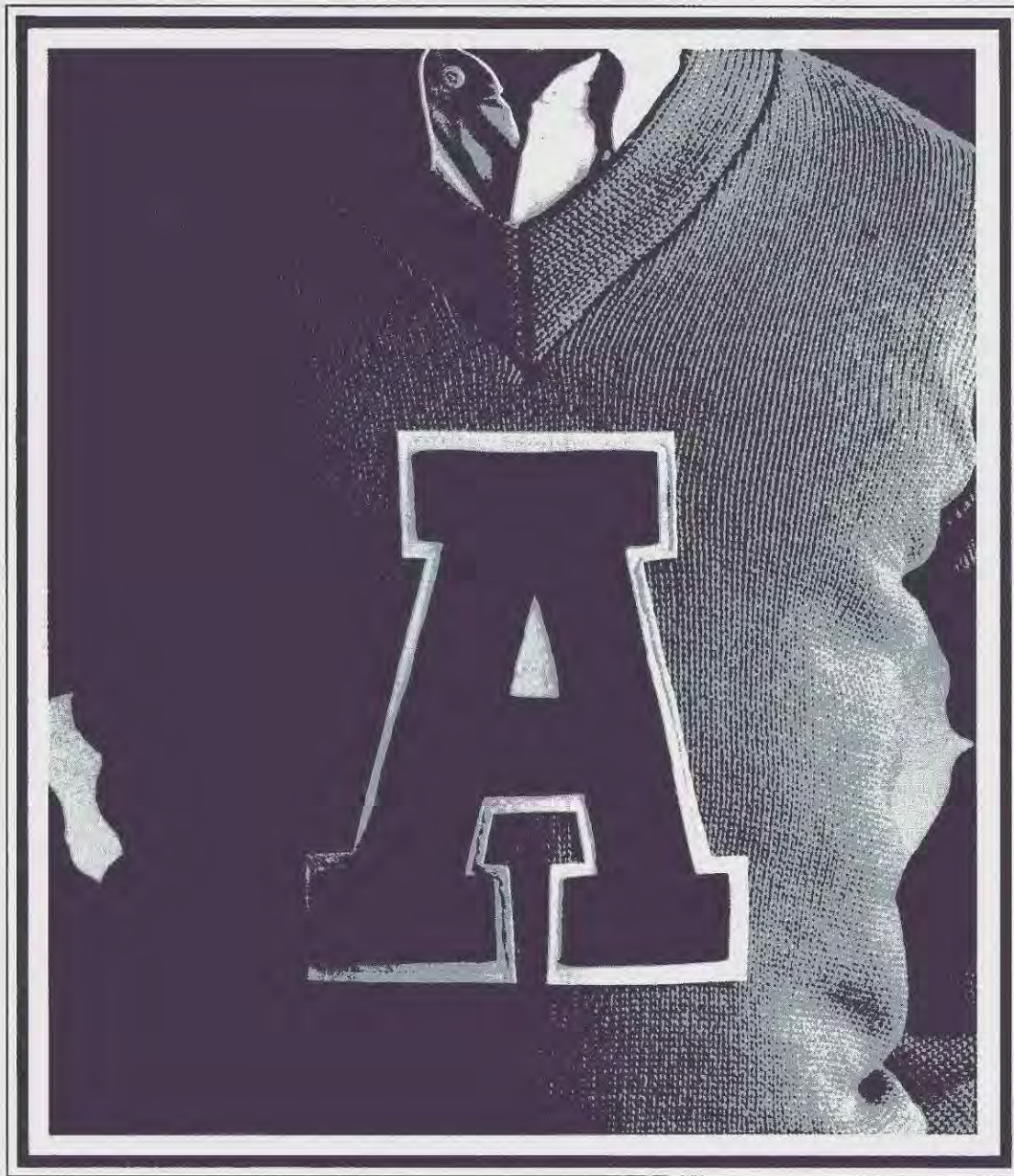
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Continued from page 8

major reason why M&M is divesting Crusader Insurance P.L.C. and English & American Insurance Co. Ltd., two insurance companies acquired along with C.T. Bowring in 1980. M&M also divested Bowmaker Ltd., a credit financing company, early in 1982.

Insurance services, including retail and wholesale insurance brokerage and reinsurance brokerage, will continue to be the corporation's mainstay, Mr. Kline continues, but even that traditional portion of the business is likely to undergo some changes.

"The important point is that we are continuing to be brokers, but we are not counting on any major commercial insurance rate increases to boost our revenues. We feel we are in what may be a permanent soft market and that is not altogether bad because it means the continued availability of good rates for our clients."

**'We minimize the disadvantages of being big—eliminate some of the big bureaucracy—while capitalizing on the resources, which at M&M are its specialists,' M&M Inc. President Bruce W. Schnitzer says.**

However, a permanent soft market also means that brokers should try to replace commission compensation with something that more properly pays for the services the broker provides and meets the consulting business philosophy as described by Mr. Kline.

The answer is improved fee-for-service relationships, says M&M Chairman John M. Regan Jr.

"The commission system is a good system overall, but it needs some alterations. So we have to experiment," he told the British Insurance Brokers Assn. earlier this

year. Those experiments point more directly to fees for service, a system now used with almost 70% of M&M's large brokerage clients.

Increasingly charging fees for brokerage services and selling the underwriting companies would be welcomed by Marsh & McLennan Inc.'s new president, Bruce W. Schnitzer. Mr. Schnitzer, formerly chief financial officer for the holding company, replaced Robert Clements as the brokerage's chief operating officer late last year when Mr. Clements was promoted to vice chairman of the brokerage.

M&M Inc.'s management is now a triumvirate, Mr. Schnitzer notes, with three officers, including M&M Inc. Chairman Alessandro C. di Montezemolo, as "interchangeable parts with certain special interests and expertise."

Mr. Montezemolo specializes in personnel management of the company's far-flung brokerage staff. Mr. Clements serves as "chief professional officer" in charge of overseeing the quality of work. Mr. Schnitzer oversees general organization and structure.

M&M's new organization for delivering service lends itself to increasingly charge fees rather than commissions, Mr. Schnitzer says.

This year, M&M is abandoning the branch sales and service office structure and is redeploying its expertise in industry specialty groups. The structure reflects a consulting relationship.

"What we had was regional overkill," Mr. Schnitzer explains.

"We had very large offices in cities together and usually overseeing small offices in small towns. The problem was that generally their books of business were very different and not much was gained by managing small-town offices and city offices just because they were in the same locale. When expertise was needed, the individual office either had to hire a local expert or fly one in from another area.

"We really don't need or want that kind of administrative structure any longer. We have always said that Marsh & McLennan was in the business of serving its clients and that kind of geographical structure doesn't serve any particular client need," he says.

In 1981 and 1982, M&M made the first steps toward reorganizing around client interests when it developed the "managing director" title for senior professional and administrative officials.

More than a glorified new designation for branch office managers, the managing director name was used to acknowledge "key contributors" to the brokerage operations.

The appointment of 162 managing directors was the first reflection of the philosophy that Messrs. Kline and Regan now publicly espouse: that people and their expertise are M&M's main resources.

"We took what we feel is a professional approach to entrepreneurship. We minimize the disadvantages of being big—eliminate some of the big bureaucracy—while capitalizing on the resources, which at M&M are its specialists," said Mr. Schnitzer.



Mr. Schnitzer

In 1983, M&M Inc. took the next step on its new management path by realigning its experts according to what they do best.

Under the triumvirate, David D. Holbrook and Sherwood C. Blake are assigned administrative leadership of various profit centers. However, the profit centers are not grouped by region.

Mr. Holbrook oversees most M&M large-city operations and direct worldwide risk management (large accounts) clients.

Mr. Blake oversees M&M service offices outside the United States and all smaller offices engaged primarily in commercial insurance brokerage (small to medium-size accounts). He also directs commercial insurance product sales and personal lines sales.

Deployed by these two managing directors, but reporting to Executive Vp and Managing Director Philip J. Brown Jr., are a variety of technical, professional and other support services. Led by managing directors, these forces will provide group support expertise.

Some of these services will be aligned according to industry, formalizing the loose structure that naturally developed. Standing committees exist on industries including: aviation and aerospace; financial and professional services; forest products; gas and electric utilities; health care organizations; heavy industries and pharmaceuticals and chemicals.

The new structure is a better match to M&M Inc.'s business, notes Mr. Schnitzer. About 50% of M&M Inc.'s revenues are derived from self-insured risk management accounts. These are M&M's big clients, who are represented by a full-time risk manager or purchase risk management services. Most of their needs, Mr. Schnitzer adds, are not handled by commercial insurance products but by custom-designed funding programs including captive insurance company management, claims services

Continued on page 12

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Continued from page 10

and excess reinsurance. Hence, technical services, under the direction of Alonzo C. Rand, reports to Mr. Holbrook.

About 40% of M&M Inc.'s business involves what the company calls commercial insurance brokerage, or small to medium-size accounts whose needs are met with a mixture of standard insurer-sold products. So, reporting to Mr. Blake is the brokerage support services group, under Guy R. Migliaccio, which oversees relationships with insurers, the brokerage's national personal lines program with the Chubb Group and its national small business marketing program.

Personal lines makes up less than 10% of M&M brokerage business and falls naturally in Mr. Blake's area. He is expected to increase personal lines sales to at least 10%.

Underwriting, Mr. Schnitzer points out, doesn't much fit into this sales structure, which leans to

marketing and counseling. But the company is not divesting underwriting management firm Victor O. Schinnerer Co., since it serves not as a risk acceptor, but rather as a distribution channel for insurance products capitalized by others, he says.

"We feel that the business of managing capital is much different from the business of managing people who give advice," Mr. Schnitzer explains. "With a capital-intensive firm, you need lots of capital and one or two prima donnas to direct its use. We want lots of prima donnas, because they are experts in their field. In fact, there's no room for anyone at M&M who is not a prima donna."

Mr. Schnitzer also has a mandate to cut costs. He began this effort earlier this year with layoffs in internal support services like communications and advertising, which slowed the growth of expenses in the first quarter of 1983.

**'At this point, Mercer is progressing along a schedule of planned growth,' Mr. Waylett notes.**

Further expense reductions are likely later this year, Mr. Schnitzer notes, because the cost of the geographical administration totaled more than \$6 million in 1982, much of which will be conserved by the new arrangement.

While undergoing this internal reorganization in 1982 and the first half of 1983, M&M Inc. and the rest of M&M's insurance services business were buffeted by the worldwide recession and insurance market competition. Overall insurance services operating revenue, including income from M&M Inc., Bow-

ing and Guy Carpenter, grew only 8% to \$711 million, including \$14 million in underwriting management fees and \$88 million in interest income from fiduciary funds.

The consulting and financial service group, the model for reorganizing insurance services, had to weather some burdens as the recessionary economy in the United States and Canada slowed the growth of mass marketing and traumas in the stock market limited growth in investment management for much of 1982, says Thomas R. Waylett, managing director in charge of planning and budgeting. Both Mr. Waylett and George Faunce III, managing director in charge of administration, report to Group Vp and Chief Executive A.J.C. Smith.

"(Last year) was a very good year for William M. Mercer Inc., but it wasn't a year of violent growth. At this point, Mercer is progressing along a schedule of planned

growth," Mr. Waylett notes.

Some of that growth is in new areas, adds Mr. Faunce, including an expanded consulting practice in compensation and key-employee benefits and employee benefit tax consulting.

M&M Group Associates didn't grow as fast as Mercer, but in the face of a slow economy it still had a good year, Mr. Waylett said. Group Associates' business of mass marketing primarily life and health coverages to employers in like businesses is hurt by layoffs in a recessionary economy. "This part of the market is down for everyone."

Group Associates revenues were up about 12% for 1982, Mr. Faunce notes, compared with 16% growth at Mercer. Together, the two produced the 15% employee benefit services revenue growth.

Putnam and Eberstadt also had some highlights during 1982, the managing directors note, despite a Dow Jones Industrial Average below 900 for the first half of the year.

The introduction of Putnam Health Sciences Trust was the second-largest mutual fund offering in history, notes Mr. Faunce, and a solid contributor to the investment management revenue gains. Better results can be expected this year as another large fund offering is released and if the booming stock market continues.

Mr. Faunce is particularly excited about the acquisition this year of National Economic Research Associates, an economic forecasting company based in White Plains, N.Y. The firm, which employs 150, is considered one of the premier forecasting operations in the country with clients "that seem to split evenly between the major utilities and major law firms," he says.

Although the company is expected to operate on its own as part of the parent company's move to expanded consulting, Mr. Faunce also foresees some "nice fits" between insurance services, employee benefit services and the economic forecasting company.

In the last year, M&M has been named in two lawsuits.

M&M Cos. and its brokerage subsidiary were sued for \$700 million by beleaguered asbestos manufacturer Manville Corp. early in 1982.

Alleging reckless and malicious conduct, Manville accused M&M of breaching its fiduciary obligation to its client, failing to obtain full coverage for Manville's liability risks and misrepresenting to Manville what its insurance needs actually were. The suit seeks exemplary and compensatory damages.

In the 1982 annual report, M&M notes that the company denies the allegations and is "vigorously defending itself" against the charges.

Earlier this month, Transure Ltd., a London-based reinsurance intermediary, sued M&M Cos. for \$107 million involving actions of one of M&M underwriters, Crusader (South Africa) Ltd. The suit alleges that M&M ordered the insurer to repudiate its underwriting authority agreement with a Transure client, causing a loss of revenue and special damages (BI, June 20).

M&M responded with a statement calling the suit "totally without merit."

Litigation involving M&M as the broker for the insurance on the Hyatt Regency Hotel in Kansas City, Mo., also continues.

In addition to Messrs. Kline and Regan, top M&M Cos. officers include Peter Bowring and Robert J. Newhouse Jr., both vice chairmen.

Salaries, fees, directors' fees and commissions for top officers, according to the Securities & Exchange Commission, were:


John M. Regan Jr.	\$420,000
L. Patton Kline	\$277,500
Robert J. Newhouse Jr.	\$265,000
Alessandro C. di Montezemolo	\$208,958
A.J.C. Smith	\$206,250

—By Len Strazewski



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	1982	1981
Premium vol. ....	\$3,011,388,580	\$2,820,000,000
Gross rev. ....	\$573,254,000	\$423,264,000
Employees. ....	10,400	7,500
Rev./employee. ....	\$55,121	\$56,435
Offices. ....	125	125

Alexander & Alexander Services Inc. would have posted below-par results in 1982, even without the biggest corporate scandal in its history.

Hard times in the oil drilling business, nationwide high unemployment and shrinking property/casualty insurance rates already were taking their toll on A&A's profitability, forcing the company into stringent economy moves that included layoffs and salary cuts.

Those problems, though, were the same challenges faced by the other large U.S. insurance brokers. A&A, however, had worries that were uniquely its own.

A&A discovered during the second half of last year that its newly acquired British unit, Lloyd's broker Alexander Howden Group P.L.C., was worth about \$40 million less than the \$299.9 million A&A paid.

Furthermore, A&A filed suit against five top Howden executives, alleging that they had diverted corporate assets for their own benefit.

These problems, along with the unfavorable market conditions, combined to force A&A into the red by year-end for the first time in its history.



**Mr. Irvin**

"You've got to start with the fact that we are now in the sixth year of soft markets, and everyone in the business thought that we'd be out of it by now," remarks Tinsley H. Irvin, president of A&A

Services and its domestic brokerage subsidiary, Alexander & Alexander Inc.

"Until recently, our business strategy has been built around a turn in the markets and premium rate increases. We still believe that the market will turn, but we also believe that we have to plan on the premise that prices will remain low."

On top of the continuing decline in premium rates, the economy also did not cooperate last year. In particular, the oil drilling business suffered as gasoline prices began to fall and offshore rigs built during energy shortages of the 1970s were towed to shore, adds John A. Bogardus, A&A Services' chairman and chief executive officer. This generated return premium from insurers and lost commissions for A&A.

"You also have to remember that payrolls around the country were being reduced through layoffs and that any insurance coverage based on total payroll, such as workers compensation, was being reduced, further reducing our commissions," Mr. Bogardus points out.

"We are also a large construction contract bond seller," Mr. Irvin notes. "And the construction business has been particularly depressed, particularly in Texas. It's not just a recession in Texas, it's an obvious depression that the area never expected."

The news was much the same across all of A&A's operations, except possibly in employee benefit and reinsurance sales.

The company had started tight-

ening its belt, eventually reducing staff from a 1982 high of 10,400 to about 10,000 earlier this year, when A&A's auditors, Deloitte, Haskins & Sells, delivered what would become the ultimate bad news: Something was wrong with Howden's books.

A short time after A&A's annual meeting last year, "questions came to light about certain pre-acquisition business and accounting practices of the Howden Group," Mr. Bogardus told shareholders during this year's annual meeting last month. A&A responded with a fair-value audit of Howden to "dispel rumors" about the status of their acquired company.

"As the days passed, the questions became greater in number and more serious in magnitude," Mr. Bogardus continues. "At first we felt that the difficulties discovered by (Deloitte, Haskins & Sells) could and would be satisfactorily explained. Unfortunately, the answers and explanations given by five of the most senior officers in Howden failed to satisfactorily answer these questions.

"It became obvious that we had a *very serious* problem," he emphasized.

The problem, as described in statements A&A filed with the Securities and Exchange Commission and in a lawsuit filed in London on

Sept. 20, was that four top Howden officials who had recently resigned—Chairman Kenneth V. Grob, Chief Financial Officer Alan J. Page and Directors Ronald C. Cornery and Jack H. Carpenter—had allegedly used corporate assets to set up one or more companies in Panama to accept retroceded reinsurance from Howden reinsurance companies in Bermuda.

The Panamanian firms—called at various times Southern Reinsurance A.G., Southern International Re and New Southern Reinsurance—were never licensed as insurance companies in Panama, later investigations revealed, and allegedly accepted reinsurance from the Ber-

muda-based Howden unit, Sphere Drake Insurance Co.

That underwriter, in turn, had reinsured Lloyd's of London syndicates managed by Howden's chief underwriter, Ian R. Posgate.

Mr. Posgate, also named in A&A's lawsuit, allegedly shared in the ownership of one or more of the entities in the reinsurance chain and placed reinsurance for his syndicates with Sphere Drake as part of the conspiracy to drain assets from Howden.

The suit also alleges that at least some of the reinsurance premiums paid to the Panamanian companies were then transferred to a Swiss

*Continued on facing page*

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Continued from facing page bank, the Banque du Rhone et de la Tamise. Banque du Rhone, which had formerly been owned by Howden, had been sold in 1980 to a syndicate of unnamed investors that, according to the lawsuit, included Messrs. Grob, Page, Comery, Carpenter and Posgate.

The trail of funds didn't stop in the Swiss bank, according to the lawsuit, but were transferred to trusts in Liechtenstein and used to secure loans to the individuals named or used to purchase objets d'art later said to be in the homes of some of the former Howden officers.

Overall, A&A claimed at least

\$55 million had been diverted and had not been recovered by the company as of September, though sources estimate that at least \$30 million has now been recovered in reinsurance payments from other companies.

The lawsuit asked for return of the missing assets but, pending their return, A&A added \$25 million to Howden funds to strengthen reserves and increase underwriting capital at Sphere Drake. Mr. Posgate was also fired as the head of Howden's underwriting operations (BI, Sept. 27, 1982; Oct. 4, 1982).

The lawsuit is still pending, and Mr. Bogardus said at this year's annual meeting that A&A was hold-

ing discussions with "certain former Howden advisors relative to significant claims which we have against those advisors."

No matter what happens in court, the original losses did their damage, resulting in the worst financial results in A&A history.

In the third quarter of 1982, A&A was forced by the SEC to further reduce the tangible assets of Howden by another \$15 million, which



Mr. Bogardus

combined with the \$25 million A&A added to Sphere Drake reserves, reduced the value of the acquisition to less than \$260 million. The \$40 million reduction was taken as an extraordinary charge against earnings that quarter.

Although operating revenue for the year increased 35.4% to \$573.3 million, including revenues from Howden's continuing operations and an 11% increase in new business, the company produced a \$25.8 million overall net loss for 1982, compared with a \$57.6 million profit in 1981.

However, the company points out, operating income without the extraordinary charge would have

totaled \$14.2 million. And, if Howden operations are completely excluded, A&A would have posted a net profit of \$36.1 million.

But not all of A&A's troubles can be blamed solely on Howden.

Expenses, including those at Howden, jumped more than 49%. Without Howden's operations, A&A brokerage expenses grew 14.2%, still well ahead of the general inflation rate.

Insurance services—including retail, excess/surplus, risk management consulting and claims administration sales, which make up about 80% of the brokerage company's annual revenues—grew more than 40%, thanks to the addition of Howden revenues. But, without Howden, revenues from insurance services grew only 4.5%.

The financial problems continued into the first quarter of 1983 as revenues dropped 4.9% to \$143 million from \$150.3 million, despite a 12% increase in new business over the same period in 1982. Net income fell more than 64% to about \$6.7 million, though expenses grew slower than inflation for the first quarter.

Expense control was spurred by the well-publicized staff reductions, selected salary cuts in regional offices and a 10% to 15% salary cut sustained by A&A senior officers, executives say (BI, May 16).

Although no further extraordinary charges were evident in the first quarter, Chief Financial Officer William Farley, who resigned earlier this month, explained that changes in the accounting for the acquisition continued to be a drag against earnings. Also, he said, abnormally high legal, accounting and consulting fees related to the ongoing investigation into the problems at Howden also weighed on expenses.

The burden of extra fees will continue, Mr. Bogardus told shareholders last month, though he says he expected them to "moderate" later in the year.

Although most of 1982 and early 1983 was filled with bad news, related primarily to the Howden affair, Mr. Bogardus points out that there were some bright spots at A&A, including the completion of a reorganization of the Howden operations.

Howden's retail brokerage operations were absorbed into Alexander & Alexander International Inc. under the direction of the subsidiary's president and chief executive officer, John Sienkiewicz. This move also gave A&A International new offices in Australia, New Zealand and South Africa and Spain.

Unrelated equity investment in three other overseas brokerages also added to the international scope of the company. A&A purchased a 21% interest in Cie Europeenne de Courtage d'Assurances et de Reassurances in France, a 20% equity interest in Industrie-Assekuranz G.m.b.H. & Co. in West Germany and a 40% interest in Bekouw Mendes B.V. in the Netherlands.

The Howden insurance companies were reorganized with a group of A&A's other underwriting facilities, which include underwriting manager Shand, Morahan & Co., under the direction of former Shand Chairman Joseph Morahan. Joseph J. Prochaska Jr., formerly senior vp of Shand, replaced Mr. Morahan as chairman of the underwriting manager.

The Bermuda operation of the Howden-affiliated underwriting units were placed under the direction of Peter Densen, president of Anistics, A&A's risk management consulting and risk information subsidiary. Anistics also oversees the company captive management operations in Bermuda.

Mr. Morahan is currently evaluating A&A's underwriting facilities.

Continued on next page



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Continued from previous page  
 ties and will eventually decide whether or not the brokerage company will continue to operate the international insurance companies. This decision, at least a year away, will decide the fates of about 750 employees, excluding those at Shand, who currently work for A&A underwriting operations.

Howden's Lloyd's underwriting management firm, which manages 17 Lloyd's underwriting syndicates, must be sold within five years as required under the new Lloyd's self-regulation law.

"We think that the structural changes strengthen our ability to run the company," Mr. Bogardus remarks. "We are certainly better organized with respect to Howden and better able to manage it in its component parts. In essence, there is no Howden anymore except the parts that report to Alexander & Alexander. There have been lots of improvements in the systems and

substantial increases in Howden reserves, which guarantee no policyholders will be hurt."

The Howden episode also had a positive impact on the atmosphere at Lloyd's and the British insurance community as a whole, adds Mr. Irvin. The Howden affair has prompted it to become more self-critical and self-investigative.

Further reviews of Lloyd's brokerage companies led to the allegations of reinsurance arrangements similar to those alleged at Howden at underwriting subsidiaries of Lloyd's broker Minet Holdings P.L.C. Those allegations, in turn, prompted the resignation of Minet Chairman John Wallrock (see story, page 110).

Also, though Lloyd's was already moving to an outside chief executive, Mr. Irvin believes the Howden upheaval hastened the appointment of accountant Ian Hay Davison as the market's chief executive officer.

"The traditional insurance business has always run on integrity. We have always conducted business that way. I believe the steps we have taken were in the best interests of the insurance industry," Mr. Irvin says. "Where would the insurance market be if we hadn't acted to restore the reputation of the business?"

On the domestic scene, A&A made seven acquisitions, including two large retail brokerage purchases that Mr. Bogardus says were "basically overlooked" in light of the upheavals abroad.

"Our acquisition of Clifton & Co. in San Francisco added \$5 million in revenues but kind of got lost in the shuffle," he says. "And our purchase of Nahm, Turner, Vaughan & Landrum in Louisville gave us the resources of one of the leading independents in the South and certainly the dominant broker in that city."

The Clifton acquisition, in partic-

ular, strengthened A&A's service resources in the Western states, bringing with it offices in Seattle; Portland, Ore.; Reno, Nevada; and Casper, Wyoming.

Other acquisitions included Ivor M. Grant & Associates in Santa Ana, Calif.; Edward Lee Kozberg & Son in Los Angeles; R.B. Augustine Insurance Agency in Richmond, Va.; Charles H. McDonough Sons Inc. in Hartford, Conn.; and Moskowitz Agency in Nashville, Tenn.

A&A also modified its domestic management structure, splitting its U.S. operations into three sectors directed by geographical group leaders. Michael K. White, formerly senior vp and manager of the Dallas and Chicago offices, was promoted to executive vp and director of the Northwestern unit, joining Executive Vps Richard Page and Bob. J. Cline, who are directors of the Eastern and Southwestern units, respectively.

This change, and the addition of

sales directors for the three regions, "makes A&A a leaner, more efficient company," according to Mr. Irvin. Although overall staff was reduced by nearly 400 through attrition, retirement and layoffs, "We lost none of our key employees."

"We have had the whole operation under a microscope," he continues, "and found that we can operate more profitably with this reduction and still maintain the professional levels of service our clients expect."

"We are also pleased to say that we lost no domestic business due to Howden," Mr. Bogardus adds, "though Howden itself lost some small amounts of business in its overseas retail operations. We think this is a sign that the steps we took to resolve the Howden affair were acknowledged by the U.S. buying community."

A&A Inc. will continue with its aggressive new business pursuits and intensify its efforts to expand personal lines sales and attract small to medium-sized risks that generate from \$5,000 to \$100,000 in annual premium.

"Large risks are great and we certainly want to continue to attract large corporate clients, but they are not economical to service," Mr. Irvin notes. "We certainly would like to attract more smaller business and use our automation resources to service them profitably."

The key to such service, Mr. Bogardus says, is the elimination of duplication between broker and insurer, a task that can be accomplished through automation. A&A is currently expanding its links to insurers to accomplish this.

A&A's Human Resource Management Group—which includes its employee benefit sales and consulting divisions, its Benefacts Inc. employee benefit communications services and compensation consulting units—was also a bright spot for the company.

HRM revenues, about 10.1% of A&A's total sales, grew 7.4% to nearly \$58 million, though the Benefacts division reported a 5% revenue decrease, according to the A&A annual report. The group also continued its expansion into Canada, increasing its revenues from that country by more than 40%.

Insulated from property/casualty rate reductions and built 70% on negotiated fees rather than commissions from insurance sales, the HRM division is a rock of relative stability, according to Mr. Bogardus, and a clear possibility for future growth.

"It should begin to grow faster, especially as the economy rebounds and benefit consulting projects start up again," he says.

Although A&A does not contemplate any direct expansion into other areas of management consulting, with the exception of its Dallas-based property tax consulting firm, the HRM group is the most likely division to expand its services significantly in the coming years, adds Mr. Irvin.

"We will enter any general management consulting as it relates to people," he says, "and of course any additional consulting we do will eventually add to our employee benefit revenues in the long run."

In addition to Messrs. Bogardus, Irvin and Sienkiewicz, corporate officers include Kenneth W.S. Soubry, vice chairman; Ronald Roessler, secretary and general counsel; and Ronald J. Berardi, treasurer. A replacement for Mr. Farley as chief financial officer has not yet been named.

Salaries, bonuses, directors' fees and commissions for top officers in 1982, according to the Securities & Exchange Commission were:

John A. Bogardus	\$386,944
Tinsley H. Irvin	\$287,334
Kenneth W.S. Soubry	\$235,217
Robert Gielow	\$187,908
William Farley	\$176,411

—By Len Strazewski

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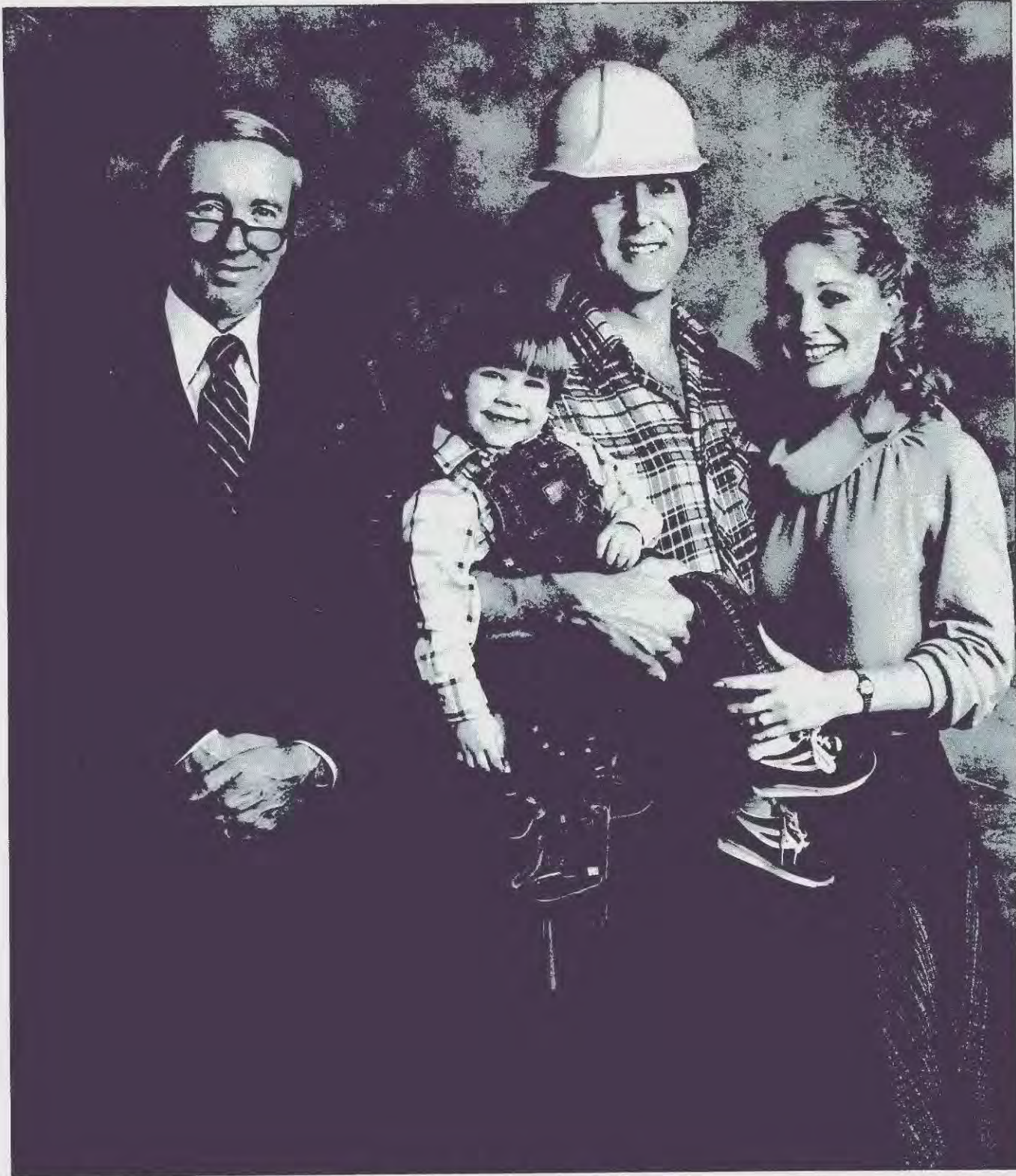
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	1982	1981
Premium vol. ....	NA	NA
Gross rev. ....	\$364,871,000	\$352,470,000
Employees .....	7,000	7,500
Rev./employees ...	\$52,124	\$47,129
Offices .....	318	318

Like a debutante at the first dance of spring, Frank B. Hall & Co. Inc. fully expects a tap on the shoulder.

As one of the most attractive of the major insurance brokers that has not been swallowed by a burgeoning financial services marketer, Hall is regularly the subject of takeover rumors.

**Management** at the third-largest U.S. broker is non-committal about accepting any invitations.

"We're not erecting a monument to independence here," says Frank J. McCaffrey, executive vp of domestic operations for Hall. "But if we are going to do something, we'd like to do it on our own timing."

"Of all the people out there, it would be pretty hard for us to say anything. We've done 79 acquisitions in the last 12 years. Our

prime concern with any candidate is, first and foremost, does it help us do a better job for our client."

A new wave of speculation swept the brokerage community after the June 3 announcement that Ryder System Inc. had sold its 9.2% stake in Hall to Reliance Insurance Co., part of financier Saul P. Steinberg's Reliance Group Holdings Inc.

But Reliance, which already has a 44% interest in broker E.H.



Mr. McCaffrey

Crump Cos. Inc. calls its 9.61% stake, including existing holdings, an investment position only.

Speculation increased a week later when another Reliance unit sold its 7% stake in Paine Webber Inc., the securities broker, for \$48.9 million in cash that might be available for investment in Hall shares.

**Hall's stock** hopped up a couple of points after the Ryder-Reliance block trade of 1.2 million shares at \$31 a share. And, stock analysts agree trading in Hall's stock is more influenced now by speculation over its potential sale than by its deteriorating earnings picture.

In 1982, Hall's net income fell

21.1% to \$24 million from \$30.5 million in 1981 as gross revenues rose a scant 3.2% to \$364.9 million and expenses grew 9.7% to \$322.6 million.

Its 1982 net income is the lowest since 1978, when it reported \$23.8 million.

Hall's income from commissions and fees of \$320.9 million was less than its operating expenses, but other income of \$43.9 million, principally interest income, produced Hall's operating profit.

In 1982, Hall's aftertax income was 6.6% of revenues, down from 8.6% in 1982 and 9.1% in 1980.

That compares with a 13% profit margin for Marsh & McLennan Cos. Inc., a net loss for Alexander & Alexander Services Inc. and a 9.7% profit margin for Corroon & Black.

There was no turnaround for Hall in the first quarter, either.

For the quarter ended March 31, Hall reported a 3% decline in gross revenues to \$93.1 million and a 26% decline in net income to \$7 million.

Hall's disappointing results could affect any acquisition plans.

"We think this makes a deal more problematical because it tends to widen the gap between what the sellers expect and what the buyers are willing to pay" for Hall shares, says Leonard M. Wilson, a vp with L.F. Rothschild, Unterberg, Towbin in New York.

Mr. Steinberg "could go either way" in deciding whether to bid for control of Hall, predicts Herbert E. Goodfriend, an analyst with Prudential/Bache who follows Hall's stock. "I think he believes there is a lot of underlying value at Hall which has yet to surface."

Mr. Goodfriend says Hall's value depends upon a buyer's assumptions of the future of the commercial property/casualty market. If rates firm and brokers obtain higher commissions, Hall's profits could be restored. He says Mr. Steinberg takes that view.

I don't know if I agree (with Mr. Steinberg)," says Mr. Goodfriend, estimating that he wouldn't recommend paying more than \$36 a share for Hall stock.

**Notwithstanding** the takeover talk and profit squeeze, Hall has moved aggressively in the last few years to paint an image as a multifaceted marketer of insurance programs—one that isn't afraid to unbundle services and reach out to new customers.

"Hall is known for innovation," says Alice L. Cornish, a stock analyst with Lehman Bros. Kuhn Loeb Inc. in Chicago. "They have clearly depicted that they are a very entrepreneurial company."

Its fresh approach to an old business is apparent from annual report presentations decidedly more offbeat than its competitors'.

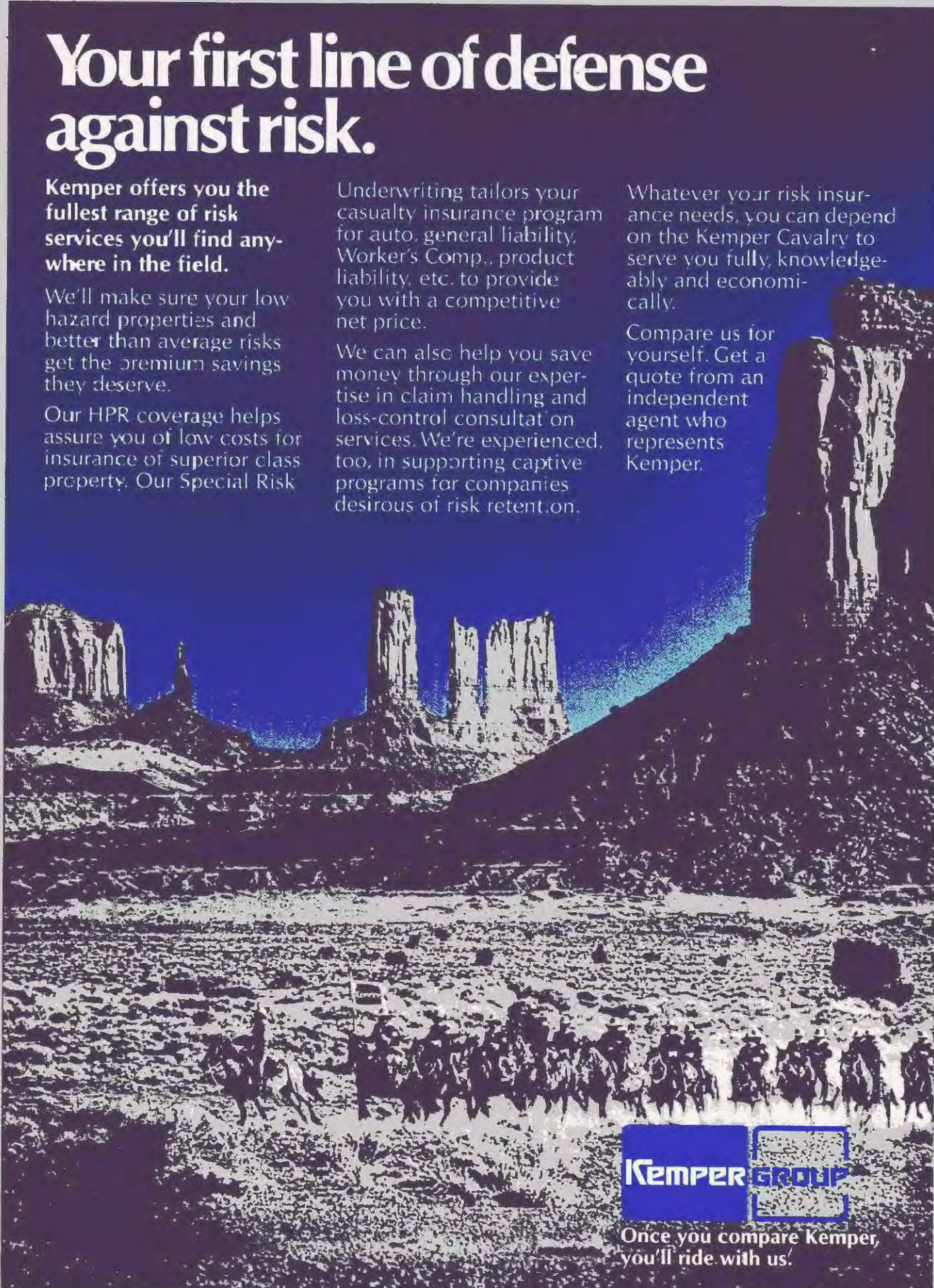
In 1980, when net income grew barely more than 1%, the annual report cover displayed in two-inch letters the words: "Smile. A measure of American resiliency is the ability to smile in the face of adversity." The report lapsed into pages of nostalgic movie, theater and war shots before getting to the bad earnings news.

In 1981, when income rose a more respectable 4.9%, the report was in three booklets, "Investment in Action," "Business in Motion" and "Humanomics," a coined phrase by Hall Chairman Albert J. Tahmouh to describe his vision of the synthesis of social needs and economic growth.

This year, as if subtly revealing its own weariness of attempts at boosterism, the annual report cover asks, "Did you say dull?" and goes on to argue that protecting corporate assets "requires the curiosity of a detective, the vision of a seer and the ingenuity of an artist."

Reacting to a slump in renewal business and the cutthroat competition for new customers, Hall increased its revenue per employee

Continued on page 20



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\*Source: Employee Benefit Plan Review, April, 1983



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**spotlight report**

*Continued from page 24*

Management system with which clients can check for overuse or abuse of medical benefits by comparing the costs of various procedures with standard costs established for diagnosis-related groups.

Several of the services provided in the benefits and special industry areas are performed for fees.

Long known to maintain that it was a commission-only broker that negotiated commissions rather than bill fees, J&H has "become more flexible" about doing fee-based work, said Mr. Hatcher.

"They are becoming more common on the property and casualty sides of the business where depressed premiums, rates and thereby commissions will hardly allow us any longer to perform the services we used to without charging a fee," he said. "(But) we still contend—and I'd be willing to bet you—that down the road when the risk managers force us to charge

fees, they'll end up being sorry."

Expansion was also the word in the international arena, where J&H added two new offices in 1982, one in Saskatoon, Saskatchewan, and one in Riyadh, Saudi Arabia. Additional new offices in Kuala Lumpur, Malaysia, and Bologna, Italy, will open this year, Mr. Hatcher said. J&H now has 39 overseas offices, and will be seeking business from indigenous foreign companies as well as from foreign subsidiaries of U.S. companies, Mr. Hatcher said.

"American investment overseas has taken a little hiatus. We've got to keep (our) people working," he explained.

J&H maintains its commitment to correspondent relationships in the international arena, instead of acquiring foreign offices.

"Their value is not enhanced one whit by an infusion of American capital," explained Mr. Knetzger. "They don't need money and they

don't need us telling them how to run their business."

J&H will continue to move in the direction it established when it formed UNISON last year, Mr. Hatcher noted. UNISON, a formalization of the company's relations with its European correspondents, was intended to help all of the members compete with brokerage giants that had acquired their own foreign subsidiaries.

Members include J&H's longtime London correspondent Willis Faber P.L.C., as well as Boels & Be-gault of Belgium; Costa Duarte y Lima Ltda. of Portugal; Gil y Carvajal S.A. of Spain; Gras Savoye & Cie. of France; Jauch & Hubener of West Germany; Johnson & Higgins SpA of Italy; Mercury Insurance Agencies Ltd. of Greece; Mees & Zoonen Assurantien D.V. of the Netherlands; and Joachim Grieg & Co. of Norway.

Borner & Co., a Danish broker added to J&H's list of exclusive

correspondents in 1982, also is a member of UNISON.

Together, the UNISON membership encompasses 11,000 employees working in offices in 180 cities in 51 countries around the world.

The addition of Bonner brings to 95 the number of offices maintained by exclusive J&H correspondents.

J&H Ltd. in Bermuda, the company's captive management division, had its best financial year ever, Mr. Hatcher said. Although it lost several captives over the course of the year, it made up the losses with new captive accounts, maintaining its 1981 level of 128 clients and retaining its place as the island's largest captive manager.

First Island Reinsurance Assn., a reinsurance pool of captive insurers managed by J&H Ltd., added two new captive members in 1982 and one earlier this year, bringing its total membership to 10. Pre-

mium income rose about 21% between 1981 and 1982 to \$47 million from about \$39 million.

J&H Ltd. also has a captive management affiliate in the Cayman Islands, Johnson & Higgins (Cayman Islands) Ltd.

Domestically, J&H added one office in Portland, Maine, late last year. It also acquired Brown & Choate Agency of Charlotte, N.C., last July, bringing its total of U.S. and Canadian offices to 46.

Mr. Hatcher hopes all of this activity will counteract the effects of shrinking commissions on property/casualty business. But, he isn't sure he sees any light at the end of the tunnel. Before property/casualty prices firm, insolvencies will probably become more common.

"Can you imagine that when companies are writing at a discounted rate and showing a 113% loss ratio, they are willing to give us a bonus on top of our commission to give business to them? I'm not talking about a contingency, I'm talking about a bonus. Up front. I don't know whether we love that or not," he said.

J&H continues to focus attention on the financial security of its markets, Mr. Hatcher noted. Mr. Hecken added that J&H uses admitted insurers, whose claims would be covered by guaranty funds in the event of an insolvency, more often than its competitors.

In personnel, Richard J. Rice was named as a director of Johnson & Higgins in New York this year.

Other New York directors include Lloyd Benedict (who will retire at the end of the year), George D. Benjamin, Peter B. Bickett, Peter M. Black, Gilbert H. Dunham, James G. Harlow, Kenneth A. Hecken, Kenneth K. Keene, Harvey M. Kelsey Jr., John P. Keyser, Richard E. Meyer, Gardner M. Mundy, Thomas G. Patzau, J. Kenneth Seward, George H. Shattuck, and Gustave S. Werner.

Directors in other offices include Peter A. Bergsten, David W. Bianchi, Robert A. Cameron, Walter H. Clemens, Rodney D. Day III, Denver C. Ginsey, E. Eric Johnson, W. Mitchell LaMotte, Albert S. McGhee, Richard A. Nielsen, David A. Olsen, George F.B. Owens Jr., Dickinson C. Ross, Kennard B. Ross and E. Massie Valentine.

The directors are the owners of Johnson & Higgins.

—By Douglas McLeod



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*H. Barton Cotter*

H. Barton Cotter  
Assistant Vice President

**NORTH  
BROOK**

## Northbrook National Accounts

A Division of Northbrook Property and Casualty Insurance Company  
South Barrington, Illinois 60010

**Fred S. James & Co. Inc.**

55 Water St., New York, N.Y. 10041;  
 212-747-6600

	1982	1981
Premium vol. ....	\$2,890,999,999	\$2,890,000,000
Gross rev. ....	\$241,333,900	\$241,537,000
Employees. ....	4,442	4,570
Rev./employees. ....	\$54,576	\$52,853
Offices. ....	121	125

Fred S. James & Co. Inc. expects to return to a growth-by-acquisition pattern in 1983, due mainly to its own acquisition last December by Transamerica Corp.

Assets now available to James because of the merger will allow the fifth-largest U.S. brokerage to expand in ways it would have been hard-pressed to manage otherwise, says Charles A. O'Malley, chairman and chief executive officer.

While growth may be the plan for James' future, it has not been the story of the past 15 months. Scrambling to make up for ground lost in the competitive property/casualty market, James posted a marginal gross revenues decline in 1982, while continuing to reduce staff and automate offices.

Besides the acquisition and the revenue decline, James did fulfill other goals during the last year, including:

- Expanding its excess and surplus lines, reinsurance and employee benefits operations.
- Stabilizing top management, which has undergone repeated reshuffling in recent years, while reorganizing some of its domestic regional operations.
- Adopting goals that call for development of new products and services and expansion of international and domestic operations, with continuing efforts in expense-cutting.

Mr. O'Malley defends Transamerica's acquisition of James as a positive step for the brokerage and dismisses several criticisms of the move.

James' management had initially been as resolute as other brokerages about fending off takeover attempts, he says, pointing to the hiring of First Boston Corp. and the New York law firm of Skadden, Arps, Slate, Meagher & Flom as hedges against an unfriendly takeover.

Gradually, he adds, James executives changed their thinking.

"Little by little, this initial fear subsided," largely because James' management became convinced that it would not be able to compete by standing alone against growing financial services integration, Mr. O'Malley explains.

James also looked at its own example, which was growth by acquisition, he added.

"What James did become in the way of a leading international broker was the result of binding a number of smaller firms together," he says. "If that's what made James an entity of the first magnitude in the international brokerage business, why not broaden our horizons? If we feel the future is one of a concentration of financial services, let's take an active role in it, let's get out there and find the outfit or outfits that we would like to be associated with. And so that's what we did."

What ensued was a two-year search for an appropriate partner. The culmination of that search was the merger with Transamerica, according to Mr. O'Malley.

The transition following the takeover has been smooth, he says, adding that the acquisition has brought a number of benefits to James, including reductions of legal, foreign exchange and borrowing costs.

James is also freed of the expense of fighting off continuing takeover attempts that would surely come its way, he adds.

"Today, (our competitors') efforts are diverted from their normal business by concern about potential takeovers. They still have the problem. They're still setting up defenses for it," Mr. O'Malley observes. "They are preoccupied with a problem we don't have anymore."

James also gains advantages through Transamerica's other subsidiaries, which include life, title and property/casualty insurers; consumer lending and equipment leasing units; an airline; a car-rental agency; and a diversified manufacturer. These affiliated Transamerica companies have been an "enormous" source of leads and referrals on new business, Mr. O'Malley said.

And, in at least one case, they have been a source of direct business. Budget Rent a Car, a Transamerica subsidiary, formerly divided its insurance programs among several brokers, but now deals exclusively with James.

But Mr. O'Malley disputes the suggestion that the independence of James' operations has been compromised by the acquisition.

"We have with them a clear and concise understanding of our own need for total operational independence," he said. "Transamerica has made a tremendous investment in James, and that investment is going to be worthwhile only if James is a success. And James isn't going to be a success unless it is totally independent and can service clients without a conflict of interest."



Mr. O'Malley

Only 0.1% of James revenues come from business written with Transamerica-owned insurers, he points out.

"We don't anticipate that proportion will change," Mr. O'Malley adds.

He also denied that deteriorating financial results brought on by the competitive property/casualty market and general economic conditions drove James into the arms of its acquirer.

"The pressure of the soft market is a transitory thing. The good old days probably won't return, but some form of different market will come," he explains.

It probably couldn't come too soon for James, which posted 1982 revenues of \$241.3 million, down 0.1% from \$241.5 million in 1981.

Revenues from existing business dropped between 25% and 30% on renewal last year and had to be made up with new business, according to Timothy J. Mahoney, senior executive vp in charge of national sales and services. Most of the new revenues were generated by picking up additional business from existing clients, he said.

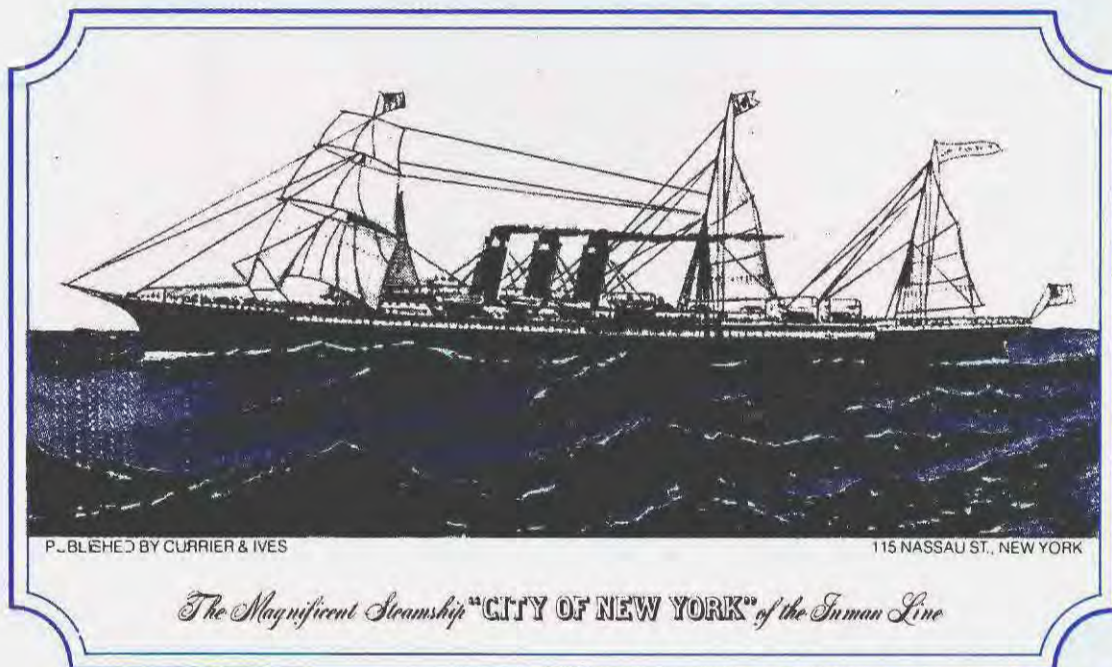
About 43% of James' 1982 domestic commission and fee revenues from insurance sales and service were generated in the casualty area, with 18% from property, 19% from employee benefits/life insurance, 5% from marine, 4% from bonds and 11% from reinsurance through subsidiary reinsurance broker John F. Sullivan Co.

Revenue from domestic fees and commissions actually rose slightly to \$175 million in 1982 from \$172 million in 1981.

But revenues from contingent commissions—paid by insurers on business that proves profitable—slipped to about \$5.7 million in 1982 from about \$6.2 million in 1981, Mr. Mahoney said.

Continued on page 32

# 1887: a year for successful beginnings



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Continued from page 30

Investment income also slid to about \$13 million in 1982 from \$18 million in 1981.

James' net income for 1982 as reported by Transamerica was \$14.8 million, down 23.4% from \$19.3 million in 1981. Mr. O'Malley maintains that James' actual operating results were "artificially affected" by acquisition costs included in Transamerica's net income calculations, but James did not have separate figures that would eliminate these non-operating expenses.

These difficulties continued in the first quarter of 1983, with revenues declining about 3% to \$59.8 million from \$61.6 million for the first quarter of 1982. Net income dropped 21.2% to \$3.6 million from \$4.6 million in 1982's first quarter.

The first-quarter earnings decline was caused by a 30% drop in investment income from the first three months of 1982 and a 20% decline in contingent commissions,

according to John C. Crane, executive vp for finance and administration.

Fee income generally is growing compared with commission income, according to Mr. Mahoney.

"We've moved more clients into fee-for-service than in 1981," he said, adding that about 40% of James clients now pay for at least some of their services on a fee basis.

Expenses declined slightly in 1982 to about 5% of revenues from about 5.2% in 1981, Mr. Mahoney said.

Like most other brokers, James reduced expenses in part by cutting staff about 3% to 4,422 from 4,570 in 1981.

Most of the staff reductions came in the clerical area, according to Mr. O'Malley, who said that some of the credit must go to JOMS—James Operations Management Systems—a computer system for handling internal administrative

work. JOMS is now operating in 11 offices and will be in use in five more by the end of the year.

Further staff reduction was accomplished through layoffs of unproductive employees and through an incentive program for early retirement, he adds.

Other cost-cutting measures included reduction of travel expenses and "selective elimination" of performance-based bonuses to top managers, Mr. O'Malley says.

Employment levels at various James subsidiaries also shifted in 1982, Mr. O'Malley said. Employment is up at New Amsterdam Excess Inc., an excess/surplus lines brokerage subsidiary. New Amsterdam added two new offices in 1982 in Chicago and Seattle, and will be adding a third in San Francisco this year.

Staff has also been increased at UMC Management Services Inc., a subsidiary that manages syndicates on the New York Insurance Ex-

change. UMC had been a joint venture with Alexander Howden Group P.L.C., but James acquired 100% interest earlier this year.

"We thought it was inappropriate to be in partnership with Howden," said Alton F. Irby, III, senior vp-international.

UMC's name will be changed to Syncorp Services Inc., Mr. Irby said. Syncorp will continue to manage Paladin Reinsurance Corp., in which James and Howden will continue as joint venturers with five insurance companies.

Sullivan, James' reinsurance subsidiary, also added staff, as has James Benefits, the firm's employee benefits services subsidiary created following the 1980 acquisition of Galbraith & Green of Salt Lake City.

Rising interest in health care cost containment has made employee benefits one of the firm's fastest-growing areas, Mr. O'Malley says.

The growth of James Benefits,

headquartered in Short Hills, N.J., is an indication of the interest in the area, Mr. Mahoney adds. Where the office had only two employees in 1981, it now has 34 working in two shifts, he says.

Other services developed in 1982 include new property/casualty actuarial services, including reserve certification, supplied mainly to clients with self-insured or captive programs, according to Charles L. Ruoff, senior vp-property/casualty.

James Unified Information Services or JURIS, a risk management data base along the lines of Alexander & Alexander Inc.'s Anistics and Marsh & McLennan Cos. Inc.'s RIMSTAR, went on-line in 15 more James offices as scheduled, bringing the total number of offices offering the service to 35.

Except for the new branches established by New Amsterdam, James opened no new offices in 1982 and actually closed several small offices, reassigning their functions to larger branches.

James further streamlined its domestic operations, merging its former Midwest and Southwest regions into a single Central region. Lawrence Burkhardt, former head of the Midwest region, is now senior vp in charge of the Central region. William Weatherford, former head of the Southwest region, is now chairman of Fred S. James of Texas Inc. and a vice chairman.

The management upheavals that have marked James' operations in recent years settled in 1982, even in the wake of the firm's acquisition.

While much of the company's top management was reshuffled in 1981, only two changes were made last year, Mr. O'Malley points out. Leo C. Havey, the 68-year-old chairman of the executive committee, retired. Charles Keller, a former regional director who was under an employment contract with James, is no longer connected with the company.

With the acquisition complete and James' management apparently in order, the firm plans aggressive development of new products and services, Mr. O'Malley said.

New products will include insurance coverages for emerging energy technologies such as waste energy generation and new products in the financial guarantees area, according to Mr. Ruoff.

James also has expansion plans for both domestic and international operations. James (Bermuda) Ltd., the firm's captive management subsidiary, will be making a new push for association and trade group captive business, Mr. Ruoff says. James (Bermuda) currently manages 45 captives, of which 12 are association or trade group entities.

On the strength of the assets of its new parent company, James also plans to revive a pattern of growth by acquisition that was broken in 1982. Negotiations are underway that would result in the establishment of new full service offices both in the United States and abroad in 1983, Mr. O'Malley says, though he added that it is still too early to announce where those offices will be opening.

James' ability to proceed on this route can be largely traced to its own acquisition, he explains.

"It gave us enormous financial resources to assist us in reaching our goals more quickly and efficiently," he says.

While James' management will continue its efforts to cut expenses, he adds, it will not be at the expense of quality service for clients.

"If we have to reduce our bottom-line profit (to maintain services), so be it," he said.

Because of the merger with Transamerica, compensation figures for James' top officers are no longer filed with the Securities and Exchange Commission.

—By Douglas McLeod



# GROWTH

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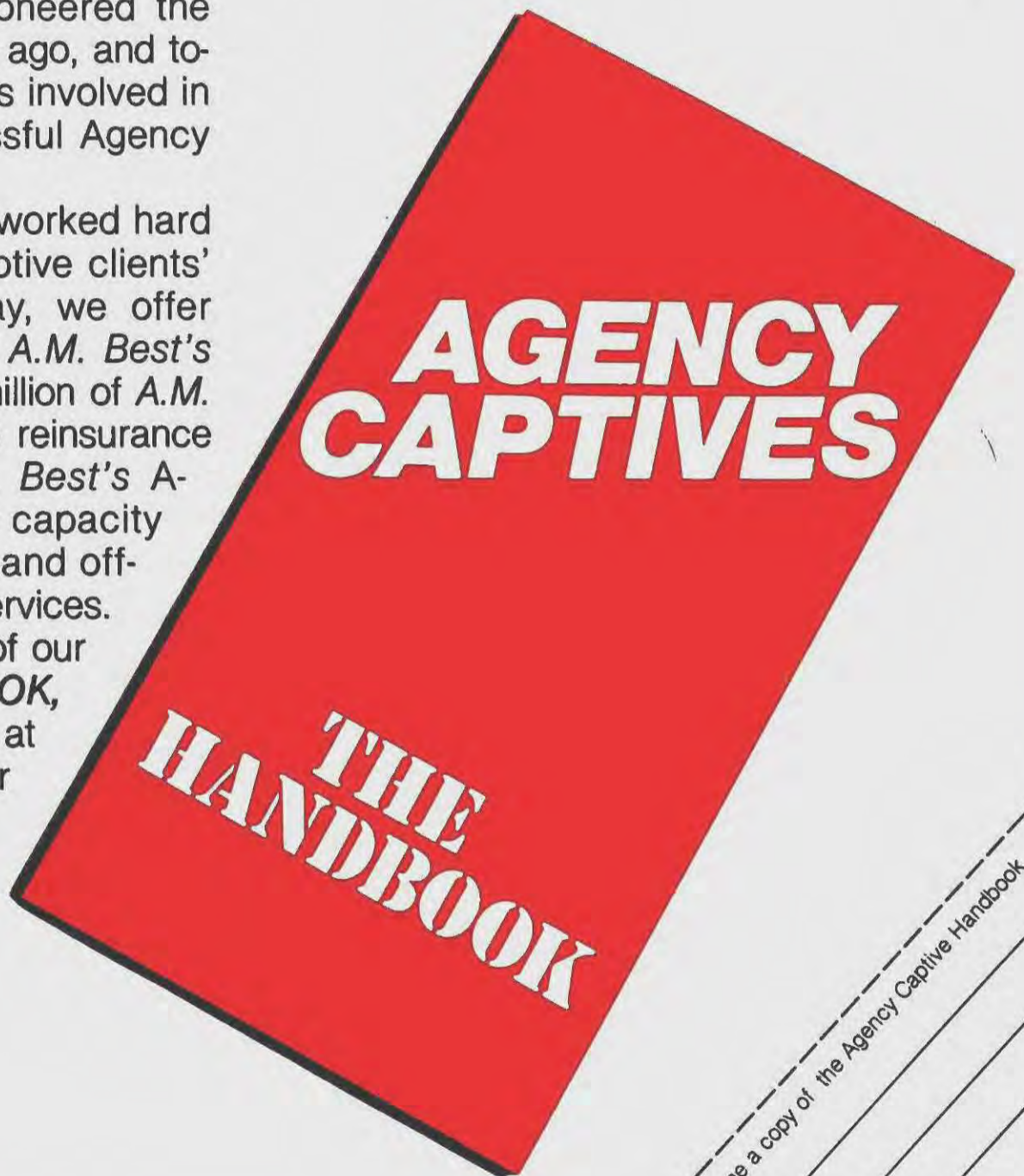
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6

**Corroon & Black Corp.**

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

	1982	1981
Premium vol. ....	\$1,679,000,000	\$1,554,000,000
Gross rev. ....	\$172,078,000	\$158,413,000
Employees .....	2,900	2,700
Rev./employee .....	\$59,337	\$58,671
Offices .....	137*	134*

\* Includes offices run by Minet Holdings P.L.C., in which Corroon & Black Corp. holds a 20% share.

A few days before the recent space shuttle launch, Corroon & Black Inspace Inc. received an urgent call from officials at the National Aeronautics and Space Administration.

Could Inspace find \$500 million of liability insurance for a West German company's space experiment that would be lifted aloft in the Challenger's cargo bay?

Senior executives at Corroon & Black Corp.'s Washington-based specialty brokerage subsidiary got on the phone to British and U.S. contacts and piggybacked the coverage as an additional insured on a policy already written for another payload. The coverage was bound two days before the June 18 launch.

These are heady times for people who arrange coverage for satellites, and Inspace appears to have carved a niche in the field.

All the U.S. alphabet brokers have jumped into the lucrative space field, as have a handful of major U.S. insurers. But Corroon & Black appears to be a leader because it started early and gave its Inspace subsidiary its own marketing identity.

"It's been growing rapidly," Robert F. Corroon, chairman of the sixth-largest U.S. broker, says of Inspace. "It's a good earnings producer and we expect it to do much better in the future."

Insured values on satellites and space experiments can reach into the billions of dollars on a single launch, with multitransponder satellites often carrying separate limits on the lifetime performance of each of 24 or more transponders. Premiums can reach 10% or 12% of insured values.

With dozens of satellites scheduled to be launched by rockets and by the space shuttle in the next decade, insurers and brokers alike are counting upon many billions of dollars in insured values and corresponding premium volume. As long as losses are few, the field promises to be profitable.

Inspace, along with underwriting management, benefits and special sales, carried Corroon & Black through 1982 as C&B's traditional property/casualty brokerage operations suffered the same renewal and competition problems as the other members of the *Business Insurance* Top 20.

But, with stronger revenue growth than some of its competitors, Corroon & Black was able to add employees during 1982 at a time when others slashed payrolls, while managing to increase its revenue per employee.

Corroon & Black's gross revenues rose 8.6% in 1982 to \$172.1 million from \$158.4 million the prior year. Net income rose 14% to \$16.7 million from 1981's restated \$14.6 million. Not counting securities transactions, however, income rose only 4% to \$14.8 million.

Either way, the numbers were a big improvement over 1981, when revenues rose barely 1% and net income plummeted 19%. But the profit figure for 1982 is still 28%

below the \$20.7 million earned in 1979, the best of the five most recent years for C&B.

The first quarter of 1983 provided more evidence that C&B is suffering in its basic property/casualty business along with other brokers. Revenues for the three months totaled \$42 million, down 5% from a year earlier, and net income was \$3.2 million, down 49%.

"We believe the real strength this year will be in the second half," says Stephen A. Crane, C&B's senior vp and chief financial officer.

Corroon & Black rearranged its business functions during 1981 and 1982 and now displays results for each of its four operating groups: brokerage services, benefits and specialty sales, underwriting management and reinsurance.

Revenue gains for year-end 1982 were strongest in the underwriting

management group, which includes Newport Beach, Calif.-based Baccala & Shoop Insurance Services, the large excess/surplus lines marketer, and Dallas-based Global Aviation Insurance Managers Inc. Revenues rose 35% to \$15.4 million, reflecting a strong comeback from weak results in 1981. With the 1982 gain, the group once again represents 10% of C&B's overall revenues.

Last year, a new Baccala & Shoop office in Memphis, Tenn., began marketing a Bankers Package Policy primarily geared to community banks with deposits of \$250 million or less. Baccala is also planning introduction during 1983 of an errors and omissions product for lawyers, other professionals and real estate brokers.

C&B's underwriting group also includes National Excess Insurance Co., a licensed insurer in Califor-

nia, Delaware and Michigan, which is managed by Baccala & Shoop and owned by C&B.

While the brokerage services group, based in New York City, showed a revenue gain of 5% to \$107.5 million in 1982, it only contributed 68% of C&B's overall revenues, compared with 71% during the two previous years. The group, which includes 40 subsidiaries, was hard-hit by competition in the commercial property/casualty insurance business, despite the inclusion of Inspace's results.

Inspace's revenues "come in lumps when people are launching satellites," notes Mr. Crane. "In that sense, there is a bit of risk because you don't make anything until somebody puts a satellite up."

Another part of the brokerage group is C&B's Advanced Risk Management Services Division, which applies analytical techniques

to risk management problems.

The benefits and specialty sales group, headquartered in Nashville, Tenn., reported \$21.9 million in revenues, up almost 15% from \$19.1 million in 1981. The group markets and administers group life, accident and health products, as well as wholesale property/casualty programs for public entities and associations. It also offers a joint benefit and property/casualty program to groups and associations.

The reinsurance group's revenues rose 13% to \$12.2 million. The group, principally the operations of reinsurance intermediary G.L. Hodson & Son Inc., places treaty and facultative contracts for major insurers. During 1982, Hodson opened offices in Atlanta and the Minneapolis-St. Paul areas.

Overall, C&B "increased our earnings in 1982 despite the bad  
*Continued on facing page*

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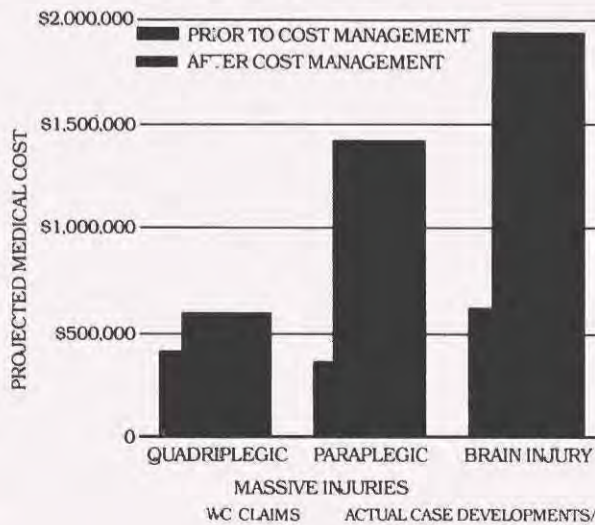
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\*name changed to protect privacy

# AMERICAN REDEF

Continued from facing page year and our revenues were up despite the fact that renewals were down," Mr. Corroon notes.

In addition, "We substantially strengthened our financial and human resources divisions by hiring a high-quality and high-priced financial guy," Mr. Corroon says, referring to the June 1982 hiring of Mr. Crane, 37, who was previously with Orion Capital Corp., a property/casualty insurance holding company located in New York.

John S. Sturges, 44, formerly senior vp of National Bank of North America and a vp of Equitable Life Assurance Society of the United States, joined Corroon & Black in May of last year as senior vp-administrator and human resources.

Mr. Corroon not surprisingly described the broker's "biggest disappointment" of 1982 as the lack of stabilization in the traditional retail property/casualty insurance market. In Mr. Corroon's view, lack of

stability in the relationship between broker and client saps "professionalism."

"There are a great many buyers who recognize the long-term benefit of not switching just based upon price," says Mr. Corroon. "On the other hand, there are those who will switch for a 2% rate change."

With too much movement of business, you lose your continuity, which in our business is critical."

C&B management expects things to be tough in traditional property/casualty markets for much of 1983, but it is bullish on its specialty products, especially the Inspace and benefits groups.

"It's really coming to the realization that our basic business is shrinking in terms of profitability," says Mr. Crane. "These little niches can be very profitable compared to the bread-and-butter business."

Mr. Corroon expects a cyclical upturn in the construction industry, where C&B has traditionally been a leader. To help capitalize on that upswing, C&B formed a construction industry division.

Two fields targeted by Mr. Corroon as growth areas in 1983 are health services and financial risks. C&B is expanding its marketing and service capabilities for health maintenance and preferred provider organizations.

Last year, C&B acquired an 81% stake in D.G. Morris Inc. of New York, a broker specializing in financial guarantee insurance, which protects against losses in such areas as residual value, municipal leases, currency trading and interest-rate fluctuations.

In February, C&B also announced its intention to acquire The Talbert Corp., a Denver-based broker with strengths in the construction and energy industries.

Finally, it acquired Rowan-Wilson Inc., of Pasadena, Calif., a specialist in insuring thoroughbreds and other valuable horses.

Corroon & Black became the object of takeover speculation during 1982 after disclosures filed with the Securities and Exchange Commission revealed that Reliance Group Holdings Inc. and Old Republic International Corp. had each acquired more than 5% of the brokerage holding company.

For at least three reasons, the acquisition threats from those two companies seem to have eased:

• First, both Reliance, the New York-based holding company run by financier Saul P. Steinberg that owns Reliance Insurance Co., and Old Republic, the Chicago-based parent of Old Republic Insurance Co., reduced their holdings of C&B

stock last year to approximately the 2%-to-3% range.

The only current holder of more than 5% of C&B stock is Delaware Management Co., says Mr. Crane, adding Delaware is a portfolio and mutual fund management company that is forbidden by law to purchase a controlling interest.

• Second, both Reliance and Old Republic recently have raised their ownership positions in other brokers. Reliance now owns 9.6% of Frank B. Hall & Co. Inc. and Old Republic is holding 9.6% of Emett & Chandler Cos. Inc.

• Third, Corroon & Black shareholders adopted new bylaws on April 28 that require a stockholders' meeting and 80% approval of any "significant transaction" with an owner of more than 10% of Corroon & Black stock. The bylaws changes can only be changed again by another 80% vote.

Corroon & Black directors describe the action as designed to protect against takeovers or the forced buyback of C&B stock from a corporate raider at inflated prices to prevent a takeover. The proxy statement argued the restrictive bylaws would reduce speculation in the company's stock and improve corporate morale, planning and future development.

"This company's not for sale," Mr. Corroon declares.

Both Corroon & Black and The St. Paul Cos. Inc. also own major portions of a Lloyd's brokerage, Minet Holdings P.L.C. C&B holds a 20% share, while St. Paul recently increased its 19% holding to just more than 25%.

Minet has resisted further acquisitions by St. Paul; C&B says it has no intention of buying further shares at this time. Asked if C&B would have any interest in a combination with St. Paul, Mr. Corroon says simply: "No."

Corroon & Black's principal officers besides Messrs. Corroon, Crane and Sturges are Webb Follin, vice chairman; Frank M. Hagan, chairman of the executive committee; Richard M. Miller, president and chief operating officer; Joseph V. Ambrose Jr., senior vp, secretary and general counsel; William P. Baccala, Crawford A. Black, Paul T. Carter, Joseph O. Estes and J. Bransford Wallace, senior vps; and Donald R. King, senior vp and president of Corroon & Black Benefits Inc.

As reported to the Securities and Exchange Commission, the five highest-compensated executives in salaries, commissions and bonuses were:

Robert F. Corroon	\$295,000
Richard M. Miller	\$235,000
J. Bransford Wallace	\$175,000
William P. Baccala	\$170,000
Donald R. King	\$158,500

—By Bill Densmore

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## INES REINSURANCE

### NOTICE:

Effective at the close of business on Wednesday, June 1, 1983, The Underwriters, Inc., 334 Madison Avenue, Morristown, New Jersey, and its affiliates, TUI Insurance Services of California located at 3325 Wilshire Boulevard, Suite 1300, Los Angeles, California, TUI Insurance Services of California, Inc., 369 Pine Street, Suite 620, San Francisco, California, TUI of New York, Inc., Wall Street Plaza, 88 Pine Street, New York, New York, no longer have authority, actual or apparent, to act as a Managing General Agent for American Centennial Insurance Company, which has its Executive and Administrative offices at 400 Beneficial Center, Peapack, New Jersey, in renewing existing business or in binding new business.

7

**Rollins Burdick Hunter  
Co.**

10 S. Riverside Plaza, Chicago, Ill.  
60606; 312-454-1400

	1982	1981
Premium vol. ....	NA	NA
Gross rev. ....	\$118,366,000	\$117,168,000
Employees. ....	2,070	2,134
Rev./employee. ....	\$57,182	\$4,905
Offices. ....	64	79

Rollins Burdick Hunter Co., which moved up a notch to the seventh-largest brokerage in the *Business Insurance* Top 20 through its combination with Ryan Insurance Agency Group, is ready to flex its bigger muscles.

The brokerage is stronger not only due to the combination of the two operations, but also from the financial wherewithall of its relatively new parent. Combined In-

ternational Corp. The primarily personal lines accident and health insurer reported earnings last year of \$81.8 million.

Combined agreed to purchase Ryan last July and EBH four months later. Rollins Burdick Hunter's challenge for 1983 is to realize the efficiency of the merged operation, says Charles R. Hall, RBH's chairman and chief executive officer who held his position after the Combined acquisition.

So far, the merged operation has shown that the whole is only slightly better than the sum of the parts.

Revenues earned by the merged group for 1982 were about \$118.4 million, an increase of about 1% from \$117.2 million, the total of RBH's 1981 revenues of \$76.3 million and Ryan's \$40.3 million for the same year.

Mergers are complete in markets where EBH and Ryan's property/casualty brokerages—James

S. Kemper & Co. and Youngberg-Carlson—had offices, reducing the total number of domestic offices to 45.

Both Kemper and Youngberg will slowly lose their identities to RBH, by far the largest brokerage operation of the three. RBH's revenues for 1981 (the last full year before the merger) were \$76.8 million, compared with the Ryan's \$40.3 million.

The brokers are merging operations, but clients are seeing the same people. "We carefully continued the account executive relationship to maintain the continuity with the client. The merger of management, however, is taking place. We're physically merging (Ryan brokerage operations) into Rollins Burdick Hunter," Mr. Hall explains.

About 15 offices were merged following a program laid out by RBH senior management, he adds.

RBH's dominance in the newly merged brokerage entity is exemplified in the senior management, which hasn't changed much since the merger.

In addition to Mr. Hall, Vice Chairman George S. Burrows and Executive Vp Karl R. Palmer retained their posts. Mr. Palmer also assumed the title of chief operating officer, reflecting responsibilities he also had before the merger.

The Ryan Group's former senior management, however, now holds the top spots at Combined. Patrick G. Ryan, former chairman of the Ryan Group, is president and chief executive officer of Combined. Harold H. Hines Jr. is executive vp of Combined, although he also retains his former title of president of Ryan.

Mr. Hines' responsibilities include overseeing the brokerage and service subsidiaries, while Mr. Ryan no longer has a specific management role in the brokerage.

While Ryan's commercial brokerage operations are losing their identities to RBH, Ryan's other subsidiaries are free-standing operations and likely to stay that way, notes Mr. Hines. "We also have no plans for acquisitions at this point, but if something unusually attractive comes up, we would look closely at the situation."

RBH expects, however, it will grow through its brokerage operation and other subsidiaries.

The subsidiaries are: Scarborough & Co., a banking industry specialty broker and underwriter; Self-Insurers Service Inc., a claims administrator; Self-Insurance Benefits Services, a medical claims auditing and benefit plan administrator; American Benefit Corp., an employee benefit consultant serving primarily Virginia and the Ohio River Valley; and Pat Ryan & Associates, an auto dealer services group.

"We aren't forcing our brokers to use our services. There may be some factors particular to some clients that might cause (the brokers) to go to another provider for services," Mr. Hines notes. "The brokers must represent the clients and the clients must have the same prerogative in service providers as they have for insurance products," Mr. Hines says.

Insurance products, as well as services, are available to clients in the banking industry through Scarborough, which offers blanket bonds, property/casualty protection credit coverages and employee benefits to commercial banks and savings and loan associations. It also provides self-insured programs, risk management advice, loss prevention services and claims administration.

Scarborough serves approximately 25% of the commercial banks in the United States, but until recently most of its clients have been small and medium-sized banks, Mr. Hines notes. In 1982, Scarborough acquired accounts with a few of the nation's largest banks. It also received the endorsement of the U.S. League of Savings Institutions, the national association of S&Ls.

SIS, primarily a workers compensation claims administration and loss-prevention company, grew slower than its 25% pace in 1981, Mr. Hines notes, because of the slowdown in the economy. It did, however, expand its operations from 38 states to include workers compensation trusts in Virginia, Illinois, Missouri and Georgia. It also expanded its capacity to manage liability claims.

Park Ridge, Ill.-based Self-Insurers Benefit Services primarily provides computerized claims management services.

Early this year, SIBS introduced its HAWK program, which evaluates the performance of claims administrators by watching medical bills for client companies and identifying hospital overcharges that warrant refunds. SIBS staff working in the HAWK program, many of whom have experience in the hospital industry, may make suggestions to clients for alternatives to the client's current claims handling system.

Pat Ryan & Associates stands out as having a strong year in 1982 and the momentum has continued into this year as well, Mr. Hines added. He attributes the subsidiary's success to greater market penetration and somewhat higher automobile sales. Combined's first-quarter report notes that gross credit insurance premiums for the subsidiary were up 38.4% to \$30.6



Mr. Hall

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Continued on page 40

# "Our leadership in Automation puts you in control of your insurance—and its cost!"

**Don Frahm, Executive Vice President, tells business insurance buyers how they can benefit from The Hartford's advanced Automation capability.**

**Q. How does The Hartford's Automation capability help brokers and agents meet my business insurance needs better?**

**A.** It enables them to give you faster, more responsive service across the board. Take quotes, for example. Where a nonautomated insurer might take a month or more to get back to brokers and agents with a proposal, we can normally get quotes out in days. That fast turn-around lets you measure the cost-effectiveness of different levels of coverage in actual dollar terms— and right up front. It also gives you more time to make informed decisions on the options open to you, and to balance cost and coverage considerations.

**Q. When do you use computerized loss control analysis? And how can it cut insurance costs?**

**A.** Computerized loss control analysis comes into play when a company has complex exposures and multiple claims. By breaking out losses by location, time of day, type of accident or injury, and so on, our Loss Control specialists can detect common denominators which help them pinpoint accident causes. They can then work up recommendations for eliminating or reducing those losses.

In the case of a large New England printing company, for example, computer analysis showed a high percentage of accidents and lifting injuries connected with bindery operations. Guided by clues



contained in the analysis, our Loss Control specialists did a Materials Handling Survey of bundle size and weight, work flow patterns, and the like, and made specific recommendations to improve the situation. The same procedure was followed with other types of accidents and injuries.

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Continued from page 36  
million from \$22.1 million for same period in 1982.

RBH's service division, the Risk Management Service Group, was created in late 1981. Mr. Hines says it was well-received in its first full year of operation, but he declined to indicate how many clients had purchased the group's services.

The division's technical services include risk management studies, consulting and training programs for clients' employees, says Vp Henry A. Revzan.

On the property/casualty side, an internally developed computer system provides loss reporting and analysis. The claims management and auditing function is to property/casualty clients what the SIBS HAWK program is to self-insured clients, Mr. Revzan explains. Staff members review the claims administration function and make recommendations for improvements.

Using audiovisual services at

**'We carefully continued the account executive relationship to maintain continuity. The merger of management, however, is taking place. We're physically merging (Ryan brokerage units) into Rollins Burdick Hunter,' Mr. Hall explains.**

Ryan, training films are created to teach clients' employees about loss control.

Other services provided by the division, through the use of its data base, include loss development and forecasting, cost of risk allocation and alternate funding studies. Participation in the data base for loss forecasting is usually limited to clients with at least 500 losses annually, Mr. Revzan notes, with some exceptions for unusual situations.

Employers with fewer than 500 losses annually can purchase a low-

volume user program, he says. The same services are available through this program, but the data base doesn't include historical data for the low-volume user as it does for the larger employers.

With a year's experience behind the service group, RBH President Mr. Hall says the broker will concentrate of being more aggressive in sales.

Like the other major brokers, Mr. Hall says RBH must emphasize new business to offset static or falling commissions resulting from current business.

RBH isn't targeting any new industries, but is strengthening its positions in industries it currently serves.

The merged operations brings together specialists in a wide range of industries.

In last year's profile, *Business Insurance* noted that the Ryan agencies were strong in the automotive and banking industry as well as commercial real estate. But they seldom served oil rig, ocean marine and aviation risks, which are three areas generally dominated by its large broker competitors.

Then-rival RBH was one of the brokers with strength in serving oil rig, ocean marine and aviation risks, Mr. Hall notes. "We have a particular specialization in aviation."

The merger, in turn, gave RBH "a better balance," Mr. Hall said. The newly merged brokerage, for example, is better able to serve financial service firms, he says.

But, "RBH has always been a broad-line broker," he noted.

Mass marketing insurance programs for associations, franchises and affinity groups received a shot in the arm through the broker's relationship to other Combined subsidiaries. The mass-marketing group is selling products underwritten by two affiliated direct response companies: Combined Insurance Co. of America and Union Fidelity Life Insurance Co., Mr. Hines adds.

These two insurers primarily underwrite accident, health and life insurance.

Along with an increase in expertise realized through the merger, RBH reinforced its geographic spread. Last year, an RBH executive noted that the broker planned to have a major office in each of 25 to 30 key commercial, industrial and financial centers around the country, with satellite offices in smaller locations. The broker was about two-thirds of the way to establishing that network, he added.

With the RBH-Ryan merger, the expansion program boomed. "We're now pretty geographically balanced, with offices in all the major industrial and financial centers," Mr. Hall says.



Mr. Hines

The international front didn't change for RBH with the merger. The brokerage has 19 international offices located in Bogota, Colombia; Caracas, Puerto La Cruz and Valencia, Venezuela; Hamilton, Bermuda; and Rio de Janeiro and Sao Paulo, Brazil.

RBH has offices under Rollins Heath in Hong Kong; Tokyo, Kanagawa-Ken, Osaka and Yokohama, Japan; and Seoul, South Korea. Cities with offices under the Heath Lageveldt Rollins banner are in Hong Kong; Kuala Lumpur and Penang, Malaysia; Manila, Philippines; Sarawak, East Malaysia; and Singapore.

While some brokers are talking more about charging clients a fee rather than a commission, RBH is moving slowly in that area, Mr. Hines says. "There hasn't been a revolutionary change (in the broker's compensation) and there won't be in the future."

Whether through fees or commissions, RBH is stressing new business while putting a high priority on expense control, just like much of its competition. But unlike many of its competitors, RBH isn't looking at staff reductions, because it's already cut away excess personnel, according to Mr. Hines.

"We had an advantage going into 1983. By consolidating, the reductions have already happened. And, we aren't contemplating any other reductions."

As of the end of 1982, RBH had 2,070 employees, Mr. Hines notes. That's a 3% reduction from 2,134, the total number of employees the two brokers reported at the end of 1981. At that time RBH reported 1,317 employees, and Ryan reported 817.

With staff reductions already complete, measures available to control expenses are relatively limited, Mr. Hall notes. No RBH employees, however, have taken salary cuts. RBH will have to improve its bottom line more through increasing revenues than reducing expenses, he says.

Principal officers of Combined who received the highest combined salaries, fees and commissions, according to public documents filed with the Securities and Exchange Commission include:

W. Clement Stone	\$341,970
Patrick G. Ryan	\$305,000
Charles H. Hall	\$268,750
Harold H. Hines Jr.	\$217,745

—By Donna Leigh Yanish

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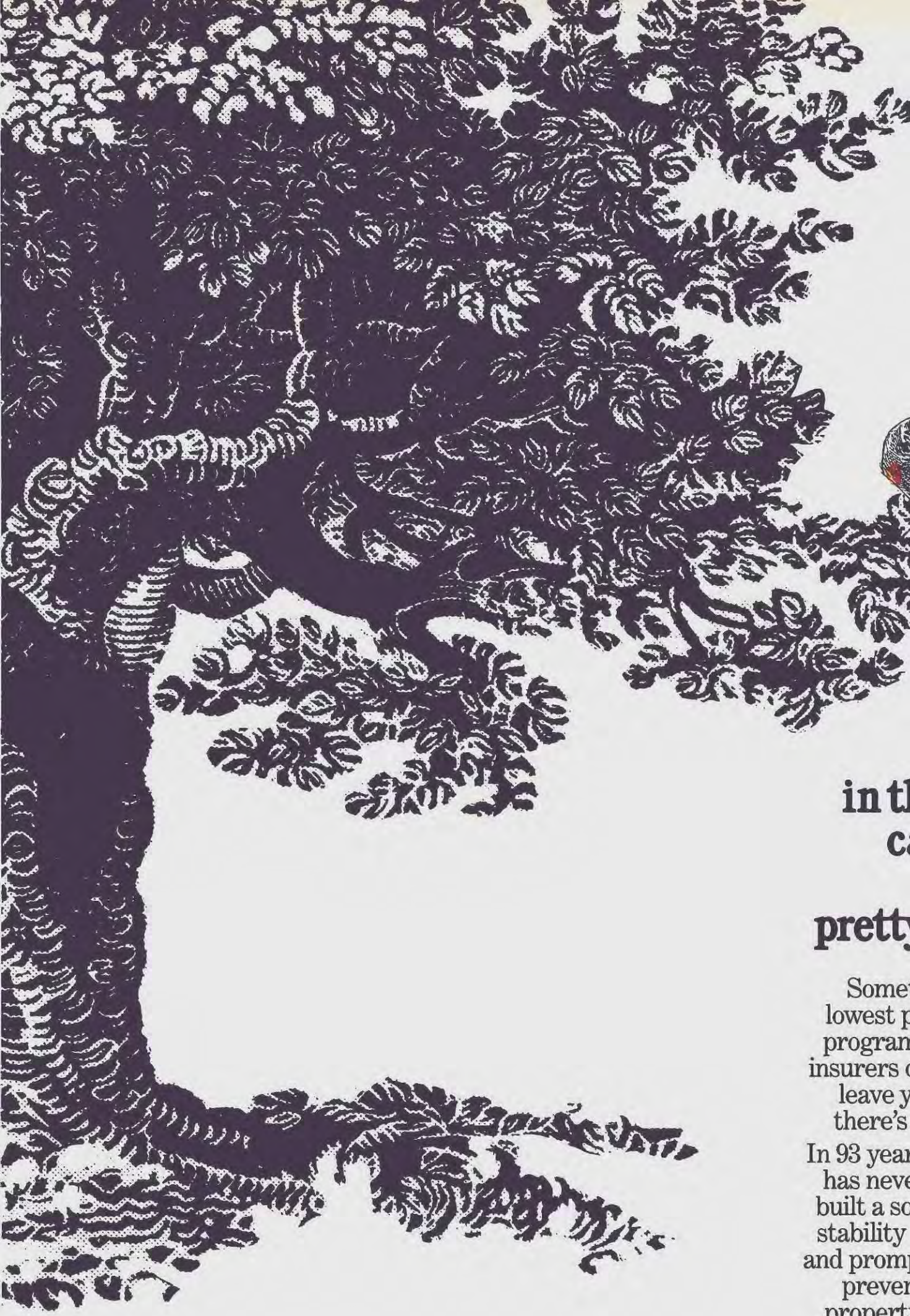
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**Bayly, Martin & Fay  
International Inc.**

660 Newport Center Drive, Suite  
1000, Newport Beach, Calif. 92660;  
714-644-7940

	1982	1981
Premium volume	NA	NA
Gross rev.	\$84,818,000	\$85,500,000
Employees	1,584	1,660
Rev./employees	\$53,547	\$51,506
Offices	54	60

When its corporate history is written, 1982 will be remembered as a year that Bayly, Martin & Fay International Inc. could prefer to forget.

Gross revenues declined 0.8% to \$84.8 million from \$85.5 in 1981, which caused it to drop one spot in the *Business Insurance* rankings.

A much bigger disappointment was the disheartening news from Baldwin-United Corp., the troubled Cincinnati-based financial services conglomerate that was BMF's parent until the end of last year.

To get out from under the shadow of its parent's shaky financial position—and perhaps to escape auction by the cash-starved financial services conglomerate this year—Bayly, Martin & Fay's senior management purchased the brokerage company in December.

BMF thus headed into 1983 as an independently owned and closely held commercial insurance brokerage firm.

"The change is going to be an extremely beneficial one—and it is going to permit us to have a very good future," says Samuel Alcorn, senior vp-operations, international development and market relations.

Unfortunately, a lawsuit filed by former BMF Treasurer William F. Luke raises new questions about the company's ownership status and its cash management procedures (*BI*, May 23).

Given BMF's desire to put its Baldwin-United links behind it, the allegations couldn't come at a worse time.

Papers filed with the suit indicate that BMF management paid \$92 million to acquire the company from Baldwin-United and that \$60 million of the purchase was financed through a loan from National Equity Life Insurance Corp. of Honolulu, another Baldwin subsidiary.

In discussing the BMF transaction, Baldwin-United's 1982 10-K statement filed with the Securities and Exchange Commission says that "this transaction has been treated as a financing transaction rather than a sale." In the filing, Baldwin describes BMF as the company's insurance brokerage "operations."

But BMF says these statements should not create any confusion about the current ownership of the brokerage.

"Our attorneys have taken the position that this was a valid, legal sale and I have heard no one within either of the organizations involved who takes a different point of view," declares Mr. Alcorn.

He says that since the sale was consummated at the end of last year, Baldwin-United and BMF have had a "creditor/debtor relationship, which is entirely different from ownership." BMF is now owned through a holding company structure involving senior management, but the broker will not discuss details of the holding company or identify the individual shareholders.

"These are issues in litigation and on advice of your attorneys you take a super-cautious position and don't say anything," explains Mr. Alcorn.

BMF's past and present links to Baldwin-United have hurt the bro-

ker most in its dealings with the financial community. The company's brokerage clientele has been very loyal, Mr. Alcorn points out.

"We have had some meetings with the chief executive officers of some of our clients that have some apprehensions that have resulted from the Baldwin-United situation," he reports. "I think we have satisfied them as to the separation and as to the fact that we are an aggressive, viable, ongoing company."

Besides the controversy surrounding Baldwin-United, BMF—like the other major brokers—was hurt last year by continuing rate deterioration in the property/casualty insurance markets. Mr. Alcorn says the company did not plan on improvement in 1982 or 1983, but it did expect depressed rates to bottom out.

"Now we really have doubts in the commercial field that it will

even bottom out in 1983, so that's a major disappointment," he said.

Also, BMF says it felt last year the first significant impact of workers compensation rate reductions in states that adopted open rating. Coupled with states in which insurers are permitted to offer rate deviations, this competitive approach to workers compensation now embraces about a dozen states and 25% of the nationwide workers compensation premium dollar.

The impact has been even stronger in Florida, where rates have fallen 50% over the past two years since enactment of a wage-loss approach to workers compensation.

"I would say that the employers in Florida have benefited very, very significantly," says Mr. Alcorn.

Reduced costs to employers translate into a lower premium base upon which broker commis-

sions are calculated. This is the battle that brokers are waging with almost all lines of insurance.

To cope with the ongoing deterioration in its business environment, BMF has closed or consolidated several offices, toughened its emphasis on U.S. vs. international growth, added new products, accelerated its mass-merchandising programs and generally streamlined operations.

Office consolidations took place in Alaska and Florida last year. The Kenai and Seward offices in Alaska were consolidated with the Anchorage branch. In Florida, St. Petersburg accounts will be handled out of Tampa, and Fort Lauderdale business was funneled into the North Palm Beach office.

"Kenai and Seward were there in anticipation of our being there when the gas pipeline was built," notes Mr. Alcorn. "Now we don't know if that construction will ever take place, so it made sense to go

back and handle the business out of the Anchorage office."

Offices in Honolulu and Charlotte, N.C., were closed. And a small agency in Kodiak, Alaska, that was acquired by BMF a few years ago was sold back to the original owners.



Mr. Alcorn

Foreign joint ventures in Lagos, Nigeria, and in the Bahamas also were terminated.

"Curtailment of oil drilling in Nigeria made continuation of the joint venture uneconomical," explains Mr. Al-

corn. "We had anticipated enormous growth there and were the only major U.S. broker with a local office, but instead of growth, it went into a tailspin."

Continued on facing page



Continued from facing page

The office consolidations and closings were the result of an effort to streamline operations and to make the most efficient use of resources. Some remaining offices—like those in North Palm Beach, Atlanta and St. Louis—have been strengthened with additional staff members.

The only new office started by BMF this year is in Cincinnati. "We have extensive clients in Ohio," explains Mr. Alcorn, adding "During 1982 we assumed the brokerage account of (Cincinnati-based) Baldwin-United, which is a very large account."

Owenby Insurance Inc. in Tucson, Ariz., was the only acquisition made by BMF during 1982 and, since the purchase occurred in December, there was virtually no impact on revenues for the year.

The streamlining of operations also took the form of staff reductions at BMF, which cut its work-

force to 1,584 in 1982 from 1,660 in 1981 and 1,700 the year before that.

Most of these reductions affected support personnel since BMF has actually increased the number of its account executives and technical specialists, says Mr. Alcorn.

"Through the process of this redistribution I think that we have a more aggressive field of people out there dealing with customers on the firing line."

In the face of rate reductions and the U.S. economic recession, BMF had to have a strong sales organization to maintain revenues close to last year's levels, points out Mr. Alcorn.

"I think that is a tremendous achievement, particularly when acquisitions did not add to the revenues," he says.

During a period of growth—such as BMF enjoyed up until last year—there is a tendency for fat to creep into any company, he concedes. "People don't look as hard at

the question of whether they need an extra person when they want to add a function."

Companies need to rethink their operations periodically, he continues. BMF discovered through an analysis of each of its offices that it had a large number of tiny accounts that were uneconomical to handle using the conventional account executive approach.

"We have been very successful in taking these books of small commercial and personal lines business and converting them to the mass-merchandising concept," Mr. Alcorn says.

Depending upon the geographic spread of the industry, its complexity and the potential income that can be derived from each unit sale, BMF decides whether such programs are susceptible to marketing by direct mail or if they require more personal attention.

The broker currently administers about 50 mass-merchandising

programs, including more than 40 that are sponsored by trade groups. For example, the Philadelphia office administers a national aviation trade group insurance program, while the Hartford, Conn., office handles a national program for manufacturers of machinery with heavy product liability exposures like die and punch press manufacturers.

During the past year BMF was appointed to administer mass-merchandising insurance programs for the Independent Petroleum Assn. of the Mountain States and the American Society of Safety Engineers.

In December, BMF was appointed the broker for one of—if not the largest—international helicopter associations and acquired administrative responsibility for all of the association's sponsored insurance programs.

Mr. Alcorn believes the broker also strengthened its position in

comparison with its competitors in some of its traditional fields of specialization including municipal liability, energy, aviation and entertainment risks.

"We have obviously suffered from the worldwide curtailment in oil production," says Mr. Alcorn, "but expansion of clientele has offset some of the impact of the recession in that industry."

The decline in U.S. oil production principally affects BMF offices in Colorado, Oklahoma, Texas and Louisiana.

"We've had growth in the wrap-up construction field especially as broker on some casino projects in Atlantic City and a major pipeline project," says Mr. Alcorn. BMF also has become highly active in the marketing of animal mortality and cattle feed lot coverages.

"We continue to strategically look at our capability to handle new products and to build a position in them," says Mr. Alcorn. In that category he includes financial guarantee, investment tax credit recapture, political risk, environmental impairment and retroactive insurance coverages.

A major market for financial guarantee coverage is the real estate syndication field, for example. The insurance guarantees that all of the syndicate partners will come up with the money to pay off the credit instruments underwritten by a bank or financial institution.

The lending institution may require such coverage during the course of construction to assure that the project will be completed.

BMF also recently placed retroactive professional liability coverage for a California hospital chain that wanted to sell out. The prospective buyers would not go ahead with the purchase without retroactive liability insurance to make up for low limits of liability carried by the chain in prior years.

"The previous broker had been in the market for over three months and could not put it together," says Mr. Alcorn. "We contacted 300 markets within 15 days to put it together. As a result of our success, the sale went forward."

In February, BMF debuted its new computer system named CORAS, an acronym for Cost of Risk Analysis System. The system was developed by Risk & Benefit Management Systems Inc., BMF's risk management and self-insurance services division.

CORAS is designed to help large clients develop decisions about how they will fund known or predicted future levels of losses. Three or four BMF offices currently have on-line terminals that can be used to transmit information back and forth from the broker's central computer in Boise, Idaho.

Offices that are not directly plugged into the system can phone in their client data and receive results by mail. More offices will be equipped with on-line terminals as BMF expands its self-insurance administration services.

Fees from self-insurance and other risk management services and some brokerage business not remunerated by commission contribute about 15% of BMF's total gross revenues. International risks placed in both foreign and U.S. offices represent an estimated 10% of the broker's revenues.

BMF offices are located in 50 U.S. cities and abroad in Paris, London and Ruislip, England; and Hamilton, Bermuda.

Principal officers include: Joseph N. Tate, president and chief executive officer; William A. Mizell, executive vp and chief operating officer; Mr. Alcorn; William A. Baxter, executive vp-sales and aviation; and Andrew Potash, executive vp-Eastern division.

—By Rhonda L. Rundle

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9

**E.H. Crump  
 Cos. Inc.**

5350 Poplar Ave., Memphis, Tenn.  
 38117; 901-761-1550

	1982	1981
Premium vol. ....	\$375,000,000	\$366,780,000
Gross rev. ....	\$49,296,000	\$47,780,000
Employees .....	929	1,025
Rev./employees...	\$53,064	\$46,613
Offices .....	55	52

E.H. Crump Cos. once again hit the acquisition trail in 1982, continuing the strategy that has doubled the size of the broker in two years, transforming it from a regional into a national force.

But Crump's revenues in 1982, despite acquisitions and new ventures in seven states, grew at only a modest 3.2% clip, according to pro-forma revenue figures Crump reports to *Business Insurance*. The

brokerage had reported a 71.1% increase for 1981.

But, despite the relatively flat revenue gain, Crump retained its ranking as the ninth-largest brokerage in the nation.

Crump, which now has locations in 25 states, primarily in the Sun Belt and Pacific Coast areas, isn't abandoning its acquisition strategy. During the first quarter of 1983, the firm made a major acquisition in Colorado, purchasing the outstanding capital stock of Warren & Sommer Inc., a large Denver-based retail agency.

"The whole reason behind our acquisition program is the belief that at a certain size you have the resources to do certain things well—you can hire engineers, have technical people on staff, etc.," says Sidney A. Stewart Jr., Crump's president and chief executive.

"We believe that in order to survive in today's market, you must

have certain types of people within our organization—people with diverse specialties," he adds. "When we finish, we may not have as many people of these types as Marsh & McLennan or Alexander & Alexander, but we'll have as good a group as they do."

**Crump's bold** acquisition effort began in 1981 with the addition of Kindler & Laucci Insurance Brokers of San Francisco and LaBow Haynes Co. Inc. of Bellevue, Wash. The two brokers—purchased from Reliance Insurance Co. of Philadelphia, which owns 44% of Crump's stock—gave the broker a strong presence in California, Arizona, Washington and Oregon and increased the broker's size by 50%.

"Those acquisitions took us out of the realm of a regional firm into the national market," Mr. Stewart says. "Since the beginning of 1982, we have continued to grow in the South and West, areas we believe

show the greatest growth potential nationally."

New ventures and acquisitions in 1982 include the addition of Crump-Harris of Philadelphia; Raymer McCann Meadors & Cargile (now called Crump-Arkansas) in Little Rock, Ark.; Ligon, Gump & Ligon Inc. in Dallas; and Lambeth-Pitt-Crump of Charlotte, N.C.

Word & Cunningham Agency was merged into the Crump Knoxville, Tenn., office and Crump's Hanson & Rowland affiliate opened a branch office in Anchorage, Ala.

Besides Warren & Sommer, Crump so far this year has acquired Crump-Godfrey of Fairfield, Conn., and The ENCOM Group of Newtown, Pa.

Mr. Stewart says he expects further acquisitions will be announced as 1983 progresses.

Based on its strategy over the past 2½ years and its plans for the

future, Crump might well replace A&A as the king of broker acquisitions. Several years ago, A&A was acquiring agencies at the rate of one a month.

But that's where the comparison should end, Mr. Stewart says. Crump's goal isn't to imitate Alexander & Alexander or Marsh & McLennan, he says.

"Every organization changes as it grows," he says. "However, we'll work hard to keep our style intact as we take on more new ventures. I don't ever see our firm located in every nook and cranny like the top two or three brokers are."

"As to style, we probably function and plan to function with more autonomy on a local level than those brokers do," adds James M. Power, Crump's vice chairman and chief financial officer. "Of course we try to standardize internal operations such as accounting procedures, but as far as marketing and selling insurance is concerned, we prefer to leave that in large part up to the local offices' expertise."

It's difficult to gauge the exact impact of Crump's acquisitions on its revenues because it reports two separate sets of financial data. But no matter which set one uses, its growth over the past two years has been nothing short of impressive.

According to the pro-forma comparisons the broker reports to *Business Insurance*, gross revenues from insurance-related operations grew just 3.2% to \$49.3 million from \$47.8 million. However, the brokerage reported a huge 71.1% pro-forma revenue gain in 1981 over 1980, which reflects the acquisitions of Kindler & Laucci and LaBow Haynes.

The small pro-forma growth reported in 1982 also reflects the sale of its Fisher-Brown Inc. agency subsidiary, which had contributed \$3.1 million to 1981 revenues.

Overall, according to the pro-forma figures, Crump revenues have grown 76.5% since 1980.

The story is much the same but the numbers are a bit different if one uses the data reported according to generally accepted accounting principles contained in the annual report. Using these figures, which include several non-insurance operations, revenues grew 61.6% in 1982, compared with only a 13.7% increase in 1981.

Overall, according to these numbers, the company's revenues gained 83.7% over the two years.

Using the GAAP numbers, the strategy appears to be starting to pay off on the bottom line, too. Net income increased 68.6% in 1982 to \$2.6 million from just \$1.5 million in 1981. That compares with a 46.2% decline in net income during 1981 compared with 1980.

Profits have not held up so far this year, though. Net income fell about 5% in the first quarter of 1983 to \$887,000 from \$934,000 in the first three months of 1982.

With the recent acquisitions have also come the divestiture of some smaller agencies, a closer look at internal efficiency and a de-emphasis of Crump's real estate operations, Mr. Stewart says.

"We have no divestment policy as such, but in today's market you need people who perform," he says. "We try to pay for performance and help people to perform. If they can't then maybe they're with the wrong firm. Organizational goals change; sometimes the location doesn't fit in anymore. Sometimes the office is having trouble responding to the insurance environment today."

Continued on facing page

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Continued from facing page

"Everybody's running a tighter ship this year," he continued. "Internally, we haven't replaced some people who have left. We also haven't said that we would get rid of 100 people at once or anything like that. But we look very carefully before we add people."

These intentions are reflected in the 9.4% reduction in staff Crump reported last year.

Speculation continues over the role in Crump's affairs played by Reliance Insurance Co. In 1981, the insurer brought the Crump family's block of 25% of Crump stock, leaving it owning approximately 44% of the broker.

"Some people don't believe this, but Reliance hasn't provided us with financing for any of our recent acquisitions," Mr. Stewart says. "They haven't given us any money or lent us any money outside of what we got out of the original deal."

Insurance commission and fees from Reliance to Crump totaled \$1.85 million in 1982, down from \$1.9 million in 1981.

"About 4% of our business is written with Reliance," he says. "Contrary to what others might believe, they are not our largest market. We have other insurance companies with which we place more business than Reliance."

Mr. Stewart says he also sees no move by Reliance to purchase the rest of Crump stock.

Retail business accounts for about 72% of Crump's revenues, according to the broker's annual report. Although results have been hurt by the premium cuts and lower commissions prevalent in the industry, Crump's employee benefits, life insurance and consulting services businesses have been brighter spots.

"Obviously, like everyone else we are having problems on the revenue side of our retail business. This is being compounded by an inevitable increase in the expense of doing business due to inflation," Mr. Stewart says. "If there is an opportunity here, it is to be more efficient and improve various segments of our business."

"The next thing we have to do is fight for revenue increases, not by renewals but by being as aggressive as everyone else."

In the commercial lines area, Crump will try to carve out niches for itself, either by favorable relationships with insurers or by employing superior technicians on a particular program, Mr. Stewart says. At present, he said he believes that West Coast Crump offices have an edge in municipal coverages. Other offices do well in the construction industry, he adds.

Crump offices also offer specialized ocean fishing vessel and explosives manufacturer packages and is involved in handling and underwriting high-limit liability coverage for utilities.

The amount of personal lines coverages written by Crump retail agencies ranges from 40% of revenues in some offices to less than 2%. The average is about 14%, Mr. Power says.

Employee benefits, life insurance and consulting services have played an increased role in Crump's business, says Mr. Stewart. Like virtually every major broker, Crump would like to play a bigger role in the benefits marketplace.

Crump currently brokers benefits programs including group medical, life and disability and pension plans from offices in seven states. Individual life and health coverages are also offered, as well as claims administration, benefits communication and related consulting services.

"A company only has so many dollars to invest in projects that will reap long-term gain, but the employee benefits area is one place where we're investing quite a bit,"

he says. "It does provide some insulation from the insurance cycle, although not as much as you might like."

Traditionally a Crump stronghold, excess and surplus lines results continued to reflect the problems faced by the entire industry, Mr. Stewart says. Crump serves the market from offices in 13 states.

"It hasn't been a good time for this business. Much of it has gone to the retail level," he says. "We're certainly not expanding in this area, and we have sold a couple of smaller operations."

"Some of our offices, those with special products to offer, have done rather well. Success today depends

on product and marketing. In general, we'll continue to be a factor in the excess and surplus market, but we're not investing much in the business at this time."

Business is also off for the broker's underwriting subsidiary, Southern American Insurance Co., Mr. Stewart says. Net written premiums have declined from a high of \$6.77 million in 1978 to \$2.39 million in 1982. However, Crump does not include Southern American's revenues in the figures it supplies to *Business Insurance*.

The subsidiary's profits were affected by a decision to sell long-term securities and reinvest the proceeds. A \$1.33 million pretax

loss was taken on these sales.

Corporate goals for 1983 will be to integrate the new offices into the Crump system, increase profitability, emphasize new business production and develop new products and sources of revenue.

In five years, says Mr. Stewart, Crump will be a "firm of national scope, with offices in most major cities."

"We'll have the abilities, if not the number of people, of any major broker," he adds. "If the market changes, there will be an expanded role for Southern American in special areas and employee benefit business. We'll be more efficient through automation and continue

to place more emphasis on individual producers and offices than other major brokers."

Besides Mr. Stewart and Mr. Power, principal officers include executive vps E.B. Morrow Jr., Gordon E. Noble and Donald A. Thomas.

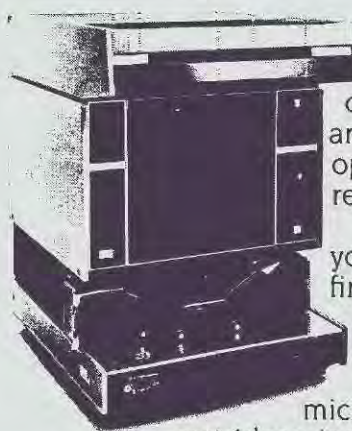
As reported to the Securities and Exchange Commission, the five highest-compensated executives in salaries, commissions and bonuses in 1982 were:

Sidney A. Stewart Jr.	\$147,846
David D. Henritze	\$208,607
E.B. Morrow Jr.	\$113,962
Gordon E. Noble	\$149,800
James M. Power	\$120,346

—By Dave Galanti



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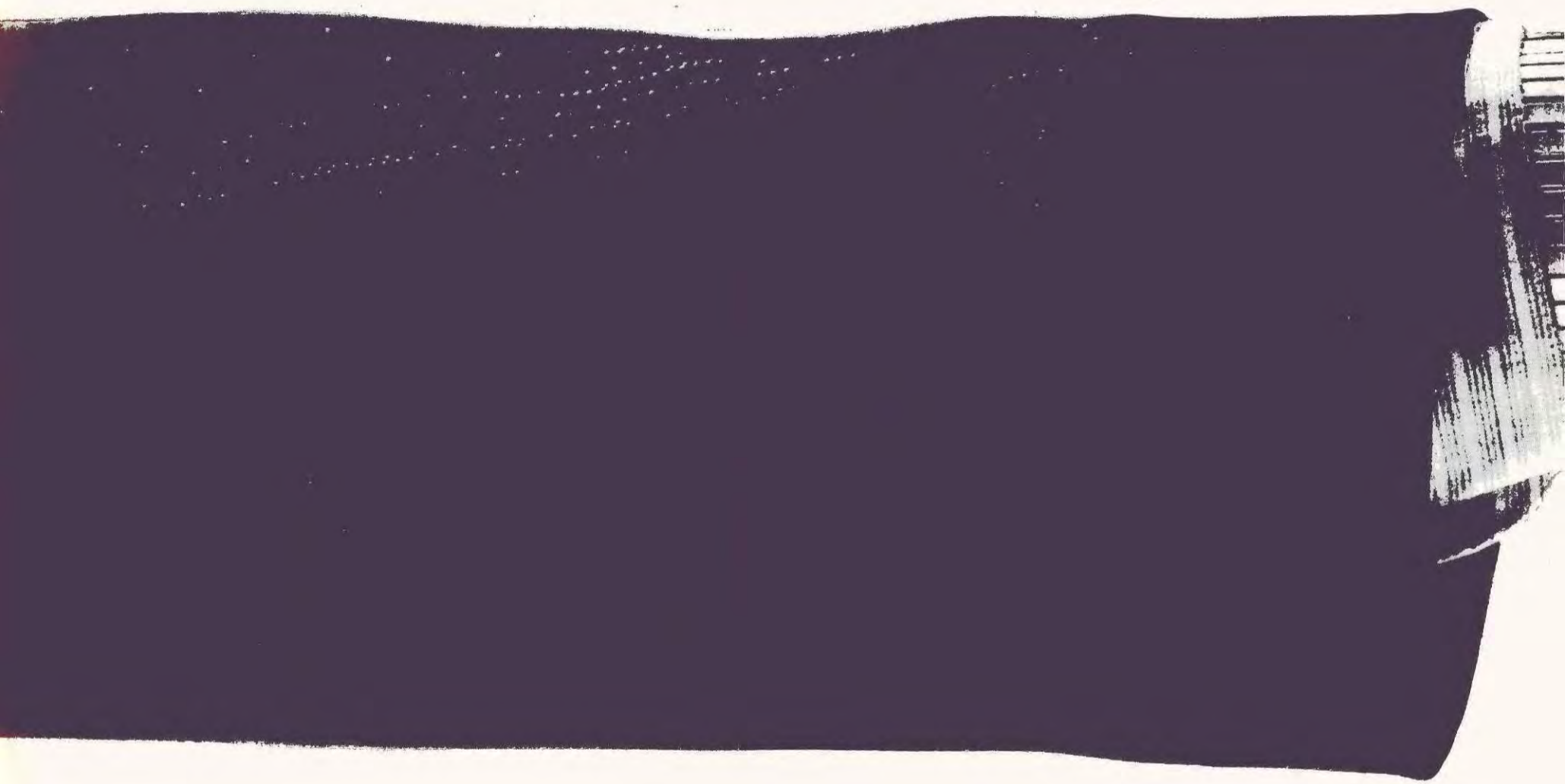
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## ONCE AGAIN THE ANSWER IS AIG.

10

Arthur J. Gallagher & Co.

10 Gould Center, Golf Road, Rolling Meadows, Ill. 60008; 312-640-8500

	1982	1981
Premium vol . . . . .	\$225,000,000*	\$200,000,000*
Gross rev. . . . .	\$48,477,400	\$42,535,657
Employees . . . . .	893	897
Rev./employees . . . . .	\$54,286	\$47,420
Offices . . . . .	83	78

Highly professional employees, high-tech and a high activity level sent gross revenues soaring 14% last year for Arthur J. Gallagher & Co.

But it also took some tough belt-tightening.

There was a stringent head count control in force at Gallagher in 1982 because of the economic downturn and the soft market, said President Robert E. Gallagher. That meant a wage and hiring

freeze, tight expense controls and a cut in advertising.

Gallagher, which in the past has prided itself on staff development, reported 893 employees in 1982 compared with 897 in 1981.

But the belt-tightening "went down beautifully," says Mr. Gallagher. "We increased our profits more than 100% between 1981 and 1982," he said.

The record gross revenues of \$48.5 million compared with \$42.5 million in 1981 exceeded the 10% increase Gallagher had sought and kept the Rolling Meadows, Ill., brokerage firm in its 10th place spot in the *Business Insurance* brokerage ranking.

It is still the second-largest privately held broker after Johnson & Higgins—but that may change.

The company's officers are "thinking very seriously" about going public, says Mr. Gallagher. The 56-year-old brokerage has had the option "for years and years,"

but now it is more of a possibility, he explains.

However, Gallagher's officers are still scrutinizing the disadvantages of going public.

Being a private company gave Gallagher the flexibility of a management design that could stretch over a period of years, rather than satisfy stockholders in quarterly reports.

"Being self-controlled and contained is a real advantage for us," Mr. Gallagher said in a 1981 interview with *BI*.

To maintain some of that control only a portion of the company stock would be sold if the firm goes public, he said.

Despite the drawbacks, going public would create a vehicle for mergers and acquisitions, Mr. Gallagher pointed out.

"And it also will assist in brand-name recognition. We're known in the industry, but we're not really household words," he said.

It also would put additional capital into the company—a very big advantage, Mr. Gallagher explained.

For the first time this year, Gallagher has published an annual report—a mainstay requirement of publicly held companies.

The 18-page booklet not only recaps the company's activities for its 120 shareholders, but also charts its financial growth during the past 10 years.

Gross revenues grew an average of 30.7% a year over the decade. The company's \$48.5 million in gross revenues last year is a significant contrast to the \$4.9 million it showed in 1973.

As the revenues increased, so did the revenues per employee. It

was \$27,249 in 1973, \$41,274 in 1977 and \$54,286 in 1982.

The increased revenues should help Gallagher balance the massive commitment of dollars and people it took to bring the brokerage's computer system up to the state-of-the-art.

With the system now finally online, some 65 of the company's current staff of 930 are dedicated to its operation, Mr. Gallagher said.

The new computer system, which Mr. Gallagher talks of as proudly as if it were a family member, has the capacity to grow and grow and grow. "In the next 10 years, we're going to have the advantage," Mr. Gallagher said.

"We're totally committed to be the high-tech broker in our country."



Mr. Gallagher

The computer plays a vital role in Gallagher's risk management sales and services operations, which now account for 60% of the broker's revenues. Twenty percent of that 60% is related to fees and commissions for the placement of excess and aggregate insurance. Property/casualty and marine insurance placement generate 25% of gross revenues, health and welfare plans—many of them self-funded—10%; and miscellaneous, 5%.

The new computer system is used by Gallagher's Risk Management Sales Division and Gallagher Bassett Insurance Service, a nationwide risk management services division that serves self-insured companies.

Gallagher Bassett services include claims management, loss-control consulting services, information management and property appraisals.

One of the newest programs offered through the computer system is Risx-Facs.

It can supply risk managers with monthly reports on a variety of topics and the reports are ready within three to five days of the close of the month. The risk manager can choose the specific information he wants according to various categories, so he can focus on problem areas without having to search through pages of detail.

The claims loss-analysis report, for example, identifies five major workers compensation claims categories on the basis of frequency and severity, compares the most recent period to an equivalent previous period to focus on possible trends and includes a separate report on the nature of the injury. Such information can be used for the development or refinement of a safety program, says Risx-Facs literature.

The first clients have been successfully converted to the new computer system. Mr. Gallagher hopes all existing clients will be converted by the end of next year.

While many companies talk about computer systems to save time and money for themselves, Mr. Gallagher never mentions the high-tech equipment without noting how it will be of service to his clients.

"We've got a mission to perform for our clients. . . we work hard for client satisfaction. Everyone talks accounting, but we're going for the clients," Mr. Gallagher said.

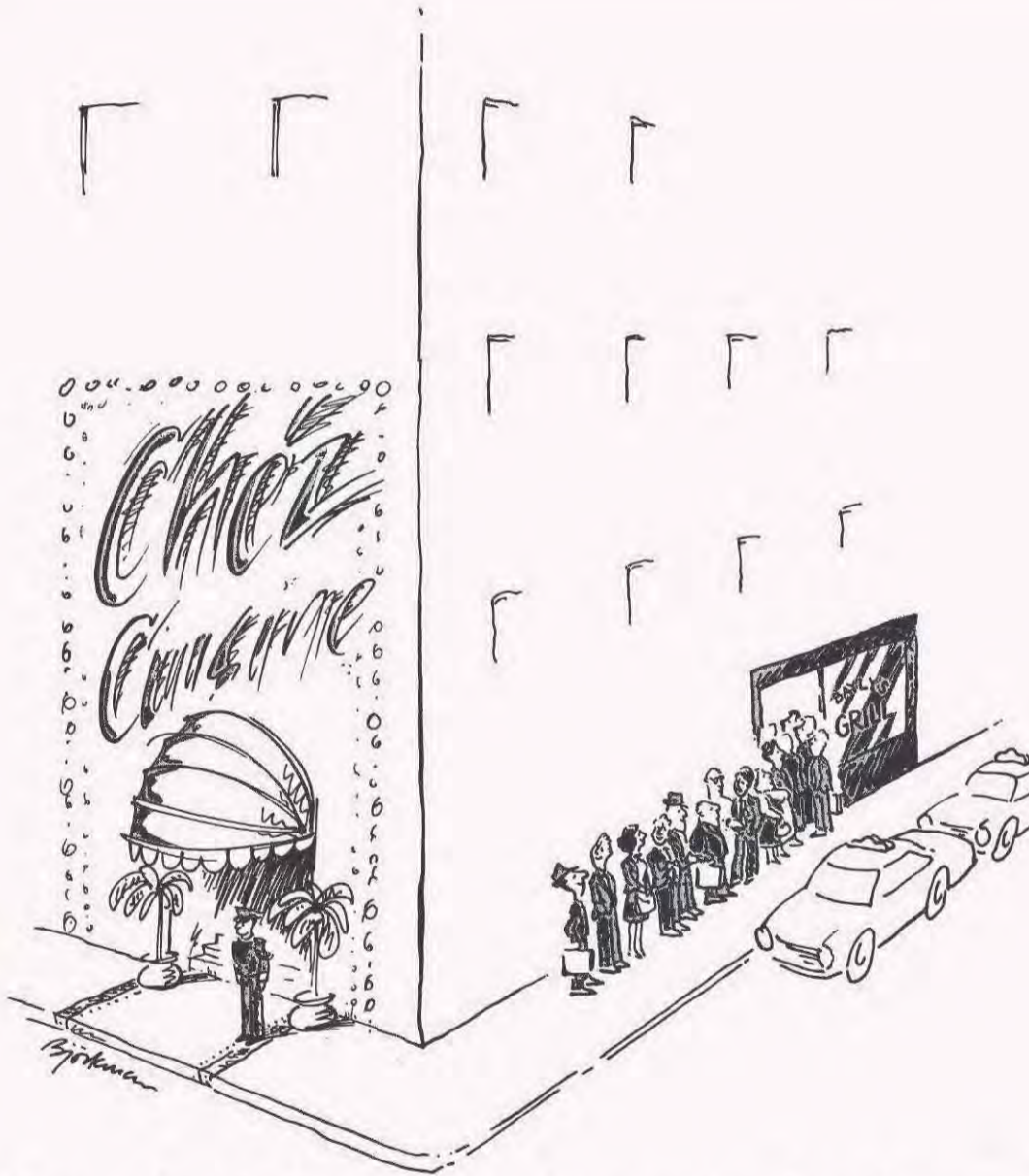
There is little client turnover at Gallagher, which handles both large and small accounts.

"We're uniquely able to accommodate the very largest (because of the data systems), but our share of the market of Fortune 500 is very small. . . we intend to change that," he said.

Gallagher's self-insured clients include a cross section of governments, commercial and industrial, and religious institutions, he said.

In April, the company handled 16,500 group claims in its group benefits self-insured area alone.

Continued on page 50



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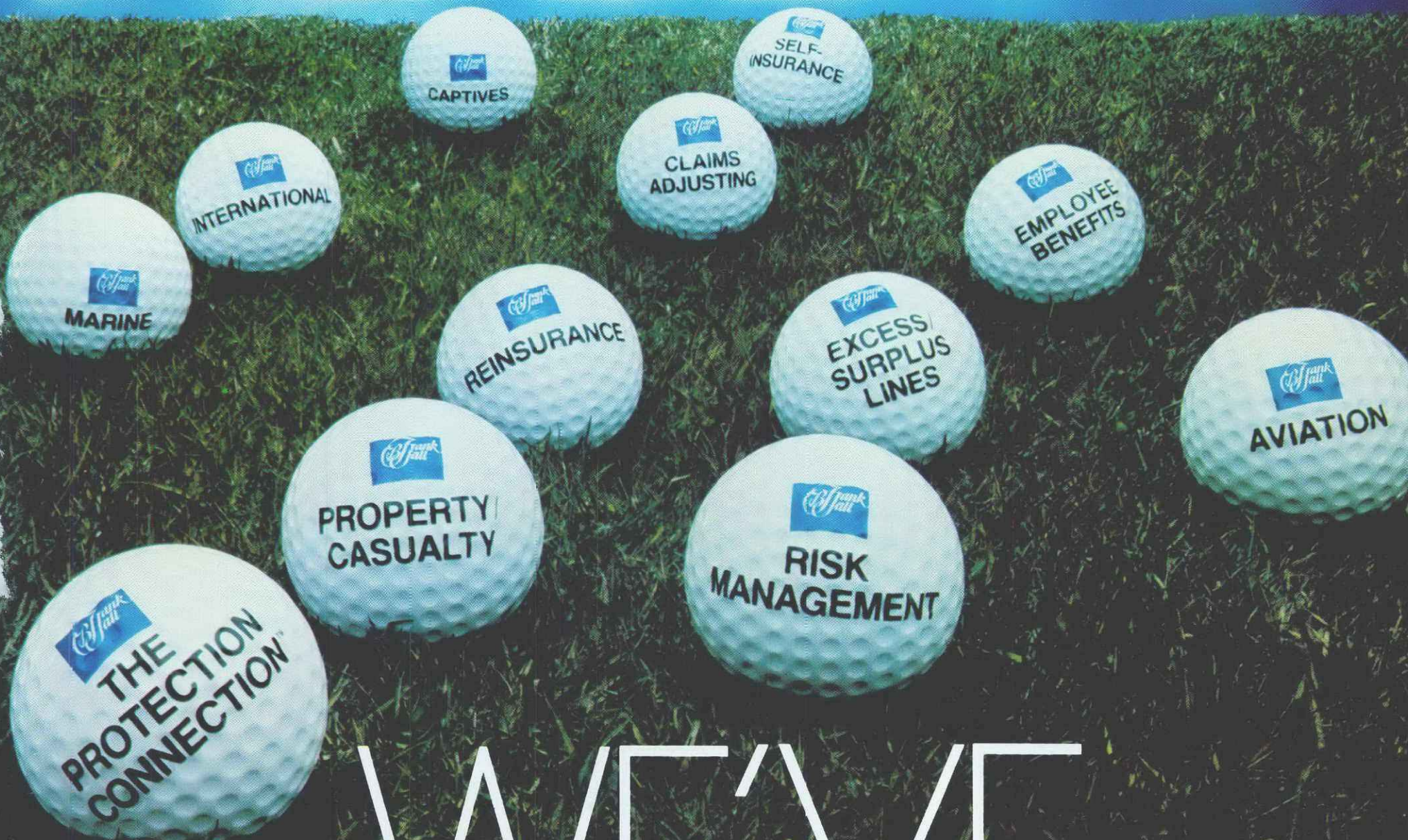
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Continued from page 48

According to Mr. Gallagher, employee benefits is the fastest-growing area. "This benefits area is dynamite," he said. Because of its services and experience, Gallagher is ready to handle a bigger share of the market.

"But we're not going into the risk-taking business. We're risk management—lock, stock and barrel.

"I disagree with some of my well-respected peer group in this regard (brokers that are buying insurance companies), but only time will tell. We will continue to concentrate on what we do well," Mr. Gallagher said.

While Gallagher pulled back a bit last year on efforts to increase its number of offices (it has 83 now compared with 78 in 1981) and the size of its staff because of the need to funnel resources into the computer system, expansion in both

areas is an important avenue for Gallagher to trek, Mr. Gallagher says.

Already this year the stringent cost-controlling measures have been loosened and 37 people have been added to the force.

Two new ventures also were added: Periodic Payment Services Inc. in Rockford, Ill., Gallagher's entry into the field of structured settlements, was bought in May and UIC Ltd., a managing general agency for political risks, was started the same month in New York.

Late last year Gallagher bought out Martin & Associates Inc. in Little Rock, Ark., a broker that also is involved in risk management services, and Robertson Agency Inc. in Atlanta, Ga.

In its international marketplace, Gallagher increased its equity position in broker Gallagher, Hinton & Vereker Ltd. in Britain from 76% to 90% last year, and this year increased it to 100%.

"We're the first American that ever started something from scratch in the Lloyd's market," Mr. Gallagher said of the company's London subsidiary.

"One of our strategic areas of development is international," he noted.

He refused to elaborate on the plan except to say Gallagher is building relationships around the world. It will be handled, however, he said, in Gallagher's usual "careful, slow and quiet way."

Part of the reason behind Gallagher's steady, solid growth patterns is the staff.

"The glue that keeps it all together is the entrepreneurial sparks (of the staff)," Mr. Gallagher said. "We're a turned-on organization, a very together company."

The corporate culture at Gallagher is very open, he said, adding "we have holler-ing rights here."

A quote by Arthur J. Gallagher, the 90-year-old chairman of the board, encapsulates the company's philosophy and appears in much of the company's literature:

"If something old is still with us, it means that it earned the right. Old concepts remain because they continue to contribute. But the way of life is change, and change brings the new. And when the best of the new retains the best of the old, then the result will be noble and fresh. Honesty and quality persevere," he said.

"We work hard keeping the best of the old and the best of the new," the chairman's son said.

Some of the new includes college students who attend an annual summer training program to get an early start in the industry. This summer six students are participating.

"We're consumed with our own professional development," Mr. Gallagher says. "The drive to be big is not there at all, but the drive to grow professionally is," he said.

Other principal officers of the firm include: John P. Gallagher, executive vp and secretary; Michael J. Cloherty, vp-finance and treasurer; John G. Campbell, Charles C. DeBruler, Joseph W. Fahey, A. William Greenfield, Bill G. Jensen, Donald J. Krutek, Walter F. McClure and Warren G. Van der Voort, all vps.

—By Carol Cain

**ADAMS & PORTER ASSOCIATES, INC.**

1819 St. James Place • Houston, Texas 77056 • (713) 960-9990

Jardine Insurance Brokers Inc.

50 Francisco St., Suite 300, San Francisco, Calif. 94133; 415-391-2600

	1982	1981
Premium vol. ....	NA	\$273,000,000
Gross rev. ....	\$34,051,000	\$33,144,000
Employees .....	625	661
Rev./employee...	\$54,482	\$50,142
Offices .....	16	18

The old Albert Bender Co., which was bought by the Bache securities firm and promptly orphaned after the Prudential-Bache hookup—seems to be settling into happy harmony with its new corporate family.

The new Jardine Insurance Brokers Inc. lost no time last year adopting the name of its new parent—Jardine-Matheson & Co. Ltd.—and promoting its link with the British-owned, diversified international company headquartered in Hong Kong.

On a worldwide basis, Jardine Insurance Brokers, the name the parent company has given to its global brokerage operations, claims to be one of the world's 10 largest broking operations with more than \$1 billion worth of combined premiums. Its 80 offices in 19 countries span the globe from Spain to Singapore and from Nigeria to New Zealand.

But, North American operations represent roughly a quarter of that grand total. Last year, Jardines' U.S. gross revenues were \$34.1 million, about a 3% increase over 1981 revenues of \$33.1 million.

This performance enabled the U.S. operation to hold its position among other U.S. commercial insurance brokers in the Business Insurance rankings. It actually moved up one slot to the No. 11 spot thanks to the merger of Rollins Burdick Hunter and Ryan Insurance Agency Group.

JIBI spent last year solidifying its new identity and cleaning house to prepare for another charge into the agency acquisition market. When the conversation turns to acquisitions, JIBI Chairman Bernard H. Mizel's eyes light up. This is a topic that excites him.

"We would like to put another \$10 million to \$15 million on the books through acquisitions by the first quarter of 1984," he enthuses. That's the first objective to be achieved in two years or sooner.

But to be a real factor in the business, Mr. Mizel thinks a brokerage has to do more than \$100 million in gross revenues a year, so that benchmark will be the next objective. "We're looking at four years from now to get there," he declares.

Mr. Mizel expects to have more time to devote to studying acquisition candidates by virtue of a major management change at Jardines last year. Robert L. Rossi, former president of the Western division, has been named president and chief operating officer of the entire company.

Previously, the management structures of Eastern and Western operations were quite separate, reflecting their different roots in the San Francisco-based Albert Bender Co. and Ter Bush & Powell in New York. The discombobulation caused by the Bache Group Inc. and Prudential Insurance Co. of America epi-

sodes delayed the broker's plan to integrate operations on the two coasts even though Bender acquired Ter Bush & Powell three years ago.

Last year, however, tying the two ends of the company together was a top priority. Mr. Rossi's promotion signals progress on that front—as well as a new beginning. He wants to see more synergism between the two divisions through sharing of expertise.

"Where we had weaknesses here in the West, they had strengths in the East and vice versa," says Mr. Rossi.

The Western division has developed some strong special programs for convalescent hospitals and construction contractors, for example. And the Eastern division has a head start in employee benefits and trade association business.

JIBI also wants to expose its Eastern operations to some of its major insurance company markets, with

whom it has close business relationships.

Other related management changes are the naming of Edward A. Greenberg to executive vp-Western division, Thomas L. Zack to executive vp-Eastern division/ property and casualty and W. Michael Carroll to executive vp-eastern division/life and employee benefits. Richard J. O'Roarke, former president of Eastern operations, decided to take early retirement, according to Jardine.



Mr. Mizel

Due to New York state laws that until recently barred brokers from using the word "insurance" in their names, Jardine continues to operate in that state as Jardine Ter Bush & Powell

Inc. However, the company hopes to adopt the new name after the first of the year, subject to approval by state insurance authorities.

Taking into account the miserable market environment, JIBI says its performance last year met expectations. Although growth is important to the brokerage, making profits for its new parent is paramount.

"We can't discuss figures—but we did very well in 1982," he says. "The firm has been very profitable at a time when many other brokers are bleeding. We set certain criteria—at a realistic and a high level—and we met the criteria."

JIBI was a good 12 months ahead of most of the other major brokers in doing something that all of them probably should have done a long time ago—analyze operations and trim out the fat, says Mr. Mizel. "We created disciplines within the company that we never had before."

"We took the fantasy out of our

planning and went back through our budgets. We called in producers, looked them in the eye and asked them what they realistically could deliver in revenues—we told them we thought our earlier projections might have been unrealistic," says Mr. Mizel.

During 1982 there was a heavy emphasis on expense containment, staff reductions, office consolidation and cash management.

Three offices were consolidated. Two Los Angeles offices merged and an office in Walnut Creek, a suburb of San Francisco, was consolidated with the city office. Business in Petaluma in northern California was moved into the nearby city of Santa Rosa.

The employee census today stands at 625, down from 661 a year ago. Actually, the reductions cut deeper because they were offset by the addition of a 25-to-30-person staff in a new Honolulu office.

Continued on next page

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## Demands on Corporate Pilots

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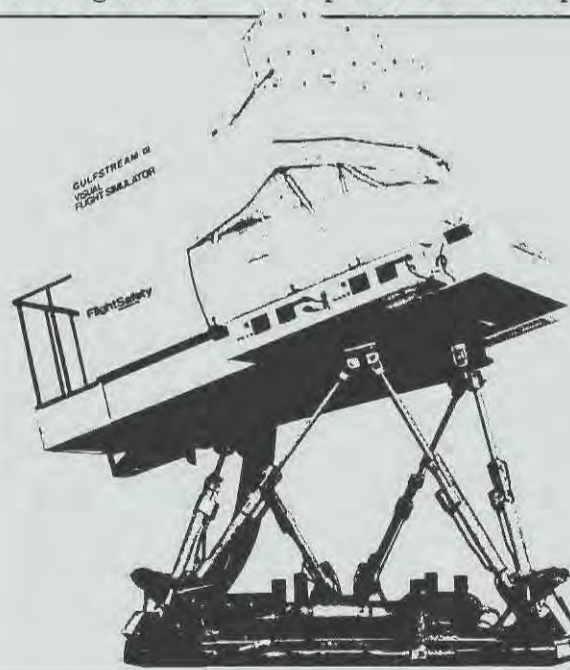
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*Continued from previous page*  
 "We saw redundancies in our staff and in order to effectively react to the market we went in and reduced staff over eight months," says Mr. Mizel. "Some of our competitors are trying to do this in two weeks, which hurts morale, is inefficient and not in the best interests of their customers," he adds.

The broker of the 1980s must adopt modern personnel management techniques to survive, Jardine's executives fervently believe. This means—among other things—using computerized analysis of people's production performance in relationship to their compensation. Too many brokerage companies consist of highly paid individuals who run private companies within public companies without much accountability, they say.

JIBI also cut expenses by clamping down on premium advances to customers. Accounts receivable over 60 days have dropped to half

of what they were a year ago. This was achieved by making managers and account executives directly responsible for premium collections.

"You hear howls from people when you ask them to do it," admits Mr. Mizel. "And we have to take the position that we are prepared to lose the account."

But, the alternative is unprofessional, he says. In the past too many producers sold insurance on the basis of drawn-out payments. Mr. Rossi recalls an old saying in the business: "Any fool in the world can sell all of the insurance in the world if he does not expect to be paid for it."

Happily, JIBI has found that the policy works and is not as gruesome for producers as it sounds. Clients accept it. After all, points out Mr. Mizel, it's not unreasonable to say to a customer: "Here's your policy—I would like to be paid."

All of these efficiency efforts are starting to pay off in 1983 results.

"We're coming out of the box in the first quarter with a very respectable net profit increase," exults Mr. Mizel. And revenues were up 12% in the first quarter compared with a year ago, adds Mr. Rossi.

The company says it couldn't have achieved that without something different—and expense controls tell only a part of the tale.

The key is keeping people in the field to sell service and insurance. And one way of doing this is to avoid duplicating the functions already performed by insurance companies. Jardine's goal is to operate with the efficiencies of a direct insurance writer for the medium-sized commercial account in the \$25,000 to \$500,000 range.

"We want to create partnerships with about 10 major insurance companies in the property and casualty field," explains Mr. Mizel. By limiting the major markets its uses, Jardine believes it can be more efficient for its customers and pull more weight with those insurers.

Among these 10 companies, Jardine will establish close ties with perhaps four or five of them to combine both the underwriting and sales function—maybe even under one roof in Jardine's offices. Last year, the broker began using this dedicated unit concept with one insurer that has put a 30-person branch office—complete with sophisticated computer capabilities—into Jardine's San Francisco headquarters. But it would not identify the insurer running the dedicated unit because of a non-disclosure agreement with that company.

This is a first step toward true vertical integration, says Mr. Rossi. "The unit exclusively services eight

branch offices for Jardine here on the West Coast and gives us the ability to pull up a claim on a screen right in this office."

A lot of other brokers are talking about vertical integration, but no other has taken the concept this far into actual practice, says Mr. Mizel. "We think we have entered into a unique relationship with one carrier—and we're moving, slowly, toward closely defined relationships with our other carriers."

The vertical integration concept will play a major role in Jardine's future, the company promises. And the technique will be applied to a broad range of insurance products rather than specialty lines.

In fact, JIBI has determined that to be successful it must be a generalist rather than a specialist broker, albeit with certain specialty programs. This represents a change in thinking for JIBI, which up until last year put more emphasis on specialty market development.

A major exception is the marine market. Jardine wants to become a major international presence in that field. Not only does the parent company operate insurance brokerages worldwide, it also is heavily engaged in international shipping and the freight forwarding business. So, marine insurance looks like a logical fit.

A veteran marine broker named Michael Gribbin, who has been working for Jardine in Hong Kong, has relocated to San Francisco to take charge of U.S. marine operations. Two other senior marine specialists will work under him—one in New York and the other in San Francisco.

JIBI in New York already had a modest marine effort with a 15-person staff, but the business is virtually unknown to the company's West Coast people. That will be remedied with both staff and broker acquisitions.

"We are looking for acquisitions in the marine area—both individuals and free-standing brokerage firms—to expand our marine operations," says Mr. Mizel. "I'd love to have \$15 million to \$20 million (in revenues) in the next three years."

JIBI's objective is to become one of the major marine brokers in the U.S. Mr. Mizel is looking for marine acquisitions in such areas as New Orleans and Tampa, Fla.

But, the bigger acquisition drive for regular non-marine offices will be where JIBI already has strength—the West and East Coasts. There are roughly 15 active candidates in such places as California, Oregon, Washington, Arizona, and possibly as far east as Texas. On the East Coast, JIBI is eyeing prospects in New York, Massachusetts, Pennsylvania and New Jersey.

JIBI also plans to funnel more resources into employee benefits in 1983, says Mr. Rossi. Last year about 26% of the company's commissions and fees was generated from health and employee benefit-related activities.

Jardine Insurance Brokers Inc. offices are located in San Francisco, Arcata, Santa Rosa, Santa Ana, Calif., Los Angeles and Santa Ana, Calif.; Honolulu; Spokane, Wash.; Montclair, N.J.; and Boston, Mass.

Jardine Ter Bush & Powell Inc. offices are in New York, Schenectady, Syracuse, Cedarhurst and Hoosick Falls, N.Y., and in Tampa, Fla.

Principal officers are Bernard H. Mizel, chairman and chief executive officer; Robert L. Rossi, president and chief operating officer; J. William Campo, director of JIBI and chairman of Jardine Ter Bush & Powell Inc.; E. Paul Hansen, chief financial officer; Edward A. Greenberg, executive vp-Western division; Thomas L. Zack, executive vp-Eastern division property/casualty; and W. Michael Carroll, executive vp-Eastern division life/employee benefits.

—By Rhonda L. Rundle



Mr. Rossi

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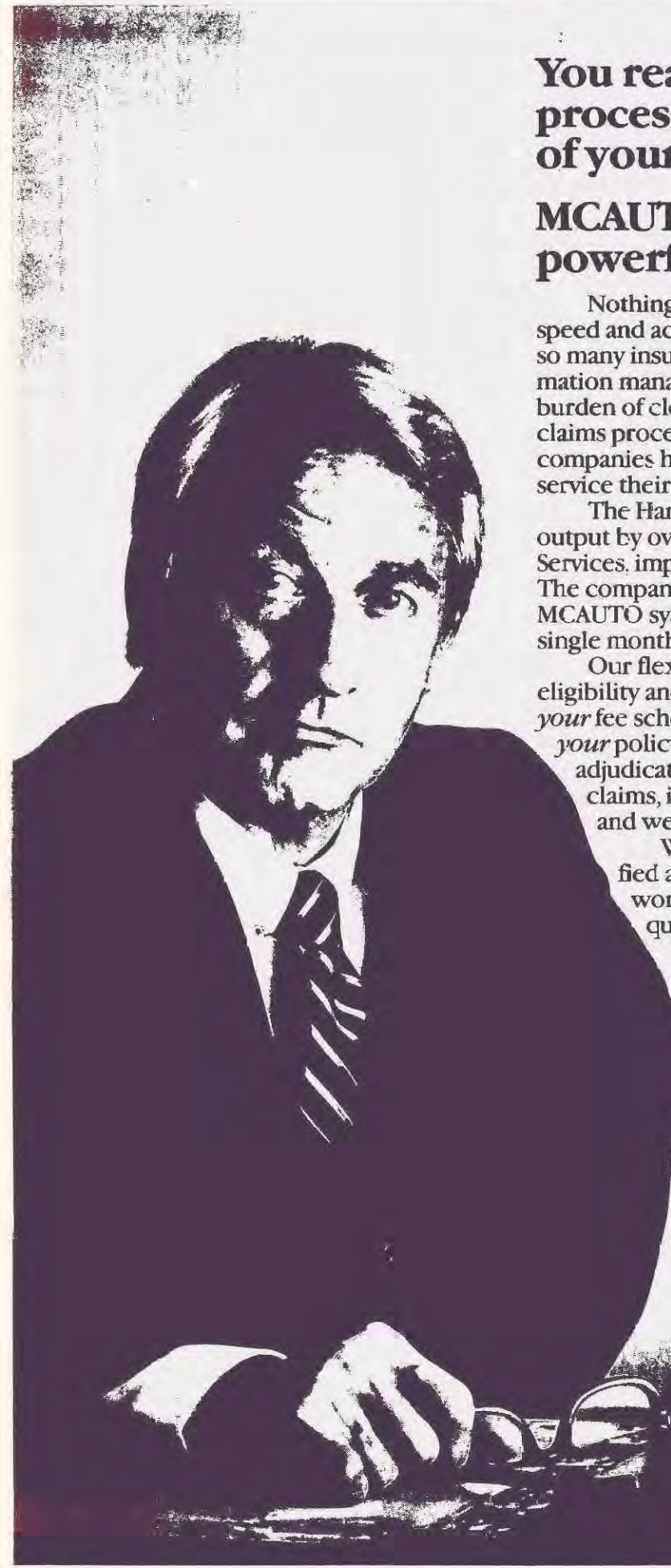
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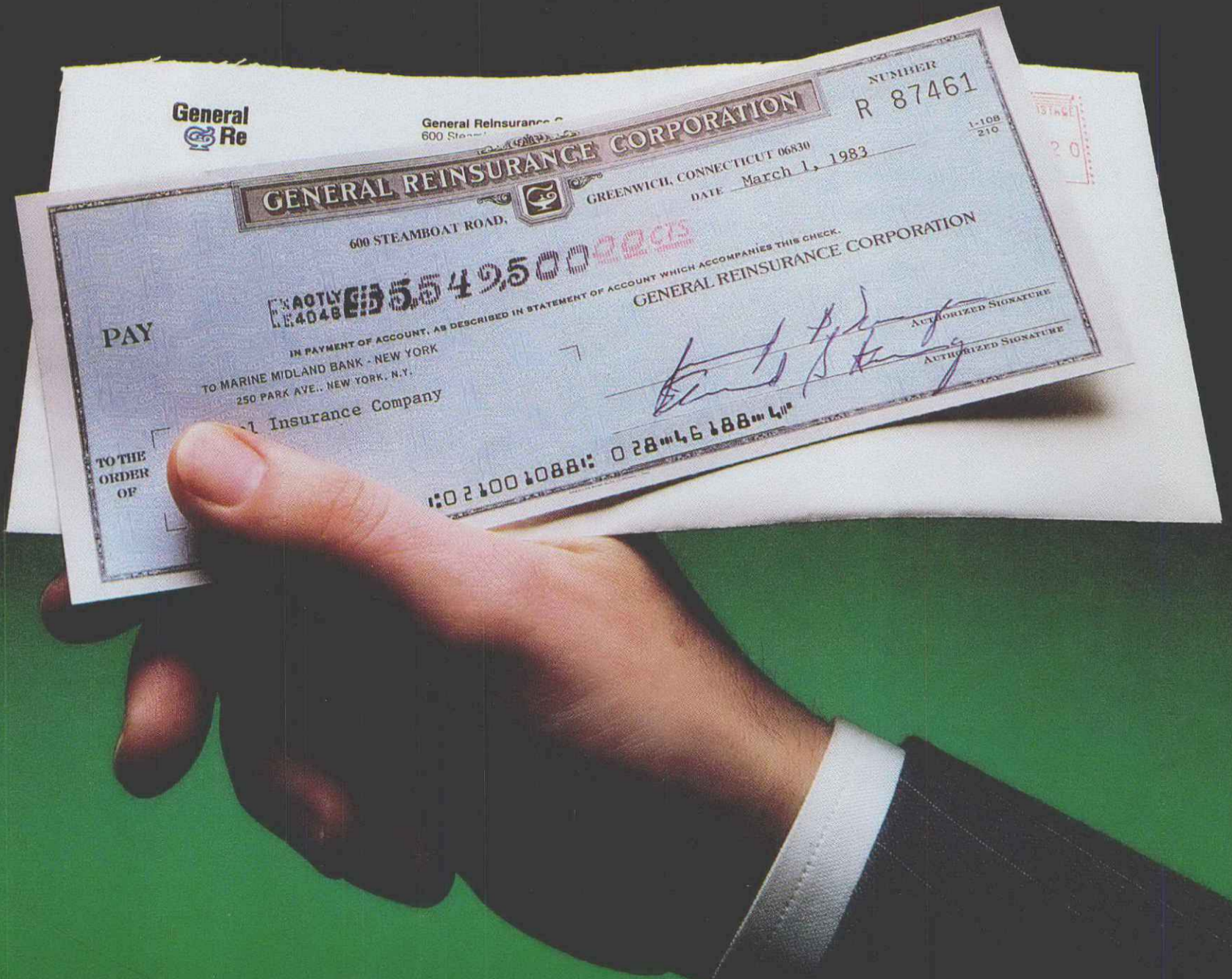
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12

**Emett & Chandler  
Cos. Inc.**

1800 Ave. of the Stars,  
Suite 1410,  
Los Angeles, Calif. 90067;  
213-553-4600

	1982	1981
Premium vol. ....	NA	NA
Gross rev. ....	\$29,900,000	\$27,100,000
Employees .....	575	589
Rev./employees ...	\$52,000	\$46,010
Offices .....	20	19

If its business were exclusively insurance broking, Emett & Chan-

dler Cos. Inc. would have plenty to crow about.

New account revenues shot up 23% last year, helping to offset a 10% revenue shrinkage on existing business.

Much of the credit for new business goes to offices in Chicago, San Francisco and New York, where the Los Angeles-based brokerage has made massive investments in the past four years to establish new operations—or beef up old ones.

A 10.3% increase in gross revenues last year to \$29.9 million enabled E&C to maintain its position among U.S. commercial insurance brokers. The company actually moved up one notch in the BI

rankings due to the formation of the brokerage arm of Combined International Corp. through the merger of Rollins Burdick Hunter and the Ryan Insurance Agency Group.

Also contributing to E&C's revenue gain was a 70% increase in revenues from Galaher Settlements & Insurance Services Co., a firm that specializes in the settlement of large insurance claims using periodic payment plans. Galaher now accounts for 4% to 5% of Emett & Chandler's total revenues.

Darkening this bright picture of successful expansion and accelerated new business activity is the

poor performance of Emett & Chandler's self-insurance claims administration operation, R.L. Kautz & Co.

Last year was the third or fourth straight year—senior executives aren't sure—that Emett & Chandler lost money on its computerized claims administration services. The drag on earnings last year was "meaningful," admits Leonard P. Lawrence, chairman of Emett & Chandler International.

Indeed, the impact was so meaningful that Emett & Chandler parent company Chairman R.L. Emett Sr. is personally intervening to assume responsibility as acting president and chief executive officer of

Kautz.

"This is a top priority. Bob Emett has personally taken over because he wants to get it fixed," emphasizes Richard A. Archer, vice chairman of E&C Cos. Inc. Consultants also have been retained to help Mr. Emett assess the company's difficulties.

Kautz contributes about 25% to 30% of Emett & Chandler's total revenues, but it is not a vital portion of the company's brokerage business, says Mr. Archer. However, he stressed that it is helpful to the company's risk management business.

Asked whether the company might consider spinning off this unprofitable segment of its business, Mr. Archer said he could not dismiss this possibility, but added: "We don't want to spin it off. We think it can be a valuable adjunct to our total company."



Mr. Archer

During 1982, Emett & Chandler managed to eke out \$16,000 or one cent per share in earnings, thanks to gains on the sale of a small subsidiary and foreign currency translations. However, the company reported a \$234,000 operating loss, including an estimated \$1 million drain on earnings attributable to R.L. Kautz.

Mr. Archer was not satisfied with this performance.

"I don't think we had a good year... I would be very unhappy if we had many years like last year," he said.

The company did some things well, says Mr. Archer, pointing to Galaher Settlements and E&C's brokerage businesses. The broker added a high volume of new accounts to its rolls and a high percentage of that production came out of new offices.

Besides its problems with Kautz, Emett & Chandler attributed its lackluster profits to heavy expenses to build up its new offices, reduced interest income, the U.S. economic recession and the extraordinarily soft insurance market, which lowers the premium base upon which broker commissions are based.

Another disappointment for Emett & Chandler last year was a setback in its Texas operations. The broker had hoped to exercise its purchase option on a Houston office, which has been operating under the Emett & Chandler name since 1980 through a lease-purchase option agreement.

Instead, the agency owner—Lester Eckart—decided to exercise his own option to terminate the arrangement and go his separate way. Emett & Chandler made a tidy \$840,000 profit on the venture, but it now must begin again to establish itself in the Texas market.

"We have done a lot of things that haven't worked out as well financially," notes Mr. Lawrence. "But, it was a setback from a timing standpoint. We never would have gone into that kind of proposition without the expectation that we would eventually own it."

So it's back to the drawing board in Texas. Maybe in Dallas, maybe in Houston, the broker hasn't decided yet. Maybe an acquisition or maybe a scratch start with new people or perhaps some combination of the two approaches. But there is no doubt that the brokerage intends to re-establish itself in the market, says Mr. Archer.

In fact, Emett & Chandler's 3-year-old expansion strategy has not changed, despite slow progress last year. The company's plan is to establish three to four new full-scale brokerage offices a year until its

Continued on facing page

# Protection



(Dollars in Millions)

**ASSETS**

**Current assets:**

Cash and short-term investments .....	114.9
Accounts and notes receivable .....	582.6
(less allowances of \$27.4 and \$12.2, respectively) .....	
Inventories .....	
Prepaid expenses .....	

**Total current assets .....**

**Property, plant and equipment - at cost .....**

Less allowances for depreciation, depletion and amortization .....

**Net property, plant and equipment .....**

Cost in excess of net assets of businesses acquired .....

**Other assets and deferred charges .....**

**LIABILITIES AND STOCKHOLDERS'**

**Current liabilities:**

Notes payable .....
Accounts payable and accrued .....
Current maturities of long-term .....

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Continued from facing page  
presence extends into 18 or 20 key U.S. cities, up from about a half dozen now.

The company did not reach this goal in 1982 because "we couldn't find the right people and the right numbers to make it happen," explains Mr. Archer. "The deal has to be structured in a way with the individuals involved so that we can make a profit—or we won't do it," he adds.

The people and the numbers apparently made sense in Chicago and Pasadena, Calif., where Emmett & Chandler debuted new operations last year. James L. Stone heads Emmett & Chandler Illinois, a brokerage office that opened its doors in February but didn't really get rolling until July.

"Last year we staffed up that office, which is now off and running and we are pleased with the progress they have made there," says Mr. Archer.

Gary F. Thompson is president of Emmett & Chandler Insurance Services in Pasadena, which is a mass merchandising operation that uses credit card mailing lists to market specialty lines of personal insurance. Each mailing is designed to reach thousands of individuals with such products as travel and accident insurance, dreaded disease coverage and baggage insurance.

Mr. Archer guesstimates that Emmett & Chandler spent between \$1.1 million and \$1.3 million last year to start up its Pasadena mass marketing operation and to add staff in the Chicago, San Francisco and other offices.

"We are continuing to invest in the future," he says. "We tell people that if they're buying our stock for immediate returns, then they are buying the wrong stock, because we intend to take the earnings and invest them in growth—and that's what we're doing."

Although the insurance products sold by the new Pasadena operation fall into the personal lines category, Emmett & Chandler balks at the suggestion that it is entering the personal lines business. That's because although the products are for the personal consumer, the marketing approach is entirely different from classical personal lines selling.

The expansion into mass marketing by Emmett & Chandler represents another dimension to the company's growth strategy, says Mr. Archer. Besides geographical expansion of its bread-and-butter broking business, Emmett & Chandler intends to diversify into new product lines.

"We want to do anything in the retail sales side of insurance that we can do well and make a profit in," he sums up. "There are vast differences between our commercial property/casualty business and mass merchandising, but both deal with the same kind of insurance company markets, require the same kind of licensing and sometimes even deal with the same kind of client."

For example, Mr. Archer sees a potentially synergistic relationship between commercial insurance brokers and their oil company or bank clients that have credit or bank card relationships with thousands of individual customers. Through their plastic card network, oil companies and banks have ready-made distribution networks that brokers could tap to offer their products.

Emmett & Chandler-Los Angeles has run a successful homeowners disaster insurance program for several years. The coverage is typically solicited through direct mail sent to a lender's list of new borrowers. This year, Emmett & Chandler will reach 800,000 to 900,000 homeowners with its mailings, of which 3% to 4% will buy the product.

Employee benefits products con-

tinue to generate more income for Emmett & Chandler, especially in its mature offices. Today, revenues from group health and other benefits coverages make up about 22% of the Los Angeles office's revenues, says Mr. Lawrence.



Mr. Lawrence

But, property/casualty insurance continues to be the broker's strong suit. In general, E&C stalks the locally based national and international accounts. "We seem increasingly to be

finding our way into the larger accounts—with over \$1 million in premium," says Mr. Lawrence.

For example, the Los Angeles office handles a high volume of aerospace, energy and refinery risks, commercial airlines, railroad and other transportation risks. Chicago canvasses financial institutions, industrial conglomerates and aviation risks. New York is strong on large casualty placements and marine coverage for giant companies.

Mr. Lawrence credits Risk Management Inc., the company's risk management consulting arm, for helping the broker to find its way

into some larger accounts. Through use of microcomputers, Risk Management can identify the best financing alternative for client risks.

This is especially important for California workers compensation because there are so many funding alternatives—and new ones cropping up every day, says Mr. Lawrence.

Another growth business for Emmett & Chandler is captive insurance company management through Pinehurst Management Co. Ltd., which has offices in Bermuda and the Cayman Islands. The company acquired several new clients this year to boost its roster to 42 captives under management.

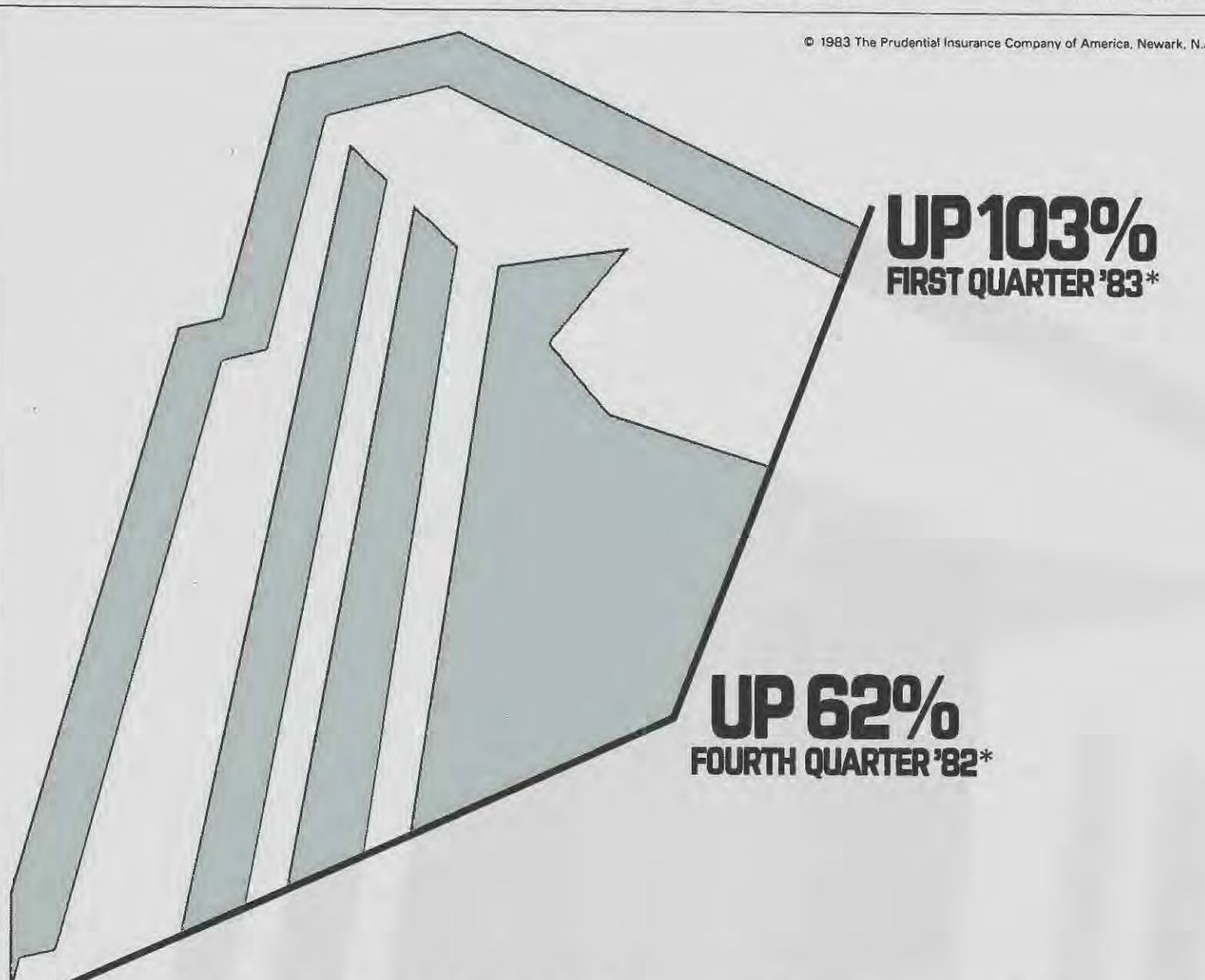
Mr. Archer expects this growth to continue as Emmett & Chandler acquires more large commercial accounts that prefer to have their captive managed by their U.S. broker.

Timely financial reports also are critical to successful captive management, he points out. Pinehurst Management has attracted some clients who were unhappy with their previous manager's failure to meet parent company deadlines for financial reports.

"When the company can't get its proxy materials out and can't file with the SEC, they get very upset," sums up Mr. Archer.

Continued on next page

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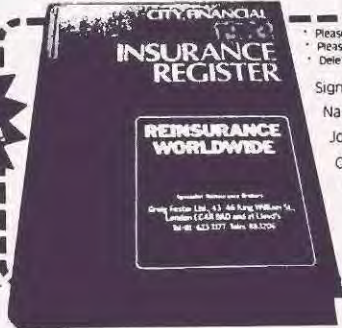
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*Continued from previous page*  
Another dimension to Emett & Chandler's growth strategy has been systematic divestiture of its reinsurance underwriting operations and redeployment of those assets into the insurance broking and services business. This objective was largely reached last year through sale of Presidio Insurance Co., Emett & Chandler's domestic reinsurance company, to Beloit Corp. for \$6.3 million. The company sold its reinsurance subsidiaries in the United Kingdom to Armco Steel in 1980. These two sales together brought the broker a combined gain of more than \$1.7 million, which it has plowed back into operations (BI, June 28, 1982). However, Emett & Chandler is now embroiled in litigation with Beloit Corp. over the Presidio sale. Beloit is suing the brokerage firm to rescind the sale on charges that Emett & Chandler misrepresented

the financial condition of its former subsidiary. Beloit's suit against Emett & Chandler, company president Charles F. Smith and the firm's auditor alleges that the defendants knew that Presidio suffered substantial losses during the 1976 to 1980 period and was actually insolvent although financial reports showed a modest profit (BI, June 6). Mr. Archer and Mr. Lawrence said they had been instructed by corporate counsel not to comment on the litigation except to express their view that the suit is "without merit." Emett & Chandler also owns a small Bermuda reinsurance company, which has not accepted new premiums for insurance or reinsurance with effective dates after 1980. Rounding out the corporation's remaining reinsurance operations is ECRIS Inc., a reinsurance brokerage operation, whose clients include the insurance subsidiaries of many major U.S. and foreign companies. Last year the company moved to New York City from its former location in Parsippany, New Jersey. Last year ECRIS battled tough competition in the reinsurance markets, but managed to increase revenues 16% over 1981. This growth put the squeeze on profits and the company lost money last year. At the same time that the broker was strengthening its staff in some offices last year, it made personnel reductions in others. The Kautz staff was cut to 255 from 305 in 1981. But, growth in the brokerage and non-claims staff grew to 320 from 284 to largely offset this reduction. The employee census at E&C now stands at 575, down from 589 a year ago. Emett & Chandler brokerage offices are located in Los Angeles, San Francisco and Irvine, Calif.; New York; Chicago; Phoenix, Arizona; and Wyoming. R.L. Kautz and Risk Management Inc. are based in Los Angeles. Kautz also has offices in San Francisco, San Diego and Irvine, Calif.; Detroit; Chicago; Pittsburgh; St. Louis; and Orlando, Fla. Claims administrator Laverack & Haines Inc. is headquartered in Buffalo, N.Y. with branch offices in Albany and Schenectady, N.Y. Reinsurance broker ECRIS Inc. is located in New York City. Pinehurst Management Inc. offices are in Hamilton, Bermuda, and the Cayman Islands. Galaher Settlements & Insurance Services Co. Inc. is headquartered in Claremont, Calif. with offices in Houston and Chicago. Emett & Chandler Insurance Services Inc. is based in Pasadena, Calif. Principal officers include: Leonard P. Lawrence, chairman of Emett & Chandler International; Richard A. Archer, president & chief executive officer of Emett & Chandler International; George W. Brown, executive vp of Emett & Chandler International; Oren E. Lane, chairman of Emett & Chandler-Los Angeles; Leonard P. Lawrence, president of Emett & Chandler-Los Angeles; Jimmie Bussio, executive vp of Emett & Chandler-Los Angeles; Thomas B. Arney, president of Pinehurst East; Thomas C. Cannon, president of Emett & Chandler-New York; George W. Brown, president of Emett & Chandler-Northern California; and James L. Stone, president of Emett & Chandler-Illinois. As reported to the Securities & Exchange Commission, the five highest-compensated executives in salaries, commissions and bonuses in 1982 were:

R.L. Emett	\$200,000
C.F. Smith	\$150,000
R.A. Archer	\$150,000
O.E. Lane	\$162,954
L.P. Lawrence	\$140,327

—By Rhonda L. Rundlet

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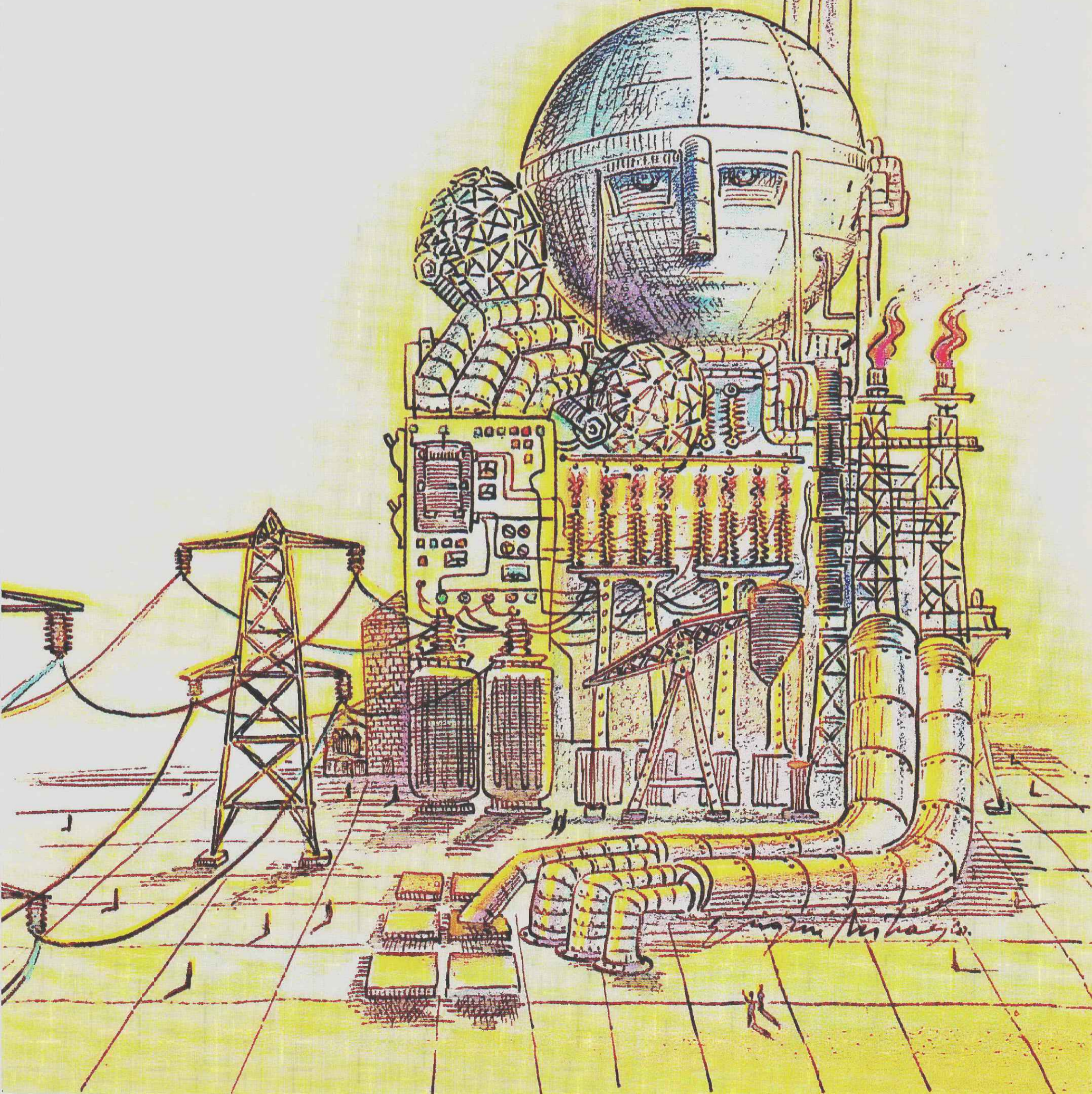
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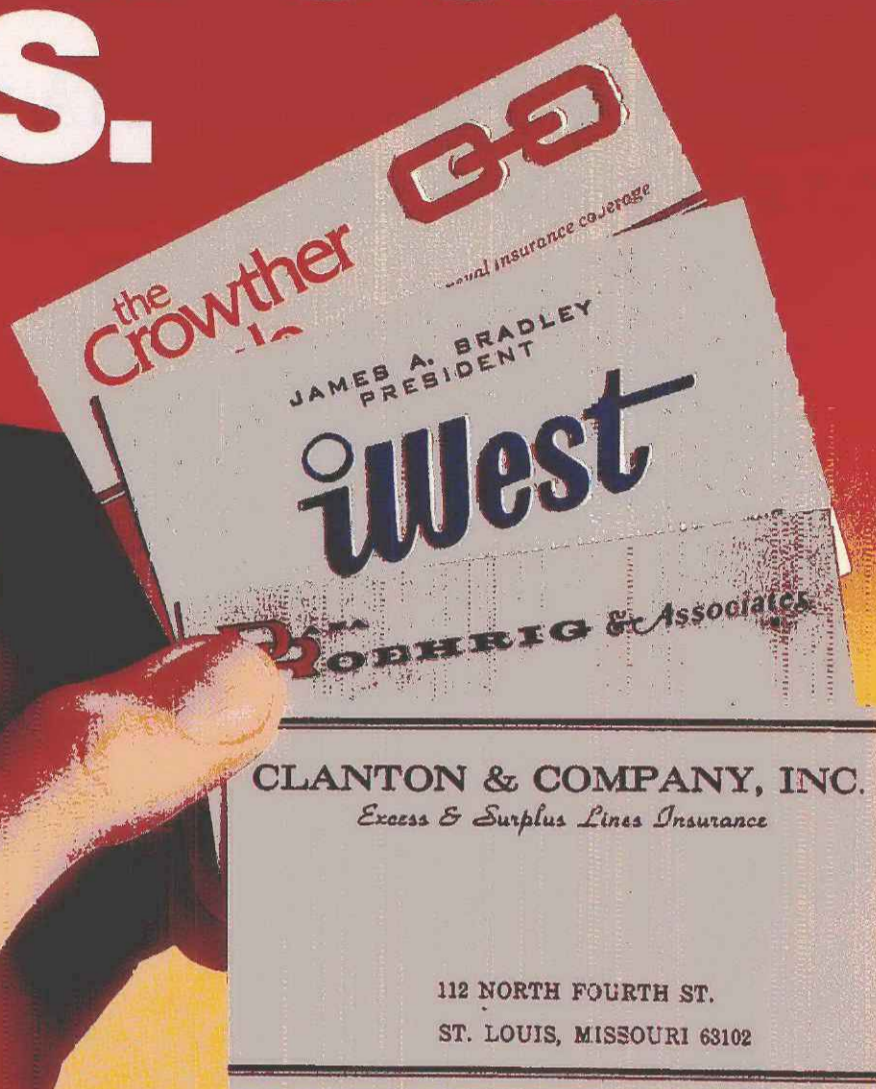
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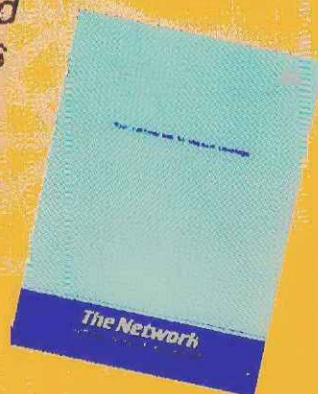
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# BROKERS' URGE TO MERGE

By Henry T. Tillman III

**M**ERGER AND acquisition activity in the insurance brokerage industry last year took two significant turns, which were marked deviations from prior years' activity. These included the perceived increased attractiveness of major insurance brokers as acquisition targets and a marked decrease in agency acquisitions by major brokers.

Not only are these developments at both the major broker and agency levels interesting to examine, but they provide a basis to look into future merger and acquisition activity in the industry.

One of the most controversial stories in the industry in 1982 was the acquisition, by insurance companies, of three of the top 11 publicly held brokers: Fred S. James & Co. by Transamerica Corp. and Rollins Burdick Hunter Co. and Ryan Insurance Agency Group by Combined International Corp. (see chart 1).

A primary motive behind these transactions was the movement by these insurance companies toward vertical integration. Three of the four largest transactions involved this strategy, two of which were consummated by Combined International. The merits, weaknesses and the corresponding philosophies surrounding this type of transaction have been, and are expected to remain, a major topic of discussion within the industry. This trend toward integration in insurance, as well as throughout the financial services industry, is likely to play an integral role in future merger and acquisition activity.

The other major transaction involved Alexander & Alexander Services Inc. and Alexander Howden Group. Although the geographic diversification strategy A&A used was consistent with its past strategy, this transaction and subsequent developments garnered nearly as much attention in the industry as the movement toward vertical integration.

The four transactions had a combined price of \$847.1 million; combined revenues of \$593.5 million; combined earnings of \$43.3 million; and combined equity of \$208.7 million. These numbers compute to a 1.09 simple average mean revenue multiple and 14.6 earning multiple. The revenue multiples ranged from the 1.27 A&A paid for Howden to the 0.93 multiple Combined paid for Rollins Burdick Hunter.

Chart 2 presents a historical look at agency acquisitions by public brokers from 1979 through 1982. As the chart indicates, these brokers' acquisitions, after remaining relatively consistent from 1979 through 1981, fell by nearly 50% in 1982. A major portion of that decline can be attributed to the marked drop in agency acquisitions by A&A, Frank B. Hall & Co. Inc., Corroon & Black Corp., E.H. Crump Cos. and Poe & Associates Inc. joined A&A in curtailing 1982 activity, while M&M and Fred S. James & Co. made none last year.

Reasons for the diminished activity include the effects of the extended downturn in the underwriting cycle and

## Soft market cooled spending spree, but acquisition activity may resume

Chart 1  
**Major brokerage transactions\***  
(In millions of dollars)

Acquirer	Target	Price <sup>2</sup>	Revenues <sup>3</sup>	Earnings <sup>3</sup>	Equity <sup>4</sup>	Revenue multiple	Earnings multiple
Alexander & Alexander	Alexander Howden <sup>1</sup>	\$299,990	\$135,249	\$10,489	\$128,569	1.27	16.33
Transamerica	Fred S. James	299,628	242,076	17,280	42,000	1.06	14.91
Combined International	Ryan Group	138,300	140,763	9,616	11,128	0.93	13.22
Combined International	Rollins Burdick Hunter	109,200	75,400	5,921	27,000	1.09	13.84

<sup>1</sup> Financial data as of June 30, 1981.  
<sup>2</sup> Subsequent capital infusions have increased purchase price and multiples.  
<sup>3</sup> Trailing twelve-months' figures at quarter end prior to acquisition.  
<sup>4</sup> Hard net worth as of quarter end prior to acquisition.

\*As of Dec. 31, 1982.

the heightened uncertainty resulting from the accelerating consolidations as the year progressed.

One of the major growth strategies implemented by the public brokers throughout the 1970s and early 1980s was growth through external acquisition.

This was typically accomplished through geographic diversification. While this strategy is still utilized to gain regional prowess in specific demographic segments, it is increasingly popular for brokers to acquire a special product niche. There are several examples of both strategies among last year's 24 acquisitions; however, a review of 1979 acquisitions finds the relative emphasis placed on the market segment acquired, not the product specialization.

Ascertaining complete information on agency acquisitions, with which data can be used for comparative purposes, is beyond the scope of this article. Thus, a sample representing nearly one-third of the transactions that have occurred at the public-broker level during the past three years has been analyzed.

**A**S WITH the drop in number of acquisitions, the prices paid relative to revenues for acquired agencies also declined in 1982. After peaking at a 1.72 multiple, the mean adjusted revenue multiple (price paid minus net assets acquired divided by prior year's revenues) in 1981, the 1982 adjusted revenue multiple fell to 1.22 adjusted mean. Obviously, the difficult economic and industry environment profoundly affected this multiple.

The overall rise in the stock market and, to a lesser extent, the heightened interest by prospective arbitrageurs hoping to share in premiums similar to the observed 44% market premiums paid in the James and RBH transactions, have resulted in large gains in the major public brokers' stock prices.

These high prices, relative to current earnings streams, have heightened the relevance of major dilutions to prospective suitors and thus, temporarily, deterred the movement toward vertical integration. While rumors surround major brokers as acquisition targets, the uncommon presence of arbitrageurs, the resulting potential of major dilutions to suitors unwilling to bear those short-term dilutions and most recently, the adoption of anti-takeover amendments to corporate charters, the rumors will probably remain just that. When any of the above circumstances change significantly, the activity in this segment of the industry is likely to resume.

At the agency level, the smaller number and relatively low revenue multiples experienced last year have

continued this year. With no major anticipated changes in the brokers' acquisition strategies, cash flows and no apparent upturn in the cycle, it would be difficult to envisage significant increases in the actual number of agencies purchased or in prices paid over the near term. In fact, to date, A&A, the leading purchaser of agencies over the past four years, has made no agency acquisitions.

Over the longer term, there are several particularly unique advantages the major public insurance brokers enjoy that make them especially attractive acquisition targets. Two of these advantages relate to the strategies of vertical integration and diversification.

Competitive forces from inside this segment of the industry, as well as throughout the entire financial services industry, have placed additional emphasis on efficiency in the distribution system. Business journals throughout the financial services industry are filled with articles discussing the various techniques available to current players to improve efficiency in their distribution system. The vertical integration strategy, which can be accomplished through acquisition and consolidation, is another means of creating potential internal economies to the acquiring firm.

Although the vertical integration strategy has been used widely in other industries, it is relatively new to the insurance industry. Reliance Insurance began the acquisition/consolidation movement with the July 1980 purchase of the nation's 31st-largest broker, Kindler & Laucci. In April 1981, Reliance purchased the nation's 36th-largest broker, La Bow Hayes. In August 1981, it acquired 45% of the nation's 15th-largest broker, E.H. Crump. The combined acquisitions of Kindler & Laucci and La Bow Haynes in turn made Crump the nation's ninth-largest broker.

In December 1981, Aetna Life & Casualty purchased the nation's 23rd-largest broker, Collier Cobb. In addition to the 1982 acquisitions (previously listed), in March of last year, American Financial Corp., the parent of Great American Insurance Co., purchased the nation's 25th-largest broker Nordstrom Group.

It does not require a great deal of time to consummate an acquisition. It does, however, take a much longer period of time to achieve the much-sought economies of

*Continued on next page*

Henry T. Tillman III is a merger and acquisition specialist at Russell Miller Inc. in San Francisco. The data and corresponding analysis were assembled from public information in annual reports, 10K, 10Q and 8K filings, interviews with corporate officials and information housed in Russell Miller Inc.'s private data base.

Chart 2

### Public broker agency acquisitions\*

Buyer	1979	1980	1981	1982
Marsh & McLennan	2	0	4	0
Alexander & Alexander	14	17	21	8
Frank B. Hall	7	8	6	4
Fred S. James	5	4	0	0
Reed Stenhouse	1	1	0	2
Corroon & Black	5	5	5	4
Rollins Burdick Hunter	8	2	1	3
E. H. Crump	3	2	5	2
Poe & Associates	1	5	3	1
Totals	46	44	45	24

\*Include only acquisitions of majority interest.

# Beneficiary change must follow guidelines

**I**N ORDER TO change the beneficiary under a group life policy, the mode prescribed in the policy must be followed, a Tennessee appellate court ruled.

John A. Henry, an employee of Niles Surveying Co., participated in a profit-sharing plan that included a group life policy. At the time he applied for coverage, he was married to Catherine and named her beneficiary. The policy was issued to the owners, who were the company's profit-sharing plan trustees.

The Henrys had domestic problems. One of the trustees, at John's request, signed a change of beneficiary form, which was forwarded to the insurer. The insurer determined that the wrong form had been signed. The trustee signed a second form, which was sent to the insurer. It designated Mr. Henry's parents as beneficiaries. The insurer received and recorded the form Feb. 26, 1981.

The Henrys were divorced in January 1981. John died March 19, 1981. Because he had failed to change the beneficiary on his profit-sharing plan, Catherine received the investment funds. She now also laid claim to the insurance proceeds. A trial court ruled for the parents.

On appeal, Catherine argued that the proof must establish that John himself signed a designated change of beneficiary or had done all he could reasonably have done to change the beneficiary before the court would recognize the change. The appellate court said that since the policy provided that the policy owner must designate the beneficiary in writing, and the trustees were the owners, the trustees' written request here effected the change. Thus, the court upheld the award to Mr. Henry's parents. *Massachusetts Mutual Life Insurance Co. vs. Henry*, Court of Appeals of Tennessee, June 25, 1982, permission to appeal denied by Supreme Court, Sept. 7, 1982 (BI/04/My.-\$5).

## Benefits for prior condition

The Supreme Court of Louisiana held that a worker who, during employment, suffered shortness of breath and chest pains due to angina pectoris, was entitled to benefits. The worker was entitled to work comp benefits, for the unexpected attacks, even though they resulted from arteriosclerosis rather than sudden trauma.

The employee here, a temporary city bus company worker, suffered an attack of angina pectoris during the course of his employment. He was diagnosed as having suffered the attack due to arteriosclerosis. The employee was advised not to engage in any hard physical labor. He requested light-duty work, but was refused. The employee filed for workers compensation, but was denied by the lower courts.

The principal issue on appeal was whether the attack was an accident arising from his employment. The majority concluded that his disability occurred by accident. "Although not subjected to extraordinary stress or exertion at the time of the attack of angina pectoris," the court said, "the attacks themselves came suddenly and unexpectedly, causing

## legal briefs

violence to the structure of the plaintiff's body. The episodes happened without warning in the course of plaintiff's employment."

The court said the pre-existing condition did not disqualify the injured worker from compensation. But the judge dissented, concluding that the angina pectoris was not caused by the employment but by the arteriosclerosis and, thus, there was no *act in the service of the employer*. *Supreme Court of Louisiana*, Sept. 28, 1981, on rehearing Aug. 4, 1982, rehearing denied Sept. 3, 1982 (BI/03/My.-\$5).

## Bubble collapse

The collapse of a "bubble" structure from the weight of water cannot be attributed to a furnace explosion, according to the Supreme Court of New Hampshire.

The Hampton Indoor Tennis Center Inc. owned and operated tennis courts and a health club in an air-inflated structure. The structure was held up by a blower system which was part of the furnace.

The furnace began malfunctioning on Feb. 28. Thereafter, it was determined that there had been a furnace explosion or about that date. On March 13, snow and rainwater began to accumulate in an exterior indentation in the tennis bubble fabric.

On March 14 the structure collapsed. The center was insured under a property damage policy issued by St. Paul Fire & Marine Insurance Co. The policy included coverage for direct loss or damage caused by explosions. St. Paul denied coverage here. The center sued but lost in court.

The appellate court was satisfied with the trial court findings that the furnace explosion, of which the primary blower system was a part, was not the direct cause of the loss within the purview of the policy language governing covered losses. *Hampton Indoor Tennis vs. St. Paul Fire & Marine Insurance Co.*, Supreme Court of New Hampshire, Sept. 8, 1982 (BI/05/My.-\$5).

## Deductible clause

Does a provision in an engineer's professional liability policy requiring the insured to pay a deductible apply only when loss payments were made on behalf of the insured afforded the defense? Not according to a decision of a federal appellate court.

In 1975, Northbrook Insurance Co. issued a professional liability insurance policy to H.A. Kuljian & Co., an unincorporated architectural and engineering business, and The Kuljian Corp., a construction company. Under the policy, the insured agreed to pay a \$25,000 deductible. The policy identified the named insured as "The Kuljian Corp.; H.A. Kuljian & Co."

In late 1975, H.A. Kuljian & Co. was sued for negligent roof design by a school district. A settlement of \$20,000 was reached which was paid by the insurance company because Kuljian & Co. was insolvent. The insurance company successfully sued the Kuljian Corp. for payment of the deductible.

On appeal, The Kuljian Corp. claimed

that only the insured on whose behalf the loss payments were made should be required to pay the deductible. But, the court found the policy unambiguous, making each insured responsible. The court emphasized that it was not free to rewrite the policy. *Northbrook Insurance Co. vs. Kuljian Corp.* U.S. Court of Appeals for the 3rd Circuit, Oct. 15, 1982 (BI/04/Jy.-\$5).

## Loss time limits

Although timely compliance is generally a condition precedent to an insurer's liability, a satisfactory excuse for non-compliance may be shown and accepted, according to a Colorado appellate court.

Circle C Beef Co. was covered under a fire policy issued by the Home Insurance Co. The policy required submission of proof of loss within 60 days of a loss. Any claims had to be brought within a year.

Circle suffered a loss in December 1977, and failed to file a timely loss statement.

The Home denied the claim. Circle sued the Home, but after the required 12-month period. The trial court dismissed Circle's suit.

On appeal, Circle argued that an agent of Home had orally excused timely performance. The Home, in turn, argued that any waiver of the policy conditions had to be in writing.

But, the court held that the contract's requirements for submitting a proof of loss and filing suit could be waived, even in the absence of written consent, because they were both conditions required to be performed after a loss. *Circle C. Beef Co. vs. Home Insurance Co.*, Colorado Court of Appeals, Oct. 28, 1982 (BI/05/Jy.-\$5).

*These abstracts were prepared by Business Unlimited Inc. A copy of an entire decision may be obtained by sending a check for \$5 made out to Cases Unlimited to Business Insurance, 740 N. Rush St., Chicago, Ill. 60611. Please list the number for each opinion.*

## Urge to merge cools

*Continued from previous page*

scale attempted by the acquisition/consolidation (vertical integration) process. For this reason, it will be interesting to watch the future earnings performances of all these acquiring companies.

The second major strategy involves diversification. Many risk-bearing firms from other segments of the financial services industry (e.g., banks and savings and loans) have expressed an interest in entering this segment of the industry. In addition, these same risk-bearing firms have watched their margins on risk-bearing activities shrink from competitive pressures and have begun to launch full-scale efforts to diversify into commission- and/or fee-based activities.

As the regulatory barriers continue to weaken and eventually fall, the major public brokers, for the reasons noted, should become increasingly attractive as takeover candidates.

The diversification by other financial institutions into insurance brokerage is likely to also affect merger and acquisition activity among agencies both in actual numbers of agencies purchased and in prices paid for those agencies. The extent to which the future buyers of agencies will affect price is a function of many conditions. There is, however, one thing that is certain. Instead of 20 public insurance brokers, a handful of insurance companies and a few industrial concerns, agencies will have almost 18,000 potential financial institutions that might be interested in purchasing their businesses.

Purchase prices for the major public brokers are unlikely to deviate from the prices paid in last year's transactions. Premiums paid in the transactions listed earlier are not significantly different from those seen in other acquisitions of public companies, according to a recently released study by W.T. Grimm & Co. of Chicago.

At the agency level, it would not be surprising to see revenue multiples increase in the period immediately following deregulation of those institutions that have indicated an interest in the insurance brokerage industry; however, the 1.72 revenue multiple seen in 1981 will not likely be repeated. In the period between 1983 and the time new buyers enter the market, revenue multiples are likely to remain as soft if not softer than the 1.22 multiple seen last year. This is due to the supply of the agencies for sale exceeding the demand for those agencies by current buyers. This condition exerts downward pressure on purchase prices paid.

The results indicate a continued decline in interest by major public insurance brokers to make agency acquisitions and that these same public brokers may increasingly become acquisition targets in the foreseeable future.

Agencies that wish to sell may find conditions unfavorable over the near term due to the unfavorable conditions experienced by their historical major buyers, the public brokers. These unfavorable conditions can be mitigated by structuring the transaction to take advantage of the upturn in premiums. While this type of transaction is useful to publicly held brokers, private and cash buyers would be the most active buyers in transactions structured in this manner.

Long-term prospects for increased merger and acquisition activity at the agency level appear favorable, as financial institutions look to an acquisition strategy to gain a quick entrance into this segment. The entry of these new buyers implies fewer free-standing brokerages in the future.

*The Perspective section, which is a forum for readers' opinions, is compiled and edited by Assistant Copy Editor Claudette Dampier. She can be reached at 312-649-5282.*

**Poe & Associates Inc.**

702 N. Franklin St., Tampa, Fla.  
33702; 813-228-7361

	1982	1981
Premium vol. ....	NA	NA
Gross rev. ....	\$25,752,000	\$19,316,000
Employees .....	565	525
Rev./employees ...	\$45,579	36,792
Offices .....	20	20

Tampa, Fla.,-based Poe & Associates Inc. stands as the 13th-largest domestic broker at year-end 1982, three spots up from its 16th spot at year-end 1981 on the strength of a 33.3% increase in gross revenues.

Poe's gross revenues in 1982 climbed to \$25.8 million from \$19.3 million in 1981.

Chairman William F. Poe, who founded the agency in 1956 and took it public 1972, chuckled with delight when told Poe climbed three spots—jumping over Republic Hogg Robinson and Financial Guardian and gaining a spot vacated by the combination of the Ryan Insurance Agency Group and Rollins Burdick Hunter Co.

But, his enthusiasm about "top line" results is obviously blunted by the disappointing "bottom line" at year-end 1982.

Poe's 1982 net income fell to \$131,000 or 5 cents a share, compared with \$1.6 million or 58 cents a share at year-end 1981, due to losses associated with its wholly owned insurance subsidiary Whiting National Insurance Co.

Whiting's results are not reflected in Poe's gross revenues; its results are added—or subtracted—from Poe's bottom line.

And this year, Whiting's results are subtracted, to the tune of a \$1.3 million loss relating to discontinued operations—or 45 cents a share.

Acting on the recommendations of actuaries, reserves for prior year's underwriting were increased about \$2.9 million. The \$2.9 million even reflects the benefit of discounting all reserves to the present value needed to pay losses in the future.

A \$1.3 million loss associated with Whiting is recorded as related to discontinued operations because the Poe board voted in February to spin off Whiting. Poe shareholders will receive shares in Whiting after the spinoff is approved by the Securities and Exchange Commission and the Internal Revenue Service says there will be no adverse tax consequences.

Poe also faced a difficult first quarter in 1983 with revenues of \$5.7 million, down 6% compared with 1982 first-quarter revenues of \$6.1 million. Net income for brokerage operations reached \$227,000, compared with \$580,000 in 1982.

When Whiting National Insurance Co.'s earnings were taken into account, Poe's net income totaled \$244,000 in the first quarter of 1983, compared with \$624,000 the year before.

The more pleasing top-line results of a 1982 annual revenue growth of 33.3% are second among the Top 20 brokers', following Alexander & Alexander Services Inc.'s growth of 35.4%, primarily boosted by the purchase of Alexander Howden Group.

Unlike A&A, however, Poe's big revenue gain is only about 40% attributable to acquisitions.

Internal growth produced about 60% of the \$6.5 million revenue gain, Mr. Poe says.

Poe's retail brokerage division in Florida produced an \$800,000 to \$900,000 revenue gain.

Poe's Indianapolis-based subsidiary, National Underwriters Inc., which markets collateral protection insurance programs to finan-

cial institutions, turned in about \$500,000 to \$600,000 in additional revenues, Mr. Poe said.

Big growth in marketing Poe's successful insurance package to dentists in New York added another \$1 million to Poe's revenues, the chairman said.

The Poe-designed package policy provides malpractice and other liability insurance, all risk property, fidelity, crime, loss of earnings and other coverage.

The policy also is marketed in 48 states, the District of Columbia, Puerto Rico and the Virgin Islands. Endorsed by the American Dental Assn., the "Professional Protector" plan, as it is known, is Poe's largest

association program. Poe estimates that about 50,000 of the 120,000 dentists listed in the ADA directory buy its Professional Protector policy.

Commissions related to this association program generated 24.7% of Poe's revenues in 1982, down slightly from 28.2% in 1981.

Substantially all the Professional Protector policies are underwritten by Chubb & Sons Inc. or its affiliated companies, generating 18.3% of Poe's revenues in 1982. Commissions on policies written by Poe's Whiting subsidiary for the Dental Society of New York generated 6.4% of Poe's revenues.

"We're now in the process of

moving rates upward, so it's going to be an interesting field from now through the first half of 1984."

Mr. Poe is optimistic about growth in Poe's lawyers malpractice insurance program, primarily due to a change in insurers this year to CNA Insurance Cos.

"This program should see a slight increase in growth in 1983, and a more substantial growth in 1984 as things take hold," he says. "Most of the business is presently in Florida, where we handle about \$5 million in premiums. Currently in the rest of the country, our business totals about \$4 million.

"The balance of internal growth is in claims handling and self-in-

surance operations," Mr. Poe said.

In the 40% revenue gain attributable to acquisitions, the largest contributor was Stetzel, Thomson & Co. Ltd., a British-based reinsurance underwriting manager in which Poe acquired an 80% interest effective January 1982. About \$2 million of the \$6.4 million revenue gain is from Stetzel operations.

Purchased for \$1 million—with a contingent provision for an increase or decrease in the price to a minimum of \$600,000 or an indeterminate maximum depending on Stetzel's earnings.

The London underwriting agency, which manages reinsur-

*Continued on next page*



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Continued from previous page  
 ance portfolios for insurance company syndicates, has seen a good volume of business, and "on paper" is the second most profitable unit for the broker, says Mr. Poe.

But, operating results in 1982 were affected by the Falkland Islands conflict and the currency restrictions imposed by Mexico. Those events, according to Poe's annual reports, restricted the flow of funds to Stetzel and required the establishment of an expense reserve for their collectibility.

"The operation is profitable, but it grew too fast," says Mr. Poe about Stetzel. "We've had to cut back. First of all, the receivables on some of our business have been very difficult to collect. When you're doing business with countries like Mexico and Argentina in today's market, you're going to have a tough time. If they would pay us, it would help our results, needless to say.

"There are also an awful lot of

business problems in general over there and that makes it difficult to create new business friends over here. Everyone is concerned about doing business in London right now. We bought the operation more as a profit center than for its synergistic relationship to our operations domestically, but it is hard to say where it will stand over the long term."

Stetzel also is the subject of a lawsuit filed in 1982 by Cardinal Insurance Co. in Canada. Cardinal is seeking damages alleging breach of reinsurance treaties entered into between Cardinal and syndicates represented by Stetzel.

New revenues associated with the acquisition of several smaller domestic agencies in late 1981 also contributed to 1982 revenue growth. These included Pan American Insurance Management Corp. in North Carolina, although Poe did sell part of its Pan American subsidiary, including a risk

management consulting firm located in Charlotte, N.C., and insurance agencies located in Virginia Beach, Va., and Palm Beach, Fla.

The biggest component of Poe's \$25.8 million in 1982 gross revenues was commission and service fees related to property/casualty insurance. This portion of Poe's revenues increased to \$21 million from \$15.9 million in 1981. Other commissions and fees increased to \$3.9 million from \$2.1 million. Contingent commissions, however, fell to \$256,000 in 1982 from \$341,000 and other income, principally investment income, declined to \$540,000 from \$903,000.

Association and other wholesale business revenue dropped as a per-

centage of total Poe & Associates revenue to 39% in 1982 from 42% in 1981 and 1980. The broker attributed this drop to increase in revenue growth from other divisions.

On the retail side of the business, which is about 65% of Poe's business, Mr. Poe says operating results continued to be affected negatively by industry conditions.

Last year "saw no real improvement, and there is no reason to believe there will be any rapid increase in premiums in 1983. We feel that we have learned to manage our business better and that we are getting better performance from our people than we have in the past. As a result, I think we will see a slight increase this year in retail revenues."

Poe's personal lines business held at around 6% to 8% of its gross revenues.

This year, Poe is concentrating on selling more services to switch the income-producing work from a

commission basis to fees. On June 1, the broker bought 80% of Employee Benefit Services of Florida Inc. and Employee Benefit Services Inc., both located in Tampa. The firms specialize in third-party claims and self-insurance administration.

The goal is to beef up Poe's prowess and involvement in the health care insurance field, says Mr. Poe.

"These types of situations present opportunity for business for us that can be operated out of Florida," he says. "We feel that this is a growth segment of the market in general and for us in particular."

Poe is also involved in the services marketplace via Whiting National Services Inc., which provides claims adjusting, safety engineering and third-party administration services. The organization offers statistical reporting, reinsurance and insurance consultation.

Poe employed more people in 1982—565, up 40 from 1981's 525.

Poe has nine offices in Florida: Fort Meyers, Jacksonville, Lakeland, Miami, Orlando, Tallahassee, Tampa, Venice and Winter Haven.

Other domestic brokerage offices are located in New Brunswick, N.J., (O'Connell & Salisbury); Atlanta (James P. Poole & Co., specializing in employee benefit programs); Baltimore (Matterhorn Bank Programs Inc.); Charlotte and Wilkesboro, N.C.; Florence and Summerville, S.C.; and a new, small office in New York City.

A non-insurance subsidiary, L. Garry Smith & Associates Inc., is a management and governmental relations firm that also began operations in 1982.

International operations were buttressed in 1982 with the formation of Poe of Puerto Rico. The subsidiary will be a managing general agency servicing commercial accounts located in Puerto Rico and provide collateral protection insurance for Puerto Rican financial institutions. A Stetzel, Thomson office in Bangkok, Thailand, completes Poe's overseas operations.

This year, Poe has acquired Southern Insurance & Associates Inc. in Jacksonville, Fla., and the Florida Division of W.F. Morneau & Associates in Orlando, Fla., to increase its Florida retail presence.

Mr. Poe doesn't see further major acquisitions in the rest of 1983, and is particularly wary of the market for retail agencies.

"Things in the retail market are muddy right now," he says. "With the insurance market as tough as it is, the price of agencies should be way down. For a while, the price was going down. Then the insurance companies jumped in with financing and that changed the situation. We probably have made relatively fewer purchases than the other major brokers. But we think the prices are too high in general today, and we don't want to buy at too great a price.

"We will expand in the retail area, especially in the Southeast where our current strength in that area lies. But we may have to do it via start-ups if the acquisition picture doesn't improve," Mr. Poe adds.

Mr. Poe also sees improved growth from existing offices.

"I think 1981 was the bottom of the barrel from our standpoint," he says. "We were low then, but we have since done something about it. When the cycle began to change, we didn't. Everyone was cutting prices, but we wanted to insure that the underwriting still made a profit. We didn't react to the marketplace fast enough and lost our shirt. We were too logical in our underwriting efforts.

"Today we're like everyone else, playing the nasty broker instead of the intelligent underwriter. As a result, we're getting our business back.

Continued on facing page



Mr. Poe

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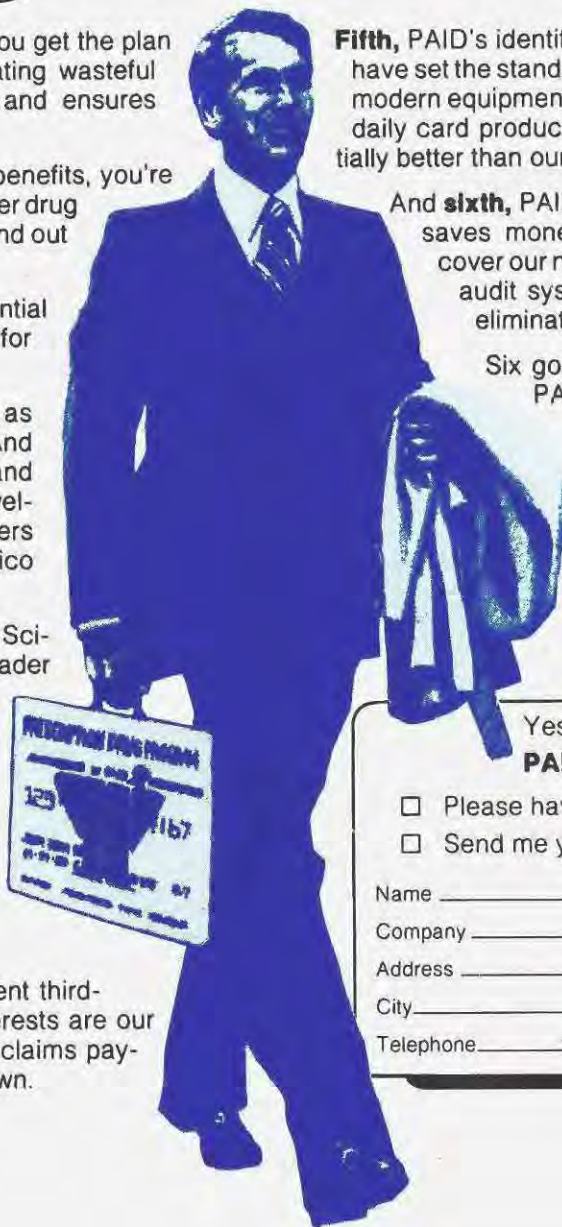
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Continued from facing page

"We've had good growth in most areas of our business recently, but it has come through acquisitions and processing fees. (This year) will be difficult for us, as it be for many brokers; 1984 will be better for us, I believe, whether the market in general is better or not. We're evolving into a leaner, better organized corporation," Mr. Poe adds.

Regarding the spin-off of Whiting, Mr. Poe says, "From the Whiting standpoint, we realize that the risk-taking business is one of ups and downs.

"Historically, at least, the brokerage business is an 'up' business. On the stock market, the two businesses don't mix. For instance, the multiple is two times higher traditionally for brokers than for insurers. That conflict is the real reason we are trying to spin-off Whiting."

Although Whiting's net earned premiums rose in 1982, to almost \$4 million compared with \$3.6 million in 1981, the insurer lost \$3.7 million from underwriting, compared with \$80,000 lost in 1981 due to increasing loss reserves. Taking into account investment income, interest and other benefits, and a change in loss reserve accounting, the insurance subsidiary lost \$1.3 million in 1982, compared with a \$342,000 gain in 1981.

Mr. Poe says he and other members of Poe & Associates management disagree with the actuarial recommendation to increase loss reserves for existing professional liability risks. However, management decided to go along to be sure.

"From a management standpoint, I believe Whiting will eventually pay out less than we have in reserves for losses in that business," he says. "But as our business seasoned, the actuaries felt we should increase our reserves from about \$5 million to \$8 million for our existing business. We went along with the evaluation this time, although we were by no means forced to."

Whiting, acquired in 1977, also underwrote specific and aggregate excess coverage for self-insured workers compensation programs, workers compensation coverage for professional groups and selected commercial auto insurance.

Mr. Poe will serve as chief executive officer of both firms, and expects the Whiting operation to remain at its present size of between 15 to 20 employees. The firm will initially hire only new employees needed to perform support tasks now being handled by non-Whiting Poe employees, Mr. Poe says.

Poe expects the spin-off of Whiting to improve the brokerage's operations and stock outlook by concentrating on brokerage, but Mr. Poe admits: "The exact effect on Whiting won't really be known for sometime.

"There is no doubt that the reputation of Whiting has been enhanced because it has been a part of Poe & Associates," Mr. Poe says. "On the positive side, the move means that there will be a management team that will be focused on the performance of Whiting only. A second positive aspect is that from a stockholder position, the two operations will hopefully be stronger than one.

"I agree, however, that from the standpoint of the public and Whiting clients the move could have some negative aspects," he continues. "They will surely be looking into Whiting's finances more when it becomes a smaller operation. We won't be rated initially and that will cause some scrutiny."

But Mr. Poe believes that Whiting will do well in the next nine months and beyond.

"Whiting will get out of the mysterious accounting situation forced upon it by the actuarial game in long-tail business," Mr. Poe says. "We want to move back into the

real world. Whiting is too small of an insurer to play that game. You never know what your real numbers are.

"Our disagreement with the actuaries over the present loss reserve situation is an example," he adds. "We've found that in this type of business we could be making a profit and go broke. I've never been so rich (with \$8 million reserved in the bank to cover potential losses) to be so poor."

In addition to Mr. Poe, other principal officers include Joseph E. Brown, president; Bruce G. Geer, treasurer; and Leslie R. Willette, secretary.

As reported to the Securities and Exchange Commission, the four highest-compensated executives in salaries, commissions and fees in 1982 were:

George H. Maley	\$158,000
Earl S. Lipnick	\$139,000
Joseph E. Brown	\$113,000
William F. Poe	\$113,000

—By Dave Galanti



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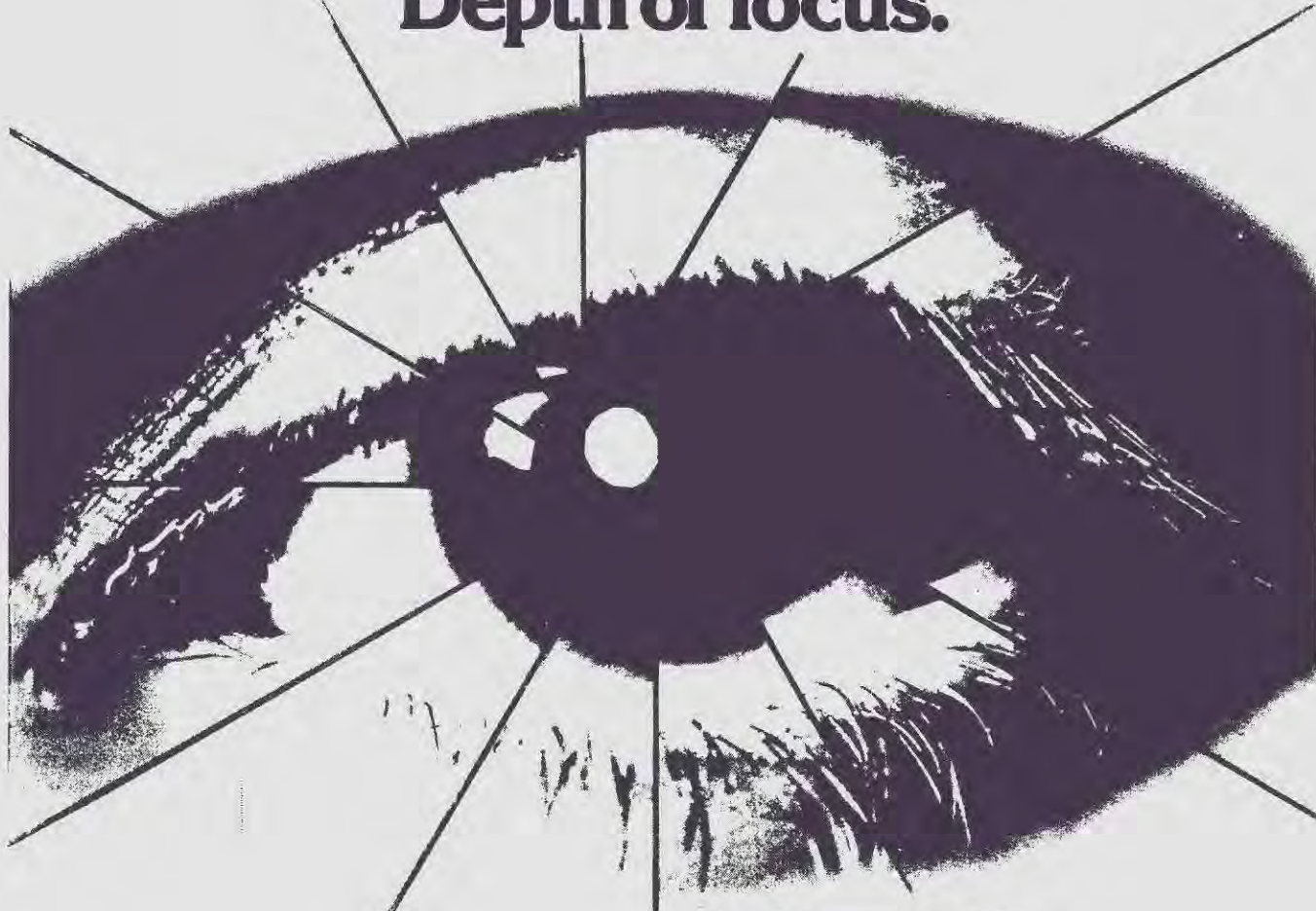
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14

Republic Hogg Robinson Inc.

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	1982	1981
Premium vol.....	NA	NA
Gross rev.....	\$25,077,000	\$24,624,000
Employees.....	597	540
Rev./employees...	\$42,005	\$45,600
Offices.....	33	29

Republic Hogg Robinson Inc. is starting to think like a big company.

Since last summer, RHR—the reincarnation of Penn General Agencies as a joint venture between Republic Steel Corp. and Hogg Robinson Group P.L.C.—has been absorbed in an extensive planning exercise to rethink its business goals.

Earlier this year, RHR debuted a national accounts unit to stalk selected risks of U.S. corporate giants.

And, last month, the Los Angeles-based brokerage tapped a senior officer from the nation's fifth-largest commercial brokerage to be its president and chief executive officer.

"By the end of this decade we plan to be materially bigger than we are today," declares Alfred B. Schaeffer, RHR's founder and former president who was promoted to chairman last month. He turns over his duties as president and CEO to Charles E. Keller, former executive vp and director at Fred S. James & Co. Inc.

But, to graduate from the second tier into the top ranks of the U.S. commercial insurance brokers, Republic Hogg Robinson has a steep mountain to climb. Last year, gross revenues edged up a mere 1.8% to

\$25.1 million from \$24.6 million in 1981.

RHR dropped behind fast-growing Poe & Associates Inc. in this year's *Business Insurance* rankings of the major brokerages, but managed to hold onto the No. 14 spot because of the merger of Rollins Burdick Hunter Co. and Ryan Insurance Agency Group.

Although the numbers don't show signs of any great growth at RHR, the numbers don't tell the whole story, Mr. Schaeffer says.

"I think we had a really good year last year in the sense that we made tremendous progress in operations: getting good people, setting up systems, opening new offices and beginning to implement a strategic plan. We're starting to see the fruits of all that this year," he adds.

There's no discounting the impact of today's soft insurance market on major brokerages, including RHR. However, Republic Hogg Robinson's profit margins are no bet-

ter or worse than those of its competitors, says Mr. Schaeffer.

"You can pick up a quarterly or annual report of any large brokerage house and it will substantially tell the story of any other large brokerage house. It's a very tough business right now."

The selection of Mr. Keller as president culminates a long search for someone to assume those duties and also adds a new dimension to RHR. "He's a good overall operations guy and will be a tremendous help to me and to the company," says Mr. Schaeffer.

The new dimension comes via Mr. Keller's extensive background in the industry with Johnson & Higgins, Fairfield & Ellis and, most

recently, Fred S. James. Mr. Keller's big-broker experience should bring a fresh perspective to RHR, whose roots are in the local and regional ends of the business.

After only two weeks on the job, Mr. Keller says he is still thinking about and trying to define his role in the company. He is impressed with the entrepreneurship of the company's founder, Mr. Schaeffer, and the commitment of both Cleveland-based Republic Steel and Lloyd's broker Hogg Robinson Group to their joint venture.

"The two backers are two fine firms that are serious about the business," he says. "Building on Al's entrepreneurship, I want to make RHR a more professional, active force in the business."



Mr. Schaeffer



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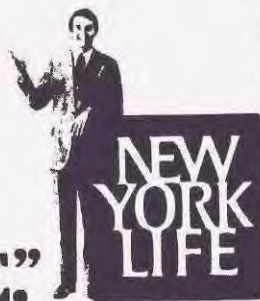
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**"ASK ME."**

He expects to start by looking at the individual offices and trying to help them to function better as a national organization. Many major brokers have undertaken this process as they have grown and struggled to assimilate acquisitions into their systems.

To do this, Mr. Keller will be living out of a suitcase for the foreseeable future. Boston will be his home base for the time being because he lives there, but he also expects to spend a lot of time in New York and Los Angeles. The company's corporate office will remain in Los Angeles, where Mr. Schaeffer resides.

RHR's new emphasis on long-range planning is one of the benefits of its relationship with its parents: Republic Steel and Hogg Robinson Group.

Big companies are "planning animals," notes Mr. Schaeffer. Smaller companies usually are too busy—or think they are—to devote the necessary time and energy to formal planning.

Last year RHR brought in an independent management consultant, who doubles as a professor at the UCLA Graduate School of Management, to direct its planning process. Nearly all top RHR managers participated in the exercise.

"This helped us to focus on where our marketplace is and how we can get into it," says Mr. Schaeffer. "It keyed us in on national accounts, transactions costs of pursuing accounts of a certain size and the benefits, business, which we think will experience the fastest growth in the next several years."

In the past, RHR identified its market niche as accounts ranging from \$10,000 to \$500,000 in premium. Mr. Schaeffer, who founded the company in 1970, believed that Penn General Agencies' best business strategy was to serve the small to medium-sized commercial client.

"I took the position that we didn't want to get into national accounts on the basis of competing with the alphabet houses because of the tremendous pressure and competition," he explains.

But, RHR's business circumstances have changed and so has its strategy. Today, the broker is setting its sights on larger accounts, although the targeted premium range fluctuates from one region of the country to another.

"You can afford to do certain transactions in Lubbock, Texas, that you can't afford to do in New York City," notes Mr. Schaeffer.

This focus on the economics of insurance brokerage is a byproduct of Republic Hogg Robinson's planning process. The firm

Continued on page 67

Continued from page 66

is currently undergoing a cost-accounting exercise to evaluate its cost of doing business in different offices. "To run a profitable business you have to focus on where you can make money and where you can't," stressed Mr. Schaeffer.

He says that if an insurance brokerage and service firm can't have 80% of its efforts going into production and 20% into administration, it's going to be in real trouble.

It's not hard to understand why RHR's parents have big-account mentalities. Republic Steel is a big account in its own right, and Hogg Robinson Group's clients include many of the world's largest multinational corporations.

To penetrate large national accounts, RHR has formed a small unit of people who will attack certain coverage segments in which they have special expertise. The unit is anchored by three key producers lured away from the alphabet brokers and the former No. 2 man in General Motors Corp. risk management department.

"We try to target a coverage in which we have good expertise like mining and minerals and aviation," explains Mr. Schaeffer. "Sometimes you can get into a national account on a segment basis," he adds, pointing out most large companies now use four or five brokers anyhow.

Does this mean that the alphabet brokers will be seeing more competition from RHR in the future?

"We expect to be a factor more and more," affirms Mr. Schaeffer. "We aren't going to knock anybody out, but we will be kind of a gnat buzzing around certain segments."

The national accounts unit is headquartered in the company's Detroit- and Cleveland-area offices, though it uses personnel in other branches to spot opportunities. Rather than hiring a huge staff for the unit right off the bat, RHR is using a more cautious, less-costly approach of building staff as the business grows.

The national accounts unit also has developed computer software to perform a variety of risk analysis functions. Initially developed for internal use, the Queri System is now being offered to companies that want to acquire a self-contained risk management information system compatible with a variety of microcomputers.

At least two major corporations have purchased the system and roughly another 25 of the 30 companies that have seen the software have expressed interest.

RHR continues to benefit from referrals from Hogg Robinson. Many of the Lloyd's broker's clients that seek to make investments in the United States are asking RHR to bid on their insurance. Indeed, RHR's marketing literature stresses the broker's worldwide presence through its affiliation with Hogg Robinson Group.

RHR also specializes in working with Japanese companies, which like dealing with the brokerage's seven Japanese-speaking staff members.

RHR also is boosting its strength in the self-insurance claims administration field. In fact, revenues from the company's administration subsidiary, Penn General Services Corp., grew more quickly last year than its brokerage revenues.

Hotly competitive property/casualty insurance premiums have lured some companies from the ranks of self-insurers, but others are becoming more interested in self-funding their health plans because of soaring group medical insurance premium rates. PGSC sells both workers compensation and medical claims administration services, but its growth last year was achieved in the medical claims component.

"If PGSC contributed about 30%

**'We try to target a coverage in which we have good expertise like mining and minerals and aviation. Sometimes you can get into a national account on a segment basis,' Mr. Schaeffer explains.**

of our revenues last year, I would guess that the percentage is up to about 32% or 33% now," says Mr. Schaeffer.

Although RHR trails far behind the largest U.S. brokers in size, it is a major force in the claims and administration business—and wants to become an even bigger force as a third-party administrator of employee benefit plans.

"This was one of the directions that came out of our strategic plan," Mr. Schaeffer explains.

Last December, the company acquired Health Benefits Administra-

tors, a third-party claims administrator in Springfield, Mass. In February, it purchased Pension Planning Associates, an actuarial consulting firm in New York City that employs about 10 actuaries.

PGSC now handles all benefits administration for municipalities in Maine and New Hampshire.

Seaboard Underwriters Inc., the wholesale brokerage arm of RHR, is a separate subsidiary headquartered in Burlington, N.C. The parent corporation also owns a captive management company and a reinsurance broker in Bermuda.

Other developments at RHR in 1982 include:

- Last November's acquisition of The Wirkman Co., a 50-year-old fire and casualty insurance agency in Philadelphia.

- Establishment of a new brokerage office in Houston under the wing of Carol Stanley, a former vp at Frank B. Hall & Co. Inc.

- The sale of the partnership's 20% interest in Lloyd's broker Derek Bryant Insurance Brokers Ltd. in London.

- Development of a mass-marketing capability for personal lines coverages through employers and employer associations.

- Staff reductions in selected offices, particularly in Los Angeles.

RHR commercial brokerage offices are located in Los Angeles, Burlingame and San Diego, Calif.; Phoenix, Ariz.; Miami; Boston; New York; Southfield and Saginaw, Mich.; Burlington, N.C.; Beachwood, Ohio; Wynnewood,

Pa.; and El Paso, Lubbock, Dallas, Amarillo and Houston, Texas.

Penn General Service Corp. offices are located in Los Angeles; New York; Dallas; Miami and Tampa, Fla.; Caribou, Falmouth and Jackman, Maine; Southfield, Cadillac and Grand Rapids, Mich.; Springfield, Mass.; Barrington, N.H.; and Burlington, N.C.

Seaboard Underwriters Inc. offices are located in Chicago; Houston; San Diego; Burlington, N.C.; Boynton Beach, Fla.

The company's principal officers include: Alfred B. Schaeffer, chairman; Charles E. Keller, president and chief executive officer; Arnold Bergson, vice chairman; Vernon Dockendorf and Donald Benyas, regional vps; Gerry R. Ginsberg, and William J. Nietschmann, senior vps; Donald Sandgren, president of Seaboard Underwriters Inc.; and Kenneth Weir, president of Penn General Service Corp.

—By Rhonda L. Rundle



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	1982	1981
Premium vol. ....	NA	NA
Gross rev. ....	\$22,317,113	\$21,224,455
Employees .....	376	379
Rev./employees ..	\$59,354	\$56,000
Offices .....	24	24

Financial Guardian Group Inc. has its hopes pinned to specialty products as it breaks out of a bad year.

The Kansas City broker, which continues to hold the 15th spot in *Business Insurance's* annual ranking, also is doing more wholesale property/casualty business and less retail property/casualty.

This also should help it fare

more favorably in this downcycle, says Lee Beets, the founder, chairman, and chief executive of 13-year-old Financial Guardian.

FG's mere growth in gross revenues of 5.1% allowed Tampa-based Poe & Associates to move above it in the *BI* rankings. Only the combination of Ryan Insurance Agency Group and Rollins Burdick Hunter Co., opening up a rank below the number 10 spot, allowed FG to hold its 15th place ranking.

FG's efforts to pioneer new insurance markets as a way to spur growth are evident in one product that is just getting off the ground.

FG has developed a production insurance policy for oil and natural gas producers. It will help pay debt service if a well suffers an unexpected "reservoir inadequacy."

It appears primarily to insure a well owner against the possibility that petroleum engineers might have, in good faith, overestimated

the recoverable reserves at a site.

Under the policy, underwriters will pay principal and interest under any debt agreements for the period of time that a well suffers a "reservoir inadequacy." Excluded causes of the inadequacy include fire, weather, damage from aircraft and vehicles, earthquake, landslide, subsidence, blowout or mechanical problems, acts of gross negligence, infidelity or financial default or insolvency of the well operator.

The policy is being marketed by FG subsidiary Worldsure Inc.—its managing general agency and surplus lines specialist—and underwritten by FG subsidiary World American Underwriters Inc.—an insurance and reinsurance underwriting manager—for various insurance companies reinsured by Lloyd's of London.

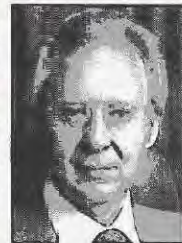
"We also expect to introduce within a couple of weeks a limited

partnership surety cover that will be able to substitute for a letter of credit," says William A. Schonacher Jr., vice chairman of World American Underwriters, president of Worldsure and a vp and director of the parent company.

"We want to do things in areas where it takes a level of expertise that not everyone can match," he adds.

The new reservoir policy not only illustrates FG's emphasis on new products, but also its growing wholesale and underwriting management business.

FG's wholesale property/casualty business grew to 31.4% in 1982 from 20.1% in 1980 and retail property/casualty business fell to 52.6% from 71.5% in



Mr. Beets

1980. FG is a licensed excess/surplus lines broker in Alaska, Arizona, California, Florida, Idaho, New York, Texas, Louisiana, Missouri, Illinois, Michigan, Kansas, Colorado, Iowa and Nebraska.

In 1983, Mr. Beets says, wholesale business will increase further and retail business will fall slightly. However, FG will still get at least 41% of its gross revenues from retail commercial property/casualty business.

Meanwhile, employee benefit and life insurance business grew to 16% of gross revenues in 1982 from 8.4% in 1980.

Overall, FG's business was 71.9% commercial at the end of 1982, up from 71.1% in 1981.

Since it is commercial retail property/casualty that is suffering most in the current competitive market, FG's mix of business with the growing emphasis on excess/surplus business should be to its favor, believes Mr. Beets.

But this mix did not help much in 1982.

It was a disappointing blip in a string of strong years for FG. Although operating revenues grew 5.1% to \$22.3 million despite a nearly 25% reduction in renewal premium volume, after expenses, Financial Guardian lost \$36,100 in 1982, according to public documents.

On the retail side, Financial Guardian this year is interested in more larger risks.

"We are encouraging our production people to relate more to risks larger than they have generally solicited," says Mr. Beets. For one thing, FG intends to continue to provide package programs to franchisees in the food industry.

FG continues to share with two other brokers, Frank B. Hall & Co. Inc. and Marsh & McLennan Cos. Inc., the property/casualty business generated by franchisees of McDonald's Corp. (*BI*, March 29, 1982). It also provides property/casualty coverage for Pizza Hut franchisees.

"I think the franchisees have come out like gangbusters," says Mr. Beets. "I think they got the best of price and service."

Unlike some of the larger brokers, Financial Guardian willingly operates on both sides of the seller/underwriter fence.

"I think the broker should be involved in every phase of the insurance business," says Mr. Beets, whose company is an agent for at least 200 insurers, specialty and general.

World American Underwriters is an underwriting manager for several specialty programs, including a miscellaneous errors & omissions program backed by the Home Insurance Co. The program provides coverage for real-estate brokers, management consultants and other lower-risk service providers.

World American Underwriters also is an underwriting manager for the special-risks portfolio of Angelina Casualty Co., part of the St. Regis Corp.'s insurance group, and for Omaha Indemnity Co.'s reinsurance operations.

Besides its MGA and underwriting management operations, FG owns a Bermuda-based insurance company, FG Reinsurance Ltd., which it has not substantially capitalized yet. However, Financial Guardian is considering joining with other investors to capitalize it now.

Despite the glut of reinsurance in the world market, Mr. Beets feels an FG-controlled reinsurer would be able to accept treaty commitments on much of the business written by World American Underwriters and keep that business in the corporate family.

Mr. Beets feels FG almost stands  
Continued on facing page

# The company that had 225 years of international insurance experience before it existed is now one year old.

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Continued from facing page alone in its ability to market specialized programs on a national basis.

Many large brokers lack central management, Mr. Beets feels, and individual producers in branch offices end up running their little fiefdoms.

Taking cues from his days as a production or sales manager for an insurer, Mr. Beets decided to centralize his management functions. Agencies or brokerages acquired by FG are told from the start they will have to accept a high-degree of direction from Kansas City headquarters.

This philosophy has allowed FG to develop powerful national programs in wet marine, trucking, food and beverage, nursing homes, professional liability and energy, Mr. Beets feels.

"We have planned our organization from the beginning and our national expansion has not been hampered by an existing corporate structure. . . ." says Mr. Beets, who also likes to tout his future-oriented corporate strategic plan.

One of Mr. Beets' key strategies is to take full advantage of computers in marketing insurance products. The broker has had its own mainframe system for years for policy services, but decided in 1982 to affiliate with the Insurnet system being developed by a consortium of insurers.

Mr. Beets hopes Insurnet will allow all of FG's branches to be "on-line" with a central computer in Kansas City which will carry accounts receivable/payable information as well as a specially written program for finding prospective new clients. Eventually, Insurnet is supposed to allow direct links with participating insurers as well, allowing electronic rating and printing of policies.

Mr. Beets says he isn't worried about becoming enslaved to the proprietary computer system because it is directed by several insurers instead of one. Moreover, he says, it allows FG to take advantage of pre-packaged software and hardware.

"I think Insurnet does a great thing for us—it allows us not to be trapped with a system," he says. "We didn't want to get involved in big hardware and software investments."

While FG is a national brokerage in the sense that it handles risk throughout the nation, it still has some blind spots in terms of offices. Mr. Beets would like to have facilities in Southern California, Dallas, Atlanta, Florida, Indiana, Ohio, Pennsylvania and the Northeast, such as Hartford, Conn., or Boston.

FG currently has offices in Phoenix, Ariz.; San Jose, Calif.; Denver; Stamford, Conn.; Hinsdale, Ill.; Des Moines, Iowa; Atchison and Wichita, Kan.; Troy, Mich.; Kansas City, and St. Joseph, Mo.; St. Louis; Omaha, Neb.; New York; Houston; Cheyenne, Wyo.; France; and Holland.

In September 1982, FG completed the acquisition of Insurance Underwriters Inc., an insurance agency in Troy, Mich., for \$327,000. In April 1982, it purchased International Insurers Services Inc., a Houston-based agency, for 37,000 shares of FG common stock valued at \$6.03 to \$6.86 per share. The acquisition will be completed this year.

It also acquired the Claude Glaman Agency in Atchison, Kansas.

FG also purchased Houston Casualty Agency Inc. of Houston, for 30,000 shares of FG common stock last April.

FG is still out beating the bushes looking for acquisitions at the right price and in the right place, Mr. Beets says. Conversely, Mr. Beets

says, Financial Guardian would always be willing to consider being acquired if the terms were to the benefit of its roughly 160 shareholders.

"Any organization is probably available with the right set of ingredients," says Mr. Beets. "We're one of the few that's still available." Mr. Beets doesn't define the right ingredients, but he notes that there are about 2 million shares of

FG stock outstanding.

Thus, an acquiring company would have to come up with nearly \$14 million to match the \$6.86 price-per-share established in FG's own acquisitions for stock. There is no public market for FG's shares, however, so a tender offer would almost have to be a friendly one.

FG also doesn't rule out offering stock to the public. Mr. Beets

says it has always been an objective of FG to seek liquidity "and going public would accomplish that."

Besides Mr. Beets and Mr. Schonacher, key executives of Financial Guardian Group Inc. are Donald R. Weber, executive vp, director and president of Financial Guardian Inc., the retail brokerage affiliate; Richard H. Turner, vp and treasurer; Lewis A. Dysart, vp, secretary and general counsel; Doran R.

O'Neale, vp and director; and Norbert F. Koehs, vp and director.

As reported to the Securities and Exchange Commission, the five highest-compensated executives in salaries, commissions and bonuses in 1982 were:

Lee Beets	\$150,000
Donald R. Weber	\$120,000
Doran R. O'neale	\$117,128
Norbert F. Koehs	\$108,000
W.A. Schonacher Jr.	\$100,000

—By Bill Densmore

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Hilb, Rogal & Hamilton Co.

6630 Broad St., Richmond, Va.  
23230; 804-281-6336

	1982	1981
Premium vol. ....	\$105,000,000	\$100,000,000
Gross rev. ....	\$17,600,000	\$17,000,000
Employees .....	382	425
Rev./employee .....	\$46,073	\$40,000
Offices .....	16	19

Employee-owned Hilb, Rogal & Hamilton Co. is carving out the small and medium-sized businesses in the Southeastern United States as its niche in the brokerage business.

"Over the long term, our goal is to stay and build in the 15 or 20 cities where we are at present," says President Robert H. Hilb. "We have no particular goal to go overseas or to be the major competition for Alexander & Alexander or Frank B. Hall. Although, of course, it is unrealistic, our major goal is to become the No. 1 broker in every one of our cities."

Last year the broker inched toward its goals by consolidation—not massive revenue gains or ac-

quisitions.

In its first full year separated from Richmond-based Continental Financial Services Corp., Hilb, Rogal & Hamilton (holding company for Insurance Management Corp.) added no new locations, but increased revenues 3.5%, to \$17.6 million in 1982 from \$17.0 million in 1981. Premium volume also increased in 1982, to \$105 million from 1981's \$100 million.

The growth held Hilb, Rogal's position relative to competitors, although it moved up a notch to No. 16 among the Top 20 domestic brokers thanks to the combination of Ryan Insurance Agency Group and Rollins Burdick Hunter.

Hilb, Rogal worked on internal matters in 1982, including getting personnel used to working as a separate entity and streamlining operations to enhance profitability, says Mr. Hilb.

Trimming the workforce to 382 persons in 1982 compared with 425 in 1981 increased Hilb, Rogal's revenues per employee to \$46,073 compared with \$40,000 the year before.

Streamlining operations continued into 1983, with the consolidation of offices in the Tampa and Fort Myers, Fla., areas, the merger of a Boston office into a joint ven-

ture and the sale of a Sarasota, Fla., operation.

"What we're trying to do is improve the quality of our operations," Mr. Hilb says. "In a few of our locations, such as Tampa where we brought our marine operation into an office nearby, we found that we could do the combined job more efficiently."

"Our plan is to concentrate our efforts in the locations where we are currently positioned," Mr. Hilb explains. "These include 16 profit centers located primarily throughout the Southeastern and Eastern United States—with the exception of an office in San Diego, Calif."

"Right now, we're not looking for penetration into major cities," Mr. Hilb adds. "Just recently I got a call from a person in New York with an offer to sell. I turned it down; we're just not interested in having an office there. We're looking for mergers to increase our position in cities we already serve."

Hilb, Rogal doesn't need a presence in large cities because it doesn't concentrate on Fortune 500 or other super-large risks.

"The big boys can continue eating each other alive on that business," says Mr. Hilb. "We prefer to

serve as the risk manager for the smaller commercial account rather than serving as the marketing arm for the risk manager on a larger account."

An exception to the emphasis on smaller cities is Atlanta, where Hilb, Rogal owns a small office.

"It is a big city, but we would like to grow there nonetheless," Mr. Hilb says. "It is in our marketing area. The Atlanta office is not as big as it should be for a city that size, but its results are as good as any in our system."

The lack of acquisitions in 1982 was not from a dearth of agencies available, Mr. Hilb says. "There are a lot of struggling agencies out there that are more than willing to sell to anyone," he says. "In your acquisition policy, you must be more selective than ever. Buying a struggling agency is seldom an outstanding bargain."

Mr. Hilb qualified that observation. "If you're growing in cities where you already have prosperous operations, you can perhaps afford to acquire a struggling office and work to blend it into your own successful one," he says.

Mr. Hilb says his firm is working on a "rededication to the sales effort."

"To be a good producer today, you need the same skills as you did in the 1970s, but you also need a willingness to work harder," he says. "In our case, we found when we took over the organization that we had some of our employees in virtual semiretirement at age 45. They weren't doing much work."

"That has changed," he contends. "We're asking for a new dedication to doing the job. And our figures show our people are responding. In the first quarter of 1983, our business was up 16% on pure sales alone. To get those kind of figures, somebody has to be working out there."

Mr. Hilb attributes much of the success of the "rededication" effort to the firm's smaller size and the control exerted from a lower level of bureaucracy since it was sold by Continental. Ownership and management are in the hands of 43 officers.

"When the people you count on to produce own a piece of the action, you're bound to get more effort out of them. It's a great motivator," Mr. Hilb says. "We plan to increase the number of our employees who own stock in the near future by about 35 through a new stock offering. The stock will be offered to employees who occupy lower corporate levels than those who now are shareholders."

It is expected that the company will remain largely employee-owned. Mr. Hilb says only employees can purchase stock, and that the corporation has the first right of refusal if the employee decides to sell.

Mr. Hilb says he believes the brokerage is better off in being free to make its own decisions without concern about how they would affect the results of a parent corporation.

"Owning your own business is great," he says. "Formerly, when we were part of a major conglomerate, we had to work like crazy just to change the parent corporation's earnings per share by a penny. And even if we accomplished that, it didn't seem to make a difference. You never got the recognition you thought you deserved."

"Now if you do the job, it shows up on the bottom line. And the decisions are ours alone to make," he adds. "We started our rededication efforts two years ago, and they are just starting to work. We needed to convince everyone that the new way was better."

The "new way" utilizes autonomous offices supported by only eight employees on the corporate level. Offices are kept to corporate goals by frequent sales meetings and increased reporting require-

ments.

"We don't have a very large corporate office here in Richmond," Mr. Hilb says. "Our plan is to give each office great responsibility in pulling its own weight in the firm. But we have more sales meetings than we ever have before, and I'm now asking for sales reports I never asked for before."

"Today, each office has to work hard, or else we won't get ahead. I think many of our employees are beginning to believe that, and many are even finding out that hard work feels good."

Mr. Hilb notes, "With our type of clients, you impress them with good market position in the city in which you are located. You don't impress firms that will net you from \$40,000 to \$50,000 in premium with a list of computer services or captive management firms."

"We've got the same brochures and big pictures that the larger, national brokers have," he adds. "Our secret really isn't one; we just feel we do a better job."

In making that argument, Mr. Hilb lists many of the same attributes claimed by a smaller independent agency: service is more personalized, efforts are made to maintain local flavor in each office and account executives are not reassigned regularly and so provide more consistent buyer contact.

Many Hilb, Rogal offices are similar to larger independent agencies in another respect: They don't ignore personal lines business.

"We've got a pretty healthy book of personal-lines business," Mr. Hilb says. "Personal lines probably makes up more than 20% of our business on average."

"We've always taken an interest in personal lines because it helps stabilize our commercial business," he adds. "Many of our offices actively seek it. In our smaller cities, we get walk-in business. In the larger offices, the emphasis is on larger personal-lines business. I'd say that in general we're not overwhelmingly interested in the isolated tenants policy, but if you have a person with a home, a car and maybe a boat, you're getting some good, stable business."

Like other brokers, the Insurance Management offices' financial results are being hurt by insurance rate cutting prevalent in commercial property/casualty lines. Like other brokers, Hilb, Rogal is seeking to cut costs and increase efficiency. One means of improving that efficiency may be a cut back in the number of insurers represented by each office, Mr. Hilb says.

"In some offices, we represent 30 to 40 carriers," he says. "The inefficiencies and paperwork involved in utilizing that many insurers doesn't justify the savings we can get for our clients in a few isolated incidents."

If the firm does decide later this year to reduce the number of insurers it represents, the business will be switched to other markets, including the two insurers who helped finance the purchase of Insurance Management.

Mr. Hilb refuses to name those insurers, saying the financing agreement precludes him from identifying the source of the purchase money. However, he admits the percentage of Hilb, Rogal business written by the two insurers has increased since the sale.

One reason for the increase is that Hilb, Rogal's interest rate on its loan from the two underwriters decreases if a certain volume of business is placed with them.

"Deciding which insurer to place business with is always a delicate

Continued on facing page



Mr. Hilb

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Continued from facing page  
 issue these days for brokers," he says. "If we do reduce our markets this fall, I'm certain that our financing insurance companies will pick up some of the business."

"After all, these companies stood behind us when we needed them, and we should never forget that," Mr. Hilb says. "It makes a difference in the way you think about them. I admit that all things being equal, we are always happy to give them some additional business."

"But they still have to be responsive," he adds. "We are here for the customer and have to do the job for them. You can never sacrifice that. There are incentives to place business with our financing insurers, but you can go to any insurance company and get concessions for good business in today's market."

Growth for the firm in 1983 should come from "two new products I can't tell anyone about yet," Mr. Hilb says. They will be commercial insurance products, he allowed.

"Creative thinking helps, even if it does only give you a six-month jump on the competition," he says. "Besides the two programs, we're also developing some coverages that are not unusual in themselves, but will be packaged in unusual ways. We're smaller now and we control our own destiny. We want to use that to our advantage by trying out new things."

Mr. Hilb says he also expects to expand sales of benefit coverages. "Every client of 100 employees or more is acutely aware of its benefits costs," he says. "They're looking to save money wherever they can. For many of our smaller clients, we've been recommending a program that includes partial self-insurance with an excess layer for catastrophies."

Hilb, Rogal offices do some business with London markets, but Mr. Hilb says most of his requirements are met by the domestic excess/surplus markets. The company also does not emphasize unbundled services, since it lost affiliations with companies specializing in premium financing, self-insured workers compensation services and excess/surplus lines.

Like other big brokers, the firm is investigating ways to use computers to increase efficiency, but hasn't found the answer.

"We installed a new system in our San Diego and Pittsburgh offices, but we're just not satisfied with the software," Mr. Hilb says. "Our automation program is on hold; we're going to wait to see what the advances in the industry in general and insurance company participation in particular hold. We think something might happen by the end of this year."

Three things must happen for 1983 to be a success, he says. The first is a successful launch of its two new commercial products. The second is reaching targeted levels of business with the two insurance companies that financed the Hilb, Rogal buyout. Finally, the organization must maintain the level of enthusiasm that resulted in revenue gains so far this year.

Mr. Hilb admits the operation would be available to a larger broker "at the right price," but doesn't expect that price to be offered soon.

"We're not really interested in selling to another broker," he says. "Sure, every person has his price, but I tell callers interested in buying our operation that the price we'd accept wouldn't be acceptable to them."

Hilb, Rogal & Hamilton subsidiaries include: Baumhauer-Croom Insurance in Mobile and Hamilton & Shackelford-Insurance in Birmingham, Ala.; Percy H. Goodwin Insurance Services in San Diego; The Insurance Management Center Inc. in Manchester, Conn.; HERNON, ILES & SCOTT Inc. in Orlando; Insurance Management Corp. of

South Florida in Fort Myers; and Insurance Management Corp. of Tampa Bay, all in Florida.

Additional subsidiaries include: Columbus Interstate Insurance Agency in Columbus, Ga., and Leide Associates Inc. in Atlanta; The Jackson Insurance Agency Inc. in Jackson, Mich.; Underwood-Dawson Inc. in Goldsboro, N.C.; Meuche, Hickman & Snow Agency in Dayton, Ohio; Rogal Co. Inc. in Pittsburgh; and Insurance Management Corp. of Charlottesville; Insurance Management Corp. of Tidewater in Chesapeake; and Mutual Insurers Inc. in Richmond, all in Virginia.

In addition to Mr. Hilb, principal officers include David W. Hamilton and Alvin Rogal, executive vps; Timothy J. Korman, vp and treasurer; Dianne F. Fox, assistant vp and secretary; and Andrew T. Gabor, assistant vp and comptroller.

By Dave Galanti

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**John L. Wortham  
& Son**

2727 Allen Parkway, Houston,  
 Texas 77251; 713-526-3366

	1982	1981
Premium vol. ....	\$108,952,695	\$103,118,836
Gross rev. ....	\$14,470,496	\$13,109,710
Employees .....	230	233
Rev./employee .....	\$62,913	\$56,266
Offices .....	1	1

Houston's economy came through again for John L. Wortham & Son in 1982.

While the nation's poor economy affected the results of many brokers in 1982, Houston's good economic weather helped move Wortham up to the 17th position in the *Business Insurance* ranking.

Wortham, which made the Top 20 for the first time in 1982 thanks to strong area economy, moved up two notches on the chart this year.

But Wortham, which increased its gross revenues by more than 10% last year, is watching the weathervane more carefully this year, says Fred C. Burns, a partner in the brokerage.

While the recession is showing signs of abating in much of the nation, the winds are just beginning to pick up in Houston now, he says.

"The recession is late in coming, but will also be late in leaving."

Much of Houston's economy revolves around the energy industry, Mr. Burns notes. With the decrease

in demand for oil, fewer rigs are operating.

The economic downturn has hit Wortham with a slight increase in bad debts, Mr. Burns notes, but revenues continue strong. First-quarter results for this year are up 3% over the same period one year ago.

Gross revenues in 1982 rose to \$14.5 million from \$13.1 million in 1981.

"We had a strong year and we're not balancing the books on the expense side," Mr. Burns comments, noting that many large brokers reacted to relatively weak results last year by cutting staff.

Last year, Wortham reduced staff by 1% to 230 from 233 employees. The three positions were eliminated because of automation, he notes.

About 14%, or 32, of the employees are partners in the brokerage, one more than in 1981. Two partners retired and Wortham elected one additional partner in 1982, Mr. Burns explains.

Wortham is the only privately held, unincorporated partnership in the *Business Insurance* Top 20.

The managing committee that serves as the broker's senior management includes managing partner Allen H. Carruth and partners Joseph G. Cutler, John W. Hervey, Robert H. Moffatt and Mr. Burns.

The brokerage has remained a partnership since its inception in 1915, Mr. Burns notes, which has certain advantages.

"You only have so much money coming in," Mr. Burns explains. "If

you have to pay so much to outside investors and so much to management and so much for operating expenses, there's a question of how much you have left to pay account executives. We don't have as many layers and we pay our people well."

Partners oversee more than 20 separate departments that handle Wortham's accounts, about 94% of which are commercial business.

**Casualty risks**, including workers compensation, comprise the largest chunk of the broker's business—about one-third. Property insurance and marine and energy account for another third, with all other lines making up the final third, said Mr. Carruth.

"Marine (risks) came on a little stronger last year than in the past," he explained. "And, our percentage of casualty business fell a few percentage points compared with marine. That actually gives us a better balance."

Wortham didn't actually plan to increase the percentage of marine business it places, Mr. Carruth said, "but we look for growth wherever we can find it."

Gross premium volume for 1982 rose 5.7% to \$108.9 million from \$103.1 million in 1981.

"We consider that a normal year for few business. We may not write as much new business as other brokers, but we probably retain a higher percentage of the business we do write," he says.

On new and existing accounts, a whole team of Wortham technical

staffers may work directly with clients, Mr. Burns says. Some clients want to take questions directly to technicians, he says, while other clients choose to deal only with the account executive that produced the business and have him or her serve as a liaison.

"We let the client choose. We can use either system because our employment is so stable. In some cases, if only one person (the account executive, for example) is real familiar with the account it can be tragic if that person leaves. But our turnover is very low—less than 5% for the professional staff."

Wortham places business with more than 100 insurers throughout the United States and through numerous London brokers. It doesn't, however, have any financial interest in brokers outside the U.S.

Wortham recognizes an industry trend to reduce the number of insurers a brokerage uses while tightening relationships with the remaining ones, particularly in small commercial and personal lines, Mr. Burns says.

But Wortham isn't consciously trying to follow that trend. If the brokerage places business through fewer insurers in the future, it will be the result more of a natural process than a conscious decision, Mr. Burns says.

Wortham, however, has made a conscious decision to tighten relationships with some insurers by interfacing the insurers' computers. Wortham has terminals that can communicate with two insurers,

mostly in personal lines areas, and soon will add a system to interface with another.

Although Mr. Burns recognizes the advantages of communicating with all insurers through one computer system rather than through different terminals for each insurer, he says Wortham can't wait for development of such a network.

But, it needed electronic communication capabilities now and will follow its current mode of adding terminals for each insurer it wants to communicate with until a network is developed.

Similarly, Wortham also didn't wait until internal automation systems were readily available before computerizing the brokerage. It developed its own computer software system about 15 years ago, Mr. Burns notes.

The system, which is expandable to meet the broker's growing needs for automation, is basically an internal management system.

"We do use it for some risk management such as loss analysis, but it isn't really a revenue-generating tool. It never was meant to be. Our main asset will always be our people."

Accumulating physical assets, either through subsidiaries or branch offices, isn't in Wortham's game plan, Mr. Burns says. Wortham's only office is the Houston headquarters.

The brokerage did own a captive management company in the mid-1970s, but later sold it.

—By Donna Leigh Yanish

# The challenges of 1983 are being met...right here.

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18

**Lawton-Byrne-Bruner  
Insurance Agency Co.**

10 E.oadway, St. Louis, Mo. 63102;  
314-621-5540

	1982	1981
Premium vol. ....	NA	NA
Gross rev. ....	\$13,532,100	\$13,527,100
Employees .....	258	267
Rev./employee ..	\$52,450	\$50,663
Offices .....	1	1

Lawton-Byrne-Bruner Insurance Agency Co. is counting on its emphasis on selling insurance, a new automation computer system and the recent addition of top-notch people from major brokerages to pull it through tough times.

The recession and the soft insurance market left the St. Louis broker's gross revenues almost flat, rising only \$5,000 in 1982 to \$13,532 million from \$13,527 million.

However, the merger of Rollins Burdick Hunter and Ryan Insurance Agency Group opened a slot in the *Business Insurance* ranking, which allowed Lawton-Byrne-Bruner to maintain its position as the 18th-largest U.S. broker despite its flat performance.

"I can't imagine the market any tougher," says President H. Robert Larkin. "And, the market will continue to remain soft."

"We wrote new business in 1982, but with reduced premiums and reduced commissions, it was not enough to increase revenues," says

David R. Anderson, senior vp of operations.

One way that Mr. Larkin and Mr. Anderson believe the broker can remain competitive, however, is to continue its emphasis on selling insurance and personal service to clients and not by branching into a wide range of financial services.

To Lawton-Byrne-Bruner, this concentration is an asset.

Mr. Larkin says LBB can offer its clients more flexibility than available from more diversified brokers. This gives it a competitive edge in many areas.

"We can tailor-make our services to fit the client," says Mr. Anderson.

"The question is who can bring resources to the client the best, and we feel we have the flexibility to get the best service and best person in the area," says Vp Scott E. Robinson.

Because Lawton-Byrne-Bruner has no branch offices, it is free to use the best resources available in whatever city a client is located. "We're not tied to offices or people that we have to use," he says.

LBB, which has 258 employees at the end of 1982 compared with 267 in 1981, does business throughout the nation and worldwide. 35% of its revenue comes from outside the St. Louis area.

Eight percent of its business is

placed in London, where it does business with four brokers.

The company services about 15,000 accounts of all sizes, including wholesale as well as retail businesses.

Clients include several major railroads, fleets of inland towboats and barges, oceangoing tuna boats, trucking firms, hospitals, contractors and public agencies. About 96% of the company's business is from commercial accounts, with the remaining 4% from personal lines.

Approximately two-thirds of Lawton-Byrne-Bruner's gross revenues come from its property/casualty business, with the majority of that coming from casualty lines.

Employee benefits business represents 19% of gross revenues with specialized lines, such as marine and aviation, bringing in 12%.

Besides its concentration on selling insurance, LBB expects a new computer system that began operating June 1 to make it more competitive. It took 18 months to get the new system operational, but the brokerage expects it to generate some significant cost savings.

Unlike LBB's previous computer system that was primarily used in-house for accounting and other office functions, the new system will help clients generate the information they need to facilitate the purchase of insurance.

When the system was purchased, Lawton-Byrne-Bruner found that the best systems available were financially oriented rather than

product-oriented. It had to buy the special programs it wanted to make it client-oriented.

As another indication of its ability to compete with larger brokers, Mr. Larkin points to the staff members Lawton-Byrne-Bruner has wooed from the alphabet houses. He reads this as a testament to the way the agency operates.

Mr. Anderson, for example, came to LBB after working in Marsh & McLennan's St. Louis office for many years.

Mr. Larkin also points out that much of the staff is young, another asset for the broker. Of the 14 managing directors, six are under 40.

LBB's philosophy is to hire young people, Mr. Larkin says. One reason other agencies may not have survived is "they didn't perpetuate themselves" with young people.

Lawton-Byrne-Bruner also is structured uniquely. It is owned by 14 managing directors, each of whom runs an individual "profit center." Each is considered a separate business with responsibilities for paying its own expenses and generating income.

The managing directors earn no salary—everything they make is through commissions.

The directors collectively manage the company and individually service insurance accounts with staffs of varying sizes.

"There's a very thin management structure," Mr. Anderson says. "The principals are all involved in sales. That's the key."

But the company is branching

away a bit from this style of operation. For the first time, employees will solicit business for LBB itself rather than the managing partners.

"It's a new way of doing business," Mr. Anderson says, "an additional way to sell insurance."

The company has two affiliates. John O. Felker Benefits Services, an employee benefit administrator based in St. Louis, has about 70 employees. It administers health insurance and pension and profit-sharing programs for national associations. And, it helps large associations market insurance programs for their members, which can get personal coverage more cheaply if it is purchased as a group.

The other affiliate is Parcel Insurance Plan Inc., the largest agency in the United States specializing in writing small parcel insurance. Parcel has complete underwriting authority from Fireman's Fund Insurance Co.

Lawton-Byrne-Bruner also provides risk management services to all commercial accounts. The company can get specialized loss runs and other risk management information that risk managers of larger corporations need, Mr. Felker adds. Some of the information is generated internally and some use outside sources.

Principal officers besides Mr. Larkin are William W. Fetner, chairman; Chester P. Skwiot and Peter C. Reeves, executive vps; J.B. Andrews Jr., secretary; and David R. Smith, treasurer.

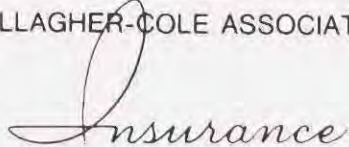
—By Stephen Tarnoff



Mr. Anderson



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LICENSED SURPLUS LINES AGENTS

19

Dinner Levison Co.

220 Bush St., San Francisco, Calif.  
94104; 415-391-5422

	1982	1981
Premium vol. ....	NA	NA
Gross rev. ....	\$12,500,000	\$10,200,000
Employees .....	185	145
Rev./employees ...	\$67,568	\$70,345
Offices .....	2	3

Building consulting services while paring down overhead costs helped Dinner Levison Co. climb into the *Business Insurance* list of the Top 20 U.S. brokers.

To offset last year's increasingly depressed property/casualty coverage rates, the brokerage concentrated resources in consulting services, like claims management, that are offered through its risk management division, along with employee benefits consulting through its group and life division, according to President Robert Nevins.

DL also purchased The FPE Group, a San Francisco-based loss-control engineering and consulting company, another example of its emphasis on consulting.

Although consulting provided many of the year's highlights for DL, the brokerage side of the business also had its high points, Mr. Nevins says, noting that it added a few major clients.

Dinner Levison is somewhat un-

usual among its regional brokerage peers because it has strong relationships with worldwide markets. These ties make it somewhat easier for DL to place very large risks.

The addition of major accounts on the brokerage side, as well as the FPE acquisition, helped boost privately held Dinner Levison's revenues 22.5% to an estimated \$12.5 million in 1982 from \$10.2 million estimated in 1981, which would have ranked it at No. 22 among the nation's largest brokers.

DL's revenues per employee—a whopping \$67,568—were higher than any other of the 20 largest brokers, which Mr. Nevins attributes to the quality of people the brokerage is able to hire.

Although it hired about 10 new employees in its large-account and benefit units, it cut staff in other areas to reduce overhead.

"We cut people on a selective basis," Mr. Nevins says. "Cuts were made in all areas except consulting services; we aren't reducing there. We've eliminated redundancy in administration."

Overall, DL increased its brokerage staff by about five employees, Mr. Nevins notes, bringing the total to approximately 185, including the approximately 35 staff members at FPE.

Besides joining the group of 20-largest brokers for the first time in 1982, Dinner Levison also reached another milestone: After operating for 67 years as a partnership, it transformed itself into a privately held corporation.

Although it has been about a year since DL incorporated, the company is still in transition, executives say, even though corporate structure is new to the company.

"We had been running as a corporation for some time. We would have gone sooner, but it's such a massive project," explains Chairman Robert M. Levison Jr.

Expansion was a major reason for incorporating the brokerage, Mr. Levison says. Acquisitions under a partnership are much more difficult than under a formal corporate structure.

With its new corporate structure, DL is looking to expand geographically, Mr. Nevins says, a relatively new step for the brokerage. Until five years ago, DL had just one office; now, there are only two.

"There are definite advantages to being in one location. All the expertise is right here. Also, the team approach to handling accounts lends itself to a large number of people," Mr. Nevins says.

**Servicing accounts** outside the area isn't necessarily impeded by having to travel, Mr. Nevins continues. "Being the outside expert is sometimes an advantage."

But not always, he admits. "For some kinds of business you have to be in the area. As you grow to a certain size, you have to look to geographic expansion."

About five years ago, DL made its first move by opening a branch office from scratch in Newport Beach, Calif. The office offers all the services available through DL headquarters.

Last year, DL closed another office in Woodland Hills, Calif., that it had acquired from the Anthony J. Brescia Agency in 1981. The Newport Beach office took over the accounts handled out of that office.

Although DL's expansion path appears to be leading it to buying or starting full-service branches, the acquisition earlier this year of The FPE Group, steered the brokerage in yet another direction.

The engineering consulting group, despite its new ownership, will not work exclusively with DL, the brokerage stresses. "It's important that (the subsidiary) remains autonomous," one executive says.

**Formed in 1975**, the engineering firm, unlike its new parent, has established branches in several cities around the country. Its main office is just a few blocks away from DL headquarters but it maintains engineering offices in Wichita, Kan.; Chicago; Philadelphia; Washington; and Youngstown, Ohio.

Engineering and consulting services offered include property loss-control services, fire-protection systems design and safety management. An engineer in the Youngstown, Ohio, office specializes in boiler and machinery loss control.

FPE engineers view loss-control strategies differently from broker or insurer engineers who tend to encourage clients to meet all of the industry standards as strictly written, says Robert A. Lapidus, FPE's director of safety management services.

"The engineers come from corporate risk management departments and we think of loss control in terms of management."

The firm has also consulted on several overseas projects. For example, FPE engineers are currently working on designing fire protection systems for projects in Saudi Arabia, Mr. Lapidus says.

FPE isn't the only part of Dinner Levison with worldwide connections, however. DL regularly places business with underwriters from London to the Far East through its risk management division, which handles large commercial accounts.

DL's overseas relationships stem from the 1960s when it placed the insurance for the San Francisco Bay Area Rapid Transit Authority.

Continued on facing page

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Continued from facing page

Since then, the risk management division has developed an expertise in placing risks for light-rail transit companies, notes John P. Folsom, senior vp in charge of the division.

While the brokerage has developed this area of expertise, Mr. Folsom says DL is really a generalist. "We have the ability to develop expertise very quickly," he says, and has done so to win the accounts of large corporations.

Although it is just a fraction of the size of the alphabet brokers, DL has several Fortune 500 accounts, including Esmark Inc. and Transamerica Corp., that demand worldwide markets, Mr. Nevins adds.

Transamerica, Mr. Nevins notes, has still retained Dinner Levison as its broker despite the financial service conglomerate's purchase of Fred S. James & Co. Inc. last year.

DL previously shared the account with Alexander & Alexander Services Inc., which lost its portion of the account after the James merger. Mr. Nevins admits it's uncertain whether Transamerica will stop buying DL's services.

Although claims management is one of the areas in which DL has recently concentrated to offset the effect of declining property/casualty premium rates, the brokerage doesn't provide claims adjusting service for any of its clients, notes Charles W. Kahsen, vp in charge of claims management.

"We define what claims management should be. We send out specifications for proposals (to the claims adjusting firms) and conduct personal interviews. Then we submit standards with requests for proposals and contract terms (to the client). We assist the client in contracting agreements," he says.

Once a client has contracted with a claims adjusting firm, DL, using the standards established in the contract, either continually audits the firm's performance or assists the client's own risk management department in the audit.

DL's claims management group has worked with clients on product liability and large property loss programs, he says. "We're also strong in assisting clients in workers compensation review. We have a workers comp specialist on staff."

The brokerage charges a fee for its claims management services, Mr. Kahsen notes, adding that the brokerage has used some fee-based compensation since the early 1970s.

About 30% of DL's \$12.5 million in revenues is generated from fees rather than commissions, Mr. Nevins notes. In some cases, the brokerage receives both fees and commissions on an account.

Mr. Nevins says the industry-wide trend toward broker compensation in fees rather than commissions will continue.

Another change in the industry, he says, is the continuing trend to tighten relationships among agents and brokers and insurers.

DL is evaluating its relationships, he notes. "We'll substantially reduce the number of insurers we use in small commercial lines, to four or five lead companies."

DL currently places risks with about 100 insurers, though the majority go to only about 20, he adds.

Reducing the number of insurers helps streamline operations and reduce the cost of producing business, notes Robert G. Nelson, senior vp in charge of the commercial and personal lines division, which handles smaller accounts.

Automation also helps in streamlining, he notes. DL has a computer that interfaces with The Chubb Group to receive status information on coverage, billing and claims for personal lines coverage. Commercial lines staffers can rate business through a computer interface with Hartford Insurance Group.

Although DL computers now interface with two insurers, DL is anxiously waiting for an industry-

wide interface network that allows two-way electronic communication without tying the broker to one insurer. Until that system is available, DL is proceeding relatively cautiously toward a fully automated office, notes Scott R. Heldfond, senior vp-administration.

Right now, the fastest growing division at DL, its group/life unit, isn't tied into the computer system, notes Robert M. Karr, senior vp in charge of the division. Yet computers, and their manufacturers are very much a part of the group's business—on the client side.

"We're interested in any size of electronics firm, particularly emerging young companies. We target firms with 100 (employees) or more," Mr. Karr says.

The interest in the electronics industry stems partly from its location. California's Silicon Valley, home to many high-tech firms, is located just south of San Francisco.

—By Donna Leigh Yanish

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**20**

**Rhulen Agency Inc.**

217 Broadway, Monticello, N.Y.  
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	1982	1981
Premium vol. ....	\$65,000,000	\$50,000,000
Gross rev. ....	\$12,321,489	\$9,789,000
Employees .....	190	180
Rev./employees...	\$64,847	\$54,383
Offices .....	9	9

Nestled in the Catskill Mountains of New York state, Rhulen Agency Inc. bears little resemblance to its national colleagues.

It cares little about jumbo diversified corporate risks, lacks far-flung service offices and blurs distinctions between brokerage and underwriting with a casual disregard for the philosophical controversy now evident at some of the larger brokers.

Its headquarters sheltered from the fast pace of urban competition in the resort community of Monticello, N.Y., Rhulen is also insulated from many of the problems now draining the profits and energy of the jumbo brokers.

While most of the other members of the *Business Insurance* listing of the 20 top U.S. brokers strained in 1982 to produce the same amount of revenue they earned the previous year, Rhulen turned its specialty agency into one of the top performers, posting a 26% revenue increase on internal growth alone to \$12.3 million from \$9.8 million in 1981.

While most brokers looked to save money by limiting or reducing staff, Rhulen, the smallest member of the Top 20, added 10 employees in 1982 and has already added 40 more so far this year, bringing its corporate head count to 230.

And the agency's growth doesn't appear to be slowing, says Presi-

dent Walter A. Rhulen. New business for the first half of 1983 is increasing at about the same pace as last year, rising 26% over the first six months of 1982.

The secret, he says, is specialization and a willingness to pursue risks that many larger brokers shun as too strange or limited in scope.

"We are a conglomeration of pieces," Mr. Rhulen explains. "Specialization is our entire thrust. We don't want to be risk managers for big corporations and we don't want to compete with large national brokers. We want to create products for contemporary needs and then write as much of that market as we possibly can."

"Most of the coverages we write are part of national programs for which we are managing general agents with some underwriting authority," he says. "Sometimes we hold a carrier's pen and sometimes the pen belongs to us as we under-

write for our captive or our subsidiary, Frontier Insurance Co."

For example, about 50% of Rhulen's total revenues is derived from animal- and livestock-related coverages, including thoroughbred racing and breeding horses, standardbred or harness horses, prize beef and dairy cattle, race tracks, riding stables, rodeos and other related risks.

Underwritten in the United States by American Home Insurance Co. (an affiliate of American International Group Inc.) and overseas by Christopher Columbus Insurance Co., Rhulen's captive insurer in the Cayman Islands, the animal coverage is completely serviced from the Monticello office. However, the agency does maintain sales offices in Toronto; Atlanta; Phoenix, Ariz; Murfreesboro, Tenn.; and Greer, S.C.

Some brokers might see the centralized service location as a limitation on new business growth, but

Rhulen executives believe that experts are best kept together so they can share their knowledge.

In addition to its brokerage and underwriting activity, Rhulen has complete claims adjusting authority for the livestock business and its animal claims office is open 24 hours a day.

Veterinarians on retainer are flown to the scene of a claim if professional judgment is required, which is frequently the case since the Rhulen-written animal mortality policy requires the agency's consent before an animal can be destroyed.

The service technique has worked to make Rhulen the largest livestock insurance brokerage in the United States, Mr. Rhulen notes, and sets the pattern for other Rhulen specialties including camp, recreation, gymnastics and skiing risks, education-related health and liability risks and real estate coverages.

About 20% of Rhulen's revenues is derived from the camps and related athletic programs, Mr. Rhulen adds, a specialty the brokerage developed in 1934, just one year after founder and still Chairman Max Rhulen opened the agency's doors in Monticello.

Although the brokerage began by insuring children's summer camps in the Catskills, the expertise and experience the agency developed was soon extended nationally.

The first brokerage to recognize the significant liabilities inherent in the youth camp business, Rhulen was also the first to press loss-control and safety programs, its executives say.

Building on this small part of the recreation business and the medical claims staff it hired to handle the steady flow of small claims, Rhulen expanded into a variety of athletic events and now brokers and underwrites, among other things, medical payments and accident coverage for the Professional Rodeo Riders Assn.

"There's lots of claims from that account," says Walter Rhulen, the agency's president and Max Rhulen's son. "But profitability depends upon rates and, over the years, we have learned how to rate these kinds of risks properly. That's probably why the market competition hasn't hurt us as much as generalist brokers."

"Rate cutting has come late to our specialties, because insurers generally aren't extremely interested in the coverage."

Insurers also weren't very interested in insuring the martial arts craze until Rhulen convinced them that the loss-control and rating tactics could be applied.

"No one was writing these risks, but we found an insurer and in 1981 began advertising heavily in the adventure and martial arts magazines. The requests for coverage flowed in immediately and the business became a moneymaker," Mr. Rhulen notes.

"In 1982, the same thing happened with aerobic dancing. We became aware of the aerobic dancing exercise trend and developed a medical and liability policy for aerobic dance parlors. We advertised in the professional dance publications and the phone rang off the hook for days. The program was a big contributor to our growth last year."

In 1983, Rhulen hopes to use its claims staff as a third-party administrator of health and medical claims and thus make its initial entry into the field of self-insurance services for employee bene-

*Continued on facing page*



**Mr. Rhulen**

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Continued from facing page fits. Rhulen Life & Pensions Inc., an agency subsidiary, will place specific and aggregate stop-loss coverage for claims administration clients and, with luck, expand the company's small amount of employee benefits sales, according to Mr. Rhulen.

College and university risks also provide a large portion—about 7%—of Rhulen's revenues, he says.

The agency and its subsidiaries—Interstate Insurance Agency Inc. and Illinois Interstate Insurance Agency, purchased from Interstate National Corp. of Chicago in 1977—write more student health and accident coverage than any other specialty agency in the nation, Rhulen executives say. It has used this mass-marketed personal coverage as an entry into other education-related risks including institutional medical and liability coverage for intercollegiate sports.

Since 1977, the business has grown steadily, increasing from \$3 million in premium volume to more than \$10 million today.

"However, you shouldn't get the idea that we are completely invulnerable to market competition," Mr. Rhulen cautions, "because indeed we have seen some deterioration in individual premiums from some of these specialties, especially the camp business. Other brokers and underwriters have caught on to what we are doing and are competing more seriously.

"Also our general commercial book of business, about 20% of our overall revenues, has been affected as much as anyone else's by rate reductions," Mr. Rhulen adds.

Real estate, trucking and contractor bond coverages dominate the Rhulen general lines. They're marketed through its general agency operations, surplus lines subsidiary Rhulen Special Risks Inc. and subsidiary agency Weisbord, Wells, Cross & Brown in nearby Liberty, N.Y.

"We are getting killed in real estate," Mr. Rhulen remarks. "And we are still renewing commercial real estate risks at fractions of their previous premiums. We also write a lot of owner/operator trucking coverages and we know how that business has been affected by the economy."

What's next? Mr. Rhulen sees continued growth for the agency built upon several new speciality programs, some of which he won't disclose until sales begin.

However, the agency has already unveiled its new contractor bond program for small contractors underwritten by Transit Casualty Insurance Co. of Los Angeles. The program is designed to take advantage of the rebounding construction business and provide coverage for contractors that have not been able to satisfy other insurers.

With promises of high volume, Rhulen was able to convince Transit to relax underwriting restrictions that were leaving small contractors out in the cold, he says.

"Most of the major markets were requiring certified public accountant-audited statements and \$50,000 in cash on hand from these contractors and they just didn't have it. Most contractors don't bother with certified financial statements and until business picks up, don't have \$50,000 in cash."

Rhulen Intermediaries Inc., the company's New York Free Trade Zone and New York Insurance Exchange brokerage, is also expected to grow, Mr. Rhulen says. "We've been very active in both the Free Trade Zone and the exchange and see that business continuing to grow. We have already placed coverage for aquaculture risks—catfish farms in Mississippi—and lots of livestock reinsurance."

Frontier Insurance Co., which is 90% owned by Rhulen's new holding company, Frontier-Columbus Corp., is also beginning to offer

some new programs underwritten and marketed by Rhulen.

The insurer, which wrote \$9.6 million in gross premiums in 1982, is reintroducing pet health insurance coverage, which has never sold much in the past but is still supported by veterinarians and their professional associations.

The insurer is also beginning to sell a limited line of medical malpractice insurance for part-time doctors, a program that could start small but grow rapidly with clever underwriting, Mr. Rhulen says.

One of the biggest reasons behind the brokerage's growth, Mr. Rhulen adds, is not an insurance product at all, but space. Rhulen added new employees this year because it finally had enough office space for them when it moved some operations into new quarters across the street from its Monticello headquarters.

"We had this pent-up demand for staff like you wouldn't believe,"

Mr. Rhulen says. "There were things that we just couldn't do because we had no place to put the additional staff that was required. When we finally got more space, it was like a dam burst. We hired 40 more people almost immediately and are still looking for more."

Rhulen also reserved room for increased automation, which could also expand the agency's capacity, but Mr. Rhulen prefers slow development of data processing equipment. Although the agency currently uses microcomputers for some rating and accounting functions, a mainframe data and risk information system is still far in the future.

"I'm still a great believer in batch processing," notes Mr. Rhulen, who is also president of Electronic Tabulating Service Co., a data processing firm specializing in insurance agencies. ETS owns the other 10% of Frontier Insurance Co.

"Batch is still the cheapest and

most efficient automation system for us medium-sized agencies who have been overlooked by software vendors. If you are a small company, you can automate rather easily with a package, and if you are alphabet house, you can invest millions in designing your own software. But the rest of us lack a product and probably should wait until improvements come along."

As Rhulen grows, it could become a takeover target for a larger broker or financial services firm. Though Mr. Rhulen says he has had offers, none have been attractive to the 12 partners that own Frontier-Columbus Corp.

Rhulen is still very much a family business and several of the partners are members of the Rhulen or related families. Corporate decisions are still made around the office lunch table where more than half of the company owners dine daily. And, the luncheon opinion is that the agency is fine the way it is.

"We don't have most of the problems small agencies that want to be acquired have," Mr. Rhulen notes. "There's plenty of interest in the business from within our families so there is no perpetuation problem. And since we are small and don't plan to expand into any major cities, we do not have the capital needs of larger brokers."

Rhulen also plans no major acquisitions of its own.

"There's nobody out there that we really want, only pieces of their business. I wouldn't mind buying Bayly, Martin & Fay's book of gymnastic business, for example, but we have no interest in the whole brokerage," Mr. Rhulen says.

In addition to Chairman Max Rhulen and President Walter Rhulen, senior officers include Jesse M. Farrow, executive vp; Peter L. Rhulen, vp/secretary; and Richard Van Etten, vp.

—By Len Strazewski



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# Several brokers fall just short of Top 20

Strong growth at several medium-sized brokers nearly pushed them into the *Business Insurance* Top 20 this year.

B.R.I. Coverage Corp. of New York, for example, missed edging The Rhulen Agency Inc. for the No. 20 position by a mere \$100,000 in gross revenues.

The ocean marine specialist with offices in New York City, Montreal and Toronto boosted its revenues 19.6% to \$12.2 million in 1982 from \$10.2 million the previous year. It also increased its staff by six people to 131 employees.

Marine business accounts for about 20% of the brokerage's overall revenues, but B.R.I. sells a full line of commercial property/casualty and group insurance products and risk management services. Al-

though based in New York, the broker says a majority of its risks are based outside the city.

"Many of our clients may have corporate headquarters in New York, but the majority of their risks are elsewhere: Taiwan, Tokyo, Africa, all over the world," says Howard Miller, B.R.I.'s senior vp-sales.

Risk management services, offered by the brokerage's 4-year-old subsidiary, Risk Management Economics Inc., was the company's fastest-growing area of business, Mr. Miller adds.

Risk Management Economics administers claims for B.R.I.'s self-funded clients and manages claims for three offshore captive insurers managed by the brokerage and five commercial insurance companies.

Underwriting may also be a growth area. In 1982, B.R.I. added two offshore captives, acquiring UNISEA Insurance Co. Ltd. of Bermuda and forming International General Insurance Co. Ltd. in the Cayman Islands. International General is currently underwriting international reinsurance business while UNISEA is on the shelf for "when and if the market ever turns," Mr. Miller says.

B.R.I.'s other subsidiaries include B.R.I. International Agency Inc., its overseas broking subsidiary based in New York, and Whitehouse Agency Inc., the firm's life insurance and employee benefit sales subsidiary, which is also in New York.

The 22nd-largest broker, McDonough Caperton Insurance

Group of Charleston, W.Va., increased revenues 17.6% to \$12 million in 1982 from \$10.2 million. Although it posted better growth than the average Top 20 broker, it fell short of its own goal.

Last year was the first in the broker's three-year plan to double its revenues to \$20 million with an accompanying increase in profits and cash flow, according to President Gaston Caperton III.

McDonough Caperton will still accomplish its goal, he says, through increased productivity from its eight property/casualty brokerage subsidiaries, two employee benefit sales and service subsidiaries, a mass-marketing branch for association health plans and a captive insurance company.

The employee benefits groups

was the broker's fastest-growing component, contributing about 74% of McDonough Caperton's total revenue growth and about 42% of the total revenues for the year.

Most of the broker's offices are located in West Virginia and Kentucky, and McDonough Caperton specializes in design and administration of insurance programs for coal operators, the region's top industry.

McGriff, Seibels & Williams Inc. of Birmingham, Ala., posted tremendous growth in 1982 to move into the No. 23 spot in the *BI* ranking. The firm boosted revenues more than 54% to \$10.8 million from about \$7 million in 1981 and increased its staff to 210 from 135 in 1981.

Although its acquisition of another Birmingham agency—Molton, Allen & Williams Insurance Corp.—late in 1982 accounted for about \$1.5 million of the revenue growth, "The rest was just good hard work," according to Chairman Lee McGriff.

"You know we specialize in utilities and energy-related companies such as generating stations and gas distribution networks. If you've looked at your gas bill recently, you realize that the recession hasn't really hit those companies. The utility business gives us a lot of stability that other brokers may lack," he says.

Services were a growth area for the agency. Insurers Services Inc., the firm's third-party claims administration subsidiary, also boosted sales, increasing its annual revenues to about 10% of the company's total.

Walter Kaye Associates Inc. of New York also generated internal growth to grab the No. 24 position. The agency improved gross revenues 10.4% to \$10.6 million in 1982 from about \$9.6 million the previous year. It added six employees to bring the corporate head count to 163.

A division of The Kaye Group Inc., the agency has branch offices in Chicago; Beverly Hills, Calif.; and Fairfield, Conn. Other subsidiaries include TKG Agencies Inc. and American Administrators Corp.

At No. 25 is Robinson-Conner Inc. of Erie, Pa., which hiked its gross revenues a hefty 68.4% to \$9.6 million, up from \$5.7 million the previous year. Staff size jumped from 115 to 210 as the firm acquired several agencies in Kentucky, Pennsylvania and Ohio.

Service subsidiaries include Claims Service Inc., also based in Erie.

## PRUDENTIAL REINSURANCE COMPANY

	December 31, 1982	December 31, 1981
<b>ASSETS</b>		
Bonds	\$1,030,615,507	\$1,064,932,449
Stock	247,123,073	251,132,727
Cash	11,373,168	8,264,800
Accounts receivable-premium	78,724,641	67,385,147
Funds held by ceding reinsurers	116,513,479	65,181,690
Other assets	56,027,673	45,133,371
<b>TOTAL ASSETS</b>	<b>\$1,540,377,541</b>	<b>\$1,502,030,184</b>
<b>LIABILITIES, CAPITAL AND SURPLUS</b>		
Loss and loss expense reserve	\$1,128,019,318	\$1,091,354,621
Unearned premium reserve	126,278,131	144,830,630
Reserve for commissions, taxes and other liabilities	91,268,543	86,716,584
<b>TOTAL LIABILITIES</b>	<b>\$1,345,565,992</b>	<b>\$1,322,901,835</b>
Capital paid up	\$ 2,500,000	\$ 2,500,000
Contributed surplus	75,001,598	75,001,598
Unassigned surplus	117,309,951	101,626,751
<b>POLICYHOLDERS' SURPLUS</b>	<b>\$ 194,811,549</b>	<b>\$ 179,128,349</b>
<b>TOTAL LIABILITIES AND POLICYHOLDERS' SURPLUS</b>	<b>\$1,540,377,541</b>	<b>\$1,502,030,184</b>

Information is from the Company's Annual Statement as filed in Delaware, the state of domicile, under rules promulgated by The National Association of Insurance Commissioners.

**Corporate Headquarters:**  
**213 Washington Street**  
**Newark, New Jersey 07101**  
**(201) 877-8000**

**U.S. Branch Offices:**  
 3333 Wilshire Blvd.  
 Los Angeles, Calif. 90010  
 (213) 385-6261  
 Three First National Plaza  
 Chicago, Illinois 60602  
 (312) 782-4793  
 90 John Street  
 New York, New York 10038  
 (212) 619-0002  
 4600 Post Oak Place  
 Houston, Texas 77027  
 (713) 877-8814

50 Milk Street  
 Boston, Mass. 02109  
 (617) 451-6980  
 Four Embarcadero Center  
 San Francisco, Calif. 94111  
 (415) 397-8970  
 3475 Lenox Road, N.E.  
 Atlanta, Georgia 30326  
 (404) 266-3651  
 213 Washington Street  
 Newark, New Jersey 07101  
 (201) 877-4657

**In Canada:**  
 Prudential Reinsurance  
 Company of America  
 One First Canadian Place  
 Toronto, Ontario  
 Canada M5X 1C7  
 (416) 862-1228  
**In Asia:**  
 Prudential Reinsurance  
 Company (USA)  
 Windsor House  
 311 Gloucester Road  
 Causeway Bay, Hong Kong  
 (011-852-5) 795-2557

**In Europe:**  
 Le Rocher. Compagnie  
 de Réassurance, S.A.  
 35 Square de Meeus-Bte. 1  
 1040 Brussels, Belgium  
 (011-32-2) 513-9140  
**For Surplus Lines:**  
 Dryden & Company, Inc.  
 One Main Street  
 Chatham, New Jersey 07928  
 (201) 635-1200  
**At the New York Insurance  
 Exchange:**  
 Pruco Managers, Inc.  
 59 John Street  
 New York, New York 10038  
 (212) 227-7904

Prudential Reinsurance Company  
 Subsidiary of The Prudential Insurance Company of America

**Prudential Re**

### How *BI* gathers data on brokers

The individual profiles of agencies and brokerages, which begin on page 79, detail the premium volume, gross revenues, number of employees and how much business is generated by commercial accounts.

Also noted are principal officers, methods of compensation, acquisitions, names of subsidiaries and parent companies and the states in which the company is licensed as an excess/surplus lines broker.

The information in this special Agent/Broker Profiles issue was compiled by *Business Insurance* based on information supplied by the agents and brokers themselves.

Listed agents and brokers featured primarily serve commercial clients.

# BI's annual guide to agents and brokers

## A

### Admiral Insurance Agency Inc.

20 State St., Lynn, Mass. 01901; 617-599-2000

	1982	1981
Premium vol.....	\$3,700,000	\$3,300,000
Gross rev.....	\$448,581	\$406,473
Employees.....	10	10
Commercial bus....	65%	65%

**Principal officers:** Samuel B. Tassel, president/treasurer.  
**Compensation:** Commissions.  
**Licensed excess/surplus broker in:** Massachusetts.

### All Coverage Agency Inc.

108 S. Franklin Ave., Valley Stream, N.Y. 11580; 516-561-1500

	1982	1981
Premium vol.....	\$1,500,000	\$1,100,000
Gross rev.....	\$228,000	\$190,000
Employees.....	5	4
Commercial bus....	55%	52%

**Principal officers:** Edward Levine, president.  
**Compensation:** Commissions and fees.

### Alliance Brokerage Corp.

Crescent Office Park No. 1, Hempstead Turnpike, Island Trees, N.Y. 11756; 516-579-8500

	1982	1981
Premium vol.....	NA	NA
Gross rev.....	\$4,400,000	\$4,300,000
Employees.....	85	83
Commercial bus....	90%	90%

**Principal officers:** Herbert N. Zack, president; Benjamin R. Mintz, executive vp; Marshall M. Krassner, senior vp; Richard L. Stewart, president-Antilles Insurance Inc.

**Compensation:** Commissions and fees.

**Branch offices:** Alliance Brokerage Corp., New York; Antilles Insurance Inc., St. Thomas, St. Croix and Tortola, U.S. Virgin Islands.

**Subsidiaries:** Alliance Life Associates Inc., Atlantic Excess & Surplus Inc., Atlantic Cycle Agency Inc., Central Claims Adjustment Inc., Alliance Health Management Services, all in New York; Cycle Insurance Service, Wayne, N.J.; Alliance Brokerage Corp. of Florida, Miami; Antilles Insurance Inc., U.S. Virgin Islands.

**Licensed excess/surplus broker in:** New York.

### Alper Agency Inc.

1 N. Wacker Drive, Chicago, Ill. 60606; 312-236-9600

	1982	1981
Premium vol.....	\$6,000,000	\$6,000,000
Gross rev.....	\$1,200,000	\$1,100,000
Employees.....	22	22
Commercial bus....	95%	95%

**Principal officers:** Howard C. Alper, president; Martin F. Blake III, Russell M. Cortino, Edward J. Priz, vps.

**Compensation:** Commissions and fees.

**Subsidiaries:** AuditRate Inc., Chicago.

**Parent company:** Alper Services Inc.

### Seymour Alper & Co. Ltd.

5165 Queen Mary Road, Third Floor, Montreal, Quebec H3W1X8; 514-489-8601

	1982	1981
Premium vol.....	\$9,905,000	\$7,500,000
Gross rev.....	\$1,810,000	\$1,384,000
Employees.....	40	35
Commercial bus....	65%	75%

**Principal officers:** Seymour Alper, president; Michel LaBelle, first vp; Lita Alper, secretary/treasurer; Morris Liguornik, secretary; Elliott Alper, second vp.

**Compensation:** Commissions and fees.

### Alpha Aviation Insurance Agency Inc.

377 Route 17, Penthouse Suite, Hasbrouck Heights, N.J. 07604; 201-288-4831

	1982	1981
Premium vol.....	\$4,538,000	\$4,077,000
Gross rev.....	\$539,000	\$407,000
Employees.....	13	12
Commercial bus....	96%	90%

**Principal officers:** Francis P. Brown, president; Eugene F. Duflo, senior vp; Adrienne M. Brown, vp.  
**Compensation:** Commissions.

### American Coverage Corp.

185 Great Neck Road, Great Neck, N.Y. 11022; 516-487-3800

	1982	1981
Premium vol.....	\$14,640,000	\$12,800,000
Gross rev.....	\$2,309,000	\$1,780,000
Employees.....	48	41
Commercial bus....	94%	95%

**Principal officers:** Robert L. Dubofsky, president; Jesse Gottlieb, president-American Coverage Life Planners Inc.; Henry C. Lombardi, executive vp; Frank Marino, vp-claims; Stanley G. Kohen, vp; Joseph Pollack, comptroller; Stanley Kohen, Morton Schacher, vps.

**Compensation:** Commissions and fees.

**Acquisitions:** M. Schacher Ltd., Great Neck, N.Y.

**Subsidiaries:** American Coverage Life Planners Inc.; Nat Dubofsky Co. Inc.; Wolkenberg & Warshaw Inc.

**Parent company:** American Coverage Associates.

### Armfield-Cole Consultants Inc.

1359 N. Emporia, P.O. Box 3208, Wichita, Kan. 67214; 316-262-3578

	1982	1981
Premium vol.....	\$7,250,000	\$6,500,000
Gross rev.....	\$350,000	\$300,000
Employees.....	10	9
Commercial bus....	100%	100%

**Principal officers:** Larry J. Armfield, president; Jerry Cole, vp.

**Compensation:** Commissions and fees.

**Licensed excess/surplus broker in:** Kansas.

### Associated Insurance Brokers

791 Passaic Ave., Clifton, N.J. 07012; 201-471-4400

	1982	1981
Premium vol.....	\$6,358,569	\$5,983,728
Gross rev.....	\$1,154,582	\$1,083,727
Employees.....	22	20
Commercial bus....	76%	72%

**Principal officers:** Sidney Rudolph, president; Shelby R. Cohen, vp/treasurer; Stanley Kossoff, Donald F. DeRenzo, vps; Ronald W. Giaconia, vp/secretary.

**Compensation:** Commissions and fees.

**Subsidiaries:** Giaconia Life Associates, Clifton, N.J.

### Associated Insurance Managers Inc.

5987 E. 71st St., Indianapolis, Ind. 46205; 317-842-1402

Continued on next page

**NOW, MORE THAN EVER, PCS IS THE #1 ADMINISTRATOR OF PRESCRIPTION DRUG PLANS.**

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- capability of offering plans throughout North America - the U.S., Canada & Puerto Rico

No doubt, it's all these reasons put together that make PCS #1. Find out for yourself!

If we can be of assistance, call or write Robert W. Field, CEO, PCS Sales and Marketing, Pharmaceutical Care System, Inc., 200 N. Central Avenue, Phoenix, AZ 85004 (602) 258-8600.

Continued from previous page

	1982	1981
Premium vol.....	\$18,000,000	\$9,850,000
Gross rev.....	\$2,935,000	\$1,587,500
Employees.....	63	49
Commercial bus....	67%	75%

**Principal officers:** James K. Culley, president; Annabelle Robins, secretary; John M. Romine, treasurer; Milford N. Robinson, Edwin W. McGuire, Stephen D. Pickett, executive vps; Roland Summerlot, Thomas Dixon, senior vps.

**Compensation:** Commissions and fees.

**Acquisitions:** Merged with Consolidated Agencies Inc. of Indianapolis.

**Branch offices:** Lafayette, Dun-kirk and Anderson, Ind.

**Parent company:** Management Advisors Inc.

**Athens Insurance Co.**

Box 809, Athens, Tenn. 37303; 615-745-3062

	1982	1981
Premium vol.....	\$8,250,892	\$7,583,666
Gross rev.....	\$1,337,136	\$1,231,506
Employees.....	28	26
Commercial bus....	70%	70%

**Principal officers:** Sam L. Feezell, president; Jon W. Dykes, executive vp; John R. O'Donnell, Robert E. Cook, vps; Magnart Ellis, treasurer; Nancy T. Feezell, secretary.

**Compensation:** Commissions and fees.

**Branch offices:** Etowah, Tenn.

**Licensed excess/surplus broker in:** Tennessee.

**Atkins Insurance Corp.**

Atkins Building, 105 W. Capitol, Little Rock, Ark. 72201; 501-372-2222

	1982	1981
Premium vol.....	\$27,000,000	\$26,250,000
Gross rev.....	\$3,911,313	\$3,825,823
Employees.....	78	76
Commercial bus....	65%	65%

**Principal officers:** James H. Atkins, president/CEO; Richard P. Herget Jr., Jerry M. Dollins, execu-

tive vps.

**Compensation:** Commissions and fees.

**Subsidiaries:** Arkansas All Risks, Little Rock.

**Licensed excess/surplus broker in:** Several states.

**Austin & Co. Inc.**

307 Washington Ave., Albany, N.Y. 12201; 518-465-3591

	1982	1981
Premium vol.....	\$5,200,000	\$4,200,000
Gross rev.....	\$840,000	\$710,000
Employees.....	23	20
Commercial bus....	70%	75%

**Principal officers:** Charles M. Little III, president; James P. Faughnan Jr., executive vp; Helen Rack, vp.

**Compensation:** Commissions and fees.

**Acquisitions:** Frank G. Coburn Inc., Albany, N.Y.; Stevenson Agency Inc., Chestertown, N.Y.



**B.R.I. Coverage Corp.**

156 William St., New York, N.Y. 10038; 212-233-7171

	1982	1981
Premium vol.....	\$109,000,000	\$91,000,000
Gross rev.....	\$12,200,000	\$10,200,000
Employees.....	131	125
Commercial bus....	95%	95%

**Principal officers:** Donald P. Ferrarini, president; Howard Miller, senior vp/director of sales; Arthur Ostrow, Bruno Rumignani, Allen Birnbaum, Fred Ghawi, James Sweitzer, John Kelly, Roger Imperial, Matthew A. Murphy, James J. O'Donnell, senior vps; Herbert Kramer, Joseph Zweig, vps; Burton Matfus, secretary/treasurer.

**Compensation:** Commissions and fees.

**Branch offices:** Montreal; Toronto.

**Acquisitions:** UNISEA Insurance Co. Ltd., Hamilton, Bermuda; International General Insurance Co. Ltd., Grand Cayman, B.W.I.

**Subsidiaries:** Risk Management

Economics, B.R.I. International Agency Inc., Whitehouse Agency, all in New York; UNISEA Insurance Co., Hamilton, Bermuda; International General Insurance Co. Ltd., Grand Cayman, B.W.I.

**Licensed excess/surplus broker in:** New York; New Jersey.

**L.T. Barton Insurance**

607 Bailey St., Box 9320, Fort Worth, Texas 76107; 817-332-1313

	1982	1981
Premium vol.....	\$4,500,000	\$4,000,000
Gross rev.....	\$698,374	\$666,600
Employees.....	14	15
Commercial bus....	70%	70%

**Principal officers:** Hayes Tucker, Troy G. Barton and David Cooper, partners.

**Compensation:** Commissions.

**Licensed excess/surplus broker in:** Texas.

**Beal & Associates Insurance Counselors Inc.**

5635 E. Thomas Road, Phoenix, Ariz. 85018; 602-990-1111

	1982	1981
Premium vol.....	\$6,000,000	\$6,000,000
Gross rev.....	\$1,339,000	\$1,487,000
Employees.....	33	33
Commercial bus....	85%	86%

**Principal officers:** William A. Beal, president; Thomas W. Beal, vp; Norma J. Beal, secretary/treasurer.

**Compensation:** Commissions and fees.

**Branch offices:** Tucson and Mesa, Ariz.

**Subsidiaries:** Insurance Verification Services, Phoenix, Ariz.

**Licensed excess/surplus broker in:** Arizona.

**Beauchamp & McSpadden**

231 W. Canal St., P.O. Box 687, Wabash, Ind. 46992; 219-563-8821

	1982	1981
Premium vol.....	\$6,100,000	\$5,500,000
Gross rev.....	\$1,100,000	\$855,000
Employees.....	32	29
Commercial bus....	65%	65%

**Principal officers:** Robert

Beauchamp, T.A. McSpadden, directors; Robert W. Beauchamp, president; Michael J. Beauchamp, treasurer; Joseph W. McSpadden, vp; L.D. McSpadden, branch manager; Frederick Squires, secretary.

**Compensation:** Commissions.

**Branch offices:** Beauchamp McSpadden Spencer, North Manchester, Ind.; Beauchamp McSpadden Strayer, Warsaw, Ind.

**Acquisitions:** Warsaw Insurance Agency, Warsaw, Ind.

**Subsidiaries:** IFM Life & Health Inc., Wabash, Ind.

**Parent company:** Insurance & Financial Management Inc.

**Bennett Wallace Welch & Green Insurance Inc.**

2200 16th St. N., P.O. Box 3842, St. Petersburg, Fla. 33731; 813-822-4616

	1982	1981
Premium vol.....	\$7,000,000	\$5,600,000
Gross rev.....	\$1,325,000	\$1,152,000
Employees.....	34	33
Commercial bus....	60%	60%

**Principal officers:** William P. Wallace, chairman and president; John I. Welch, Stanley C. Shaver Jr., senior vps; Jack Fessler, Al Klutts, J. Sherwood White, Rick Hyman, vps.

**Compensation:** Commissions.

**Branch offices:** Seminole and Clearwater (Countryside), Fla.

**Licensed excess/surplus broker in:** Florida.

**Black Hills Agency Inc.**

820 St. Joe, P.O. Box 2030, Rapid City, S.D. 57701; 605-342-5555

	1982	1981
Premium vol.....	\$2,608,964	\$2,634,999
Gross rev.....	\$362,699	\$562,558
Employees.....	9	11
Commercial bus....	80%	80%

**Principal officers:** Richard Maguire, chairman; Katherine A. Maguire, president; Michael J. Maguire, vp; Suzanne M. Maguire, secretary/treasurer.

**Compensation:** Commissions.

**Licensed excess/surplus broker in:** South Dakota.

**Blick & Dillon Inc.**

216 E. Cass St., Cadillac, Mich. 49601; 616-775-3416

	1982	1981
Premium vol.....	\$1,927,598	\$2,111,946
Gross rev.....	\$403,131	\$364,161
Employees.....	8	8
Commercial bus....	60%	65%

**Principal officers:** Jan P. Blick, president; Jack Dillon, secretary.

**Compensation:** Commissions.

**Branch offices:** Traverse City, Mich.

**Subsidiaries:** Burnham Agency Inc., Battle Creek, Mich.; Northern Michigan Consulting Services, Cadillac, Mich.

**Boockford & Co.**

2015 Spring Road, Suite 630, Oak Brook, Ill. 60521; 312-789-5000

	1982	1981
Premium vol.....	NA	NA
Gross rev.....	\$1,420,000	\$1,314,000
Employees.....	24	20
Commercial bus....	96%	96%

**Principal officers:** William D. Boockford, president; Ronald Walter, Louis F. Chiodo, vps; William D. Boockford Jr., secretary.

**Compensation:** Commissions and fees.

**Licensed excess/surplus broker in:** Illinois.

**Bowers, Schumann & Welch**

Route 31 N., Washington, N.J. 07882; 201-689-1092

	1982	1981
Premium vol.....	\$8,452,600	\$8,508,600
Gross rev.....	\$1,343,995	\$1,322,874
Employees.....	47	42
Commercial bus....	54%	54%

**Principal officers:** Leonard R. Schumann, chairman; Scott F. Welch, president; Ralph Bowers,

Faith Kerr, Paul Stocker, Joseph Asmar, vps.

**Compensation:** Commissions and fees.

**Branch offices:** Blairstown, N.J.

**Boynton Brothers & Co.**

200 Jefferson St., Perth Amboy, N.J. 08862; 201-442-3300

	1982	1981
Premium vol.....	NA	NA
Gross rev.....	\$1,900,000	\$1,800,000
Employees.....	42	43
Commercial bus....	80%	85%

**Principal officers:** Edwin Stewart Jr., chairman; Michael J. McMahon, president; Kenneth F. Warchal, executive vp; Barry A. Cruikshank, secretary/treasurer; Robert H. Sikora, vp.

**Compensation:** Commissions and fees.

**Licensed excess/surplus broker in:** New Jersey.

**Brown-Spaudling & Associates Inc.**

P.O. Drawer 5276, Carmel, Calif. 93921; 408-624-1866

	1982	1981
Premium vol.....	\$3,000,000	\$2,500,000
Gross rev.....	\$548,000	\$499,000
Employees.....	11	13
Commercial bus....	70%	65%

**Principal officers:** Christopher Spaulding, president; Tom Brown, vp/secretary/treasurer.

**Compensation:** Commissions.

**Business Coverage Corp.**

2124 Highway 35 at Laurel Ave., Holmdel, N.J. 07733; 201-671-5111

	1982	1981
Premium vol.....	\$5,500,000	\$5,000,000
Gross rev.....	\$760,000	\$670,000
Employees.....	19	18
Commercial bus....	80%	80%

**Principal officers:** Alan N. Curry, president; John F. Baldwin, vp/secretary; Margaret F. Curry, Lilly Owens, Ralph Ialeggio, vps.

**Compensation:** Commissions and fees.

**David Bynum Insurance Inc.**

2401 Fountainview, Suite 800, Houston, Texas 77057; 713-783-9902

	1982	1981
Premium vol.....	\$6,261,178	\$7,485,808
Gross rev.....	\$929,899	\$967,985
Employees.....	19	19
Commercial bus....	77%	85%

**Principal officers:** David D. Bynum, president; William M. Duncan, Robert E. Adams, vps; Hilda Hines, secretary.

**Compensation:** Commissions.

**Subsidiaries:** David Bynum Life Agency Inc., Houston.

**Licensed excess/surplus broker in:** Texas.



**Cal-Surance Associates**

3475 Torrance Blvd., Torrance, Calif. 90503; 213-543-1660

	1982	1981
Premium vol.....	\$50,037,000	\$36,195,000
Gross rev.....	\$6,168,942	\$5,141,600
Employees.....	118	110
Commercial bus....	95%	95%

**Principal officers:** Don Mehlig, chairman; Donald E. Martin, president; Mike Bogen, Terry Martin, Gary Winterrowd, vps; Thomas B. Coleman, vp-finance.

**Compensation:** Commissions and fees.

**Branch offices:** San Jose, Fresno and Torrance, Calif.

**Subsidiaries:** Cal-Surance Associates, Cal-Surance Benefit Plans, Chartered Benefit Systems.

**Parent company:** Chartered Financial Services.

**Licensed excess/surplus broker in:** California.

Continued on facing page

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**Continued from facing page**  
**Capitol Risk Concepts Ltd.**

1 Water St., White Plains, N.Y.  
10601; 914-946-7161

	1982	1981
Premium vol.....	\$8,020,000	\$10,460,000
Gross rev.....	\$802,000	\$1,046,000
Employees.....	17	21
Commercial bus....	99%	98%

**Principal officers:** John F. Keane Jr., president; Peter T. Sutherland, vp; Richard L. Kohlhausen, secretary/treasurer; Eric Freeman, president-Capitol Risk Concepts of Florida Inc.

**Compensation:** Commissions and fees.

**Branch offices:** Fort Lauderdale, Fla.; New York; Nashua, N.H.

**Subsidiaries:** Capitol Risk Management Services Ltd., White Plains, N.Y.; Capitol Risk Concepts of Florida Inc., Fort Lauderdale, Fla.

**Carpezi Agency Inc.**

400 E. Route 59, Nanuet, N.Y.  
10954; 914-623-0050

	1982	1981
Premium vol.....	\$3,850,000	\$4,250,000
Gross rev.....	\$685,000	\$689,000
Employees.....	10	13
Commercial bus....	70%	70%

**Principal officers:** Leonard J. Carpezi, president; Virginia Pellicciotta, manager.

**Compensation:** Commissions.

**Clair Insurance Agency Inc.**

717 Bethlehem Pike, Erdenheim, Pa.  
19118; 215-242-5555

	1982	1981
Premium vol.....	\$14,346,918	\$12,771,253
Gross rev.....	\$1,830,566	\$1,568,515
Employees.....	53	43
Commercial bus....	80%	87%

**Principal officers:** Robert A. Clair, president/treasurer; Milton B. Kohn, vp/secretary; David A. Collins Jr., Frank Svitek, vps.

**Compensation:** Commissions and fees.

**Subsidiaries:** Morgan Insurance Agency.

**Commercial Carriers Insurance Agency Inc.**

17418 S. Studebaker Road,  
Cerritos, Calif. 90701; 213-860-1955

	1982	1981
Premium vol.....	\$5,541,000	\$5,291,000
Gross rev.....	\$833,452	\$702,228
Employees.....	20	18
Commercial bus....	99%	99%

**Principal officers:** Henry H. Escalante, president; Shannon S. Walker, Charles J. Escalante, J. Scott Fleming, Gary Clark, vps.

**Compensation:** Commissions.

**Branch offices:** Oakland and Fresno, Calif.

**Cook-Knight Associates**

1172 E. Ridgewood Ave.,  
Ridgewood, N.J. 07450;  
201-445-5100

	1982	1981
Premium vol.....	\$3,100,000	\$2,700,000
Gross rev.....	\$350,000	\$300,000
Employees.....	8	9
Commercial bus....	60%	60%

**Principal officers:** Warren B. Cook Sr., president; John J. Knight, vp; Warren B. Cook Jr., assistant vp.

**Compensation:** Commissions and fees.

**Coulter & Groner Inc.**

125 Parkway Road, Bronxville, N.Y.  
10708; 914-337-9200

	1982	1981
Premium vol.....	\$3,800,000	\$3,500,000
Gross rev.....	\$475,000	\$450,000
Employees.....	10	8
Commercial bus....	70%	70%

**Principal officers:** Elliott H. Coulter; Edward H. Groner.

**Compensation:** Commissions.

**Couper-Ackerman-Sampson Inc.**

2 Court St., Box 1970, Binghamton,  
N.Y. 13902; 607-772-1444

	1982	1981
Premium vol.....	\$4,900,000	\$5,100,000
Gross rev.....	\$865,000	\$841,000
Employees.....	25	25
Commercial bus....	70%	70%

**Principal officers:** John F. Russell, president; John A. Foley, vp/treasurer; William J. McPhail, vp; Robert H. White, secretary.

**Compensation:** Commissions and fees.

**Frank Crystal & Co. Inc.**

61 Broadway, New York, N.Y.  
10006; 212-344-2444

	1982	1981
Premium vol.....	NA	NA
Gross rev.....	\$5,815,000	\$4,745,000
Employees.....	42	30
Commercial bus....	80%	82%

Continued on next page

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*Continued from previous page*  
**Principal officers:** I. Frank Crystal, chairman; James W. Crystal, president/CEO; Michael Cash, vp-finance; Jerome D. Lubin, executive vp, William D. Mann, vp-marketing; Kenneth Gamble, vp-sales; Vincent J. Gandolfo, vp-benefits.  
**Compensation:** Commissions and fees.  
**Branch offices:** Houston.  
**Subsidiaries:** Frank Crystal & Associates, N.Y.  
**Licensed excess/surplus broker in:** New York; Texas.

**D**

**DMAS Inc.**  
1348 Forest Ave., Staten Island, N.Y. 10302; 212-981-0700

	1982	1981
Premium vol . . . . .	\$2,300,000	\$2,250,000
Gross rev . . . . .	\$325,953	\$324,222
Employees . . . . .	8	7
Commercial bus. . . . .	65%	65%

**Principal officers:** Louis J. Milone, president; Herbert R. Applebaum, vp; Sheldon Stillman, secretary/treasurer.  
**Compensation:** Commissions.

**The Daniel & Henry Co.**  
100 N. Jefferson, St. Louis, Mo. 63103; 314-421-1525

	1982	1981
Premium vol . . . . .	\$29,100,000	\$28,000,000
Gross rev . . . . .	\$4,650,000	\$4,200,000
Employees . . . . .	120	106
Commercial bus. . . . .	85%	86%

**Principal officers:** C. Peyton Daniel, president/CEO; C.S. Drew Jr., chairman; John S. Childress, executive vp; E. Robert Concannon Jr., John A. Harrison, M.H. Johnson Jr., Nicholas J. Kontras, John

G. Schreiner, William P. Wunderlich, vps; Ronald C. Mueller, treasurer; Robert L. Jung, secretary.  
**Compensation:** Commissions and fees.  
**Licensed excess/surplus broker in:** Missouri.

**Davis-Grosse Inc.**  
168 E. Lake St., Box 579, Elmhurst, Ill. 60126; 312-834-0056

	1982	1981
Premium vol . . . . .	\$5,850,000	\$4,975,000
Gross rev . . . . .	\$1,067,385	\$925,000
Employees . . . . .	17	15
Commercial bus. . . . .	93%	93%

**Principal officers:** Edward L. Grosse, president; William J. Opelka, senior vp; James H. Davis, vp; Alfred E. Barr, vp/secretary; A. Drury Davis, treasurer.  
**Compensation:** Commissions and fees.

**Dawkins, Clark & Associates Inc.**  
790 E. Broward Blvd., Fort Lauderdale, Fla. 33301; 305-467-3833

	1982	1981
Premium vol . . . . .	\$4,600,000	\$3,400,000
Gross rev . . . . .	\$506,000	\$408,000
Employees . . . . .	10	5
Commercial bus. . . . .	80%	80%

**Principal officers:** Tim Dawkins, president; Ted Jensen, vp.  
**Compensation:** Commissions and fees.  
**Acquisitions:** Continin-Jensen Inc., Fort Lauderdale, Fla.

**Walter P. Dolle Inc.**  
Dixie Terminal Building, Cincinnati, Ohio 45202; 513-421-6515

	1982	1981
Premium vol . . . . .	\$37,800,000	\$37,000,000
Gross rev . . . . .	\$3,745,000	\$3,615,000
Employees . . . . .	61	59
Commercial bus. . . . .	90%	90%

**Principal officers:** Jack R. Trainer, chairman; Robert D. Lang, president; H. Russell Reigart, vp.  
**Compensation:** Commissions and fees.  
**Licensed excess/surplus broker in:** Ohio.

**Dowis Agency Inc.**  
214 S. Third St., P.O. Box 911, Sterling, Colo. 80751; 303-522-6260

	1982	1981
Premium vol . . . . .	\$5,193,590	\$4,576,675
Gross rev . . . . .	\$1,044,216	\$999,220
Employees . . . . .	22	22
Commercial bus. . . . .	85%	84%

**Principal officers:** Richard W. Dowis, president; H.M. Dickson, Lyle D. Graham, vps; Richard A. Warren secretary/treasurer.  
**Compensation:** Commissions.  
**Subsidiaries:** Dowis Management Corp., Dowis Systems Inc., Sterling, Colo.

**Robert F. Driver Co. Inc.**  
400 Cedar St., San Diego, Calif. 92101; 619-238-1828

	1982	1981
Premium vol . . . . .	\$27,268,985	\$26,011,487
Gross rev . . . . .	\$5,529,555	\$5,047,530
Employees . . . . .	117	111
Commercial bus. . . . .	80%	80%

**Principal officers:** Robert F. Driver, chairman; Irwin B. Sklar, president; LeGrand L. Rane, senior vp; Robert H. Herring, secretary/treasurer/comptroller.  
**Compensation:** Commissions and fees.  
**Branch offices:** La Jolla, Newport Beach and Escondido, Calif.  
**Subsidiaries:** Robert F. Driver Administrators and Premium Advance, San Diego.  
**Licensed excess/surplus broker in:** California.

**The Ducey Agency Inc.**  
Route 9-W, Haverstraw, N.Y. 10927; 914-429-5000

	1982	1981
Premium vol . . . . .	\$3,800,000	\$3,725,000
Gross rev . . . . .	\$525,000	\$520,000
Employees . . . . .	8	9
Commercial bus. . . . .	70%	70%

**Principal officers:** Thomas W. Torpey, president; Edward C. Smith, vp.  
**Compensation:** Commissions.

**E**

**Eastman & Co. Insurance Brokers**  
4001 W. Alameda Ave., Suite 300, Burbank, Calif. 91505; 213-849-2400

	1982	1981
Premium vol . . . . .	\$2,600,000	\$3,800,000
Gross rev . . . . .	\$330,000	\$425,000
Employees . . . . .	7	9
Commercial bus. . . . .	83%	91%

**Principal officers:** Robert Eastman, president; James Waldorf, vp; Linda Davidson, vp/secretary.  
**Compensation:** Commissions.  
**Subsidiaries:** Membership Insurance Marketing.

**Lester Eckert & Co., Corporate Insurance Brokers**  
3050 Post Oak Blvd., Suite 1700, Houston, Texas 77056; 713-960-8686

	1982	1981
Premium vol . . . . .	\$20,000,000	\$10,000,000
Gross rev . . . . .	\$2,900,000	\$1,600,000
Employees . . . . .	35	26
Commercial bus. . . . .	90%	99%

**Principal officers:** Lester W. Eckert, chairman/president; Robert B. Hanson, executive vp; Neil T. McGinn, Virginia R. Hilley, senior vps.  
**Compensation:** Commissions and fees.  
**Subsidiaries:** Ekco Proteccion Consultants Inc., Houston.  
**Licensed excess/surplus broker in:** Texas.

**Epps-McLendon Co. Inc.**  
249 W. Main St., Lake City, S.C. 29560; 803-394-2018

	1982	1981
Premium vol . . . . .	\$4,390,182	\$3,341,000
Gross rev . . . . .	\$613,982	\$610,000
Employees . . . . .	23	25
Commercial bus. . . . .	50%	50%

**Principal officers:** James Vernon Epps, president; Dorothy R. Epps, secretary.  
**Compensation:** Commissions.  
**Branch offices:** Kingstree, S.C.  
**Licensed excess/surplus broker in:** South Carolina.

**Executive Motivation Inc.**  
150 N. Wacker Drive, Suite 2000, Chicago, Ill. 60606; 312-332-5980

	1982	1981
Premium vol . . . . .	\$4,400,000	\$3,400,000
Gross rev . . . . .	\$410,000	\$325,000
Employees . . . . .	5	3
Commercial bus. . . . .	85%	80%

**Principal officers:** Gary L. Karlin, president; Richard B. Casolari, vp.  
**Compensation:** Commissions and fees.

**F**

**Financial Insurance Service Inc.**  
1010 Meacham Road, Schaumburg, Ill. 60194; 312-884-3800

	1982	1981
Premium vol . . . . .	\$16,070,110	\$14,870,000
Gross rev . . . . .	\$1,653,242	\$1,792,300
Employees . . . . .	33	31
Commercial bus. . . . .	100%	100%

**Principal officers:** Joseph Ambrose, president; Robert J. Peele, senior vp/secretary; Ronald O. An-fenson, treasurer.  
**Compensation:** Commissions and fees.

*Continued on facing page*

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MR. JORGE RAMON GALLAND

Continued from facing page

**Subsidiaries:** Financial Insurance Service Consultants Inc., Schaumburg, Ill.

**Licensed excess/surplus broker in:** Illinois.

**First Associated Insurance Agencies Inc.**

12465 Burleigh Road, Brookfield, Wis. 53005; 414-786-2540

	1982	1981
Premium vol.....	\$4,200,000	\$4,800,000
Gross rev.....	\$870,000	\$904,000
Employees.....	23	22
Commercial bus....	51%	50%

**Principal officers:** Timothy Gahagan, president; Robert N. Cayze, executive vp; Mike Stolz, Howard McKee, Ted Schmidt, vps; Ellen Kloth, secretary.

**Compensation:** Commissions.  
**Licensed excess/surplus broker in:** Wisconsin.

**Fitzgerald, Clayton, Noyes & Kasten Inc.**

757 N. Broadway, Milwaukee, Wis. 53202; 414-271-3717

	1982	1981
Premium vol.....	\$4,600,000	\$4,600,000
Gross rev.....	\$890,000	\$895,000
Employees.....	19	21
Commercial bus....	85%	85%

**Principal officers:** Robert T. Clayton, president/treasurer; William D. Hoppenjan, vp/secretary; Gladys Vierguth, assistant secretary.

**Compensation:** Commissions and fees.

**Subsidiaries:** Harry G. Packee Agency Inc., Milwaukee.

**Licensed excess/surplus broker in:** Wisconsin.

**Foa & Son Corp.**

1 World Trade Center, New York, N.Y. 10048; 212-432-1234

	1982	1981
Premium vol.....	\$27,500,000	\$22,500,000
Gross rev.....	\$2,050,000	\$1,700,000
Employees.....	53	53
Commercial bus....	90%	90%

**Principal officers:** Mario Foa, chairman; Conrad Foa, president/CEO; Dick Impastato, vp/chief operating officer; Stanley Apicella, senior vp; Myles Burke, vp.

**Compensation:** Commissions and fees.

**Branch offices:** Chappaqua, N.Y.

**Fowler Agency Inc.**

29 River Road, Chatham, N.J. 07928; 201-635-1700

	1982	1981
Premium vol.....	\$7,000,000	\$6,000,000
Gross rev.....	\$800,000	\$700,000
Employees.....	14	14
Commercial bus....	85%	85%

**Principal officers:** Richard C. Fowler Jr., president; Donald W. Wright, executive vp.

**Compensation:** Commissions and fees.

**The Frankel Co.**

1051 Brinton Road, Pittsburgh, Pa. 15221; 412-244-7500

	1982	1981
Premium vol.....	\$6,500,000	\$6,300,000
Gross rev.....	\$1,436,000	\$1,344,000
Employees.....	28	26
Commercial bus....	78%	78%

**Principal officers:** Robert M. Frankel, president; F. William Neely, senior vp; William K. Lieberman, president-Lieberman/Frankel Associates; Gary Droz, partner-Integrated Equities.

**Compensation:** Commissions and fees.

**Subsidiaries:** Lieberman/Frankel Associates, Pittsburgh; Integrated Equities, Pittsburgh.

**Licensed excess/surplus broker in:** Pennsylvania.

**Frenkel & Co. Inc.**

123 William St., New York, N.Y. 10038; 212-267-2200

	1982	1981
Premium vol.....	NA	NA
Gross rev.....	\$8,165,000	\$7,336,000
Employees.....	150	150
Commercial bus....	88%	88%

**Principal officers:** Charles W. Pachner, chairman; James J. Costa, president; Alan S. Samuels, Robert E. Shunk, executive vps.

**Compensation:** Commissions and fees.

**Acquisitions:** Weissman & Weissman Inc., New York.

**Branch offices:** Los Angeles.



**Gallagher-Cole Associates**

4700 Biscayne Blvd., Miami, Fla. 33137; 305-576-4100

Continued on next page

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Continued from previous page

	1982	1981
Premium vol. ....	\$3,144,881	\$2,750,050
Gross rev. ....	\$465,611	\$452,924
Employees .....	11	11
Commercial bus. ....	85%	85%

**Principal officers:** Phil C. Gallagher, Samuel T. Cole, partners; Raymond O. Boon, Lenore N. Francis, associates.

**Compensation:** Commissions and fees.

**Licensed excess/surplus broker in:** Florida.

### The Gleason Agency Inc.

Main Street East Building, Suite 204,  
P.O. Box 8, Johnstown, Pa. 15907;  
814-535-8411

	1982	1981
Premium vol. ....	\$9,549,722	\$9,092,958
Gross rev. ....	\$1,202,000	\$1,027,000
Employees .....	24	18
Commercial bus. ....	93%	93%

**Principal officers:** Robert A. Gleason Jr., president; Christopher K. Gleason, vp; Carolyn Zierer, secretary/operations manager.

**Compensation:** Commissions and fees.

**Branch offices:** Altoona, Pa.  
**Licensed excess/surplus broker in:** Pennsylvania.

### Richard N. Goldman & Co.

One Maritime Plaza, San Francisco,  
Calif. 94111; 415-981-1141

	1982	1981
Premium vol. ....	NA	NA
Gross rev. ....	\$2,800,000	\$2,400,000
Employees .....	42	39
Commercial bus. ....	90%	90%

**Principal officers:** Richard N. Goldman, chairman; Stuart W. Seiler, president; Helen A. Castro, senior vp/treasurer; Gerald J. Fitzgerald, senior vp/secretary; Aiden Ames III, senior vp.

**Compensation:** Commissions and fees.

**Licensed excess/surplus broker in:** California.

### Gomez & Cia. Inc.

Condominio Profesional, 6th Floor,  
Mendez Vigo 70 West, P.O. Box  
3450, Mayaguez, Puerto Rico  
00709; 809-832-1020

	1982	1981
Premium vol. ....	\$4,000,000	\$4,000,000
Gross rev. ....	\$500,000	\$500,000
Employees .....	9	12
Commercial bus. ....	95%	95%

**Principal officers:** Enrique Gomez, president; Myrna Quiles, vp.

**Compensation:** Commissions and fees.

**Licensed excess/surplus broker in:** Puerto Rico.

### The Greenwich Group

6282 N. Andrews Ave., Fort  
Lauderdale, Fla. 33309;  
305-772-0447

	1982	1981
Premium vol. ....	\$4,000,000	NA
Gross rev. ....	\$375,000	NA
Employees .....	4	NA
Commercial bus. ....	100%	NA

**Principal officers:** William Comiskey, president; Michael S. Oliver, executive vp.

**Compensation:** Commissions.

**Acquisitions:** GRM Insurance Brokers, Santa Ana, Calif.

**Subsidiaries:** Greenwich Risk Management, Los Angeles, Santa Ana, Calif.; Fort Lauderdale, Fla.

### Charles M. Griffith Inc.

200 W. Burlington, Clarendon Hills,  
Ill. 60514; 312-654-1122

	1982	1981
Premium vol. ....	\$3,000,000	\$2,500,000
Gross rev. ....	\$475,000	\$422,000
Employees .....	9	8
Commercial bus. ....	55%	45%

**Principal officers:** Richard C. Bland, president.

**Compensation:** Commissions and fees.

**Acquisitions:** IIA Inc.

## H

### Haas & Wilkerson Inc.

4300 Johnson Drive, Fairway, Kan.  
66205; 913-432-4400

	1982	1981
Premium vol. ....	\$23,556,660	\$18,728,631
Gross rev. ....	\$3,675,088	\$2,058,385
Employees .....	72	67
Commercial bus. ....	80%	80%

**Principal officers:** Albert E. Haas, chairman; W. Ralph Wilkerson Jr., president; C.J. Jordan, executive vp/treasurer; Howard F. Walter, secretary.

**Compensation:** Commissions and fees.

**Branch offices:** St. Petersburg, Fla.; St. Louis.

**Subsidiaries:** Haas-Wilkerson-Wohlberg Inc.; Land Speed Insurers Inc.; Americana Services Inc.; Specialty Program Insurers Inc.; Theater Consultants Inc.

**Licensed excess/surplus broker in:** Missouri; Kansas.

### Hackett, Valine & MacDonald Inc.

198 College St., P.O. Box 488,  
Burlington, Vt. 05402; 802-656-1100

	1982	1981
Premium vol. ....	\$8,646,283	\$9,076,633
Gross rev. ....	\$1,545,649	\$1,496,270
Employees .....	28	25
Commercial bus. ....	75%	86%

**Principal officers:** Luther F. Hackett, president; Duane A. Valine, executive vp; Donald R. MacDonald, senior vp; Richard L. Seavey, vp.

**Compensation:** Commissions.  
**Subsidiaries:** Hackett & Co.  
**Parent company:** HVM Co.  
**Licensed excess/surplus broker in:** Vermont.

### Wayland Hancock Insurance Agency

1925 Lexington, P.O. Box 22780,  
Houston, Texas 77027;  
713-528-5383

	1982	1981
Premium vol. ....	\$8,000,000	\$5,100,000
Gross rev. ....	\$1,075,000	\$807,000
Employees .....	17	14
Commercial bus. ....	50%	67%

**Principal officers:** Wayland "Buddy" Hancock, R.J. (Hollis) Waldt, Wilbur Scott, partners.

**Acquisitions:** Longhorn Insurance Agency, Houston.

**Compensation:** Commissions.  
**Subsidiaries:** Wayland Hancock Century 21 Realtors, Houston.

### Harding-Conley-Drawert-Tinch Insurance Agency Inc.

P.O. Box 29069, San Antonio, Texas  
78229; 512-732-9601

	1982	1981
Premium vol. ....	\$3,603,546	\$3,516,229
Gross rev. ....	\$673,692	\$722,738
Employees .....	7	7
Commercial bus. ....	95%	95%

**Principal officers:** Homer M. Conley, president; T.A. Drawert, vp; A.C. Tinch Jr., vp/secretary.

**Compensation:** Commissions.

### Hastings-Tapley Insurance Agency Inc.

271 Cambridge St., Cambridge,  
Mass. 02141; 617-876-7510

	1982	1981
Premium vol. ....	\$22,828,849	\$18,890,633
Gross rev. ....	\$3,766,820	\$3,427,000
Employees .....	93	84
Commercial bus. ....	51%	51%

**Principal officers:** David J. Lane, chairman; Frederick J. England Jr., president; Frederick J. England, treasurer; Marsha K. Burridge, Gibson L. Busfield, E. Donald Lewis, executive vps; John F. O'Hare, Charles S. Tapley, senior vps.

**Compensation:** Commissions and fees.

**Acquisitions:** Kingman & Richardson Insurance Agency, Reading, Mass.; Cunningham & Kerr, Gloucester, Mass.; Brennick Insurance Agency, Malden, Mass.

**Branch offices:** Danvers, Essex, Gloucester, Ipswich, Malden, Medford, North Reading, Reading, Saugus, Stoneham, Topsfield, Woburn, Woburn, Mass.

**Subsidiaries:** Lane England Associates Inc., Cambridge, Mass.

**Parent company:** Hastings-Tapley Corp.

**Licensed excess/surplus broker in:** Massachusetts.

### Joseph Held & Co. Inc.

116 John St., Suite 1600, New York,  
N.Y. 10038; 800-221-9940;  
212-962-3122

	1982	1981
Premium vol. ....	\$4,250,000	\$4,100,000
Gross rev. ....	\$530,000	\$525,000
Employees .....	9	9
Commercial bus. ....	85%	85%

**Principal officers:** Kenneth S. Held, president/CEO; Arnold M. Held, executive vp; Dana Michael Sanders, manager-Hollywood, Fla., office; Ronald N. Schoenbrun, manager-Atlanta office; Charles A. Beattie, manager-Vero Beach, Fla., office.

**Compensation:** Commissions and fees.

**Branch offices:** Hollywood, Vero Beach, Fla.; Atlanta; Long Island, N.Y.

**Subsidiaries:** Standard Insurance Management Co. Inc., Hollywood, Fla.

**Licensed excess/surplus broker in:** New York; Florida.

Continued on facing page

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Continued from facing page

**Henderson & Phillips Inc.**  
P.O. Box 267, Norfolk, Va. 20501;  
804-625-5353

	1982	1981
Premium vol.....	\$20,000,000	\$17,600,000
Gross rev.....	\$3,300,000	\$2,780,000
Employees.....	75	63
Commercial bus....	73%	77%

**Principal officers:** George G. Phillips Jr., president/chairman; G. Wayne Harris, executive vp; Charles J. Cralle, Barry F. Gidley, Howard E. Gill, senior vps.

**Compensation:** Commissions.  
**Acquisitions:** American Insurance Group, Virginia Beach, Va.

**Branch offices:** Commercial Insurance Agency, Portsmouth, Va.; Harrison & Lear Insurance, Hampton, Va.

**Subsidiaries:** Executive Benefits Inc., Norfolk, Va.; Self-Insurance Services Inc., Richmond, Va.

**Licensed excess/surplus broker in:** Virginia.

**Charles E. Hyde Agency Inc.**

277 Main St., Port Washington, N.Y. 11050; 516-883-6300

	1982	1981
Premium vol.....	\$3,500,000	\$3,000,000
Gross rev.....	\$500,000	\$450,000
Employees.....	14	13
Commercial bus....	62%	57%

**Principal officers:** John E. Hardy, president; Charles H. Walker, secretary.

**Compensation:** Commissions and fees.

**Acquisitions:** The Biggs Fogarty Agency, Glen Cove, N.Y.



**Insurance Center of Southern Connecticut Inc.**

900 Madison Ave., Bridgeport, Conn. 06606; 203-333-6555

Continued on next page

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DALLAS, TEXAS 75240  
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**Paul Hertel & Co. Inc.**

Third and Chestnut Streets, Philadelphia, Pa. 19106; 215-925-7656

	1982	1981
Premium vol.....	\$13,000,000	\$12,000,000
Gross rev.....	\$1,594,000	\$1,550,000
Employees.....	42	44
Commercial bus....	55%	55%

**Principal officers:** Paul R. Hertel Jr., president; James McLaughlin, Jeremiah A. Caron, Robert H. Bradford, Susan Getsie, vps.

**Compensation:** Commissions and fees.

**Branch offices:** Media, Paoli and Roxborough, Pa.

**Licensed excess/surplus broker in:** Pennsylvania.

**The Hirshorn Co.**

14 E. Highland Ave., Philadelphia, Pa. 19118; 215-242-8200

	1982	1981
Premium vol.....	\$3,600,000	\$3,600,000
Gross rev.....	\$475,000	\$470,000
Employees.....	12	12
Commercial bus....	83%	84%

**Principal officers:** Ralph S. Hirshorn, president; B. Graeme Frazier III, vp.

**Compensation:** Commissions and fees.

**Licensed excess/surplus broker in:** Pennsylvania.

**Hocker, Peskay & Plaia Insurance Services Inc.**

7002 Owensmouth Ave., P.O. Box 352, Canoga Park, Calif. 91305; 213-888-7002

	1982	1981
Premium vol.....	\$3,000,000	\$2,900,000
Gross rev.....	\$800,000	\$720,000
Employees.....	14	10
Commercial bus....	60%	50%

**Principal officers:** Robert A. Peskay, president; Anthony A. Plaia, secretary/treasurer; Kerry A. Mayer, vp.

**Compensation:** Commissions.

**Holland Insurance Agency Inc.**

19 W. Eighth St., P.O. Box 3010, Holland, Mich. 49423; 616-396-4611

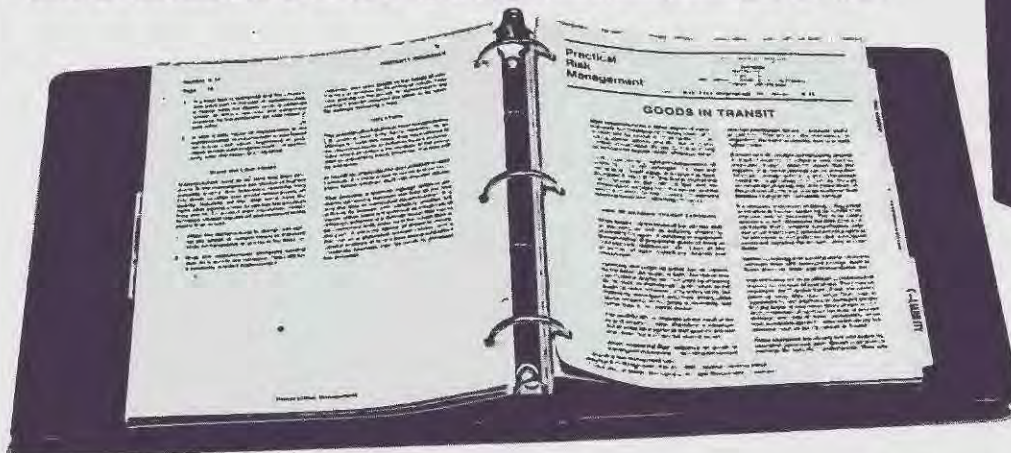
	1982	1981
Premium vol.....	\$7,369,863	\$4,845,609
Gross rev.....	\$1,332,999	\$951,853
Employees.....	25	18
Commercial bus....	77%	73%

**Principal officers:** Dale E. Van-Lente, president; John A. Heyboer, executive vp; David L. Lake, vp/treasurer; Robert J. Yonker, secretary; John A. Heyboer III, assistant vp; James R. Van Kuiken, president/treasurer-Grand Rapids; Herman H. Van Faassen Jr., vp/secretary-Grand Rapids.

**Compensation:** Commissions.

**Acquisitions:** Merged with Grand Rapids Insurance Agency in January 1982.

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Continued from previous page

	1982	1981
Premium vol. ....	\$3,820,650	\$3,611,082
Gross rev. ....	\$706,948	\$607,259
Employees .....	17	16
Commercial bus. ...	41%	42%

**Principal officers:** Arnold Kaplan, chairman; Burton I. Bauchner, president/treasurer; Irwin Nabel, vp.  
**Compensation:** Commissions.  
**Acquisitions:** A&M Agency, Arias Agency, Bridgeport, Conn.

**Insurance Management Associates Inc.**

600 IMA Plaza, 250 N. Water, Wichita, Kan. 67202; 316-267-9221

	1982	1981
Premium vol. ....	\$32,245,000	\$27,368,684
Gross rev. ....	\$4,159,594	\$3,414,625
Employees .....	92	76
Commercial bus. ...	90%	92%

**Principal officers:** Paul C. Yan-

key Jr., chairman/treasurer; William C. Cohen Jr., president; Joe E. Moddrell Jr., executive vp; Richard B. Matassarin, Paul G. Starr, senior vps; Sandra K. Broadstreet, vp/secretary; Kay Barrett, Roberta Heorman, Dick King, Francis Ludvick, Joseph C. Lukens II, Daniel E. Nyberg, Scott T. Post, Wally Raabe, vps.

**Compensation:** Commissions and fees.

**Acquisitions:** Alexander & Alexander of Kansas Inc., Wichita, Kan.

**Branch offices:** Insurance Management Associates Inc. of Topeka, Kan.

**Licensed excess/surplus broker in:** Kansas.

**Insurance Marketing Agencies Inc.**

1200 Mechanics Bank Tower,

Worcester, Mass. 01608; 617-753-7233

	1982	1981
Premium vol. ....	\$8,500,000	\$8,800,000
Gross rev. ....	\$1,300,000	\$1,300,000
Employees .....	30	30
Commercial bus. ...	85%	85%

**Principal officers:** Sumner W. Herman, president/treasurer; Arnold J. Horowitz, executive vp; John J. Kelly, vp.

**Compensation:** Commissions and fees.

**Licensed excess/surplus broker in:** Massachusetts.

**Insurance Professionals Inc.**

P.O. Bcx 292, 15 Prospect St., Paramus, N.J. 07652; 201-265-7110

	1982	1981
Premium vol. ....	\$5,800,000	\$5,000,000
Gross rev. ....	\$710,000	\$620,000
Employees .....	11	10
Commercial bus. ...	70%	70%

**Principal officers:** John A. Jones, president; William Brazzel, secretary; Margaret Westhelle, treasurer.

**Compensation:** Commissions and fees.

**Branch offices:** Florida Insurance Professionals Inc., West Palm Beach, Fla.

**ISU/Chandler Insurance Agency Inc.**

1011 Cadillac Way, P.O. Box 1397, Burlingame, Calif. 94010; 415-347-5291

	1982	1981
Premium vol. ....	\$7,828,226	\$5,436,379
Gross rev. ....	\$1,144,234	\$815,457
Employees .....	24	20
Commercial bus. ...	95%	92%

**Principal officers:** Michael L. Chandler, president; Ronald A. Brand, Dennis D. Chandler, vps; Donald E. Marsh, vp, secretary/treasurer.

**Compensation:** Commissions and fees.

**ISU/Dohrmann-King Co.**

1045 N. El Dorado St., Stockton, Calif. 95202; 209-944-5540

	1982	1981
Premium vol. ....	\$3,500,000	\$3,000,000
Gross rev. ....	\$525,000	\$509,000
Employees .....	14	15
Commercial bus. ...	80%	85%

**Principal officers:** Harold S. King, president; Lewis D. Skyhawk, Robert E. Lee, vps; Dorothy

A King, secretary; Sally K. Bronner, treasurer.

**Compensation:** Commissions.

**ISU/Wellington Agencies Inc.**

3460 Wilshire Blvd., Suite 401, P.O. Box 76969; Los Angeles, Calif. 90076; 213-380-3050

	1982	1981
Premium vol. ....	\$12,000,000	\$12,000,000
Gross rev. ....	\$1,901,000	\$1,882,000
Employees .....	33	35
Commercial bus. ...	79%	80%

**Principal officers:** Wilbert W. Stein, chairman; John Antignas, president; Gerald Richbook, Earl B. Gross, senior vps; Donald W. Millar, vp-administration, secretary/treasurer; Arthur M. Newman, William Gerichter, Arthur L. Katz, vps; Clifford W. Sanforth, vp-marketing; Stephen R. Abram, vp-client services.

**Compensation:** Commissions.

**J**

**Johannesen-Farrar Inc.**

110 S. Third St., Delavan, Wis. 53115; 414-728-2631

	1982	1981
Premium vol. ....	\$3,693,397	\$3,844,918
Gross rev. ....	\$668,000	\$641,000
Employees .....	14	16
Commercial bus. ...	60%	60%

**Principal officers:** Joseph J. Walters, president; Eugene F. Groth, vp; John M. Rielly, secretary/treasurer.

**Compensation:** Commissions and fees.

**Branch offices:** East Troy and Elkhorn, Wis.

**Subsidiaries:** Johannesen-Farrar Real Estate Inc.

**Licensed excess/surplus broker in:** Wisconsin.

**Johnson, Kendall & Johnson Inc.**

Penns Trail and Route 332, Newtown, Pa. 18940; 215-968-4741

	1982	1981
Premium vol. ....	\$5,812,000	\$6,000,000
Gross rev. ....	\$977,000	\$935,000
Employees .....	21	21
Commercial bus. ...	65%	70%

**Principal officers:** Edwin T. Johnson, chairman; Ted S. Kendall, president; Mary S. Rounsavill, secretary/controller; William J.

Alder, Richard B. Willis Jr., senior vps; David R. Johnson, Douglas D. Peterson, vps.

**Compensation:** Commissions and fees.

**Johnson Rast & Hays Insurance Inc.**

1850 Financial Center, Birmingham, Ala. 35203; 205-324-1000

	1982	1981
Premium vol. ....	\$12,000,000	\$10,000,000
Gross rev. ....	\$1,250,000	\$1,000,000
Employees .....	48	40
Commercial bus. ...	85%	85%

**Principal officers:** Thomas E. Rast, chairman; Jeffrey L. Johnson, president; John H. Truitt, vp-marketing; John J. Ryan, vp-finance; C. David Tucker, president of Johnson Rast & Hays of South Alabama and Johnson Rast & Hays Benefits Inc.

**Compensation:** Commissions and fees.

**Branch offices:** Johnson Rast & Hays of South Alabama, Johnson Rast & Hays of Childersburg.

**Subsidiaries:** Insurance Adjusters & Appraisers Inc., Birmingham, Ala.; Johnson Rast & Hays Benefits Inc.

**K**

**Walter Kaye Associates Inc.**

122 E. 42nd St., New York, N.Y. 10168; 212-210-9200

	1982	1981
Premium vol. ....	\$150,000,000	\$95,000,000
Gross rev. ....	\$10,559,000	\$9,575,000
Employees .....	163	156
Commercial bus. ...	95%	95%

**Principal officers:** Walter Kaye, president; Lawrence Greenfield, Howard Kaye, Marc Silverman, senior vps; Stanley Feinberg, Lester Edelman, Richard Bass, Roger Levey, first vps.

**Compensation:** Commissions and fees.

**Branch offices:** Chicago; Beverly Hills, Calif.; Fairfield, Conn.

**Subsidiaries:** Walter Kaye Corp. of Connecticut; Walter Kaye Corp. of California; TKG Agencies Inc.; American Administrators Corp.

**Parent company:** The Kaye Group Inc.

**Licensed excess/surplus broker in:** New York; Connecticut.

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Continued from facing page

**Keenan & Associates**

3715 W. Lomita Blvd., P.O. Box  
4328, Torrance, Calif. 90510;  
213-373-8811

	1982	1981
Premium vol. ....	NA	NA
Gross rev. ....	\$6,125,000	\$5,164,000
Employees .....	138	135
Commercial bus. ...	95%	95%

**Principal officers:** John R. Keenan, president; Dick Phillips, Murton L. Munson, David G. Guyer, senior vps.

**Compensation:** Commissions and fees.

**Branch offices:** Fresno, Santa Ana, San Diego, Riverside, San Jose, San Rafael, Sacramento and Thousand Oaks, Calif.; Phoenix, Ariz.

**Kelter-Thomer Inc.**

24600 Northwestern Highway,  
Southfield, Mich. 48075;  
313-353-2200

	1982	1981
Premium vol. ....	\$15,000,000	\$12,500,000
Gross rev. ....	\$1,800,000	\$1,500,000
Employees .....	27	31
Commercial bus. ...	95%	95%

**Principal officers:** Theodore R. Kelter, president; Marilyn Chernoff, executive vp; Theodore Kelter III, Robert E. Pullan, vps.

**Compensation:** Commissions.

**Branch offices:** Woodbridge, N.J.; Redwood City and Costa Mesa, Calif.

**Kendall Insurance Inc.**

90 S. Main St., Rochester, N.H.  
03867; 603-332-5800

	1982	1981
Premium vol. ....	NA	NA
Gross rev. ....	\$5,100,000	\$4,625,000
Employees .....	110	100
Commercial bus. ...	80%	85%

**Principal officers:** Kennett R. Kendall Jr., president; Robert N. Kendall, Richard L. Williams, John R. Dulude, executive vps.

**Compensation:** Commissions and fees.

**Acquisitions:** Burpee, Griffin, Perkins/Kendall, Manchester, N.H.

**Branch offices:** Manchester and Dover, N.H.

**Licensed excess/surplus broker in:** New Hampshire; Maine.

**Keough Kirby Associates Inc.**

Stadium Building, Monument  
Square, Woonsocket, R.I. 02895;  
401-769-8100

	1982	1981
Premium vol. ....	\$6,400,000	\$5,700,000
Gross rev. ....	\$1,100,000	\$1,050,000
Employees .....	26	24
Commercial bus. ...	70%	70%

**Principal officers:** Kevin K. Coleman, chairman; Joseph H. O'Donnell Jr., president/CEO; Paul C. Fay, executive vp; Roger A. Duprat, senior vp; Douglas T. Brown, Norman D. Cianfarani, vps; Peter D. Butler, treasurer.

**Compensation:** Commissions.

**Subsidiaries:** Keough Kirby Insurance Agency Inc., Wellesley, Mass.

**Licensed excess/surplus broker in:** Rhode Island; Massachusetts.

**Sander A. Kessler & Associates Inc.**

9570 W. Pico Blvd., Los Angeles,  
Calif. 9035; 213-278-8740

	1982	1981
Premium vol. ....	\$23,000,000	\$21,648,000
Gross rev. ....	\$3,497,868	\$3,109,580
Employees .....	63	65
Commercial bus. ...	91%	91%

**Principal officers:** Sander A. Kessler, president; Ronald A. Bloom, executive vp; Bernard H. Kirsch, secretary/treasurer.

**Compensation:** Commissions.

**Licensed excess/surplus broker in:** California.

**H.C. Knight & Co.**

320 Walnut St., Philadelphia, Pa.  
19106; 215-923-5440

	1982	1981
Premium vol. ....	\$16,434,225	\$14,046,274
Gross rev. ....	\$1,313,175	\$1,165,342
Employees .....	34	33
Commercial bus. ...	90%	90%

**Principal officers:** John A. Philbrick III, Charles B. Ashuff, partners.

**Compensation:** Commissions and fees.

**Licensed excess/surplus broker in:** Pennsylvania.

**Knox, Lent & Tucker Inc.**

170 Hamilton Ave., White Plains,  
N.Y. 10602; 914-946-3600

	1982	1981
Premium vol. ....	NA	NA
Gross rev. ....	\$1,650,000	\$1,250,000
Employees .....	32	37
Commercial bus. ...	70%	70%

Continued on next page

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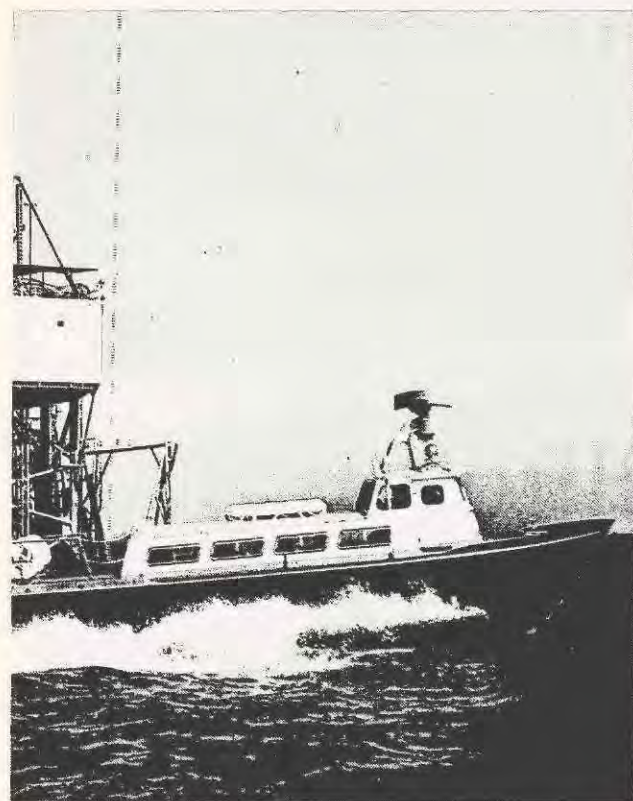
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*Continued from previous page*

**Principal officers:** H. Bruce Len, chairman; John Hanney, president; Henry Sondheim, treasurer.

**Compensation:** Commissions and fees.

**Parent company:** John M. Riehle Inc.

**Licensed excess/surplus broker in:** New York.

### **The Kooper Group**

666 Fifth Ave., New York, N.Y.  
 10019; 212-246-2188

	1982	1981
Premium vol. ....	NA	NA
Gross rev. ....	\$750,000	\$600,000
Employees. ....	9	7
Commercial bus. ...	95%	95%

**Principal officers:** Michael Kooper, president; Michael D. Rockman, vp.

**Compensation:** Commissions and fees.

**Acquisitions:** Merkin/Kooper Group Benefits, East Orange, N.J.

**Branch offices:** Merkin/Kooper Group Benefits, East Orange, N.J.

**Affiliates:** The NBA Group, Garden City, N.Y.

## **L**

### **The Lasher-Cowie Agency Inc.**

1807 N. Central Ave., Phoenix, Ariz.  
 85004; 602-258-3421

	1982	1981
Premium vol. ....	\$14,500,000	\$14,000,000
Gross rev. ....	\$2,225,000	\$2,150,000
Employees. ....	59	63
Commercial bus. ...	70%	74%

**Principal officers:** Robert P. Cowie, president; Harold E. Richey, vp; Richard Seminoff, secretary/treasurer.

**Compensation:** Commissions and fees.

**Acquisitions:** Merrill-Brown Agency Inc.

**Branch offices:** Lasher-Cowie-Turner, Flagstaff, Ariz.; Lasher-Cowie Insurance, Tucson, Ariz.

**Subsidiaries:** Rocky Mountain General Agency, Phoenix, Ariz.; Innkeepers International Inc., Phoenix, Ariz.

**Licensed excess/surplus broker in:** Arizona.

### **Laub Group Inc.**

324 E. Wisconsin Ave., Milwaukee, Wis. 53202; 414-271-4292

	1982	1981
Premium vol. ....	NA	NA
Gross rev. ....	\$3,260,000	\$3,020,000
Employees. ....	75	70
Commercial bus. ...	90%	95%

**Principal officers:** Raymond H. Laub, president; George Stevoff, executive vp.

**Compensation:** Commissions and fees.

**Acquisitions:** Schiff Terhune of Wisconsin, Milwaukee; McQueen Inc., Racine, Wis.; Miller Brothers Inc., Racine, Wis.; Medalist-Kline, Madison, Wis.

**Branch offices:** Racine, Madison, Wausau and Appleton, Wis.

**Parent company:** Intertye Corp.

**Licensed excess/surplus broker in:** Wisconsin.

### **A.W. Lawrence & Co. Inc.**

108 Union St., Schenectady, N.Y.  
 12305; 518-370-1720

	1982	1981
Premium vol. ....	\$36,800,000	\$32,500,000
Gross rev. ....	\$4,310,095	\$3,389,263
Employees. ....	105	82
Commercial bus. ...	70%	60%

**Principal officers:** Albert W. Lawrence, chairman; Gary Keehufus, president; H. Bucciferro, B. Dunbar, T. Hali, W. Mather, C. Roberson, H. Van Voast III, vps; Barbara Lawrence, secretary.

**Compensation:** Commissions and fees.

**Branch offices:** Albany, Buffalo, Glens Falls, New York, Niles, Rochester, Schenectady, Syracuse and Troy, N.Y.; Boston; Louisville, Ky.; Phoenix, Ariz.

**Subsidiaries:** Fitts-Lawrence Inc.; Lawrence Management Co. Inc.; Lawrence Funding Inc.; Independent Risk Management Group Inc.

**Licensed excess/surplus broker in:** New York.

### **Levinson Brothers Inc.**

101 California St., San Francisco, Calif. 94111; 415-434-3200

	1982	1981
Premium vol. ....	\$13,781,241	\$13,557,605
Gross rev. ....	\$1,638,289	\$1,481,415
Employees. ....	23	23
Commercial bus. ...	92%	92%

**Principal officers:** Fred Levinson, president; Morton I. Levinson, Bernard S. Greendorfer, vps; David J. Levinson, vp/secretary.

**Compensation:** Commissions.

**Branch offices:** Los Angeles.

**Licensed excess/surplus broker in:** California.

### **M.J. Lieberman & Co.**

354 Eisenhower Parkway,  
 Livingston, N.J. 07039;  
 201-992-6500

	1982	1981
Premium vol. ....	\$7,325,000	\$7,050,000
Gross rev. ....	\$1,136,000	\$1,025,000
Employees. ....	19	17
Commercial bus. ...	93%	95%

**Principal officers:** Morris Lieberman, president; Philip J. Lieberman, secretary/treasurer; Robert A. Kososki, Robert Emmons, vps.

**Compensation:** Commissions and fees.

### **Don Liebert Inc.**

172 S. Middletown Road, Nanuet, N.Y. 10954; 914-623-3434

	1982	1981
Premium vol. ....	\$6,902,085	\$6,725,000
Gross rev. ....	\$1,196,327	\$1,053,740
Employees. ....	23	23
Commercial bus. ...	66%	65%

**Principal officers:** Donald F. Liebert, president; Richard Hiller, vp; Richard B. Phelan, assistant vp.

**Compensation:** Commissions.

**Subsidiaries:** Liebert Commercial Inc., Nanuet, N.Y.; Glo-Mer Systems Inc., Nanuet, N.Y.

*Continued on facing page*

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Continued from page 22

for domestic revenues, he said.

The one area of shrinking business that Mr. Hatcher noted was marine hull, reflecting the depressed shipping market.

However the pie is divided, the state of the property/casualty market has made for a disappointing year, he indicated, and J&H has taken a number of steps to keep its revenues from shrinking with its property/casualty commissions.

Like most other brokers, J&H is trying to cut costs.

"Expense control is the biggest problem we've got. We've addressed it, and with some obvious results, but whether it's going to be adequate without doing something else a little more drastic, I don't know," Mr. Hatcher said.

J&H in 1982 put a virtual freeze on hiring where normally the brokerage increases staff by 3% to 4.5% a year. Anyone hired in 1982 had to meet with the approval of a newly

formed hiring committee and Mr. Hatcher. Not only has the procedure drastically decreased the amount of new hiring, but it has also increased the overall quality of the hires, Mr. Hecken said.

"We may want to continue this procedure when it's no longer necessary—it's been that effective."

Other cost-containment measures include a stepped-up search for "inordinate expenses" charged to the company by employees.

Mr. Hatcher said that total staff of J&H's domestic operations was reduced by about 150 employees in 1982, both by attrition and by "hard work at finding out who's productive and who isn't."

About 30 jobs were eliminated when J&H subsidiary Willcox Inc. Reinsurance Intermediaries—the new name given to Willcox Baringer—sold off its U.S. Facultative Management unit. But those reductions were offset by staff increases in international offices and

by acquisitions, leaving the firm's total workforce unchanged.

Despite these moves, the brokerage's 1982 expenses increased 8.2% over its 1981 expenses, Mr. Hatcher said, noting with envy that Marsh & McLennan's first-quarter 1983 expenses were up only 2.9% over 1982's first quarter.

"I'd love to see us be able to do that," he said.

More drastic actions to reduce expenses might include widespread layoffs and office closings, which J&H has so far avoided and has no present plans to do, he said.

While trying to trim expenses, J&H is also reorganizing to pursue new business more aggressively.

Last November, J&H formed a new International Reinsurance Department, splitting off overseas reinsurance brokerage responsibilities from Willcox, which maintains its domestic reinsurance book, Mr. Hatcher explained. So far, the new department has drummed up busi-

ness in about 12 foreign countries, doubling the size of the international business that had been generated by Willcox.

J&H has also reorganized its commercial accounts area in an attempt to bring in new small and medium-sized clients. The Commercial Accounts Division is already showing rapid growth, having met 65% of its 1983 goal in the first four months of the year, Mr. Hatcher reports. The division is also planning to form a special unit to handle employee benefits consulting for the smaller clients.

A separate unit, the Association Accounts Division, has also been formed to mass merchandise automated brokerage, claims and risk management services, Mr. Hecken added.

"It all centers around the computer package, and the development more than anything else of insurers who are anxious to grow in this particular area," he ex-

plained.

Mr. Hatcher notes, however, that J&H has perceptual problems to overcome in handling smaller accounts.

"The problem you have in this sort of business is attitudinal," he said. "It's on the part of the buyer who says, 'You're too big for me and I know you're not going to give the attention I need and I couldn't possibly mean anything to you.' And at times (it's) on the part of our staff who consider themselves to be second-rate brokers or account executives or citizens of this company if they're asked to dwell on these commercial accounts. Both people are wrong."

In addition to these changes, J&H continued work within a number of "special industry" groups designed in 1981 to target specific markets for development.

For example, a Health Care Resources Group focuses mainly on medical liability insurance brokerage and loss-prevention consulting, and has about 500 hospital clients. A Financial Services division offers professional liability coverages for participants in financial transactions, and has developed new products to cover money market funds, corporate acquisitions and equity and debt financings. A Space Systems Group is developing satellite insurance programs and provides legal, financial and engineering consulting services. And an Energy Group is developing new energy-related insurance products such as system-performance coverage for waste-to-energy projects and low-flow insurance for hydro projects.

Employee benefits consulting expanded earlier this year with two acquisitions. Sibson & Co., an executive compensation consulting firm based in Princeton, N.J., was acquired in January, and Sorenson & Co., a life insurance product development consultant based in Hartford, Conn., was purchased in May.

Along with the acquisitions, J&H developed new benefits products last year, including a Database

Continued on page 28

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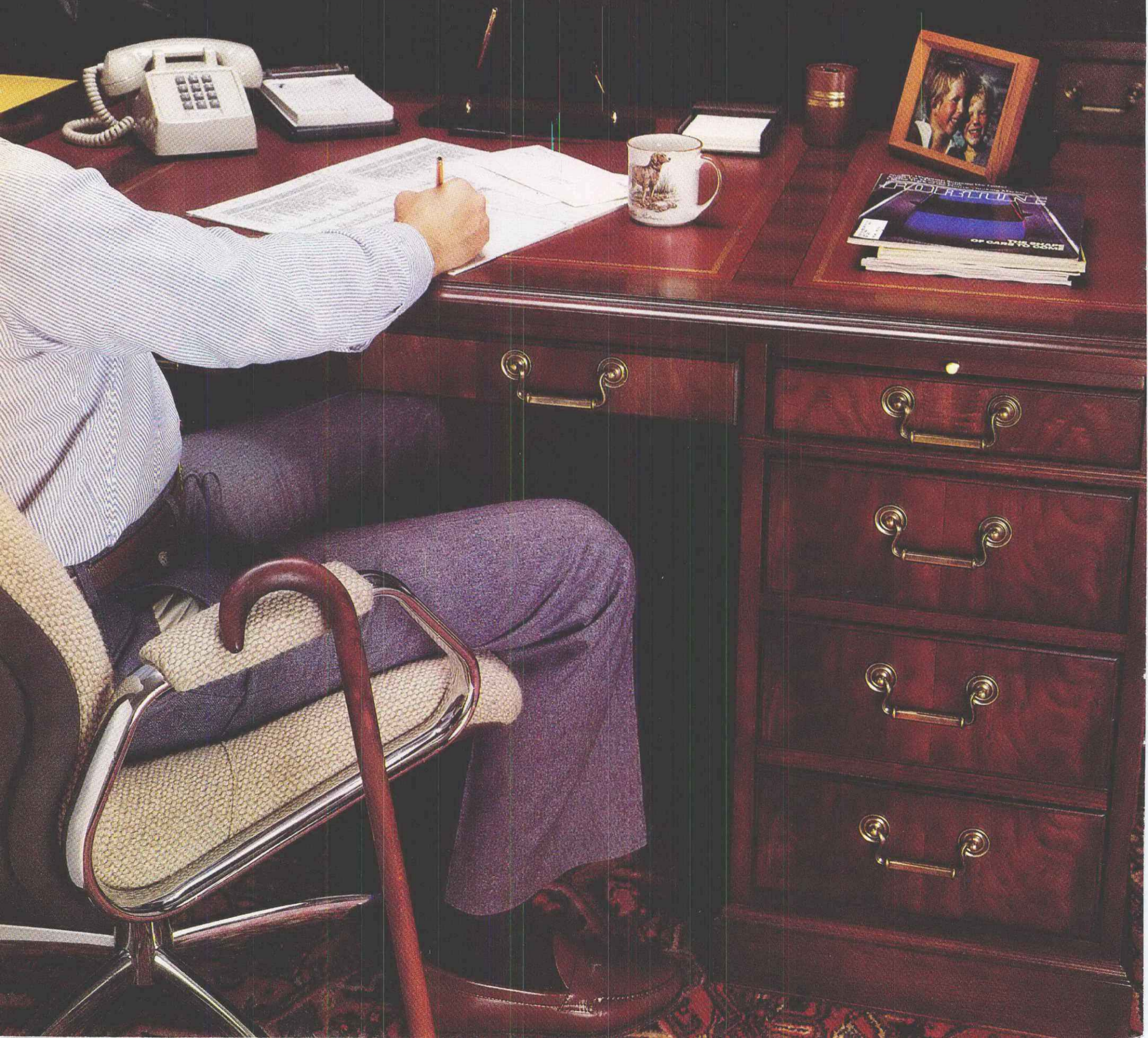
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Continued from facing page

**The Lockton Insurance Agency Inc.**

7600 State Line Road., Prairie Village, Kan. 66208; 913-381-3100

	1982	1981
Premium vol	\$18,000,000	\$13,525,000
Gross rev.	\$3,580,000	\$2,375,000
Employees	63	46
Commercial bus.	95%	93%

**Principal officers:** John T. Lockton III, president; Michael C. Frost, managing vp; Gary F. Ham-bright, vp-insurance; James C. Pa-teidl, vp-surety; Donald G. Os-borne, Thomas Johnston, David M. Lockton, William L. Frick, execu-tive vps.

**Compensation:** Commissions and fees.

**Acquisitions:** Nathan Trotter Co., Kansas City, Mo.

**Branch offices:** Denver.  
**Licensed excess/surplus bro-ker in:** Kansas; Missouri; Colorado.

**Principal officers:** Norman Wright, president; Richard D. For-rest, Donald E. Beale, Daniel X. O'Rourke, Richard A. Grant, vps.

**Compensation:** Commissions.  
**Acquisitions:** Apollo, Peabody, Mass.; Devlin, Waltham, Mass.; McCarthy & Petrasko, Falmouth, Mass.; Connors, Braintree, Mass.; Burrill, Yarmouth, Mass.

**Branch offices:** Boston, Wey-mouth, Newton, Wakefield, Sci-tuate Harbor, Middleboro, Man-chester, Rockland, Sudbury, Ded-ham, Fitchburg, Peabody, Fal-mouth, Yarmouth and Tewksbury, Mass.

**Licensed excess/surplus bro-ker in:** Massachusetts.

**Maxson-Mahoney-Turner Inc.**

3601 Cedar Springs, Dallas, Texas 75219; 214-521-1113

Continued on next page

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**C. Lofberg Inc.**

303 Cedar Lane, Teaneck, N.J. 07666; 201-836-2100

	1982	1981
Premium vol	\$5,000,000	\$5,500,000
Gross rev.	\$900,000	\$950,000
Employees	21	20
Commercial bus.	60%	60%

**Principal officers:** Richard C. Lofberg, chairman/CEO; Paul W. Lofberg, president; Franklin D. Lutz, executive vp; Adele Kirsch-baum, secretary; Ellis Parry, vp-Lofberg Excess Inc.

**Compensation:** Commissions and fees.

**Subsidiaries:** Lofberg Excess Inc.



**MacIntyre, Fay & Thayer Insurance Agency Inc.**

One Wells Ave., Newton, Mass. 02159; 617-332-5100

	1982	1981
Premium vol	\$21,239,500	\$19,048,700
Gross rev.	\$4,013,300	\$3,567,800
Employees	72	71
Commercial bus.	68%	68%

**Principal officers:** Joseph J. Fay, chairman; Richard E. Eagan, president; Walter P. Corcoran, ex-ecutive vp; Sanford D. Elsass, Mi-chael J. Susco, vps.

**Compensation:** Commissions and fees.

**Subsidiaries:** Surplus Services Insurance Agency Inc., Newton, Mass.; Marketing Associates Insur-ance Agency Inc., Newton, Mass.

**Licensed excess/surplus bro-ker in:** Massachusetts.

**Mack & Parker Inc.**

Xerox Center, 55 W. Monroe, Chicago, Ill. 60603; 312-346-1221

	1982	1981
Premium vol	NA	NA
Gross rev.	\$3,612,741	\$3,139,337
Employees	67	65
Commercial bus.	95%	94%

**Principal officers:** Edward E. Mack Jr., chairman; Edward E. Mack III, president/CEO; John P. Mack, vp/treasurer; Charles S. Mack, vp/secretary; Martin P. Hughes, vp.

**Compensation:** Commissions and fees.

**Acquisitions:** Haskell, Miller & Grossman Inc., Chicago.

**Affiliates:** Mass Insurance Con-sultants & Administrators Inc., Chicago.

**Licensed excess/surplus bro-ker in:** Illinois.

**Mahoney & Wright Insurance Agencies**

141 Tremont St., Boston, Mass. 02110; 617-482-4086

	1982	1981
Premium vol	\$25,475,000	\$17,607,000
Gross rev.	\$3,850,000	\$2,750,000
Employees	115	84
Commercial bus.	52%	50%

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*Continued from previous page*

	1982	1981
Premium vol.....	\$10,027,414	\$9,050,000
Gross rev.....	\$1,613,015	\$1,437,949
Employees.....	34	36
Commercial bus....	77%	78%

**Principal officers:** David O. Turner, president; Harry J. Brownlee, executive vp; Steven W. Pond, Michael D. Williams.  
**Compensation:** Commissions.

**May-Davis Inc.**

P.O. Box 11589, Spokane, Wash.  
 99211; 509-535-8783

	1982	1981
Premium vol.....	\$4,250,000	\$5,000,000
Gross rev.....	\$500,000	\$600,000
Employees.....	6	6
Commercial bus....	98%	98%

**Principal officers:** Laurel E. May, president; William H. Davis, executive vp.  
**Compensation:** Commissions.

**Raymond G. McCarthy & Co. Inc.**

Corporate Center, 799 Bloomfield Ave., Verona, N.J. 07044;  
 201-239-9404

	1982	1981
Premium vol.....	\$2,475,000	\$2,450,000
Gross rev.....	\$460,000	\$420,000
Employees.....	8	8
Commercial bus....	66%	65%

**Principal officers:** John E. Popowich, president; Thomas J. Stokes, vp; Celeste A. Grohe, secretary/treasurer.  
**Compensation:** Commissions.

**McCrea & Gallen Inc.**

992 Old Eagle School Road, Wayne, Pa. 19087; 215-964-9250

	1982	1981
Premium vol.....	\$7,500,000	\$7,400,000
Gross rev.....	\$741,000	\$702,000
Employees.....	21	19
Commercial bus....	99%	99%

**Principal officers:** Thomas F. McCrea, president; Thomas J. Gallen, secretary/treasurer.  
**Compensation:** Commissions and fees.

**McDonough Caperton Insurance Group**

One Hillcrest Drive, P.O. Box 1551, Charleston, W. Va. 25326;  
 304-346-0611

	1982	1981
Premium vol.....	\$100,000,000	\$85,000,000
Gross rev.....	\$12,000,000	\$10,200,000
Employees.....	280	260
Commercial bus....	85%	85%

**Principal officers:** Gaston Caperton III, president.  
**Compensation:** Commissions and fees.

**Branch offices:** McDonough Caperton Charleston-Smith-Hetzel, McDonough Caperton Shepherd Assn. Group, McDonough Caperton Employee Benefits, Charleston, W. Va.; McDonough Caperton Beckley, Beckley, W. Va.; McDonough Caperton Cleveland, McDonough Caperton Employee Benefits, Cleveland; McDonough Caperton Fairmont/Henry & Hardesty Inc., Fairmont, W. Va.; McDonough Caperton Parkersburg, Parkersburg, W. Va.; McDonough Caperton Pittsburgh, Pittsburgh; McDonough Caperton Wheeling/Lee Paull Insurance, Wheeling, W. Va.; McDonough Caperton International Ltd., Hamilton, Bermuda.

**McDowell Insurance Inc.**

338 Lincoln Way E., P.O. Box 497, Chambersburg, Pa. 17201;  
 717-263-8401

	1982	1981
Premium vol.....	\$7,881,896	\$6,621,516
Gross rev.....	\$1,575,987	\$1,506,050
Employees.....	45	43
Commercial bus....	62%	68%

**Principal officers:** Edward C. Zimmerman, president/treasurer; Karl A. Shreiner, executive vp/secretary; Robert C. Reymer Jr., vp; William R. Gingrich, assistant secretary.

**Compensation:** Commissions and fees.

**Branch offices:** Carlisle, Green-castle, Waynesboro and Mercers-burg, Pa.; Hagerstown, Md.  
**Licensed excess/surplus broker in:** Pennsylvania.

**The McElroy-Minister Co.**

141 E. Town St., Columbus, Ohio  
 43215; 614-228-5565

	1982	1981
Premium vol.....	\$23,988,550	\$21,500,000
Gross rev.....	\$3,942,617	\$3,558,330
Employees.....	92	104
Commercial bus....	93%	92%

**Principal officers:** John C. Glandon, president; Hugh M. Hadley, secretary; Keith A. Pierce, treasurer; James R. Creek, vp-sales; William R. Gillam, vp-employee benefits.

**Compensation:** Commissions and fees.  
**Subsidiaries:** Bancroft Co., Columbus, Ohio.  
**Licensed excess/surplus broker in:** Ohio.

**McGowan & Co. Inc.**

21010 Center Ridge Road, Rocky River, Ohio 44116; 216-333-6300;  
 800-922-2604

	1982	1981
Premium vol.....	\$7,124,000	\$6,902,000
Gross rev.....	\$767,000	\$783,000
Employees.....	22	16
Commercial bus....	65%	62%

**Principal officers:** Thomas B. McGowan, president; Thomas B. McGowan III, vp.

**Compensation:** Commissions and fees.  
**Acquisitions:** Graber, Stewart & Woznicki, Cleveland, Ohio; Brown Insurance Agency, Lakewood, Ohio.  
**Licensed excess/surplus broker in:** Ohio.

**McGriff, Seibels, & Williams Inc.**

P.O. Box 10265, Birmingham Ala. 35202; 205-252-9871

	1982	1981
Premium vol.....	\$73,278,000	\$49,133,376
Gross rev.....	\$10,783,105	\$6,975,248
Employees.....	210	135
Commercial bus....	97%	97%

**Principal officers:** Lee McGriff, CEO; H.G. Seibels Jr., E.T. Williams, vice chairmen; Richard M. Womack, president; Bruce S. Denson, vp-operations; C. Ellis Wanning, vp/treasurer; Bruce C. Dunbar, vp-sales; Fay G. Schuchman, secretary.

**Compensation:** Commissions and fees.  
**Acquisitions:** Molton, Allen & Williams Insurance Corp., Birmingham, Ala.  
**Branch offices:** Florence, Mobile and Gadsden, Ala.; Orlando and Pensacola, Fla.

**Subsidiaries:** Insurers Services Inc., Birmingham, Ala.  
**Licensed excess/surplus broker in:** Alabama, Florida.

**Richard A. McGuire Associates Inc.**

1510 Fifth Ave., Bay Shore, N.Y. 11706; 516-666-9300

	1982	1981
Premium vol.....	\$7,200,000	\$6,100,000
Gross rev.....	\$1,000,000	\$940,000
Employees.....	25	23
Commercial bus....	70%	65%

**Principal officers:** Richard A. McGuire, CEO; Bruce A. Romanitch, vp.

**Compensation:** Commissions and fees.  
**Branch offices:** Smithtown, N.Y.  
**Subsidiaries:** Steel & McGuire of New York, Smithtown, N.Y.; Suffolk Risk Management Associates Inc., Smithtown, N.Y.

**Meadowbrook Insurance Group**

24370 Northwestern Highway, Southfield, Mich. 48075;  
 313-358-1100

	1982	1981
Premium vol.....	\$36,000,000	\$30,000,000
Gross rev.....	\$4,200,000	\$3,400,000
Employees.....	80	70
Commercial bus....	85%	85%

**Principal officers:** Merton J. Segal, chairman; Robert A. Engle, president; Lee F. Kelly, vp/treasurer.

**Compensation:** Commissions and fees.  
**Acquisitions:** North American Agencies, Bloomfield Hills, Mich.  
**Branch offices:** Dedham, Mass.; Arlington Heights, Ill.; Grand Rapids, Mich.

**Subsidiaries:** Corporate Risk Consultants, Southfield, Mich.; Self Insured Risk Services, Southfield, Mich.; Meadowbrook Risk Management, Hamilton, Bermuda.  
**Licensed excess/surplus broker in:** Michigan.

**Mellinger Insurance Agency**

P.O. Box 32, Rossville, Ind. 46065;  
 317-379-2241

	1982	1981
Premium vol.....	\$1,949,000	\$1,356,900
Gross rev.....	\$340,000	\$311,000
Employees.....	15	16
Commercial bus....	60%	58%

**Principal officers:** Gene Mellinger, proprietor; Dale Pettiner, manager-Delphi office; Eric Spencer, manager-Frankfort office; Robert Davis, manager-Michigantown office.

**Compensation:** Commissions.  
**Branch offices:** Pettiner-Mellinger Insurance Agency Inc., Delphi, Ind.; Mellinger Insurance Agency, Michigantown, Ind.; Derrick-Mellinger Insurance Agency, Frankfort, Ind.  
**Licensed excess/surplus broker in:** Indiana.

**Merriam, Ellis & Benton**

7840 Washington Ave., Box 12245, Kansas City, Kan. 66112;  
 913-334-2100

	1982	1981
Premium vol.....	\$1,860,795	\$1,623,917
Gross rev.....	\$391,342	\$347,010
Employees.....	11	10
Commercial bus....	68%	67%

**Principal officers:** Don A. Ellis, senior partner; John C. Gann, partner; Frank W. Simonich, commercial lines producer; Carroll P. Denning, sales manager-Johnson County branch office.

**Compensation:** Commissions.  
**Acquisitions:** Carroll Denning & Associates, Overland Park, Kan.  
**Branch offices:** Overland Park and Johnson County, Kan.

**Merritt & McKenzie Inc.**

1827 Powers Ferry Road, Building 10, Atlanta, Ga. 30067;  
 404-952-5775

	1982	1981
Premium vol.....	\$6,671,000	\$6,400,000
Gross rev.....	\$1,186,389	\$1,100,000
Employees.....	27	25
Commercial bus....	70%	70%

**Principal officers:** James W. McKenzie, president; Edward F. Merritt, vp; Hal Turner, treasurer.

**Compensation:** Commissions and fees.  
**Subsidiaries:** Jim Warren & Co., Atlanta.

**Montgomery & Montgomery Inc.**

111 Fulton St., New York, N.Y. 10038; 212-285-0600

	1982	1981
Premium vol.....	NA	NA
Gross rev.....	\$2,674,552	\$2,342,392
Employees.....	48	47
Commercial bus....	85%	87%

**Principal officers:** L.E. Brown, R.A. Nolan, H. E. Smith, directors/vps; R. Samuels Jr., L.C. Valdes, vps.

**Compensation:** Commissions and fees.  
**Branch offices:** Los Angeles; Seattle; Chicago; Atlanta; Houston;  
*Continued on facing page*

Continued from facing page  
Garden City, N.J.

**Licensed excess/surplus broker in:** New York.

**Morency & Associates Inc.**  
950 York Road, Hinsdale, Ill. 60521;  
312-887-0910

	1982	1981
Premium vol. ....	\$6,000,000	\$6,000,000
Gross rev. ....	\$986,000	\$900,000
Employees. ....	14	14
Commercial bus. ...	97%	97%

**Principal officers:** George A. Morency Jr., president; Glenn P. Sapa, Mike Weible, Richard T. Morency, vps.

**Compensation:** Commissions and fees.

**Licensed excess/surplus broker in:** Illinois.

**Fred A. Moreton & Co.**

649 E. South Temple, Salt Lake City, Utah 84102; 801-531-1234

	1982	1981
Premium vol. ....	\$17,800,000	\$15,500,000
Gross rev. ....	\$3,975,000	\$3,400,000
Employees. ....	55	52
Commercial bus. ...	97%	97%

**Principal officers:** Edward B. Moreton, president; Edward F. Foland, senior vp; Ron D. Cornell, executive vp; L. Kent Bills, vp.

**Compensation:** Commissions and fees.

**Branch offices:** Idaho Falls, Idaho.

**Subsidiaries:** Moreton General Agency, Salt Lake City.

**Licensed excess/surplus broker in:** Utah; Idaho.

**Morris & Mackenzie Ltd.**

4141 Sherbrooke St. W., Montreal, Quebec H3Z1C1; 514-937-5755

	1982	1981
Premium vol. ....	NA	NA
Gross rev. ....	\$7,700,000	\$6,200,000
Employees. ....	147	151
Commercial bus. ...	78%	88%

**Principal officers:** Frank Dougan, president/CEO; Alan L. Drumm, senior vp/director; Robert J. Burn, vp/director.

**Compensation:** Commissions and fees.

**Branch offices:** Toronto; Vancouver, British Columbia; Calgary, Alberta.

**Subsidiaries:** O. LeBlanc & Fils Ltd., Morris & Mackenzie Management Ltd., Morris & Mackenzie (Bermuda) Ltd.

**Parent company:** Mackmor Ltd.

**The Mutual Insurance Agency Inc.**

5010 Wisconsin Ave. N.W., Washington, D.C. 20016;  
202-362-9840

	1982	1981
Premium vol. ....	\$9,434,000	\$9,083,000
Gross rev. ....	\$1,419,000	\$1,280,000
Employees. ....	27	28
Commercial bus. ...	74%	72%

**Principal officers:** Henry A.

Kroll, vice chairman; Morris W. Wells, president; William G. McHenry, executive vp; John A. Effer, senior vp; James W. Delaney, H. David Kroll, Harry D. Fegley, vps; Carol J. Lithgow, treasurer; John H. Wilson, Vincent D. Boylan Jr., assistant vps.

**Compensation:** Commissions.



**NIA Ltd./National Insurance Associates**

66 Route 17, Paramus, N.J. 07652;  
201-845-6600

	1982	1981
Premium vol. ....	NA	NA
Gross rev. ....	\$3,462,000	\$2,914,000
Employees. ....	87	76
Commercial bus. ...	82%	82%

**Principal officers:** Paul L. Gross, president; William F. Meade, executive vp; Howard P. Cantor, vp-finance and treasurer;

Beulah J. Handler, senior vp.

**Compensation:** Commissions and fees.

**Acquisitions:** H.R. Rothberg, North Plainfield, N.J.; Cascardo Insurance, Union City, N.J.; Trans-National Agency Inc., East Hanover, N.J.

**Branch offices:** Freehold, Long Valley, Newark, North Plainfield and Union City, N.J.; Nanuet and New York, N.Y.

**Subsidiaries:** NIA Professional Plans Inc. and NIA Excess Lines Inc., Paramus, N.J.; NIA/Simons Group Programs Inc., Newark, Paramus, N.J.; National Insurance Acceptance, Paramus, N.J.

**Licensed excess/surplus broker in:** New York; New Jersey (NIA Excess Lines Inc.).

**National Coverage Corp.**

333 N. Broadway, Jericho, N.Y.  
11753; 516-822-4500

	1982	1981
Premium vol. ....	\$16,620,539	\$15,289,647
Gross rev. ....	\$1,997,876	\$2,196,562
Employees. ....	40	38
Commercial bus. ...	82%	83%

**Principal officers:** William Kulesh, president/treasurer; Warren G. Aaronson, executive vp; Russell Tillman, vp-sales; Anthony P. Costanza, vp-operations; Ronald D'Alessandro, vp-sales; Robert Topsischer, secretary.

**Compensation:** Commissions and fees.

**Branch offices:** School Brokerage Inc., Massapequa, N.Y.

**Subsidiaries:** School Brokerage Inc.; W.G. Aaronson Inc.

**National Insurance Agency**

5151 Flynn Parkway, Suite 110, Box 6750, Corpus Christi, Texas 78411;  
512-855-8204

Continued on next page

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**spotlight report**

Continued from previous page

	1982	1981
Premium vol.....	\$3,947,057	\$3,257,004
Gross rev.....	\$596,938	\$550,680
Employees.....	18	18
Commercial bus....	65%	65%

**Principal officers:** Robert E. Harris, owner.  
**Compensation:** Commissions.

**National Mortgage Insurance Consultants Inc.**

1480 Renaissance Drive, Park Ridge, Ill. 60068; 312-296-3031

	1982	1981
Premium vol.....	\$4,002,470	\$2,759,630
Gross rev.....	\$983,506	\$655,166
Employees.....	3	3
Commercial bus....	100%	100%

**Principal officers:** Jack W. Bunch, chairman; Eugene D. Mitchell, president; John R. Sebring, executive vp.  
**Compensation:** Commissions.

**North American Insurance Agency Inc.**

2000 Classen Center, Oklahoma City, Okla. 73118; 405-523-2100

	1982	1981
Premium vol.....	\$44,360,000	\$40,000,000
Gross rev.....	\$6,043,000	\$5,500,000
Employees.....	105	91
Commercial bus....	85%	83%

**Principal officers:** Gene McCrory, president; Donald W. Glaspay, executive vp; Jack G. Barry, senior vp; James M. Hill, assistant treasurer.  
**Compensation:** Commissions

and fees.

**Acquisitions:** Holland-Sterling & Associates Inc., Dallas; James Insurance Services Inc., Denver.

**Branch offices:** Dallas; Denver; Edmond and Oklahoma City, Okla.; New Orleans; Wichita, Kan.

**Subsidiaries:** NAIA of Louisiana, New Orleans; NAIA of Tulsa, Okla.; NAIA of Texas, Dallas.

**Licensed excess/surplus broker in:** Oklahoma; Kansas; Louisiana.



**O'Connor-McLaughlin Co.**

Box 779, Lima, Ohio 45802; 419-227-3421

	1982	1981
Premium vol.....	\$1,600,000	\$1,500,000
Gross rev.....	\$300,000	\$300,000
Employees.....	9	9
Commercial bus....	60%	60%

**Principal officers:** W.R. Shanahan, president; J.J. Hagood, secretary/treasurer.

**Compensation:** Commissions.  
**Branch offices:** Delphos, Ohio.

**Olliver/Pilcher Insurance**

6150 N. 16th St., Phoenix, Ariz. 85016; 602-277-5703

	1982	1981
Premium vol.....	\$37,661,006	\$34,977,843
Gross rev.....	\$7,664,917	\$6,260,205
Employees.....	164	144
Commercial bus....	67%	69%

**Principal officers:** William W.

Pilcher, chairman; F. Rockne Arnett, senior vp/secretary; Richard L. Jones, senior vp/treasurer; Peter L. Scardello Jr., vp-finance; Michael C. Metzger, A. Park Shaw, John W. Phillips, William R. Jewett, Jerry A. Underwood, vps.

**Compensation:** Commissions.  
**Branch offices:** Prescott, Show Low, Scottsdale, Flagstaff, Mesa, Glendale and Globe, Ariz.; Jewett Insurance Agency, Yuma, Ariz.

**Acquisitions:** Insurance Ltd. of Arizona, Phoenix; J.N. DePoe Co., Flagstaff, Ariz.; Jewett Insurance Agency Inc., Yuma, Ariz.; Dave Bryce Agency, Show Low, Ariz.; Victorio Insurance of Arizona, Phoenix, Ariz.

**Licensed excess/surplus broker in:** Alabama, Arkansas, California, Colorado, Florida, Hawaii, Idaho, Illinois, Indiana, Kansas, Michigan, Minnesota, Mississippi, Missouri, Montana, Nevada, New Mexico, New York, North Carolina, North Dakota, Oklahoma, Oregon, Pennsylvania, South Dakota, Tennessee, Texas, Utah, Virginia, Washington, Wisconsin.

**Osborn & Lange Inc.**

759 Victoria Square, Montreal, Quebec H2Y2K5; 514-849-4161

	1982	1981
Premium vol.....	\$28,000,000	\$27,000,000
Gross rev.....	\$2,500,000	\$2,400,000
Employees.....	48	48
Commercial bus....	90%	90%

**Principal officers:** H. Bennett, president/CEO; J.A. Cantello, F. Keshen, L. Whyte, vps; T.G.

Cleary, secretary/treasurer.

**Compensation:** Commissions and fees.

**Branch offices:** Toronto; Vancouver, British Columbia; Winnipeg, Manitoba.

**Subsidiaries:** Osborn & Lange (USA) Inc., New York and Chicago.

**Osterloh & Durham Insurance Brokers of North America Inc.**

6930 Valjean Ave., Van Nuys, Calif. 91409; 213-988-6520

	1982	1980
Premium vol.....	NA	NA
Gross rev.....	\$1,387,185	\$1,508,658
Employees.....	21	26
Commercial bus....	92%	88%

**Principal officers:** A.F. Osterloh III, president/chairman; T.M. Mitchell, C.C. Lamb, R.C. Redman, L.C. Sears, vps.

**Compensation:** Commissions and fees.

**Acquisitions:** Lamb & Redman, El Monte, Calif.; The Nelson Co., Los Angeles.

**Branch offices:** El Monte, Calif.

**Arthur L. Owen Co. Inc.**

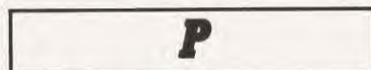
Mercantile Commerce Building, Dallas, Texas 75201; 214-747-6500

	1982	1981
Premium vol.....	\$24,500,000	\$24,000,000
Gross rev.....	\$3,200,000	\$2,950,000
Employees.....	43	42
Commercial bus....	95%	95%

**Principal officers:** Arthur L. Owen, chairman; Douglas B. Owen, president; C. Edward Dunn, executive vp; Bruce E. Mackey, Joe E. Funk, senior vps.

**Compensation:** Commissions and fees.

**Licensed excess/surplus broker in:** Texas.



**Palley Simon Associates Inc.**

Rydal Executive Plaza, Rydal, Pa. 19046; 215-884-2100

	1982	1981
Premium vol.....	\$6,000,000	\$5,250,000
Gross rev.....	\$1,010,000	\$980,000
Employees.....	19	18
Commercial bus....	84%	81%

**Principal officers:** Mahlon B. Simon Jr., president; Samuel M. Palley, Dexter P. Gresh, vps.

**Compensation:** Commissions and fees.

**Marshall Paris Insurance Inc.**

18041 Bothell Way N.E., Bothell, Wash. 98011; 206-486-1227

	1982	1981
Premium vol.....	\$3,726,812	\$3,485,879
Gross rev.....	\$516,399	\$493,272
Employees.....	13	12
Commercial bus....	63%	60%

**Principal officers:** George Marshall Paris Sr., president; R. Ray Westfall, vp/life sales; Gay M. Paris, treasurer/secretary.

**Compensation:** Commissions.

**Licensed excess/surplus broker in:** Alaska, Arizona, California, Colorado, Hawaii, Idaho, Oregon, Washington.

**James G. Parker Insurance Associates**

5100 N. Sixth, Suite 154, Fresno, Calif. 93710; 209-222-7722

	1982	1981
Premium vol.....	\$5,000,000	\$4,200,000
Gross rev.....	\$800,000	\$680,000
Employees.....	18	15
Commercial bus....	80%	82%

**Principal officers:** James G. Parker Jr., president; James G. Parker III, Gary H. Feemster, vps; Jon M. Parker, secretary.

**Compensation:** Commissions.

**Acquisitions:** Sample & Collins Inc., Fresno, Calif.

**Perpetual Insurance Services Inc.**

8401 Corporate Drive, Landover, Md. 20785; 301-386-3100

	1982	1981
Premium vol.....	\$3,000,000	\$1,500,000
Gross rev.....	\$1,107,000	\$965,000
Employees.....	29	29
Commercial bus....	50%	50%

**Principal officers:** Willard Bernardin, president; William F. Sinclair, vp; Gilbert E. DeLorne, secretary; Rofs Towney, treasurer.

**Compensation:** Commissions.

**Acquisitions:** Walker & Dunlap Agency Inc.

**Parent company:** Perpetual American Federal Savings & Loan, Alexandria, Va.

**Licensed excess/surplus broker in:** Virginia.

**H & R Phillips Inc.**

622 Third Ave., New York, N.Y. 10017; 212-949-9100

	1982	1981
Premium vol.....	NA	NA
Gross rev.....	\$1,570,000	\$1,250,000
Employees.....	25	25
Commercial bus....	90%	90%

**Principal officers:** Harry Phillips III, president; Roger Phillips, executive vp; Judith L. Robinson, Carmen Barros, William R. Phillips, vps.

**Compensation:** Commissions and fees.

**Subsidiaries:** Management Compensation Group New York Inc.

**Pickett & Adams Insurance Inc.**

P.O. Box 8448, Mobile, Ala. 36689; 205-343-9480

	1982	1981
Premium vol.....	\$3,079,967	\$2,561,501
Gross rev.....	\$481,432	\$461,120
Employees.....	8	8
Commercial bus....	70%	65%

**Principal officers:** C. King Pickett, president; Spencer M. Adams III, vp and secretary/treasurer; Jerry P. Edwards, H. Steve King, vps.

**Compensation:** Commissions.

**Subsidiaries:** Pope & Quint Insurance, Mobile, Ala.

**Licensed excess/surplus broker in:** Alabama.

**Popkin Lebson Bergstein Inc.**

38 Franklin St., P.O. Box 800, Tenafly, N.J. 07670; 201-569-8090

	1982	1981
Premium vol.....	\$7,334,752	\$7,283,736
Gross rev.....	\$1,395,711	\$1,205,563
Employees.....	25	24
Commercial bus....	70%	70%

**Principal officers:** Leo J. Popkin, president; Michael Bergstein, Ron Bergstein, Jay Bergstein, vps; Martin A. Lebson, vp/treasurer; Bruce A. Bergstein, vp/secretary; Ted Kadison, vp-P.L.B. Life Agency Inc.

**Compensation:** Commissions and fees.

**Acquisitions:** Instrument Insurance Agency, Florham Park, N.J.

**Subsidiaries:** P.L.B. Life Agency Inc.

**Cecil W. Powell & Co.**

245 E. Adams St., Jacksonville, Fla. 32202; 904-353-3182

	1982	1981
Premium vol.....	NA	NA
Gross rev.....	\$1,204,147	NA
Employees.....	22	NA
Commercial bus....	90%	NA

**Principal officers:** Fitzhugh K. Powell, president; Lon B. Bryan, executive vp; Stan Story, vp-casualty; Robert B. Hazard, vp-surety.

**Compensation:** Commissions and fees.

**Licensed excess/surplus broker in:** Florida.

Continued on facing page

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Continued from facing page

**Producers Exchange Inc.**

1310 Texas American Bank Building, Dallas, Texas 75235; 214-357-6504

	1982	1981
Premium vol.....	\$16,500,000	\$7,500,000
Gross rev.....	\$1,800,000	\$1,400,000
Employees.....	32	30
Commercial bus....	95%	95%

**Principal officers:** Bill M. Morrison, president; Travis Dale Roberts, Vernon M. Gilmore, vps; George R. Flickinger, regional vp.

**Compensation:** Commissions and fees.

**Branch offices:** Corpus Christi, Houston and Lubbock, Texas.

**Subsidiaries:** Producers Exchange Life Insurance Agency Inc.; Producers Exchange Insurance Agency Inc.; Producers Exchange Management Co., Dallas.

**Parent company:** Producers Exchange Cooperative.

**Licensed excess/surplus broker in:** Texas.

Campbell, senior vp/treasurer; William L. Grace, Jack L. Garrison, senior vps.

**Compensation:** Commissions and fees.

**Acquisitions:** Englehart Insurance Services Inc., Fort Smith, Ark.; Hurley-Inman-Starkey Inc., Fort Smith, Ark.

**Branch offices:** Pine Bluff, Springdale and Fort Smith, Ark.

**Subsidiaries:** Insurisk Insurance Services, Little Rock, Ark.; Insurisk Excess & Surplus Lines, Little Rock, Ark.; Rebsamen Insurance/Louisiana, New Orleans.

**Parent company:** Rebsamen Cos. Inc.

**Licensed excess/surplus broker in:** Arkansas.

**Redland Group Inc.**

35 N. Main Place, Council Bluffs, Iowa 51502; 712-325-1010

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**RBS Insurance**

P.O. Box 280, 1510 W. Second St., Roswell, N.M. 88201; 505-623-1510

	1982	1981
Premium vol.....	\$2,317,728	\$2,393,094
Gross rev.....	\$510,820	\$503,297
Employees.....	8	9
Commercial bus....	64%	65%

**Principal officers:** Brad Pretti, president; King Redd, vp; Jimmy Gonzales, Lorraine Payne, assistant vps.

**Compensation:** Commissions.

**Branch offices:** Mehlhop Insurance Agency, Dexter, N.M.

**R L & G Agency Inc.**

Route 32, Franklin, Conn.; Box 426, Norwich, Conn. 06360; 203-642-7559

	1982	1981
Premium vol.....	\$4,000,000	\$3,600,000
Gross rev.....	\$526,000	\$478,000
Employees.....	11	11
Commercial bus....	70%	70%

**Principal officers:** Leslie H. Young, president; Ernest E. Poore, vp; R. Gary Young, secretary/treasurer.

**Compensation:** Commissions and fees.

**Acquisitions:** Connecticut franchise for Insurance Acquisitions of America Inc.

**Branch offices:** Putnam, Conn.

**Subsidiaries:** Forest Products Agency Co. Inc., Norwich, Conn.; Commercial Insurance Agency Inc., Norwich, Conn.

**Licensed excess/surplus broker in:** Connecticut, Massachusetts, Rhode Island, Vermont, New Hampshire, Maine, New York, Pennsylvania.

**Leslie S. Ray Insurance Agency Inc.**

129 Dodge St., Beverly, Mass. 01915; 617-927-2600

	1982	1981
Premium vol.....	\$4,000,000	\$3,500,000
Gross rev.....	\$650,000	\$600,000
Employees.....	14	13
Commercial bus....	50%	50%

**Principal officers:** Leslie S. Ray, president/treasurer; Norma L. Huse, executive vp; Richard P. Jones, vp.

**Compensation:** Commissions.

**Licensed excess/surplus broker in:** Massachusetts.

**Rebsamen Insurance**

1500 Riverfront Drive, P.O. Box 3198, Little Rock, Ark. 72203; 501-661-4800

	1982	1981
Premium vol.....	\$61,665,586	\$60,336,529
Gross rev.....	\$7,627,899	\$6,905,453
Employees.....	163	144
Commercial bus....	91%	90%

**Principal officers:** Charles H. Harper, president; Charles C. Campbell, executive vp; Max F.



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	1982	1981
Premium vol. ....	NA	NA
Gross rev. ....	\$5,552,533	\$3,426,472
Employees .....	89	77
Commercial bus. ...	90%	90%

**Principal officers:** H.H. Nelson, chairman; John P. Nelson, president; Gary L. Hurley, president-Insurance Agents Inc.; Richard Gibson, president-American Agrisurance; Art Bartel, vp-employee benefits; Henry Lane, vp/manager, Sioux City branch; Joe Newhouse, vp/manager-Omaha branch.

**Compensation:** Commissions and fees.

**Acquisitions:** Stahlnecker Agency, Omaha, Neb.

**Branch offices:** Omaha, Neb.; Sioux City, Iowa.

**Subsidiaries:** Insurance Agents Inc., America Agrisurance Co., Redland Insurance Co.

**Licensed excess/surplus broker in:** Nebraska.

**John M. Riehle & Co. Inc.**  
 757 Third Ave., New York, N.Y.  
 10017; 212-888-4400

	1982	1981
Premium vol. ....	NA	NA
Gross rev. ....	\$6,850,000	\$7,200,000
Employees .....	135	200
Commercial bus. ...	70%	70%

**Principal officers:** Richard

Fuhrman, president; Edgar Braun, executive vp; William Madison, Robert Teehan, senior vps; Salvo Basirico, treasurer.

**Compensation:** Commissions and fees.

**Subsidiaries:** Knox, Lent & Tucker Inc., White Plains, N.Y.; Gary Wood Associates Inc., New York; Fanwick & Rubin Inc., New York.

**Parent company:** Harcourt Brace Jovanovich Inc.

**Licensed excess/surplus broker in:** New York.

**Robertson-Ryan & Associates Inc.**

660 E. Mason St., Milwaukee, Wis.  
 53202; 414-271-3575

	1982	1981
Premium vol. ....	\$11,229,036	\$10,890,364
Gross rev. ....	\$1,552,638	\$1,486,886
Employees .....	36	35
Commercial bus. ...	80%	85%

**Principal officers:** J.T. Ryan, chairman; Elwood E. Juckem, president; Charles V. Johnson, vp-insurance operations; J.R. Kuhn-muench, vp; Lloyd Schutte, treasurer/secretary.

**Compensation:** Commissions.

**Branch offices:** Sheboygan, Wis.

**Licensed excess/surplus broker in:** Wisconsin.

**Robinson-Conner Inc.**

1030 State St., Erie, Pa. 16501;  
 814-452-6881

	1982	1981
Premium vol. ....	\$45,000,000	\$25,000,000
Gross rev. ....	\$9,600,000	\$5,700,000
Employees .....	210	115
Commercial bus. ...	82%	85%

**Principal officers:** William B. Conner, president; Daniel P. Kuzio, senior vp; Patrick J. Quirk, treasurer.

**Compensation:** Commissions and fees.

**Acquisitions:** Fox Puckett Cohen & Associates and Multi-Service, Louisville, Ky.; Active Insurance Services, Mechanicsburg, Pa.; William C. Hanley, Pittsburgh; Workmen's Compensation Service Co., Cleveland; Associated Agencies, Meadville, Pa.

**Branch offices:** Associated Agencies, Meadville, Pa.; Moore & Eshelman, Clearfield, Pa.; Active Insurance Services, Mechanicsburg, Pa.; Robinson-Conner Inc., Pittsburgh; Robinson-Conner of New York Inc., Rochester, N.Y.

**Subsidiaries:** Fox Puckett Cohen & Associates, Louisville, Ky.; Worker's Compensation Co., Cleveland; Claims Service Inc., Erie, Pa.

**Licensed excess/surplus broker in:** Pennsylvania.

**Robson, Cavnagac & Associates Insurance Brokers**

110 W. A St., Suite 1050, San Diego, Calif. 92101; 714-235-6301

	1982	1981
Premium vol. ....	\$10,000,000	\$10,500,000
Gross rev. ....	\$1,550,000	\$1,650,000
Employees .....	25	24
Commercial bus. ...	90%	90%

**Principal officers:** Jon R. Robson, president/treasurer; Frank G. Cavnagac, vp/secretary; Ker-neth L. Bohlander, Richard J. Thompson, vps; James O. Reynolds, president, RCS Life Agency Corp.

**Compensation:** Commissions and fees.

**Subsidiaries:** RCS Life Agency Corp., San Diego, Calif.

**Root & Boyd Inc.**

P.O. Box 2600, 101 S. Main St., Waterbury, Conn. 06725;  
 203-753-1234

	1982	1981
Premium vol. ....	\$15,500,000	\$11,400,000
Gross rev. ....	\$2,250,000	\$2,175,000
Employees .....	62	65
Commercial bus. ...	65%	65%

**Principal officers:** Robert D. Summit, chairman/CEO; Peter C. Moody, president; Dominic J. Mini-cucci, executive vp; Roger D. Quint, Guy A. Russo, John S. Brady, senior vps.

**Compensation:** Commissions.

**Acquisitions:** Webster Insurance Services Inc.

**Branch offices:** Naugatuck and Waterbury, Conn.; Burton Agency, Woodbury, Conn.

**Subsidiaries:** Mackowitz Agency, Southbury, Conn.; Pom-peraug Valley Associates, South-bury, Conn.; Root & Boyd, Nauga-tuck, Conn.

**Licensed excess/surplus broker in:** Connecticut.

**Patrick C. Ross Associates Insurance Services**

21241 Ventura Blvd., Suite 200, Woodland Hills, Calif. 91364;  
 213-999-5556

	1982	1981
Premium vol. ....	\$5,742,000	\$4,600,000
Gross rev. ....	\$822,000	\$683,800
Employees .....	12	11
Commercial bus. ...	95%	95%

**Principal officers:** Patrick C. Ross, president; Doyle Gilbert, Jerry Vild, vps; Sheilah Ross, secretary/treasurer; Robin S. Allen, controller.

**Compensation:** Commissions.

**S**

**S & B Insurance Services Co.**

34 S. Broadway, White Plains, N.Y.  
 10601; 914-946-3666

	1982	1981
Premium vol. ....	\$7,000,000	\$2,000,000
Gross rev. ....	\$1,000,000	\$500,000
Employees .....	7	6
Commercial bus. ...	100%	95%

**Principal officers:** William I. Jacobs, president; Theodore V. Buerger, Joseph W. Swain III vps.

**Compensation:** Commissions.

**Licensed excess/surplus broker in:** New York.

**Sacramento Valley Insurance**

1520 River Park Drive, Sacramento, Calif. 95815; 916-920-3400

	1982	1981
Premium vol. ....	\$8,050,000	\$3,800,000
Gross rev. ....	\$1,626,000	\$1,525,000
Employees .....	26	29
Commercial bus. ...	85%	85%

**Principal officers:** James C. Chenu, president; Thomas D. Hob-day, J. Gary Kearns, Charles J. Siger-eth, Robert Preddy, Thomas W. Hobday, vps; David Garese, secretary; David Zancanaro, chief financial officer.

**Compensation:** Commissions and fees.

**Acquisitions:** Donahue & Ollar Insurance Agency.

**The Sadler Insurance Agency Inc.**

24 Railroad Square, C/S 2021, Nashua, N.H. 03061; 603-883-0511

	1982	1981
Premium vol. ....	\$8,100,000	\$8,300,000
Gross rev. ....	\$1,255,190	\$1,104,003
Employees .....	25	27
Commercial bus. ...	65%	60%

**Principal officers:** George J.T. Sadler, president; James E. Cleary, executive vp; Arthur Bruinooge, James D. Watson, John F. Dudziak, vps; Kathleen A. Murphy, assistant secretary.

**Compensation:** Commissions.

**Subsidiaries:** Marcotte & Plourde Agencies Inc., Manchester, N.H.

**Licensed excess/surplus broker in:** New Hampshire.

**Saldana & Associates Inc.**

P.O. Box 3549, San Juan, Puerto Rico 00904; 809-721-2600

	1982	1981
Premium vol. ....	NA	NA
Gross rev. ....	\$3,300,000	\$3,200,000
Employees .....	56	48
Commercial bus. ...	98%	98%

**Principal officers:** Jorge Y. Saldana, president; Antonio Blanes, Ralph G. Christiansen Jr., executive vps; Manuel J. Mendez, Jose E. Vazquez, Ruben A. Jordan, senior vps.

**Compensation:** Commissions.

**Licensed excess/surplus broker in:** Puerto Rico; U.S. Virgin Islands.

**Schlaudecker James Hart & Renshaw Inc.**

120 Professional Building, Erie, Pa. 16512; 814-455-0987

	1982	1981
Premium vol. ....	\$3,500,000	\$2,700,000
Gross rev. ....	\$670,000	\$495,000
Employees .....	15	13
Commercial bus. ...	65%	62%

**Principal officers:** L.H. Larson, chairman; H.L. James, president; D.J. Hart, vp/treasurer; H.A. Grab, vp/secretary; J.P. Renshaw, vp.

**Compensation:** Commissions and fees.

**Acquisitions:** Renshaw Agency, Erie, Pa.

**Schmidt & Schmidt Insurance Associates Inc.**

130 Bush St., San Francisco, Calif. 94104; 415-981-3915

	1982	1981
Premium vol. ....	\$1,800,000	\$1,700,000
Gross rev. ....	\$325,000	\$270,000
Employees .....	10	9
Commercial bus. ...	60%	55%

**Principal officers:** John A. Schmidt, president; Ila Schmidt-Sachez, office manager.

**Compensation:** Commissions and fees.

**Branch offices:** Palm Springs, Calif.

**Schwartz, Hirtenstein & Co. Inc.**

307 Fifth Ave., New York, N.Y. 10016; 212-889-9800

	1982	1981
Premium vol. ....	\$4,250,000	\$4,000,000
Gross rev. ....	\$650,000	\$600,000
Employees .....	13	13
Commercial bus. ...	80%	80%

**Principal officers:** Daniel Hirtenstein, president; Arthur A. Schwartz, secretary/treasurer.

**Compensation:** Commissions.

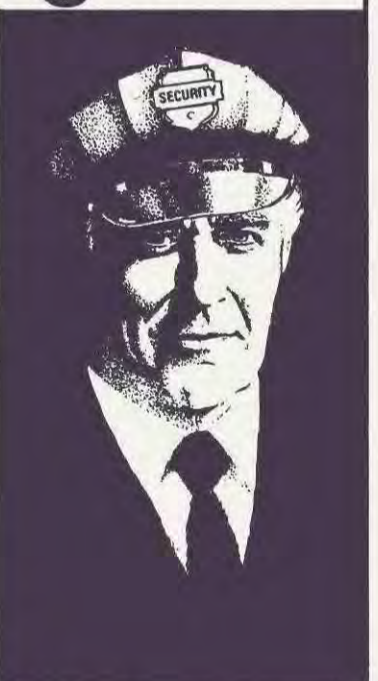
**Securance Service Inc.**

120 W. Stevenson, Gibsonburg, Ohio 43431; 419-637-2196

	1982	1981
Premium vol. ....	\$2,300,000	\$2,100,000
Gross rev. ....	\$415,000	\$375,000
Employees .....	12	14
Commercial bus. ...	62%	60%

Continued on facing page

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Continued from facing page

**Principal officers:** Jonathon S. Younker, president; Ned L. Weigman, vp; Daniel M. Henery, secretary.

**Compensation:** Commissions.

**Acquisitions:** Securance Agency of Columbus, Ohio.

**Branch offices:** Woodville and Oak Harbor, Ohio.

**H.D. Segur Inc.**

229 W. Main St., P.O. Box 631, Waterbury, Conn. 06720; 203-756-7933

	1982	1981
Premium vol. ....	\$8,247,700	\$6,421,000
Gross rev. ....	\$1,246,000	\$1,006,000
Employees .....	26	21
Commercial bus. . .	80%	80%

**Principal officers:** John F. Burbank, president; James B. Mullen Jr., executive vp; Joseph H. Cunningham, vp; Kenneth Knechtel, managing director, Segur-Fairfield Inc.

**Compensation:** Commissions and fees.

**Acquisitions:** Merged with Atwood & Gaw Inc., Waterbury, Conn.

**Branch offices:** Segur-Fairfield Inc., Westport, Conn.

**Licensed excess/surplus broker in:** Connecticut.

**C.A. de Corretaje Segurosca**

Edificio La Previsora, Sabana Grande con Av. Las Acacias, P.O. Box 3478, Caracas 1010, Venezuela; (58-2) 781-1222/6656

	1982	1981
Premium vol. ....	\$121,370,000	\$115,490,000
Gross rev. ....	\$16,890,460	\$16,045,000
Employees .....	347	352
Commercial bus. . .	80%	80%

**Principal officers:** Herbert Salas, president; Jesus Alberto Ortega, executive vp; Leonardo Tirado, vp; Pedro Scavino, production director; Angel Martinez, financial director; Roger Milroy, technical director; Raimundo Lansberg, director; Ivan Lansberg Henriquez, founder/advisor; Enrique Vidal, director-foreign affiliates.

**Compensation:** Commissions.

**Branch offices:** Valencia, Puerto La Cruz and Maracay, Venezuela.

**Subsidiaries:** Segurosca de Occidente C.A., Serseca-Segurosca C.A., Consejo C.A., Agencia Herzfeld, Lansberg, Cox & Asociados C.A., Salmenar-Segurosca C.A., Venezuela; Segurosca Ltda., Colombia; Segurosca del Ecuador, Ecuador; Segurosca del Peru, Peru; Segurosca N.V., Segurosca Bonaire, Netherlands Antilles; Segurosca, Panama; Segurosca North America Inc., New York; Insurance Brokerage of Florida Inc., Miami.

**Seitlin & Co.**

990 S.W. First St., Miami, Fla. 33130; 305-545-8311

	1982	1981
Premium vol. ....	\$17,713,000	\$17,200,000
Gross rev. ....	\$2,936,000	\$2,864,000
Employees .....	69	72
Commercial bus. . .	78%	78%

**Principal officers:** Sam Seitlin, chairman; M. Stephen Jackman, president; R. Louis Seitlin, secretary; Fannie Levitt, treasurer; Daniel L. Harris, Anthony W. Lane, Franklin E. Wheeler, Herbert Friedlander, Timothy Gaffney, vps.

**Compensation:** Commissions.

**Seymour Insurance Agency Inc.**

1609 Stubbs Ave., Monroe, La. 71201; 318-388-2400

	1982	1981
Premium vol. ....	\$5,730,752	\$5,996,400
Gross rev. ....	\$856,811	\$851,386
Employees .....	19	19
Commercial bus. . .	88%	80%

**Principal officers:** Edward J. Seymour Jr., president; Camors C.

Roth, vp.

**Compensation:** Commissions.

**Affiliates:** Northwest Louisiana Insurance Agency Inc., Shreveport, La.

**Shelton Insurance Agency Inc.**

1227 Third St., P.O. Box 2727, Corpus Christi, Texas 78403; 512-882-5586

	1982	1981
Premium vol. ....	\$6,893,244	\$6,838,191
Gross rev. ....	\$996,189	\$934,319
Employees .....	19	18
Commercial bus. . .	75%	75%

**Principal officers:** W.J. Shelton, president; Louis E. Wells III, vp and secretary/treasurer; John M. Roberts, vp.

**Compensation:** Commissions.

**Sheppard, Downing & Coleman Insurance Service Ltd.**

Suite 1040, Standard Life Centre, 10405 Jasper Ave., Edmonton, Alberta T5J3N4; 403-420-0777

	1982	1981
Premium vol. ....	\$6,100,000	\$4,100,000
Gross rev. ....	\$735,000	\$604,000
Employees .....	10	10
Commercial bus. . .	94%	90%

**Principal officers:** Anthony N. Sheppard, president; Charles E.P. Downing, senior vp; Edwin C. Coleman, Paul A. Land, vps.

**Compensation:** Commissions.

**J.H. Silversmith Inc.**

825 E. Speer Blvd., Denver, Colo. 80218; 303-698-1221

	1982	1981
Premium vol. ....	\$12,000,000	\$10,500,000
Gross rev. ....	\$1,693,000	\$1,223,000
Employees .....	45	46
Commercial bus. . .	92%	86%

**Principal officers:** J.H. Silversmith Jr., president; John K. Munn, executive vp; J. Darrell White, vp; Irene G. Falbo, secretary; Joyce L. Goodfellow, treasurer.

**Compensation:** Commissions and fees.

**Branch offices:** Aviation Insurance Management Co., Englewood, Colo.

**Licensed excess/surplus broker in:** Colorado.

**The Simkiss Agency Inc.**

76 Rittenhouse Place, Ardmore, Pa. 19003; 215-649-6610

	1982	1981
Premium vol. ....	\$10,277,000	\$9,110,000
Gross rev. ....	\$1,527,000	\$1,310,000
Employees .....	29	27
Commercial bus. . .	85%	85%

**Principal officers:** John A. Simkiss Jr., president; Richard J. Decker, William F. Simkiss, Richard J. Decker, William F. O'Brien, executive vps; Samuel A. Brand, Francis X. Simkiss, vps.

**Compensation:** Commissions and fees.

**Subsidiaries:** Frankenfield & Co. Inc., Ardmore, Pa.; Risk Management Systems & Services Inc., Ardmore, Pa.; Rittenhouse Associates (affiliated companies), Ardmore, Pa.

**Licensed excess/surplus broker in:** Pennsylvania.

**Smith, Bell & Thompson Inc.**

102 S. Winooski Ave., P.O. Box 730, Burlington, Vt. 05401; 802-658-4600

	1982	1981
Premium vol. ....	\$4,417,000	\$4,512,000
Gross rev. ....	\$885,970	\$886,204
Employees .....	21	22
Commercial bus. . .	72%	70%

**Principal officers:** Warren L. Thompson, president; Roger D. Teese, vp; Kenneth Grabowski, treasurer.

**Compensation:** Commissions.

**Subsidiaries:** Vermont Specialty Underwriters, Altamid Management Co. Ltd., Burlington, Vt.

**Licensed excess/surplus broker in:** Vermont.

**Smith Watson Parker Inc.**

3500 Hollywood Blvd., Hollywood, Fla. 33021; 305-962-2990

	1982	1981
Premium vol. ....	\$9,220,101	\$8,371,887
Gross rev. ....	\$1,289,520	\$1,169,343
Employees .....	28	29
Commercial bus. . .	75%	80%

**Principal officers:** Charles W. Watson, president; Bob W. Parker, vp/secretary; Thomas Cotter, Larry Vaught, vps.

**Compensation:** Commissions.

**Branch offices:** Boca Raton, Fla. **Subsidiaries:** Smith Watson Parker Inc. and Larry Vaught and Thomas Cotter, a joint venture.

**Licensed excess/surplus broker in:** Florida.

**Southwest Insurance Assn. of Austin Inc.**

4405 Pack Saddle Pass, Austin, Texas 78745; 512-443-0954

	1982	1981
Premium vol. ....	\$2,300,000	\$2,250,000
Gross rev. ....	\$450,000	\$425,000
Employees .....	9	11
Commercial bus. . .	70%	70%

**Principal officers:** Jack W. Hoffman, president.

**Compensation:** Commissions and fees.

**Subsidiaries:** Jack Hoffman Insurance, Salado, Texas; West Wind General Agency Inc., Austin, Texas; Risk Alternatives Inc., Austin, Texas; Southwest Offshore Management Ltd., Grand Cayman, B.W.I.

**Licensed excess/surplus broker in:** Texas.

**DeWitt Stern, Gutmann & Co. Inc.**

420 Lexington Ave., New York, N.Y. 10170; 212-867-3550

	1982	1981
Premium vol. ....	\$16,000,000	\$15,000,000
Gross rev. ....	\$1,681,000	\$1,502,000
Employees .....	34	34
Commercial bus. . .	92%	85%

**Principal officers:** DeWitt Stern, chairman; Jolyon F. Stern, president; Gilbert Andrus, John Gutmann, vps.

**Compensation:** Commissions and fees.

**Branch offices:** DeWitt Stern/Cohen Insurance, Los Angeles.

**Licensed excess/surplus broker in:** New York.

**Sullivan Co. Inc.**

750 Executive Center, Suite 200, Greenville, S.C. 29615; 803-297-0454

	1982	1981
Premium vol. ....	\$22,300,000	\$13,500,000
Gross rev. ....	\$2,900,000	\$1,814,000
Employees .....	63	39
Commercial bus. . .	70%	80%

**Principal officers:** Joseph F. Sullivan, president; George C. Bell, executive vp; Susanne N. Wolfe, vp; Robert H. Heile, controller.

**Compensation:** Commissions and fees.

**Acquisitions:** Bultman Agency, Columbia, S.C.

**Branch offices:** Edens-Turbeville Agency Inc, Columbia, S.C.; Hiers-Clarkson & Associates Inc., Rock Hill, S.C.; Sullivan Co. Inc., Charleston, S.C.; Sylva, Murphy, Hayesville, Andrews and Robbinsville, N.C.

**Subsidiaries:** Home Builders Garage Corp., Greenville and Charleston, S.C.

**Parent company:** U.S. Shelter Corp.

**Licensed excess/surplus broker in:** South Carolina.

**Sun State Insurance Agencies Inc.**

1516 Hillcrest St., Orlando, Fla. 32803; 305-898-3177

	1982	1981
Premium vol. ....	\$3,876,076	\$2,487,654
Gross rev. ....	\$591,763	\$392,621
Employees .....	11	3
Commercial bus. . .	88%	91%

**Principal officers:** James M. Stephenson, president; Frank M. Arnall, vp.

**Compensation:** Commissions.

**Branch offices:** Ft. Myers, Naples and Tampa, Fla.

**Licensed excess/surplus broker in:** Florida.

**Systems VII Insurance Services Inc.**

14110 E. Firestone Blvd., P.O. Box 2117, Santa Fe Springs, Calif. 90670; 213-802-2711

	1982	1981
Premium vol. ....	\$3,441,867	\$2,924,099
Gross rev. ....	\$460,177	\$384,740
Employees .....	12	1
Commercial bus. . .	99%	99%

**Principal officers:** Pat W. Mazzotta, president; Henry Mandelsberg, vp.

**Compensation:** Commissions and fees.

**Acquisitions:** Systems VII Gateway Insurance Services Inc., Santa Fe Springs, Calif.

**Licensed excess/surplus broker in:** California.

**T**

**Tecnicos En Seguros, S.A. (Techniseguros)**

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Continued on next page


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Vice President

RICHARD J. BIGNERS  
Vice President

THOMAS W. WHITAKER, JR.  
Vice President

Continued from previous page

	1982	1981
Premium vol. ....	\$9,500,000	\$8,800,000
Gross rev. ....	\$1,780,000	\$1,650,000
Employees. ....	52	52
Commercial bus. ...	90%	90%

**Principal officers:** Enrique Fernandez, president; Brian Aycinena, Luis Molina, Douglas Steele, vps; Luis Chocano, vp-life and employee benefits.

**Compensation:** Commissions.  
**Branch offices:** Seassa, El Salvador; Tecniseguros, Honduras.  
**Licensed excess/surplus lines broker in:** Guatemala, El Salvador; Honduras.

**Thilman & Filippini**

150 N. Wacker Drive, Suite 2600, Chicago, Ill. 60606; 312-726-4800

	1982	1981
Premium vol. ....	NA	NA
Gross rev. ....	\$1,750,000	\$1,300,000
Employees. ....	40	30
Commercial bus. ...	80%	80%

**Principal officers:** Thomas W. Filippini, Thomas Thilman, partners.

**Compensation:** Commissions and fees.  
**Acquisitions:** McKinley & King Insurance Agency, Evanston, Ill.  
**Branch offices:** Evanston, Ill.  
**Licensed excess/surplus broker in:** Illinois.

**Thotis Insurance Service Inc.**

541 Cowper St., Palo Alto, Calif. 94301; 415-324-0606

	1982	1981
Premium vol. ....	\$4,000,000	\$3,000,000
Gross rev. ....	\$831,683	\$619,622
Employees. ....	16	17
Commercial bus. ...	68%	64%

**Principal officers:** Donald A. Way, president; Herbert G. Hill, Kenneth K. Peterson, vps.  
**Compensation:** Commissions and fees.

**U**

**Ulrich Voorhees Warner Associates**

100 Davidson Ave., P.O. Box 228, Somerset, N.J. 08873; 201-469-3000

	1982	1981
Premium vol. ....	\$20,400,000	\$17,900,000
Gross rev. ....	\$2,850,000	\$2,695,000
Employees. ....	42	38
Commercial bus. ...	87%	89%

**Principal officers:** John N. Voorhees III, president; Stephen A. Warner, executive vp; Allen Preville, vp-sales; Wade Bynum, vp-employee benefits; Michael H. Godfrey, vp-commercial division.

**Compensation:** Commissions and fees.  
**Branch offices:** Washington, D.C.  
**Licensed excess/surplus broker in:** New Jersey.

**Underwriter's Corp. of Ann Arbor**

5305 Plymouth Road, Ann Arbor, Mich. 48105; 313-761-4616

	1982	1981
Premium vol. ....	\$1,797,000	\$1,810,000
Gross rev. ....	\$395,280	\$374,670
Employees. ....	6	5
Commercial bus. ...	68%	70%

**Principal officers:** Andre A. Barroso, president; Elaine R. Barroso, secretary/treasurer; Carolyn Nyrkkanen, vp.

**Compensation:** Commissions.  
**Licensed excess/surplus broker in:** Michigan.

**Universal Pacific Insurance Services Inc.**

3961 MacArthur Blvd., Suite 101, Newport Beach, Calif. 92660; 714-975-1178

	1982	1981
Premium vol. ....	\$8,800,000	\$5,000,000
Gross rev. ....	\$2,145,000	\$875,000
Employees. ....	31	11
Commercial bus. ...	100%	100%

**Principal officers:** William H. Knight, president/chairman; Thelma B. Knight, secretary/treasurer; James Faux, Stephen Pantalemon, vps; James Toner, vp/president of UPIS of Northern California.

**Compensation:** Commissions and fees.  
**Acquisitions:** Trans Pacific Insurance Administrators, Upland, Calif; U.P. Claims Services, Newport Beach, Calif.  
**Branch offices:** Universal Pacific Insurance Services, Universal Pacific Claims Services, Sacramento, Calif.; Trans Pacific Insurance Administrators, Burlingame, Calif.  
**Subsidiaries:** Universal Pacific Insurance Services of Northern California, Sacramento, Calif.

**V**

**Valley View Inc.**

8200 Highwood Drive, Bloomington, Minn. 55483; 612-944-8200

	1982	1981
Premium vol. ....	\$10,000,000	\$8,500,000
Gross rev. ....	\$1,560,000	\$1,364,000
Employees. ....	30	26
Commercial bus. ...	90%	88%

**Principal officers:** Gordon L. Johnson, president; Thomas E. Napier, John F. Rendall, Bruce A. Medvec, vps; Donald A. Sullivan, secretary.

**Compensation:** Commissions and fees.  
**Acquisitions:** SLS Agency Inc., Minneapolis.  
**Licensed excess/surplus broker in:** Minnesota.

**Truman Van Dyke Co.**

6290 Sunset Blvd., Suite 180C, Hollywood, Calif. 90028; 213-462-330

	1982	1981
Premium vol. ....	\$4,000,000	\$4,026,000
Gross rev. ....	\$563,000	\$568,000
Employees. ....	16	15
Commercial bus. ...	95%	95%

**Principal officers:** Truman Van Dyke Jr., president; Frances H. Duffy, vp; Rose Van Dyke, secretary/treasurer.

**Compensation:** Commissions.  
**Licensed excess/surplus broker in:** California.

**Variable Protection Administrators Inc.**

7123 Pearl Road, Cleveland, Ohio 44130; 216-888-8585

	1982	1981
Premium vol. ....	\$12,000,000	\$5,000,000
Gross rev. ....	\$3,600,000	\$500,000
Employees. ....	70	25
Commercial bus. ...	95%	75%

**Principal officers:** David T. Manley, president; Timothy Eisenmann, vp-operations.

**Compensation:** Commissions and fees.

**W**

**Wagner Taylor Co.**

7140 Chestnut St., Upper Darby, Pa. 19082; 215-352-4300

	1982	1981
Premium vol. ....	\$3,033,000	\$3,350,000
Gross rev. ....	\$454,918	\$503,573
Employees. ....	15	15
Commercial bus. ...	60%	60%

**Principal officers:** Eugene L. Fidell, president/treasurer; H. Kelsey Partridge Jr., Robert D. Taconelli, William T. Whitaker, vps; Helen DiJulio, secretary.

**Compensation:** Commissions.

**Warren-Hoffman & Associates Inc.**

105 Main St., P.O. Box 1100, Niagara Falls, N.Y. 14303; 716-284-9983/773-1202

	1982	1981
Premium vol. ....	\$10,800,000	\$10,500,000
Gross rev. ....	\$1,350,000	\$1,245,000
Employees. ....	29	27
Commercial bus. ...	75%	80%

**Principal officers:** John D. Hoffman, president; Richard M. Thompson, executive vp; William E. Warren, Leonard R. Cancilla, Richard F. Soluri, vps; George L. McGrath, vp-life/benefits; Kenneth R. Hanour, vp-Buffalo office.

**Compensation:** Commissions and fees.  
**Branch offices:** Buffalo, N.Y.  
**Subsidiaries:** Houlihan-Thompson Division, Richard F. Soluri Insurance.

**I.R. Weinraub & Co. Inc.**

10 Fairview Ave., Westwood, N.J. 07675; 201-666-4900

	1982	1981
Premium vol. ....	\$11,000,000	\$10,000,000
Gross rev. ....	\$1,102,000	\$925,000
Employees. ....	24	22
Commercial bus. ...	95%	95%

**Principal officers:** Irving R. Weinraub, chairman; Mark Weinraub, president; Michael Benie, vp/general manager; Michael Greenberg, Steve Kovacs, Alan Arthur, Ken Adler, Carolyn Norton, vps.

**Compensation:** Commissions and fees.  
**Branch offices:** West Palm Beach, Fla.  
**Licensed excess/surplus broker in:** New York; New Jersey.

**Wharton/Lyon & Lyon**

101 S. Livingston Ave., Livingston, N.J. 07039; 201-992-5775

	1982	1980
Premium vol. ....	\$16,241,000	\$11,042,000
Gross rev. ....	\$2,584,000	\$1,841,000
Employees. ....	47	39
Commercial bus. ...	80%	80%

**Principal officers:** Albert L. Klein, president; Thomas Rowe, senior vp; David Eisenberg, president-Professional Insurance Programs; Andy Stillo, vp-Professional Insurance Programs.

**Compensation:** Commissions and fees.  
**Acquisitions:** Turner Agency, Verona, N.J.; Professional Insurance Programs Inc.  
**Subsidiaries:** Professional Insurance Programs Inc.

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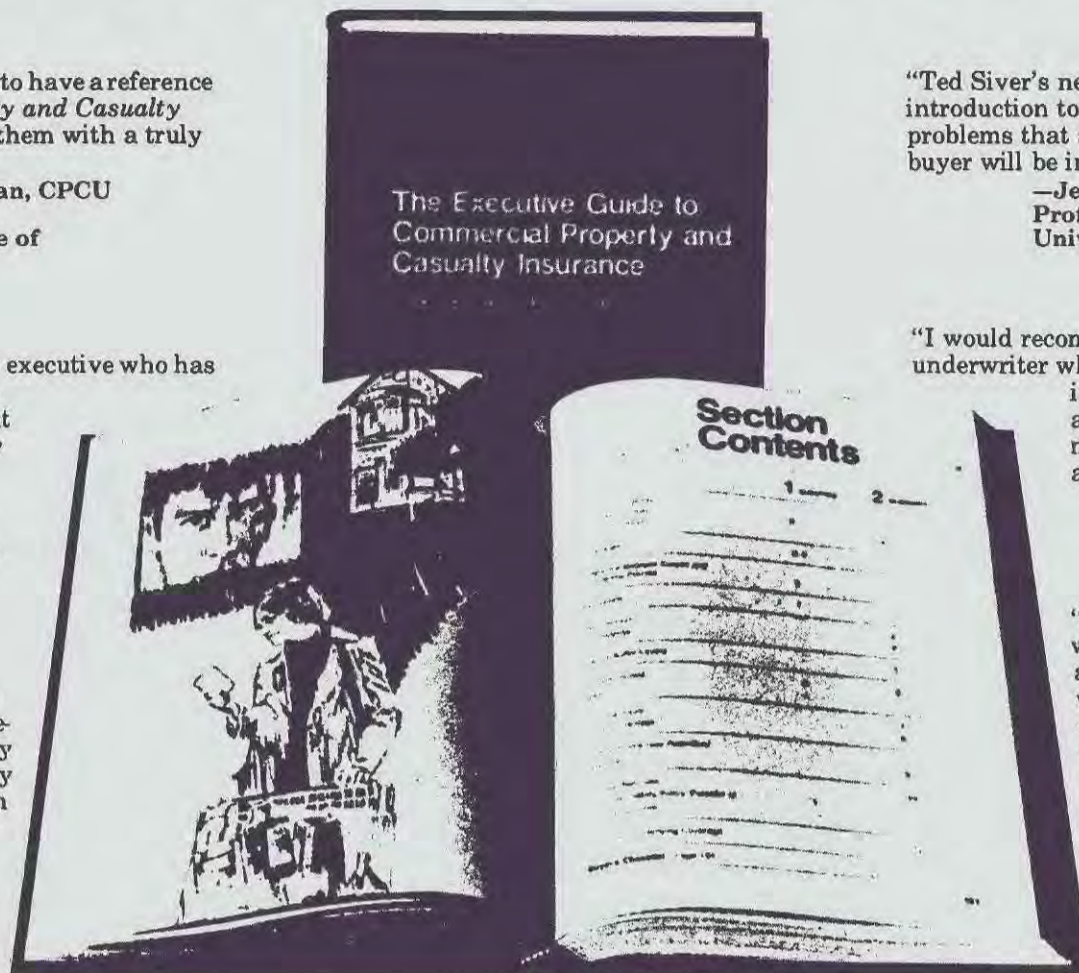
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## About the Author

Ted Siver, CPCU, CLU, the founding principal of E.W. Siver & Associates, has been very active in the insurance industry for over 25 years as a broker and consultant. He has contributed numerous articles to such publications as *Business Insurance*, *Agent & Broker*, and others.



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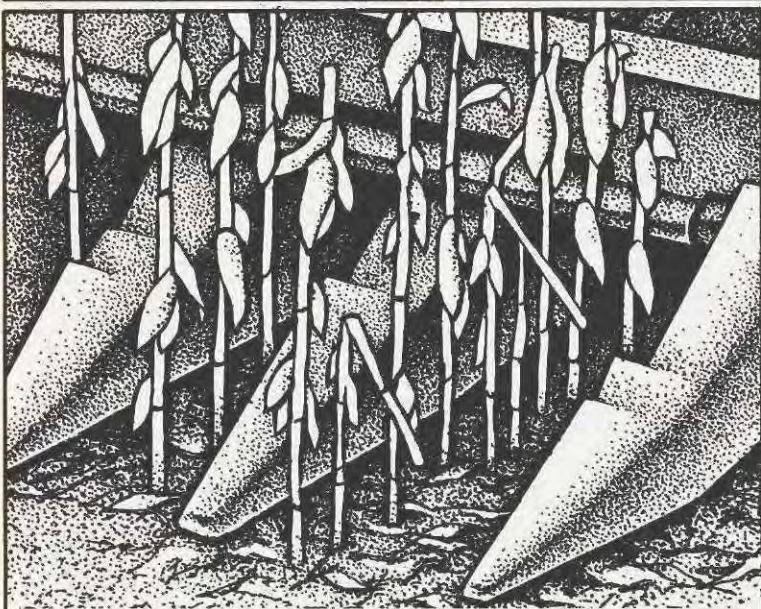
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Details have been disguised to protect the confidentiality of our client. But this case typifies our claims management work for major self-insured manufacturers throughout America and abroad. Unlike insurance investigators, we are not settlement oriented. Our primary concern is to help you defend the integrity of your product.

Please write down our phone number. We'll manage your most sensitive cases.



## Countrywide Services Corporation

Specializing in product liability claims management

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Continued from page 96

	1982	1981
Premium vol.....	\$5,025,000	\$4,730,000
Gross rev.....	\$873,748	\$730,000
Employees.....	20	19
Commercial bus....	76%	73%

**Principal officers:** W.E. Whitt, president; R.E. Stiff, Max Roesch vps; Neal King, secretary/treasurer.

**Compensation:** Commissions.

### Williams Insurance Agency Inc.

116 E. Third St., P.O. Box 266, Crowley, La. 70526; 318-783-6346

	1982	1981
Premium vol.....	\$3,176,000	\$2,534,000
Gross rev.....	\$506,000	\$412,000
Employees.....	13	12
Commercial bus....	55%	58%

**Principal officers:** Donald B. Williams, president; Sims C. Williams Jr., secretary/treasurer.

**Compensation:** Commissions.  
**Branch offices:** Lafayette, La.

### W.K.P. Wilson & Son Inc.

51 St. Joseph St., Mobile, Ala. 36652; 205-433-0441

	1982	1981
Premium vol.....	\$24,000,000	\$23,000,000
Gross rev.....	\$3,230,000	\$3,200,000
Employees.....	68	71
Commercial bus....	85%	85%

**Principal officers:** B.R. Wilson Jr., chairman; Clifton C. Inge, president; Walter E. Roney, vp/secretary; J. Schley Rutherford, vp.

**Compensation:** Commissions and fees.

### Licensed excess/surplus broker in: Alabama.

### Winn & Co.

P.O. Box 220, Hollister, Calif. 95023; 408-637-9241

	1982	1981
Premium vol.....	\$12,104,000	\$10,040,000
Gross rev.....	\$1,315,603	\$1,543,075
Employees.....	35	40
Commercial bus....	95%	95%

**Principal officers:** J.R. Winn, president; S. Rose, vp.

**Compensation:** Commissions and fees.

**Branch offices:** Gilroy, Calif.

### Sol L. Wisenberg Insurance Agency

4801 Woodway, Suite 100 East, Houston, Texas 77056; 713-622-5200

	1982	1981
Premium vol.....	\$20,000,000	\$18,000,000
Gross rev.....	\$2,722,849	\$2,568,448
Employees.....	49	50
Commercial bus....	85%	85%

**Principal officers:** Irving Pozmantier, president; Joe L. Williams, executive vp; Jay L. Williams, vp.

**Compensation:** Commissions and fees.

**Acquisitions:** S.G. Raphael & Co., Houston.

**Subsidiaries:** SLW Risk Analysts, Houston.

**Licensed excess/surplus broker in:** Texas.

### Woodsmall, Frick & Innis Inc.

Five Crown Center, 2480 Pershing Road, Suite 111, Kansas City, Mo. 64108; 816-421-7788

	1982	1981
Premium vol.....	\$16,375,000	\$12,700,000
Gross rev.....	\$1,985,000	\$1,650,710
Employees.....	38	34
Commercial bus....	95%	90%

**Principal officers:** W.O. Woodsmall, chairman; Peter L. Woodsmall, president; Thomas E. Klug, J. Michael Brewer, senior vps; Joseph V. Gerlack, vp.

**Compensation:** Commissions and fees.

**Licensed excess/surplus broker in:** Missouri; Kansas.

### Woodward & Williamson

15 Exchange Place, Jersey City, N.J. 07302; 201-434-1772

	1982	1981
Premium vol.....	\$2,200,000	\$2,400,000
Gross rev.....	\$379,000	\$411,000
Employees.....	6	5
Commercial bus....	65%	60%

**Principal officers:** Herbert Marshall Jr., president/treasurer; Philips W. Marshall, vp/secretary.

**Compensation:** Commissions and fees.

**Acquisitions:** Meyer & Klein, Jersey City, N.J.

### Worgess Agency Inc.

P.O. Box 1678, Battle Creek, Mich. 49016; 616-965-3221

	1982	1981
Premium vol.....	\$4,500,000	\$4,800,000
Gross rev.....	\$780,000	\$760,000
Employees.....	17	17
Commercial bus....	57%	57%

**Principal officers:** Russell V. Worgess, president; Donald R. Worgess, vp; Douglas Worgess, assistant vp; Robert Worgess, treasurer; Richard Worgess, assistant treasurer; Lorraine Traut, secretary.

**Compensation:** Commissions.  
**Branch offices:** Marshall, Mich.

### Wright & Co.

1001 Connecticut Ave. N.W., Washington, D.C. 20036; 202-331-1550

	1982	1981
Premium vol.....	NA	NA
Gross rev.....	\$1,700,000	\$1,582,000
Employees.....	30	27
Commercial bus....	98%	98%

**Principal officers:** Frank L. Wright, chairman/CEO; Donald A. Page, vp/general manager; Betty R. Wright, vp/treasurer; Lionel C. Epstein, secretary; Carol J. Yahyavi, assistant secretary.

**Compensation:** Commissions and fees.

**Branch offices:** London, England.

**Subsidiaries:** Wright & Co. (Insurance Brokers) Ltd., London; Wright International Ltd., Inter-American Assurance Co. Ltd., Taminco Assurance Services, Grand Cayman, B.W.I. (affiliated companies).

**Licensed excess/surplus broker in:** District of Columbia and Virginia.



### Zillgitt & Wright Insurance Agents and Brokers

330 Washington St., Marina del Rey, Calif. 90291; 213-822-1221

	1982	1981
Premium vol.....	\$7,750,000	\$7,645,000
Gross rev.....	\$1,210,000	\$1,160,000
Employees.....	22	28
Commercial bus....	60%	60%

**Principal officers:** Preston B. Zillgitt, chairman; Charles M. Wright, president; John D. Solberg, Robert Gerughty, vps.

**Compensation:** Commissions.  
**Branch offices:** Newport Beach, Calif.

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Frank B. Hall & Co. Inc.  
Johnson & Higgins  
Johnson Rast & Hays Insurance Inc.  
McGriff, Seibels & Williams Inc.  
Rollins Burdick Hunter Co.

### Florence

E.H. Crump Cos. Inc.  
McGriff, Seibels & Williams Inc.

### Gadsden

McGriff, Seibels & Williams Inc.

### Mobile

Arthur J. Gallagher & Co.  
Fred S. James & Co. Inc.  
McGriff, Seibels & Williams Inc.  
Pickett & Adams Insurance Inc.  
W.K.P. Wilson & Son Inc.

### Montgomery

Frank B. Hall & Co. Inc.

## California

### Arcata

Jardine Insurance Brokers Inc.

### Bakersfield

Frank B. Hall & Co. Inc.  
Marsh & McLennan Cos. Inc.

### Beverly Hills

Walter Kaye Associates Inc.

### Burbank

Eastman & Co. Insurance Brokers

### Burlingame

ISU/Chandler Insurance Agency Inc.

Republic Hogg Robinson Inc.  
Trans Pacific Insurance  
Administrators

### Canoga Park

Hocker, Peskay & Plaia Insurance  
Services Inc.

### Carmel

Brown-Spaulding & Associates Inc.

### Cerritos

Commercial Carriers Insurance  
Agency Inc.

### Chico

Frank B. Hall & Co. Inc.

### Concord

Frank B. Hall & Co. Inc.

### Costa Mesa

E.H. Crump Cos. Inc.  
Frank B. Hall & Co. Inc.  
Johnson & Higgins  
Kelter-Thorner of Southern California

### El Monte

Osterloh & Durham Insurance Brokers  
of N.A. Inc.

### Escondido

Corroon & Black Corp.  
Robert F. Driver Co. Inc.

### Eureka

Frank B. Hall & Co. Inc.

### Fresno

Cal-Surance Group

### Commercial Carriers Insurance

Agency Inc.  
E.H. Crump Cos. Inc.  
Arthur J. Gallagher & Co.  
Frank B. Hall & Co. Inc.  
Keenan & Associates  
Marsh & McLennan Cos. Inc.  
James G. Parker Insurance Associates

### Gilroy

Winn & Co.

### Hollister

Winn & Co.

### Hollywood

Truman Van Dyke Co.

*Continued on next page*

## Alaska

### Anchorage

Alexander & Alexander Services Inc.  
Bayly, Martin & Fay International Inc.  
Corroon & Black Corp.  
E.H. Crump Cos. Inc.  
Frank B. Hall & Co. Inc.  
Fred S. James & Co. Inc.  
Marsh & McLennan Cos. Inc.  
Reed Stenhouse Cos. Ltd.  
Rollins Burdick Hunter Co.

### Eagle River

Bayly, Martin & Fay International Inc.

### Fairbanks

Corroon & Black Corp.  
Frank B. Hall & Co. Inc.

### Juneau

Corroon & Black Corp.

### Sitka

Corroon & Black Corp.

## Arizona

### Flagstaff

Lasher-Cowie-Turner  
Olliver/Pilcher Insurance

### Glendale

Olliver/Pilcher Insurance

### Holbrook

E.H. Crump Cos. Inc.

### Mesa

Beal & Associates Insurance  
Counselors Inc.  
Olliver/Pilcher Insurance

### Phoenix

Bayly, Martin & Fay International Inc.  
Beal & Associates Insurance  
Counselors Inc.  
Corroon & Black Corp.  
Financial Guardian Group Inc.  
Frank B. Hall & Co. Inc.  
Johnson & Higgins  
Keenan & Associates  
The Lasher-Cowie Agency  
A.W. Lawrence & Co. Inc.  
Marsh & McLennan Cos. Inc.  
Olliver/Pilcher Insurance  
Republic Hogg Robinson Inc.  
Rhulen Agency West Inc.  
Rollins Burdick Hunter Co.

### Prescott

Olliver/Pilcher Insurance

### Scottsdale

Arthur J. Gallagher & Co.  
Olliver/Pilcher Insurance

### Show Low

Olliver/Pilcher Insurance

### Tucson

Bayly, Martin & Fay International Inc.  
Beal & Associates Insurance  
Counselors Inc.  
Corroon & Black Corp.  
Frank B. Hall & Co. Inc.  
Fred S. James & Co. Inc.  
Lasher-Cowie Insurance  
Marsh & McLennan Cos. Inc.

### Yuma

Jewett Insurance Agency

## Arkansas

### Conway

Atkins Insurance Corp.

### Fort Smith

Rebsamen Insurance/Ft. Smith

### Hot Springs

Atkins Insurance Corp.

### Little Rock

Atkins Insurance Corp.  
Corroon & Black Corp.  
E.H. Crump Cos. Inc.  
Frank B. Hall & Co. Inc.  
Fred S. James & Co. Inc.  
Rebsamen Insurance

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Rebsamen Insurance/Pine Bluff

### Springdale

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 Corroon & Black Corp.  
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 Frenkel & Co. Inc.  
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 Johnson & Higgins  
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 Corroon & Black Corp.
- Modesto**  
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 Dinner Levison Co.  
 Robert F. Driver & Co. Inc.  
 Frank B. Hall & Co. Inc.  
 Marsh & McLennan Cos. Inc.  
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 Commercial Carriers Insurance Agency Inc.  
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 Frank B. Hall & Co. Inc.
- Palm Springs**  
 Frank B. Hall & Co. Inc.  
 Schmidt & Schmidt Insurance
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 Thoitis Insurance Service Inc.
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- Greenwich**  
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- Westport**  
 Alexander & Alexander Services Inc.  
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- Woodbury**  
 Burton Agency

**Delaware**

- Wilmington**  
 Johnson & Higgins

**District of Columbia**

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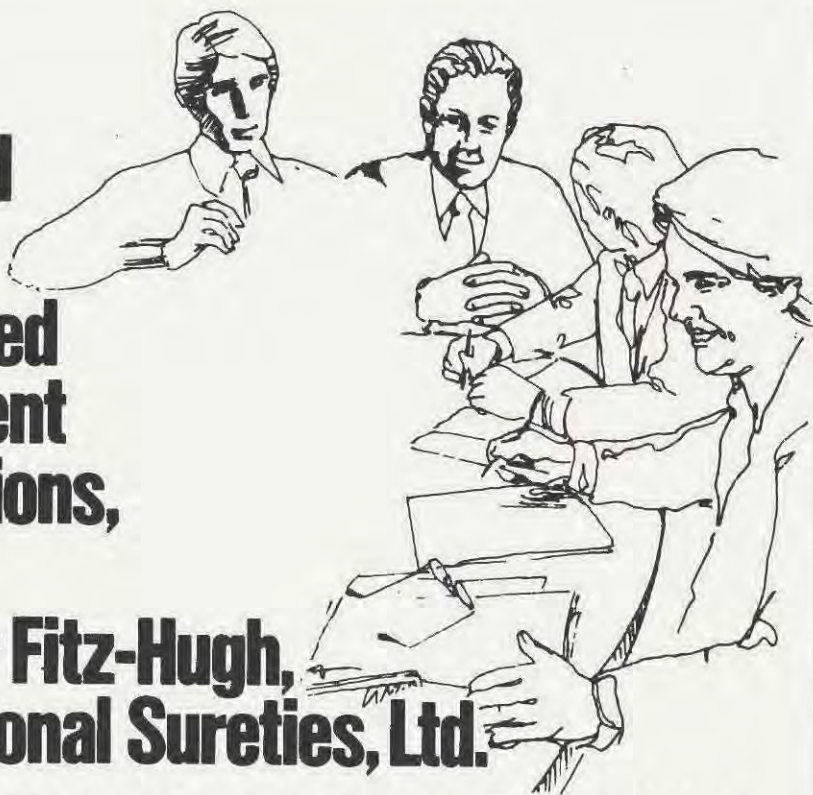
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- Bethlehem**  
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- Chambersburg**  
 McDowell Insurance Inc.
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- Erdenheim**  
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- Erie**  
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 Schlaudecker James Hart  
 & Renshaw Inc.
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- Mechanicsburg**  
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- Media**  
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 Shelton Insurance Agency Inc.
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 Maxson-Mahoney-Turner Inc.  
 North American Insurance  
 Agency Inc.  
 Arthur L. Owen Co. Inc.  
 Producers Exchange Inc.  
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 Worldsurace Inc.

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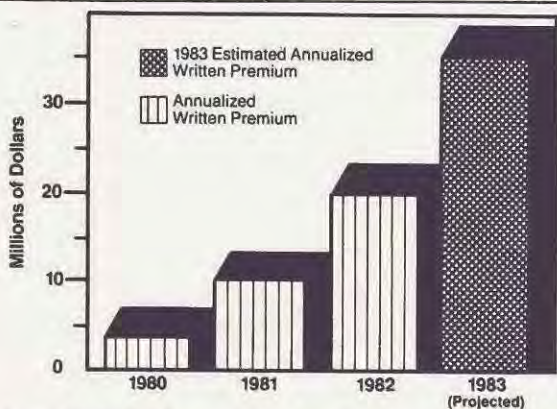
- Beckley**  
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- Charleston**  
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# Recession hurting Canadian brokers

## Reed Stenhouse Cos. Ltd.

P.O. Box 250, Toronto Dominion Centre, Toronto, Ontario M5K 1J6; 416-868-5500

Intense insurer competition and Canada's deep economic recession continue to pummel the North-lanc's insurance brokers, straining profit margins and limiting growth opportunities.

Soft markets, which hit Canada nearly two years before the United States, have reduced commercial insurance premiums to less than half of their 1978 totals and shrunk standard brokerage commissions on individual policies by at least a corresponding amount.

Many small agents and insurers are skirting bankruptcy, industry sources say, and medium-sized brokers are tightening their belts, laying off staff and praying for even the smallest commercial rate increase.

Even Reed Stenhouse Cos. Inc., Canada's largest brokerage, is turning its attention inward to tighter administration and expense control, while temporarily tabling the rapid international acquisition policy that has spurred its growth in Canada, the United States and abroad.

"There's not many more places for us to go in Canada," notes William M. Wilson, president and chief executive officer. "We are in every major commercial center. If any agent comes to us, looking to be acquired, I'm afraid we'd have to tell them, 'No.'"

Reed made only two small acquisitions in Canada in 1982—in Victoria, British Columbia, and Regina, Saskatchewan—expanding the number of Canadian offices it operates to 24. It also increased its participation in Crosbie Reed Stenhouse Ltd. in St. John's, Newfoundland, turning that affiliated company into a subsidiary.

But, according to Mr. Wilson, even these kinds of small acquisitions are unlikely in 1983.

**Cedric G.E. Gyles**, president and chief executive officer of Reed Stenhouse Ltd., the Canadian operating company, agrees, even though a recent Reed Stenhouse stock sale raised some \$17 million designed to reduce borrowing and increase debt capacity, apparently for acquisitions.

"The only reason we would make an acquisition in Canada now is people. If an agency has a particularly good person that we want, we might consider buying him or her out. But that's about it. I can't think of any area or office in Canada that we really need—at least not until rates improve."

What Reed Stenhouse really needs, Mr. Wilson and Mr. Gyles agree, is to expand its services and sales to bolster shrinking premiums and tighter expense controls to cap the company's contracting profitability.

Although new business in Canada has risen 40% since 1981, its profitability has been down and only an outstanding year by reinsurance subsidiary Sten-Re Ltd. helped the home office make a profit in 1982, according to the company's annual report.

Reed's substantial holdings in the United Kingdom and continental Europe were also hit by competition, economic recession and currency conversion losses, reporting earnings declines of 32% and 9%, respectively, in 1982.

Offices in other parts of the world did better, especially the divisions in Australia, New Zealand

and Southeast Asia, where property/casualty insurance rates have been increasing. This combined operation grew 33% in profit to \$10.4 million Canadian (\$8.4 million U.S.), but was not strong enough to turn the parent company's record revenues into record profits.

Gross revenues for the parent company grew only 8.5% in 1982 to \$292.5 million Canadian (\$236.9 million U.S.) from \$269.7 million Canadian (\$218.4 million U.S.) in 1981. Net income, the benchmark of overall profitability, dropped a total of 20% to \$15.6 million Canadian (\$12.6 million U.S.) in 1982 from about \$19 million (\$15.4 million U.S.) the previous year.

Expenses, more than 50% of which are employee salaries, grew faster than revenues, increasing 11.4% to \$250 million Canadian (\$202.5 million U.S.). Interest on short- and long-term debt, mostly related to acquisitions, increased more than 33%.

Results for the first half of fiscal year 1983, ending March 31, were not much better. Gross revenues grew only 7.3% to \$144.8 million Canadian (\$118.7 million U.S.) from about \$135 million Canadian (\$109.3 million U.S.) for the same period in 1982. Net income dropped nearly 22% to \$4.8 million Canadian (\$3.9 million U.S.).

Like the oil-rich cities of Texas that had been a bulwark of profits for U.S. brokers, the Canadian oil center of Calgary, Alberta, had been a stronghold of profit for Reed Stenhouse.

The worldwide oil glut, however, has robbed the area of its past boom-town business and, therefore, robbed the brokerage of its traditionally outstanding profits from the area.

"There are some confidence-building signs in other areas, however," Mr. Wilson points out. "In British Columbia, for example, some of the lumber mills are re-opening, a sign of improving times, and here in Toronto there are some signs of a financial rebound."

Reed Stenhouse was also the proud recipient of much of the insurance planning and broking business to be derived from the 1986 International Exposition to be held in Vancouver, British Columbia.

Besides some promising signs that the Canadian recession may be easing, Reed Stenhouse has also been buoyed by the fact that expenses were up only slightly in the first half of 1983, an indicator that the broker's informal expense-control measures may be taking hold.

"We've been terribly aware of expenses," remarks Mr. Gyles, though Reed Stenhouse has ordered no wholesale layoffs in 1983, trying to reduce head count only slightly through attrition. In 1982, the corporation's total staff increased 8.9% to 6,100 from 5,600 in 1981.

Brokers must also apply different policy-marketing tactics when insurers are particularly competitive and income is down.

"When markets are soft, you shop for the best price, but you can't afford to talk to every possible market," Mr. Gyles says. "You have to know which insurers are likely to do the best job for the price."

Compensation from insurers is under especially close scrutiny, Mr. Gyles says. Currently, nearly 60% of the income from medium- to large-size risks is paid in "negotiated commissions," which account for any additional services the brokerage is providing to its clients. The negotiations for these generally expanded commissions, however, are not between buyer and broker as they frequently are in the United States, but between the bro-

Company	Gross revenues (in millions)				% Change
	1982		1981		
	Canadian \$	U.S. \$	Canadian \$	U.S. \$	
1. Reed Stenhouse Cos. Ltd.	292.5	236.9	269.7	218.4	8.5
2. Sodarcac Inc.	65.3	52.9	55.9	45.3	16.8
3. Tomenson Saunders Whitehead Ltd.	44.1	35.7	43.3	35.1	1.8

\* Conversion rate on Dec. 31, 1982: \$1 Canadian = 80.48 cents (U.S.)

ker and insurer.

"Mostly, we would discuss with the underwriter what we need to properly service the business and make the account profitable for both of us," Mr. Gyles says.

Most Canadian buyers are probably unaware of these negotiations, but some risk managers for large Canadian corporations have caught on to the problem and are joining in the bargaining to keep the level of service they have been receiving from their broker, he adds.

"We have no qualms about disclosing our income to the buyers. We try to be fair and equitable in what we ask because we don't want

to cut back on services the client needs. Usually we do not charge extra fees for such things as loss-control engineering or other advice, but we sometimes break out those costs if the buyer wants it."

One of the services Reed Stenhouse is adding in Canada is automation. Pursuing last year's goal of bringing risk information technology that has been developed in the United States into Canada, Reed Stenhouse is marketing the services of San Francisco-based Reed Risk Management across the northern half of the continent.

Employee benefit consulting and sales are usually insulated from in-

urance market competition, but this area also proved a trouble spot for Reed Stenhouse in Canada. Reed Stenhouse Associates Ltd., its Canadian benefits unit that was reorganized last year, "has a greatly improved staff," according to Mr. Wilson, but very little work and is a victim of the Canadian economy, he says.

"With the economy so bad, no one is considering adding benefits and even those companies that had projects already approved tabled them to save some money."

Employee benefits, which usually account for 8% to 9% of

Continued on next page

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Continued from previous page

Reed's overall revenues, may have slipped a percentage point as a result of the slump, executives say.

In search of new business, Reed Stenhouse Associates is moving into the United States with a soon-to-be announced operating company designed to pull together employee benefits sales and services now managed by various Reed Stenhouse Inc. offices.

Another hope for Reed Stenhouse in Canada is personal lines sales, which now total less than 10% of overall revenues.

While the parent company has had mixed returns on its personal lines joint ventures in Britain, Messrs. Wilson and Gyles believe that Reed Stenhouse in Canada can boost profit with the sale of personal payroll-deduction benefit plans and walk-in business.

Payroll-deduction homeowner's, life and auto insurance, however has already taken off for another

new subsidiary called H.B. Group Insurance Management Ltd., according to Messrs. Wilson and Gyles, and takes advantage of the same dynamics that have weakened the employee benefits consulting business.

"Employers won't add anything they have to pay for, but they are certainly willing to let you provide a free convenience to employees. That's what the payroll-deduction plans really are," Mr. Wilson said.

Reed Stenhouse Cos. executives also have high hopes for the company's U.S. brokerage unit, Reed Stenhouse Inc., which has consistently lost money for the firm. Now in 22 U.S. cities following the addition of Dallas and Minneapolis in the past year, the operation is still lacking much of the powerful retail insurance reputation that Reed has developed in Canada and abroad, despite some improvements from the acquisition of Schiff Terhune International last year.

In 1982, U.S. operations reported an operating loss of \$2 million Canadian (\$1.6 million U.S.), despite a 22% revenue gain to \$55.8 million Canadian (\$45.2 million U.S.).

Mr. Wilson believes, however, that the operating loss will be substantially reduced or eliminated in 1983 and, with a bit of luck, the division will turn a profit in 1984.

The West Coast is still a gap the U.S. division would like to see filled, Mr. Wilson adds. But don't expect an acquisition soon.

"You won't soon be seeing another acquisition like Schiff Terhune International," Mr. Wilson says, referring to the 1982 acquisition of the then No. 17-ranked U.S. broker that placed Reed Stenhouse Inc. subsidiary squarely in the middle of commercial insurance competition in the United States.

"With Schiff, we are finally just about everywhere we want to be in the United States," Mr. Wilson continues. "We've been in the U.S. 10

years now and know our way around. And the buyers are beginning to know us."

Even new developments are paying off faster, he says. "In Minneapolis, for example, we opened up an office with a couple of young producers who left major insurers in the area. The office is doing very well, much ahead of our expectations," he says.

Part of the credit for this new prestige, Mr. Wilson says, goes to Peter Leitch, president of the U.S. subsidiary, who will relinquish those duties to return to his home base in Calgary, Alberta.

In 1981, Mr. Wilson declared the United States to be Reed's No. 1 growth priority and turned the leadership of Reed Stenhouse Inc. over to Mr. Leitch, one of the brokerage's leading sales developers.

Now the job requires an administrative hand to make the expanded U.S. company profitable, so Mr. Leitch will pass the baton to David

C. French, chairman and chief executive officer of Reed Stenhouse Inc. and former chairman of Reed's profitable Australian and New Zealand offices.

His mandate is to continue the integration of the Schiff Terhune offices, especially in New York where Reed Stenhouse had maintained three separate offices. Similar consolidations are already taking place in other cities, with Reed Stenhouse Inc. eventually becoming about 100 employees slimmer and efficiently combined, executives say.

Besides Messrs. Wilson, Gyles, Leitch and French, Reed Stenhouse Cos. officers include W. Douglas Gardiner, chairman of the board, and Harry J. Harvey, director of the international division. John B. Devine is chairman and chief executive officer of Reed Stenhouse & Partners Ltd. in the United Kingdom.

—By Len Strazewski.

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A big acquisition can be hard to swallow.

Two years after its purchase of Dale & Co. Ltd., Sodarcac Inc. is still trying to digest its relatively new national network of 20 retail brokerage offices and integrate them with its substantial reinsurance brokerage, underwriting and consulting operations.

The 1981 acquisition of Dale, formerly Canada's third-largest retail brokerage, propelled Sodarcac combined insurance operations into the No. 2 spot among Canadian brokerages, even though third-ranked Tomenson Saunders Whitehead Ltd. has a bigger retail brokerage business.

Now Sodarcac is trying to win a firmer hold on small to medium-sized Canadian risks while enlarging its big-risk capabilities and increasing its profits.

The company is making some headway, despite an extremely soft Canadian insurance marketplace and a deep national recession.

"When one considers the severity of the current recession, without a doubt the most difficult economic period we have traversed since the 1930s, the critical juncture of the insurance and reinsurance industry both at home and abroad and the attendant fierce competition in the area of large commercial and industrial risks, results for the 1982 financial year can be viewed as satisfactory," Sodarcac President Robert Parizeau told shareholders in the 1982 annual report.

Gross revenues—including brokerage commissions and fees and revenues from underwriting and consulting operations—grew at a pace significantly ahead of most U.S. brokers, increasing 16.8% to \$65.3 million Canadian (\$52.9 million U.S.) from \$55.9 million Canadian (\$45.3 million U.S.) in 1981.

Net income also grew significantly but is still relatively small. Earnings grew more than 41% to \$1.3 million Canadian (\$1.05 million U.S.) from \$921,000 Canadian (\$746,000 U.S.).

Sodarcac cut the number of employees slightly to 1,270 from 1,300, mostly through attrition, according to brokerage executives.

Increasing revenues and improving profit margins are Sodarcac's major goals for 1983, executives say. The goals aren't easy, they admit, but they think they are realistic targets if the company doesn't fall into the trap of allowing immediate profits to sacrifice future sales growth.

"At present, efforts are being de-

voted to the redefining of our corporate development strategy," Mr. Parizeau says. "Accordingly, expenses will rise slightly in the short term, but this course of action is essential if we wish to meet the demands placed upon us by the ever-changing business environment."

"The challenge with which we will be faced in the upcoming decade will require new skills and the appropriate management tools," he adds. "Computerization of operations alone will require substantial investments in the coming three years, but the benefits will only be felt in the mid- to long-term."

Much of this investment will be made in Sodarcac's retail brokerage operations, which have grown too quickly through acquisitions to be effectively combined, executives say.

Although last year the brokerage united its national services and aviation operations in a central office in Toronto, most other activities are conducted within regions and many offices work like the independent agencies they were a few years ago.

"We've grown from brokerage revenues of \$2.8 million in 1977 to more than \$65 million in 1983," explains Pierre Chouinard executive vp of the parent corporation and director of its retail insurance operations. "Now we have to adapt Dale, Gerard-Parizeau Ltd. and our other subsidiaries to the needs of our times, after nearly a decade of growth."

Originally built around its reinsurance business, Sodarcac holdings include Canada's largest national reinsurance company, six reinsurance brokerages, four retail insurance brokerages, three employee benefit consulting firms, seven reinsurance and primary insurance underwriting managers, one adjusting company, one risk management consulting company and one data-processing consulting company.

Broken down, these companies include:

- Retail insurance brokers Dale & Co. Ltd., based in Toronto; Gerard-Parizeau Ltd., a French Canadian firm based in Montreal; Poitras, Bergeron, Lavigne & Associates Inc. in Montreal; and B.L.C. Insurance Agency Ltd. in Montreal.

- Reinsurance brokerages Le Blanc Eldridge Parizeau Inc. in Montreal; Le Blanc Eldridge, Parizeau & Associates Inc. in Montreal; Le Blanc Eldridge Parizeau (International) Inc. in Montreal; Canadian International Reinsurance Brokers Ltd. in Toronto; Intermediaries of America Inc. in New York; and Le Blanc Eldridge Parizeau (Bermuda) Ltd. in Hamilton, Bermuda.

- Employee benefit and actuarial firms Hebert, Le Houillier & Associates Inc.; Dionne, Sanschagrin

& Associates Inc.; J.B.M. Murray Ltd.; and Conatec Inc.

- Underwriting managers Reinsurance Management Co. of Canada Inc.; Reinsurance Management Co. of Europe S.A.; National-McVie Management Corp. Inc.; Gestas Inc.; Westpar Managers Ltd.; Sogepar Inc.; and D.M.L. Underwriters Ltd.

- Technical risk analysis, loss-adjusting and data processing companies Sodartec Inc.; Boyd, Phillips & Co. Ltd.; and Mathema Inc.

Sodarcac also owns National Reinsurance Co. of Canada, which wrote about \$1.1 billion in life and \$86.9 million in non-life reinsurance premium in 1982.

The Dale and Gerard-Parizeau offices make a formidable Canadian marketing force, especially in the French-speaking province of Quebec and the maritime provinces, which still trade significantly with France.

French firms with offices or other holdings in Canada generally gravitate toward Gerard-Parizeau, which still conducts a major portion of its business in French. Local businesses in Montreal and the city of Quebec are also very loyal to the brokerage.

Dale & Co. has a larger spread and is a recognized competitor in Toronto, Canada's leading financial center. But it by no means dominates any other area of the country.

Six or seven Canadian brokers control about half of the nation's \$2 billion commercial insurance markets. Reed Stenhouse Cos. Ltd., Canada's largest brokerage, is about four times Sodarcac's size and commands the large-risk market as well as much of the business in the oil-rich province of Alberta.

That doesn't leave a whole lot of room for growth, but Sodarcac is still trying and is aiming at eroding Reed Stenhouse's hold on the large commercial risks.

"In the past we have said that we can compete effectively for anything under the jumbo account, including personal lines," Mr. Chouinard says. "However, this year we are beginning a systematic new business approach to large commercial risks that we hope will have some benefit."

Computerization and a development of a risk information system should help that effort. "The investment in automation has been substantial—a solid percentage of our gross revenues—and we are already a couple of years along in our five-year plan," Mr. Chouinard says.

When complete, the Sodarcac system should be capable of performing all the data tasks currently touted by large U.S. brokers and enhance the company's ability to service large accounts.

"But let's not overrate the value of the large risks. Large risks are

Continued on facing page

Continued from facing page generally more lucrative, but Canada is not like the United States. We just don't have that many large companies and a brokerage basically develops the service its account requires," he explains.

"There are, for example, only two national airlines—Air Canada and Canadian Pacific Air—and six or seven regional airlines. You either have one of the big ones or you don't. If you do, you produce the service it needs. If not, that service is too expensive to maintain.

"There are such things as billion-dollar clients, but the premium for all their insurance, even in good years, is only about \$1 million. Today, that premium is half of that or less. It doesn't leave much in commission."

A Canadian broker must maintain two perceptions of its own business, Mr. Chouinard remarks. "When you are working on large accounts, the brokerage business is more like a service or consulting business. But when you are talking about smaller risks, you are in the product development and marketing business."

Professional liability risks have been the traditional hallmark of the Quebec-based operations, which were among the first to promote attorneys errors and omissions coverage and directors and officers liability insurance in Canada.

In these lines, Sodercan's retail brokerages get some synergistic help from Gestas, Sodarcac's Montreal-based underwriting manager, and its other underwriters.

Gestas has specialized in professional liability risks written by pools of Canadian insurers. Although it is coming off a difficult year, it is revamping its underwriting rules and will try to improve its profitability without limiting the coverage available to brokerage clients.

Sogepar Inc. and DML Underwriters, two agencies that specialize in small commercial risks and personal lines, are being combined for efficiency and are expected to produce more profitable products for the brokers this year.

Geographic expansion of the retail brokerage divisions, however, is probably over for the time being. Although the company is still not represented in Saskatchewan or Prince Edward Island, Sodarcac executives see little advantage to opening new provincial offices before its present offices are returning the profits management desires.

The United States is not included in future planning for the time being. Most Sodarcac risks with U.S. needs are served by Fred S. James & Co. Inc. on a referral basis, and that relationship continues to be adequate, according to Mr. Chouinard.

Sodarcac, however, is represented in New York by its reinsurance brokerage, International Intermediaries Inc., and plans further development of reinsurance brokerage there. Growth of International Intermediaries is ahead of schedule and promises further development in 1983.

Consulting, though currently a small portion of the Sodarcac business, also has growth potential, executives note. Although its employee benefit and actuarial services are dwarfed by Marsh & McLennan Cos. Inc.'s William M. Mercer Inc., which was founded in Canada, Sodarcac's consulting operations showed a revenue gain of 18.5% over 1981.

Officers of the parent company, in addition to Messrs. Parizeau and Chouinard, include Gerard Parizeau, honorary president; Jacques Dumoulin, corporate vp-administration; and Gilbert Desautiers, treasurer.

—By Len Strazewski

**Tomenson Saunders Whitehead Ltd.**

P.O. Box 439, Toronto-Dominion Centre, Toronto, Ontario M5K 1M3; 416-361-6984

Is Tomenson Saunders Whitehead Ltd. for sale? Will Canada's third-largest insurance brokerage merge with Reed Stenhouse Cos. Ltd. to become the dominant brokerage operation in the country?

Those were the questions that were being asked earlier this month in Toronto's King Street financial district and throughout the Canadian industry. The answers are yes, TSW is talking merger, but no, not with Reed Stenhouse.

At the company's June 16 annual meeting, Chairman William E. Toyne advised shareholders that the brokerage is entering negotia-

tions with another of its largest competitors, Johnson & Higgins/Willis Faber Ltd.

J&H/WF is a joint venture between Johnson & Higgins, the fourth-largest U.S. brokerage, and Willis Faber P.L.C., the second-largest Lloyd's brokerage. J&H holds the majority interest.

Capital for expansion is the main reason TSW is talking, Mr. Toyne explains, a simple reflection of continued intense market competition and the generally weak state of the Canadian economy.

Everyone needs cash if they want to continue to grow and insurance brokers, in particular, are under pressure as they consider service expansion, acquisitions and automation, he says.

"We had 12 years of continuous growth during which all of our planning was based on growth," explains Mr. Toyne. "Now we have to look carefully at our organization and re-examine our philoso-

phy in light of the competitive environment and slow economic growth in Canada."

One growth option, Mr. Toyne says, would be for TOSA Ltd., the brokerage's holding company, to be acquired by a larger organization.

If the negotiations with J&H/WF are successful, however, the new parent would not be acquiring much growth for its money. In 1982, TSW reported only minor gross revenue gains and an estimated severe drop in profitability as property/casualty insurance premiums continued to shrink and employee benefits consulting projects dried up with the Canadian economy.

Moreover, a slow payment of claims on fishing boat risks from overseas insurers forced the company to reserve more than \$4 million against non-payment.

Gross revenues grew only 1.8% in 1982 to \$44.1 million Canadian (\$35.7 million U.S.) from about

\$43.3 million the previous year. Staff size also shrank a bit, falling to 800 from 830 in 1981, and the portion of the brokerage's revenues derived from commercial business shrank to 85% from 88%.

As a privately held corporation, TSW does not generally release net income results, but insurance industry sources indicate that the reserving against delayed claims payment completely wiped out the brokerage's profits for 1982.

Mr. Toyne, promoted to chairman from president earlier this year, foresees little change in the Canadian rate environment, despite some rate increases in commercial automobile insurance. Instead, he hopes Canadian brokers and risk managers follow the initiative begun in the United States and consider switching to fee-based commissions.

"I'm personally very interested in fee compensation," he says. "I

Continued on next page

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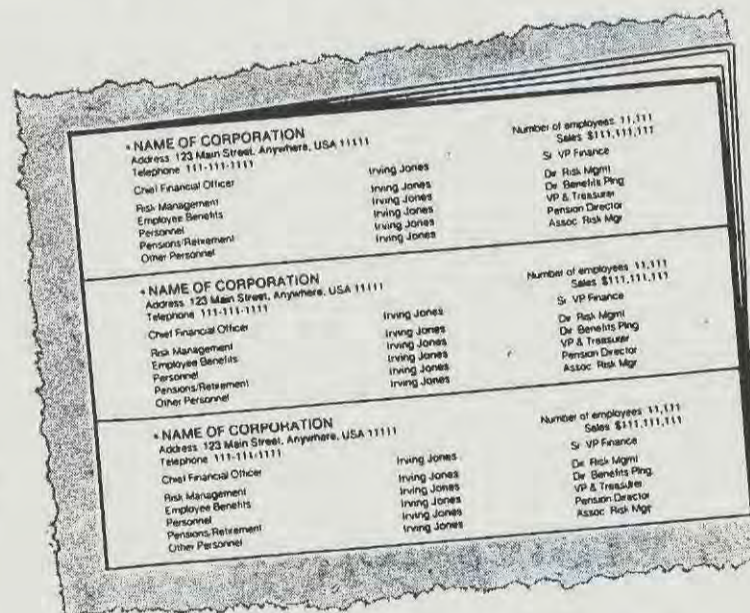
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Continued from previous page believe that if a person pays directly for something, he or she is most likely to appreciate it. And I'm not sure that all corporate insurance buyers appreciate the services they receive from their brokers."

However, Mr. Toyne believes that some evolution in brokerage management is required before Canadian brokers are ready for significant fee compensation.

Mr. Toyne also expects that automation will improve the brokerage's profitability as it slowly takes over tasks now performed by insurers.

TSW already manages underwriting for several Canadian insurers through its Underwriting Professional Inc. subsidiary in Toronto, but Mr. Toyne expects some underwriting authority will become the rule rather than the exception in the future.

Most of TSW's staff reductions were in the company's employee benefits consulting division, TA Associates, which had a terrible year like its counterpart at Reed Stenhouse Cos. Ltd. But Mr. Toyne foresees some rebound.

"Most Canadian companies last year were talking more about how to handle their layoffs or how to get people back to work and much less about how to improve their employee benefits programs," he notes. "Many projects we were working on simply were not continued after the economy turned downward (in) the spring of 1981."

Employee benefits sales had been about 20% of the company's total revenues, but had shrunk below that in 1982, Mr. Toyne says, noting that personal lines sales have expanded.

The sagging economy also put a halt to TSW's proposed acquisition drive that was designed to expand the brokerage's interest in the United States.

In previous years, brokerage executives noted the continuing expansion of Canadian corporations into the United States and the expanding needs of their clients,

especially those in commercial real estate. Some of these clients were serviced by TSW's two U.S. offices: Walsh, Moore, Garrett-Bromfield in Denver and Trinder & Norwood in Harrison, N.Y.

TSW had expressed interest in acquisitions in Boston, Atlanta, Seattle, Dallas and Houston, but a dearth of prospects and capital put the plan on hold.

The wish for U.S. expansion is another reason TSW may want to be acquired, insurance industry sources say. Although the brokerage would not elaborate on reasons for seeking acquisitions other than expansion capital, competitors note continued pressure on TSW to expand its service capabilities in the United States. If TSW joins J&H/WF, it could take advantage of J&H's U.S. offices.

Also, industry sources note, TSW simply has no place to expand its market share in Canada's insurance marketplace, which generates only about \$2 billion in annual premium volume.

"We made no acquisitions in 1982," Mr. Toyne recalls. "In fact, we sold one office back to its managers in Willins, British Columbia. We have no plans at all to expand within Canada and, if anything, we may be eliminating offices in some small towns."

With Canadian offices in 13 large Canadian cities, "we are everywhere we want to be in Canada—the larger market communities," Mr. Toyne says.

Internationally, TSW is content with its relationship with Lloyd's broker Bain Dawes P.L.C., which owns 25% of TOSA Ltd., TSW's holding company, and provides direct access to Lloyd's of London.

In Bermuda, Tomenson Saunders Whitehead International Ltd. manages a few Canadian captives.

In addition to Mr. Toyne, TSW executives include Kenneth M. Elliot, president and chief executive officer; Robert A. McFarlane, senior vp; and Norman D. Howat, controller.

—By Len Strazewski

## British brokers

Company	Gross revenues (in millions)					
	1982		1981		% Change	
	Pounds	Dollars*	Pounds	Dollars*		
1. Sedgwick Group	217.0	351.5	168.8	273.5	28.6	
2. Willis Faber	104.5	169.3	86.6	140.3	20.7	
3. Stewart Wrightson	77.6	125.7	77.8	126.0	- 0.3	
4. Jardine Insurance Brokers	68.0 <sup>1</sup>	110.2 <sup>1</sup>	58.0 <sup>1</sup>	94.0 <sup>1</sup>	17.2 <sup>1</sup>	
5. C.E. Heath <sup>2</sup>	58.5	94.8	49.8	80.7	17.5	
6. Minet Holdings	55.5	89.9	46.1	74.7	20.4	
7. Hogg Robinson Group <sup>3</sup>	53.4	86.5	45.3	73.4	17.9	
8. Bain Dawes	52.0	84.2	42.4	68.7	22.6	
9. Clarkson Puckle	23.0 <sup>1</sup>	37.3 <sup>1</sup>	22.1 <sup>1</sup>	35.8 <sup>1</sup>	4.1 <sup>1</sup>	
10. Lowndes Lambert	21.5 <sup>1</sup>	34.8 <sup>1</sup>	18.3 <sup>1</sup>	29.6 <sup>1</sup>	17.5 <sup>1</sup>	

<sup>1</sup> Estimate. <sup>2</sup> Year ending March 31, 1983. <sup>3</sup> Year ending March 31, 1982. \* Conversion rate on Dec. 31, 1982: 1 pound = \$1.62 (U.S.)

# Lloyd's brokers face many of the woes found in the U.S.

By STACY SHAPIRO

LONDON—Lloyd's of London insurance brokers may well agree with the Chinese that 1982 was the Year of the Dog.

Last year wasn't necessarily the best for the Lloyd's brokers because:

- Several brokers were hounded by scandal.
- They were hurt by the global recession, falling investment yields and the competitive commercial insurance market, especially in the United States.
- They were required by Parliament to divest their Lloyd's underwriting agencies within five years.

It is difficult to compare how the top Lloyd's insurance brokers actually fared in 1982. Results are not uniformly stated to the Department of Trade, so—for at least one broker—the latest available financial results date back to March 1982 (see chart).

Also, the brokers' reported gross revenues sometimes include revenues from associated, non-insurance-related companies.

In addition, *Business Insurance* has excluded from its rankings Lloyd's brokers wholly owned by American parent companies. These include C.T. Bowring & Co. Ltd., owned by Marsh & McLennan Cos. Inc.; Leslie & Godwin Ltd., owned by Frank B. Hall & Co. Inc.; Alexander Howden Group P.L.C., owned by Alexander & Alexander Services Inc.; and Wigham Poland Holdings Ltd., owned by Fred S. James & Co. Inc.

The brokers listed showed great disparities in performances. For example, Sedgwick Group P.L.C. showed sparkling results, as did Willis Faber P.L.C. Others, like Stewart Wrightson Group, saw a slight drop or static revenues this year, but were able to gain in pretax profits by cutting down on overhead and/or benefit from the strong dollar in currency exchange.

Like many of the U.S. brokers, the Lloyd's brokers admit the overall world economy is much to blame for the slowdown of business. Investment income also does not add as much to brokers' revenues as it did a year or two ago.

But there are other trends in the world insurance market that are especially affecting the British insurance brokers. More and more countries are requiring that direct insurance be underwritten within the nations themselves, cutting the premium volume handled by the Lloyd's brokers who formerly placed some of this insurance with London markets.

Thus, London has become more of a reinsurance market, taking large proportions of the direct insurance they used to underwrite and placing it as reinsurance with a small percentage of direct insurance remaining in the foreign countries.

"London is a reinsurance market, basically," said Tony Keys, group development director of Stewart Wrightson Group P.L.C., "but then again, it always has been."

Wholesale and reinsurance broking in London has been frustrated by other factors. London underwriters are rejecting risks that are too competitively priced, thus hurting London broker's volumes if the accounts wind up with overseas insurers.

What has been lost by London has probably been gained by the U.S. brokers and insurers, brokers say.

"The domestic market is very competitive and London business has been lost to U.S. companies," said Mr. Keys. "The London market just did not follow down on the rating structures with their competitors, so business is down in volume. We are affected by this because we market the business."

Despite the drain on profits from rate cutting, most in the British brokerage community believe that last year's allegations of wrongdoing at several of the top Lloyd's brokers did not affect profits or reduce business in the London market.

They say their clients are sophisticated enough and know that the alleged abuses at Alexander Howden Group P.L.C. and Minet Holdings P.L.C. are not widespread through the rest of the London brokerage fraternity.

"We have had no adverse effects," said David Palmer, chairman of Willis Faber P.L.C. "The press imputed that Lloyd's was rotten to the core and, yes, things were embarrassing and some of the things which were alleged to have happened are absolutely shaming."

"Let us not forget, however, that no Lloyd's policyholder has been affected and Lloyd's security is still the best in the world," he added.

Still the scandals have had their effects. Because of the allegations, Minet's chairman, John Wallrock, resigned, and Howden's parent, Alexander & Alexander Services Inc., fired Ian R. Posgate, who was considered Lloyd's most successful underwriter.

Both men have been accused, along with other Minet and Howden officials, of having secretly benefitted from the reinsurance arrangements of Lloyd's syndicates and other underwriting operations.

Numerous investigatory bodies, including the British Department of Trade, the City of London Fraud Squad and Lloyd's itself, are investigating the allegations.

In this light, the big Lloyd's brokers are bending over backward to show that their top officials have nothing to hide. Many have included a detailed analysis of directors' stock portfolios and other interests in their annual reports. Others have conducted their own internal investigations.

"Our Mr. Clean image is absolutely genuine," said Roger Godden, director, group secretary and corporate planning director for Norman Frizzell Group Ltd., the 11th-largest independent Lloyd's broker, according to the British Insurance Brokers Assn.

"We would not be fazed if inspectors came in and looked at our business. We are a fuddy-duddy conservative bunch."

The brokers, like the rest of the Lloyd's community, say they're relieved that the scandals came to light after the Lloyd's Act of 1982 was signed into law last year. Otherwise, they say, the self-regulation bill probably would not have been passed by Parliament.

"Had the problems happened six months earlier, we would not have the act," Mr. Palmer of Willis Faber said.

Under the self-regulation bill, Lloyd's has stronger powers to detect and stop abuses like those alleged last year.

Already, under these new powers, the new Committee of Lloyd's has approved rules governing how syndicates should disclose their reinsurance arrangements and how Lloyd's brokers should divest their underwriting agencies, which was required under the Lloyd's Act.

Of course, all these changes costs money, and the brokers are helping foot the bill.

"I accept the necessity of it all and the market will be a healthier place, but it will cost money," Mr. Palmer said.

"Bureaucracy is a worrying aspect of the new Lloyd's arrangements," said John Hogg, deputy chairman of Hogg Robinson Group P.L.C. "If we overcontrol, costs will go skyways and the competitiveness of Lloyd's will no longer be there."

In addition, most Lloyd's brokers are not happy that they must sell their largely profitable underwriting agencies within five years.

But, they agree that the changes at Lloyd's can only improve its already-solid foundation.

"Despite some cost in the short term to the market, the market will in the end be streamlined and be a much more efficient marketplace," said Mr. Keys of Stewart Wrightson.

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## Sedgwick Group

Sedgwick House, 33 Aldgate High St., London EC3N 1AJ, England; 01-377-3456

Even though Sedgwick Group P.L.C. always seems to be the bridesmaid but never the bride, the largest of the Lloyd's brokers may not have sworn off corporate romance just yet.

In the past several years, Sedgwick has been courted by several U.S. brokers in search of a merger partner, most notably Alexander & Alexander Services Inc. However, A&A and Sedgwick broke off negotiations in 1981 and the U.S. broker acquired Alexander Howden Group P.L.C. shortly thereafter.

Now, rumors in the London financial press say Sedgwick is again searching for a partner. The possible takeover partners include Frank B. Hall & Co. Inc. and, yet again, A&A.

Sedgwick's corporate policy is to neither confirm nor deny the acquisition rumors, and Chairman Neil Mills and other high-ranking Sedgwick officials refused to be interviewed.

Although many rumors surround Sedgwick's future plans, its current accomplishments are clear. The largest British broker had a banner year in 1982.

Gross revenues leaped 28.6% to 217 million pounds (or \$351.5 million based on the year-end conversion rate) from 168.8 million pounds (\$273.5 million). Group pretax profits jumped 29% to 72.9 million pounds (\$118.1 million).

Although favorable exchange rates contributed 9 million pounds (\$14.5 million) to earnings, the thrust of Sedgwick's performance came from, as Mr. Mills put it in a recent speech, "technical depth, professional expertise and access to worldwide experience and resources."

Sedgwick now employs more than 9,000 people in 150 offices spread across 56 countries, and it handles 25% of Lloyd's of London's entire premium income.

"Our group has grown from a number of ingredients over a period of 150 years or more," Mr. Mills said recently. "Our roots are in the Industrial Revolution and we have seen a revolution in the way industrial broking business is handled."

Today, Sedgwick's specialties are numerous. It is the largest reinsurance broker outside the United States. It is the world's largest marine insurance brokerage, excelling in offshore oil and gas industry risks.

Sedgwick also prides itself on its satellite and aerospace insurance divisions, complete with full-time specialists and engineers.

A subsidiary, Sedgwick Associated Risks, deals in specialty non-marine areas like construction, nuclear and other types of power generation, agriculture, professional indemnity, financial institutions and credit risks.

Sedgwick Agricultural Services, another subsidiary, has even designed a unique crop insurance coverage to protect crops in far-away places like Africa where increase in agricultural production is an important ingredient in economic growth.

But despite its many specialties, Sedgwick is only now entering the U.S.-domestic insurance market through acquisitions and new ventures. A subsidiary, Sedgwick Group Services Inc., has been operating in New York for several months to coordinate its U.S. activities.

Two units, Sedgwick Payne Inc.

in New York and newly acquired Capitol Intermediaries Inc. of Des Moines, Iowa, add to Sedgwick North American reinsurance expertise, the company points out.

Sedgwick is also opening a wholesale brokerage in Dallas to be called MacLean, Oddy & Associates Inc. (BI, May 30).

Mr. Mills says that he thinks Sedgwick will be able to continue its robust performance despite the less-than-favorable operating conditions of today's commercial insurance marketplace.

"There is little sign of the turbulence in the world's insurance markets, which was evident during 1982, abating during 1983," Mr. Mills said in Sedgwick's annual report.

"That our group has nevertheless performed strongly under these difficult conditions during the last 12 months is an indication of its robust character and a source of confidence for the future."

## Willis Faber

10 Trinity Square, London EC3P 3AX, England; 01-488-8111

Willis Faber P.L.C.'s 1982 results were "satisfactory but not sparkling," says Chairman and Chief Executive Officer David Palmer, but many other companies would not mind posting such a "satisfactory" year.

Revenues at the second-largest Lloyd's brokerage increased 20.7% to 104.5 billion pounds (\$169.3 million) from 86.6 million pounds (\$140.3 million), while pretax income jumped 13% to 30.78 million pounds (\$49.9 million).

Currency exchange added about 4 million pounds (\$6.5 million) of the earnings increase, and Mr. Palmer also pointed to a "strongly

increased contribution" from Willis Faber's associated companies, including the investment firm of Morgan Grenfell Holdings Ltd.

Increased premium rates at the end of 1982, particularly in reinsurance, also increased profitability.

But these positive factors were partially offset by increased internal expenses for employee pension funds and computer installation costs, in addition to the competitive commercial insurance market and a reduction in investment income due to lower investment yields.

"These soft trading conditions, the impact of worldwide recession and lower interest rates all have a depressant effect on our revenue," said Mr. Palmer. "It is, therefore, gratifying that we have even so been able to show satisfactory growth in our revenue and profits."

The recent allegations that some officials and Lloyd's brokerages and underwriting agencies have se-

cretly profited from business transactions have had no adverse effect on Willis Faber's business, he said.

"There has been no sign of (Lloyd's) names leaving or clients discontinuing their Lloyd's participation," Mr. Palmer said.

But just to put clients' minds at rest, Willis Faber devoted two pages in its annual report to list all directors' and their families' personal insurance interests.

Willis Faber continues to be the blue chip in the British brokerage business, as reflected by its high price on the London Stock Exchange. The brokerage also boasts of its long-standing working relationship to Johnson & Higgins, the fourth-largest U.S. broker, and its balance of business worldwide, particularly in wholesale insurance brokerage.

"I believe we should take what we do best and make it better," Mr. Palmer summed up.

*Continued on next page*

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3

Stewart  
Wrightson

1 Camomile St., London EC3A 7HJ,  
England; 01-623-7511

Top management at Stewart Wrightson Holdings P.L.C. is preparing for the competitive market to last quite a bit longer.

"I am not convinced that we will see an upturn in the North American rating structure," says Tony Keys, group development director for the holding company and chairman of Stewart Wrightson Insurance Agencies Ltd.

"We make our future plans on the premise that there will be no upturn in rates," he says.

Instead, Stewart Wrightson is concentrating on specialization in the years ahead.

"Given the fact that the big (bro-

kers) have gotten bigger, we have to make sure that we can justify our continued independence and we think we can," Mr. Keys. points out.

"We are a specialist insurance organization—not just an insurance broker—providing some things to some men, not all things to all men."

For example, Stewart Wrightson has one of the most respected aviation brokerage departments among the Lloyd's brokers. It is also "heavily involved" in risks as diverse as diamond mining to transportation.

And, through its new American underwriting organization, Wrightson & Co., Stewart Wrightson is seeking to broker some specialized risks in the United States as well as at Lloyd's.

"Our success in America depends on the development of new ideas, like environmental impairment liability insurance and unemployment compensation stop-loss," Mr. Keys says.

"The lifeblood of Stewart Wrightson is new ideas."

Despite this strategy, Stewart Wrightson's revenues remained static last year. Gross revenues, including its share of brokerage income from associated companies, spurred ahead ever so slightly to 77.8 million pounds (\$126 million) from 77.6 million pounds (\$125.7 million). If the revenues from associated companies are not considered, revenues dropped 4.4% to 71.8 million pounds (\$116.3 million) from 75.1 million pounds (\$121.7 million).

The revenue decline at the brokerage was mainly due to Stewart Wrightson's withdrawal from forestry, farming and ship-operating businesses.

Stewart Wrightson nevertheless showed an 8% increase in profits last year, posting pretax income of 9.93 million pounds (\$16.1 million).

4

Jardine  
Insurance Brokers

P.O. Box 162, 144 Leadenhall St.,  
London EC3P 3BJ, England;  
01-283-4622

Jardine Insurance Brokers Ltd., the brokerage arm of Hong Kong conglomerate Jardine Matheson & Co. Ltd., will one day be just a part of a one-stop financial service center for corporate clients, says its chief executive, Nick Samuelson.

"Watch this space," said Mr. Samuelson as he mapped out the future thrust of Jardine's global plan during a trip to London from his Hong Kong base.

Mr. Samuelson is admittedly bullish on the future of Jardine's brokerage operations, which also include Jardine Insurance Brokers Inc. in the United States (see story, page 51). He predicts that the company could one day become one of the three-largest insurance brokerages in the world.

Also included in Jardine's insurance brokerage empire is Jardine Glanvill Ltd., the large Lloyd's broker.

Already the company operates 80 offices in 19 countries handling more than \$1 billion in premiums through its three major branches: retail, wholesale and reinsurance brokerage.

In the past few years, Jardine has blossomed through acquisitions, particularly in Britain and the United States, most notably Bache Insurance Services.

Jardine's brokerage operations contribute about 20% of the profit of its parent company Jardine Matheson & Co. Ltd. of Hong Kong, whose income in 1980 topped \$100 million on revenues of \$1.45 billion and whose reputation as a financial leader captured the imag-

ination of James Clavell in his novels "Taipan" and "Noble House."

Jardine's insurance brokerage operations are also now based in Hong Kong.

"We moved to Hong Kong because we are in the process of creating the three branches of retail, wholesale and reinsurance broking and in order to allow businesses to be created within a structure we are looking for, it is important that the headquarters is not in the United Kingdom or in North America," Mr. Samuelson said.

"The alternative that was available was Hong Kong, and it made sense to move to align ourselves with our parent."

Jardine Insurance Brokers is particularly strong in handling marine and construction risks. It also specializes in credit insurance. Jardine is also developing global insurance packages for multinational companies, he adds.

Overall, the parent company estimates that its brokerage revenues, including Jardine Insurance Brokers Inc. in the United States and Jardine Glanvill in Britain, totaled 68 million pounds (\$110.2 million), up from 58 million pounds (\$94 million) in 1981.

5

## C.E. Heath

Cutberth Heath House, 150  
Minories, London EC3N 1NR,  
England; 01-488-2488

C.E. Heath P.L.C. managed to post a healthy revenue increase but posted a 12.5% increase in expenses to reserve for "bad and doubtful debts," said its Chairman Frank Holland in the annual report.

"I should stress that this is more by way of prudence in respect of a number of items and is not in respect of any one in particular bad or doubtful debt, and in a sense is yet another reflection on the difficult trading conditions in which we operate today," Mr. Holland said.

Heath increased gross revenues 17.5% to 58.5 million pounds (\$94.8 million) from 49.8 million pounds (\$80.7 million) and boosted operating profit to 19.5 million pounds (\$31.6 million) from 17 million pounds (\$27.5 million).

"In the continuing difficult conditions this constitutes an excellent result," Mr. Holland said.

Particularly satisfying is Heath's development of new business, he said. Heath has strengthened its contractors' all-risk business, its employee benefits business, including on-line computer administration service, excess-of-loss reinsurance operations and its aviation department.

Also doing well are Heath's workers compensation insurance business in Australia and its Bermuda company, Pinnacle Reinsurance Co. Ltd.

In addition, Heath's Lloyd's underwriting agencies showed a substantial revenue increase, Mr. Holland said. Last year, the company battled against the requirement, eventually enacted by Parliament, that Lloyd's brokers divest their underwriting agencies.

Trouble areas were Heath's French underwriting subsidiary, Groupe Sprinks S.A., which turned a profit but lost business. Its Argentine operations also were adversely affected by the conflict over the Falkland Islands, Mr. Holland said.

Mr. Holland will retire as chairman in March 1984, along with Deputy Chairman John Mikami. Derek Newton, a Heath director and responsible for Heath's life insurance and pension business, will become chairman. Peter Dawson, now financial director, will replace Mr. Mikami.

6

## Minet Holdings

Minet House, 100 Leman St.,  
London E1 8HG, England;  
01-481-0707

Minet Holdings P.L.C., Britain's sixth-largest independent insurance broker, came through a year filled with controversy with excellent financial results.

Gross revenues rose more than 20% to 55.5 million pounds (\$89.9 million) from 46.1 million pounds (\$74.7 million) despite the resignation of Chairman John Wallrock following allegations of improprieties at the brokerage's underwriting syndicates.

In addition, Minet's pretax profits grew 21% to a record 17.8 million pounds.

Minet's superior results have evidently been noticed by The St. Paul Cos. Inc., which has increased its holdings of Minet stock to 26%, much to the Minet board's and Lloyd's dismay (BI, May 16).

A U.S. brokerage, Corroon & Black Corp., also holds about 20% of Minet's shares (see story, page 34).

Mr. Wallrock's resignation came following allegations that he may have profited from the reinsurance arrangements of Lloyd's underwriting syndicates managed by a Minet subsidiary, P.C.W. Underwriting Agencies Ltd.

Subsequently, three other F.C.W. directors, including Chairman Peter Dixon, were dismissed because of similar allegations.

Last month, the new management at P.C.W. said it had discovered that about \$26 million of syndicate funds had been transferred to the Banque du Rhone et de la Tamise, a Swiss bank whose shareholders include two former P.C.W. officials and five ex-directors of Alexander Howden Group P.L.C., who also allegedly profited from reinsurance transactions by Howden syndicates.

The British Department of Trade, Lloyd's of London and the City of London Fraud Squad are presently investigating the allegations, and Minet is suing former P.C.W. directors and officers for the return of any syndicate funds that might have been misused.

Minet has also conducted an internal investigation and says it is confident that there are no abuses currently occurring at P.C.W.

"I cannot overemphasize that following months of intensive investigation, very few former P.C.W. employees and no other Minet persons, except Mr. Wallrock, have been found to have been implicated in this matter," Minet's new chairman, Ray Pettitt, said in the company's annual report.

Minet has set aside about 1.14 million pounds (\$1.85 million) for fees that are anticipated to be incurred as a result of the P.C.W. investigation.

Despite the troubles, Minet officials say its clients have stuck with the brokerage throughout its troubles.

"I would like to take this opportunity to express a vote of thanks to our numerous clients and correspondents throughout the world for their support during the past year and, in particular, through our recent difficulties," Mr. Pettitt said in the annual report.

7

Hogg Robinson  
Group

Lloyd's Chambers 9/13 Crutched  
Friars, London EC3N 2JS, England;  
01-709-0575

Hogg Robinson Group P.L.C. is the largest worldwide broker of credit and political risk insur-

ance, says Deputy Chairman John Hogg.

Some 170 employees work in offices from Singapore to Detroit operated by a subsidiary, Credit & Political Insurance Ltd.

In the United States, Credit International Associates Inc. and Trade Credit Insurance Services Inc. provide multinational corporations with expert political risk and domestic credit insurance and there are plans to further expand these operations, says Mr. Hogg.

"We see our specialist areas as growth areas," he said. "Taking on Marsh & McLennan or Alexander & Alexander for the big-client account is very difficult; so instead, we specialize and do it well."

Hogg Robinson also plans to strengthen management and improve on its employee benefits expertise to boost its profits.

Gross revenues increased 17.8% to 53.4 million pounds (\$86.5 million) from 45.3 million pounds (\$73.4 million), but Hogg Robinson's aftertax net income decreased marginally to 4.3 million pounds (\$6.97 million).

These figures must be viewed in a different light from the other Lloyd's brokers' since they are for the year ending March 31, 1982. It will not report fiscal 1982 figures until next month.

The recession in British industry coupled with still-soft premium rates for companies here partially affected Hogg Robinson's profits, says Mr. Hogg.

Also, Republic Hogg Robinson—the broker's U.S. joint venture with Republic Steel Corp.—has not yet covered its finance cost, Mr. Hogg explained.

Hogg Robinson's travel and shipping division did well, however, contributing more than 13 million pounds (\$21.1 million) to revenues.

Mr. Hogg does not believe Hogg Robinson lost business because of rumors last year about Lloyd's directors' personal interests in their companies' reinsurance.

"We did our own internal investigation and did not find any impropriety," said Mr. Hogg.

8

## Bain Dawes

15 Minories, London EC3N 1NJ,  
England; 01-481-3232

Bain Dawes P.L.C. is currently a "dangerous size," says Chairman Robin Warrender.

"All of us in the middle range of insurance brokers are being squeezed by the small specialist broker on the one hand and the megabroker on the other," he says. "Ultimately, this can be resolved by mergers, but we have no merger developments at the moment."

Also, Bain Dawes is admittedly "weak" because it does not have a link with a major U.S. broker, like most of the other Lloyd's brokerages, Mr. Warrender says.

Still, Bain Dawes, one of the few predominantly retail brokerages of the major Lloyd's brokers, enjoyed a "better than expected" year in 1982, Mr. Warrender says.

Revenues rose 22.6% to 52 million pounds (\$84.2 million) from 42.4 million pounds (\$68.7 million). Pretax profits also increased 18.1% to 6.5 million pounds (\$10.5 million) from 5.5 million pounds (\$8.9 million).

Oil and energy proved to be particularly good fields last year, Mr. Warrender says.

But Bain Dawes earned no profits on its interest in Canadian broker Tomenson Saunders Whitehead Ltd. because the company could not reclaim reinsurance payments due to delayed collection of marine claims, said Mr. Warrender.

Continued on facing page

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Continued from facing page

**Clarkson Puckle**

Ibex House, Minories, London EC3N 1HJ, England; 01-709-0744

Despite last year's Falkland Islands War, Clarkson Puckle Group Ltd. continues to do an active business in Argentina, says Chairman Michael Martin.

Despite the hostility between Britain and Argentina, Clarkson and Argentine insurers continue friendly relations. In fact, Clarkson's reputation has increased in South America over the past year, particularly in Argentina, Uruguay

and Peru. Business is still growing in Mexico and Colombia, particularly in engineering risks.

The company is also "keenly engaged" in building business in Southeast Asia and French-speaking Africa, Mr. Martin says.

"Our future strategy is to recruit specialized teams of people to fill in the gaps and develop geographically where we are not at the moment," he said.

Pushing into the United States is difficult, however, "though we know it is someplace we should be," said Mr. Martin.

Last year, Clarkson purchased a 30% interest in The Rigg Group, a Texas wholesale brokerage.

Aided by these international gains, Clarkson's revenues increased a modest 4.1% to 23 million

pounds (\$37.3 million) from 22.1 million pounds (\$35.8 million), according to estimates supplied by the brokerage. It added that pretax profits increased to 2.3 million pounds (\$3.7 million) from 2.1 million pounds (\$3.4 million).

**10**

**Lowndes Lambert**

53 Eastcheap, London EC3P 3HL, England; 01-283-2000

Lowndes Lambert Group Ltd. operated in the black in 1982 for the first time in five years, something that came as a bit of surprise to its parent, merchant bank Hill

Samuel Group P.L.C.

The broker's return to profitability was "two years ahead of schedule," says Lowndes Lambert Chairman Richard Shaw.

Lowndes Lambert posted an after-tax profit of 820,000 pounds (\$1.3 million) on estimated revenues of 21.5 million pounds (\$34.8 million), up 17.5% from a restated revenue estimate of 18.3 million pounds (\$29.6 million) in 1981.

Although increased revenues include contributions from associated companies, the key to success this year has been the excellent results from Lowndes Lambert's operations in Australia, where premium rates are hardening, Mr. Shaw said. He also mentioned operations in Italy and West Germany as helping to bolster revenues.

Hill Samuel Chairman Robert Clarke credits Lowndes Lambert's new British management headed by Mr. Shaw for turning around the broker during the three years they have been at the helm.

"The new U.K. management team has succeeded in increasing business volumes, improving administrative efficiency and significantly reducing costs," Mr. Clark said.

Now Mr. Shaw is eyeing the other side of the Atlantic to increase revenues even more. He says Lowndes Lambert is planning to move into the U.S. market before the end of the year, though he would not say what kind of operation the brokerage will set up in the United States.

—By Stacy Shapiro

# French brokers stress international ties

By ANDRE MELLY

French brokers, like their counterparts in the United States and Britain, face a current competitive insurance cycle, which has forced them to concentrate on the future.

French brokers haven't suffered the same scandals that have tormented British brokers (see story, page 108). Yet, the "present poor outlook for business," says Michel Denis, a general manager of Groupe Faugere & Jutheau—the largest broker—has dampened their revenues, too.

But those brokerages are determined to develop the industry.

Many French brokers are seeking to expand, acquire and make alliances with domestic and foreign brokers. A trend toward increased international cooperation will be the strong suit for many of the brokers.

This increased international dimension of French brokerages is a fairly recent development. Worldwide policies are somewhat rare in the market and this has slowed the progress of risk management in France.

Many of the brokerages, there-

fore, already have struck agreements with the giant U.S. brokers and some British brokerages. Those agreements have helped lead to broader business opportunities worldwide and, in some measure, those opportunities have paid off.

Groupe Faugere & Jutheau has agreements with Marsh & McLennan Cos. Inc. that led to cooperation in placing business and to the ownership of shares in one another.

The second-largest French brokerage, Gras Savoye, belongs to the UNISON brokerage network that includes several other European brokers and Johnson & Higgins, which is the group's largest member.

Groupe Le Blanc & de Nicolay, the fourth-largest French broker, has a cooperation agreement with Corroon & Black Corp., particularly with its Inspace subsidiary. Two other European brokers also participate in this relationship.

Groupe SNGAP, which is No. 5 on the ranking of French brokers, has alliances with two Lloyd's brokers, C.E. Heath P.L.C. and Lowndes Lambert Group Ltd.

As its name implies, sixth-

ranked Groupe Sedgwick (France) is a combination of French brokers acquired and run under the banner of Sedgwick Group P.L.C., the largest Lloyd's broker.

Alexander & Alexander Services Inc. owns 21% of the seventh-largest broker, CECAR, while No. 8, Diot S.A., has links to Minet Holdings P.L.C. and Jardine Insurance Brokers Ltd.

Assurances Verspieren, which is tied for the No. 8 spot with Diot, has agreements with Frank B. Hall & Co. Inc. and utilizes Hall subsidiary Leslie & Godwin Ltd. in the London market as a correspondent.

SIACI, the 10th-largest French broker, has a subsidiary in New York and serves as a correspondent for Bayly, Martin & Fay International Inc.

While foreign market growth is a No. 1 priority for most French brokers' future, they are divided on their second priorities. Some are devoting their resources to domestic acquisitions, others concentrate on new product developments or improved foreign and domestic service, while still others are looking into the formation of captives for

Company	Gross revenues (in millions)		
	Francs	Dollars	Employees
1. Groupe Faugere & Jutheau	358.0	53.2	1,110
2. Gras Savoye	209.0	31.0	920
3. S.G.C.A.	116.0	17.2	472
4. Groupe LeBlanc & de Nicolay	110.0	16.3	320
5. Groupe SNGAP	107.6	16.0	315
6. Groupe Sedgwick (France)	100.0	14.9	280
7. CECAR	85.0	12.6	260
8. Diot S.A.	80.0	11.9	250
Assurances Verspieren	80.0	11.9	230
10. SIACI	70.0	10.4	200

\* Conversion rate on Dec. 31, 1982: 1 FF = 14.85 cents (U.S.)

industrial companies, which is a difficult task.

Since many large French industries are nationalized, the state has tight administrative and fiscal control on those companies.

It is nearly impossible for a largely state-owned company to create a captive without having it

licensed on the French market first, which isn't very desirable to most companies.

And, as in the United States, only time will tell when the rate cuts of the past five years will cease. These cheap rates haven't been conducive to risk prevention or innovative ideas in risk management.

**1**

**Groupe Faugere & Jutheau**

13 Rue de la Ville l'Eveque, Paris, France 75008; 01-268-1500

The largest French broker, Faugere & Jutheau, works solely as an insurance broker even though its entry into the brokerage business occurred almost by accident.

F&J was founded in 1896 when, at the request of French natural gas companies, Raphael Poujade conducted a study of insurance programs for emerging workers compensation exposures. Taking the cue, Mr. Poujade then established an insurance brokerage.

Between the wars, the company developed a large book of business in natural gas and electrical power companies.

Since World War II, the company gained a new direction. Under the leadership of Raymond Jutheau, the brokerage expanded into other industries; insurance and reinsurance brokerages were acquired; personnel with expertise in insurance, industry, law, finance and administration were hired; and subsidiaries were formed and acquired in foreign countries.

The company is still the leading broker for electrical and gas companies. As a natural offshoot, it has expanded into oil exploration and production both onshore and offshore. F&J also distinguishes itself as the No. 1 broker for many industries and service sectors.

It is the primary broker for the French atomic power industry and

the major aerospace broker in France. This prominence in aerospace is known throughout Europe. For example, the European Space Agency selected F&J as its French broker.

And Faugere & Jutheau is the dominant broker for department and chain stores, the computer industry, movie industry, marine cargo and hulls, food products and the automobile industry.

In 1973, F&J signed an agreement with Marsh & McLennan Cos. Inc., which now owns one-third of F&J S.A.'s shares. M&M also has a minority ownership, along with African partners, of some F&J African subsidiaries.

F&J's prominence in many fields and link with a giant American brokerage help it weather changes in the French economy and its book of business.

"Growth to us has always been a continuing process and, thanks to the variety and satisfactory balance of our various portfolios, it did remain altogether unharmed by fluctuations of the economic activity," explains Michel Denis, a general manager of Faugere & Jutheau.

According to Mr. Denis, the brokerage's expansion is possible due to the ever-growing emphasis F&J places on developing foreign business.

An important part of this growing segment is placing overseas risks in the French market. In 1982, foreign revenue comprised 42% of the group's revenue; a little more than half came from foreign-based risks.

An exact breakdown of F&J's business was unavailable.

**2**

**Gras Savoye**

115/123 Ave. Charles de Gaulle, Neuilly sur Seine, France 92202; 01-738-7117

Gras Savoye has maintained its position as the second-largest French brokerage for many years. It has also maintained its 100% French identity because it is still family-owned.

The brokerage was founded in 1907 in northern France. It specialized in the textile industry and later, the chemical industry. Gras Savoye continued diversifying, and today its book of business includes petrochemical, construction, financial organization, retail chain, agriculture and food-related risks.

Gras Savoye has made a name for itself as the premier French broker for employee benefits programs placement and management.

It also is noted for its loss-prevention programs. With 15 engineers, Gras Savoye may even be ahead of many French insurers in the loss-prevention field.

Gras Savoye is active in reinsurance through its subsidiary, Gras Savoye/Willis Faber (France).

Its French identity is firmly established with provincial offices throughout France. Gras Savoye has subsidiaries in Lyon, Rouen, and Bordeaux and branches in seven cities, with another to be added soon. But Gras Savoye isn't limited to France. It has operations in the French West Indies, Bel-

**3**

**S.G.C.A.**

145 Blvd. Haussman, Paris, France 75008; 01-563-0320

S.G.C.A. is the only publicly held insurance broker in France. It became a public company in 1952 with its shares quoted on La Bourse, the Paris stock exchange.

Nearly 20 years later, the management of S.G.C.A. decided to enlarge its scope and it struck an agreement with Canadian broker Reed Stenhouse Cos. Ltd. Stenhouse now holds 49.6% of S.G.C.A.'s stock.

S.G.C.A. has built its reputation as an industrial risks broker, creating specialized technical services for oil and gas, petrochemicals, autos, food wholesalers, heavy engineering, electronics and banking.

According to Raymond Decarie, managing director of S.G.C.A., the

brokerage will continue to accommodate industry.

"We have already started to develop and market products specifically aimed at the medium-sized industrial and commercial accounts. . . Our objective over the next few years will be to improve our margins while improving our service to industrial, commercial and personal clients."

The broker now places risks for industries abroad as well as those in France. Yet, most of S.G.C.A.'s offices are in France—Lyon, Strasbourg and Grenoble—though it does have an office in Douala, Cameroon.

S.G.C.A.'s reinsurance brokerage business has been consolidated with Reed Stenhouse's and is now handling it through Sten-Re France.

The S.G.C.A. business is divided into four categories: 37% casualty and marine; 27% property; 21% automobile; 15% employee benefits. Ten percent of its business is generated overseas.

**Groupe Le Blanc & de Nicolay**

51 Rue Cambon, Paris, France 75001; 01-261-5020

Groupe Le Blanc & de Nicolay—GLN—is the largest French broker specializing in reinsurance.

GLN was founded in 1928. In 1974 the Redier and de Nicolay families opened the company cof-

Continued on next page

Continued from previous page  
 fers to purchase two former captive brokerages while maintaining a controlling interest in GLN.

The GLN brokerage business grew after the purchase of Societe Francaise and Societe Belge, the captive brokerages. Other acquisitions and new business helped the company to keep growing steadily. Today GLN remains alert for opportunities to buy domestic and foreign brokerages.

"We believe in productive investments," says Vincent Redier, GLN's chairman and chief executive officer. But he adds that some healthy companies have development problems. In those cases where the portfolio and management would be complementary, "GLN would consider an acquisition."

GLN is continuing its growth by participating in the formation of a reinsurer, La Licorne. GLN joined an international industrial and financial group of companies to invest in reinsurance underwriting in the new company. La Licorne, in turn, started Corelux, a Luxembourg subsidiary, to handle northern European markets.

Internationally, GLN recently

made a cooperation agreement with Corroon & Black Corp. for direct insurance broking. The agreement pulls GLN into a relationship with C&B's Inspace aerospace brokerage subsidiary.

GLN has 10 subsidiaries abroad, ranging from Tokyo to Johannesburg, South Africa.

The GLN business is divided into two major categories: 54% reinsurance and 46% insurance.

The brokerage's direct insurance business is broken down into 39.5% property/casualty; 24.5% group life and health; 14% marine and aviation; 13% construction; 6.6% personal lines; and 2.4% livestock mortality.

**5**

**Groupe SNGAP**

10 Rue Viollet le Duc, Paris, France  
 75009; 01-280-6269

The fifth-largest French broker is really a combination of two brokerages, La Securite Nouvelle, founded in 1960, and SGAP (Societe Generale d'Assurances et de

Prevoyance), founded in 1974. The two companies are sticking to their trend of creating, merging and buying other brokerages and related companies.

To cement the relationship in 1981, Securite and SGAP created two new companies. SOFRACIA was started to conduct financial agreements with insurers and reinsurance brokers in France and abroad. The second, GIE, handles SNGAP's computer management.

From SOFRACIA, two more companies were spun off. In 1981 SOCICAM was created to coordinate SNGAP's international brokerage activities. In 1982, Franchise Assurance was added to develop insurance plans and policies for franchised operations.

Last year was a busy one for SNGAP. In 1982 SOFRACIA acquired a 45% interest in SACIAR, the largest French marine insurance broker. Although SACIAR's management is separate from SOFRACIA, its commissions have been fully incorporated into SNGAP's revenues.

And last year, SOFRACIA created Risk Management Group, a consultant, and acquired a 20% interest in a company called Manage-

ment Consulting Group.

SNGAP, through Securite, has a working reinsurance agreement with C.E. Heath P.L.C. in Britain. This link led to the creation of HSN International, which handles all reinsurance brokerage for SNGAP.

A worldwide presence was brought to the partnership by SGAP, too. Not only does it have many provincial offices in France, but it has offices in the republics of Togo and Ivory Coast. The partnership with SOFRACIA also opens outlets in foreign countries like the United States and Argentina.

A breakdown of business for SNGAP or its individual companies was unavailable.

**6**

**Groupe Sedgwick (France)**

76 Ave. Kleber, Paris, France  
 75116; 01-704-3060

The sixth-largest French broker is actually a British transplant that followed a twisting, turning path to France.

In 1960, the Paris-based British

broker, Price Forbes Neave, primarily placed marine business in the London market, especially with Lloyd's of London.

In 1972, Sedgwick Collins and Price Forbes merged and the Paris office of Price Forbes became Sedgwick Forbes (France). Subsequently CECAR, a French brokerage, was created in which Sedgwick Forbes had a 30% interest.

The names and players changed again in 1979 when Sedgwick Forbes and Bland Payne merged in London, creating Sedgwick Group P.L.C. Bland Payne, however, owned 49% of Jutheau Bland Payne, another French broker. Sedgwick Group had to choose between the two brokerages. CECAR won, due largely to the agreement Jutheau had previously signed with U.S. broker Marsh & McLennan Cos. Inc. Sedgwick Group retained its 49% interest in Jutheau Bland Payne, on a strictly financial arrangement.

Meanwhile, Sedgwick decided to reinforce its ties to CECAR. But in a surprise move, CECAR stopped negotiations and made an agreement with Alexander & Alexander Services Inc.

Continued on facing page

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Business Insurance Circulation Breakdown*	
<b>Commercial Consumers</b>	
<b>Administrative Management:</b> owners, presidents, vps, etc.	6,483
<b>Financial Management:</b> chief financial officers, vps of finance, secretaries, treasurers, etc.	10,138
<b>Insurance Management:</b> vps, directors, managers of insurance, risk, benefits, compensation, safety, security, etc.	5,299
<b>Government, Associations, Unions, Educational Institutions</b>	1,034
<b>Commercial Consumers Sub-total</b>	<b>22,954</b>
Insurance Agents & Brokers	9,771
Insurance Cos.	5,217
Financial Institutions	352
Actuaries, Attorneys, Adjusters, Appraisers & Consultants	2,603
Others allied to the field	937
<b>TOTAL</b>	<b>41,834</b>

\*Source Business/Occupational breakdown of qualified circulation, November 1, 1982 issue, as submitted to BPA for December 1982, BPA Publisher's Statement.

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Continued from facing page

By 1980, Sedgwick Groupe (France), Sedgwick's original French property, found its network drastically changed. Yet, by 1981 it started rebounding by acquiring minority and majority interests in other French brokers (*BI*, June 28, 1982).

Now Sedgwick holds shares in three French brokers; in three African subsidiaries of Holdafrique, a Luxembourg brokerage; and in two underwriting agencies—a non-marine underwriter, SORAC, and a marine and aviation underwriter, SOCAMAR.

In 1980 Groupe Sedgwick (France) helped form Corifrance, a reinsurance company, in which it holds a 15% interest.

Groupe Sedgwick (France) also benefits from being part of the Sedgwick Group worldwide network. Groupe Sedgwick (France) handles a good deal of foreign business; 20% of its total revenues come from commissions for foreign risks placed in the French market.

"Our international relations enable us to offer fair spreads of business to accepting markets," says Francis B. Morin, chief executive officer of Groupe Sedgwick (France). "The French market is a big acceptor as well as a remarkably reliable one."

Other than the 15% interest in Corifrance, Groupe Sedgwick (France) business is divided into two major categories: 95% direct insurance and 5% underwriting. The 95% is comprised of: 59% industrial casualty; 26% marine and aviation; 5% reinsurance; 3% employee benefits; and 2% personal lines.

<b>7</b>
<b>CECAR</b>

24 Rue de Mogador/25 & 29 Rue Joubert, Paris, France 75009; 01-280-6750

The seventh-largest French broker is linked to one of the largest U.S. brokers, Alexander & Alexander Services Inc.

CECAR, Compagnie Europeene de Courtage d'Assurances et de Reassurances, began in 1973 when three French brokers—J.F. Bouly & Cie., A. Carle & Cie. and Cofranco—joined forces. Shortly after, CECAR's management wanted to develop an international market. After ending talks with Sedgwick Group P.L.C. in September 1980, the company linked with A&A.

The choice wasn't purely arbitrary. In 1966, J.F. Bouly & Cie. had established a financial link with A&A. CECAR simply replaced Bouly in 1973 and the mutual financial interest resumed.

In January 1982, the alliance was made official, with A&A acquiring 21% of CECAR, the Bouly and Carle families keeping 64% and Compagnie Financiere de Suez holding 15%.

CECAR doesn't conduct any underwriting activities like other French brokers. Its income is solely derived from insurance and reinsurance brokerage business.

Even though the reinsurance segment is small, "We are in the

process of creating a reinsurance company, which will be a subsidiary in which CECAR will hold majority interest," says Philippe Carle, one of CECAR's managing directors.

Although reinsurance may be part of the future, for the present CECAR is noted for its liability programs. It stands above other French brokers in its ability to handle large international liability risks, which are rare for the market.

CECAR has only one subsidiary in Lyon, but it is formulating projects outside France that it hopes will blossom in 1983. CECAR also plans to create a foreign network to connect with A&A's subsidiaries. That network is an important plan for CECAR since foreign business represents more than 25% of its revenues.

Another plan for the future of CECAR involves political and surety risks. The brokerage management sees these as two potential areas for growth.

Currently, the brokerage is hiring specialists to further its growth in these areas.

CECAR's business is divided into six categories: 30% liability; 30% fire and accident industrial risks; 15% technical; 10% marine; 8% motor, especially fleet contracts; and 7% personal lines.

<b>8</b>
<b>Diot S.A.</b>

Square de l'Opera Louis Jouvot, Paris, France 75009; 01-268-1800

Established at the turn of the century, Diot is a 100% French company held by the Quennouelle and Gibault families.

Diot operates as a direct insurance and reinsurance brokerage through its subsidiary, Walbaum. Although its business covers a wide range, Diot is known for two specialties.

Diot is a leading broker in construction risks and it ranks as France's No. 1 broker for insurance for valuables. Yet its forte is in a state of flux.

"The law obliging insurance companies to declare all policies covering over 100,000 French francs in valuables (to tax authorities) has caused massive cancellations of this type of policy among our clients," says Philippe Quennouelle, chairman and chief executive officer of Diot.

"The law was a blow to this insurance branch, which is nevertheless indispensable in a world of increasingly high crime rates," he says.

The theft and valuables segment accounts for an important part of business. Overseas coverage, however, also is a significant segment. Diot's foreign business has roots in three areas.

The first is Diot subsidiaries in Italy, Britain, Switzerland, Spain, Senegal, Ivory Coast and Saudi Arabia. It is also a member of a European brokerage network, called Trans Europe Service, with links in West Germany, the Netherlands, Belgium, Austria, Italy, Greece, Spain, Portugal, Ireland and Norway.

The second is Diot's reciprocal relationship with Fred S. James & Co. Inc. Diot works with James offices while James utilizes Diot's European connections.

The third is Diot's use of two British brokerage networks: Minet Holdings P.L.C. and Jardine, Matheson & Co. The French broker uses these networks mainly for business in Africa, the Far East and Australia.

Foreign business, in the immediate future, may take second place to the drive for specialization that Mr. Quennouelle sees ahead. Diot's management plans to develop its talent in fields that require technical expertise. This technical expertise will be applied in large part to clients that require custom-made policies, especially those in personal lines.

The Diot business is divided into nine categories: 20% property; 18% construction; 15% motor; 12% casualty; 12% theft and valuables; 8% homeowners and household; 6% employee benefits; 6% miscellaneous; and 3% marine and aviation.

<b>8</b>
<b>Assurances Verspieren</b>

65 Blvd. de Paris, Roubaix, France 59100; 20-70-92-83

Started in 1880, Assurance Verspieren is one of the oldest brokers in France.

Assurance Verspieren found its business in its own backyard. The company started in industrial northern France, the home of coal, iron, steel and textile mills.

Those textile mills were where French employee benefits started, and employee benefits are now a large portion of its business.

Assurance Verspieren didn't push to organize branches and subsidiaries early. But mining crises, difficulties in heavy industries and the internationalization of clients forced the brokerage to look to new horizons.

It started reaching out by purchasing three brokerages in Paris and one in Tourcoing, as well as a French credit insurance company.

On the foreign front, Assurance Verspieren created the S.P.R.L. Verspieren subsidiary in Brussels. Through an agreement with Frank B. Hall & Co. Inc. made early this year, the company can approach multinationals in France and Belgium with an international network. Also, it now has a correspondent in London, Leslie & Godwin Ltd., which is a Hall unit.

The Hall agreement also created Societe de Portefeuille, a holding company in the Netherlands. The creation of Portefeuille allows Hall to legally have a stake in Assurances Verspieren and it, in turn, is a shareholder in Hall.

Assurances Verspieren is looking toward other countries for ownership opportunities as it looks to the future. One country it is looking toward is Belgium.

"Our revenues for self-financing are satisfactory and allow us to finance our expansion policy while preserving our independence," says Pierre D. Verspieren, one of the two general managers of Assur-

ances Verspieren. "We intend to remain a family owned company."

The Assurances Verspieren insurance brokerage business is divided into three categories: 40% casualty, motor, marine and personal lines; 32% employee benefits and life; 28% industrial property.

<b>10</b>
<b>SIACI</b>

46 Rue Pierre Charron, Paris, France 75384; 01-723-5441

SIACI, the 10th-ranked French broker, divides its activities between brokerage business and marine insurance underwriting.

SIACI also distinguishes itself by being the sole French broker that operates a subsidiary in the United States.

SIACI, Societe Intercontinentale d'Assurances pour le Commerce et l'Industrie, was started in 1932 by English, American and French brokers. Its ownership is comprised of Groupe Rothschild, 34%; Cayzer Steel Bowater Holdings Ltd., 33%; and SIACI management, 33%.

SIACI handles underwriting for a group of 40 French and international companies, which represent 10% of the French cargo market.

Most of SIACI's business is direct insurance; it does very little reinsurance business.

Since its beginnings were international, SIACI has a large segment of international business. More than 30% of its business is done abroad.

The brokage is represented by its subsidiaries in Britain, Italy, Cameroon, Gabon, Ivory Coast, Senegal, Reunion Island, Madagascar and, soon, in Spain.

Its U.S. subsidiary is French American Risk Advisors Inc. in New York. Its other stateside connection is Bayly, Martin & Fay International Inc., for which SIACI is a correspondent.

Those international connections are important. According to Claude Chouraqui, chairman of SIACI, because of their size, French brokers lack the financial strength of the Anglo-American brokerage giants. However, due to a system of alliances and financial participation compatible with their means, the French brokers are able to provide their clients with international service.

SIACI business is divided into six categories: 35% marine; 15% industrial fire risks; 15% casualty and technical; 15% motor and personal lines; 10% miscellaneous; and 5% employee benefits.

—By Andre Melly

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- The tapes cost \$11.50 each, \$65 for six or \$200 for the complete set. For a complete listing, contact RIMS Conference Department, 205 E. 42 St., New York, N.Y., 10017. ■

# Capacity can't meet shuttle requirement

Continued from page 1

ogy Underwriters Inc. in Washington says it may have found a solution to NASA's and the shuttle users' coverage problems.

INTEC, along with five U.S. and British brokers, is putting the final touches on a \$1 billion aggregate insurance package that would be offered, hopefully with NASA's blessing, to all users on a specific shuttle flight.

If approved by NASA, all shuttle users would be jointly covered by the \$1 billion package on flights with two or more payloads. If only one payload is carried aboard a shuttle, the package would supply the \$500 million in coverage currently required by NASA.

"We have a memorandum of understanding with NASA to administer this facility," said an INTEC spokesman. "So if the user is insured under this facility, NASA will consider that its liability qualification has been met."

However, NASA officials state that they have not yet approved the INTEC package.

Under the proposal, NASA will also be a named insured under the package. Also, according to the proposal, the space agency will indemnify users for any liability above the \$1 billion aggregate.

Users will not be required to insure their payloads with INTEC if the package is approved. However, it's not known if there would be any remaining satellite capacity if INTEC manages to arrange the full \$1 billion limit.

Helping INTEC assemble the package are brokers Frank B. Hall & Co. Inc., Marsh & McLennan Cos. Inc. and Nausch, Hogan & Murray Inc. in the United States and Crawley, Warren Ltd. and C.T. Bowring & Co. Ltd. in Great Britain.

INTEC hopes the package will be available for the users of the next

shuttle flight, set for Aug. 4, but it admits it must finalize contract wording and has yet to complete the full \$1 billion of coverage.

So far, the Ariel Syndicate at Lloyd's of London is leading the coverage in the London market, with underwriters including Merritt Syndicates Ltd. and Orion Insurance Co. also participating.

INTEC is now searching U.S. markets to fill out the package.

Besides the shuttle users' coverage problems, NASA is also trying to resolve coverage worries encountered by the manufacturers of the shuttles.

A few weeks ago, NASA General Counsel Neil Hosenball and representatives of Rockwell International Corp., the primary shuttle contractor, met with London underwriters to discuss incredibly sky-high premiums that the shuttle contractors must pay for liability coverage for each shuttle flight.

"One of our contractors paid in excess of \$1 million extra premium for the first launch and \$750,000 to \$800,000 for subsequent launches," said Mr. Wojtal, not identifying the contractor.

Shuttle flights are not included in the contractors' comprehensive general liability policies that would normally cover their product liability risks, so they must pay an added premium to be covered for the shuttle exposures.

"We went to London to discuss a concern NASA has with the high insurance premiums our contractors pay, which we have to reimburse them for," Mr. Wojtal said. "We are trying to somehow lower the premium to make it more palatable."

London underwriters are expected to travel to Washington within a few weeks to continue the discussions, Mr. Wojtal said, adding that he hopes that an agreement can be reached soon.

## June a busy month for satellite insurers

Insurers that underwrite space-related risks will breathe a sigh of relief if this week's launch of a communications satellite is a success.

Satellites and other space probes with insured values exceeding \$334 million were scheduled to be launched in June and, with but one launch to go, insurers have not yet received a claim.

The recent spurt of launch activity shows just how large the space insurance market has grown.

For example, in addition to more than \$334 million in coverage for the satellites themselves, their owners will have purchased about \$2 billion in third-party liability insurance to protect themselves from claims should something go wrong.

In addition, the manufacturers of the satellites, the space shuttle Challenger and the other rockets that have blasted the probes into orbit must also purchase insurance to cover their exposures should people or property be affected by a rocket or satellite mishap (BI, Oct. 25, 1982).

Despite the great demand for coverages, the world market is not having too many difficulties insuring the spacecraft, although capacity problems have cropped up in the liability coverage required for users of the space shuttle (see story, page 1).

Interestingly enough, three different launch vehicles are being used for the June launches, which show the differing rates underwriters now charge for satellite launch insurance:

- The first rocket to be fired in man's recent blitz on outer space was an Ariane rocket launched from French Guiana early this month by the European Space Agency. The Ariane carried the first of a series of three satellites owned by the space agency. The satellite was insured for \$65 million.

Although the launch was a success, the space agency was charged a high premium for the satellite coverage since at least two prior Ariane launches have failed (BI, Sept. 20, 1982).

The European Space Agency will pay a premium equal to 10% of the insured value of all three satellites in the series if there are no losses, 20% if there is one loss and 25% if there are two losses.

- The next satellites launched were carried aboard the space shuttle Challenger, operated by the National Aeronautics and Space Administration.

Besides the \$1 billion in third-party liability insurance NASA required of the shuttle users, the sat-

ellites themselves carried more than \$125 million of coverage in case they were lost or damaged during their deployment.

Telesat Canada's Anic D-2 satellite was insured for \$63 million, while the Indonesian government's Palapa satellite was insured for \$67 million. The insured value of the third payload, a space platform built by West Germany's Messerschmitt-Bolkow-Blohm G.m.b.H., is not known.

Premium rates for the Canadian and Indonesian satellites varied from between 5% to 7% of the insured value, insurance industry sources say.

- Tuesday's launch will propel into orbit the first of the three Galaxy communications satellites owned by Hughes Communications Inc., a division of Hughes Aircraft Co. The orbiter will be launched by a NASA Thor-Delta rocket because the space shuttle was already booked, said Richard M. Nausch, president of Nausch, Hogan & Murray Inc. in New York, the U.S. broker for Hughes Communications.

The satellite, which will relay cable television signals, is insured for about \$75 million, according to a London underwriter, though neither Mr. Nausch nor Hughes would comment on the coverage.

If all three launches prove to be successful and the satellites do not fail once they are in orbit, rates dip downward, London and U.S. underwriters agree.

Space shuttle users will probably have to pay a bit less than the current rates if the latest Challenger flight goes without a hitch, the sources say. Premium rates for shuttle users have recently fallen to about 5.25% of insured value from 6% because of the shuttle's success, they say, and could go even lower.

The underwriters also say that premium rates for launches in the Ariane program could be cut since the last launch by the trouble-prone rocket was a success. Rates rose to about 10% of insured value for the latest launch because of the past failures of the Ariane series. But, those rates were much lower than the rate of 15% of insured value that underwriters predicted after several Ariane failures last year.

However, experts say that premium relief for satellite owners will only be slight since underwriters have had to pay losses on the Airane failures of last year and on the Indian government's INSAT satellite, which was declared a \$64.9 million loss earlier this year (BI, June 13).

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## Court says benefits must be equal

Continued from page 1

The EEOC said that the law did more than mandate equitable pregnancy benefits for female employees. If an employer's health insurance plan covers the medical expenses of female employees' spouses, it must equally cover maternity expenses of male employees' spouses, according to the EEOC's analysis of the pregnancy law.

**Newport News Shipbuilding**, the nation's largest private shipbuilder with about 28,000 employees, disagreed.

The big shipbuilder, along with other employers, argued that the law only mandated pregnancy benefit equality to employees and not to spouses.

In its largest group insurance plan covering hourly employees, Newport News Shipbuilding pays all reasonable and customary expenses for other disabilities and illness, but it places a \$500 cap on the pregnancy hospitalization expenses for spouses of male employees.

To maintain that distinction, Newport News Shipbuilding in 1980 challenged the EEOC rule on pregnancy benefits for spouses of male employees.

In February 1981, U.S. District Court Judge Calvitt Clarke Jr. accepted Newport News Shipbuilding's argument that the PDA only applies to employees.

"The clear legislative intent behind the Pregnancy Discrimination Act was to ensure that working women are protected against all forms of employment discrimination based on sex," Judge Clarke

'The toughest part will be coming up with the bucks to pay for the benefit,' Mr. Helitzer says.

wrote.

But in January 1982, the 4th U.S. Circuit Court of Appeals overturned Judge Clarke's decision. The appellate court said the PDA applies to spouses' pregnancy benefits because those benefits are employment related.

Newport News Shipbuilding then appealed the ruling to the Supreme Court, which subsequently upheld the 4th Circuit Court of Appeals ruling.

**Writing for the majority**, Justice Paul Stevens noted that "the husbands of female employees receive a specified level of hospitalization coverage" for all conditions while "the wives of male employees receive such coverage, except for pregnancy-related conditions."

Such an insurance plan is unlawful because it "gives married male employees a benefit package for their dependents that is less inclusive than the dependency coverage provided to female employees," Justice Stevens wrote.

The decision doesn't require companies to offer dependent health insurance plans.

It simply mandates that if an employer decides to offer health benefits to employees' spouses, pregnancy must be covered on the

same basis as any other disability or illness.

"The toughest part (of the court ruling) will be coming up with the bucks to pay for the benefit," said Jack Helitzer, an assistant vp in the group insurance department of Metropolitan Life Insurance Co. in New York.

**According to insurers**, the average normal pregnancy now costs \$2,000 to \$3,000.

Last year, Newport News Shipbuilding estimated that its health care costs would increase \$700,000 a year if it were forced to increase pregnancy benefits for male employees' wives.

The City of Glendale, a Los Angeles suburb, says its \$2 million annual health care tab will increase by \$117,000, according to Jack Hoffman, director of personal and employee relations. Glendale has about 14,000 employees covered under its group health insurance plan.

"This will eat into our reserves," Mr. Hoffman said. "If there are more decisions like this, we won't have any reserves left."

The ruling is additionally expensive to employers because it is retroactive. Firms not in compliance with the law will be liable for pregnancy-related expenses incurred since April 29, 1979, said Ruth Weyand, equal pay counsel for the EEOC.

But, statutes of limitations will affect the amount of retroactive benefits employers have to pay. Depending on the state, claims for discrimination must be filed between 180 and 300 days after the time of discrimination.

# NAIC opposes unisex insurance legislation

Continued from page 2

Panel members attorney George Bernstein, who represents the New York State Teachers' Retirement System whose pension plan would be affected by unisex legislation, and Linda Jenckes, vp of federal affairs for the Health Insurance Assn. of America, took the opposite view.

"The pension plans today favor women. If you go to (unisex legislation), women will lose," Mr. Bernstein said.

The cost of life and medical insurance for women would go up if unisex legislation is passed and certain women will be unable to buy the coverage they need, Ms. Jenckes said.

She specifically cited young women buying their first insurance policies, recently divorced women and women that move in and out of the job market.

Mr. Bernstein and other panelists echoed critics throughout the country who cite the enormous cost to companies forced to "top up" benefit plans to provide equal benefits to both sexes.

For instance, if a woman receives \$350 a month in pension benefits through an annuity while a man receives \$400, the woman's monthly benefit would have to be raised to \$400.

Unisex legislation could cost the New York's teachers' retirement system more than \$313 million, Mr. Bernstein said. Ninety-five percent of the system's members are covered by a defined benefit plan that charges men more for a joint-and-survivor option because it is likely they will die sooner. And, 5% of the plan's members are in a defined contribution plan which pays women smaller monthly annuities on the assump-

tion they will live longer.

The plan will have to be "topped up" in both these areas if the unisex legislation were passed, Mr. Bernstein said.

The NAIC also surveyed its members last month on the effects of federal unisex legislation.

Thirteen of the 25 state commissioners who responded said it "would have an impact on the financial stability of the insurers in their state," noted a report prepared by NAIC counsel Sandra L. Wagner.

Other data culled from the survey included:

- All 25 state commissioners believe state insurance departments are best equipped to regulate insurance.

- Twenty-one commissioners thought NAIC had extensively studied risk classification systems and determined that sex may be a

viable part of such a system for certain lines of insurance.

- Half of the commissioners surveyed said they had received few or no complaints of sex discrimination in insurance rates, benefits or practices.

- Some 71% (17 out of 24 states that responded to this part of the survey) said their current staff could not handle the refiling of policy forms to comply with the federal legislation. About 88% said it would be necessary to increase staff or work overtime to handle the filing requirements and 96% stated that funding was not available for the additional staff or overtime hours.

- If the federal legislation is adopted, a majority of the states believe insurers may discontinue certain policy forms or options that would no longer be economically feasible to write.

- When the legislation is applied

to state employee pension plans, it will have a costly effect. Connecticut believes it will cost its employee retirement system \$16.5 million to \$83 million and its teachers' retirement system, \$18 million to equalize benefits for men and women. Michigan sees \$1 billion in added costs; South Carolina, \$26 million; Tennessee, \$25 million to \$125 million; and Virginia, \$25 million to \$50 million.

The Conference of Insurance Legislators, which was represented at the NAIC meeting by its president North Carolina Rep. Warren Arthur, D-Hartsville, also opposes unisex legislation.

"It's technically incorrect and actuarially unsound," Mr. Arthur said.

"The very real financial impact upon insurance companies has been too often discounted by proponents."

## Mission won't withdraw Arizona comp dividends

Continued from page 2

findings on how policyholder dividends can legally be used.

Mission also agrees to give the arbitrator full access to relevant documents and the authority to hold hearings if necessary. In addition, the company agrees that if the arbitrator recommends payment of some or all of the disputed \$700,000 in dividends, Mission will comply without appeal.

For their part, Arizona regulators agree to drop their accusation that Mission acted to restrain or monopolize the business of insurance and a related claim that such actions could cause Mission to lose its Arizona insurance license.

But the agreement says the state can continue to pursue, in proceedings before Mr. Stewart, its charges that Mission misrepresented the terms of its policy and discriminated against a class of policyholders by failing to pay dividends.

Mr. Stewart, the arbitrator jointly selected by the company and state, is an attorney and head of Stewart Economics Inc. in New York. He formerly served as New York insurance commissioner and as an executive at Chubb Corp.

"I'm just getting into the case," Mr. Stewart says. "The two parties are cooperating with me and working with each other. They just decided they wanted to get this thing behind them."

## Bus firms escape withdrawal liability

Continued from page 2

The ATU plan had \$34.7 million in assets in 1981, up from \$17.4 million in 1977, and about \$4 million in unfunded vested benefits, according to information supplied to the PBGC. By contrast, some multiemployer plans have amassed billions of dollars in unfunded vested benefits.

In addition, employers participating in the plan have steadily increased their contributions to the ATU plan to pay for benefits.

In 1981, the latest year information is available, employers and employees contributed about \$5.4 million, up from \$3.7 million in 1977. The excess of contributions over benefits and expenses increased to \$3.2 million in 1981, up from \$2.8 million in 1977.

Unlike some other multiemployer plans whose contribution base is shrinking due to the decline of the industry, the ATU plan con-

tinues to grow. In 1981, the plan had 4,259 active participants, up from 3,132. The number of retirees as a percentage of active contributing employees is a healthy 11.3%.

The healthy ratios of assets to liabilities and contributions to benefit payments are "indications of a plan in which use of the special rule will not pose a significant risk to the insurance system," the PBGC said.

The PBGC guarantees benefits of failed multiemployer plans through insurance premiums that the plans pay. The annual premium is now \$1.40 per participant.

In addition, the ATU plan, which was set up in 1955, is not affected when a contributing employer retires, dies or goes bankrupt because the next employer who wins a transportation contract from the New York City Board of Education through competitive bidding must contribute to the ATU plan.

Furthermore, the plan's contri-

bution base is not damaged by the normal attrition of employers because of a special 1979 court order. That court order requires employers that win transportation contracts from the New York City Board of Education to hire employees on a special Master Seniority List—those who were laid off prior to June 1, 1982,—and then contribute to the plan on behalf of those employees.

## Damage estimated

NEW YORK—Storms in the Midwest, East and South May 18-23 caused \$82 million in insured property damage, according to the American Insurance Assn.

The majority of the damage occurred in Texas, primarily the Houston area.

The storm was assigned Catastrophe No. 95, by the Insurance Services Office.

## ticker

### BI Industry Stock Report

JUNE 21, 1983 6/15/83 THRU 6/21/83

JUNE 21, 1983 6/15/83 THRU 6/21/83

Insurance Cos.	Price	% Chg.	P/E	\$ Div.	% Yld.	High	Low	Vol. (000)
Aetna Life & Cas Co	NYSE 40.00	-1.5	7.0	2.64	6.6	41.38	40.00	877.1
American Bankers Ins Group	OTC 15.75	-0.8	12.4	0.50	3.2	16.38*	15.75	156.6
American Gen Ins Co	NYSE 22.00	6.7	8.4	0.80	3.6	22.13	21.38	404.8
American Intl Finl Corp	OTC 20.75	0.0	15.4	1.12	5.4	20.75	20.75	3.6
American Intl Group Inc	OTC 70.00	-1.8	12.1	0.44	0.6	71.00	70.00	758.2
American Natl Ins Co	OTC 19.38	0.0	8.1	0.84	4.3	19.75	19.38	115.3
American Sts Life Ins Co	OTC 30.00	3.4	8.4	0.88	2.9	30.00	29.00	2.3
Aneco Reins Ltd	OTC 4.75	26.7	158.3	0.00	0.0	4.75*	3.75	75.1
Aveco Corp	AMEX 18.75	-3.2	11.2	0.58	3.1	18.75	18.25	13.7
Banks Iowa Inc	OTC 46.00	0.0	12.2	1.52	3.3	46.50*	46.00	1.5
Bitco Corp	OTC 37.00	1.4	7.7	2.00	5.4	37.00	36.50	4.4
Carolina Cas Ins Co	OTC 8.75	6.1	11.5	0.32	3.7	8.75*	8.25	2.2
Chubb Corp	OTC 62.38	-0.6	9.7	3.12	5.0	62.38	62.00	372.3
Combined Intl Corp	NYSE 32.50	-4.1	10.8	2.00	6.2	34.13	32.50	203.7
Continental Corp	NYSE 30.13	-1.2	16.6	2.60	8.6	30.75	30.13	732.1
Crawford & Co	OTC 22.50	-1.1	16.3	0.60	2.7	22.50	22.50	4.4
Crown Life Ins Co	OTC 102.00	-7.3	4.7	3.10	3.0	110.00	102.00	0.2
Employers Cas Co	OTC 39.75	0.0	8.2	1.20	3.0	39.75	39.75	1.3
Equifax Inc	NYSE 36.75	-1.0	16.7	1.40	3.8	37.00	36.25	22.3
Excelsior Ins Co	OTC 15.00	-9.1	9.6	0.70	4.7	15.50	15.00	6.2
Farmers Group Inc	OTC 37.88	0.3	9.9	1.36	3.6	38.00	36.13	2,423.2
Foremost Corp Amer	OTC 53.75	13.2	16.5	1.24	2.3	53.75	49.00	465.6
Fremont Gen Corp	OTC 28.88	3.6	962.5	0.48	1.7	28.88	27.13	310.7
Great West Life Assurn Co	OTC 206.00	0.5	10.0	10.00	4.9	206.00*	205.00	0.0
Hanover Ins Co	OTC 59.00	-1.3	7.3	0.88	1.5	60.25	59.00	31.6
Hartford Steam Boiler Insprtn	OTC 55.00	0.0	12.1	3.00	5.5	55.00	55.00	5.8
Jefferson Natl Life Ins Co	OTC 47.50	0.0	14.9	0.76	1.6	47.50	47.50	5.6
Keeper Corp	OTC 49.88	3.6	9.4	1.80	3.6	50.00	48.50	123.1
Lincoln Natl Corp Ind	NYSE 52.75	-3.7	9.6	3.00	5.7	54.00	52.63	218.7
Mission Ins Group Inc	NYSE 38.50	-4.0	10.7	1.00	2.6	39.00	38.50	115.3
Nationwide Corp Ohio	OTC 41.75	0.0	15.3	0.70	1.7	0.00	DID NOT TRADE	32.3
Northwestern Natl Life Ins	OTC 38.88	1.6	25.7	1.50	3.9	39.00*	38.88	32.6
Ohio Cas Corp	OTC 53.63	-0.2	10.1	2.52	4.7	53.88	53.63	32.6
Old Rep Intl Corp	OTC 31.38	1.2	7.7	0.90	2.9	32.00	31.38	93.9
Orion Cap Corp	NYSE 28.50	4.6	14.4	0.66	2.3	28.88*	27.63	82.0
Preferred Risk Life Ins Co	OTC 33.00	0.0	9.1	1.00	3.0	33.00	33.00	3.6
Provident Life & Acc Ins Co	OTC 62.50	2.5	8.9	2.60	4.2	62.50	62.00	24.2
St Paul Cos Inc	OTC 64.38	0.4	6.3	2.80	4.3	64.63	64.25	213.2
Safeco Corp	OTC 58.25	-0.9	12.1	2.40	4.1	59.13	58.25	50.5
Sri Corp	OTC 42.75	-2.8	8.0	1.12	2.6	43.75	42.75	29.3
Seibels Bruce Group Inc	OTC 33.13	16.2	18.1	0.80	2.4	33.13*	28.88	340.9
Statesman Group Inc	OTC 10.75	0.0	7.9	0.15	1.4	10.75	10.75	20.0
Tokio Marine & Fire Ins Co	OTC 101.63	5.6	16.3	0.92	0.9	101.63	95.50	38.1

	Price	% Chg.	P/E	\$ Div.	% Yld.	High	Low	Vol. (000)
Travelers Corp	NYSE 32.13	-4.0	8.5	1.80	5.6	32.38	31.38	480.4
United Fire & Cas Co	OTC 33.25	0.8	9.8	0.88	2.6	33.25	33.25	1.1
United States Fid & Gty Co	NYSE 51.38	-3.1	12.0	3.84	7.5	52.13	50.50	513.8
United Svcs Life Ins Co	OTC 22.63	4.0	6.8	1.00	4.4	22.63	21.75	12.3
Uslife Corp	NYSE 26.00	-0.5	7.2	0.88	3.4	26.75	26.00	162.2
Washington Natl Corp	NYSE 34.00	-1.4	15.5	1.08	3.2	35.63	34.00	120.0
Zenith Natl Ins Corp	OTC 23.50	-2.1	11.4	0.80	3.4	24.00	23.50	8.9
INSURANCE COMPANIES	AVERAGE			10.3				3.7
Agents/Brokers								
Alexander & Alexander Svcs	NYSE 23.00	-0.5	0.0	1.00	4.3	24.25	23.00	592.3
Baldwin & Lyons Inc	OTC 43.50	4.8	8.0	0.80	1.8	44.25*	41.50	15.6
Corroon & Black Corp	NYSE 24.50	4.3	13.0	1.80	7.3	24.75	24.50	106.0
Crump E H Cos Inc	OTC 11.50	-1.1	16.7	0.40	3.5	11.63	11.50	5.3
Emett & Chandler Cos Inc	OTC 10.50	0.0	0.0	0.00	0.0	10.50	10.50	2.3
Hall Frank B & Co Inc	NYSE 31.88	-1.9	18.1	1.70	5.3	32.75	31.88	275.8
Integrated Res Inc	AMEX 42.00	-4.3	16.5	0.00	0.0	43.88	42.00	198.1
Marsh & McLennan Cos Inc	NYSE 43.50	5.1	12.6	2.20	5.1	43.63	42.00	409.4
Poe & Assoc Inc	OTC 7.25	3.6	0.0	0.40	5.5	7.25*	7.00	8.3
Reed Stenhouse Cos Ltd	OTC 14.38	-7.3	14.4	0.60	4.2	15.00	14.38	54.3
AGENTS/BROKERS	AVERAGE			17.1				3.5
Conglomerates Holding Cos.								
American Express(Fireman's Fd)	NYSE 72.25	3.6	15.1	1.92	2.7	74.00*	70.38	1,915.8
Anderson Clayton(Ranger/PanAm)	NYSE 30.50	0.8	20.3	1.32	4.3	30.75	30.25	16.2
Aveco Inc	NYSE 18.63	0.0	0.0	0.40	2.1	18.63	18.25	375.8
City Investing Co. (Home Ins.)	NYSE 36.63	1.7	8.7	1.80	4.9	36.88*	36.25	523.3
CNA Finl Corp (CNA)	NYSE 21.75	-3.3	8.6	0.00	0.0	22.63*	21.75	26.0
Control Data (Comml. Credit)	NYSE 59.88	-2.6	15.0	0.60	1.0	62.38*	59.88	759.2
General Re Corp	NYSE 61.50	6.5	13.0	1.28	2.1	62.25	58.38	1,001.7
Gulf Utd Corp	NYSE 26.25	-1.9	8.2	1.32	5.0	27.00	26.25*	554.4
Cigna Corp	NYSE 47.75	-2.1	6.9	2.48	5.2	49.38	47.75	884.0
ITT (Hartford Group)	NYSE 39.00	1.3	8.4	2.76	7.1	39.00	38.13	1,235.4
Optimum Hldg Corp	OTC 7.75	-1.6	12.7	0.00	0.0	7.88	7.75	6.0
Sears Roebuck & Co. (Allstate)	NYSE 43.00	6.5	15.8	1.52	3.5	43.00*	41.75	3,697.3
Baldwin Utd Corp	NYSE 11.38	-4.2	5.4	0.00	0.0	11.75	11.38	539.7
Teledyne Inc (Argonaut)	NYSE 166.50	2.3	14.4	0.00	0.0	166.75	165.38	469.0
Transamerica Corp								
(Occidental & Fred S. James)	NYSE 29.25	-3.7	9.6	1.50	5.1	30.50	29.25	281.4
CONGLOMERATES/HOLDING COS.	AVERAGE			13.7				2.5

\*Record high/low since Jan. 1, 1983

System design: Altman Information Systems



The Business Insurance stock index jumped 1.7 points to a record of 281.6 for the week ending June 21. The previous record, 279.9, was set June 14. Twenty-four issues were up, 30 closed down and 10 were unchanged. Top gainers were Aneco Reinsurance Co. Ltd., 26.7%; Foremost Corp. of America, 13.2%; American General Corp., 6.7%; General Reinsurance Corp., 6.5%; and Carolina Casualty Insurance Co., 6.1%. The largest losses were posted by Excelsior Insurance Co., 9.1%; Crown Life Insurance Co., 7.3%; Reed Stenhouse Cos. Ltd., 7.3%; Combined International Corp., 4.1%; and Mission Insurance Group Inc., 4.1%.

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