

Business Insurance

Reporting Weekly on Corporate Risk, Employee Benefit and Managed Health Care News / \$4

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New York broker alleges Oxford tried to charge illegal rates

NEW YORK—Oxford Health Plans Inc. has tried to impose illegal double-digit rate increases on several large group health plans, in some cases offering to rebate part of the increased premium in a scheme to boost its own revenues, a New York insurance broker charges in a lawsuit.

Travers O'Keefe & Associates Inc. alleges in a suit filed last week that Oxford tried to obtain renewal rate hikes that were far above those allowed under New York's compliant rate structure and Oxford's own filed rates.

See Updates on next page

Case before high court may redefine 'fiduciary'

By MARK A. HOFMANN

WASHINGTON—Employer and insurance groups hope the Supreme Court issues a very narrow decision in an unusual case that could redefine who is a fiduciary under the federal Employee Retirement Income Security Act.

If the court goes the other way and gives fiduciary duties a broader reading in its eventual decision in *Lori Pegram, M.D., Carle Clinic Assn. & Health Alliance Medical Plans Inc. et al. vs. Cynthia Herdrich*, experts fear the result would be higher health insurance costs.

The case began when Ms. Herdrich suffered a ruptured appendix eight



days after an HMO doctor discovered an inflamed mass in Ms. Herdrich's abdomen.

Ms. Herdrich sued Dr. Lori Pegram and the Carle Clinic Assn. and Health Alliance Medical Plans Inc., both based in Urbana, Ill. Ms. Herdrich alleged that Dr. Pegram had

delayed treatment because she was participating in an incentive plan that encouraged doctors to hold down costs in order to increase bonuses. Ms. Herdrich alleged, among other things, that the incentive plan used by the HMO—which was itself sponsored by the doctors who participated in it—represented a breach of ERISA fiduciary duty.

A state trial court awarded Ms. Herdrich \$35,000 for malpractice, but the U.S. District Court for the Middle District of Illinois dismissed her ERISA claim. A divided three-judge panel of the 7th U.S. Circuit Court of Appeals reversed the district court, holding that the physi-

See Case on page 75

Doc troubles raising questions

But provider group failures so far not causing problems for employers

By ROBERTO CENICEROS

LOS ANGELES—The financial solvency of physician groups is raising questions for benefit managers with employees in California health plans.

The issue came to the fore earlier this year when state regulators seized MedPartners Provider Network, a physician management group with more than 1,000 California doctors under contract. The financial collapse of FPA Management, another large provider management company, happened a few months earlier.

Medical groups have experienced problems in other states, including Texas and New Jersey. But the issue is of greater concern in California, experts say. Much more so than in other states, California's health maintenance organizations rely on capitation contracts with medical groups.

Capitation contract amounts are determined more by the negotiation leverage of medical groups than by the cost for them to deliver care, the experts say. Furthermore, they say, the agreements shift financial risk from the health plans to the provider groups.

One consequence has been the recent emergence of insurance products to protect an HMO from the financial losses sustained by contracted doctors should a medical group fail.

"It is on everyone's radar screen these days, given what happened with Medpartners and FPA," said Emma Hoo, senior project manager for Pacific Business Group on Health, a San Francisco-based purchasing coalition.

Then last month the California Medical Assn. released "The Coming Medical Failure Epidemic," a dire report compiled by PricewaterhouseCoopers.

See Doctors on page 77



AP/WIDE WORLD PHOTOS

Louisiana Insurance Commissioner Jim Brown has been indicted on conspiracy and other charges by a federal grand jury.

Commissioner facing charges

By MICHAEL BRADFORD

BATON ROUGE, La.—Louisiana Insurance Commissioner Jim Brown has denied conspiracy and other charges in a federal indictment against him.

The commissioner, who is running for re-election later this month, is the third consecutive Louisiana insurance commissioner to be indicted. Preceding commissioners Doug Green and Sherman Bernard both drew prison time on corruption charges earlier in the decade.

A federal grand jury has charged Mr. Brown and five others with helping the owner of a failed insurance company avoid a \$27 million lawsuit by the state.

In the 47-page indictment handed down Sept. 24, the defendants are charged with conspiracy and other crimes in their alleged involvement in quashing a lawsuit that the state was prepared to file against the owner of Cascade Insurance Cos.

In a news conference held just after the indictment was

See Indictment on page 77

Taiwan insured losses may hit \$2 billion

Quake stirs criticism of construction quality and enforcement of codes

By AMANDA MILLIGAN and SARAH GODDARD

TAIPEI, Taiwan—Inferior construction and inadequate enforcement of building codes are being blamed for much of last month's devastation from a significant earthquake and aftershocks that rattled central Taiwan.

Loss adjusters and the insurance community estimate, however, that only a small portion of the losses will be insured.

Thomas Wafer, a managing director with Chubb Re in Bernardsville, N.J., said he has seen insured-loss estimates that range "all over the place." But, he noted, \$2 billion has been a widely cited figure.

Claude Gallelo is a managing director with Willis International in New York. Mr. Gallelo said the latest of such estimates, circulated via Willis in-house memos, indeed was approximately \$2 billion.

Willis has a "significant amount of penetration" in the area, said Mr. Gal-

lello, particularly in the high-tech industries. Most of Willis' clients that reported claims experienced business interruption.

Taiwan continued to experience aftershocks more than a week after the quake, which had a magnitude of 7.6. By the end of last week, official estimates put the death toll at 2,161, with 8,736 people injured and 149 missing or trapped. The quake knocked out electrical power and shut down businesses. Notices from Taiwan's Securi-

See Taiwan on page 76



PHOTO: AFP

Nearly 13,000 buildings were damaged or destroyed in the deadly quake and aftershocks that struck Taiwan last month.

Spotlight on:

Surplus lines

page 3

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Updates

Broker sues Oxford over rates

Continued from previous page

Oxford also violated state law by offering rebates as part of a scheme to give stock market investors a false impression of Oxford's revenues, the broker charges.

In one case, for example, Oxford demanded a 24% increase for a 1999 renewal by the welfare fund of the 7,000-member United Service Workers of America, even though Oxford had earlier agreed to cap any 1999 increase at 6%, according to John Van Wie, vp and senior partner with Travers O'Keefe. When the welfare fund balked, Oxford proposed rebates that would have effectively reduced the increase to 15%. Oxford ultimately agreed to a 6% increase, Mr. Van Wie said.

Travers O'Keefe has lodged "five or six" complaints with the New York Insurance Department over the past 18 months on behalf of individual clients about Oxford's rating practices, Mr. Van Wie said.

A New York department spokeswoman confirmed that regulators examined Travers O'Keefe allegations that Oxford tried to charge rates that were not on file with the department. The department is now preparing regulations that will clarify rating rules managed care companies must follow, she said, noting that problems have arisen where the companies apply experience rating when they should not. Capping future rate hikes is not allowed under New York law, she added.

The Travers O'Keefe suit, filed in New York State Supreme Court, also charges that Oxford retaliated for the complaints by canceling Travers O'Keefe's brokerage contract and communicating directly with its clients. The suit seeks \$20 million in compensatory damages.

Oxford officials could not be reached, but news reports quoted an Oxford statement calling the complaint meritless and saying the company would "vigorously defend" itself.

Lawsuit to target major HMO

WASHINGTON—A leading plaintiffs' law firm is planning to file a suit seeking class-action status against a prominent health maintenance organization, claiming it has breached its fiduciary duty to its members.

Joseph Sellers, partner with the Washington firm of Cohen, Milstein, Hausfeld & Toll, said last week that the suit would be filed in federal court within a few days against an HMO he describes as "an industry leader." Mr. Sellers would not name the HMO. He is teaming on the case with Boies & Schiller, whose partner David Boies represented the federal government in its antitrust suit against Microsoft Corp.

The suit will allege that the HMO failed to disclose the full terms under which it makes health care decisions, Mr. Sellers said. Specifically, he said the HMO publicly says it makes coverage decisions based on the patient's health but fails to disclose that the cost of treatment is also taken into consideration. That failure to disclose, the suit will assert, is a misrepresentation and breach of its fiduciary duty under the Employee Retirement Income Security Act and also violates the federal anti-racketeering statute, the Racketeer Influenced and Corrupt Organizations Act.

The suit will seek to have the HMO disclose "the complete and accurate terms under which coverage decisions are made," Mr. Sellers said. In addition, the suit will seek monetary damages for the plan's members; those damages may be tripled under RICO.

He said his firm also is preparing similar suits against other HMOs that could be filed shortly.

Meanwhile, the Illinois Supreme Court ruled last week that HMOs can be sued for malpractice. The case, *William Petrovich et al. vs. Share Health Plan of Illinois*, arose after Inga Petrovich claimed that doctors in the Share HMO had not diagnosed her cancer soon enough. A Cook County, Ill., circuit court had initially barred a suit against Share, a unit of Minneapolis-based UnitedHealth Group, holding that HMOs could not be sued for the actions of physicians who were not employees but rather contractors. Ms. Petrovich died while the case was under appeal. An appeals court ruled that the malpractice suit against the HMO could proceed; the high court agreed.

"The principle that organizations are accountable for their tortious actions and those of their agents is fundamental to our justice system. There is no exception to this principle for HMOs," Justice Michael Bilandic wrote for the court. "Moreover, HMO accountability is essential to counterbalance the HMO goal of cost-containment," he wrote.

Diet drug settlement rejected

PHILADELPHIA—A federal judge has rejected a settlement reached between plaintiffs' attorneys and Interneuron Pharmaceuticals Inc., the developer of withdrawn diet drug Redux.

Relying on a recent Supreme Court decision involving an asbestos class-action settlement, U.S. District Court Judge Louis Bechtel refused to approve the settlement reached last year. Under the terms of the settlement, the pool of money to pay members of the class of people who took Redux would have approached \$100 million and would have been made up of the company's own money, money from its insurers and future company profits (*BI*, Sept. 7, 1998).

Judge Bechtel rejected the settlement because the bulk of the money from Interneuron would come from its future profits, which the judge said were too uncertain. Also, the company did not put all its current assets into the fund, reducing the current amount available for plaintiffs.

"The uncertainties in calculating the value of the fund makes it impossible for the court to ascertain whether the class is receiving the best possible deal, regardless of the parties' efforts in negotiating the settlement agreement," the judge wrote. He also vacated his order staying federal and state cases against Interneuron.

Court: Gun suit can proceed

SAN FRANCISCO—A California appeals court has ruled that a suit may proceed against the maker of semiautomatic weapons used in a 1993 shooting spree in which eight people were killed and six wounded in a San Francisco law office.

See Updates on page 78

Washington employers oppose ergonomics rule

By ROBERTO CENICEROS

OLYMPIA, Wash.—Employers in Washington state are challenging efforts by state regulators to institute mandatory workplace ergonomic rules.

Employers argue that compliance with any uniform ergonomics rule would be costly, as well as impractical, because there is no scientific evidence to provide guidance on such issues as what constitutes an effective program, how many repetitions are too many, how much weight someone

can lift, or how high up someone can reach to complete a task.

"Employers are faced with the dilemma of a very costly regulation that will not even provide the assurance that injuries will stop," said Amber Balch, governmental affairs director for the Assn. of Washington Business, an Olympia-based lobbying organization.

"If an ergonomic regulation would truly make the workplace safer, we would support it. But an experimental regulation without valid science makes no sense," she said.

The AWB and other business organizations have formed a coalition to oppose the ergonomics rule, which is under development by Washington's Department of Labor and Industries.

Employers are concerned not only about the expense of adopting new workplace safety rules, but also that the ergonomics rules could interfere with workers compensation cost control practices, such as early-return-to-work programs, said Beverly Simmons, director of workers comp programs

See Ergonomic on page 72

Pension 'wear away' attacked

Benefit formulas, interest rates key to cash balance losses: Experts

By JERRY GEISEL

WASHINGTON—For Sen. Jeff Bingaman, it is a matter of fairness.

Employees at companies converting their traditional final average pay pension plans to cash balance plans can work for years for their companies after the conversions and not have any more benefits than those they already were entitled to under the old plans, he said.

"That doesn't seem fair to me," Sen. Bingaman, D-

N.M., said at a Senate panel hearing last month on cash balance plan conversions.

Sen. Bingaman isn't the only member of Congress troubled that employees in cash balance plans may not have earned any more benefits when they leave their companies than those they already were entitled to under the old plans, an outcome that is often called "wear away." Bills introduced in both the House and Senate would ban wear away, which one of the bill's sponsors, Sen. Patrick Leahy, D-Vt., des-

See Wear away on page 79

Global networks to thrive: Exec

By GAVIN SOUTER

NEW YORK—The next trend to hit international insurance will be the rise of international broker networks, predicts Sal J. De Fini, president of AIU North America Inc.

The "silent revolution" of global alliances is affecting many areas of the international business world, and midsize insurance brokerages are in a prime position to benefit, he said.

Individual brokers will be able to use their international networks as they compete with the likes

of Aon Group Inc. and Marsh Inc. for international business, Mr. De Fini said.

By using networks, smaller brokers will avoid the problems that often accompany mergers and acquisitions, and they perhaps will be in a better position to concentrate on serving their clients, he said at a meeting sponsored by the APIW, a New York-based association of women in the insurance industry.

Insurers and brokers are in the midst of an increasingly strong wave of mergers and ac-

See De Fini on page 75

Bill would block claims regs

By JERRY GEISEL

WASHINGTON—The Department of Labor could not enforce its already-controversial health care claims regulations under legislation approved last week by the House Appropriations Committee.

The House panel approved a bill that appropriates funds for sever-

al federal agencies and includes a provision, advanced by Rep. Anne Northup, R-Ky., that would bar the Labor Department for one year from implementing, administering or enforcing health care claims regulations the DOL proposed last year. The proposed regulations would force employers and insurers to speed up dramati-

cally the processing of health care claims.

An effort by Rep. Rosa DeLauro, D-Conn., to strike the Northup provision from the bill failed on a 32-27 party-line vote.

The broader bill, which appropriates funds for fiscal year 2000 for the Labor Department and the

See Claims on page 78

Inside

• Amid the current rumbles in the reinsurance market that rate cutting may be at an end, risk managers should prepare to demonstrate to insurers why their loss records don't justify higher premiums, one of this week's editorials says. **PAGE 8**

• A group representing 55,000 Indians in Ecuador and Peru who are seeking more than \$1 billion in pollution damages from Texaco Inc. has launched an aggressive advertising campaign charging the oil giant with racial discrimination. **PAGE 73**

Top surplus lines insurers

Acceptance Insurance Co.	22
American International Specialty Lines Insurance Co.	12
Columbia Casualty Co.	18
General Star Indemnity Co.	18
Lexington Insurance Co.	10
Pacific Insurance Co. Ltd.	24
Reliance Insurance Co. of Illinois	16
Scottsdale Insurance Co.	14

Steadfast Insurance Co.	16
United National Insurance Co.	20

Top insurance wholesalers

Burns & Wilcox Ltd.	61
Crump Insurance Services Inc.	52
ECS Underwriting Inc.	60
Eastern America Insurance Agency Inc.	62
K&K Insurance Group Inc.	62
The Schinnerer Group Inc.	59
Sherwood Insurance Services	58
Stewart Smith Group Inc.	54
Swett & Crawford Group	48
Tri-City Brokerage Inc.	56

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Surplus lines execs optimistic about future rounds

By DAVE LENCKUS

Non-admitted insurers and wholesalers face an increasingly arduous surplus lines environment, marked by competitive and regulatory pressures.

Heated competition from admitted insurers again last year burned away revenue growth for the surplus lines market.

The trend of admitted-market deregulation could stoke that competition further.

Outwardly, it is not an inviting business environment. But rating agency officials and regulators echo surplus lines executives' assertions that the non-admitted market not only will survive the overall insurance market's evolution but also will be an important market segment for commercial insurance buyers.

Indeed, Tim Pedersen, incoming president of the National Assn. of Surplus Lines Offices Ltd., said he is "bullish" on the surplus lines market despite its challenges.

"If we're providing products they want to buy, we can be bullish on the future. We don't have to depend on cycles to make a good living," he said.

Mr. Pedersen, who becomes NAPSLO's president on Saturday, is president of independent wholesale broker Travis-Pedersen & Associates Inc. of Chicago and principal of managing general agency Alaskan General Insurance Agency L.L.C. of Anchorage, Alaska.

Outgoing NAPSLO President Orville D. Jones, who is retiring as chairman and chief executive officer of wholesaler Crump Insurance Services Inc. at the end of the month, also predicted "a strong future" for the surplus lines market.

"That's not to say the market won't change," he said. The market, long an incubator of new products, has to develop even more new products; insurers and wholesalers have to become more technologically proficient; and wholesalers must be run more efficiently, he said.

Given the market's creative talent, "I cannot see how it cannot continue," said Len LoVullo, incoming president of the American Assn. of Managing General Agents and president and CEO of LoVullo Associates Inc., a Buffalo, N.Y.-based MGA.

The non-admitted market can ensure its survival "by continuing to be innovative and at the leading edge of what customers need," said Louisiana Insurance Commissioner Jim Brown, who chairs the Surplus Lines Task Force for the National Assn. of Insurance Commissioners.

"There will always be a need for a safety valve for the licensed market," Mr. Brown said.

When the market next hardens, buyers will find that they need the surplus lines market, said Martin Sheffield, vp in the property/casualty rating division for A.M. Best Co. of Oldwick, N.J.

Although the admitted market continues to woo away surplus lines business and non-admitted insurers skirmish with each other for business, rates have stopped free falling. In addition, for some risks, including catastrophe-exposed property and trucking risks, rates have begun hardening.

Even before those developments this year, the largest surplus lines insurers collectively had begun to recover from their 1997 performance, which marked their worst slide in a decade. In 1997, the insurers that comprised the Top 10 reported a 4.5% drop in non-admitted direct written premiums from the previous year. The various insurers that comprised the Top 10 over the previous decade had not reported a lower premium volume since 1988, when insurers were pulling out of their hardest-ever market.

In 1998, the Top 10 insurers eked out a 1.7% gain to almost \$3.95 billion of non-admitted direct premiums from \$3.88 billion in 1997. Half of the Top 10 reported premium gains, compared with only three the year before.

The Top 10's small premium growth cut short an anomaly in 1997. Even though industrywide premium volume dropped about 1% that year, the industry outperformed the Top 10, according to a survey of state insurance departments.

In 1998, the overall industry's premium volume slide continued. Premium volume dropped 3.7% to \$8.24 billion from nearly \$8.55 billion in 1997 (see story, page 17).

The Top 10 consists of the same group of insurers for the third consecutive year, and there was only nominal movement of insurers within the rankings.

Meanwhile, the 10 largest surplus lines wholesalers, most of which place a majority of their business with admitted markets, reported a stronger premium volume gain than did the Top 10 surplus lines insurers.

The leading wholesalers collectively boosted their premium volume nearly 3.5% to \$3.7 billion in 1998 from 1997. Six wholesalers reported increases in 1998, compared with five a year earlier. A similar, though not identical, group of wholesalers eked out a less than 1% premium volume gain in 1997.

The five largest wholesale brokers fared better in premium growth than the Top 10 overall. The brokers' premium volume grew 4.15% to more than \$2.33 billion in 1998 com-

pared with 1997.

Stewart Smith Group Inc. jumped up two notches to No. 3 in the wholesale broker rankings, which dropped Tri-City Brokerage Inc. and Sherwood Insurance Services each a notch to fourth and fifth, respectively.

The five largest MGAs/underwriting managers last year more than doubled their 1997 premium volume gains, but their progress still was weaker than premium growth generated by the wholesale brokers. The MGAs/underwriting managers reported a 2.3% increase in premium volume, to more than \$1.36 billion in 1998.

Two wholesalers debut this year in the Top 10 rankings. ECS Underwriting Inc., the underwriting manager that XL Capital Ltd. recently acquired to run the insurer's worldwide environmental coverage business, ranks as the second-largest underwriting manager. Eastern America Insurance Agency Inc. ranks as the fifth-largest MGA/underwriting manager.

The two newcomers replace General Star Management Co. and First State Management Group Inc. *Business Insurance* has decided not to rank those two underwriting managers because they are so closely integrated with non-admitted insurers that *BI* does profile.

Despite more than a decade of a softening marketplace, surplus lines insurance still can be profitable. Nine of the 10 largest non-admitted insurers reported profits in 1998.

Six of them, however, reported lower net income last year than in 1997.

Wholesalers, meanwhile, reported higher profits in 1998 than in 1997, according to a NAPSLO survey. That was largely attributable to a jump in contingency commission earnings due to lower loss ratios on business the wholesalers produced, according to Mr. Jones.

In the years ahead, though, even a hardened market may not guarantee top-line and bottom-line growth.

See Market on next page

10 largest U.S. based surplus lines insurers

Insurer Parent company	Non-admitted 1998 direct premiums	% change	Total 1998 gross premiums	% change	Statutory combined ratio
Lexington Insurance Co. American International Group Inc.	986,178,108	-4.2	1,252,223,108	-4.3	101.5
American International Specialty Lines Insurance Co. American International Group Inc.	790,154,968	19.2	816,700,062	17.5	93.0
Scottsdale Insurance Co. Nationwide Mutual Insurance Co.	453,303,111	-7.7	1,093,443,217 ¹	-1.9	108.2
Reliance Insurance Co. of Illinois Reliance Insurance Co.	340,044,835	11.3	392,794,313 ¹	10.1	102.8
Steadfast Insurance Co. Zurich Insurance Co.	321,728,878	1.4	344,158,394 ¹	-2.0	115.6
General Star Indemnity Co. Berkshire Hathaway Inc.	300,925,620	-3.4	308,269,365	-4.4	109.8
Columbia Casualty Co. CNA Insurance Cos.	212,951,967	5.8	550,401,303 ¹	1.1	117.0
United National Insurance Co. American Insurance Service Inc.	200,067,246	4.5	296,425,955 ¹	12.0	85.5
Acceptance Insurance Co. Acceptance Insurance Cos.	175,710,088	-1.1	233,922,129 ¹	-6.4	117.8
Pacific Insurance Co. Ltd. The Hartford Financial Services Group	166,297,405	-13.9	270,844,869 ¹	-6.9	103.5

Source: BI survey

10 largest U.S. based insurance wholesalers

Broker Parent company	1998 premium volume	% change	1998 gross revenues	% change	% surplus lines
Swett & Crawford Group Aon Corp.	698,900,000	22.7	70,800,000	34.9	40
Crump Insurance Services Inc. Marsh & McLennan Cos. Inc.	585,000,000	4.7	43,600,000	5.5	60
Stewart Smith Group Inc. Willis Corroon Group Ltd.	362,367,000	5.4	28,895,000	1.1	40
Tri-City Brokerage Inc. Privately held	355,000,000	-18.4	27,000,000*	-13.5	20
Sherwood Insurance Services Aon Corp.	334,000,000	-0.3	34,004,000	6.3	25

MGA/Underwriting Manager Parent company	1998 premium volume	% change	1998 gross revenues	% change	% surplus lines
The Schinnerer Group Inc. Marsh & McLennan Cos. Inc.	\$454,000,000	-4.2%	\$37,600,000*	-4.3%	5.0
ECS Underwriting Inc. ECS Inc.	266,000,000 ²	18.2	NA	NA	5.0
Burns & Wilcox Ltd. H.W. Kaufman Financial Group Inc.	263,729,405	-2.3	41,818,924	7.1	80.0
K&K Insurance Group Inc. Aon Corp.	228,417,000	7.5	NA	NA	2.0
Eastern America Insurance Agency Inc. Universal Insurance Group	153,335,000	0.4	6,617,000	9.9	2.0

1. Figures reported on a pooled basis. 2. 1998 fiscal year ends 6/30/99. * BI estimate
Source: BI survey

Market

Continued from previous page

Growth prospects

Market observers are mixed on the surplus lines industry's prospects for revenue growth to help drive up profits.

"At this point in the cycle, the growth prospects are difficult," said Seth D. Freudberg, president and CEO of United National Insurance Co., which reported a relatively robust 4.5% increase in non-admitted premiums for last year.

Although the dramatic rate cuts of recent years are subsiding and the rates for some risks are stabilizing or hardening, surplus lines market observers generally agree that no class of risk is underwritten solely by non-

admitted insurers. In addition, no one is predicting an overall market hardening.

Rating agency Standard & Poor's Corp. of New York has a negative business outlook for the entire property/casualty industry, including the surplus lines market, because the agency foresees continued competition and the need for further reserve development. S&P projects flat to decreasing premium volume for the surplus lines industry.

Market capitalization is very strong, solvency is not an issue, and the typical surplus lines underwriter has a stronger underwriting performance than the typical admitted insurer, said Wai Tung, an associate director in S&P's property/casualty division. Years of rating inadequacy, however, will muddy the true profitability picture of surplus lines insurers until their losses ultimately

develop, Mr. Tung explained.

Because the surplus lines market "gets the hairier part of the business and there isn't as much data, it's hard to gauge long-term profitability" of non-admitted insurers, said Charles Titterton, a director in S&P's property/casualty division.

Some observers are a little more optimistic, though they do not predict strong revenue growth.

Best's Mr. Sheffield predicted that the drags on the surplus lines market's revenue growth will continue. The most significant ones are the popularity of alternative risk markets and competition from the admitted market, which could be spiked by commercial lines deregulation.

Brokers with largest wholesale premiums

Ranked by estimated combined premium volume of all wholesale brokerage subsidiaries

Rank	Broker	1998 premium volume
1	Aon	\$1,182,900,000
2	Marsh	\$585,000,000
3	Willis	\$362,367,000
4	Tri-City	\$355,000,000
5	Brown & Brown*	\$300,000,000
6	Gallagher	\$185,000,000
7	C.E. Heath	\$183,700,000
8	Cooney, Rikard & Curtin	\$177,000,000
9	ARC Excess & Surplus	\$175,000,000
10	U.S. Risk Insurance Group	\$115,110,000

* B/I estimate
Source: B/I survey, company reports.

lation.

In addition, anticipated voluntary or legislated automobile premium reductions, workers compensation rate cuts and minimal growth of homeowners coverage could hold back revenue growth for the industry, he said.

Texas Insurance Commissioner Jose Montemayor, a member of the NAIC's Surplus Lines Task Force, said there is anecdotal evidence that the market is turning. "I see, overall, the cycle beginning to turn, and I believe it will," he said.

Deregulation

At the same time, though, a growing number of states are deregulating their rate and form requirements for certain admitted commercial lines business. In some states, admitted insurers are free from rate and form requirements when underwriting large, sophisticated risks. Deregulation in some other states, though, also encompasses risks as small as those that generate \$10,000 to \$25,000 of annual premiums for all of their property/casualty coverages.

Some market observers say deregulation could jeopardize premium growth opportunities for surplus lines insurers and wholesalers, even if the overall market stabilizes and some segments harden.

"To the extent that any deregulation of the admitted market encourages admitted market insurers to write business that might previously have been written by surplus lines carriers, it is true that there could be some systemic move from the surplus lines market to the admitted market," Louisiana Commissioner Brown said.

He stressed, though, that "the surplus lines market is by definition an adjunct to the admitted market that is only needed in those cases where the admitted market is not prepared to write the coverage."

Former NAPSLO President Paul Springman predicted that deregulation will "have a major impact on how the surplus lines business transacts business in the future—more than any single issue in the next five years."

"If deregulation continues, the customer will not have the same need for the wholesale broker as in the past," unless wholesalers can demonstrate they have market expertise that can help the insurance buyer and that is unavailable elsewhere, said Mr. Springman, president of both surplus lines insurer Evanston Insurance Co. and underwriting manager Shand Morahan & Co. Inc. Both companies are Evanston, Ill.-based subsidiaries of Markel Corp.

Other observers said deregulation does not overly concern them.

United National's Mr. Freudberg said deregulation will have "no meaningful impact" on the non-admitted market if the admitted market does not harden. In soft market conditions, the admitted market writes many of the deregulated risks anyway.

In a deregulated hardened market, the normal flow of business that would leave the admitted market would be reduced, Mr. Freudberg said. Deregulation would allow admitted insurers to compete for that business subject to more prudent rates and forms that the insurers could not quickly have obtained permission to use in a regulated environment.

In any case, some lines of coverage always will be regulated, and market forces will push the most complex risks into the surplus lines market, Mr. Freudberg and Best's Mr. Sheffield agreed.

See Market on page 6

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What can we do to help you?

Market

Continued from page 4

Texas Commissioner Montemayor noted that surplus lines premiums in the Lone Star state have dropped only a few percentage points since the state's admitted commercial lines market was deregulated several years ago. Admitted insurers in Texas enjoy rate and form freedom with risks that generate as little as \$25,000 of premiums annually, he noted.

NAPSLO has concluded that attempting to stop admitted market deregulation would be futile, Mr. Jones said.

Instead, NAPSLO is advocating a level playing field for non-admitted insurers in states that deregulate the admitted market for risks generating \$25,000 or less of annual premi-

ums. NAPSLO would like those states to allow their wholesalers to bind surplus lines placements without conducting a diligent search of the admitted market for coverage.

Deregulation laws in Colorado, Maine and Missouri contain such automatic export provisions for certain placements, according to Mr. Pedersen. In addition, in 15 states that have not deregulated their admitted markets, insurance codes already contain automatic export provisions for certain risks, Mr. Pedersen said.

Best's Mr. Sheffield supports that idea.

A group of regulators studying the concept, however, is expected to reject it officially this week at the NAIC's fall meeting in Atlanta. The group, appointed by the NAIC's Surplus Lines Task Force, already has "strongly" asserted that the

playing field should not be level, Louisiana Commissioner Brown said.

"Surplus lines carriers that wish to compete on a level playing field with the licensed market should become licensed in that jurisdiction," he said.

To foster additional competition for commercial lines business, though, the working group likely will recommend that sophisticated commercial lines insurance buyers be allowed to reject the admitted market quotes they obtain and accept surplus lines insurers' quotes, Mr. Brown said.

Innovation

Another way the surplus lines market can generate new revenue is by keeping its new-product pipeline flowing, market observers said.

Surplus lines insurers that have

created some classes of business are so adept at writing the business and at providing risk management guidance that they "virtually have a hold" on that business, Best's Mr. Sheffield said.

Among the new surplus lines products that have been introduced recently are:

- Swett & Crawford Group's coverage for representations and warranties made during the sale of a business.

- Pacific Insurance Co. Ltd.'s professional liability program for media companies.

- Evanston's hackers insurance, which covers the property and liability damages caused by unapproved break-ins to electronic communication systems. Another new program covers the liability that organizations such as hotels and shopping malls may face after making

heart defibrillators available during medical emergencies.

- General Star's billing errors and omissions coverage for home health care agencies.

- Scottsdale Insurance Co.'s property and liability package policy for exercise and health studios.

New products, though, are only part of the reinvention process. Surplus lines insurers also are taking other steps that likely will reduce their revenues for the chance to increase profit margins for themselves or the larger insurance corporations to which they belong.

Most notably, surplus lines insurers increasingly are making admitted paper available to policyholders. Those "specialty companies" are not new to some insurance groups, but they are becoming more prevalent, said S&P's Mr. Tung.

He cited Markel as one example of a traditional non-admitted insurance group that "is leveraging the admitted paper of companies it is acquiring."

United National's Mr. Freudberg said that retail brokers and agents are one driving force behind that trend. "There's such a push among retail brokers and agents to write business on an admitted basis that companies like us have had to ramp up business written on an admitted position," he said. Two United National subsidiaries, Diamond State Insurance Co. and Hallmark Insurance Co., are admitted in most states.

Wholesalers also benefit when surplus lines insurers have admitted paper available, especially for small accounts, Evanston's Mr. Springman said. Due diligence searches for admitted markets for those accounts and surplus lines taxes on that business cut deep into wholesalers' profit margins, he said.

Kemper Insurance Cos. of Long Grove, Ill., is one longtime admitted market that has turned that trend on its head. Over the past couple of years, Kemper has acquired shell companies and has invested in INEX, Illinois' insurance exchange, to begin writing non-admitted business.

Kemper's business plan, however, does not center on establishing a surplus lines operation, explained William Hickey, senior vp-corporate development.

When William D. Smith took over as president and chief operating officer at Kemper a few years ago, the insurer began diversifying its product line to make itself more attractive to the increasingly efficiency-minded independent agents, Mr. Hickey said. Part of agents' austerity move involves winnowing the number of markets with which they will deal.

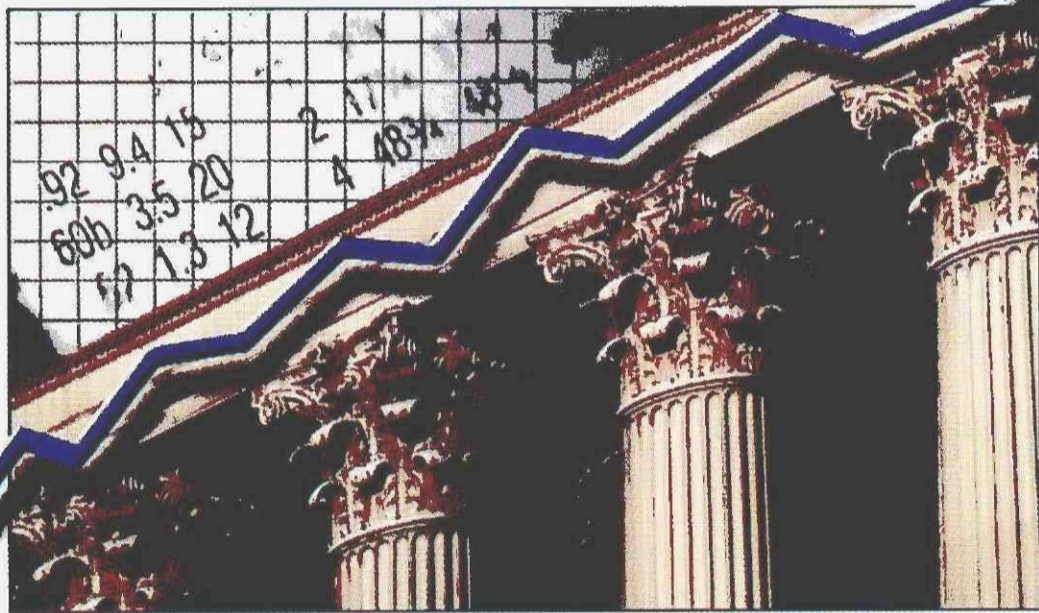
Some of Kemper's new coverages could be written on an admitted basis, but other portions required surplus lines forms and rates. Rather than giving up that business—a move Kemper feared would make it less attractive to agents—the insurer began putting together surplus lines operations to write the business.

Another part of the reinvention process for the surplus lines market is a willingness to dump unprofitable business, regardless of the impact on revenues.

For example, Lexington Insurance Co., the nation's largest surplus lines insurer, gave up between \$50 million and \$100 million of gross written premium this summer when it stopped writing non-U.S. property risks in the face of weak pricing.

"Any surplus lines company that isn't prepared to reinvent itself every five or six years loses," said Kevin Brooks, chairman and president of General Star Indemnity Co. of Stamford, Conn. **BI**

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Opinions

Prepare now for rate hikes

AS RISK MANAGERS PLAN their budgets for 2000 and beyond, they would be wise to take note of rumblings in the reinsurance market that rate cutting in that market may be at an end.

If reinsurers succeed in also raising rates, it could ultimately trigger a classic case of the tail wagging the dog: As reinsurance rates climb, so, too, might the primary insurance rates quoted to risk managers.

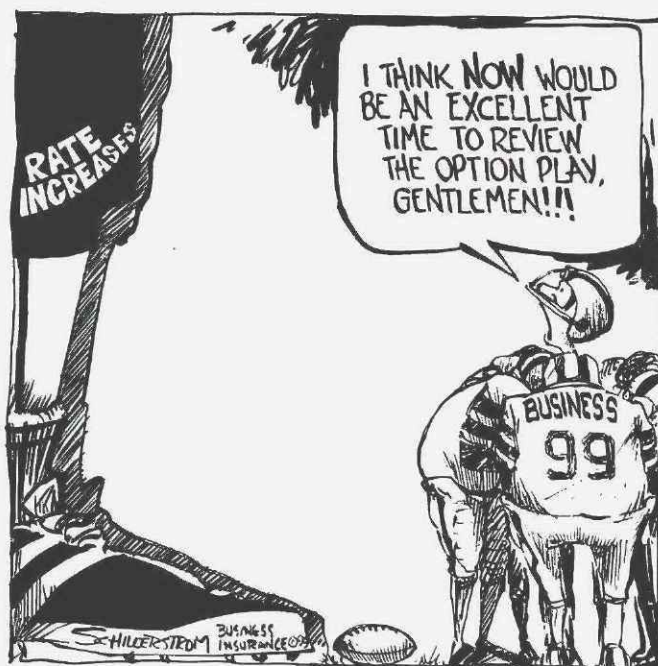
As we reported from the annual Rendez-Vous de Septembre last month, executives of several major reinsurance companies already are taking concrete steps to shed underpriced business and re-rate their remaining books of business. Many pointed to the poor financial results and thin operating margins of the reinsurance industry, suggesting that a major catastrophe might deplete enough excess capital to shock reinsurance rates into rising.

Those comments came one week before Hurricane Floyd menaced the United States, inundating areas of the Eastern seaboard with floodwater, and two weeks before a powerful earthquake hit Taiwan. Those large-scale disasters, likely to yield multibillion-dollar losses for the industry, follow a string of smaller catastrophes this year that has already created significant losses for reinsurers. Taken together, these losses could firm the reinsurance market's resolve to push up rates for ceding companies.

At the same time, insurance companies are under fire from Wall Street to produce better earnings. Several insurance companies in recent weeks have seen their stocks battered after they reported expectations for lower earnings in the third quarter due to the effects of catastrophes.

If these are the conditions that will greet insurance companies as they complete their year-end reinsurance renewals, can policyholders expect efforts to raise their primary rates to be far behind?

Now, therefore, is the time for risk managers to prepare. The same irrationality that drives the overall market to compete at ridiculous, loss-making levels could just as readily drive insurers as a group to try to



correct their soft pricing all at once.

Buyers should be ready to demonstrate to insurers why their loss records do not justify higher prices. Alternatively, they could explore their many alternative risk transfer options or dust off mothballed captive insurers and self-insurance programs.

Is it inevitable that commercial insurance rates will increase?

Not at all. Not only does the market still have plenty of capacity and competitive momentum, but, as we have said before, buyers also have plenty of viable alternatives that should make traditional insurers think twice about the consequences of steep, across-the-board rate hikes.

Even so, it's better for risk managers to take steps now to minimize the impact of any potential rate hike, rather than be caught flat-footed with no options other than writing a larger check to their insurance company.

Case could endanger cost control

WITHOUT COST CONTAINMENT, there can be no managed care. And without managed care, many employers will be unable to afford the cost of providing health care benefits.

We're concerned that a broad decision in a case accepted for review last week by the U.S. Supreme Court could have unintended consequences for the ability of managed care plans to contain costs.

The case, *Lori Pegram, M.D., Carle Clinic Assn. and Health Alliance Medical Plans Inc. vs. Cynthia Herdrich*, involves a woman who alleges that she did not receive adequate care from an HMO physician because the physician's bonus was tied to keeping costs down. The woman sued for malpractice and received a \$35,000 award from a state court.

But she also sued the plan, alleging that it had breached its fiduciary duties under the Employee Retirement Income Security Act by delaying necessary care through putting its own interests ahead of the patient's.

A federal district court dismissed her case, but a panel of the 7th U.S. Circuit Court of Appeals reinstated it and used the occasion to criticize certain aspects of managed care, especially the use of financial incentives for keeping costs down.

We can only hope that, unlike the 7th Circuit, the Supreme Court justices recognize that cost control mechanisms have a valid place in the health care system and do not by their mere presence indicate that a health

plan is breaching any fiduciary obligation to provide quality care.

The high court should not allow the anti-managed care rhetoric prevalent in society to sway it into making more of this case than what it is: a malpractice case, pure and simple.

The facts of this specific case are that the HMO was owned by the doctors, so they, in effect, paid the bonuses to themselves. While this is not a typical scenario, it is becoming more common in the managed care marketplace.

If the court rules against the doctor-owned plan, however, it is not too difficult to foresee attorneys alleging fiduciary violations against anyone with a hand in working toward health care cost control, be they HMO executives, case management officials or corporate benefit managers.

If that occurs, it would seriously undermine the ability of managed care plans to manage costs. If that results in unchecked health care inflation, many employers would be prompted to drop health care benefits altogether.

It would indeed be ironic if a case brought by on allegations of inadequate care for one patient resulted in untold thousands of others losing their coverage because it became too expensive.

That would surely make this a case where the cure proved to be far worse than the disease it was designed to remedy.

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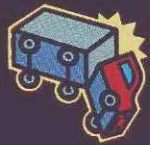


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	1998	1997
Gross premiums	\$1.25 billion	\$1.31 billion
Non-admitted	\$986,178,108	\$1.03 billion
Commercial risks	99.6%	37.2%
Net premiums	\$290,785,503	\$461,859,259
Paid-in capital	\$5,000,000	\$5,000,000
Capital & surplus	\$1.35 billion	\$1.22 billion
Employees	260	260
Combined ratio	101.5%	98.6%
Rating agency	101.4	98.4%
Net income	\$156,110,621	\$172,994,444
Best's rating	A++	A++
S&P rating	AAA	AAA

For Lexington Insurance Co. the price for international property business is not right.

This summer, Lexington stopped writing non-U.S. property risks as part of a larger strategy by parent American International Group Inc. to withdraw from that market in the face of weak pricing.

For Lexington, the decision means a loss of between \$50 million and \$100 million in gross written premiums this year. American International Underwriters Inc., another AIG unit involved in the withdrawal, will lose another \$50 million or more in gross premiums, Chairman Kevin H. Kelley estimated.

The companies don't mind shedding underpriced business, though.

"We made a statement to the market that, if we could not get the right rate for the risk we were taking, we'd

leave it to others," Mr. Kelley said. "We hoped to send a signal to the marketplace that the market needed a change."

Whether the market responds remains to be seen.

"One would expect a much sharper and more immediate impact than what we're seeing," Mr. Kelley observed. Still, a "dramatic drop" in retrocessional reinsurance capacity and a smaller drop in capacity for layered international property programs may herald a market shift, he said.

The move on international property follows Lexington's gradual reduction of U.S. domestic property volume over the past two years as prices have continued to fall.

"On domestic property, we've given

up \$150 million in gross written (premiums)," Mr. Kelley said. "Our willingness to shed premium to get the



Mr. Kelley

right formula for property is pretty daunting."

Gross written premiums at Lexington slid 4.3% last year to \$1.25 billion from 1997 volume. Gross non-admitted volume also fell 4.2%

to \$986.2 million compared with 1997. Property premiums, which had grown steadily in the 1990s to account

for almost half of Lexington's gross volume by 1997, fell 5.1% to \$577.6 million in 1998 compared with the previous year. Meanwhile, casualty premium volume, in decline for most of the 1990s, dropped a further 4.5% last year to \$635.4 million. The rest of Lexington's volume includes property and liability combined lines, consisting mainly of high-value coastal personal lines property risks.

The most dramatic change has been in Lexington's net premiums: The insurer has ceded much more of its business to reinsurers over the past two years, and 1998 saw net premiums plummet 37% to \$290.8 million. Property net volume fell 44.6% last year; casualty volume dropped 32.7%.

Specialty casualty lines are where Lexington is looking for growth in the soft market, according to Mr. Kelley. He pointed to employment practices liability, design professionals' and other professional liability risks and certain transportation risks as lines that have performed well.

"All those four areas have shown growth in double digits," in some cases 20% over 1998 volume, he said.

Lexington also has developed an array of risk management and loss control services for policyholders. The services weren't intended to become huge generators of profits; they were offered as a way for Lexington to control its losses.

Overall, Lexington's casualty book is roughly 65% excess and umbrella risks, 20% transportation business and 15% primary liability risks.

The insurer can provide a gross line on excess casualty business of up to \$50 million with facultative reinsurance support. It also offers up to \$5 million in limits on directors and officers liability coverage and \$5 million on primary liability, though most primary policies carry limits of about \$1 million, Mr. Kelley confirmed.

The casualty side of the business may not be as competitive as the property side, but it still isn't easy, he suggested.

"We think the primary casualty market is way overdue for a price correction. We have tried to lead that," he said, noting that Lexington has tried to raise rates and policyholders' self-insured retentions where possible.

The response has been mixed, with Lexington holding on to some renewals and losing others to competitors, he said. The business it has kept has tended to be related to products liability, where it has won rate increases of 10% to 25% from policyholders that have had losses, he said.

Lexington's competitors tend to be other surplus lines insurers rather than licensed insurers, he added.

"What we are seeing now is more aggression within the surplus lines market. I'm beginning to see the admitted market letting business go," Mr. Kelley said.

Meanwhile, Lexington continues to write U.S. property business where it believes it can make an adequate return. "Our goal on the property side is to make an underwriting profit. That's the only way you can stay in business," he observed.

Along with catastrophe-exposed property risks, Lexington specializes in energy—including petrochemical, pipeline and refinery risks—and high-value locations, such as bridges, dams and tunnels, and mining and railroad risks.

It can offer up to \$20 million in net and treaty limits on property business and can expand that up to \$25 million with facultative reinsurance support.

Along with individual risk property
Continued on page 12

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Spotlight report

Continued from page 10

and casualty accounts, Lexington writes business through several specialty divisions, including:

- A special accident division, which writes stop-loss coverage mainly for health care providers.

- A program division, which writes primary and excess property and liability coverage for trade and professional groups.

- A captive division, which offers fronting and excess insurance programs for captives.

Lexington's London office, the center of its international division, continues to write U.S. property and other risks, though its activities have been cut back with the withdrawal from international property.

Pushing to expand its distribution channels, Lexington has developed seven distinct sources of business: Third-party administrators, reinsur-

ance brokers, retail producers, retail specialists, wholesalers, London market producers and program administrators, Mr. Kelley noted.

A large part of Lexington's business is produced through Risk Specialist Cos. Inc., an AIG agency unit with more than two dozen U.S. subsidiaries.

As Lexington sheds business it considers underpriced, the effects of the soft market are apparent in its results.

Last year, Lexington posted a combined ratio of 101.5%, the first time in many years that its combined ratio has exceeded 100%.

Earned premiums totaled \$372.9 million last year, down 19.9% from 1997. After deducting losses and expenses, Lexington realized an underwriting gain of \$5.3 million, a 30.3% drop from the previous year. Net income after investment gains totaled \$156.1 million, down 9.8% from 1997.

In the first half, Lexington's earned premiums nearly doubled to \$379.4 million from \$198.7 million in the same period last year, largely on the strength of a roughly four-fold increase in assumed reinsurance. Earned premiums on direct insurance business fell slightly in the first half.

After deducting losses and expenses, Lexington recorded an underwriting gain of \$4.7 million compared with an underwriting loss of \$22.9 million in the first half of 1998. Factoring in investment gains and taxes, Lexington reported net income of \$63 million in the first half, down 14.5% from \$73.7 million in 1998's first half.

In addition to Mr. Kelley, Lexington officers include John W. Keogh, president; Richard Bucilla, Richard Jodoin and Shaun E. Kelly, executive vps; and Nicholas Anselmo and Michael Castelli, senior vps.

—By Douglas McLeod



American International Specialty Lines Insurance Co.

c/o American International Surplus Lines Agency Inc.

Harborside Financial Center, 401 Plaza 3, Jersey City, N.J. 07311; 201-309-1100; fax: 201-309-1186

	1998	1997
Gross premiums	\$816,700,062	\$695,086,205
Non-admitted	\$790,154,968	\$663,033,822
Commercial risks	99.5%	99.9%
Net premiums	\$118,586,052	\$101,994,745
Paid-in capital	\$5,002,500	\$5,002,500
Capital & surplus	\$240,879,845	\$212,200,853
Employees	0	0
Combined ratio	93.0%	97.3%
Rating agency	93.0%	97.3%
Net income	\$26,490,773	\$24,297,358
Best's rating	A++	A++
S&P rating	AAA	AAA

American International Specialty Lines Insurance Co. has done well in a soft market by doing what its name suggests: specializing.

While sister company Lexington Insurance Co. writes an array of property and casualty coverages, AISLIC has focused its underwriting a few profitable areas, including environmental risks, financial insurance products and alternative risk products.

Both AISLIC and Lexington, the largest U.S. surplus lines insurer, are units of American International Group Inc.

AISLIC has generated consistent underwriting profits despite wide fluctuations in its annual gross written premium volume that result from large-premium financial insurance and finite risk deals.

Gross premiums at AISLIC jumped 17.5% last year to \$816.7 million from 1997, though its annual volume over the past five years has often shifted within the \$600 million to \$800 million range.

"We get big swings in volume. They may not necessarily mean anything," observed Kevin H. Kelley, AISLIC's president, pointing to the financial risk business.

"When you get a win," he said of that business, "you get a big win. It's a very transactional business. . . . Every year you start with a new slate."

Gross non-admitted volume grew 19.2% to \$790.2 million last year compared with 1997, easily preserving its spot as the second-largest U.S. surplus lines insurer. AISLIC writes on a surplus lines basis in all states except Alaska and New Jersey.

It operates as an admitted insurer in Alaska, where it was incorporated in 1973.

Unlike many surplus lines insurers—and unlike Lexington, of which Mr. Kelley is chairman—AISLIC is almost exclusively a casualty underwriter. Of \$816.7 million in gross premiums written last year, \$738.1 million, or 90.3%, were in liability lines. AISLIC also wrote \$69.9 million in other lines, principally surety and fidelity, and the small balance of premiums came from property and combined property and liability risks.

In addition to its three specialty areas, AISLIC's casualty premiums last year included small volumes of claims-made medical malpractice coverage for physicians, hospitals and other health care providers; products liability, most of it written on an occurrence form; and commercial auto liability coverage, its financial statements show.

AISLIC's capacity for most casualty lines is \$50 million and can be increased with facultative reinsurance support, Mr. Kelley confirmed.

While writing a variety of casualty risks, AISLIC's real reason for being is its specialties, Mr. Kelley suggested: "I see the future of (AISLIC) in environmental, financial and alternative risk," he said.

The insurer has continued to expand its environmental book through two programs, dubbed EAGLE and SEAL.

EAGLE, which stands for Environmental and General Liability Exposures, provides combined pollution and general liability coverage with limits of up to \$10 million. The pollution legal liability part of the program covers third-party bodily injury, third-party property damage and third-party cleanup costs for pollution emanating from scheduled locations.

SEAL, standing for Supplemental Environmental Automobile Liability, is designed to fill gaps in commercial auto and trucking policies

Continued on page 14

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Meet

Meet the team! American E&S is excited to announce our recent partnership with both Gateway E&S and the Anchorage, Denver and San Francisco offices of Montgomery & Collins. Now positioned as a one-stop wholesale powerhouse, our new team can accommodate virtually any type of risk with

access to a much vaster selection of markets nationwide.

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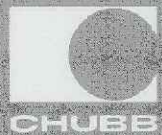
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COVERAGE BEYOND YOUR EXPECTATIONS



Spotlight report

Continued from page 12

by covering bodily injury, property damage and cleanup costs for pollution caused by cargo carried in insured vehicles. The SEAL program also provides up to \$10 million in limits.

Another product with a pollution component is Professional Package, or Pro Pac, which includes general, environmental and professional liability coverage to environmental consultants, engineers and contractors. The program offers primary limits of \$1 million per occurrence and \$2 million aggregate, with up to \$30 million in available umbrella limits.

Despite the premium volume fluctuations of a book heavily weighted toward financial insurance risks, AISLIC has reported consistent underwriting gains and steady growth in net income.

The insurer cedes a large part of its business to reinsurers, including other AIG affiliates, and last year posted net premiums of \$118.6 million, up 16.3% from 1997.

Earned premiums rose 9.3% to \$101.2 million compared with 1997.

After deducting losses and expenses, AISLIC reported an underwriting gain of \$5.3 million last year, more than quadruple 1997's gain of \$1.2

million.

AISLIC's combined ratio last year fell to 93.0% from 97.3% the previous year.

Factoring in investment gains and taxes, the insurer finished 1998 with net income of \$26.5 million, up 9.0% from 1997.

AISLIC finished last year with policyholders surplus of \$240.9 million, a gain of 13.5% compared with year-end 1997.

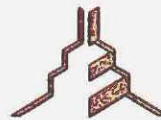
For the first half of this year, earned premiums dropped 23.9% to \$40.1 million from \$52.7 million for the same period in 1998. Losses and expenses cut into this sharply, producing a \$217,297 underwriting loss, compared with a \$2.6 million gain in the year-earlier period. After investment gains and taxes, though, AISLIC recorded net income of \$13.5 million, up slightly from \$13 million in the first half of 1998.

AISLIC's chief producers include the major insurance brokers. The insurer has no employees of its own and is staffed instead by employees of parent AIG.

In addition to Mr. Kelley, AISLIC officers include Thomas R. Tizzio, chairman; and Armand G. Pepin, senior vp.

—By Douglas McLeod

3



Scottsdale Insurance Co.

8877 N. Gainey Center Drive,
Scottsdale, Ariz. 85258;
480-948-0505; fax: 480-483-6752

	1998	1997
Gross premiums	\$1,093,443,217	\$1,114,198,849
Non-admitted	\$453,303,111	\$491,060,055
Commercial risks	87.5%	88.3%
Net premiums	\$333,621,690	\$327,032,443
Paid-in capital	\$6,027,200	\$6,027,200
Capital & surplus	\$243,048,828	\$211,078,908
Employees	1,009	1,087
Combined ratio	108.2%	104.3%
Rating agency	108.9%	105.0%
Net income	\$30,563,073	\$17,528,408
Best's rating	A++	A++
S&P rating	N/A	AA

Although production was down in 1998 at Scottsdale Insurance Co., profits were up.

Gross premiums written on a direct, non-admitted basis fell 7.7% in 1998 to \$453.3 million, a slightly larger decline than 1997's 6% tumble compared with 1996 surplus lines volume.

Nevertheless, the Scottsdale, Ariz.-based surplus lines insurer held on to its No. 3 spot in *Business Insurance's* ranking.

And the company's profitability continued to improve: Scottsdale's net income jumped 74.4% to \$30.6 million in 1998.

Much of Scottsdale's profit picture can be traced to improved claims handling, automation and the success of its parent company, Nationwide Insurance Group, according to R. Max Williamson, Scottsdale's president.

As part of a corporate pooling arrangement, 4% of Nationwide Group's total net income is allocated to Scottsdale, he explained.

The combined ratio figures also are pooled, reflecting the total experience of Scottsdale and its sister companies, he said. Consequently, Scottsdale's combined ratio grew slightly to 108.2% from 104.3% in 1997, mostly due to weather-related losses paid by Nationwide last year.

While Mr. Williamson could not

provide separate Scottsdale loss ratios, he said efforts to improve claims handling have reduced its loss costs considerably.

"Our goal was to improve our loss ratio by 4%, and we're pretty close to that," he said.

The company's push toward systems automation also is helping trim its expenses, he added.

"All of underwriting is completely paperless now," Mr. Williamson said. "Next is claims."

Even though 1998 wasn't a stellar year for Scottsdale's volume, non-admitted writings already are up 8% for the first six months of 1999 compared to the same period in 1998, according to Mr. Williamson.

"We expect to have an awfully good year this year," he said.

Volume on an admitted basis also is up about 20%, according to Michael Dean Miller, Scottsdale's treasurer.

In fact, admitted business represented about 40% of the insurer's total \$1.09 billion in 1998 gross premium volume, up from about 34% of business in 1997.

Of the several new programs Scottsdale introduced last year, the property and liability package policy for exercise and health studios probably is its most successful, according to Gary L. Tiepelman, vp-underwriting. Mr. Tiepelman replaced Bob Keul, who retired earlier this year.

The insurer has written nearly \$1.5 million in premiums in this line so far this year, he estimated.

In addition, a petrochemical property program introduced in 1997 has produced over 800 policies since its inception, Mr. Miller said.

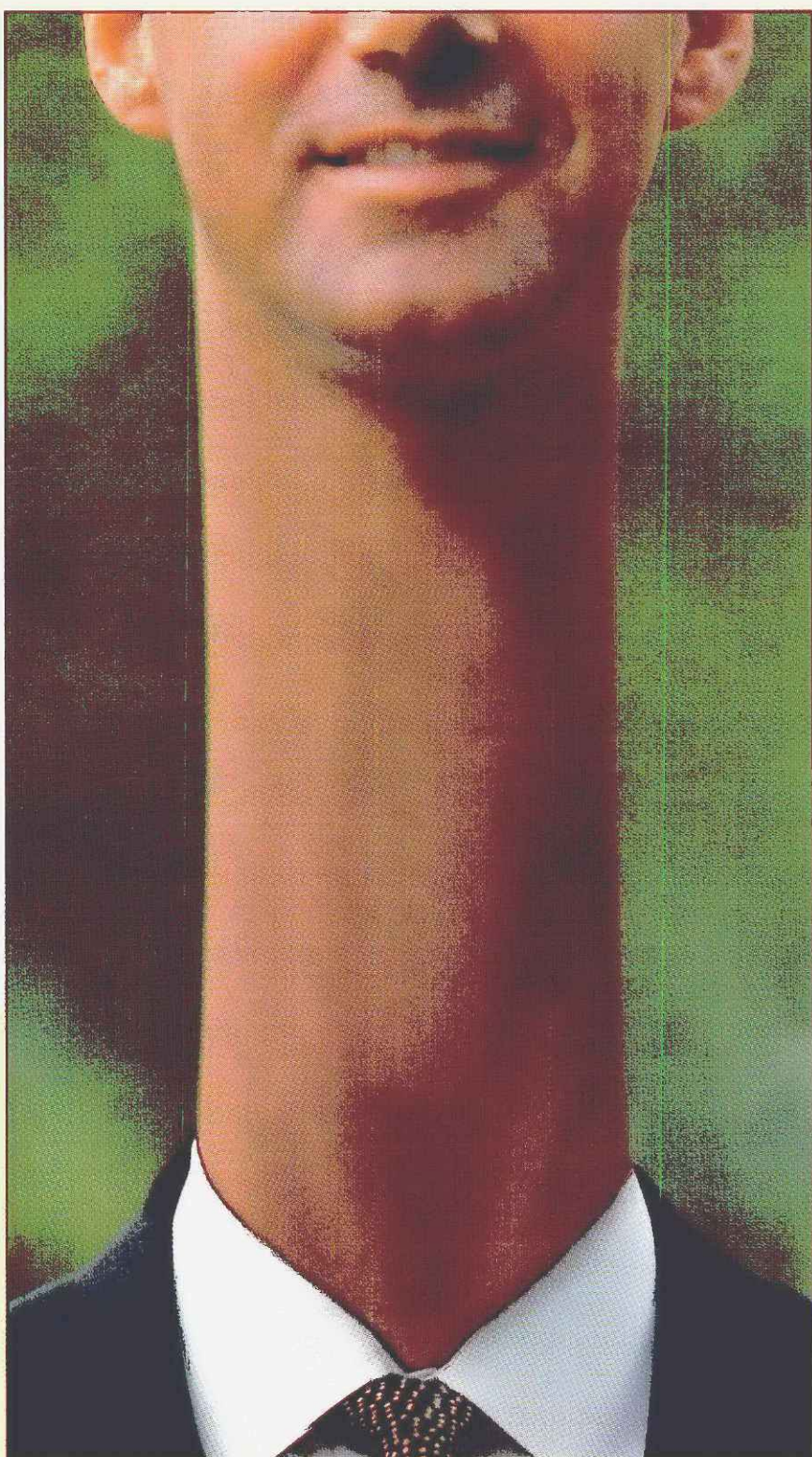
The other new 1998 programs—tire recapper property and liability, auto recovery property and liability, architects and engineers professional liability, ocean marine cargo, home inspectors liability, and electricity-generating wind farms property—haven't been as successful, he said.

Scottsdale is willing to entertain all sorts of risks. "We're always looking for new opportunities," Mr. Tiepelman said.

For example, besides providing liability insurance for crane rental operators, "we also will write 'on-hook' coverage for whatever they're lifting," he said.

Scottsdale also launched an employment practices liability insurance product earlier this year.

Continued on page 16



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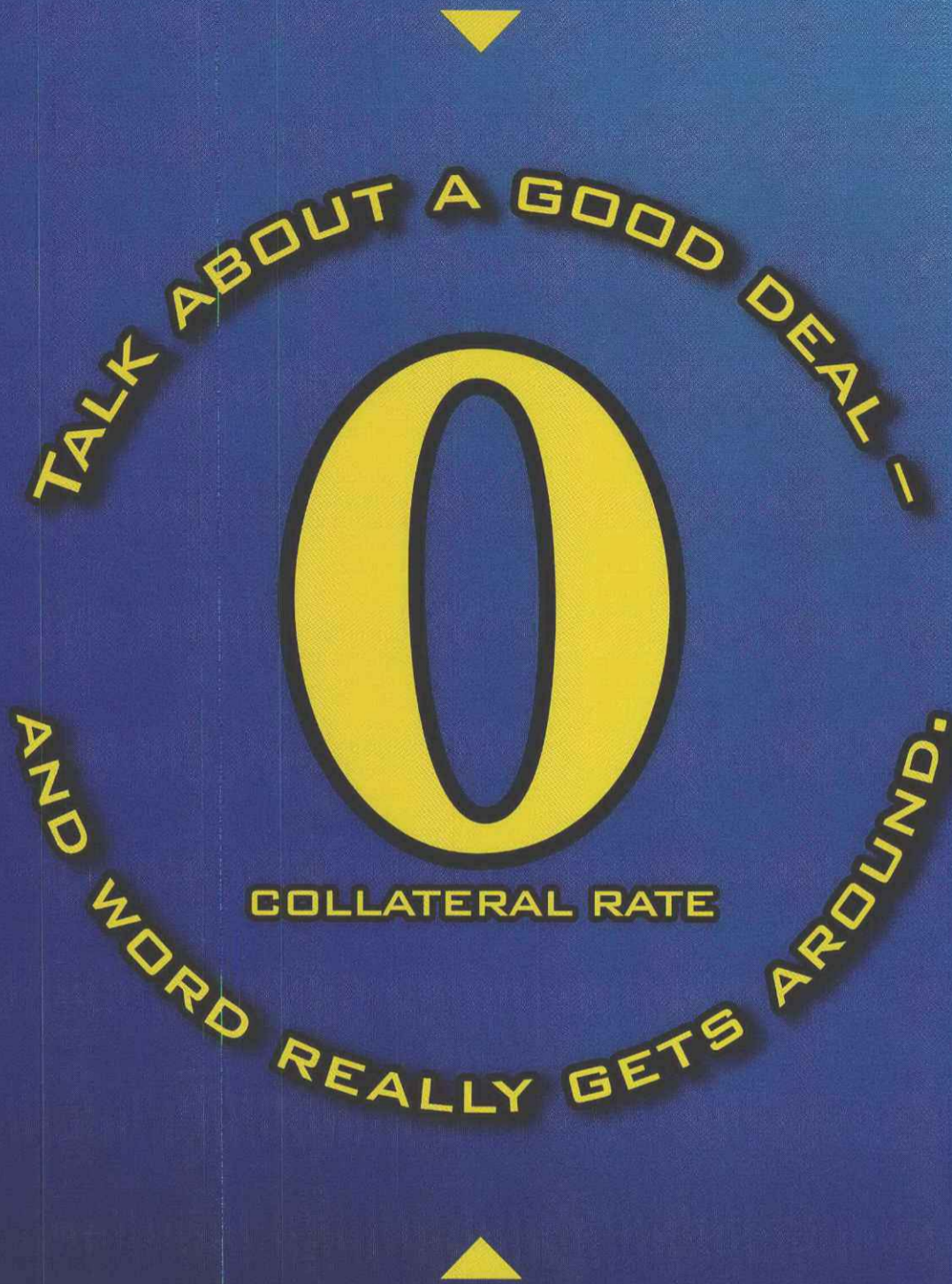
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Spotlight report

Continued from page 14

And the insurer writes coastal property insurance in the Carolinas, an area recently hit hard by hurricanes Dennis and Floyd.

While a managed care errors and omissions policy it introduced in 1997 has yet to attract any takers, its Public Entity Package, or "PEP" policy, has been a hit, bringing in about \$30 million in premiums in 1998.

Meanwhile, the insurer continues to write transportation coverages; professional liability coverages; general, excess and umbrella liability coverages; and property insur-

ance.

Scottsdale continues to focus on cross-selling opportunities, offering more than one line of insurance to its customers, Mr. Williamson said.

This is improving the insurer's retention rate, said Mr. Tiepelman, who estimates that Scottsdale now retains between 60% and 65% of its commercial casualty clients and 70% of its commercial property clients at renewal time.

The insurer, which began primarily as a casualty underwriter, today writes more property than liability business, Mr. Miller said.

About 90% of Scottsdale's busi-

ness comes from general agents with binding authority and program managers that market specific lines of business, such as professional liability. The remainder is generated by about 165 general agents and brokers.

Among Scottsdale's top producers are: Burns & Wilcox Ltd.; Media/Professional Insurance Co. Inc.; Go Pro Underwriting Managers; Crump Insurance Services; J.J. Negley & Associates; Hull & Co.; and Colonial General Insurance, which is operated by Rollie Wiegers, Scottsdale's founder.

While the same \$10 million in ca-

capacity is available for all product liability lines, the new umbrella liability capacity was increased to \$25 million from \$10 million as of Jan. 1, 1997, and up to \$50 million is now available for some property and casualty lines, according to Mr. Miller.

Fortunately for Scottsdale, the reinsurance market still is soft, enabling the company to cede all but \$500,000 to \$1 million of each risk.

While Scottsdale primarily buys treaty reinsurance for the extra capacity, it will obtain facultative reinsurance when necessary.

Scottsdale's reinsurance is placed by Aon Re of Chicago. Its principal

reinsurers are: Chartwell Reinsurance Co., Folksamerica Reinsurance Co., Kemper Reinsurance Co., PMA Reinsurance Corp., St. Paul Fire & Marine Insurance Co., Skandia American Reinsurance Co., Trendwick America Reinsurance Corp. and Zurich Reinsurance Centre Inc.

In addition to Mr. Williamson, Mr. Miller and Mr. Tiepelman, Scottsdale's other principal officer is Dennis William Click, secretary.

Scottsdale is an approved non-admitted insurer in all states except Arizona, Delaware and Ohio, where it operates on an admitted basis.

—By Joanne Wojcik Kochaniec

4 Reliance

Reliance Insurance Co. of Illinois

233 S. Wacker Drive, Suite 6120,
Chicago, Ill. 60606;
312-554-3200; fax: 312-554-3223
www.reliance-national.com

	1998	1997
Gross premiums	\$392,794,313	\$356,811,524
Non-admitted	\$340,044,835	\$305,604,293
Commercial risks	86.6%	85.6%
Net premiums	\$23,078,079	\$19,651,979
Paid-in capital	\$4,100,000	\$4,100,000
Capital & Surplus	\$48,648,236	\$42,955,502
Employees	0	0
Combined ratio	102.8%	102.3%
Rating agency	103.2%	102.5%
Net income	\$4,127,183	\$3,259,375
Best's rating	A-p	A-p
S&P rating	A-	A

The only classes of risk Reliance Insurance Co. of Illinois absolutely won't write are easily defined, according to Reliance National Insurance Co. Senior Vp Catherine Kelly: "unprofitable ones."

Such pickiness has paid off handsomely for Reliance of Illinois. The insurer's net income grew 26.6% to \$4.1 million in 1998 from \$3.3 million in 1997.

And the insurer hopes a new addition to its offerings—network computer liability insurance—will further bolster a bottom line that draws

much of its strength from a core book of business. That core includes architects and engineers liability, lawyers liability, employment practices liability, health care liability and miscellaneous professional liability.

Reliance of Illinois, which has no employees of its own, is Reliance National's main underwriter of non-admitted business. Reliance of Illinois, which was fourth in *Business Insurance's* annual ranking of surplus lines insurers, is an admitted insurer in Illinois and operates on a non-admitted basis elsewhere.

Reliance of Illinois generally offers limits of up to \$25 million for most lines it writes, said Ms. Kelly, who is senior vp in charge of the excess and surplus division for Reliance National. The insurer does, however, offer limits of up to \$50 million for certain lines, including its umbrella package.

The insurer also offers property coverage of up to \$50 million and can provide higher limits if necessary, said Ms. Kelly.

Employment practices liability insurance is "continuing to grow," she said. The program, which offers limits of up to \$50 million, is keeping underwriters "very busy," particularly as court after court hands down decisions further clarifying the nature of such liability.

Reliance's architects and engineers liability program, which carries limits of up to \$25 million, is "not one that's growing as much as some of

our other areas," because "we're looking for the right price for the right exposures," said Ms. Kelly.

The insurer's health care liability program, which also carries \$25 million in limits, is "performing well," said Ms. Kelly. Reliance of Illinois is "working on a program for chiropractors that's being launched on a state-by-state basis. There are opportunities in lots of niche areas," she said.

Lawyers professional liability, with \$25 million in limits, is "again, a competitive area," she said. Nevertheless, the insurer thinks it is "doing very well" as it concentrates on marketing to medium-sized and large law firms, she said.

The insurer also offers limits of \$25 million for its miscellaneous professional liability program. The program covers more than 70 different types of exposures, she said.

Reliance has high expectations for its Network Computer Liability Insurance product, launched late last year. The program, which offers limits of up to \$10 million, is "aimed at basically any business that's transacting e-commerce or that has any kind of computer network system, even an internal system," said Ms. Kelly. "It's a third-party liability policy. It protects against unauthenticated access to the system," such as external or internal hacking that results in the company being sued for damages to a third party, she said. The policy, which was developed in

conjunction with Atlanta-based Insuretrust.com, also covers claims alleging libel, slander, trademark infringement and other risks associated with electronic publishing.

Reliance of Illinois' new errors and omissions program for insurance agents and brokers, with limits of up to \$25 million, has "been extremely well-received," she said. Reliance is the endorsed insurer for the National Assn. of Professional Insurance Agents.

The popularity of its core business and new programs helped earn Reliance of Illinois gross, non-admitted premiums of \$340 million in 1998, an 11.3% increase over 1997. The insurer's gross premium volume increased to \$392.8 million last year from \$356.8 million in 1997.

This growth was achieved even though "there is more appetite in admitted markets for some casualty business," said Ms. Kelly.

"I can't think of a class of business that's written only on a surplus lines basis," she said.

"We're holding the line on rates. We've been able to maintain our rating structure and still compete in the market over the past year," she said, saying Reliance of Illinois is "absolutely" willing to let business go rather than write it at a loss.

Ms. Kelly said Reliance of Illinois does business with "all the major reinsurers" and has had no difficulty in finding reinsurance.

The insurer works "very much

across the board with the major brokers and the wholesalers who are affiliated with the major brokerages" and some of the larger independent wholesalers, she said.

Looking ahead, Ms. Kelly said the insurer's short-term goals are "basically to maintain a profitable book of business, which, given the competitive nature of the market, may mean slightly less growth than we've seen in the past couple of years."

She added that there's no sign of across-the-board rate changes. "The only area that we've seen some firming this year falls a little bit into the umbrella area" for trucking risks or large fleet exposures on a non-trucking risk, she said. "But it's such a niche area that it doesn't carry any sway in the rest of the market," said Ms. Kelly.

Reliance of Illinois carries a Best's rating of A-p and a Standard & Poor's rating of A-. The ratings are made on a pool basis.

The only major management change at Reliance of Illinois was Ms. Kelly's promotion to take over the E&S division in May. Ms. Kelly, who formerly headed the umbrella division, succeeded Elaine Trischetta, who resigned.

The insurer's chief officers are Robert Olsman, chairman and president; Stewart Gerson, senior vp, treasurer and chief financial officer; and Kenneth Frohlich, senior vp and chief actuary.

—By Mark A. Hofmann

5 Steadfast

Steadfast Insurance Co.

1400 American Lane,
Schaumburg, Ill., 60196-1056;
847-605-6000; fax: 847-605-6011;
www.zurichus.com

	1998	1997
Gross premiums	\$344,158,394	\$351,319,459
Non-admitted	\$321,728,878	\$317,272,143
Commercial risks	100%	100%
Net premiums	\$25,923,881	\$30,990,196
Paid-in capital	\$4,100,000	\$4,100,000
Capital & surplus	\$105,873,172	\$95,725,290
Employees	0	0
Combined ratio	115.6%	111.7%
Rating agency	N/A	N/A
Net income	\$6,375,186	\$4,059,974
Best's rating	AA+	AA+
S&P rating	AA+	AA+

Though its gross premium volume declined in 1998, Steadfast Insurance Co. remains a key component of its Zurich sister companies' approach to addressing customers' risks.

In fact, in examining those gross premium figures, it's necessary to recognize that "Steadfast is really part of the Zurich U.S. family of companies," said Bryan Salvatore, director of marketing at Zurich U.S.' specialty lines division in New York.

"We view Steadfast as a huge part of what we do. It's a big piece of our premiums," Mr. Salvatore said. "To us, it's a matter of what's the most

effective way to deliver product to our customers and brokers."

Steadfast, which is one company in Zurich U.S. specialties division, focuses on management liability, professional liability, political risk, environmental liability, health care liability and railroad liability.

And, according to Mr. Salvatore, "90% of the business we write in Steadfast is from specialties."

Steadfast posted nearly \$344.2 million in gross premiums in 1998, a 2% drop from 1997's \$351.3 million.

During that period, though, gross premiums written on a direct, non-admitted basis increased 1.4% to more than \$321.7 million in 1998. Based on that figure, it holds the No. 5 spot in the *Business Insurance* ranking of surplus lines insurers.

Looking at this year's forecasts for the specialty area of Zurich U.S., Mr. Salvatore said, "We had a healthy projection. . . and we're exceeding that."

Within that performance, he said, there is "modest growth on the Steadfast side."

"But what you don't see there is the fact that we transitioned some business from Steadfast to the Zurich U.S. side, because it made sense," he said. "It made sense from a customer basis; it made sense from a broker basis."

Understanding those changes in programs from non-admitted to admitted paper is a key factor in comprehending Steadfast's numbers, Mr. Salvatore said.

"We see ourselves as a development shop in terms of developing new products. A lot of those are Steadfast products," he said. "Many of them remain Steadfast products. But, over time, if it makes sense, we'll transition some of those to Zurich U.S., to admitted paper."

There are 17 units within the Zurich U.S. specialties division, and within the area, Mr. Salvatore said he constantly sees demand for new products "bubbling up."

As new products are developed and implemented, "sometimes these are not on Steadfast paper, sometimes they are," Mr. Salvatore said.

Typically, the areas that remain on surplus lines paper are those that are constantly changing, such as the company's miscellaneous professional liability program, which provides coverage for professionals other than doctors, lawyers and accountants.

With regard to the state of the current surplus lines market, Mr. Salvatore said, "I don't think we're seeing rate increases, but in some areas we may be seeing rate firming."

"High-risk directors and officers is one area where we're actually seeing some rate increases," he said. "Some other areas, employment practices being one of them, we're seeing some rate firming, but other areas are still very soft."

Janet Jordan-Foster, a senior vp who runs the special casualty unit of the Zurich U.S. specialty division in New York, said that, in her area,

"our premiums are slightly ahead or just about even with where we were last year at this time." The special casualty unit focuses on primary general liability coverage, including products liability.

"We would like to see some rate increases, but we are not seeing that in this market," Ms. Jordan-Foster said. Instead, policyholders typically are renewing at the rates in their expiring coverage, she said.

"We're seeing some rate decreases, but the decreases are less than they have been in recent years," she said.

Ms. Jordan-Foster noted that last year, throughout the Zurich U.S. specialties operation, the company began paring back the number of wholesalers with which it works.

"We've gone to a preferred producer network," she said. "That's worked very well for us."

Under that sort of approach, rather than trying to be "all things to all people," the special casualty division can focus on its strengths, Ms. Jordan-Foster said. It can, she said, look for the sorts of risks it's comfortable working with and the sorts of coverages it feels best able to provide.

Steadfast's general liability capacity remains at \$5 million, Ms. Jordan-Foster said. But with a competitive excess insurance market, customers often ask the company to provide \$1 million to \$2 million in limits, "then they go off and buy excess above that," she said.

The company also is seeing a lot of

requests for two-year policies, "but we are looking very judiciously at those requests at this point," she said.

Steadfast is eligible to write as a non-admitted insurer in every state except Delaware—where it is an admitted insurer—and in Puerto Rico and the District of Columbia.

Among the commercial risks Steadfast specializes in insuring are environmental impairment liability, health care, professional liability, railroads, primary casualty, excess and umbrella, architects and engineers, and directors and officers.

In 1998, as in 1997, all of Steadfast's premium written on a direct, non-admitted basis was related to commercial risks.

Despite the decrease in gross premium volume from 1997 to 1998, net income was up, at nearly \$6.4 million from almost \$4.1 million in 1997.

The company's combined ratio was 115.6% in 1998, up from 111.7% in 1997.

Steadfast has no employees of its own, as all staff members are Zurich U.S. employees. In 1998, both its A+ rating from A.M. Best Co. and its AA+ rating from Standard & Poor's Corp. remained unchanged from 1997.

Steadfast's top three officers are Constantine P. Iordanou, president and chief executive officer; Loren J. Alter, vp and treasurer; and Ronald A. Anderson, vp.

—By Rodd Zolkos

Surplus lines premiums continue downward trend

By RICHARD TROUT

With 31 states and the District of Columbia recording decreases in 1998 non-admitted premium volume—and 15 of those suffering double-digit decreases—one could say it was a tough year for surplus lines insurers.

Non-admitted premium in 1998 totaled \$8.24 billion nationwide, down 3.7% from a restated 1997 premium of \$8.46 billion. Since 1996, premium volume has decreased 4.4%.

To make matters worse, a few of the states seeing sharp decreases are some of the market's largest participants in dollar terms, including Cal-

ifornia, down 18% to \$1.22 billion; Pennsylvania, down 18.6% to \$255.5 million; and Illinois, down 15.4% to \$230.5 million.

Indiana saw the largest decline this year, plummeting 47.9% to \$46.4 million. Connecticut was down 10% to \$77.7 million; the District of Columbia was down 12.8% to \$53.4 million; and New Hampshire was down 14.6% to \$45.3 million.

The news wasn't all bad, though, as 12 states posted double-digit gains in 1998 non-admitted premiums.

Overall, 19 states saw increases in 1998 premium volume. Making the strongest gain was Maine, up 33.9% to \$16.2 million. Maine is also one of

the states making the most headway for a two-year span, up 39.6% from \$11.6 million in 1996. Other states that recorded substantial increases in 1998 premium volume include Maryland, up 26.9% to \$105.9 million; South Dakota, up 21.1% to \$7.9 million; and Rhode Island, up 19.2% to \$31.1 million.

The large premium volume states of Ohio, New York, Florida and South Carolina also made significant gains. Ohio was up 22.5% to \$172.4 million; New York rose 18.8% to \$678.2 million; and Florida's premiums grew 18.5% to \$943.9 million; and South Carolina was up 17.8% to \$111.5 million.

Making the most progress since

1996 is Delaware, up 42.5% from its 1996 premium volume of \$16.8 million. Runners-up in this category are South Dakota, up 33.0%; Oklahoma, up 32.4%; Maryland, up 28.4%; and South Carolina, up 26.6% from its 1996 level.

The premiums of some states, however, have been heading in the opposite direction from their 1996 level, including Indiana, down 56.4%; Iowa, down 33.4%; Montana, down 24.0%; New Mexico, down 23.4%; and Tennessee, down 20.3%.

Many insurance departments restate their prior-year premiums as more accurate information becomes available. In several states, surplus lines figures were provided by the

stamping office or the surplus lines association rather than the state insurance department.

Proposals to change surplus lines laws are pending in California, Pennsylvania and Texas. The Surplus Lines Assn. of California and the Department of Insurance are proceeding with plans to create an electronic filing system for surplus lines brokers.

Eleven states reported changes to their surplus lines laws last year. In Texas, the comptroller eliminated the requirement that agents maintain a tax-trust account for taxes on surplus lines premiums.

No states altered their surplus lines tax rates in 1998.

BI

Surplus lines premiums and taxes by state

state	Surplus lines premiums					Surplus lines taxes			
	1998	1997	1996	97-98 % change	96-98 % change	1998	1997	1996	% tax rate
Alabama	119,949,067	122,972,700	123,153,883	-2.5	-2.6	7,196,944	7,378,362 ¹	7,389,233	6.00%
Alaska	35,849,509	34,779,046	33,866,365	3.1	5.9	878,645	830,801	767,120	2.70%
Arizona	98,770,874	88,036,456	93,028,903	12.2	6.2	2,854,463	2,592,033	2,714,211	3.00%
Arkansas	59,923,409	52,857,881	50,485,606	13.4	18.7	2,475,251	2,188,538	2,078,103	4.00% ²
California *	1,219,556,305	1,486,989,349	1,440,710,322	-18.0	-15.4	36,586,689	44,609,680	43,221,310	3.00%
Colorado *	113,447,016	115,145,017	111,308,945	-1.5	1.9	3,315,000	3,516,490	3,120,848	3.00%
Connecticut	77,707,550 ³	86,302,397	73,174,208	-10.0	6.2	3,028,302	3,199,554	2,852,495	4.00% ⁴
Delaware	23,936,770	32,642,551	16,799,818	-26.7	42.5	478,735	666,370	336,045	2.00%
District of Columbia	53,356,171	61,172,520	60,616,059	-12.8	-12.0	943,159	1,112,328	1,120,390	2.00%
Florida	943,932,535	796,601,038	873,482,993	18.5	8.1	44,108,997	35,117,309	37,350,045	5.00%
Georgia ⁴	219,026,725	229,378,322	210,614,775	-4.5	4.0	8,761,069	9,175,133	8,424,591	4.00%
Hawaii ⁴	56,129,749	68,657,660	89,661,591	-18.2	-37.4	2,622,732	3,218,715	4,204,665	4.70%
Idaho	15,654,106	14,804,962	16,709,489	5.7	-6.3	402,721	375,726	436,602	2.75%
Illinois *	230,529,146	272,608,014	270,364,258	-15.4	-14.7	6,618,077	8,180,750	8,113,152	3.00%
Indiana	46,378,961	89,054,878	106,486,053	-47.9	-56.4	1,156,474	2,226,372	2,662,151	2.50%
Iowa	34,932,659	45,286,071	52,422,569	-22.9	-33.4	698,653	905,721	1,048,451	2.00%
Kansas	30,730,620	29,560,786 ¹	36,987,987 ¹	4.0	-16.9	1,849,548	1,775,204 ¹	2,219,279	6.00%
Kentucky	36,652,175	38,953,489	39,571,196	-5.9	-7.4	1,189,195	1,168,605	1,187,159	3.00%
Louisiana	321,491,126	345,789,326	358,066,120	-7.0	-10.2	16,074,556	17,289,466	17,903,304	5.00%
Maine ⁴	16,173,933	12,076,500	11,588,500	33.9	39.6	485,218	362,295	347,655	3.00%
Maryland	105,934,634	83,511,334	82,500,400	26.9	28.4	3,177,960	2,482,952	2,471,682	3.00%
Massachusetts	206,412,066	221,001,986	224,157,251	-6.6	-7.9	7,717,521	8,189,299	8,429,559	4.00%
Michigan	267,086,772	290,941,676	325,745,254	-8.2	-18.0	6,769,484	7,273,543	8,053,584	2.50%
Minnesota	84,083,270	103,112,782	92,078,389	-18.5	-8.7	2,522,498	3,093,383	2,762,352	3.00%
Mississippi	55,752,580	54,968,350	65,341,286	1.4	-14.7	2,230,101	2,198,734	2,613,651	4.00% ⁵
Missouri	147,789,759	154,995,096	143,362,738	-4.6	3.1	7,343,622	7,698,121	6,993,993	5.00%
Montana	7,444,758	8,440,194	9,800,256	-11.8	-24.0	205,688	223,000	270,555	2.75%
Nebraska	25,476,228	31,707,924	29,617,999	-19.7	-14.0	785,073	961,190	901,433	3.00%
Nevada [†]	31,885,971	34,685,874	29,179,680	-8.1	9.3	1,114,864	1,212,825	1,162,029	3.50%
New Hampshire	45,291,773	53,035,170	46,611,884	-14.6	-2.8	905,835	1,060,704	932,238	2.00%
New Jersey	271,767,678	293,834,636	301,173,834	-7.5	-9.8	9,000,927	8,652,717	8,891,327	3.00%
New Mexico	20,093,400	22,198,500	26,234,647	-9.5	-23.4	602,802	665,955	787,039	3.00%
New York *	678,222,348	571,115,133	597,398,628	18.8	13.5	16,452,984	14,705,600	14,976,689	3.60%
North Carolina	105,883,426	102,144,777	93,018,721	3.7	13.8	5,294,170	5,107,240	4,650,938	5.00%
North Dakota	5,205,427	5,358,272	4,393,435	-2.9	18.5	91,097	144,921	76,887	1.75%
Ohio	172,432,884	140,708,000 ⁶	155,516,400	22.5	10.9	4,580,777	2,041,655	1,380,115	5.00%
Oklahoma ⁴	95,208,983	86,505,265	71,935,170	10.1	32.4	5,712,539	5,190,316	4,136,110	6.00%
Oregon *	67,920,470	62,217,561	58,293,453	9.2	16.5	1,362,295	1,270,111	1,311,258	2.00%
Pennsylvania	255,500,000	314,000,000	308,000,000	-18.6	-17.0	9,490,444	8,569,328	8,820,086	3.00%
Rhode Island	31,108,403	26,090,770	27,665,948	19.2	12.4	933,252	782,723	829,978	3.00%
South Carolina	111,525,550	94,687,762	88,087,590	17.8	26.6	4,461,022	3,787,510	3,523,504	4.00%
South Dakota ⁴	7,891,950	6,515,790	5,932,398	21.1	33.0	197,298	162,893	148,310	2.50%
Tennessee	110,438,013	144,615,201	138,614,590	-23.6	-20.3	3,840,610	3,858,173	3,686,919	2.50% ⁷
Texas *	1,189,232,799	1,215,646,746	1,240,115,777	-2.2	-4.1	57,676,478	59,216,851	60,144,424	4.85%
Utah *	40,761,490	41,753,077	42,528,843	-2.4	-4.2	1,732,363	1,774,505	1,807,476	4.25%
Vermont	8,952,539	8,062,345	8,714,474	11.0	2.7	268,576	241,867	261,434	3.00%
Virginia	125,397,673	130,973,499	112,043,454	-4.3	11.9	3,151,166	3,282,753	2,814,121	2.25%
Washington *	115,191,411	126,440,188	117,282,716	-8.9	-1.8	2,303,828	2,528,804	2,345,654	2.00%
West Virginia	23,969,309	22,028,781	25,252,158	8.8	-5.1	861,487	925,672	928,093	4.00%
Wisconsin	61,909,047	66,645,559	65,015,504	-7.1	-4.8	1,866,920	2,007,432	1,940,419	3.00% ⁸
Wyoming	6,450,023	7,342,478	7,471,657	-12.2	-13.7	185,329	210,486	216,926	3.00%
Total/Averages	\$8,236,349,040	\$8,548,953,689	\$8,612,184,174	-3.7%	-4.4%	\$304,563,438	\$305,410,715	305,765,592	3.48%

1. Estimate. 2. Tax is 4% of premiums plus 4% of underwriting expenses. 3. BI estimate. 4. Tax is 2.2% for ocean marine and railroad/airline interstate coverages. 5. Fiscal years ending 6/30. 6. Tax is 3% on direct premiums. 7. Tax is 3.25% on fire portion. 8. Tax is 0.05% on ocean marine coverage. * Information provided by stamping office or surplus lines association. † 1997 information provided by surplus lines association; all other information provided by state insurance department.

Source: BI survey

6



General Star Indemnity Co.

695 E. Main St., F.O. Box 10354,
Stamford, Conn. 06904-2354;
203-328-5700; fax: 203-328-6131;
www.genera-star.com

	1998	1997
Gross premiums	\$306,269,365	\$322,502,210
Non-admitted	\$300,925,620	\$311,434,771
Commercial risks	90%	84.5%
Net premiums	\$218,589,873	\$245,098,129
Paid-in capital	\$5,300,000	\$5,000,000
Capital & surplus	\$345,327,438	\$330,025,921
Employees	0	0
Combined ratio	109.8%	96.6%
Rating agency	109.5%	96.3%
Net income	\$4,279,970	45,479,427
Best's rating	A++	A++
S&P rating	AAA	A++

1998 was a year to forget at General Star Indemnity Co.

Premium volume dropped, its combined ratio rocketed to record levels and net income fell.

Last year, non-admitted gross premiums dropped 3.4% to \$300.9 million, ending years of strong growth for the Stamford, Conn.-based unit of General Re. Despite the drop, the company held on to its spot as the sixth-largest surplus lines insurer in

Business Insurance's ranking.

The biggest area of declining premiums was in the excess liability department, said Kevin Brooks, chairman and president of the insurer, as well as of its exclusive underwriting manager, General Star Management Co. "That came as no great surprise," he said, as admitted insurers have been taking this business from the surplus market.

The premium drop stems from declining excess liability prices, which have dropped to \$250 in premium for every \$1 million in insurance.

Another drop in business came from the company's tightening of underwriting standards for long-haul trucking, where losses had been steep.

Tighter underwriting led to a drop of about \$8 million in premium volume. But the move will actually save General Star money, as the loss ratios on much of the lost business would have been in the 150% to 250% range, Mr. Brooks predicted.

Premiums also declined in the once-growing property area, where prices for Florida windstorm coverage have declined and deductibles have dropped as admitted insurers aggressively pursue premiums.

That is a reversal from prior years, when admitted insurers fled the state

after Hurricane Andrew in 1992 and General Star moved in aggressively. General Star's biggest property product has been a deductible-buyback program in which a policyholder buys coverage for the deductible in another insurer's policy.



Mr. Brooks

The company also saw about a 10% drop in its environmental business during 1998. The premium volume in that business has stabilized in 1999, said Patricia Roberts, senior vp. General Star's environmental policy covers contractors who remove underground oil tanks.

Perhaps more startling was the explosion of its combined ratio. For 1998, the combined ratio leapt to 109.8% from 96.6% in 1997 and 93.8% in 1996. It was the first time its combined ratio passed 100%.

Almost all the high losses came from its property book of business. Hurricane Georges, which struck the

Caribbean, Florida Keys and Gulf Coast in September 1998, caused large losses for General Star. Yet the losses were not high enough to reach the attachment point for its catastrophe reinsurance program.

The company also had a series of other non-reinsured property losses.

The long-haul trucking business and the directors and officers program sustained serious losses, too, Mr. Brooks added.

The declining premium volume continued into this year, down 13.7% during the first six months of 1999 compared to the same period in 1998. But its combined ratio improved to 101.3% during the first half of 1999. The improvement was most pronounced during the second quarter, which saw a combined ratio of 97%.

To generate premium growth, General Star has turned to new products. This philosophy is mandatory for any surplus lines insurer, Mr. Brooks said, as once the surplus lines find a profitable field, admitted insurers will move in and drive them out.

General Star is expanding its nursing home operator liability program to more states beyond Florida and Louisiana. Limits are \$1 million per occurrence, \$3 million aggregate for primary coverage and up to \$30 mil-

lion for excess insurance.

Another new product is billing errors and omissions liability coverage for home health care agencies. General Star offers \$5 million limits with excess limits up to \$30 million.

Some recently launched products have been drawing strong attention. The launch last year of an employment practices liability insurance product has been well received, Ms. Roberts said. Limits are \$1 million in primary coverage and \$25 million in excess. A race car damage program has grown well, as has property insurance for high-value homes.

General Star in 1998 launched a London operation, General Star International Indemnity Ltd. To date, the London company has shown strong growth, focusing on animal mortality for race horses in Europe.

General Star Indemnity has no employees of its own. All employees work for General Star Management, which also underwrites for General Star National Insurance Co., an admitted insurer, and General Star International Indemnity Ltd.

Besides Mr. Brooks and Ms. Roberts, General Star Management's principal officers include Vps Joseph Majsak and William Murray.

—By Michael Prince

7

Columbia Casualty Co.

CNA Plaza, Chicago, Ill. 60685;
312-822-1906; fax: 312-817-3317;
www.cna-es.com

	1998	1997
Gross premiums	\$554,401,303	\$544,235,439
Non-admitted	\$212,951,967	\$201,256,277
Commercial risks	88%	88%*
Net premiums	\$327,578,585	\$321,837,170
Paid-in capital	\$8,700,000	\$8,700,000
Capital & surplus	\$302,931,890	\$291,700,243
Employees	190	168
Combined ratio	117%	103%
Rating agency	117.1%	106.7%
Net income	\$4,066,088	\$29,565,389
Best's rating**	A/A-	A/A-
S&P rating**	A+/A-	A-/A-

*Restated.
**Ratings are for CNA and Continental Insurance Co., respectively.

While Columbia Casualty Co. reported a modest 5.8% increase in li-

rect, non-admitted premiums last year, this year's volume may be down as a result of efforts by the insurer to push for rate increases in most primary and excess liability lines.

Columbia's 1998 premiums were enough to assure it remained the seventh-largest surplus lines insurer in Business Insurance's annual rankings.

But year-end results remain in question because of its firm new policy of generally seeking rate increases as a way to improve profits.

Depending upon the business risk, Columbia is generally seeing these rate changes: primary and excess casualty business up 2% to 5%; trucking up 5% to 7%; and biotechnology products up 10% to 15%. Other lines are flat, including liquor liability and railroads, though some railroads risks are seeing rates drop as much as 3%, said Richard W. Quehl, president of both Columbia and CNA E&S.

CNA E&S is the corporate division of CNA Financial Corp. to which the

non-admitted insurer belongs. CNA E&S also uses other CNA insurers, the majority of which are admitted, to write excess and surplus lines coverages, where approved.

Columbia's willingness to walk away from business this year has meant a 40% loss in potential renewals, Mr. Quehl said.

While the decline in renewals is disappointing, the insurer is spurring development of new products to enhance existing market niches and explore new ones, he said.

Columbia's 1998 figures reflect the combined financial results for Columbia and Pacific Insurance Co. CNA

melded Pacific into its existing non-admitted operations when it acquired Continental Corp. in May 1995.

Pacific is a different company from Pacific Insurance Co. Ltd., which is a unit of Hartford Financial Services Group Inc. profiled on page 24.

Columbia is reducing Pacific's share of non-admitted writing; Pacific wrote about \$8.86 million, or 4.3%, of Columbia's premiums last year.

However, what now appears to be a decades-old legacy of underreserved, volatile claims—including pollution, asbestos and mass tort liabilities—from Pacific and its affiliates had a dramatic negative effect on Columbia's bottom line last year.

Columbia's net income plummeted about 86% last year, primarily because it had to set aside tens of millions of dollars to reserve for the adverse development on those prior policies, according to Karla J. Mansfield, senior vp and controller of CNA E&S.

Most of Columbia's growth in non-

admitted premium volume in 1998 was due to increased writings in existing lines, said Mr. Quehl.

Columbia writes mostly primary and excess casualty risks for a variety of corporate policyholders, including railroads and liquor-serving establishments. Its writings are about 40% E&O liability coverages—split equally between health care providers and other types of policyholders—12% directors and officers liability coverages, and 48% casualty coverages for a variety of volatile risks.

Other policyholders include biotechnology firms, a major Internet service provider needing E&O coverage, and public entities seeking public officials' liability coverage.

Other customers include companies renting contractors' equipment and aquaculturalists operating catfish farms, though Columbia hasn't yet made "the splash we intended," Mr. Quehl quipped.

Columbia's limits typically range from \$1 million for liquor customers up to \$50 million in excess or umbrella limits for volatile manufacturing risks. In addition, a large medical facility may be able to obtain \$25 million in umbrella limits.

Columbia quit underwriting pyrotechnics risks because of a July 4th accident in Cleveland in which a child was killed. "It caused us to question our ability to properly underwrite the business," Mr. Quehl said.

CNA corporate activity also affected Columbia's underwriting and financial reporting activities.

At the start of 1999, Columbia assumed responsibility for trucking and mining risks, while it gave up responsibility for excess workers comp risks to CNA's risk management division.

In addition, CNA's new corporate policy of making each CNA "strategic business unit" responsible for its own aggregate performance, according to generally accepted accounting principles, is causing Columbia to purchase more reinsurance to smooth its financial results, Mr. Quehl said.

The insurer is attracting railroad policyholders by offering them sophisticated management reports done by outside consultants at "significantly discounted" fees. One such report, for example, analyzes the impact of increased car tonnage on track deterioration and crew requirements.

Columbia also is developing a product to protect client companies' World Wide Web sites from hackers.

—By Meg Fletcher

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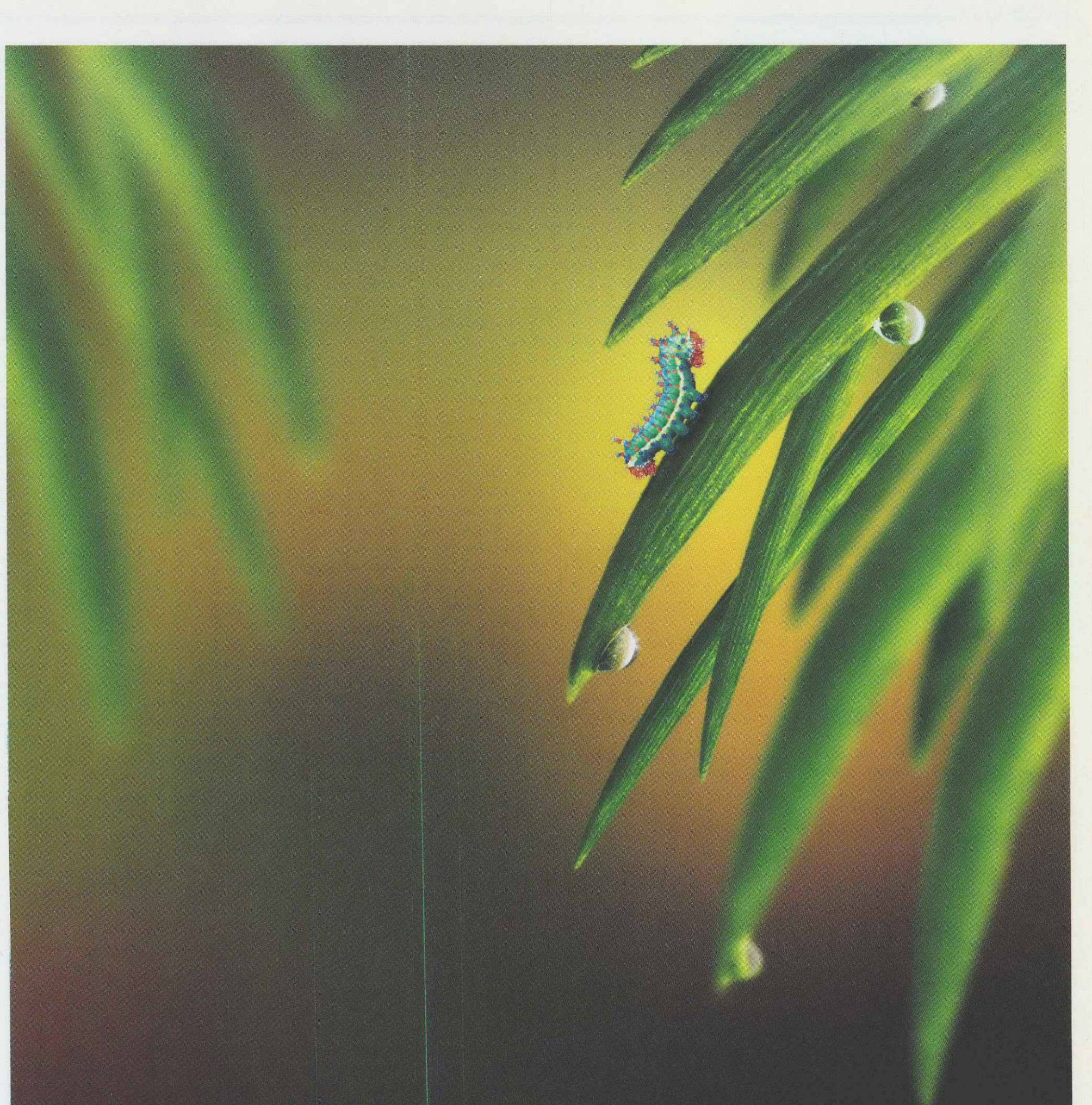
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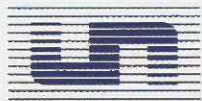
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*First we get to know what
makes you unique.*

8



United National Insurance Co.

3 Bala Plaza East, Suite 300,
Bala Cynwyd, Pa. 19004;
610-664-1500; fax: 610-660-8882
www.unitednat.com

	1998	1997
Gross premiums	\$296,425,950	\$264,568,836
Non-Admitted	\$200,067,246	\$191,534,066
Commercial risks	99%	99%

Net premiums	\$81,023,583	\$76,582,113
Paid-in capital	\$5,000,000	\$5,000,000
Capital & Surplus	\$251,526,350	\$233,411,241
Employees	164	142
Combined ratio	85.5%	85.9%
Rating agency	84.8%	85.5%
Net income	\$28,998,852	\$32,274,190
Best's rating	A+	A+
S&P rating	Aq	Aq

The year 2000 will mark a new era in more ways than one for United National Insurance Co.

As the surplus lines insurer faces the business challenges of the new century, it will do so as a unit of American Re Corp. rather than under its current status as the only privately held surplus lines insurer in the

Business Insurance top 10 rankings.

The change in ownership will lead to new business opportunities for United National and is not expected to jeopardize its existing relationships with other reinsurers, said Seth D. Freudberg, president and chief executive officer.

While American Re will reinsure new business it brings to United National, the insurer will retain its existing reinsurance arrangements with other companies and will continue to place other new business with reinsurers other than its parent.

The proposed sale to American Re comes nearly 40 years after United

National was formed as an independent surplus lines insurer. The com-

*'We decided to commit
to the (agents with
binding authority)
that commit
to us.'*

— William F. Schmidt

pany currently is owned by American Insurance Service Inc., which is

ultimately owned by trusts controlled by the Ball family in Philadelphia. The family decided that it had a disproportionate amount of its money tied up in American Insurance Service and decided to sell United National to diversify its portfolio, Mr. Freudberg explained.

The deal is expected to close in the fourth quarter of 1999. Financial terms have not been disclosed.

The change in ownership will lead to new opportunities for United National, Mr. Freudberg said.

American Re already was the largest reinsurer of program business for United National, and "we'll expect to see a great deal more business from them," he said. Program business often is brought to primary insurers by reinsurers and reinsurance brokers.

Even before the announced sale to American Re, United National had found new business to reverse a slight drop in premiums it suffered in 1997.

In 1998, United National's non-admitted gross premiums increased 4.5% to \$200.1 million.

New programs generated by an enlarged marketing department, more active production underwriters, and new offices all contributed to the increase in volume, Mr. Freudberg said.

The foundation for the increase in volume was laid in 1997, explained William F. Schmidt, senior vp and chief underwriting officer.

"We had a number of programs that we put on in 1997 that started producing at full strength in 1998," he said.

United National pitches itself as a program insurer that is willing to consider a wide variety of programs as long as they are profitable.

While the insurer added seven new programs in 1998, it also halted five programs that had not proved successful, leaving it with a total of 88 specialty programs at year-end.

The new programs included coverage for habitational and hospitality risks, several professional liability programs, and a low-limits claims-made environmental program.

United National also accepts business that is written under a conventional binding authority by agents.

Over the past several years it has been whittling down the number of agents that have commercial binding authority so it can focus on its most profitable relationships, said Mr. Schmidt.

In 1998, the insurer terminated 15 binding authorities, cutting the total number of agents with binding authority to 30, he said.

"Those 15 had five or six binding authorities, and we were not in the top two," Mr. Schmidt said. "We decided to commit to the ones that commit to us."

United National also increased business by establishing a branch office in Grand Rapids, Mich., and by forming an agency, Unity Risk Partners Insurance Services Inc. in Walnut Creek, Calif., to attract more business.

In the past two years United National also increased its marketing efforts. In 1997 the company expanded the number of staff in its marketing department, and last year it started requiring its underwriters to help develop new business, also, along with the company's agents, Mr. Freudberg said.

The momentum of 1998 has not kept pace, though, in 1999. In the first six months of this year, net non-admitted premiums were \$81 million, down 9.7% from the first half of 1998.

The slowdown is due to a continued movement of business into the admitted market, said Kevin L.

Continued on page 22

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Spotlight report

Continued from page 20

Tate, senior vp and chief financial officer.

Despite United National's higher volume in 1998, net income fell 10.2% to \$29 million. The decrease is largely due to an increase in taxes relating to discounted losses, he said.

United National increased its limits for excess property business to \$7 million in 1999 from \$5.5 million, and general liability limits were increased to \$2 million per occurrence from \$1 million. Other limits remain unchanged: \$10 million for umbrella and excess casualty, and \$5 million for property. All of the limits can be greatly increased with the backing of facultative reinsurance.

Employers Reinsurance Corp. remains the lead reinsurer on United National's liability reinsur-

ance treaty, and Constitution Reinsurance Corp. remains the lead on its property reinsurance program.

United National has two subsidiaries that are admitted in most states: Diamond State Insurance Co. and Hallmark Insurance Co. United National increased its staff to 164 from 142 largely to deal with an increase in admitted business, Mr. Freudberg said.

United National writes on a non-admitted basis in all states except Pennsylvania, where Diamond State and Hallmark are approved non-admitted insurers.

In addition to Messrs. Freudberg, Schmidt and Tate, other top executives at United National are Chairman Raymond L. Freudberg and Senior Vps Richard March and Robert Cohen.

—By Gavin Souter



Acceptance Insurance Co.

222 S. 15th St., Suite 600 N.
Omaha, Neb. 68102;
800-288-7217; fax: 402-345-9190
www.aicins.com

	1998*	1997*
Gross premiums	\$233,922,129	\$249,854,676
Non-Admitted	\$175,710,088	\$177,612,845
Commercial risks	75.1%	100%
Net premiums	\$119,268,276	\$113,155,960
Paid-in capital	\$5,619,520	\$5,619,520
Capital & surplus	\$123,289,043	\$128,811,406
Employees	1,050	1,200
Combined ratio	117.8%	104.3%
Rating agency	118.9%	105.5%
Net income	(\$7,610,256)	\$15,000,505
Best's rating	A-	A-
S&P rating	BBB	BBB

* All figures, except gross premiums and gross non-admitted premiums, reported on a

pooling basis for Acceptance Insurance Co. and Acceptance Indemnity Insurance Co. Combined ratios and net income also include Redland Insurance Co., Acceptance Casualty Insurance Co. and Phoenix Indemnity Insurance Co.

Acceptance Insurance Co. saw premiums decline in 1998 as it restructured operations and discontinued loss-making business.

In 1998, gross premium volume on a pre-pooled basis for Acceptance Insurance Co. and its wholly owned subsidiary Acceptance Indemnity Insurance Co. declined 6.4% to \$233.9 million. Non-admitted premium volume slid 1.1% to \$175.7 million.

Despite the decline, Acceptance remains the ninth-largest U.S.-based surplus lines insurer, based on its 1998 volume.

While premium volume figures only reflect business from Accep-

tance Insurance and Acceptance Indemnity, net income figures are reported on pooling basis with other insurance subsidiaries of Acceptance.

In addition to Acceptance Insurance and Acceptance Indemnity, the pool in 1997 and 1998 includes Phoenix Indemnity Insurance Co., a non-standard auto insurer, and Redland Insurance Co. and its Acceptance Casualty Insurance Co. subsidiary. Redland and ACIC write specialty program business through independent retail agents.

On a pooled basis, the insurer reported a \$7.6 million loss in 1998, compared with a \$13 million profit in 1997.

According to information supplied by the insurer, \$5.2 million of the 1998 total loss was attributable to Acceptance Insurance, which had a \$10.7 million profit in 1997. Acceptance Indemnity reported an \$883,571 profit in 1998, down 66.6% from 1997.

The company declined to be interviewed in time for this report, but in a prepared statement it said that 1998 was "a year of commitment to financial stability, through restructure and a concentrated effort to focus on what we know best."

"During this procedure, the company identified approximately one-third, or \$151 million, of its property/casualty business as discontinued," some of which was non-admitted business, the company said, not elaborating.

Acceptance said that business, which has either been sold or not renewed, had a combined ratio of 147.9%, including loss and loss adjustment reserve strengthening in excess of \$20 million.

Part of this effort included the sale of Acceptance's non-standard automobile business, including Phoenix Indemnity, to Miller American Group Inc., a Fort Worth, Texas-based diversified holding company.

In the prepared statement, Acceptance Chairman and Chief Executive Officer Kenneth C. Coon said: "While it is very difficult to eliminate programs and resources we have worked diligently to improve over the past three years, we can no longer allow the discontinued business to detract from our core specialty lines' profit. Our actions have brought the company into 1999 with the strongest balance sheet and loss reserve position in the company's history."

"Our continuing general agents and program managers (have) produced P/C business with historic combined ratios below 100%, (which) will greatly enhance the company's ability to grow earnings and maximize shareholder value," he stated.

For the first six months of 1999, pre-pooled gross premium volume for Acceptance Insurance and Acceptance Indemnity is down 13.6% to \$96.6 million. Pre-pooled non-admitted premiums are down 14.2% to \$75.6 million. Pooled profits, however, are up more than 161.5% to \$11.8 million.

The company said its general agency division, where a majority of non-admitted business in written, now accounts for approximately 54% of its property/casualty net business and has a pretax operating ratio of 94% through the first two quarters of 1999.

Besides Mr. Coon, other executives include John Nelson, chief operating officer; Georgia Mace, chief financial officer; Stephen Fitzpatrick, chief underwriting officer; and Thomas D. Stamm, president of the general agency division.

—By Sally Roberts

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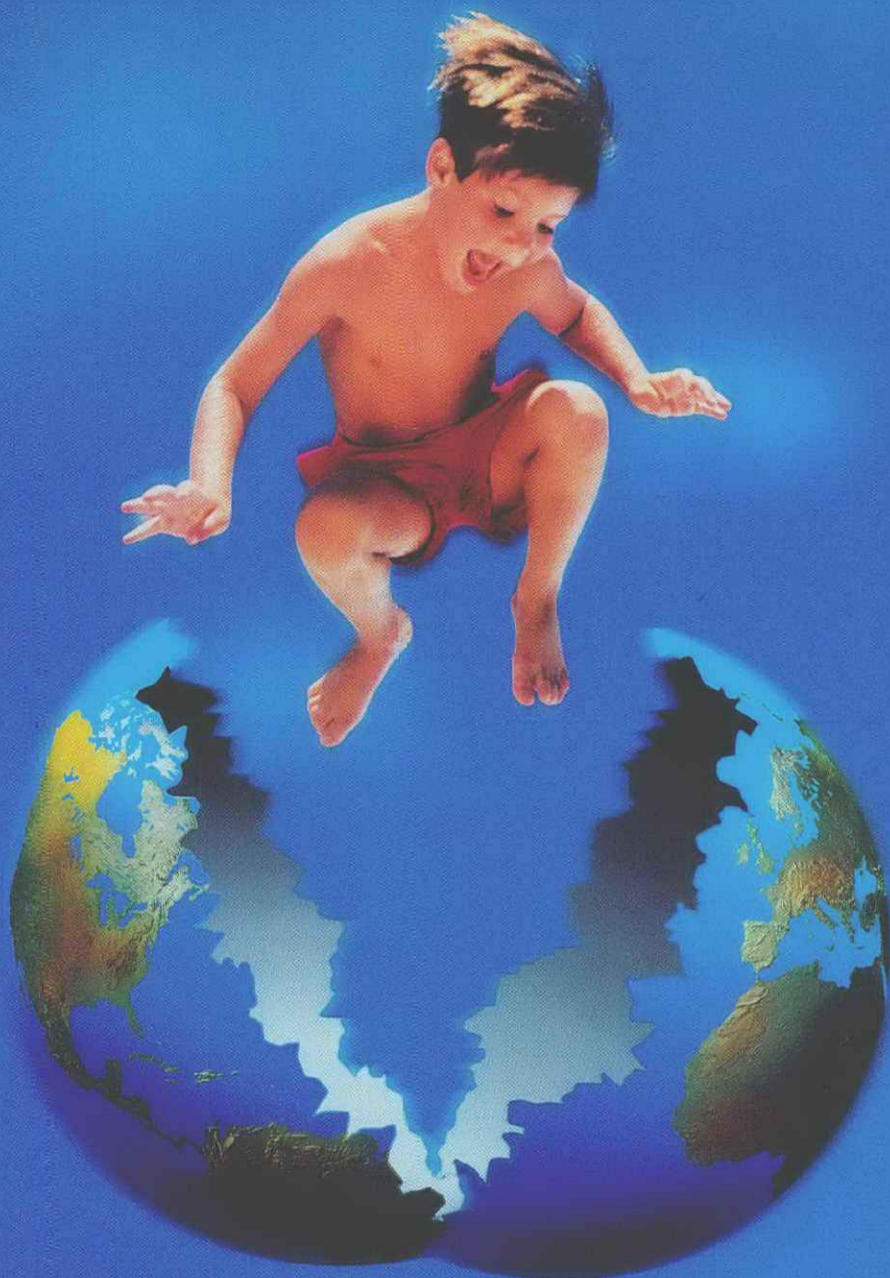
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10

Pacific Insurance Co. Ltd.

150 Federal St.
Boston, Mass. 02110;
617-526-7600; fax: 617-526-0600
www.firststateins.com

	1998	1997
Gross premium	\$270,844,869	\$290,994,413
Non-admitted	\$166,297,405	\$193,076,990
Commercial risks	95%	95%
Net premiums	\$99,369,088	\$98,070,026
Paid-in capital	\$7,200,000	\$7,200,000
Capital & surplus	\$308,790,070	\$318,770,009
Employees	222	227
Combined ratio	103.5%	104.8%
Rating agency	NA	NA
Net income	\$17,277,066	\$23,233,900
Best's rating	A+	A+
S&P rating	AA	AA

In a challenging year, Pacific Insurance Co. Ltd. is pleased to be a little smaller.

1998 non-admitted premiums for the surplus lines unit of Hartford Financial Services Group Inc. fell by 13.9%. But this was not unexpected and not necessarily undesired, said Ralph Palmieri, Pacific's president.

The decline occurred across the board, he said. Property business was down by single digits, with casualty business down even more, mostly due to "the continuing malaise of the surplus market," he said. Also, competition from standard insurers contributed to the decline, he said.

Pacific's top-line dropoff "was not outside our expectations" and was part of the company's strategy. Non-admitted premium volume last year was \$166.3 million, compared with \$193.1 million for 1997. The decline dropped Pacific to 10th place on

Business Insurance's annual ranking of the largest surplus lines insurers, down two spots from last year.

In addition to admitted insurers taking away business, competition drove down rates, particularly in the Florida windstorm and California earthquake market, Mr. Palmieri said. As a result, Pacific lost accounts where the pricing dropped too low.

"We will walk away from business that does not meet our underwriting criteria," he said.

The decline in rates moderated in first-half 1999, and some stabilization has occurred. Prices might be nearing bottom for California quake and Florida windstorm coverage, he said.

To combat erosion of business in established areas, Pacific is looking to new areas, such as expanding its property coverage and professional liability lines.

Pacific's professional liability business grew 28% in 1993 and more than 50% during the first half of 1999. The company targets small and midsize accounts for this business. It offers

Pacific is toughening its stance on low pricing. 'We will walk away from business that does not meet our underwriting criteria.'

— Ralph Palmieri

limits of \$10 million, with most buyers opting for limits under \$5 million.

The company is also expanding its lawyers professional liability business to all of New England and into New York. Limits remain \$10 mil-

lion, but Pacific targets smaller law firms with limits generally under \$2 million.

Also growing rapidly, though from a small base of business, is employment practices liability insurance. Pacific doubled its EPLI business in 1998 and expects it will double again in 1999. Limits are \$10 million, though Pacific focuses on businesses with fewer than 1,000 employees.

Pacific's property insurance business grew to about 55% of overall premiums in 1998. About 40% of the property business is catastrophe insurance. Pacific offers \$5 million limits for its catastrophe coverage.

Recently launched products include a professional liability program for media companies—print, television, radio and the Internet—that offers limits up to \$10 million. Pacific has also launched a program for collectors who buy items from Internet auction sites. This is intended to cover items that either are not delivered or are not authentic. It offers limits up to \$3,000.

Pacific is "keeping tabs on" the wave of commercial lines deregulation laws passed in many states, Mr. Palmieri said. The laws' impact has not been great yet, as most were passed only this year.

He said that NAPSLO is working to amend the laws in several states so that policyholders can go directly to surplus lines insurers without having to first approach the admitted market. If this move fails, he anticipates that the deregulation will cut into business for the entire surplus lines market.

Overall, 1998 was a year when surplus lines insurers had to pick their spots carefully. "It's a very simple matter to find yourself writing underpriced business," he said.

Mr. Palmieri cited the excess and umbrella market as an area where prices have dropped sharply. In 1997, rates "began to head south," he said, and this trend continued into early 1999. In response, Pacific shed lots of business the company thought was priced too low for the risks involved.

Assessing Pacific's performance is difficult because its financial statements largely reflect the results of Hartford's intercompany reinsurance pool, of which Pacific is a member.

Pacific writes all of its business through First State Management Group Inc., a Hartford unit. First State is the exclusive underwriting agent for Pacific, Trumbull Insurance Co. and Twin City Fire Insurance Co.

In 1998, for example, Pacific reported gross premiums of \$270.8 million, including \$171.4 million of its own direct written business and \$99.4 million in reinsurance assumed from the Hartford pool. Pacific then ceded all of its direct business to the pool. That left it with a net volume consisting of the pool premiums it assumed, which include several lines of coverage Pacific does not write on a direct basis.

In addition, Pacific's combined ratio of 103.5% for 1998 is the pooled figure. Pacific's individual ratio is actually below 100%, Mr. Palmieri said, but he could not divulge the exact figure. The pooling also determined Pacific's reported net income. The reported figure is based on Pacific's share of the Hartford pool, while the actual figure for 1998 was comparable to the higher 1997 figure because of the company's good combined ratio.

In addition to Mr. Palmieri, Pacific officials include Chairman Ramani Ayer and Executive Vp Joseph Gareau.

Pacific carries Hartford's pooled rating of A+ from A.M. Best Co. and an AA rating of the Hartford pool's claims-paying ability from Standard & Poor's Corp.

—By Michael Prince

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Business Insurance directory of surplus lines insurers

A

Acceptance Insurance Co.

222 S. 15th St., Suite 600 N.,
Omaha, Neb. 68102;
800-228-7217; fax: 402-345-9190

	1998*	1997*
Premium written	\$233,922,129	\$249,894,070
Non-admitted	\$175,710,088	\$177,612,843
Commercial risk	75.1%	100%
Net premiums	\$119,268,276	\$113,155,960
Paid-in capital	\$5,619,520	\$5,619,520
Surplus	\$123,289,043	\$128,811,406
Employees	1,050	1,200
Combined ratio 1	117.8%	104.8%
Combined ratio 2	118.9%	105.5%
Net income	(\$7,610,256)	\$13,000,505
Best's rating	A-	A-
S&P's rating	BBB	BBB

*All figures, except gross premiums and gross

non-admitted premiums, reported on a pooling basis for Acceptance Insurance Co. and Acceptance Indemnity Insurance Co. Combined ratios and net income also include Redland Insurance Co., Acceptance Casualty Insurance Co. and Phoenix Indemnity Insurance Co.

Founded: 1979.
Parent: Acceptance Insurance Cos.
Subsidiaries: Acceptance Indemnity Insurance Co.

Approved non-admitted in: all states, excluding Michigan, New Hampshire, Rhode Island, Vermont; also approved in Guam, Puerto Rico and the U.S. Virgin Islands.

Admitted in: Alabama, Arizona, Arkansas, Colorado, Georgia, Illinois, Indiana, Iowa, Kentucky, Maine, Michigan, Missouri, Nebraska, North Dakota, Ohio, Oregon, Tennessee, Virginia and Wisconsin.

Officers: Kenneth Coon, CEO; John Nelson, COO; Georgia Mace, CFO.

Contact: Thomas D. Stamm, 480-951-4363; tstamm@aicins.com.

ACE USA

6 Concourse Parkway, Suite 2500,
Atlanta, Ga. 30328;
678-441-5000; fax: 678-441-5063
www.ace-ins.com

	1998	1997
Premium written	\$195,118,605	\$195,122,829
Excess liability	80%	80%
Admitted	80%	80%
Net premiums	\$100,065,964	\$86,463,951
Paid-in capital	\$9,250,792	\$9,250,000
Surplus	\$268,290,621	\$289,213,802
Employees	256	194
Excess liability	256	194
Combined ratio 1	94.8%	277.9%
Combined ratio 2	94.8%	277.9%
Net income	(\$82,846,871)	(\$99,432,171)
Best's rating	A	A
S&P's rating	A+	A+

Founded: 1993.

Parent: ACE Ltd.

Subsidiaries: Westchester Fire Insurance

Co., Westchester Surplus Lines Insurance Co., Westchester Specialty Insurance Services Inc., Atlanta.

Approved non-admitted in: all states; also approved in District of Columbia, Guam and Bermuda.

Admitted in: all states, excluding Maine, Massachusetts, New Hampshire and Rhode Island; also admitted in the U.S. Virgin Islands.

Officers: Dennis Reding, president/CEO; John Intondi, Marshall Turner, executive vps.

Contact: Dennis Reding.

Admiral Insurance Co.

1255 Caldwell Road, P.O. Box 5725,
Cherry Hill, N.J. 08034;
856-429-9200; fax: 856-429-6572
www.admiralins.com

	1998	1997
Premium written	\$169,305,753	\$159,720,419
Non-admitted	\$161,271,076	\$151,845,171
Commercial risk	95.3%	95.1%

Net premiums	\$100,562,606	\$95,010,080
Paid-in capital	\$5,600,000	\$5,600,000
Surplus	\$220,792,208	\$218,916,827
Employees	152	144
Combined ratio 1	89.3%	90.3%
Combined ratio 2	89.3%	90.4%
Net income	\$41,873,010	\$32,725,427
Best's rating	A++	A++
S&P's rating	A+	A+

Founded: 1952.

Parent: W.R. Berkley Corp.

Subsidiaries: Nautilus Insurance Co., Scottsdale, Ariz.

Approved non-admitted in: all states, excluding Delaware and New Jersey; also approved in District of Columbia, Puerto Rico and the U.S. Virgin Islands.

Admitted in: Delaware and New Jersey.

Officers: James S. Carey, president/CEO; Daniel A. MacDonald, senior vp/secretary; Scott R. Barraclough, senior vp/treasurer.

Contact: Scott R. Barraclough.

Adriatic Insurance Co.

3501 N. Causeway Blvd., Suite 1000,
Metairie, La. 70002;
504-838-8100; fax: 504-832-0605
www.adriaticins.com

	1998	1997
Premium written	\$9,478,839	\$11,193,828
Non-admitted	\$9,478,839	\$11,193,828
Commercial risk	83.1%	91%
Net premiums	\$7,505,749	\$8,816,914
Paid-in capital	\$3,500,000	\$3,500,000
Surplus	\$22,687,757	\$21,876,785
Employees	16	16
Combined ratio 1	105.6%	90.1%
Combined ratio 2	105.4%	92.4%
Net income	\$809,256	\$1,457,140
Best's rating	A	A

Founded: 1979.

Approved non-admitted in: all states, excluding Alaska, Colorado, Connecticut, Delaware, Hawaii, Maine, Massachusetts, Nevada, New Hampshire, New Mexico, North Dakota, Rhode Island and Vermont.

Admitted in: Delaware, Nevada, New Mexico and North Dakota.

Officers: Joseph E. Taylor, president; Steven M. Harris, treasurer; Anthony V. Ciervo, secretary.

Contact: Joseph E. Taylor.

Allianz Underwriters Insurance Co.

3400 Riverside Drive,
Burbank, Calif. 91505-4691;
800-421-0504; fax: 818-972-8540
www.aic-allianz.com

	1998	1997
Premium written	\$86,106,103	\$128,826,933
Non-admitted	\$50,916,312	\$70,917,711
Commercial risk	100%	100%
Net premiums	\$3,642,888	\$5,003,710
Paid-in capital	\$4,500,000	\$4,500,000
Surplus	\$43,003,264	\$37,748,785
Combined ratio 1	242.8%	159.3%
Combined ratio 2	182.5%	112.1%
Net income	(\$387,790)	\$756,817
Best's rating	A+	A
S&P's rating	AAA	N/A

Founded: 1978.

Parent: Allianz of America Inc.

Approved non-admitted in: all states, excluding California, Missouri, New York.

Admitted in: California, Missouri and New York.

Officers: Wolfgang Schlink, president/ chairman, CEO; Paul D. Kaduk, executive vp/CFO/ secretary/treasurer; Trevor E. Care, senior vp-property.

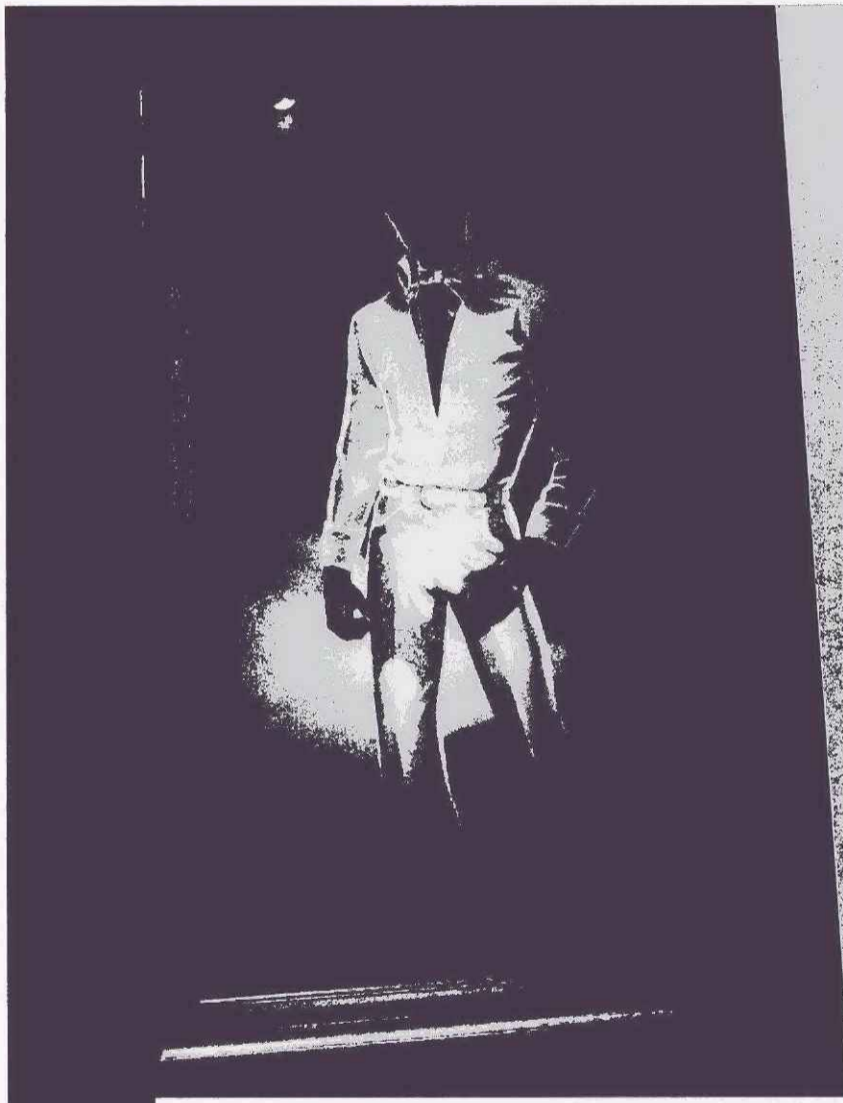
Contact: Paul D. Kaduk.

American Empire Surplus Lines Insurance Co.

515 Main St.,
Cincinnati, Ohio 45202;
513-369-3000; fax: 513-369-3034

	1998	1997
Premium written	\$28,443,529	\$37,593,631
Non-admitted	\$24,921,738	\$32,577,163
Commercial risk	100%	100%
Net premiums	\$15,486,159	\$21,000,862
Paid-in capital	\$4,100,000	\$4,100,000
Surplus	\$107,868,082	\$111,546,893
Employees	47	47
Combined ratio 1	79.1%	88%
Combined ratio 2	77.8%	87.2%
Net income	\$18,699,321	\$24,168,602
Best's rating	A+	A+

Continued on page 28



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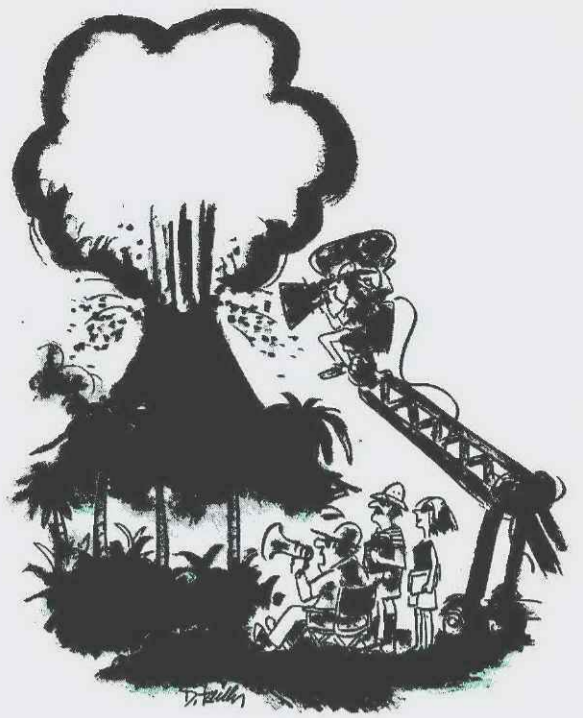
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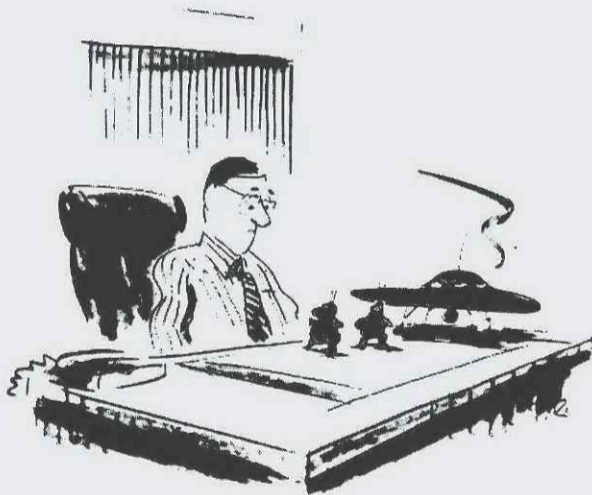
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Continued from page 26

Figures reported on a pooling basis.

Founded: 1977.

Parent: Great American Insurance Co.

Subsidiaries: American Empire Insurance Co., Fidelity Excess & Surplus Insurance Co.

Approved non-admitted in: all states, excluding New Hampshire.

Admitted in: Delaware.

Officers: Walter E. Snyder, president; Robert A. Nelson, Chester A. Nalepa, senior vps.

Contact: Robert A. Nelson.

American International Specialty Lines Insurance Co.

400 W. Benson Blvd., Suite 315, Anchorage, Alaska 99503; 907-277-6693

	1998	1997
Premium written	\$816,700,062	\$695,086,205
Non-admitted	\$790,154,968	\$663,033,822
Commercial risk	99.5%	99.9%
Net premiums	\$118,586,052	\$101,994,745
Paid-in capital	\$5,002,500	\$5,002,500
Surplus	\$240,879,845	\$212,200,853
Combined ratio 1	93.0%	97.3%

	93.0%	97.3%
Combined ratio 2		
Net income	\$26,490,773	\$24,297,358
Best's rating	A++	A++
S&P's rating	AAA	AAA

Founded: 1973.

Parent: American International Group Inc.

Approved non-admitted in: all states, excluding Alaska and New Jersey.

Admitted in: Alaska.

Officers: Thomas R. Tizzio, chairman; Kevin H. Kelley, president; Armand G. Pepin, senior vp.

Contact: Armand Pepin, American International Specialty Lines Insurance Co., Harbor-side Financial Center, 401 Plaza 3, Jersey City, N.J., 07311, 201-309-1101.

Associated International Insurance Co.

21820 Burbank Blvd., Suite 330, Woodland Hills, Calif. 91367; 818-595-0600; fax: 818-316-0380

	1998	1997
Premium written	\$149,133,761	\$146,438,399
Non-admitted	\$22,622,463	\$28,573,016
Commercial risk	15%	20%
Net premiums	\$73,569,807	\$80,398,743

Paid-in capital	\$3,500,000	\$3,500,000
Surplus	\$51,575,427	\$70,790,762
Employees	89	89
Combined ratio 1	150%	110%
Combined ratio 2	150%	108%
Net income	(\$14,017,841)	\$8,994,604
Best's rating	A-	A

Founded: 1972.

Parent: Markel Corp.

Approved non-admitted in: all states, excluding California and Maine; also approved in the District of Columbia, Puerto Rico and the U.S. Virgin Islands.

Admitted in: California.

Officers: Alan Kirshner, chairman; Anthony Markel, vice chairman/president; Steve Markel, executive vp/treasurer.

Contact: Richard Whitt, controller-Markel Corp., 4551 Cox Road, Glen Allen, Va., 23060, 804-965-1675.



Century Surety Co.

2400 Corporate Exchange Drive, Suite 290,

Columbus, Ohio 43231;

614-895-2000; fax: 614-895-2707

	1998	1997
Premium written	\$74,109,715	\$55,607,881
Non-admitted	\$33,306,694	\$32,785,752
Commercial risk	100%	100%
Net premiums	\$38,399,004	\$29,911,011
Paid-in capital	\$3,000,000	\$3,000,000
Surplus	\$32,553,496	\$31,461,231
Employees	105	109
Combined ratio 1	99.5%	90.5%
Combined ratio 2	100.1%	89.9%
Net income	\$3,437,057	\$5,165,971
Best's rating	A-	A-

Figures are reported on a pooling basis.

Founded: 1978.

Parent: Century Business Services Inc.

Subsidiaries: Continental Heritage Insurance Co.; Evergreen National Indemnity Co.; Columbus, Ohio.

Approved non-admitted in: all states, excluding Arizona, Indiana, Maine, Massachusetts, New Hampshire, New Mexico, New York, Ohio, Rhode Island, West Virginia and Wisconsin; also approved in the District of Columbia.

Admitted in: Arizona, Indiana, Ohio, West Virginia and Wisconsin.

Officers: Norman D. Amick, president; Anne L. Meyers, secretary; Glenn D. Southwick, treasurer.

Contact: Glenn D. Southwick.

Colony Insurance Co.

9201 Forest Hill Ave., Suite 200, Richmond, Va. 23235; 804-327-1700; fax: 804-327-1792

www.colonyins.com

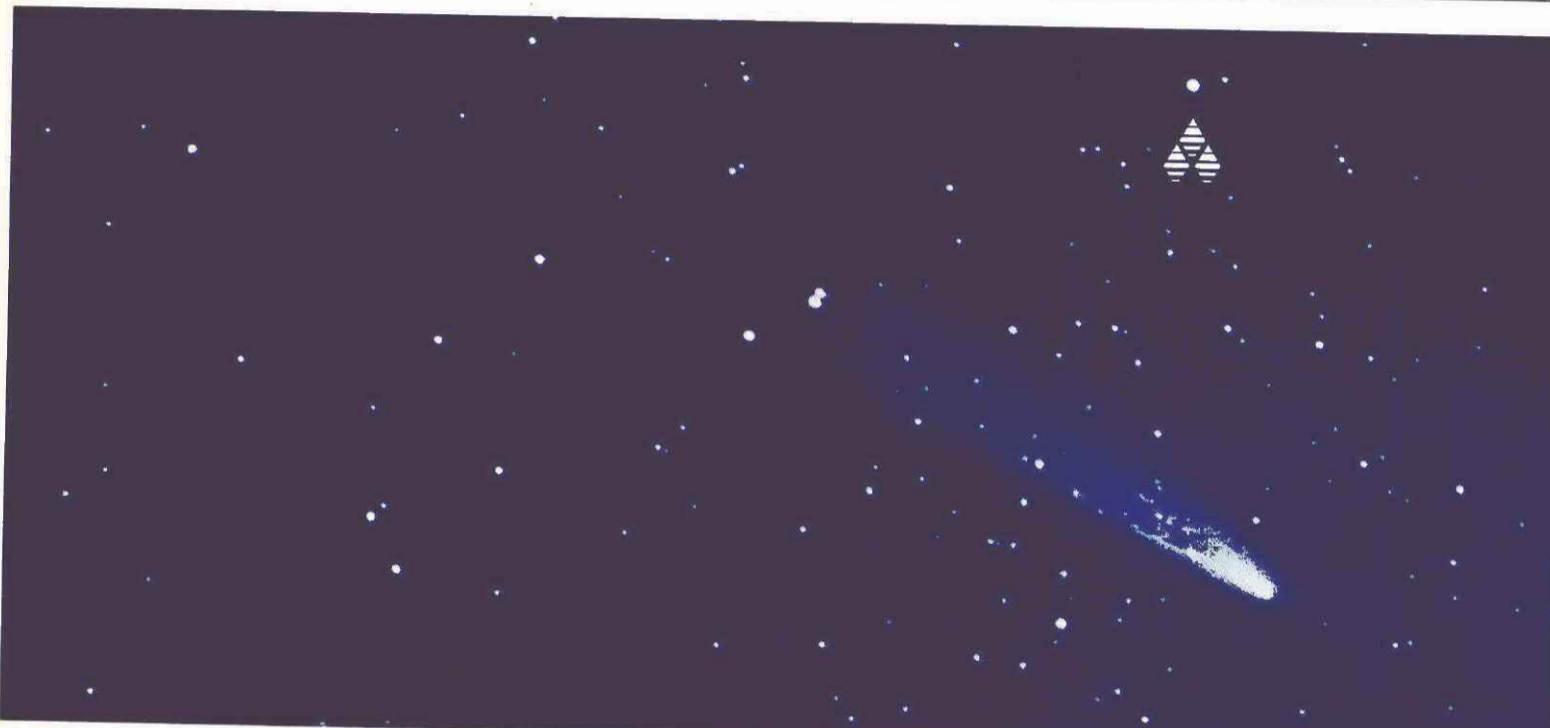
	1998	1997
Premium written	\$49,913,436	\$49,102,590
Non-admitted	\$46,816,409	\$45,810,752
Commercial risk	98.7%	100%
Net premiums	\$30,490,054	\$28,715,347
Paid-in capital	\$2,000,000	\$2,000,000
Surplus	\$37,878,441	\$30,535,456
Employees	83	80
Combined ratio 1	105.9%	98.4%
Combined ratio 2	105.7%	98.4%
Net income	\$1,596,495	\$3,046,875
Best's rating	A-	A-

Founded: 1981.

Parent: Front Royal Inc.

Subsidiaries: Front Royal Insurance Co.,

Continued on page 30



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Management Society and the Quality Insurance Congress. But we're not stopping there. That's because we believe policyholder satisfaction is driven by continuous improvement.

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The annual Business Insurance directory of excess and surplus lines insurers lists companies that responded to a BI questionnaire.

The directory is published as an editorial service; there is no charge for companies to be listed.

To be listed, surplus lines insurers must write more than 50% or \$10 million in gross premiums related to commercial risks on a direct, non-admitted basis; excess insurers must generate at least 50% or \$50 million in gross premiums in excess liability lines, either on an admitted or non-admitted basis.

Listings begin with each company's name, address, telephone number, fax number and World Wide Web site address, if applicable.

Next is information on gross premiums, which are reported as a combination of direct business and reinsurance assumed by the company.

For surplus lines insurers, the next figure reflects gross premiums written on a direct non-admitted basis. Listings for excess insurers note the percentage of gross premiums related to excess liability lines and the percentage of excess liability premiums written on an admitted basis.

Net premium volume is calculated by subtracting reinsurance ceded from gross premiums.

Paid-in-capital is the total of the value of both common capital stock and preferred capital stock of the company; the next entry reflects policyholder surplus.

The statutory combined ratio is calculated by adding the company's loss ratio (losses and loss expenses incurred to premiums earned) to the expense ratio (underwriting expenses to net premiums written).

Combined ratio 1 shows the statutory combined ratio; combined ratio 2 reflects the company's combined ratio as calculated by A.M. Best Co. or Standard & Poor's Corp.

Statutory net income is derived after dividends to policyholders and federal income taxes.

A footnote will indicate if figures are reported on a pooling basis, excluding premiums written on a direct, non-admitted basis.

The Best's rating listed under each year is the rating assigned by Best after the close of the year; rating modifiers are detailed below. Best's Financial Performance Index, which is given to some companies not assigned a rating, is listed if provided. The S&P rating for claims paying or solvency also was requested.

The total number of employees (and for excess insurers, the number involved in excess liability underwriting) is given in full-time equivalents.

Each listing includes the company's year founded and its parent company. The names and locations of subsidiaries are also listed.

States in which the company is an approved, non-admitted insurer and those in which it is and admitted insurer are also provided.

Names and titles of principal officers, as well as a contact for readers seeking more information, complete each listing.

In addition to this directory of excess and surplus lines insurers, a directory of insurance wholesalers begins on page 63.

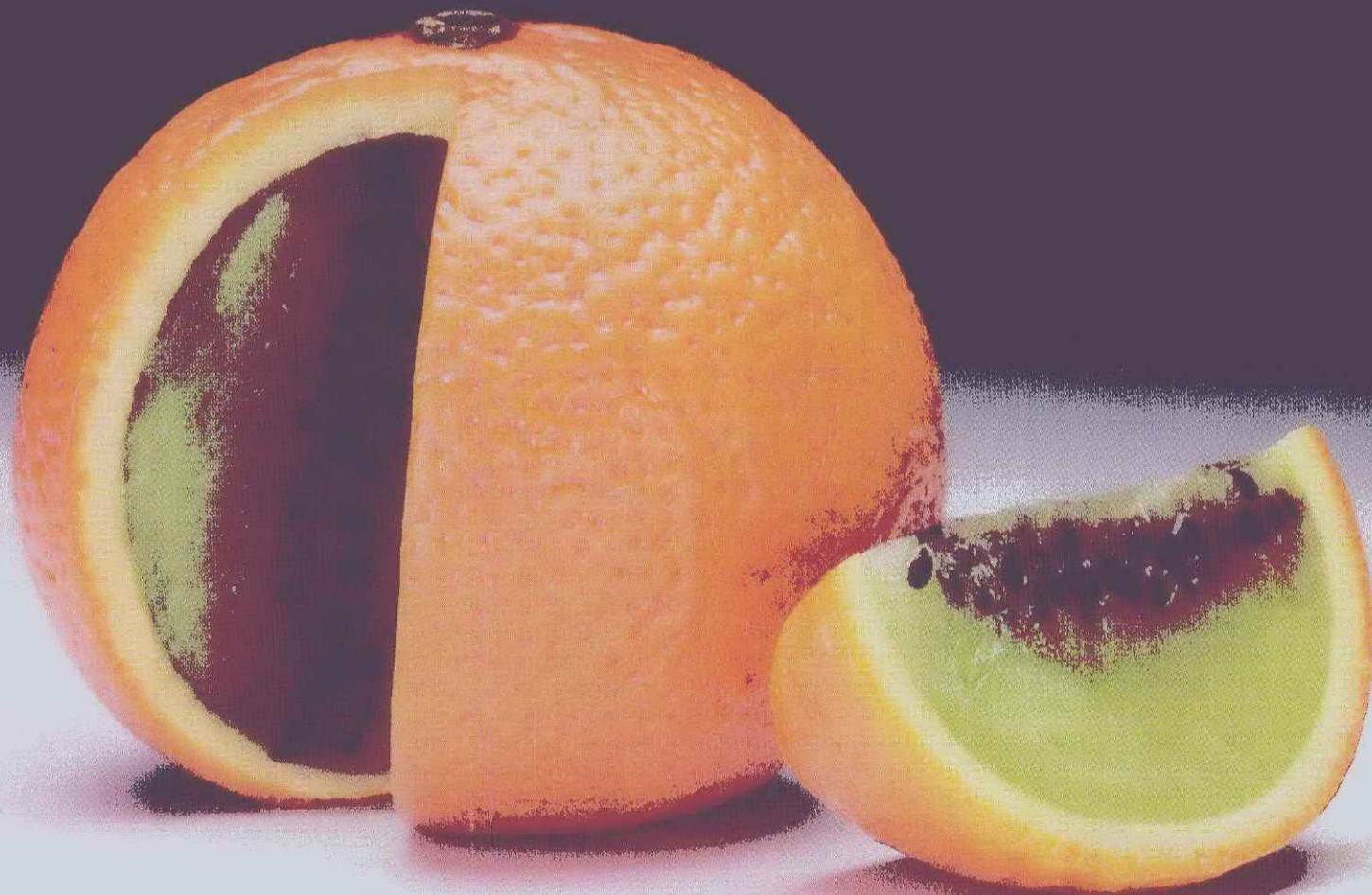
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PartnerRe



Continued from page 28

Richmond, Va.

Approved non-admitted in: all states, excluding Delaware, Maine, New Hampshire, New Jersey, New Mexico, Rhode Island and Wisconsin.

Admitted in: Virginia.
Officers: John K. Latham, president/CEO; Dale H. Pilkington, senior vp-underwriting; F. Douglas Wall, senior vp-claims.
Contact: Matthew D. Nichols, assistant vp-marketing, mnichols@colonyins.com.

Columbia Casualty Co.

CNA Plaza,
 Chicago, Ill. 60685;
 312-822-1906; fax: 312-817-3317
 www.cna-es.com

	1998*	1997*
Premium written	\$550,401,303	\$544,205,439
Non-admitted	\$212,951,967	\$201,266,877
Commercial risk	88%	88%
Net premiums	\$327,578,585	\$321,837,070
Paid-in capital	\$8,700,000	\$8,700,000
Surplus	\$302,931,890	\$291,700,643
Employees	190	168

Combined ratio 1	117.0%	110.3%
Combined ratio 2	117.1%	106.7%
Net income	\$4,066,088	\$29,565,889
Best's rating	A/A-	A/A-
S&P's rating	A+/A-	A+/A-

*All figures reported on a pooling basis that includes Columbia Casualty Co. and Pacific Insurance Co. Ratings are for CNA and Continental Insurance Co., respectively.

Parent: CNA Insurance Cos.
Approved non-admitted in: Columbia Casualty Co. is a non-admitted insurer in all states excluding Illinois and Louisiana; Pacific Insurance Co.**, is a non-admitted insurer in all states, excluding Alaska, California and New York; also approved in Canada.

Admitted in: all states and Canada.
Officers: Richard W. Quehl, president; William P. Casey, executive vp.
Contact: Richard W. Quehl.
 **Not related to Pacific Insurance Co. Ltd.

Coregis Indemnity Co.

181 W. Madison,
 Chicago, Ill. 60602;
 312-E49-5000; fax: 312-849-5293
 www.coregis.com

	1998	1997
Premium written	\$4,807,490	\$8,350,010

Non-admitted	\$4,807,490	\$8,350,010
Commercial risk	100%	100%
Net premiums	\$2,105,393	\$5,852,039
Paid-in capital	\$2,931,200	\$2,931,200
Surplus	\$37,433,610	\$31,168,538
Combined ratio 1	(119.5%)	88.5%
Combined ratio 2	(99.9%)	88.5%
Net income	\$11,807,116	\$6,211,233
Best's rating	A	A
S&P's rating	A+	A+

Founded: 1984.
Parent: General Electric Co.
Approved non-admitted in: all states, excluding Florida, Illinois and New Mexico.
Admitted in: Illinois.
Officers: Chan William Galbato, president/CEO; Patricia Liesse Kubera, treasurer/COO; Enid Tanenhaus, general counsel.



Essex Insurance Co.

4551 Cox Road,
 Glen Allen, Va. 23060;
 804-273-1400; fax: 804-273-1435
 www.essexinsurance.com

	1998	1997
Premium written	\$125,863,618	\$161,167,072
Non-admitted	\$105,284,910	\$115,132,512
Commercial risk	83.7%	71.4%
Net premiums	\$85,745,436	\$114,711,797
Paid-in capital	\$4,500,000	\$4,500,000
Surplus	\$90,084,109	\$77,601,421
Employees	156	161
Combined ratio 1	81.9%	87.5%
Combined ratio 2	79.7%	87.5%
Net income	\$23,644,591	\$14,977,847
Best's rating	A	A
S&P's rating	A+	A

Founded: 1980.
Parent: Market Corp.
Approved non-admitted in: all states, excluding Delaware; also approved in District of Columbia, Puerto Rico and the U.S. Virgin Islands.
Admitted in: Delaware.
Officers: Alan Irving Kirsner, chairman; Anthony F. Markel, vice chairman; Stephen J. Vaccaro, president.
Contact: April Lynn Duff.

The directory begins on page 26.

Evanston Insurance Co.

Shand Morahan Plaza,
 1007 Church St.,
 Evanston, Ill. 60201;
 847-866-2800; fax: 847-866-0128
 www.shand.com

	1998	1997
Premium written	\$200,840,948	\$173,642,787
Non-admitted	\$146,412,807	\$120,595,750
Commercial risk	99.9%	99.9%
Net premiums	\$127,349,509	\$137,472,121
Paid-in capital	\$8,251,229	\$8,251,299
Surplus	\$157,322,170	\$172,004,598
Employees	169	167
Combined ratio 1	115.8%	105.8%
Combined ratio 2	115.8%	105.8%
Net income	\$11,202,525	\$22,872,562
Best's rating	A	A
S&P's rating	A+	A+

Founded: 1977.
Parent: Market Corp.
Approved non-admitted in: all states, excluding Illinois and New Hampshire.
Admitted in: Illinois.
Officers: Anthony F. Markel, chairman, CEO; Paul W. Springman, COO; Mike A. Rozenberg, president.
Contact: Letha Heaton, vp-sales/marketing.



Fulcrum Insurance Co.

199 Water St., 20th Floor,
 New York, N.Y. 10038-3526;
 212-248-1886; fax: 212-480-1328
 www.fulcrumins.com

	1998	1997
Premium written	\$29,830,988	\$19,351,918
Non-admitted	\$29,175,953	\$19,197,918
Commercial risk	100%	99.2%
Net premiums	\$1,593,193	\$426,866
Paid-in capital	\$4,500,000	\$4,500,000
Surplus	\$36,588,838	\$23,485,490
Employees	28	21
Combined ratio 1	54.8%	2.4%
Combined ratio 2	NA	2.4%
Net income	\$1,493,736	\$1,174,402
Best's rating	A	A
S&P's rating	A+	AA-

Founded: 1994.
Parent: SOREMA North America Reinsurance Co.
Approved non-admitted in: all states, excluding Maine, New Hampshire, New York and Vermont; also approved in the District of Columbia, Guam, Puerto Rico and the U.S. Virgin Islands.
Admitted in: New York.

Officers: Francis M. Chervil, chairman/president/CEO; Nicholas Papadopoulos, executive vp/chief underwriting officer; William J. Gelert, executive vp/manager-risk casualty.
Contact: Deborah L. Brady, senior vp/marketing director.

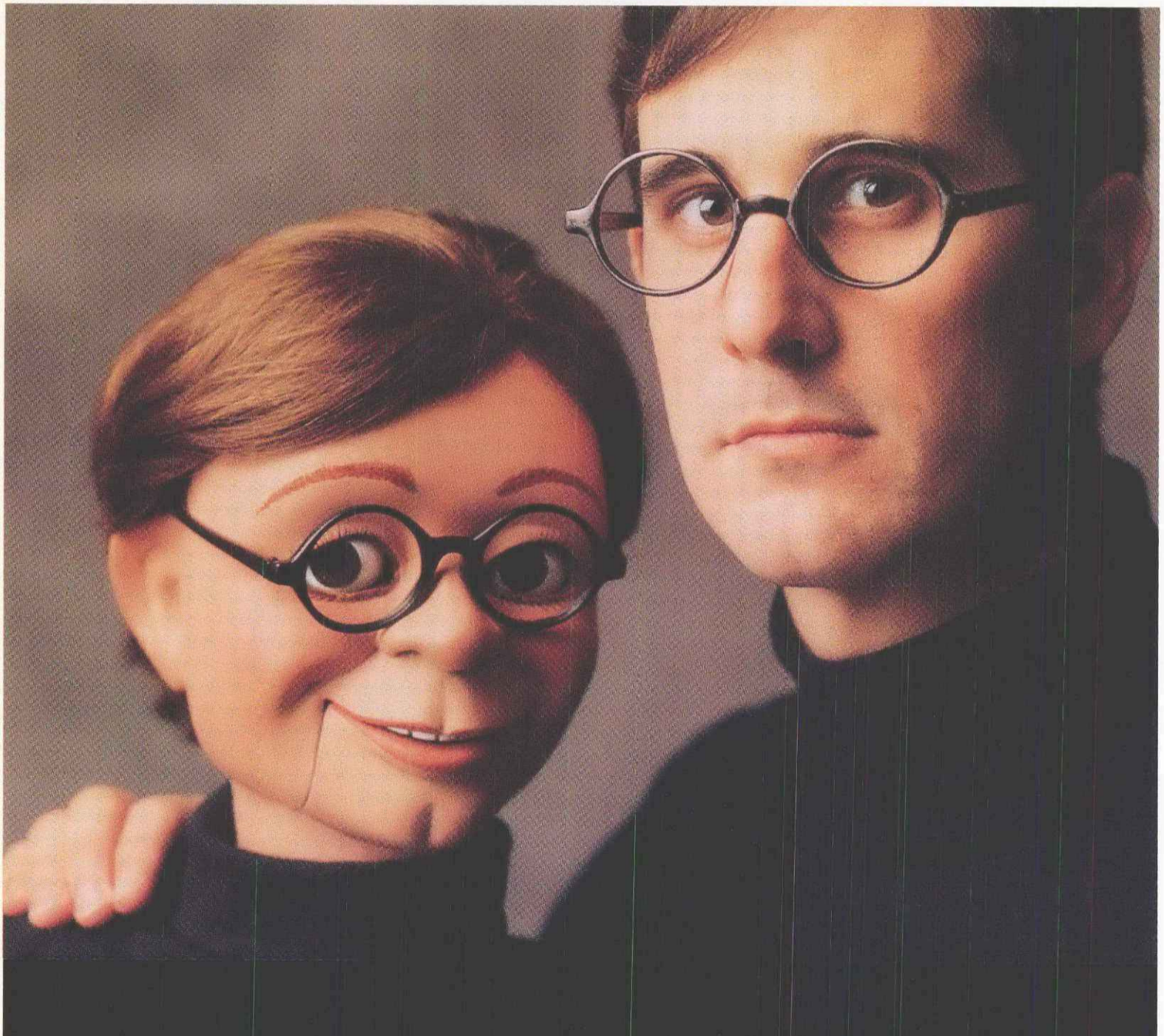


General Agents Insurance Co. of America Inc.

500 Commerce St.,
 Ft. Worth, Texas 76102;
 817-336-2500; fax: 817-335-1230
 www.gainsco.com

	1998	1997
Premium written	\$98,982,583	\$101,259,374
Non-admitted	\$46,473,305	\$50,821,251
Commercial risk	100%	100%
Net premiums	\$63,855,037	\$68,480,615
Paid-in capital	\$3,000,000	\$3,000,000
Surplus	\$69,825,964	\$76,495,883
Employees	140	150
Combined ratio 1	133.1%	93.2%
Combined ratio 2	133.1%	93.3%
Net income	\$10,597,099	\$15,449,442
Best's rating	A	A

Figures reported on a pooling basis.
Founded: 1978.
Parent: GAINSCO Inc.
Subsidiaries: DLT Insurance Adjusters Inc., Miami; National Specialty Lines Inc., Miami; GAINSCO County Mutual Insurance Co.; MGA Agency Inc.; MGA Insurance Co. Inc.; Ft. Worth, Texas.
Approved non-admitted in: all states, excluding Maine.
Admitted in: Oklahoma.
Officers: Glenn W. Anderson, president/CEO; Dan Coats, senior vp/COO; Carolyn E. Ray, senior vp.
Contact: Brian L. Schwarzbach, assistant vp; bschwarzbach@gainsco.com.



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Continued on page 32

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Wm.H.McGee
Underwriting Managers

Continued from page 30

General Star Indemnity Co.

695 E. Main St., P.O. Box 10354,
Stamford, Conn. 06904-2354;
203-328-5700; fax: 203-328-6131
www.generalstar.com

	1998	1997
Premium written	\$308,269,365	\$322,502,210
Non-admitted	\$300,925,620	\$311,434,771
Commercial risk	90%	94.5%
Net premiums	\$218,589,873	\$245,098,139
Paid-in capital	\$5,000,000	\$5,000,000
Surplus	\$345,327,438	\$330,026,971
Combined ratio 1	109.8%	96.6%
Combined ratio 2	109.5%	96.3%
Net income	\$41,279,970	\$45,479,447
Best's rating	A++	A++
S&P's rating	AAA	AAA

Founded: 1967.
Parent: Berkshire Hathaway Inc.
Subsidiaries: General Star International Indemnity Ltd., London.

Approved non-admitted in: all states, excluding Connecticut.

Admitted in: Connecticut.
Officers: Kevin P. Brooks, chairman/president; Patricia H. Roberts, senior vp; William F. Murray, vp.

Murray, vp.

Contact: David W. Micik; dmick@genre.com.

General Star National Insurance Co.

695 E. Main St., P.O. Box 10360,
Stamford, Conn. 06904;
203-328-5700; fax: 203-328-6131
www.generalstar.com

	1998	1997
Premium written	\$45,738,878	\$38,782,944
Excess liability	86%	89%
Admitted	100%	100%
Net premiums	\$32,015,330	\$24,928,555
Paid-in capital	\$4,000,000	\$4,000,000
Surplus	\$111,105,419	\$103,398,811
Combined ratio 1	94.5%	96.2%
Combined ratio 2	94.4%	95.8%
Net income	\$12,936,860	\$14,088,822
Best's rating	A++	A++
S&P's rating	AAA	AAA

Founded: 1864.
Parent: Berkshire Hathaway Inc.
Approved non-admitted in: All states.
Officers: Kevin P. Brooks, chairman/president; Patricia H. Roberts, senior vp; William F. Murray, vp.

Contact: David W. Micik, second vp; dmick@genre.com.

Glencoe Insurance Ltd.

Renaissance House, E. Broadway,
P.O. Box HM 2527,
Hamilton, HM GX Bermuda;
441-296-3235; fax: 441-295-4029
www.renre.com

	1998	1997
Premium written	\$5,634,000	\$7,041,000
Non-admitted	\$5,634,000	\$7,041,000
Commercial risk	100%	100%
Net premiums	\$4,851,000	\$6,190,000
Paid-in capital	\$400,000	\$500,000
Surplus	\$59,495,000	\$68,409,000
Employees	4	5
Combined ratio 1	82.6%	81.3%
Net income	\$6,340,000	\$2,421,000
Best's rating	A-	A-

Founded: 1996.
Parent: Renaissance Holdings Ltd.
Subsidiaries: DeSoto Insurance Co., Tallahassee, Fla.
Approved non-admitted in: Arkansas, California, Delaware, Florida, Georgia, Hawaii, Illinois, Indiana, Iowa, Kansas, Louisiana, Mary-

land, Missouri, Nebraska, New Jersey, New Mexico, New York, North Carolina, Ohio, Oregon, South Carolina, South Dakota, Texas and Washington; also approved in the District of Columbia and the U.S. Virgin Islands.

Admitted in: Guam.
Officers: James Stanard, president; Craig Tillman, vp; John Nichols Jr., senior vp/treasurer.
Contact: Craig Tillman, vp; cwt@glen-coeins.com.



Houston Casualty Co.

13403 Northwest Freeway,
Houston, Texas 77040;
713-462-1000; fax: 713-462-4210

	1998	1997
Premium written	\$325,043,031	\$212,007,053
Non-admitted	\$70,555,975	\$74,077,575
Commercial risk	21.7%	34.9%
Net premiums	\$79,964,973	\$74,443,082
Paid-in capital	\$5,000,000	\$5,000,000
Surplus	\$262,435,462	\$233,042,964



INEX Insurance Exchange

1 S. Wacker Drive, Suite 2720,
Chicago, Ill. 60606;
312-372-4639; fax: 312-372-0423
www.theinex.com

	1998	1997
Premium written	\$50,561,372	\$27,148,894
Non-admitted	\$21,821,879	\$16,897,429
Commercial risk	100%	100%
Net premiums	\$20,693,121	\$17,878,453
Paid-in capital	\$2,378,033	\$2,378,033
Surplus	\$78,740,705	\$77,954,075
Employees	11	11
Combined ratio 1	120%	322.5%
Net income	(\$565,565)	\$873,665

Founded: 1980.
Approved non-admitted in: all states, excluding Connecticut, Maine, Nevada, New Hampshire, New York, Rhode Island and Texas; authority limited to certain syndicates in Arizona, California, Colorado, Florida, Louisiana, New Mexico, South Carolina and Washington.

Admitted in: Illinois.
Officers: James E. Tait, president/CEO; Gerald F. Murray, vp/general counsel/secretary; Jeffrey P. Lehan, vp-operations/treasurer.
Contact: Terry Ryan, assistant vp/administrative assistant, 800-525-8471 ext. 405; ryan@theinex.com.

Independence Indemnity Insurance Co.

4750 Lindle Road,
Harrisburg, Pa. 17105;
888-432-7322; fax: 717-561-5207
www.phico.com

	1998	1997
Paid-in capital	\$1,000,000	N/A
Surplus	\$1,600,162	N/A
Employees	5	N/A
Best's rating	A-	N/A

Founded: 1998.
Parent: PHICO Group.
Approved non-admitted in: Arizona, Colorado, Georgia, Hawaii, Illinois, Indiana, Michigan, Montana, Nebraska, North Carolina, North Dakota, Oregon, Pennsylvania, South Dakota, Texas, Virginia, Washington, West Virginia, Wisconsin and Wyoming; also approved in the District of Columbia.
Admitted in: Kansas.
Contact: Ronald L. Goldberg, president.

Investors Insurance Co. of America

200 Schulz Drive,
Red Bank, N.J. 07701;
732-224-0500; fax: 732-741-2266

	1998	1997
Premium written	\$82,260,254	\$44,176,011
Non-admitted	\$17,845,357	\$25,008,445
Commercial risk	22%	57%
Net premiums	\$60,845,944	\$26,777,506
Paid-in capital	\$4,200,000	\$4,200,000
Surplus	\$41,074,589	\$34,339,067
Employees	60	51
Combined ratio 1	98.9%	105.6%
Combined ratio 2	98.9%	105.6%
Net income	\$6,200,142	\$3,790,790
Best's rating	A	A-
S&P's rating	A	A

Founded: 1961.
Parent: Markel Corp.
Approved non-admitted in: all states, excluding New Jersey, New York and Vermont.
Admitted in: New Jersey and New York.
Officers: Jeremy D. Cooke, president/CEO.

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Continued on next page

Continued from previous page

Rodney Ayer, senior vp.; Raymond J. Steer Jr., treasurer, vp/controller.
Contact: Raymond J. Steer Jr., rsteer@markelcorp.com.



Lexington Insurance Co.

200 State St.,
 Boston, Mass. 02109;
 617-330-1100; fax: 617-772-4588

	1998	1997
Premium written	\$1,252,223,108	\$1,308,433,539
Non-admitted	\$986,178,108	\$1,029,734,783
Commercial risk	99.6%	97.2%
Net premiums	\$290,785,503	\$461,839,259
Paid-in capital	\$5,000,000	\$5,000,000
Surplus	\$1,353,760,321	\$1,224,755,421
Employees	260	260
Combined ratio 1	101.5%	98.6%
Net income	\$156,110,621	\$172,994,444
Best's rating	A++	A++
S&P's rating	AAA	AAA

Founded: 1965.
Parent: American International Group Inc.
Approved non-admitted in: all states, excluding Delaware.
Admitted in: Delaware.
Officers: Kevin Kelley, chairman; Shaun E. Kelly, executive vp.; Jack Graham, vp.
Contact: Kimberly Metta; 617-330-8443.



Monticello Insurance Co.

Newport Towers,
 525 Washington Blvd.,
 Jersey City, N.J. 07310-1693;
 201-222-; fax: 201-420-3679
 www.jeffgroup.com

	1998	1997
Premium written	\$90,202,159	\$94,310,231
Non-admitted	\$65,342,507	\$71,488,255
Commercial risk	94.7%	75.8%
Net premiums	\$24,859,652	\$22,821,976
Paid-in capital	\$4,100,000	\$4,100,000
Surplus	\$34,210,977	\$31,502,900
Employees	146	140
Combined ratio 1	108%	105.3%
Combined ratio 2	107.4%	103.8%
Net income	\$2,282,121	\$2,109,603
Best's rating	A	A
S&P's rating	A+	A+

Figures reported on a pooling basis.
Founded: 1973.
Parent: Jefferson Insurance Co. of New York.
Approved non-admitted in: Monticello is approved in all states, excluding Delaware; Jefferson Insurance Co. of New York is approved in Hawaii and Louisiana.
Admitted in: Monticello is admitted in Delaware; Jefferson Insurance Co. of New York is admitted in all states, excluding Hawaii and Louisiana.
Officers: Claus Cardinal, president/CEO; Vincent Celano, senior vp/secretary; Atanas Nikow, senior vp-claims.
Contact: John Ritter; 201-420-3457.

Mt. Hawley Insurance Co.

9025 N. Lindbergh Drive,
 Peoria, Ill. 61615;
 309-692-1000; fax: 309-692-068
 www.rlicorp.com

	1998	1997
Premium written	\$66,708,195	\$72,621,935
Non-admitted	\$65,957,050	\$72,318,524
Commercial risk	99.6%	99.6%
Net premiums	\$41,928,035	\$40,669,599
Paid-in capital	\$10,000,000	\$10,000,000
Surplus	\$130,238,966	\$121,751,390
Employees	269	285
Combined ratio 1	112.4%	101.9%
Combined ratio 2	112.4%	101.8%
Net income	\$3,785,899	\$10,381,379
Best's rating	A	A
S&P's rating	A	AA

Founded: 1979.
Parent: RLI Corp.
Approved non-admitted in: all states; also approved in the District of Columbia.

The directory of surplus lines insurers begins on page 26. The directory of insurance wholesalers begins on page 63. Charts listing the top 10 surplus lines insurers and wholesalers are on page 3.

Officers: Jcnathan E. Michael, president/COO; Michael J. Stone, executive vp.; Gregory J. Tiemeier, senior vp/chief information officer.
Contact: Michael J. Stone.



National Fire & Marine Insurance Co.

3024 Harney St.,
 Omaha, Neb. 68131;
 402-536-3000; fax: 402-536-3030
 www.nationa indemnity.com

	1998	1997
Premium written	\$12,651,929	\$11,173,294
Non-admitted	\$9,047,690	\$11,160,443
Commercial risk	71.5%	99.9%
Net premiums	\$10,692,810	\$11,150,002
Paid-in capital	\$3,500,000	\$3,500,000
Surplus	\$2,404,072,745	\$2,408,643,046
Employees	257	277
Combined ratio 1	73%	63%
Combined ratio 2	73%	64.8%
Net income	\$58,636,440	\$147,168,366

Best's rating A++ A++
 S&P's rating AAA AAA
Founded: 1949.
Parent: Berkshire Hathaway Inc.
Subsidiaries: Redwood Fire & Casualty Insurance Co., Omaha, Neb.
Approved non-admitted in: all states, excluding Massachusetts, Nebraska, New Jersey and New York.
Admitted in: Nebraska.
Officers: Donald F. Wurster, president; Forrest N. Krutter, secretary/senior vp.; Philip M. Wolf, senior vp.
Contact: John P. Giandinoto, assistant vp-marketing; 402-536-3220.

Nautilus Insurance Co.

7273 E. Butherus Drive,
 Scottsdale, Ariz. 85260;
 480-951-0905; fax: 480-951-9730
 www.nautilusinsgroup.com

	1998	1997
Premium written	\$86,730,034	\$83,761,054
Non-admitted	\$52,495,857	\$53,658,026
Commercial risk	60.5%	64.1%
Net premiums	\$43,262,049	\$39,052,230
Paid-in capital	\$3,500,000	\$7,350,088

Surplus \$66,556,912 \$68,091,915
 Employees 135 121
 Combined ratio 1 83.2% 90.7%
 Combined ratio 2 83.2% 90.9%
 Net income \$13,907,818 \$10,607,191
 Best's rating A A
 S&P's rating AA AA
Founded: 1985.
Parent: W.R. Berkley Corp.
Subsidiaries: Great Divide Insurance Co., Scottsdale, Ariz.
Approved non-admitted in: all states, excluding Arizona, North Carolina and Virginia.
Admitted in: Arizona, North Carolina and Virginia.
Officers: Thomas M. Kuzma president; John M. Runberg, senior vp/treasurer; Janet L. Shemanske, vp/secretary.
Contact: Dennis Parish, vp-marketing; dparish@wrbc.com.

Northfield Insurance Co.

1295 Northland Drive,
 Mendota Heights, Minn. 55120-1146;
 651-688-4100; fax: 651-688-4498
 www.northlandins.com

	1998	1997
Premium written	\$161,320,794	\$151,202,147
Non-admitted	\$78,294,327	\$75,758,661
Commercial risk	98%	98%
Net premiums	\$83,026,468	\$75,443,486
Paid-in capital	\$3,500,000	\$3,500,000
Surplus	\$81,332,064	\$75,024,454
Combined ratio 1	100%	100.1%
Combined ratio 2	100.2%	99.9%
Net income	\$7,225,431	\$8,329,492
Best's rating	A+Superior	A+Superior
S&P's rating	A	A

Figures reported on a pooling basis.
Founded: 1988.
Approved non-admitted in: all states, excluding Missouri, New Hampshire and Massachusetts.
Admitted in: Missouri.
Officers: Randall Dean Jones, president; Barbara Lou Sutherland, secretary; Daniel John Zaborsky, treasurer.
Contact: Robert S. Bell, financial reporting manager, 651-688-4287.

Continued on next page

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Continued from previous page



Old Lyme Insurance Co. of Rhode Island Inc.

175 Metro Blvd., Suite 10,
Warwick, R.I. 02886;
401-732-4684; fax: 401-732-4634
www.kayegroup.com

	1998	1997
Premium written	\$23,051,633	\$20,868,092
Non-admitted	\$11,547,639	\$11,051,025
Commercial risk	50%	53%
Net premiums	\$22,796,885	\$20,331,009
Paid-in capital	\$3,000,000	\$3,000,000
Surplus	\$27,866,597	\$23,662,387
Employees	29	28
Combined ratio 1	74.2%	78.8%
Combined ratio 2	74.2%	78.8%
Net income	\$5,702,895	\$5,178,932
Best's rating	A-	A-

Founded: 1985.
Parent: Kaye Group Inc.
Approved non-admitted in: New Jersey and

New York.

Admitted in: Rhode Island.
Officers: Bruce D. Guthart, chairman/president/CEO; Michael P. Sabanos, senior vp/CFO; Marc Cohen, senior vp.
Contact: James Carter.



Pacific Insurance Co. Ltd.

150 Federal St.,
Boston, Mass 02110;
617-526-7600; fax: 617-526-0600
www.firststateins.com

	1998	1997
Premium written	\$270,844,869	\$290,994,413
Non-admitted	\$166,297,405	\$193,078,990
Commercial risk	95%	95%
Net premiums	\$99,369,088	\$98,070,026
Paid-in capital	\$7,200,000	\$7,200,000
Surplus	\$308,790,070	\$318,770,009
Employees	222	227
Combined ratio 1	103.5%	101.8%
Net income	\$17,277,066	\$23,233,900

Best's rating A+
S&P's rating AA AA
Figures reported on a pooling basis.
Founded: 1928.
Parent: The Hartford Financial Services Group Inc.

Approved non-admitted in: all states, excluding Connecticut, Hawaii and New Hampshire.

Admitted in: Connecticut and Hawaii.
Officers: Ramani Ayer, chairman; Ralph J. Palmieri, president; Joseph H. Gareau, executive vp.
Contact: John MacFarland, first vp-marketing.

Penn-America Insurance Co.

420 S. York Road,
Hatboro, Pa. 19040;
215-443-3600; fax: 800-882-8569
www.penn-america.com

	1998	1997
Premium written	\$95,097,157	\$104,693,521
Non-admitted	\$29,771,180	\$39,893,243
Commercial risk	41.8%	57.9%
Net premiums	\$87,828,608	\$96,561,302
Paid-in capital	\$3,000,000	\$3,000,000

Surplus \$85,357,849 \$83,458,577
Employees 102 105
Combined ratio 1 97.3% 95.3%
Combined ratio 2 97.3% 95.3%
Net income \$9,805,304 \$8,075,371
Best's rating A A

Figures reported on a pooling basis.
Founded: 1976.
Approved non-admitted in: Arkansas, Connecticut, Florida, Georgia, Louisiana, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, North Carolina, Oklahoma, Rhode Island, South Carolina, Texas, Vermont, Virginia, West Virginia, Wyoming; also approved in the District of Columbia.

Admitted in: Alabama, Alaska, Arizona, California, Colorado, Delaware, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New York, North Dakota, Ohio, Oregon, Pennsylvania, South Dakota, Tennessee, Texas, Utah, Washington and Wisconsin.

Officers: Jon S. Saltzman, president; John M. DiBiasi, executive vp; Rosemary Ferrero, vp/CFO.
Contact: John M. DiBiasi; dibiasi@penn-america.com.

Preferred National Insurance Co.

9201 Forest Hill Ave., Suite 200,
Richmond, Va. 23235;
804-327-1700; fax: 804-327-1792
www.colonyins.com

	1998	1997
Premium written	\$39,000,465	\$46,133,052
Non-admitted	\$12,969,451	\$17,123,136
Commercial risk	33.3%	37.1%
Net premiums	\$33,677,703	\$40,449,026
Paid-in capital	\$3,500,000	\$3,500,000
Surplus	\$28,210,899	\$26,751,558
Employees	54	75
Combined ratio 1	106.8%	98.7%
Combined ratio 2	106.6%	98.7%
Net income	\$1,455,689	(\$2,464,172)
Best's rating	B++	B++

Founded: 1989.
Parent: Front Royal Inc.
Approved non-admitted in: Alabama, Arizona, Arkansas, California, Colorado, Georgia, Hawaii, Idaho, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maryland, Minnesota, Missouri, Mississippi, Montana, Nebraska, Nevada, New Jersey, North Carolina, North Dakota, Ohio, Oregon, Pennsylvania, South Carolina, South Dakota, Tennessee, Texas, Utah, Washington, West Virginia, Wisconsin and Wyoming; also approved in the District of Columbia.

Admitted in: Florida, Illinois and Virginia.
Officers: John K. Latham, president/CEO; Edward Desch, vp/CFO; Michael Weinstein, vp-claims.

Contact: Matthew D. Nichols, manager-marketing; mnichols@colonyins.com.



Reliance Insurance Co. of Illinois

233 S. Wacker Drive, Suite 6120,
Chicago, Ill. 60606;
312-554-3200; fax: 312-554-3223
www.reliancenational.com

	1998	1997
Premium written	\$392,794,313	\$356,811,524
Non-admitted	\$340,044,835	\$305,604,293
Commercial risk	86.6%	85.6%
Net premiums	\$23,078,079	\$19,651,979
Paid-in capital	\$4,100,000	\$4,100,000
Surplus	\$48,648,236	\$42,955,502
Combined ratio 1	102.8%	102.3%
Combined ratio 2	103.2%	102.5%
Net income	\$4,127,183	\$3,259,375
Best's rating	A-p	A-p
S&P's rating	A-	A

Figures reported on a pooling basis.
Founded: 1972.
Parent: Reliance Insurance Co.
Approved non-admitted in: all states, excluding Illinois.
Admitted in: Illinois.
Officers: Robert Olsman, chairman/president; Stewart Gerson, senior vp/treasurer/CEO; Kenneth Frohlich, senior vp/chief actuary.
Contact: John Taylor, annual statement contact; 215-864-4000, ext. 4007.

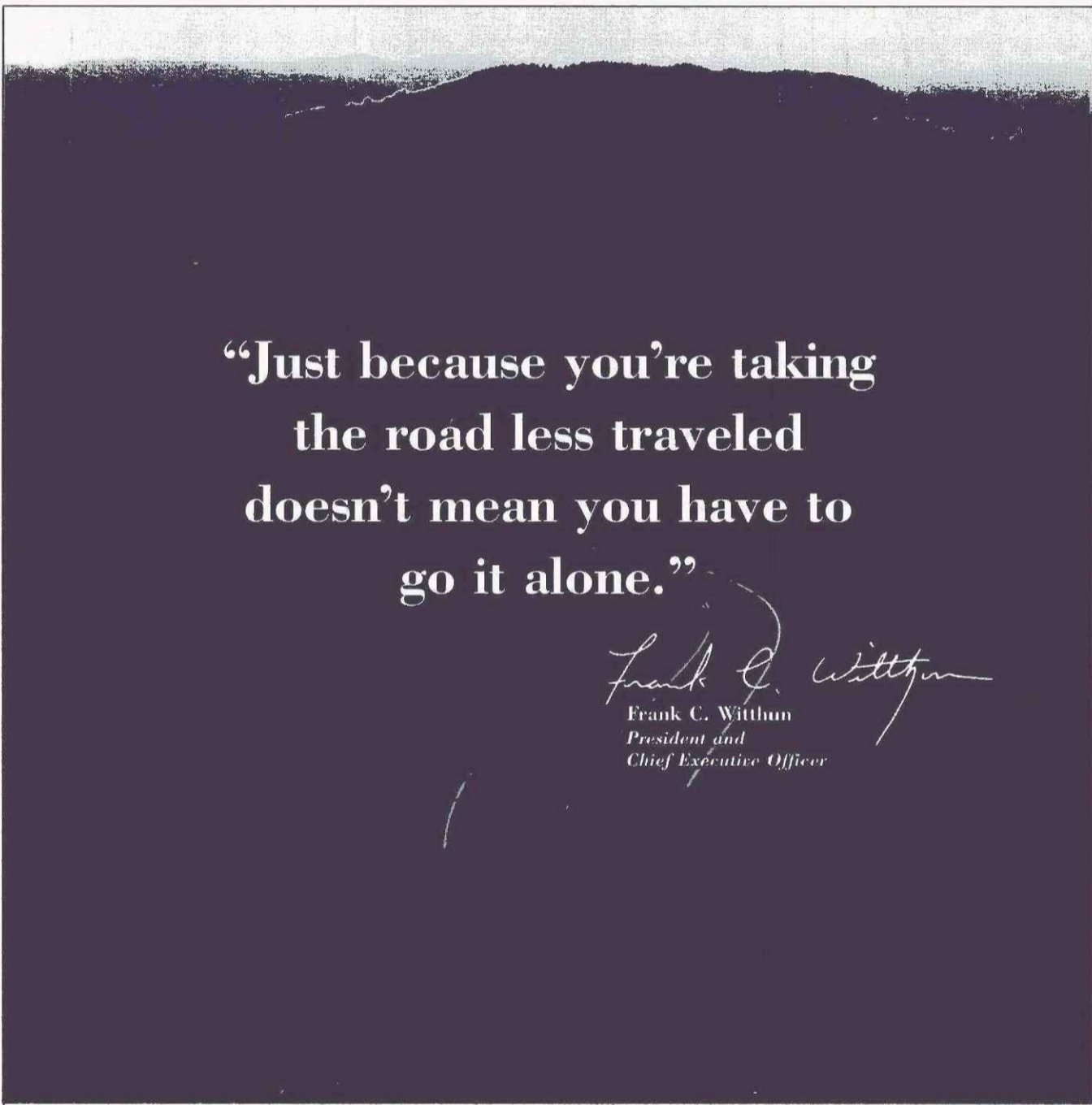


Safety National Casualty Corp.

2043 Woodland Parkway,
St. Louis, Mo. 63146;
314-995-5300; fax: 314-995-6847
www.stl.sncc.com

	1998	1997
Premium written	\$93,484,790	\$71,069,840
Commercial risk	99.9%	99.9%
Excess liability	54%	94%
Admitted	99.9%	99.9%
Net premiums	\$78,459,519	\$60,777,599
Paid-in capital	\$5,000,000	\$5,000,000
Surplus	\$207,208,696	\$168,922,811
Employees	93	89
Excess liability	10	14
Combined ratio 1	107.9%	102.7%
Net income	\$48,078,642	\$34,796,461
Best's rating	A	A
S&P's rating	A	A

Founded: 1942.
Parent: Delphi Financial Group.
Approved non-admitted in: all states; also approved in the District of Columbia.
Officers: Terrence T. Schoeninger, president/CEO; Duane A. Hercules, executive vp/treasurer; Jeffrey W. Otto, secretary/general counsel.
Contact: Donald L. Wilson, government re-



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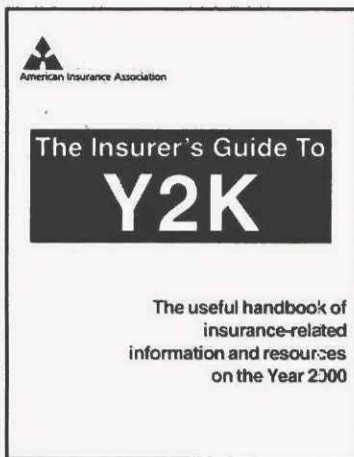
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Continued from previous page
 lations manager; don.wilson@sncc.com.

St. Paul Surplus Lines Insurance Co.

385 Washington St.,
 St. Paul, Minn. 55102;
 651-310-8721; fax: 651-310-3810
 www.stpaul.com

	1998	1997
Premium written	\$225,092,089	\$147,281,987
Non-admitted	\$91,139,220	\$112,083,290
Commercial risk	99.7%	100%
Net premiums	\$133,519,954	\$35,025,592
Paid-in capital	\$4,100,000	\$4,100,000
Surplus	\$83,469,128	\$83,229,253
Combined ratio 1	107.9%	105.8%
Net income	(\$1,199,141)	\$10,092,151
Best's rating	A+	A+
S&P's rating	AA	AAA

Figures reported on a pooling basis.

Founded: 1974.

Parent: St. Paul Fire & Marine Insurance Co.

Approved non-admitted in: all states, excluding Delaware; also approved in Puerto Rico.

Admitted in: Delaware.

Officers: Janet R. Nelson, president/COO; Paul J. Liska, executive vp/CFO; Robert J. Cecconi, senior vp.

Contact: Dave Baughman, 651-310-8683.

Scottsdale Insurance Co.

8877 N. Gainey Center Drive,
 Scottsdale, Ariz. 85258;
 480-948-0505; fax: 480-483-6752

	1998	1997
Prem. written	\$1,093,443,217	\$1,114,198,849
Non-admitted	\$453,303,111	\$491,060,055
Commercial risk	87.5%	88.3%
Net premiums	\$333,621,690	\$327,032,443
Paid-in capital	\$6,027,200	\$6,027,200
Surplus	\$243,048,828	\$211,078,908
Employees	1,009	1,087
Combined ratio 1	108.2%	104.3%
Combined ratio 2	108.9%	105.0%
Net income	\$30,563,073	\$17,528,408
Best's rating	A+	A+
S&P's rating	NA	AA

Figures reported on a pooling basis.

Parent: Nationwide Mutual Insurance Co.

Subsidiaries: National Premium & Benefit Administration Co. and Scottsdale Surplus Lines Insurance Co., Scottsdale, Ariz.

Approved non-admitted in: all states, excluding Arizona, Delaware and Ohio; also approved in the District of Columbia and Puerto Rico.

Admitted in: Arizona, Delaware and Ohio.

Officers: Roger Glick, Williamson, president; Dennis William Click, secretary; Michael D. Miller, treasurer.

Contact: Arlan G. Oliva, associate vp/controller.

Star Insurance Co. (Combined)

26600 Telegraph Road,
 Southfield, Mich. 48034;
 248-358-1100; fax: 248-358-1614
 www.meadowbrookinsgrp.com

	1998	1997
Premium written	\$197,908,979	\$143,002,397
Non-admitted	\$19,388,463	\$12,870,414
Commercial risk	9.8%	9%
Net premiums	\$104,509,590	\$71,228,065
Paid-in capital	\$7,640,000	\$5,040,000
Surplus	\$79,571,240	\$70,050,890
Combined ratio 1	98.7%	91.3%
Combined ratio 2	98.7%	91.3%
Net income	\$6,389,795	\$10,449,420
Best's rating	A-	A-
S&P's rating	A+	A+

1998 figures reflect combined operations of Star, Williamsburg National Insurance Co., Savers Property & Casualty Insurance Co. and Ameritrust Insurance Corp. 1997 figures do not reflect Williamsburg and Ameritrust, which were acquired subsequently.

Founded: 1985.

Parent: Meadowbrook Insurance Group Inc.

Approved non-admitted in: all states, excluding Illinois, Kansas, Maine and Massachusetts.

Admitted in: all states.

Officers: Joseph C. Henry, CEO; Robert S. Cubbin, chairman; Karl W. Koch, president.

Contact: Karen M. Spaun, vp-investor relations; karen.spau@meadowbrookinsgrp.com.

Steadfast Insurance Co.

1400 American Lane,
 Schaumburg, Ill. 60196-1056;
 847-605-6000; 847-605-6011
 www.zurichus.com

	1998	1997
Premium written	\$344,158,394	\$351,319,459
Non-admitted	\$321,728,878	\$317,272,143
Commercial risk	100%	100%
Net premiums	\$25,923,881	\$30,990,196
Paid-in capital	\$4,100,000	\$4,100,000
Surplus	\$105,873,172	\$95,725,290
Combined ratio 1	115.6%	111.7%
Net income	\$6,375,186	\$4,059,974
Best's rating	A+	A+
S&P's rating	AA+	AA+

Figures reported on a pooling basis.

Founded: 1988.

Parent: Zurich Insurance Co.

Approved non-admitted in: all states, excluding Delaware.

Admitted in: Delaware.

Officers: Constantine Philipos Iordanou, president/CEO; Thomas Buess, vp/treasurer; Ronald Arne Anderson, vp.

Contact: Bryan Salvatore, vp/director-marketing; 212-676-4073.

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Sophocles
 Antigone

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Safety in Numbers

Continued from previous page

Trafalgar Insurance Co.

13403 Northwest Freeway,
Houston, Texas 77040;
713-744-9600; fax: 713-744-9601

	1998	1997
Premium written	\$16,886,464	\$6,648,826
Non-admitted	\$15,119,290	\$1,582,372
Commercial risk	89.5%	23.8%
Net premiums	\$1,467,965	\$1,877,034
Paid-in capital	\$5,000,000	\$5,000,000
Surplus	\$15,224,316	\$30,876,218
Combined ratio 1	17.8%	(23.6%)
Combined ratio 2	87.6%	70.3%
Net income	\$2,245,483	\$3,431,709
Best's rating	A+	A+
S&P's rating	AA	N/A

Founded: 1993.
Parent: Houston Casualty Co.
Approved non-admitted in: Alabama, Alaska, Arizona, Arkansas, California, Colorado, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Kansas, Kentucky, Louisiana, Maryland, Missouri, Montana, Nebraska, Nevada, New York, North Carolina, North Dakota, Ohio, Oregon, Pennsylvania, South Dakota, Texas, Utah, Washington, West Virginia, Wisconsin,

Wyoming; also approved in the District of Columbia.

Admitted in: Oklahoma.
Officers: Benjamin D. Wilcox, president; Edward H. Ellis, CFO/treasurer; Christopher L. Martin, secretary.
Contact: Frank J. Bramanti.

Tudor Insurance Co.

400 Parson's Pond Drive,
Franklin Lakes, N.J. 07417-2600;
201-847-8600; fax: 201-847-1010

	1998	1997
Premium written	\$40,161,592	\$37,754,049
Non-admitted	\$35,797,128	\$32,753,731
Commercial risk	99%	98%
Net premiums	\$8,607,832	\$9,114,840
Paid-in capital	\$4,200,000	\$4,200,000
Surplus	\$37,057,391	\$35,561,078
Employees	185*	186*
Combined ratio 1	133.2%	119.2%
Combined ratio 2	103.4%	102.7%
Net income	\$3,725,681	\$4,349,260
Best's rating	A+	A+
S&P's rating	A	A

*Figures reported on a pooling basis. *Employee numbers are for Western World Insurance Group.*

Founded: 1979.
Parent: Western World Insurance Co.
Approved non-admitted in: all states, excluding New Hampshire.
Admitted in: New Hampshire.
Officers: Andrew Frazier, president; Robert Livingston, executive vp-operations; Stephen Gerstman, senior vp.
Contact: Stephen Gerstman; sgerstman@westernworld.com.



United National Insurance Co.

3 Bala Plaza East, Suite 300,
Bala Cynwyd, Pa. 19004;
610-664-1500; fax: 610-660-3882
www.unitednat.com

	1998	1997
Premium written	\$296,425,950	\$264,568,833
Non-admitted	\$200,067,246	\$191,534,065
Commercial risk	99%	99%
Excess liability	65%	65%
Net premiums	\$81,023,583	\$76,582,113

Faid-in capital	\$5,000,000	\$5,000,000
Surplus	\$251,526,350	\$233,411,241
Employees	164	142
Excess liability	9	8
Combined ratio 1	85.5%	85.9%
Combined ratio 2	84.8%	85.5%
Net income	\$28,998,852	\$32,274,190
Best's rating	A+	A+
S&P's rating	Ac	Aq

Figures reported on a pooling basis.

Founded: 1960.
Parent: American Insurance Service Inc.
Subsidiaries: Diamond State Insurance Co., Bala Cynwyd, Pa.

Approved non-admitted in: all states, excluding Pennsylvania; also approved in the District of Columbia, Puerto Rico and the U.S. Virgin Islands.

Admitted in: Pennsylvania.
Officers: Seth Daniel Freudberg, president; Kevin Lee Tate, treasurer; Richard Steven March, senior vp.
Contact: Timothy James Dwyer, vp/controller; 610-660-6863.

The directory begins on page 26.



Western World Insurance Co.

400 Parson's Pond Drive,
Franklin Lakes, N.J. 07417-2600;
201-847-8600; fax: 201-847-1010

	1998	1997
Premium written	\$65,511,667	\$67,669,294
Non-admitted	\$39,380,283	\$42,821,926
Commercial risk	95.3%	96.4%
Net premiums	\$50,974,131	\$52,481,491
Paid-in capital	\$8,200,000	\$8,200,000
Surplus	\$155,730,466	\$145,738,813
Employees	185*	186*
Combined ratio 1	99.2%	100.3%
Combined ratio 2	103.3%	102.7%
Net income	\$13,407,333	\$13,058,716
Best's rating	A+	A+
S&P's rating	AA	AA

Figures reported on a pooling basis. Employee numbers are for Western World Insurance Group.

Founded: 1964.
Parent: Western World Insurance Group.
Subsidiaries: Stratford Insurance Co.; Tudor Insurance Co., Keene N.H.

Approved non-admitted in: all states, excluding New Hampshire and New York.

Admitted in: New Hampshire and New York.
Officers: Andrew Frazier, president; Robert Livingston, executive vp-operations; Thomas Mulligan, senior vp; Stephen Gerstman, senior vp.

Contact: Thomas Mulligan; tmulligan@westernworld.com. **BI**

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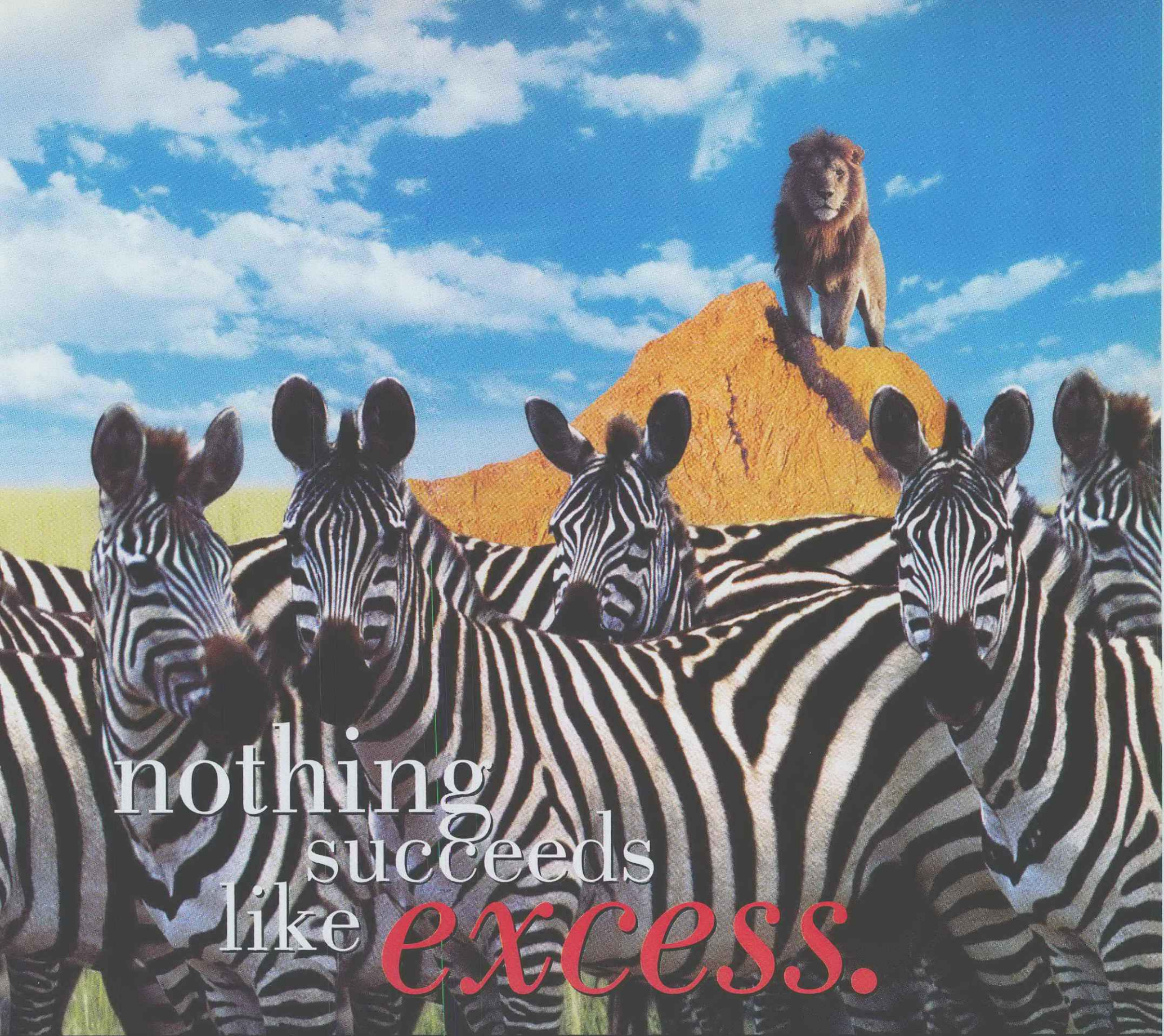
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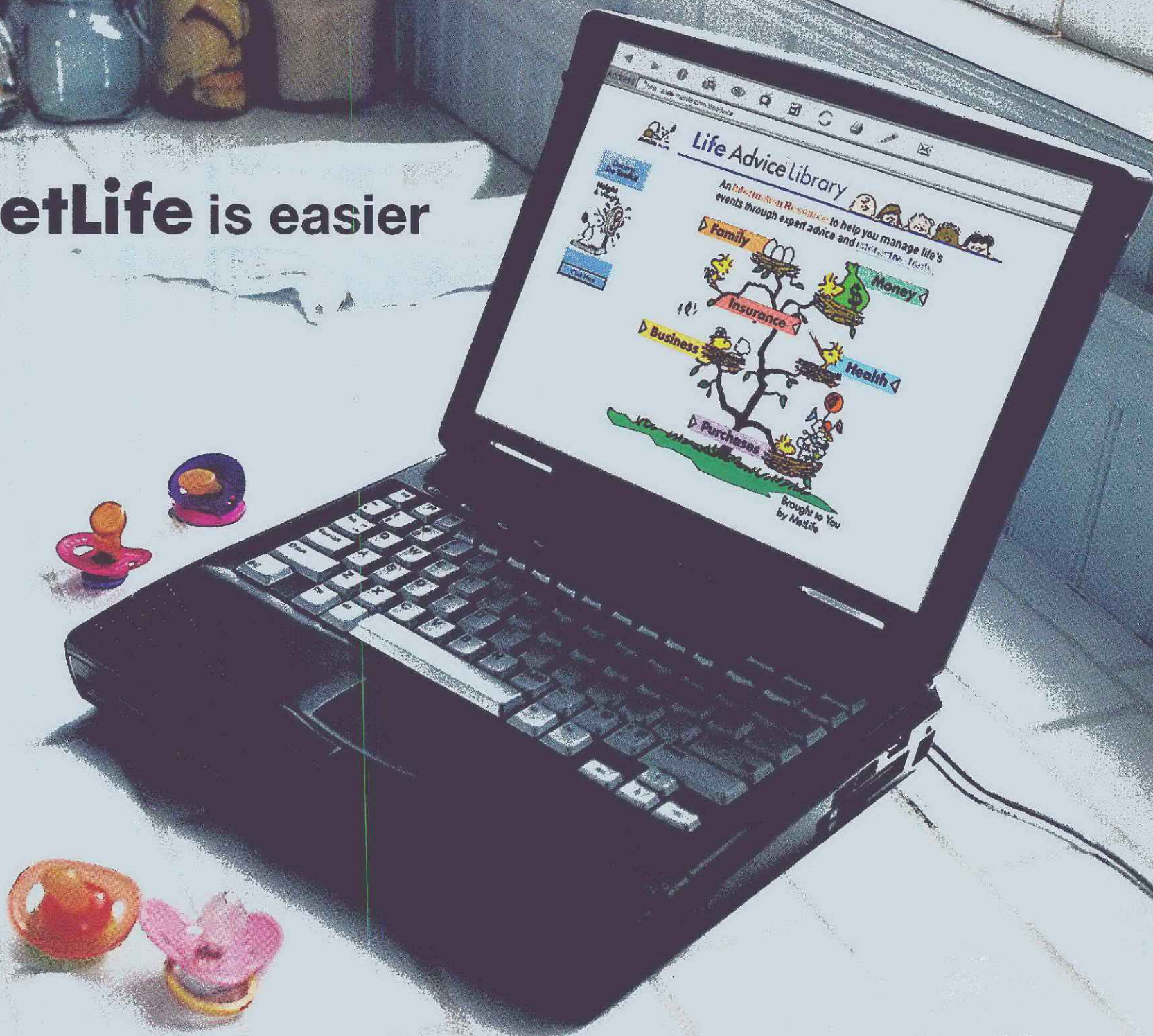


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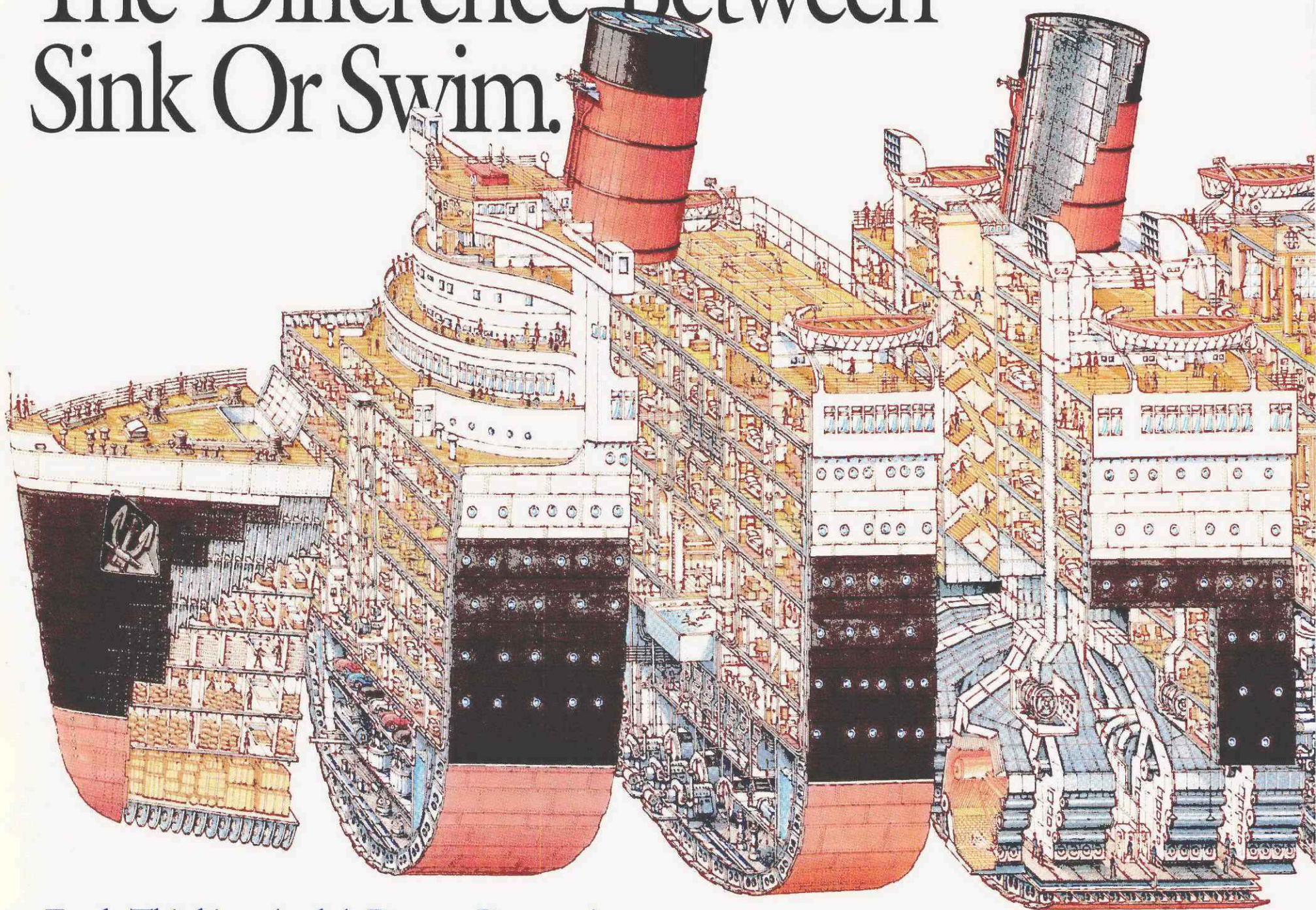
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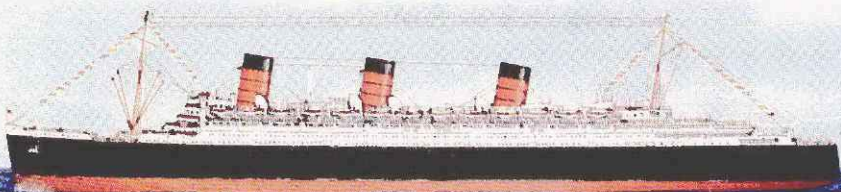
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Q

With the ever evolving and changing needs of companies in managing risk, how can risk managers better prepare themselves for those growing demands and enhance their careers in the process?

A

Risk managers are facing a growing challenge to close the gap in their typical skill set between what has made them a success under old and shifting paradigms and what they need to be successful in the future.

At the core of the challenge are both opportunities in terms of experience and education. And naturally, one is easier to address than the other.

First the hard one.

No matter what one might read or hear, career development at most companies still operates as it has for some time now; that is, the functional bucket you choose—or fall into—is the one you stay with for the life of your career. This has been especially true in risk management, as risk managers are most often still considered technical specialists with a narrow and unique focus—insurance-related matters.

This approach is obviously constraining for those of us who want to broaden our perspectives and horizons. It's great to be viewed this way when others see you as the only reliable source of expertise in a function, yet not so great when the firm needs a continuously rotating series of pinch hitters and back-ups.

When we accept this view, we become seen as less flexible and perhaps even less useful to people planners. But we can manage this career risk in ways not dissimilar to the model we apply to everyday risks to the firm. Before we go there, let's look at the other approach; a company of generalists.

A smaller set of organizations uses the generalist approach to career development and bench planning by assuming that most management personnel should be able to do each other's jobs in a sink-or-swim fashion. GE, PepsiCo and others have practiced this in numerous ways and to varying degrees of success.

In the end, it is equally constraining for one who loves what they do in a functional specialty and wants to develop that to the fullest. Ironically, it is this approach that can actually work to the advantage of a dedicated "risk manager" who wants to be better prepared to work under the emerging paradigm of enterprise risk management.

Why? Quite simply, the more time you spend rotating around core functional specialties within a firm, the better able you will be to practice enterprise risk.

You'll have a broader understanding of the key aspects of company operations that present the firm with the risks that must be addressed. The inherent problem of course, is how to be "the risk manager" for such a firm and yet participate in this development approach. After all, the firm may end up preferring to leverage your contribution in another specialty area or may consider you part of the small bench for the most senior posts (in which latter case being the "risk manager" may just quickly give way to such higher aspirations).

So what if you're caught at one end of this spectrum or the other, or someplace in-between as most of us are?

Well, most of us are somewhere in-between and this is actually the best place to be. It gives you the most flexibility since you're not caught in a strict view with little wiggle room. Wherever you are in this regard, you need to step out and get involved in other functions, especially those that are part of the core competencies of your firm. Within those, you'll find most of the risks that need to be addressed.

Some ways to get into these areas are by: joining task groups and project teams such as for new products, equipment or services; investigating and reporting on things that others haven't even thought of yet, that could be of interest to management such as a new product, service or process that could contribute to shareowner value; or informally offering support for the key initiatives of others offering your opinions, resources and expertise to make them more successful.

Of course there are many other ways to increase your visibility, but the key is to take the initiative and set yourself apart. It's important to remember as well, that this process doesn't require being a superstar. Becoming distinct from the pack is actually not as hard as some think, but it is crucial to risk managers of this era that want to gain responsibility and recognition.

Another "must-do"—no matter how your company operates along the development spectrum—is to begin informally making your case for risk-related concerns outside your defined area of accountability. Make your case to key decision makers, while in the process, developing key relationships with those same power brokers.

Make sure your case has clearly defined metrics and is not just "pie in the sky" thinking. Make sure you think through whatever it is you will present and be prepared to answer the hard questions that will come. Not being prepared will engender sure failure and tarnish the reputation you're trying to build, even though the approach itself shows initiative on your part.

Lastly, in this realm of getting the right experience, don't underestimate the possible need to plow your trade elsewhere. There are no shortages of firms that will rebuff most if not all of the initiatives described above. These rebuffs are reflective of an insular and rigid culture that is unlikely to be moved much by larger group efforts, much less those of a single miscreant like the risk manager.

While I believe that in the right environment and with the right encouragement, you can gain much from self-irritated efforts as above, there are times when you'll simply need to move on to advance your interests.

Although the thought of moving on may strike fear in the hearts of many, be prepared to consider this alternative when you are faced with a string of defeats and disinterest that becomes too long. Forget loyalty as a first priority; the employment relationship is fundamentally an economic transaction and therefore driven by market and other forces that, for the most part, we don't control, the key one being supply and demand.

Let me suggest that in today's era of mergers and acquisitions, the supply of traditional risk managers exceeds the demand, a hard cold fact of life in the late '90's. As a result, it becomes all the more important to improve your marketability to leverage economic realities to your favor.

This is best accomplished as an additional strategy to considering alternate positions. Simply moving to where you perceive the grass to be greener is often an ineffective tactic. However, it can pay when, for example, you are able to start a risk management operation from scratch and/or forging this in an emerging industry such as e-commerce.

Meanwhile, whether you move or not, you should be assessing your credentials for their applicability to your current job requirements and, more importantly, to the job requirements of the future, which are continuously being redefined.

What about education? There are of course many ways to prepare yourself to be a more effective practitioner and different employers will value different credentials. Notwithstanding high impact results, which can get you further than any other component part of what defines your market value, I strongly endorse a set of educational credentials that displays your broadness and diversity. So, while an undergraduate degree in business may be preferable,

most undergraduate degrees are an equally good start.

The important part comes after that. It is then that I recommend you focus on an MBA if you have other than an undergraduate business degree. I would then suggest you move right into getting specialized risk and insurance education such as the Fellow in Risk Management, or FRM, from the Global Risk Management Institute; Associate in Risk Management, or ARM, from the Insurance Institute of America; Chartered Property & Casualty Underwriter, or CPCU, from the American Institute for CPCU; or other Insurance Institute type certifications.

Regardless of undergraduate specialty, I would strongly recommend those who want to be senior risk manager one day, secure both an MBA and the FRM at some point in the first 10 years of their careers. That is when it will have the most marketability.

Beyond formal degree or certification programs, don't overlook the many opportunities to practice continuing education. Selective use of seminars and short courses need to be a part of your total strategy for career and self-development. The Risk & Insurance Management Society Inc., whose primary mission is supporting the risk management discipline through education, offers many opportunities to develop yourself and improve your market value. In addition to the FRM program, RIMS offers numerous 2- or 3-day seminar courses, current topic and basic skill development workshops, online asynchronous learning and, of course, more than 150 educational seminars at the annual RIMS conference in the Spring. Take advantage of these and the many other opportunities to continue your education available from other sources. The best risk managers never stop learning and developing themselves.

So what steps should you take to address both experience and education? Why not apply the risk management model that we practice daily. That is: identify the risk/requirements that need to be addressed; treat your findings with a thoughtful strategic and tactical plan, no matter how informal; measure the results/progress against the intended strategy and tactics; and monitor/implement the needed changes to get you to the better result.

When you think about it, life is just a series of risk management decisions to which this model can be consistently applied. **BI**

Would you like advice from an experienced colleague on a risk management, benefits management or actuarial problem? Four quarterly features in the Perspective section of Business Insurance can give you some answers.

Ask A Risk Manager, Ask A Benefits Manager, Ask A Benefit Actuary and Ask A Casualty Actuary answer written questions from readers on risk and benefits management issues and actuarial problems.



This month's column on risk management issues is written by Christopher E. Mandel, director-global risk management at Tricon Global Restaurants Inc. in Louisville, Ky., and vp-external affairs, Risk & Insurance Management Society Inc.'s Executive Council.

Dennis J. Nirtaut, managing director of compensation and

benefits for Arthur Andersen L.L.P. in Chicago, answers questions on employee benefit plans. William J. Miner, an actuary with Watson Wyatt Worldwide in Chicago, answers actuarial questions on benefits issues. And, Richard E. Sherman, president of Richard E. Sherman & Associates Inc. in Ashland, Ore., answers actuarial questions in the casualty field.

Address your questions to ASK, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611. Please give us your name, title and employer; however, Business Insurance will consider unsigned letters.

Blended approach adds value to plans

By Frolly Boyd

AS WE APPROACH THE MILLENNIUM, traditional ways of viewing employer-sponsored benefit programs are yielding to fresh perspectives. A new health management paradigm that optimizes employers' benefit dollars by linking and improving the health and productivity of their workforce is gaining prominence.

Increasingly, plan sponsors are looking at benefits from a total health management viewpoint, rather than a single product focus. By taking a patient-centered view of the world, the logic of managing employees' health and functional status becomes clearer.

The goal is not only to manage medical costs, but also to increase worker productivity through improved employee health status and reduced absenteeism due to illness or disabling events. For employers, the challenge goes beyond providing a cost-effective package of benefits. Benefit plans must now be a key element in enhancing their companies' productivity and profitability. By coupling health and productivity, employers are beginning to view benefits as an investment in human capital, not simply as a cost center.

Competitive business pressures and changing demographics are the driving forces behind this shift in orientation. As employers strive to compete in the global marketplace, waves of corporate consolidation, mergers and cost-cutting have fueled a renewed emphasis on greater efficiency and enhanced productivity on the job.

Additionally, the shortage of younger, highly skilled workers, combined with the aging of the workforce, has intensified the pressure on benefit managers to retain older, more experienced employees and maintain their productivity levels. Employers are searching for ways to help highly valued workers stay healthy and return to

While workers compensation costs have remained stable in recent years, non-occupational health costs have soared.

productivity sooner when they have a disabling condition.

Challenged by employers to more efficiently manage employee health and reduce the cost of employee illnesses, the market has responded in recent years with an array of integrated benefit products. As a result, some companies are coordinating workers compensation and non-occupational disability programs with 24-hour models to achieve seamless administration and cost savings. These integrated disability management products typically focus on managing the interplay between short-term and long-term disability and workers compensation coverages.

However, since more than 80% of today's benefit dollar is typically spent on non-occupational health care and wage replacement programs, a more effective starting point may be to coordinate group health and disability management. Indeed, studies show that health conditions—particularly pregnancies, musculoskeletal conditions and chronic illnesses—drive huge disability costs.

While workers compensation costs have remained relatively stable in recent years, non-occupational health costs have soared, and are three times greater than workers compensation costs.

Overall direct costs of employee health and disability benefits have reached approximately 10% of payroll, according to national surveys. Even more

alarming is the burden of indirect costs of disability—overtime pay, hiring temporary employees, retraining, lost productivity and lower morale. For most large employers, these costs range between 12% and 20% of payroll, according to Towers Perrin.

Thus, improving management of employee health and disability benefits is critical to controlling the direct costs associated with medical expenses and replacement wages, and the indirect costs of absenteeism.

Toiling in separate program silos, traditional group health and disability benefit programs fail to leverage each other's strengths. Managed care innovations, such as disease management programs, identify employees with certain high-cost, chronic conditions and intervene early on to improve health outcomes. But since disease management programs are typically stove-piped separately from disability management plans, they don't address the return-to-productivity component inherent in most disability plans.

Conversely, disability programs that fail to identify and manage employees with chronic disease are caught in a never-ending cycle of losing those workers periodically to short-term disability leave when their conditions flare up. By combining health and disability management under one program however, data and interventions on the health side are used to reduce the incidence, duration and recurrence of disabilities. Faster return-to-work and better health outcomes can thereby be achieved.

The fundamental premise behind coordinated health and disability benefit plans is that disabilities are health events. Employers can leverage disease management programs to identify employees who are at risk for disabilities, and leverage disability management programs to determine candidates for disease management. Quarterbacking the process are nurse case managers who coordinate management of health and disability events since they are familiar with workers' medical conditions, work environment and job requirements.

Early intervention is a key factor in managing disease, reducing absenteeism and facilitating return-to-work planning. Most traditional disability management programs however, aren't focused around early intervention strategies. Such programs typically don't begin until after a disabled employee is absent from work for at least one week or longer, which inevitably delays the employee's return to work.

But a combined managed health and disability approach permits earlier return-to-work planning, which, in turn, can reduce disability durations, minimize workplace disruption, and keep costs under control.

By way of illustration, suppose a 50-year old plant foreman is scheduled for gall bladder surgery. Under a traditional disability benefit plan, he would likely be out for at least five days following surgery before notifying the disability insurer of his disability. At that point, the insurer may initiate contact with his employer and provider to begin arranging a temporary desk job or other accommodation until he could safely resume his regular position at full capacity. Depending on the foreman's recovery speed and how quickly his employer makes such arrangements, he might miss four or more weeks of work.

Under a blended health and disability approach, however, this process is expedited. After precertifying the surgery with the foreman's physician, the health plan informs the nurse case manager of the pending operation and anticipated absence from work. The nurse then contacts the foreman to explain what to expect from the surgery and recovery, and to discuss his job duties. With the foreman's consent, the case manager also collaborates with his employer and physician to develop a return-to-work plan and explore transitional duties.

With return-to-work planning starting even before the operation occurs, the foreman will likely be back on the job a week earlier than under a traditional disability plan. This shorter disability duration enables the foreman to return to full capacity more quickly and improves his employer's bottom line.

Traditional disease management programs focus on early identification, intervention and patient education to effectively manage chronic disabling conditions such as diabetes, asthma, back pain and congestive heart failure.

Under a combined plan, shared information systems help identify at-risk employees for appropriate treatment.

These conditions account for a significant portion of benefit costs and lost productivity. Indeed, the human and economic toll of chronic illness is staggering.

Asthma, for instance, which affects nearly 15 million Americans, collectively causes 100 million days of restricted activity and 470,000 hospitalizations each year, resulting in more than 1.5 million days of lost productivity. Low back pain, a condition from which most people will suffer at some point, is second only to the common cold as the most frequent cause of worker absenteeism and costs an estimated \$50 billion to \$100 billion annually.

Yet when health and disability are not coordinated, an underlying chronic illness can remain undetected until an employee reports a disability. It is estimated, for example, that nearly one-third of diabetics do not know they have diabetes.

Under a combined health and disability management plan, however, shared information systems help identify at-risk employees for appropriate treatment. For instance, a nurse case manager may learn, in the course of planning an employee's return to work, that the acute attack of gout in the employee's foot that led to disability leave was caused by diabetes. The nurse can then refer her to the plan's diabetes management program for educational materials and tools to help her better cope at work, minimize further complications and reduce the risk of future absences. The employer and nurse can also work together to ease her transition back to work on modified duty until her foot heals completely.

Coordinating health and disability plans can also enhance employers' workplace health initiatives. For example, employees who previously may not have taken advantage of wellness and disease management programs may be more receptive when their condition becomes disabling, affects their lifestyle, and causes them to miss work.

Employees are recognizing that workers' health—both on and off the job—and their overall quality of life are closely associated. A coordinated approach to health and disability management adds value to benefit plans by incorporating return-to-function and return-to-work as part of an employee's overall care management plan. **BI**



Frolly Boyd is a senior vp of Aetna U.S. Healthcare in Hartford, Conn. She heads the company's group insurance business unit, which provides group disability, life and long-term care insurance.

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	1998	1997
Premium volume	\$698,900,000	\$569,500,000
Gross revenues	\$70,800,000	\$52,500,000
Wholesale revenues	\$63,100,000	\$47,400,000
Employees	520	376
Commercial lines	99%	100%
Admitted business	60%	55%
Non-admitted	40%	45%

Woodland Hills, Calif.-based Swett & Crawford Group has ex-

panded its premium volume by placing new coverages, creating diverse facilities, and integrating the operations of another Aon Corp. wholesale unit.

Coverage for representations and warranties made during the sale of businesses, insurance for third-party claims related to damage caused by computer hackers, and tough-to-place coverages for convalescent homes and other medical facilities are among the products now available through the No. 1-ranked surplus lines broker and wholesaler.

Meanwhile, Swett & Crawford's leaders also plan to continue company growth by replicating a 1998 reinsurance idea that met greater success than they expected.

Swett & Crawford is creating a

casualty reinsurance managing general agent facility for commercial auto fleets and commercial general liability accounts. The operation, called Amicus Re, will allow commercial insurers to reinsure portions of primary coverage. Up to \$1 million in limits will be available, said David R. Hartoch, Swett & Crawford's chairman and chief executive officer. Amicus Re offices will be in New York and Hartford, Conn., and will begin operations once treaty arrangements are finalized, he said.

Creation of that operation follows Swett & Crawford's 1998 launch of Dallas-based International Technical Risks.

ITR is a managing general agent for Scottsdale Insurance Co. that writes property reinsurance cov-

erage for international operations. Although ITR can also write direct coverage, most business is placed on a reinsurance basis to meet the requirement by foreign



The integration of Aon unit Bryson Associates Inc. provided Swett & Crawford with 'a lot of great talent and expertise.'

— David R. Hartoch

million for several types of companies, including energy companies, utilities, oil and gas, chemical, petrochemical and pharmaceutical operations. Just about all mechanically intensive risks can be covered.

ITR now accounts for more than 8% of Swett & Crawford's premium volume. For 1999, it will generate about \$60 million in premiums.

"We were hoping for half of that," said Thomas M. Comer, Swett & Crawford's president and chief operating officer.

Swett & Crawford's 1998 premium volume of \$699 million far outpaced its 1997 volume of \$570 million. The premium growth also represents a reversal of premium retraction the wholesaler reported in 1997 and 1996 (*BI*, Sept. 7, 1998).

Net profitability also improved in 1998 after a disappointing 1997, when Aon purchased Swett & Crawford. "We went from zero profit prior to the acquisition to about 10%, or \$6 million, for 1998," Mr. Comer said.

Now Swett & Crawford is looking at a profit margin of better than 20% for 1999, Mr. Hartoch said.

A significant portion of the 1998 premium growth and profitability came from the integration of Aon wholesale brokerage unit Bryson Associates Inc. Through its four former offices, Bryson focused primarily on placing large accounts, and it had very little managing general agent business, Mr. Hartoch said.

Former Bryson offices in Atlanta and New York have been merged with Swett & Crawford offices. Bryson offices in Philadelphia and Cincinnati have taken on the Swett & Crawford name.

For 1997, Bryson reported \$188 million in premium volume, according to *Business Insurance's* annual directory of wholesalers.

With the integration of Bryson, about 20% of Swett & Crawford's business now comes from Aon, up from 5% a year ago. About 50% of the business Bryson placed came from Aon, Mr. Hartoch said.

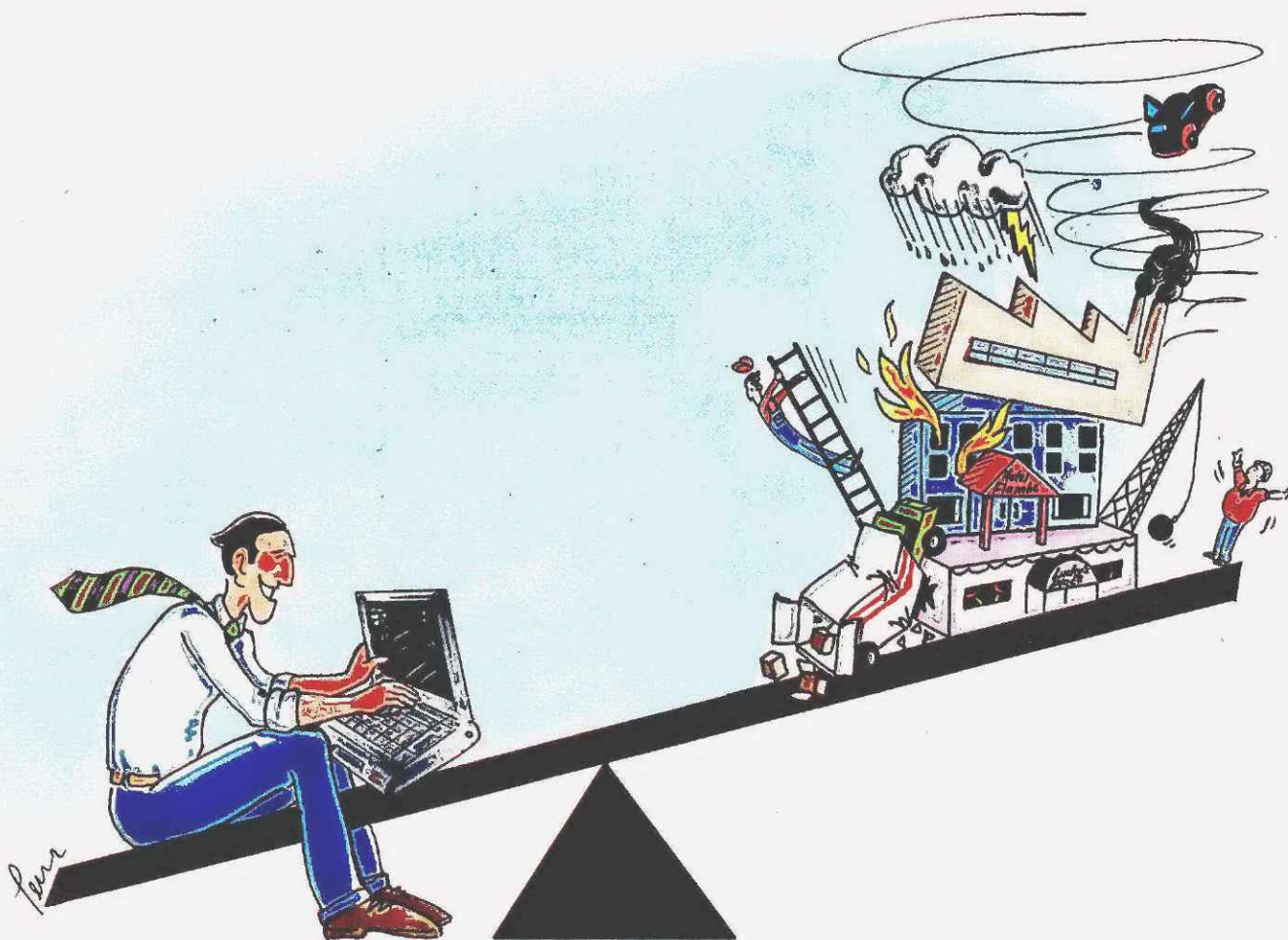
Bryson provided Swett & Crawford with "a lot of great talent and expertise," Mr. Hartoch said. "Talent is the one commodity every successful operation needs."

One of the talents acquired is expertise in writing nursing homes and long-term-care facility liability. Convalescent home coverage is a great market for wholesalers, because standard lines underwriters have been exiting that business, Mr. Comer pointed out.

Swett & Crawford has accounts that it placed with more than \$200 million in limits, said Dave Grafstein, Swett & Crawford senior vp in New York. "Capacity is not a problem. We could provide half a billion if need be."

Overall, placing health care liability coverage in 1998 was "very successful," Mr. Hartoch said. Liability coverages for hospitals, doctors groups, and a variety of managed care operations are available for just about any limit, Swett & Crawford sources said. Coverage can be placed in the admitted or non-admitted market, depending upon the situation.

Continued on page 50



in·no·va·tive \in-ə-vāt-iv\ *adj.*: characterized by, tending to, or introducing new ideas or methods

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LEXINGTON INSURANCE COMPANY PIONEERS IN REVOLUTIONARY PROTECTION

Spotlight report

Continued from page 48

The broker can place "anything in the health care area," Mr. Hartoch said. "We have experts in that arena."

Coverage for claims arising from the representations and warranties made in the sale of businesses is another product now available through Swett & Crawford.

Coverage is available for any size of business or buy/sell deal. Premiums generally run from 4% to 8% of the limit, and limits of up to \$50 million are available from a single insurer, said Jason White, senior vp for Swett & Crawford in Los Angeles. Additional excess coverage is also available.

The insurance applies to representations made in buy/sell agreements such as, for example, confirming that the business being

sold is free of liabilities.

Insurance is also available for third-party claims stemming from break-ins into computer systems. Such coverage might be purchased by Internet service providers or Web site hosts, Mr. White explained. In general, limits of \$20 million would be available. Higher limits are available, though, depending on the needs of the account, he said.

Apart from providing innovative coverages, other factors are contributing to Swett & Crawford's growth.

Pine Street Management Co., a wholly owned unit of Swett & Crawford, "has been extremely successful," Mr. Hartoch said.

Pine Street is a New York-city specialty specializing in hard-to-place D&O liability coverage. It can underwrite coverage for financially

troubled companies, for example, and for high-tech and biotechnology initial public offerings. The coverage is written on behalf of TIG Insurance.

"There are not too many underwriters writing that class of business," Mr. Comer said. "It's tough."

Nevertheless, as of mid-September, Pine Street revenues increased nearly fourfold over those in 1998.

Negotiating a better deal with underwriters is another reason Swett & Crawford has been able to boost its revenue from D&O business.

An increase in trucking business nationwide—long a core business for Swett & Crawford—also has helped the wholesaler. After finding that its Bellingham, Wash., facility that underwrites trucking

business exclusively on behalf of Zurich Centre Insurance Co. had experienced great success, Swett & Crawford developed a Greensboro, N.C., operation modeled after that facility, Mr. Hartoch said.

In that line, Swett & Crawford is the exclusive representative for Wausau Insurance Co., Zurich and Athena Assurance Co. Coverages for physical damage, liability and cargo are available, with wide-open limits, Mr. Hartoch said.

"We will do primary; we will do excess," he said. "Whatever you want."

Other changes have also been taking place. Swett & Crawford is a managing general agent for St. Paul's Athena division. Previously, Athena was an underwriter of specialty program business. But in March, Swett & Crawford began using Athena as a property/casu-

alty underwriting facility for a wide variety of what Mr. Hartoch described as difficult-to-place "Main Street" business accounts.

Managing general agency operations now account for 31.5% of Swett & Crawford's wholesale premium volume. It is an MGA for several insurers, including the St. Paul Surplus Lines Insurance Co., Northland Insurance Co., Scottsdale Insurance Co., General Star Indemnity Co., Western World Insurance Co. and American Equity Insurance Co.

More than 60% of Swett & Crawford's premium volume comes from wholesale broker operations. Insurers with which it places business include Executive Risk Group, RLI Insurance Corp., General Star Indemnity Co. and Lexington Insurance Co.

—By Roberto Cenicerros

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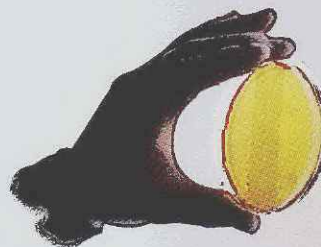
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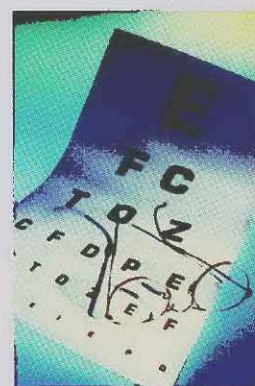


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	1998	1997
Premium volume	\$585,000,000	\$558,650,000
Gross revenues	\$43,600,000	\$41,340,000
Employees	324	337
Commercial lines	99%	100%
Admitted business	40%	40%
Non-admitted	60%	60%

Crump Insurance Services Inc. is reshaping itself under new leadership and a plan to build a more centralized organization.

Marsh & McLennan Cos. Inc. last year acquired Crump's parent company, Sedgwick Group P.L.C. Following the acquisition, Crump has retained its autonomy while serving as Marsh's main wholesale brokerage unit.

Two retirements are changing things at the top for Crump. Orville D. Jones, chairman and chief executive office is leaving at the end of this month and Marcus Payne, president and chief operating officer, is retiring in June 2000.

Joel Berrian, vice chairman, will replace Mr. Jones. Mr. Berrian joined Crump in May, after serving as managing executive at the Dallas office of Sedgwick Group P.L.C.

Mr. Berrian brings 18 years of experience as a retail broker to the wholesale operation. "I bring to the different outlook to Crump," he said, "and maybe some new ideas to grow our business."

Growth has not been in short supply at the Dallas-based wholesaler in recent years.

Last year "was our 10th straight



1998 'was our 10th straight year of premium and revenue growth,' following record results for both in the prior year.

— Marcus Payne

year of premium and revenue growth," Mr. Payne pointed out. "We were very pleased. It was not quite as big a growth year as '97," he said, noting that 1997 was the best year in Crump's history in terms of premium volume, gross revenues and profits.

In 1998, Crump saw premium volume rise 4.7% to \$585.0 million from the year before. Gross revenues were up 5.5% to \$43.6 million.

Crump remains No. 2 in the *Business Insurance* ranking of surplus lines wholesalers.

Mr. Berrian said he thinks Crump can grow by ensuring it has the talent in place in all its locations to take on business. While Crump is selected

in many of its locations as the wholesaler for particular products, Mr. Berrian said he believes Crump is not chosen in certain areas because "maybe we don't have a person with the skill sets in a territory an underwriter is looking for."

He wants to make sure Crump's offices are staffed with employees who all can handle the same types of business, regardless of where they are located. "Crump is changing from a federation of local offices with autonomy to an institutional organization," he explained.

"When we emerge, we will be more powerful" and able to provide more products and services, Mr. Berrian said. Placing more coverage in the admitted market is one way Crump hopes to expand its offerings.

"We're in negotiations to sign contracts with standard coverage to give us 50-state underwriting authority," Mr. Berrian noted. "With these new contracts and expanded territories, we'll be able to provide additional leverage from the Crump side."

Acquisitions are helping Crump cover more territory this year. The wholesaler bought Montgomery & Collins Inc.'s offices in Detroit, New Orleans, Los Angeles, Dallas and Houston.

Mr. Payne said last year's growth came from several sources.

"Our broker force continued to perform at extremely high levels," he said.

An office that was opened last year in Iselin, N.J., to write small workers compensation risks has done "exceptionally well," Mr. Payne said. Crump is considering expanding that operation to write business in other states.

Other Crump offices continue to perform well, Mr. Payne pointed out. Crump Financial Services in Nashville, Tenn., specializes in directors and officers liability and errors and omissions coverages. It "had an excellent year last year," he said. D&O writings make up 9.3% of Crump's total book; while E&O is 7.9% of the total.

Crump's Alternative Risk Division, created in 1996, showed "acceptable but not exceptional growth," Mr. Payne said. The facility is the exclusive marketer for a Bermuda-based rent-a-captive. "In a soft market, it doesn't get as many hits," he said.

Three programs in the division offer all lines of coverage written by admitted and non-admitted units of Meadowbrook Insurance Group of Southfield, Mich. One program writes coverage for individual risks, another writes for groups and associations, and a third writes for agents, brokers and managing general agencies. Transglobal Insurance Ltd. in Bermuda reinsures the coverage.

Crump Inc. Southern Marine & Aviation Inc. continued to see writings fall last year but posted a retention rate that was "unbelievably high," according to Mr. Payne.

The Houston-based unit recorded premiums of about \$25 million last year, down 28.6% from 1997, which was down 19.4% over 1996. Although premiums continue to fall in an energy market that is sluggish overall, Mr. Payne said he is encouraged that SMAI retained about 90% of its accounts in 1998.

SMAI's cargo writings, which make up 3.9% of Crump's total book of business, are written through an underwriting management agreement with Gulf Insurance Co. in Dallas.

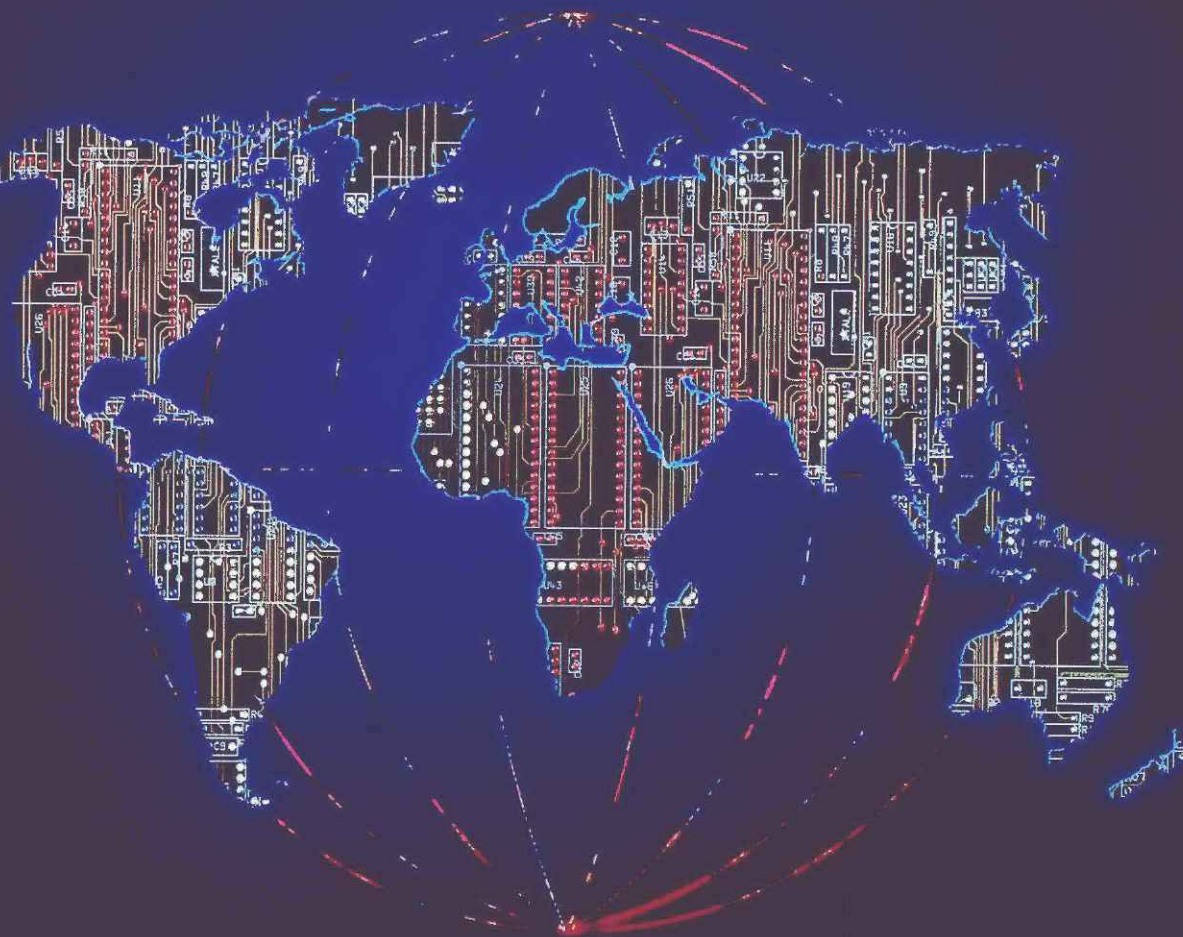
The largest portion of Crump's book of business is property insurance, accounting for 30.5% of premiums. Soft in recent years, property prices have inched up slightly of late, but "we haven't seen any great increase anywhere," Mr. Payne said.

General liability business accounts for 21.6% of Crump's business, and umbrella liability writings are 10.9%. Commercial automobile coverage makes up 11.7%, workers comp is 2% and inland marine is 1.8%. The remainder is miscellaneous coverage.

Crump is a member of NAPSLO and the AAMGA.

—By Michael Bradford

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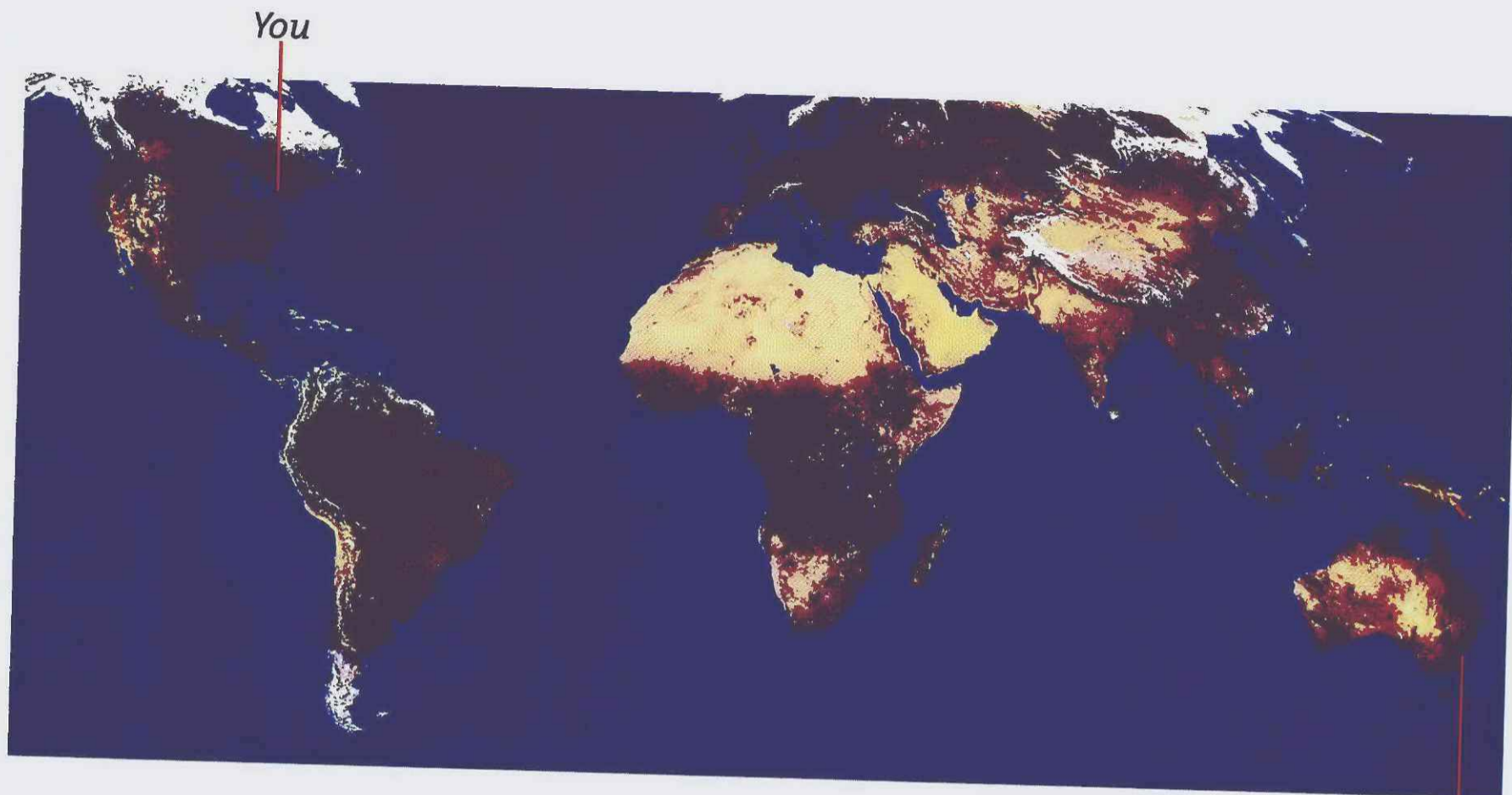
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3 Stewart Smith

Stewart Smith Group Inc.

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	1998	1997
Premium volume	\$362,367,000	\$343,937,000
Gross revenues	\$28,895,000	\$28,590,000
Employees	201	216
Commercial lines	100%	100%
Admitted business	60%	40%
Non-admitted	40%	60%

After doing some housekeeping in 1998, Stewart Smith Group Inc. has emerged in 1999 streamlined and ready to look for new opportunities.

Product development took a back seat to other goals last year for Stewart

Smith, as the Nashville, Tenn.-based wholesaler largely focused on upgrading its staff expertise, said Gary H. Cooper, chairman and chief executive officer. Looking ahead, though, Mr. Cooper said, Stewart Smith will explore opportunities emerging out of e-commerce.

"By using technology, we're hoping we can access agents in second- and third-tier cities more easily and more profitably," he said.

Due to an error in the information reported last year to *Business Insurance*, Stewart Smith's 1997 premium volume was restated in this year's profile. While premium volume had declined 6.1% from 1996 to 1997, it increased 5.4% from 1997 to 1998. Gross revenues remained nearly constant, with just 1.1% growth in 1998 over the prior year's figure.

Stewart Smith is the third-largest wholesaler in *BI*'s ranking based on

its premium volume for 1998.

Consolidation of the market became a "tremendous" competitive advantage for Stewart Smith in 1998. Mr. Cooper said the broker was able to attract some other quality people to the Stewart Smith team.

"We've been able to take advantage of some consolidation in the excess and surplus industry over the past 18 months," he said.

Although it added staff in certain areas, Stewart Smith reduced its overall staff by 15 people; it currently employs about 200 workers.

With major practice groups focusing on environmental liability, construction risks, professional liability, property risks and casualty risks, Mr. Cooper said Stewart Smith doesn't see itself as a niche player. Its environmental, professional and property areas saw an increase in premium volume in 1998. Casualty premiums were

down for the year.

He said the broker is trying to develop underwriting authorities to become more of a managing general agent for small commercial business.



What we bring to the table is a wide variety of strong relationships and a tremendous amount of expertise.

— Gary H. Cooper

Another focus for Stewart Smith has been consolidating the number of insurers it works with and bolstering existing relationships with its top 15 insurer markets, said Mr. Cooper.

He cited ACE USA, Admiral Insurance Co., Lexington Insurance Co. and Royal Specialty Insurance Co. as among the insurers with which Stewart Smith places the most business.

Other insurers Stewart Smith contacts include: CNA Insurance Cos., Chubb Corp., General Star Management Co., Hartford Group, Markel Group, Northland Insurance Co., Reliance Group, RLI Insurance Co., RSA Surplus Lines Insurance

Services Inc., and Zurich Insurance Group.

This emphasis on building strong relationships with insurers, and its more than 60 years of expertise as a surplus lines wholesaler, are what sets Stewart Smith apart from its competitors, said Mr. Cooper.

"What we bring to the table is a wide variety of strong relationships and a tremendous amount of expertise," Mr. Cooper said. "I think we are looked at as somebody that will be around for the long haul," he said.

In addition to adding new clients, Stewart Smith retained approximately 70% to 75% of its business in 1998.

Profits increased 40% in 1998, to about \$4.5 million. And though Mr. Cooper said results from the first six months of 1999 are not necessarily indicative of how Stewart Smith profits will look at year end, "we're ahead of the gross premium volume by at least 10% for the first six months, and I would expect profits to go up accordingly," he said.

Because customers have identified with the name Stewart Smith for years, Mr. Cooper said the surplus lines broker will continue to use its own brand rather than adopting the name of its parent, Willis Corroon Group Ltd.

Stewart Smith's parent also is its largest client: Almost 25% of the wholesaler's premium volume comes from Willis. Mr. Cooper maintains, however, that while Stewart Smith doesn't "hide the fact that we're a part of Willis," independent retail brokers are "still our main focus."

In addition, Stewart Smith spent much of 1998 preparing its systems for the year 2000 date change and modifying its business to acclimate to Willis' decision to become privately held, said Mr. Cooper.

Stewart Smith subsidiaries are: Stewart Smith East Inc., which is based in New York with offices in Bernardsville, N.J., Philadelphia, Pa. and West Hartford, Conn.; Stewart Smith Mid-America, headquartered in Chicago; Stewart Smith Southeast, headquartered in Nashville, Tenn., with an office in Tampa, Fla.; Stewart Smith Southwest, headquartered in Dallas; Stewart Smith West, based in Glendale, Calif., with offices in San Francisco and Phoenix; and Stewart Smith/Mc-Alear Associates, headquartered in Grand Rapids, Mich., with an office in Cleveland. Stewart Smith Specialty Risks Inc., a MGA subsidiary, is headquartered in Southfield, Mich., and MGA Stewart Smith Environmental is based in Grand Rapids, Mich.

In addition to Mr. Cooper, principal officers at Stewart Smith are Mark M. Smith, president and chief operating officer, and Connie Steinmetz, chief financial officer. Members of a new executive committee made up of executive vps of regional offices of Stewart Smith are: Fred Anderson, James Compton, Fred Curatolo, James Drinkwater, Daniel Houska, Patrick Maloney and Sylvia Mayfield.

Stewart Smith is a member of NAPSLO.

— By Amanda Milligan

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4 Tri-City

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	1998	1997
Premium volume	\$355,000,000	\$435,000,000
Gross revenues	\$27,000,000*	\$31,200,000*
Employees	155	183
Commercial lines	100%	100%
Admitted business	80%	80%
Non-admitted	20%	20%
<small>*B/estimate</small>		

Big changes are afoot at Tri-City. Until now the largest and one of the only independent national wholesalers, Tri-City plans to merge with a privately held life insurance

company, Washington-based ULLICO Inc., for an undisclosed amount.

A deal announced last year called for Bermuda-based XL Capital Ltd. to acquire 25% of Tri-City's common stock, but the letter of intent that was signed never led to a final agreement, said Tri-City President and Chief Executive Officer John G. Hahn. "We agreed to disagree," Mr. Hahn said.

He is, however, enthusiastic about the opportunities brought by the ULLICO deal, which should be formally announced later this month, Mr. Hahn said. With the total number of Tri-City partners now down to four from the original 10, as they gradually left over recent years to pursue other opportunities, "We needed a capital partner that could help us to grow the business and hopefully provide a unique business niche," he said.

"From a broad-brush perspective, that's what we think this will accomplish," he said. ULLICO, whose main operating subsidiary is Union Labor Life Insurance Co., is geared toward unionized industries, including construction, which already is one of Tri-City's core competencies, "and we think we can create for ourselves an unfair advantage within our niches, which is what everybody is looking for."

At the same time, Mr. Hahn said it is "critical for us not to be owned by a retail broker."

"Most of our larger competitors are owned by retail brokers, and our customer base is independent, regional brokers who are starting to consolidate their business away from the alphabet houses," said Mr. Hahn. "We still want that to be our area of opportunity for wholesale brokerage," he said.

Although Mr. Hahn will retain his title after the merger, one change will be that Five Star Managers, Tri-City's Jersey City, N.J.-based underwriting facility, will be taken out of Tri-City and operate as part of a newly created ULLICO underwriting group, ULLICO Insurance Group, said its president, Michael Machanich. But he added, "I would say 85% to 95% of what Tri-City does now it will continue to do."

After the deal's completion, Tri-City will add ULLICO's insurance products to its roster. Tri-City always has done both property/casualty and benefits business, noted Mr. Hahn, though he said, "I think that we will probably look to re-focus ourselves in those fields more specifically to what we could do in the labor world." When the deal closes, "I think you'll see from us a variety of new focuses," including

contractors and developers programs, he said.

Tri-City's premium volume last year dropped by 18.4% to \$355 million compared with 1997. Rather than soft market conditions, the decline reflects "mostly the fact that we had partners who wanted to go in different directions" and left the company, said Mr. Hahn. Gross revenues dropped, according to a BI estimate, by 13.5% to \$27 million.

The ULLICO deal "is a truly a new beginning for the core group that has stayed with the company," he said.

Tri-City has focused over the past year on its three original cities, New York, Chicago and San Francisco, and has closed its Los Angeles office except for a sales presence, said Mr. Hahn.

Tri-City's core wholesale business is casualty, property and professional liability lines. Its casualty business includes primary general liability, products and auto coverages, and umbrella and excess business in focused industries, including real estate, construction, transportation and manufacturers. Last year, casualty business accounted for \$142 million in premium volume, or 40% of the total.

Tri-City's property business consists of all-risk and difference-in-conditions placements. It specializes in catastrophe exposures such as coastal property and earthquakes. The segment accounted for \$78 million in premium volume last year, or 22% of the total.

Tri-City's professional liability business includes directors and officers insurance for high tech, biotechnology and emerging growth companies; errors and omissions for lawyers, insurance brokers, architects and engineers; and miscellaneous financial services E&O business. It accounted for \$58 million in premium volume last year, or about 16% of the total.

Specialty products and programs generated \$57 million in premium volume, or about another 16% of the total. These products include: long-term care and nursing homes programs; waste haulers programs; warranty and product enhancement programs; equipment maintenance programs; and residual value programs.

The remaining \$21 million of its premium volume is accounted for by Five Star.

Tri-City's other initiatives include its Tri-City Financial Solutions division, which brings together insurance, capital markets and banking resources to provide integrated financial solutions for its clients.

"We spent an enormous amount of time, energy and resources on our capital markets capabilities," said Mr. Hahn.

Some of Tri-City's leading insurance company markets are: ACE USA; Admiral Insurance Co.; American International Group Inc.; Berkshire Hathaway Inc.; Chubb Group; CNA Insurance Cos.; Essex Insurance Co.; Evanston Insurance Co.; the Executive Risk Group; Fireman's Fund Group; First State Management Group.; General Star Management Group.; Great American Cos.; Gulf/Travelers Specialty; Lloyd's of London and British companies; Reliance National Insurance Co.; RLI Insurance Co.; Royal & SunAlliance Group; Scottsdale Insurance Co.; St. Paul Cos.; United Capitol; and Zurich Insurance Group.

Besides Mr. Hahn, other principal officers are Scott W. Gunnison, Alexander M. Kullman and Edward W. Ulshafer, executive vps; and Leo P. O'Reilly, chief financial officer.

Tri-City is a member of NAPSLO.

—By Judy Greenwald

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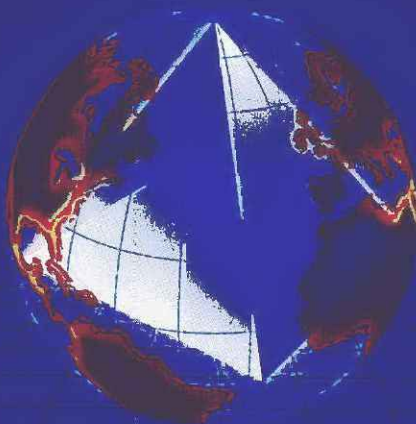
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Inside:

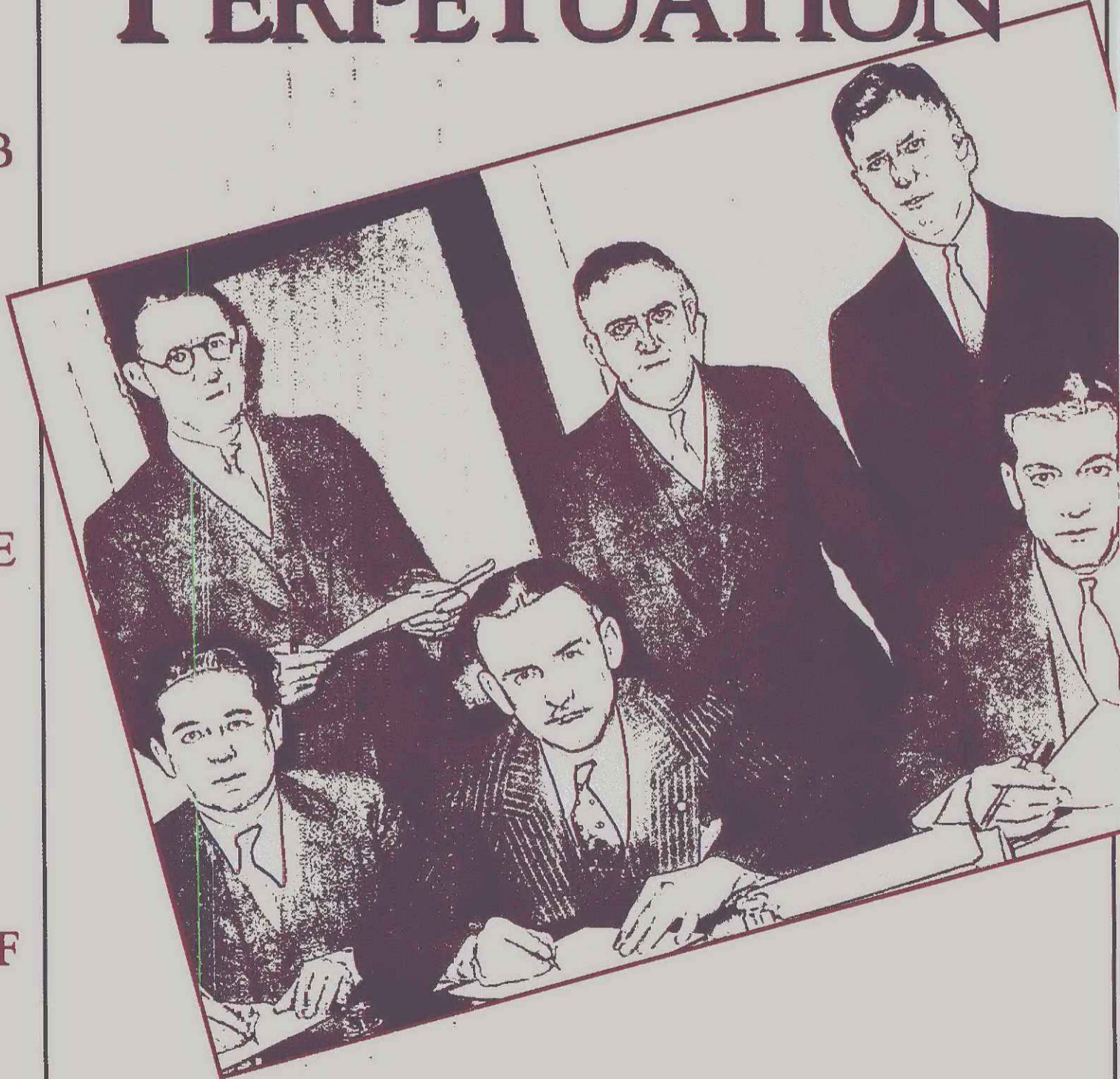
Buy/sell agreement
helps pave way
for transfers
of agency assets
page 56B

Older agencies
with ESOPs
share at least
one trait: success
page 56E

Smaller agencies
need to take stock
of ESOPs'
pros and cons
page 56F

Commercial lines
producers earning
more than peers
in personal lines
page 56J

AGENCY PERPETUATION



*Succession planning
helps smooth transition
to new era of ownership*

A plan for ensuring an agency's future

Buy/sell agreement enables perpetuation plans to spell out transfers of assets

By AMANDA MILLIGAN

Just as a responsible person outlines the future of his or her assets in a will, owners of agencies of all sizes should plan for a time when they no longer are in charge, agency consultants say.

"Perpetuation is critical," said Chris Amrhein, vp of industry affairs for the Independent In-

surance Agents of America Inc. in Alexandria, Va. "It's a will for the business. In my mind, with an agency, your customers or anyone who works in your agency are your children. They have a vested interest in your agency once you're gone."

There are several types of perpetuation plans, but a common element to all such plans is a buy/sell agreement, which ensures that "ownership interest

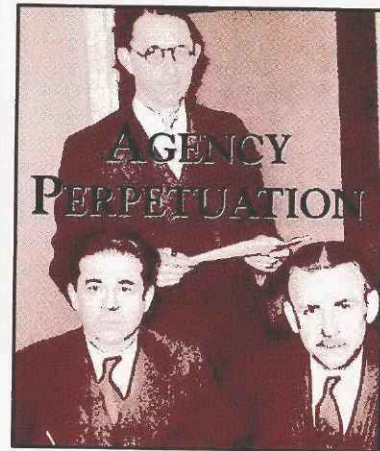
will be transferred in a fair and orderly fashion, consistent with what is mutually agreed to by the owners," said Bobby Reagan, president of management consulting firm Reagan & Associates in Atlanta.

A perpetuation plan is an effective way to retain the asset value of the agency, and, through the buy/sell agreement, provide a clear exit plan for agency principals, said Richard

Shoemaker, the Sacramento, Calif.-based president of IR Group Cos. IR subsidiary Insurance Resources Consultants helps agencies develop perpetuation plans.

"The buy/sell agreement needs to be in concert with the overall plan of perpetuation," said Mr. Reagan, whose firm co-authored a best practices survey about perpetuation with the IIAA.

Although a few agents and



consultants may disagree, a buy/sell agreement typically is not considered a perpetuation plan in its own right.

According to the IIAA's best-practices survey on perpetuation, "many agents consider their buy/sell agreement a perpetuation plan, whereas more of the larger, non-insurance respondents consider the buy/sell agreement only one component in a comprehensive business perpetuation and management succession plan."

A perpetuation plan speaks to the bigger picture of what the organization will do if or when ownership is transferred, Mr. Reagan said. It examines recruiting and training techniques, establishes future owners and provides cash-flow projections.

Any multiowner agency lacking a buy/sell agreement 'is just inviting litigation or conflict.'

— Bobby Reagan

A buy/sell agreement addresses the mechanics of changes in ownership, he said. It outlines the implications of an ownership change to the agency's principals, he said. These buy/sell agreements also specify events—including death, retirement and termination—that could trigger need to transfer ownership, and they define the collateral needed to back up any contractual obligations.

Life insurance or disability policies are common mechanisms used to fund a buy/sell arrangement, Mr. Amrhein said.

Many also include restrictive covenants that prohibit a shareholder who has sold back his or her stock from competing with the agency or from recruiting an agency's staff.

Carol Hammes, president of The Middleton Group in Pine, Colo., said these roadmaps of agency longevity are critical because they keep the shares of stock from leaving the agency.

"If you don't have a buy/sell agreement and one of these principals dies, there's nothing to say how the stock is sold," she said.

Any multiowner agency lacking a buy/sell agreement "is just inviting litigation or conflict,"

See **Perpetuate** on page S6D

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Perpetuate

Continued from page 56B

said Mr. Reagan, noting that there are very few midsize to large agencies that don't have the agreements.

Merely having a buy/sell agreement is not sufficient, though, as it can be riddled with potential pitfalls or weaknesses, he said.

Often, a formula is used to determine the monetary value of an agency. Some formulas, however, fail to realistically represent the value of a business, Mr. Reagan said, either underestimating or overestimating its market value.

If the formula values the agency

too highly, the first principal to trigger the buy/sell agreement might get paid in accordance with the agreement. Subsequent principals, however, may not receive their entire share if the first principal's payout is too great of a drain on the financial health of the agency, he explained.

When reassessing the accuracy of an agency valuation, Mr. Reagan recommends agencies get an independent appraisal to fairly examine both internal and external issues.

"It's kind of like an annual physical," he said, noting a healthy person may not need one every year, but it doesn't hurt to have one done.

Ms. Hammes recommends that an agency review its buy/sell agree-

ment at least every five years.

Another problem could arise if a minority seller doesn't have a defi-

The time you should start planning for agency perpetuation is the time (when) you become an owner.

— Carol Hammes

nite commitment from the agency to purchase the shares, Mr. Reagan said. The seller may find it difficult to sell privately held shares outside the agency itself.

The restrictive covenant is another important component to a buy/sell agreement. Such provisions state that once a principal has triggered the agreement, he or she agrees not to compete with the agency and promises not to recruit staff away from the agency—moves that could diminish the value of the agency.

One issue often overlooked in buy/sell agreements is the divorce of a principal. Although many may be reluctant to consider such a possibility, at a time when 50% of marriages fail, Ms. Hammes said, having a divorce provision is practical and saves attorney and consultant fees.

Other issues to be addressed in a buy/sell agreement will vary de-

pending on the characteristics of the agency itself, said Mr. Reagan. The IIAA study states these could include how a shareholder can be terminated, how new stock will be distributed, and stipulations on giving shares to family members as gifts.

Buy/sell agreements fall into two categories, according to the IIAA's perpetuation survey: repurchase agreements and cross-purchase agreements. In a repurchase agreement, the seller receives cash and the corporation gains back the seller's company shares. A cross-purchase agreement, however, is an agreement between two individuals, with the corporate stock going to an individual buyer.

More than 10 years ago, Mr. Shoemaker said, "the typical buy/sell was a cross-purchase plan executed between individuals and existed as a separate document that was either funded by insurance or other mechanisms."

In the wake of intense consolidation, many cross-purchase agreements became obsolete as the smaller agencies with few principals were folded into larger corporations. Larger corporations, for tax reasons, may have different means of outlining exit plans for key executives, he said.

Ms. Hammes said approximately 75% of agencies classified for tax purposes as corporations have buy/sell agreements in place. She estimates the proportion of sole-proprietor agencies with these buy/sell agreements and an overall perpetuation plan is just 25%, however.

And while taking a better-late-than-never view of perpetuation planning, she encourages agencies not to delay the planning process. "The time you should start planning for perpetuation is the time (when) you become an owner." **BI**

Agents sought for online comp program

NEW YORK—Reliance National Insurance Co. is seeking independent agents for its CyberComp workers compensation program.

New York-based Reliance announced last week that it plans to appoint 500 agents over the next six months for the online workers comp coverage program.

About 1,000 agents in 43 states already are involved with the CyberComp program, according to Reliance.

CyberComp, launched in 1997, posted \$81 million in gross premiums last year and has generated more than \$60 million in the first half of 1999, the insurer said.

The program offers first-dollar guaranteed cost workers compensation coverage to companies with 50 or fewer workers, with minimum premiums of \$1,000. CyberComp allows agents to quote and bind policies within five to 10 minutes, according to Reliance.

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Employee stock options attract and motivate workers and ease the retirement of principals

By **ROBERTO CENICEROS**

Discuss perpetuation or succession planning with the leaders of insurance agencies that have been around since the Civil War and a common thread emerges.

They aggressively fund employee stock ownership plans.

Doing so helps them replenish the agency with young talent who eventually can take over. In addition, it motivates existing employees to contribute their best work and allows retiring principals to cash in their equity while the business continues to operate profitably, the strategy's proponents say.

"There are a lot of ways to perpetuate an agency, but I am very, very fond of the ESOP system," said Walker P. Sydnor Jr., president of Scott Insurance in Lynchburg, Va. "That is the way, in the modern era, we have perpetuated the firm."

'Some customer service reps that have been here a long time have half-million-dollar accounts in our company stock.'

— Walker P. Sydnor Jr.

Mr. Sydnor should have some insight into perpetuation: Scott Insurance has been in business since 1864. It is now 83% employee-owned, and in 1998 it generated more than \$90 million in premium volume.

Maintaining a successful ESOP requires making responsible decisions for the good of all employee-owners of a company, Mr. Sydnor said.

It takes "serious money" to operate a successful ESOP, so agency owners can't be greedy and think only of their own short-term benefit, Mr. Sydnor advised.

Agency owners certainly have the right to spend all of their profits on expensive toys, such as boats, or continually give themselves hefty bonuses, he said. But, while "that certainly puts money in your pocket year after year," Mr. Sydnor said, "it doesn't allow you to perpetuate."

Each year, a cash contribution equivalent to 25% of Scott's payroll is invested in the agency's ESOP, Mr. Sydnor said. Last year, that amounted to more than \$1 million.

"We now have some customer service reps that have been here a long time that have half-million-dollar accounts in our company stock," Mr. Sydnor said.

A company president in 1975

started the ESOP when he realized that he and several of the agency principals at the time were nearly the same age. They knew they could face problems recouping their equity if they were all to retire at the same time, Mr. Sydnor explained.

Tax laws allow businesses to use tax-free dollars to fund ESOPs, which can then be used to buy out the interest of retiring principals.

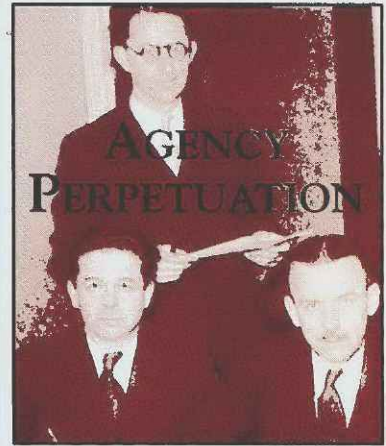
The J. Smith Lanier & Co. of West Point, Ga., also uses an ESOP as an essential part of its perpetuation strategy, said D. Gaines Lanier, president and chief executive officer of the 131-year-old agency.

In addition, the agency's perpetuation strategy calls for diversifying the agency's ownership by encouraging younger managers—those in their 30s—to buy company stock each year, rather

than waiting until senior managers retire and all their interest must be bought out all at once.

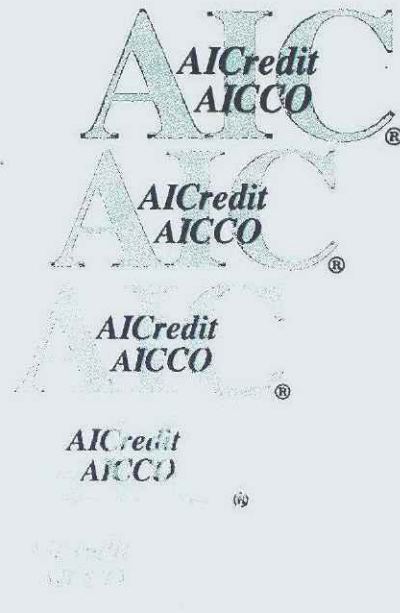
Each year, Mr. Lanier writes the younger managers a letter inquiring about their interest in purchasing available shares, he said.

"They will write back, saying, 'I want to buy 2,000 shares, I want to buy 1,000, or I want to buy 500,'" Mr. Lanier explained. Currently, one-third of the agen-



cy is owned by employees, he said.

See **ESOPs** on next page



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ESOPs

Continued from previous page

That perpetuation effort differs markedly from those of the agency's forefathers, Mr. Lanier said. Back then, the agency was passed down when a younger generation bought out its immediate predecessors.

But today, given the agency's expanded growth and its high value, such a strategy is not feasible, he pointed out. In 1998, the agency generated \$190 million in premium volume.

While an ESOP is a smart financial arrangement, there is little point in making such financial arrangements

if an agency is not bringing in new, young talent, Mr. Sydnor said.

"You need good, young people coming in the door that are anxious to carry on as the older people reach their retirement time," Mr. Sydnor advises.

In addition to providing a means of perpetuation, an ESOP also serves as a recruiting tool, helping the agency attract that younger talent, the leaders said. An ESOP is also a good motivator, because employees know they have an ownership stake, they said.

Meeker-Sharkey Financial Group Inc. in Cranford, N.J., founded in 1864, uses an ESOP and bonus plan to reward employees who make ex-

ceptional contributions, said CEO Thomas J. Sharkey Jr.

When Meeker-Sharkey makes acquisitions, it also makes stock available to key producers of the acquired firms.

In fact, the agency prefers to pay for acquisitions with 80% cash and the balance in Meeker-Sharkey stock. That way, the principals in the acquired company gain a vested interest in seeing the merged company grow, Mr. Sharkey said.

Mr. Sharkey said that those thinking about selling their agency should not wait until they are older and ready to retire to do so. By that time, many of their clients also are looking to retire, which diminishes

the agency's value. Also, if an agency owner is retiring and leaving the agency, much of its goodwill value will also diminish.

The Meeker-Sharkey ESOP, along with estate planning and a formal buy/sell agreement for shareholders, is a vital part of its perpetuation plan, Mr. Sharkey said. The Sharkey family controls the majority of the agency's economic stock. The agency itself is also a significant stockholder.

"We have been very conservative financially," Mr. Sharkey explains. "We have retained a lot of earnings within the corporation, which are available to fund stockholder buy-outs." **BI**

ESOPs can have downside for some

By SALLY ROBERTS

While employee stock ownership programs can be a successful

agency perpetuation tool, independent insurance agencies need to investigate all the pros and cons of ESOPs before implementing such a plan, consultants warn.

ESOPs can be an attractive vehicle for buying out a major shareholder in an agency, obtaining a variety of tax benefits and increasing the morale and productivity of employees.

Consultants caution, however, that the cost of implementing an ESOP and the annual cost of maintaining the plan may be too much to bear for smaller agencies or for agencies with deteriorating revenues and profits. Those expenses include annual appraisals of the agency for valuing the stock, paying off debt incurred to purchase shares for the ESOP and buying back shares from participants exiting the plan.

Furthermore, if there is no overall philosophy in favor of employee ownership or strong successor to manage the agency after a principal owner leaves, an ESOP will not be successful, consultants say.

ESOPs have been used by nearly one-third of the agencies identified as top performers in the industry by the "Best Practices in Business Perpetuation and Management Succession" study conducted by the Independent Insurance Agents of America Inc. and Reagan & Associates. That survey found that 30% of best-practices agencies with revenues above \$2.5 million have used ESOPs to accomplish major stock redemptions and/or to provide qualified retirement benefits.

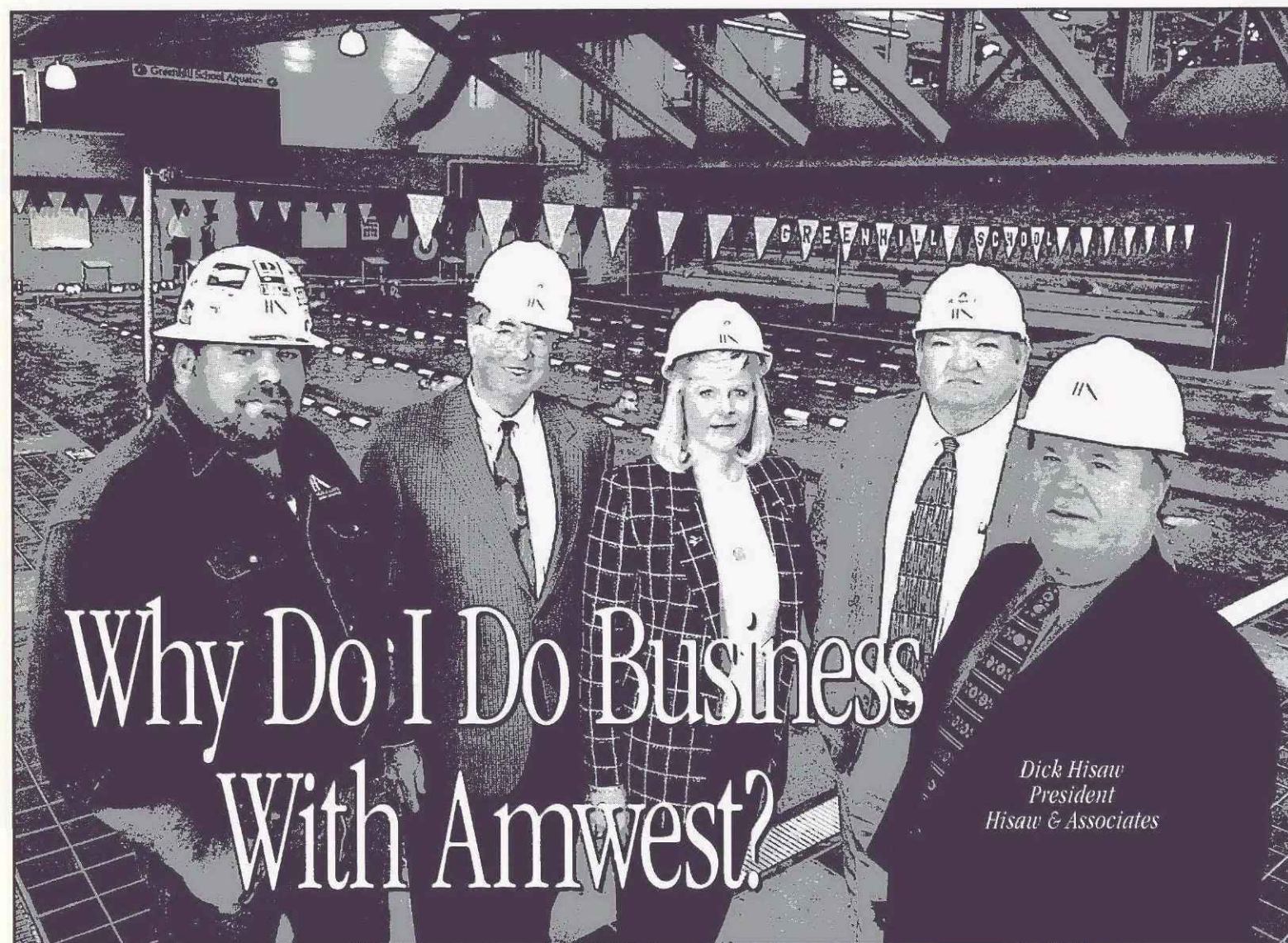
Although there is an increasing number of companies establishing ESOPs today, the number of new ESOPs formed among insurance agencies has slowed over the past few years, consultants say.

Many consultants attribute this trend to the fact that the height of agency ESOP formations took place roughly 10 years ago, and those agencies that were interested in ESOPs set them up at that time.

Most of an ESOP's benefit lies in its tax breaks.

Annual contributions made to the ESOP are tax-deductible, as are loan payments made to repay funds borrowed to buy stock under leveraged ESOPs. Also, in leveraged plans where the ESOP owns more than 30% of the agency's equity, selling shareholders qualify for tax-deferred

See **Pros & cons** on next page



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Pros & cons

Continued from previous page
 rollovers if the proceeds of selling their shares are used to buy stocks in U.S. corporations.

In addition, new tax laws passed last year give some subchapter S corporations with ESOPs a break. In some circumstances, a subchapter S corporation—a company with 10 or fewer shareholders that elects to be taxed as a partnership—has the benefit of taking as tax-free income the same percentage of the company as is owned by the ESOP.

This means that, in certain situations, if an ESOP owns 40% of an agency, 40% of the agency's income is not subject to income tax.

"When stock is sold to an ESOP, an agency has the potential of tax benefits equaling 65 cents on the dollar, plus the possibility of a portion of the company's income being tax-free," said Ron Gilbert, president of ESOP Services Inc. of Scottsville, Va.

That means that, for every \$1 million in ESOP transactions, the agency and its shareholders have the potential for \$650,000 in tax benefits, he said.

"With all the tax benefits on the table, sometimes the only way to perpetuate is if an ESOP is in the equation," he said.

In addition to the tax breaks, some studies have shown that teamwork, morale and productivity improve in firms with ESOPs.

Virginia Bates, of agency management consultant VMB Associates Inc. in Melrose, Mass., said that, in her experience, ESOPs "stimulate and increase" morale and productivity in agencies. She noted that the only agencies she has seen implement ESOPs are those that already have a culture in place that fosters high morale and productivity.

While ESOPs provide significant tax benefits, consultants say the decision to implement an ESOP should not be taken lightly.

"If used properly, an ESOP may be of some value in a perpetuation plan, but it's not the end-all-be-all," said Timothy J. Cunningham, a principal with INSIGHT Management Consultants in Chicago who conducts annual valuations for agencies with ESOPs.

An ESOP is "like a monster in a box in the basement," he said. "While it doesn't get bigger, you have to keep feeding it."

Consultants say that, after spending anywhere from an initial \$12,000 to \$50,000 to establish an ESOP, it costs approximately \$10,000 each year for appraisals and other administrative costs to maintain the plan. That contribution does not include an agency's obligation to repurchase shares from exiting participants, which can vary yearly, or the loan payments to pay down debt, which also varies among agencies.

"I know one agency with \$1.5 million in revenues that is now bankrupt, and a lot of it had to do with its ESOP," said Carol Hammes, president of The Middleton Group in Pine, Colo. She has been apprais-

ing agencies for ESOP plans for 20 years.

An ESOP will "tie your hands from strategic buying decisions, if you're trying to squeeze every dollar you can to make it work," Ms. Hammes said. "It's not a bad idea, but it's only a good idea for certain select agencies."

Ms. Hammes advises that an agency considering an ESOP should have pro forma pretax profit at or near 20% of revenues, and eligible payroll should be in excess of \$500,000. Ideally, an agency should have at least \$3 million in revenues, she said.

Tom Arnold, senior consultant for Marsh, Berry Co. Inc. in Concord, Ohio, views ESOPs a bit differently.

"People that don't like ESOPs often cite the cost for the repurchase obligation, but I think that there's another way to look at it," he said.

'With all the tax benefits on the table, sometimes the only way to perpetuate is if an ESOP is in the equation.'

— Ron Gilbert

ESOPs are always churning stock; repurchasing stock from executives and giving it to new employees, who will eventually sell, Mr. Arnold said. "Any agency perpetuation plan

over time has to do the same thing," whether it is through an ESOP or just buying out shares from an executive, he said.

"In my opinion, it's the same issue as the repurchase obligation," he said.

Mr. Arnold is a former chief operating officer with an agency that had an ESOP, and he now advises agencies on the subject. He said that "an ESOP is a good idea only if you truly believe in the concept of employee ownership."

While an ESOP is a good financial tool, if it is implemented only as that, an agency will never be satisfied with it, Mr. Arnold said.

Costs aside, Ms. Hammes said, her

biggest concern is, "no matter how good (an ESOP) looks on paper, unless there are other leaders there in the agency, you're in trouble. ESOPs can't run an agency,"

"Of the large agencies, I've found if there is one majority principal—one who owns between 40% to 60% of the equity—it's a really good way to cash him/her out," she said of ESOPs. "A lot of large agencies today aren't like they used to be. There's not really one big owner anymore."

Admittedly not fond of ESOPs, Ms. Hammes said that "75% of the people I talk to, if they're not sorry about setting the ESOP up, they're wondering if there was a better way."

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Younger agents bring new skills: Speaker

By SALLY ROBERTS

Today's agency principals some day will pass on the ownership of their firm to a younger generation.

All agencies, regardless of whether they are family-owned, must eventually face that change. Agency owners can, however, take steps to make that process easier, an agency association executive says.

The inherent generational differences between the baby boomer owners of today and future owners—those of "Generation X"—can hinder an agency from achieving the full competitive advantage each generation has to offer, the executive said.

When looking toward the future, agency owners need to see their young producers as the future leaders of the agency, think beyond tradition and institutional memory, and take advantage of the skill sets Gen Xers possess, said

Chris Amrhein, vp-industry affairs for the Independent Insurance Agents of America Inc. in Alexandria, Va.

During a session at last week's IIAA annual convention held in Las Vegas, Mr. Amrhein asked agency principals in the audience to answer the following questions:

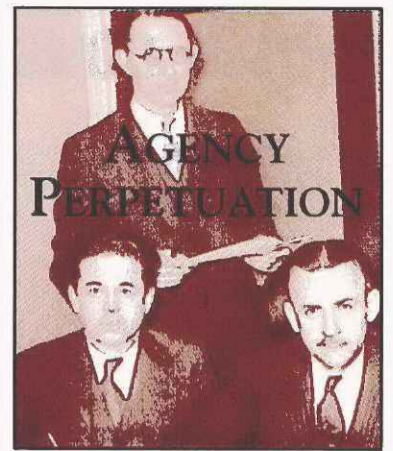
- How will agencies attract and retain young agents, including creating opportunities for real responsibility and partnership for those agents?
- How will young agents make

the transition from insurance neophyte to agency owner?

- Can agencies accelerate the learning process to meet the current speed of change, rather than insisting that young agents' careers progress at the same rate as those of current owners?

- What are the unique talents whose impact may yet be unknown—or at least misunderstood—that young agents can apply to give agencies a competitive edge?

To give a better perspective and



understanding of Gen Xers, Mr. Amrhein said that the 80 million 18- to 38-year-olds that make up Generation X in the United States have common characteristics.

For example, Gen Xers tend to live with their parents longer, they marry later, have more years of higher education, have mid-life affluence, are technologically savvy, are environmentalists and have a global perspective, he said.

The problem with agency management today, Mr. Amrhein said, is that there is no consistent approach for addressing major issues facing these young agents.

"I haven't seen an agency yet figure this out," Mr. Amrhein said.

For example, unlike baby boomers, who waited many years to become agency partners and develop credibility, Gen Xers do not want to wait, Mr. Amrhein said. They become frustrated with the slow speed of change, he said.

In addition, the old agency model shows sales success as the only path to agency partnership. Mr. Amrhein asked whether agencies are providing opportunities for those with other skills.

"Don't assume leaders have to be top sales people," he said. "Gen Xers have lots of other skills."

The ideal agency manager in 10 years may be the information technology manager or the human resource manager, he said.

"Get away from the model of 'Traditional sales is the way to the top,'" he said. "A Gen Xer's strength may not be in sales."

Another generational problem baby boomer owners face is high turnover, Mr. Amrhein said.

It takes a lot of money to train a new producer, and Gen Xers have a tendency to take advantage of job opportunities when they arise. Instead of "burning bridges" when a young producer leaves for greener pastures, agencies should "let them explore," Mr. Amrhein advises. The young producer may one day return to the agency.

By preparing for a young producer's return—rather than enforcing non-competition agreements—"you'll get a much more seasoned and experienced person who knows how good you are," he said.

Family-owned agencies create some different problems for young agents, Mr. Amrhein noted.

For instance, in many cases, young daughter and son agents in family-run firms earn less money than they should—what Mr. Amrhein called "indentured

See **Generations** on next page

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Internet venture to give agents online resources

A new Internet-based insurance venture aimed at providing retail agents with online resources and access to specialty insurers has attracted the support of The National Alliance for Insurance Education & Research.

The Austin, Texas-based National Alliance has entered a strategic affiliation with Insurance Data Systems Inc., an e-commerce company specializing in the insurance industry. The

National Alliance is the parent organization of the Society of Certified Insurance Counselors, which administers the CIC professional designation, among others.

The affiliation coincides with IDS' launch of a new Internet-based venture, MarketScout.com, which among other things will provide insurance agents, underwriters and risk managers with online access to "CyberAgents." These agents will be specialists in hundreds of industries and lines of coverage, representing an-

anticipated 100 specialty markets. The National Alliance will use

The National Alliance programs' quality 'will be a direct benefit to the industry,' says Richard Kerr.

the Internet capabilities of IDS to market its continuing education and training programs and mate-

rials. Dues-paying members of the Society of CIC also will receive preferred access to MarketScout.com in the first quarter of 2000, once the Internet site begins offering online sales and service.

"This alliance will give our participants, in particular those who hold our CIC designation, access to markets that have heretofore been closed to them," William T. Hold, founder and chief executive officer of the National Alliance and president of the Society of CIC, said in a statement.

"The quality of the National Alliance programs...will without question add value to our efforts and be a direct benefit to the industry as a whole," said Richard Kerr, founder and chairman of IDS. Mr. Kerr also is chairman and CEO of Dallas-based Lambert Fenchurch U.S. Holdings Inc., a subsidiary of London-based Lambert Fenchurch P.L.C.

The site, www.MarketScout.com, is under development as it builds its ranks of CyberAgent participants. It is expected to "go live" Jan. 1.

Generations

Continued from previous page
servitude." The difference between what the young agent makes and what that agent deserves is being donated to the agency's bottom line.

If the son or daughter knows that to be the case and accepts it, Mr. Amrhein suggests family owners express frequently "how grateful you are of that." Oftentimes, owners take advantage of the situation.

When hiring young producers, baby boomer owners must understand that while experience matters, new skill sets matter more, Mr. Amrhein said. He advises agency owners to hire skills and re-create the agency to fit the talent rather than shove talent into the agency.

Overall, Mr. Amrhein told baby boomer owners that they should create a new agency management model for the future.

The traditional "command and control" model that has been used for the last 40 years doesn't work with the new generation, he said.

The old model generally was that of an insurance agency led by an owner or group of owners who become principals primarily through sales success. Management under this model is top-down, inflexible and autocratic, he said. There is little focus on strategic planning, long-term thinking or vision.

The agency of the future, Mr. Amrhein said, should follow a "new participative model," which is: "An insurance agency typically led by an owner or group of owners who become principals primarily through sales success, leadership ability and knowledge. Leadership is shared and based on capability. Ideas are sought by everyone. There is a focus on the future, personal responsibility and adapting to change."

If an agency follows this model, "you'll beat the competition," Mr. Amrhein said. "If you use the potential of Gen Xers and Gen Xers use your knowledge as a team, you'll be superior." **BI**

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Producers finding profit in commercial coverages

Agents placing commercial lines outearning peers in personal lines, study shows

By LEE FLETCHER

The average commercial lines producer earns almost 90% more than his or her personal lines counterpart, a newly released study shows.

The average commercial producer earns \$86,383 a year, and many agencies offer more than salary as part of compensation packages, according to the study, "Producer Compensation: A Profile of Pay and Performance."

The average annual compensation for a personal lines producer is \$45,809, the study shows.

Jim Cuprisin, project director for the Academy of Producer Insurance Studies, which released the study, attributes the big difference in compensation to the commercial lines producer's opportunity to write large accounts.

"If you look at the commission rates, they're very similar between commercial and personal. The personal lines accounts are pretty small, and, to get a lot of compensation, you would have to write a

high number of accounts. There seems to be cap on personal lines, where even the best producers can only write so much," he said.

"Commercial lines, especially for those super-producers, there's not much of a cap—a lot of those top commercial lines producers can really achieve some significant numbers, both for themselves and for their agencies," he said.

A commercial lines producer writes an average of 128 accounts a year, while the average for a personal lines producer is 410, according to the study.

The survey found that, in addition to cash compensation, the majority of the commercial and personal lines respondents receive benefits such as health, life and dental insurance; vacation time; a pension plan; and educational assistance. Almost seven in 10 commercial producers receive disability insurance benefits, while slightly less than half the personal lines producers get that benefit, the study shows.

Additionally, 32% of commercial lines producers surveyed said

they have a profit-sharing plan, 22% said they have access to a company vehicle, 19% have stock ownership, 12% have an investment plan, and 12% have access to a paid golf or health club membership.

bilities, and qualifications and experience.

The survey found that the average commercial lines producer has been with his or her current agency for nine years. The average personal lines producer had a similar

'A lot of those top commercial lines producers can really achieve some significant numbers, both for themselves and their agencies,' says Jim Cuprisin.

Personal lines producers enjoy some of those latter benefits, though, in general, fewer of those producers get them.

In addressing the more generous benefits that commercial producers get, Mr. Cuprisin said, "The agency owners know that, to keep the good producers, they've got to offer them a little bit extra—the benefits are where they can help."

In addition to looking at compensation, the survey compares production, duties and responsi-

tenure of 10 years.

The survey found that 44% of a commercial lines producer's workweek and 49% of a personal lines producer's workweek is spent on sales-related activities.

"With all the increased competition in the industry, agencies, as well as producers, may need to diversify in the future. So, in addition to their selling, they might get into securities or stocks and mutual funds, maybe doing some risk management," Mr. Cuprisin

said.

But the commercial lines producers who are currently successful may not need to change the way they do their business, he said.

The findings are based on a nationwide survey of 1,227 producers; of the respondents, 840 were commercial lines producers and 157 were personal lines producers.

The study "is supposed to be a guide to help producers. They can compare themselves with each other. It also can help agency owners by letting them see how they might want to adjust their producer compensation," Mr. Cuprisin said.

The Academy last surveyed insurance producers in 1993. Although no future producer compensation surveys are scheduled, Mr. Cuprisin is hopeful that another will follow.

"We know that there is a real demand for the survey," he said.

"Producer Compensation: A Profile of Pay and Performance" can be ordered by telephoning 800-526-2777. To order by mail, send \$39.50 to The Academy of Producer Insurance Studies, P.O. Box 27027, Austin, Texas 78755-2027.

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Better training a key to snuffing out arson claims

By Ed Noonan

IN JANUARY 1996, Joe Logan, a maintenance worker at the Howard Johnson Hotel in Bowling Green, Ky., set fire to the hotel, killing four guests. This is something Mr. Logan's employer, Suresh Kumar, hadn't counted on when he paid Mr. Logan to set the blaze; he simply wanted the insurance money.

Mr. Kumar's hotel had recently been given one of the lowest quality assurance scores in the chain's history, and it was going to require \$400,000 in renovations. Interestingly, Mr. Kumar had filed six claims for fire damage at another hotel he owned in Nashville during the previous year.

In the ensuing investigation by local fire officials and the federal Bureau of Alcohol, Tobacco and Firearms, Mr. Logan confessed to the crime and implicated Mr. Kumar. Both are now serving life terms in prison.

According to the National Fire Protection Assn., arsonists are believed to set 500,000 fires in the United States each year. Unfortunately, the majority are never arrested, and only 2% of investigations result in a conviction.

According to a study by the Law Enforcement Assistance Administration, what's more serious is that 14% of arsons are estimated to be arson-for-profit. Applied to current statistics, that's 70,000 fires.

Bottom line? The typical arsonist is more likely to receive an insurance check than a prison sentence.

As an industry, we should be deeply troubled by this. According to the NFPA and LEAA, Americans spend \$2 billion each year on arson. Here's where the money goes:

- \$280 million to pay criminals in arson-for-profit schemes.
- \$460 million to clean up after revenge incidents.
- \$140 million for fires set to cover up other crimes.
- \$280 million for fires set by the mentally ill.
- \$840 million for fires set by vandals, many of them adolescents.

If every incident of arson could be proven, this crime would be the major cause of property damage due to fire in the United States. And the problem doesn't end there.

Each year in the United States, fire kills 4,000 people, injures another 20,000 to 25,000 and destroys approximately \$8 billion worth of property. In fact, the United States has one of the highest fire-death rates in the world—about 25% higher than Canada, more than a third higher than the United Kingdom and almost 250% higher than Switzerland.

One of the fundamental reasons

for these incredible statistics, I believe, is that we have failed to educate the public about fire-related risks. For example, a popular U.S. building style today features homes with soaring two-story foyers. While architecturally imposing, fire experts describe houses built in this style as very efficient chimneys—in a fire, smoke rises easily to the second story, where it can silently choke a family to death in just minutes.

But there's another problem.

Approximately 2 million fires are reported annually in the United States. According to NFPA, the cause of roughly a third of those is recorded as "undetermined."

Why? Fire investigation is a very complex process. Many fire investigators do not have adequate training opportunities to develop the skills required to solve these cases. And those who do get training often don't have the opportunity to work enough fire scenes to maintain the skills they were taught.

A/BT Perspective

To be effective, fire investigators must learn not only how to recognize, collect and preserve evidence from the charred remains of a fire, but they also must be proficient in a host of additional skills, such as interviewing witnesses, case management and testifying in court.

What can the insurance industry do? Our industry has an obligation to lead this crusade.

Obviously, developing better ways to select and manage risk is important to us, but we have the opportunity here to do something that will reach beyond our bottom line. Helping fire investigators develop the specialized skills necessary to better identify the causes of fire will touch communities all across the country. I think we have a responsibility to help make our communities safer places to live and work.

American Re-Insurance Co. is

part of a national initiative to improve the fire investigation skills of the nation's firefighters, police and prosecutors, as well as the insurance industry.

We've partnered with the ATF, the NFPA and the U.S. Fire Administration to produce an interactive CD-ROM-based training program called interFIRE VR.

With interFIRE VR, users can explore an actual fire scene on a search for evidence, listen to the advice of top U.S. fire investigators or, via a resource file, see Internet links to various insurance industry databases that track previous insurance claims for fire loss.

This partnership has allowed each organization to specify its own "best practices" and to share information across disciplines. The benefits are significant. Some examples:

- Firefighters will learn that, in addition to saving lives and property, they may also be entering the scene of a crime. Evidence about how a fire started can be

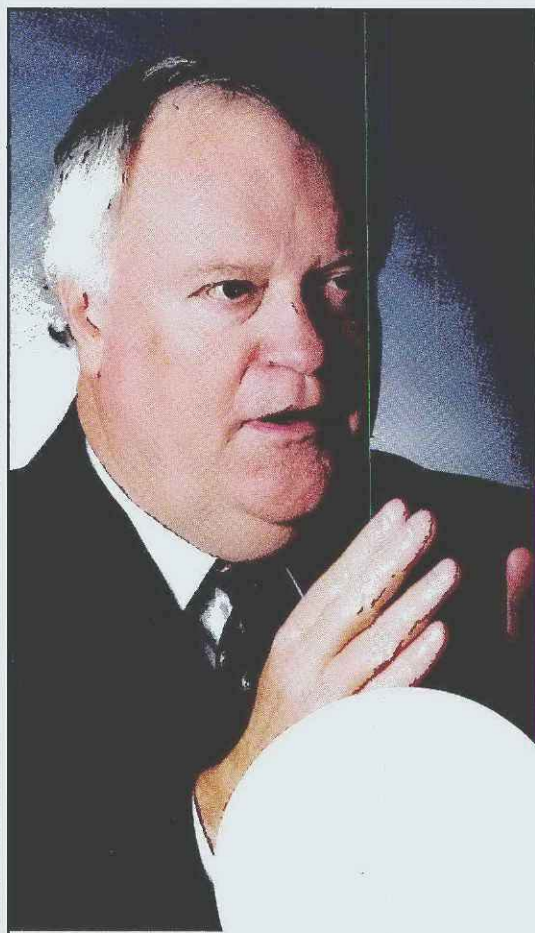
either destroyed or preserved, depending on their actions.

• Law enforcement officials will discover the wealth of information contained in the insurers' underwriting and claim files. This information is available through existing immunity legislation in all 50 states. Investigators simply need to know how to ask for it.

Will a partnership approach like this make a difference? We think so. That's why the interFIRE VR developers have decided to distribute as many free copies as possible to their respective audiences. For American Re, that includes our competitors in the insurance industry. This is an issue that rises above mere competitive considerations.

Beyond that, the program is available via the Internet or through a toll-free telephone information line, 877-INTERFIRE (877-468-3734), to anyone with a professional interest in fire investigation. A nominal shipping

See **Arson** on next page



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Arson

Continued from previous page
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Of those fires classified as "undetermined" in origin, many are caused by arson, though some will turn out to be from less sinister causes, such as cooking, heating and appliances. (Believe it or not, the plastic housings of crockpots and similar appliances are combustible.)

Whatever the cause, when more fires are solved, more fires will be prevented, more arsonists will be caught, and more lives saved.

What can insurers do? Well, it should go without saying that you should support fire and police departments in the communities where you work. Let local officials know that you favor aggressive prosecution of arsonists.

But insurers must also walk the walk. Here are a few ways to do that:

- Participate in the fight. To combat arson, insurers have created the Insurance Committee for Arson Control, which serves as a national resource, education and communications organization.

ICAC sponsors and coordinates the activities of the National Arson Forum, a gathering of leaders from the public and private sectors to exchange information and develop

new resources to aid all participants in the arson battle.

Another group is the National Insurance Crime Bureau, which provides training to insurance claims personnel and investigates questionable claims, including suspected arson. Make sure your company supports such efforts.

- Share information. Does your company file its property claims with ISO ClaimSearch, which was formerly known as the PILR database? Of the 60,000 to 70,000 reports that PILR receives each month, about 14% are flagged as suspect, thereby increasing dramatically the chance that an arsonist will be caught.

- Create a special investigation unit. Rather than simply pass losses through to policyholders, many insurers have set up such units to investigate suspicious fires and collect evidence that can be forwarded to officials for prosecution.

The results of setting up an investigative unit may vary, but, on average, they save \$10 for every dollar invested, according to the International Assn. of Special Investigation Units. With that sort of return, continuing to do nothing is not an acceptable choice.

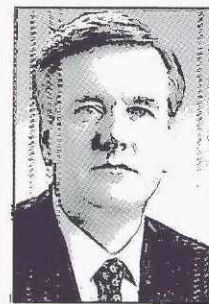
- Put teeth in your state's fraud bureau. Most states have fraud bureaus, but not all require insurers

to forward suspicious claims to their state's fraud bureau. If your state doesn't, urge your state legislators to change the law.

- Make insurance fraud a crime. Insurance fraud is illegal in all states, but some laws are more effective than others. Prosecuting insurance fraud is easier in states where it is identified as a specific crime in the penal code and where the elements that constitute insurance fraud are defined, along with the penalties that can be imposed. Otherwise, it falls under general fraud provisions such as fraud by deception. Again, talk to your legislators.

In the five minutes it took to read this article, arsonists set five new fires, almost 1,400 each day. That's five arsonists who should go to jail but probably won't. That is countless businesses and lives destroyed. And that is too high a price for our society and our industry.

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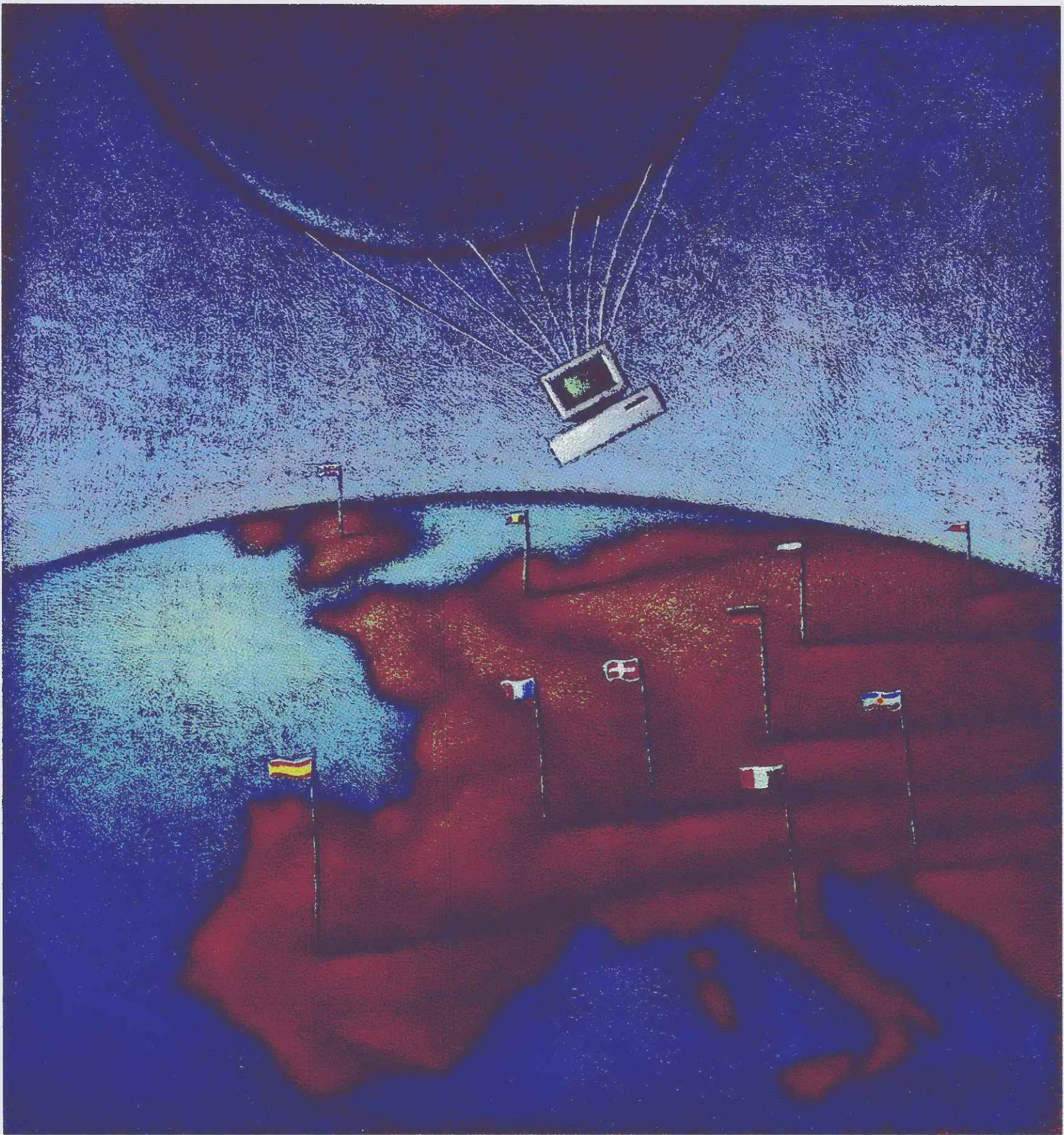


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New software aiding insurer fraud investigations

By GAVIN SOUTER

Fraud investigations that once took days at Prudential Property & Casualty Insurance Co. have been reduced to about 15 minutes thanks to new software, according to one of the insurer's chief investigators.

By using a process that involves a few clicks of a mouse rather than sifting through thousands of files, the Holmdel, N.J., insurer has greatly enhanced its ability to crack down on fraudulent claims, said Thomas J. Mulvey, national director of the special investigation unit at Prudential.

In one instance, a quick check of an auto insurance claim revealed that the claimant was involved in more than 70 other claims filed with Prudential and other insurers, Mr. Mulvey said.

With the system "we can review the same number of files in

about 15 minutes that previously would take three to four days of an investigator's time," he said.

The software, NetMap for Claims, was developed by Alta Analytics. NetMap is linked up with the Insurance Services Office Inc.'s anti-fraud system, the ISO ClaimSearch database.

By combining the vast claims information on the ISO database and the searching and cross-referencing capabilities of the software, insurers should be able to reduce considerably the costs of fraud, which has been estimated to cost the property/casualty industry as much as \$20 billion a year, said Richard P. Boehning, president of American Insurance Services Group, a claims data unit of ISO.

The new system also will free up insurers' investigators, he said.

"It is a dramatic improvement in the way they utilize their time," Mr. Boehning said.

The system allows an insurer

to first cross-reference a claim against its own claims records, and then cross-reference it against 135 million other property, liability, auto, workers compensation and other claims in the ISO database.

Prudential has been using the system for about six months, said Mr. Mulvey.

Because the software cross-referenced the claim against many others, 'A single claim with a low dollar value led to a huge potential fraud.'

— Herb Jones

In one case, a California auto claim was filed with Prudential and entered in to the NetMap system to cross-reference it against other Prudential claims.

Immediately, the software showed that the claimant had used two different addresses when dealing with the insurer.

The information drew the interest of the investigator, who then went a step further in the cross-referencing process and discovered that the claimant had filed five previous claims with

Prudential and had used two Social Security numbers, five addresses and four telephone numbers.

"So it appears that we were following the right path, because the claimant was going out of his way to have different pieces of information to identify himself," Mr. Mulvey said.

One more click of the mouse revealed that the claimant had links with 17 other claimants. For example, another claimant had used one of his addresses or phone numbers or was involved in one of his claims as a passenger or the other driver in an accident.

"Now we have the information that shows us the people and entities related to our investigation, so we go back to ISO to look at the big picture," Mr. Mulvey said.

By using the software to access the millions of claims with other insurers in the ISO database, an even more suspicious picture emerged, he said.

The claimant was involved in 69 claims with 19 other insurers and had reported another four Social Security numbers, 25 addresses and three telephone numbers.

When all that data was used to

make a further search, the search revealed that the single claimant is linked in some way with 148 other people.

The information yielded by the software was reported to state authorities, who are conducting a criminal investigation, Mr. Mulvey said.

Without the software and the access to the ISO data, the investigation would have been far more laborious, he said.

"We would have manually accessed claims files and brought them into a room in boxes and tried to find links from claim to claim," Mr. Mulvey said.

The investigation also allowed the insurer to uncover a very large possible fraud, said Herb Jones, president and chief executive officer of Alta Analytics in Westerville, Ohio.

"A single claim with a low dollar value led to a huge potential fraud," he said.

The initial implementation charge for the system is between \$300,000 and \$500,000, and a similar fee is charged annually.

So far Prudential and four other insurers have signed up for the system: CNA Financial Corp.; Nationwide Mutual Insurance Co.; Progressive Corp.; and Travelers Group. **BI**

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Hartford sales effort roils agents

Agency associations are objecting to The Hartford Financial Services Group Inc.'s recent direct-marketing alliance with Ford Motor Co.

Hartford announced last month that it had struck a multiyear agreement with Ford to offer the automaker an insurance program to its Ford, Lincoln and Mercury vehicle owners and lessees, as well as customers of Ford Credit.

The new program, called The Ford Motor Company Vehicle Insurance Program, offers auto and other personal insurance to nearly 17 million owners and lessees of Ford, Lincoln and Mercury vehicles.

The program plans to begin its marketing efforts through direct mail, with plans to add other marketing channels as the program progresses.

"The Hartford's alliance with Ford is another example of our strategy to exploit our direct marketing and call-center expertise to grow our business," said Stephen J. Hasenmiller, president of The Hartford's personal lines company, in a statement.

Agency associations, however, are crying foul, accusing The Hartford of creating an alliance that will compete directly with independent agents.

"We are greatly disappointed that The Hartford would set up yet another major program that

See **The Hartford** on page 56P

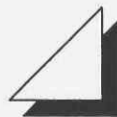
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Apr 27	Captive Managers
May 25	Environmental Risk Management Consultants
Jun 8	Alternative Risk Financing Facilities
Jun 15	EAPs & Dependent Care Resources & Referral Services
Jul 20	Agents & Brokers
Aug 3	Prescription Benefit Managers
Aug 17	Property Loss Control Consultants
Aug 31	Leading Reinsurers Worldwide
Sep 7	Surplus Lines Insurers & Wholesalers
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Agent/Broker Topics

The Hartford

Continued from page 56N

bypasses and competes with its independent agents," said Bill Greenwood, president of The Independent Insurance Agents of America Inc., in a statement. "The Hartford has an excellent independent agency force, which could have added so much value to this program."

"Direct marketing deals such as the Hartford-Ford one should serve as a call to action to independent agents everywhere to become more aggressive and proactive in personal lines to provide consumers with a better solution and beat this competition," Mr. Greenwood said.

The National Assn. of Professional Insurance Agents also issued a statement in response to The Hartford/Ford Motor Co. alliance.

In it, the Alexandria, Va.-based association said it is "perplexed" by the new direct-marketing program.

"People tend to trust their professional insurance agent far more

than a car salesman. Consumers often complain that their auto-buying experience is adversarial. In contrast, when people consult their professional insurance agent, they have the advantage of knowing that relationship is built on trust," the PIA said.

The PIA goes on to say that "The issue for carriers like The Hartford who depend on the agency system is how to maintain their commitment to the independent agencies that are expanding their own marketplace penetration and not at the same time unwittingly undermine those agents' efforts with other marketing efforts."

The Hartford and Ford launched the new program in Florida last month and will roll out the rest of the program nationwide over the next year.

The company plans to take advantage of the opportunity to cross-sell other personal lines products to Ford customers, including coverage for homeowners and personal liability, home-based business, and pleasure watercraft.

—By Sally Roberts

Two new Web sites geared to brokers

Two new World Wide Web sites are targeted to insurance agents and brokers.

Boulder, Colo.-based International Catastrophe Insurance Managers L.L.C. recently opened its Web-based earthquake quoting system to intermediaries selling insurance to small businesses. The site, at www.icatmanagers.com, allows agents and brokers to receive quotes, submit coverage requests and create client-specific disaster risk profiles online.

ICAT is operational in California and will be entering other markets later this fall, including Texas, Florida, the Gulf Coast and the Pacific Northwest.

All products are written through Clarendon National Insurance Co.

Metro Partners Inc., a New York-based managed agency organization, also recently launched a new Web site for independent agents.

The new site, www.metropartners.com, is an informational venue for agents to learn more about the Metro Partners MAO, which offers full service sales, sup-

A/BT Briefs

port and management model for independent agents (A/BT, March 1).

AMS names president

WINDSOR, Conn.—Loren Parsons, former president of Boulder, Colo.-based Insurance Reference Systems Inc., known as Silver Plume, recently was named president of AMS Services.

Mr. Parsons succeeds Chris Magee, who retired in March.

Silver Plume, a subsidiary of AMS Holding Group, publishes electronic insurance reference material for the property/casualty insurance industry.

AMS Services is a division of AMS Holding Group and provides technology to insurance agents, brokers, insurers, banks and other distributors of insurance and financial services.

Training firms merge

CHICAGO—Dearborn Financial Publishing Inc., a supplier of pre-licensing training services and continuing education materials for securities, insurance and real estate professionals, has acquired the Educational Center for Financial Services, a Milwaukee-based provider of insurance licensing training.

"ECFS has been Wisconsin's consistent leader in insurance licensing training, with a keen sense of who best to meet the education and training needs of insurance and securities professionals," Dennis Blitz, president of Chicago-based Dearborn, said in a statement. "With Dearborn's extensive resources and comprehensive materials, ECFS will continue to provide the best services to its clients, introducing new and enhanced offerings."

For more information about ECFS programs, call 414-464-9040.

Software access

UNIVERSITY PARK, Ill.—Applied Systems Inc. recently forged a strategic relationship with Fuher & Associates Inc., a California-based insurance integration and operations consulting firm.

The partnership will enable clients to utilize The Agency Manager software via a secure Internet connection.

The Agency Manager is delivered on Application Service Provider Network, referred to as ASPN. ASPN allows an insurance agency to run a complete Applied Systems' software package over the Internet, with Fuher & Associates providing all the technical support, data security and technical administration of the system.

Using a dedicated Internet connection, agencies will be able to access ASPN from their worksta-

tions by clicking on an icon. Once connected, the agency will be operating on its own secure version of Applied Systems' software from the ASPN servers at Fuher & Associates' locations.

"By providing access to our software through the Internet, a whole new market segment of agencies can have access to a level of automation that was previously out of reach due to system infrastructure costs," John Higginson, executive vp of product development at Applied Systems, said in a statement.

More information about APSN can be obtained by contacting Applied Systems at 800-999-5368 or Fuher & Associates at 800-789-2567.

Court action filed

MECHANICSBURG, Pa.—The Professional Insurance Agents Assn. of Pennsylvania, Maryland & Delaware last month filed a mandamus action against Pennsylvania Insurance Commissioner M. Diane Koken.

The emergency writ alleges that Ms. Koken and her predecessor have for more than 10 years failed to issue key rules regarding the state's assigned risk auto insurance plan in accordance with the law.

A mandamus is a rare writ issued by the court to an official compelling the official to take some action and is used when all other judicial remedies have failed or are inadequate.

The assigned risk plan was created 10 years ago to provide insurance for drivers whose records would make them otherwise uninsurable. The dispute with the PIA arose because the department has never issued regulations on the so-called "take-out" procedure as required by law, according to the association. When a person's driving record is considered clean, the law says that person is to be depopulated or taken out of the assigned risk plan and put into the standard market.

The PIA alleges that to date, when drivers have left the assigned risk plan, they've been placed with an insurer selected by plan managers, not by the consumer.

"The Legislature was clear in setting forth that before any such depopulation may take place, regulations were to have been issued by the Insurance Commissioner," said Chester Perfetto, president of the regional PIA. "Those regulations are meant to protect the rights of the consumer, and it is inconceivable to the PIA that the Assigned Risk Plan continues the 'take-out' provision in violation of Pennsylvania law."

A spokeswoman for the Pennsylvania Insurance Department said last week that the department was reviewing the writ and had no comment at that time. **BI**

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Reader Service #	Advertiser	Page #
—	AIG Corporate	.56E
101	American Safety Ins. Group	.56L
102	Amwest Surety Insurance	.56F
—	AXA Nordstern Art Insurance	.56B
—	Business Insurance	.56M, 56O
103	CNA Surety Corp.	.56H
104	Compliance & Filing Solutions	.56N
—	Distinguished Program Dev.	.56G
105	FEMA	.56C
106	Greater NY Insurance Co.	.56N
107	Marsh & Berry	.56K
—	Philadelphia Insurance Co's	.56J
—	Property Managers Inc.	.56I
—	Standard Insurance Co.	.56D
108	Yasuda Fire & Marine Insurance	.56L

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31	32	33	34	35	36	37	38	39	40	41	42	43	44	45
46	47	48	49	50	51	52	53	54	55	56	57	58	59	60
61	62	63	64	65	66	67	68	69	70	71	72	73	74	75
76	77	78	79	80	81	82	83	84	85	86	87	88	89	90
91	92	93	94	95	96	97	98	99	100	101	102	103	104	105
106	107	108	109	110	111	112	113	114	115	116	117	118	119	120
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Sherwood Insurance Services

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San Francisco, Calif. 94111;
415-956-3236; fax 415-956-1204

	1998	1997
Premium volume	\$334,000,000	\$335,000,000
Gross revenues	\$34,004,000	\$32,000,000
Employees	209	256
Commercial lines	100%	100%
Admitted business	75%	75%
Non-admitted	25%	25%

It's back to basics for Sherwood Insurance Services.

Sherwood has now gone through the final stages of restructuring brought on by two acquisitions by its

parent company, Aon Corp.

This means the surplus lines broker will once again be focusing on its traditional core businesses of property, casualty, professional liability, including construction and product liability and a large book of property catastrophe business, said James W. Barnes, Sherwood's chairman and chief executive officer.

Aon's purchase of Alexander & Alexander Services Inc. in January 1997 brought with it A&A's wholesale unit, Alexander Howden North America. Sherwood assumed Howden's Western business, and the rest was shared by other Aon wholesale units.

Then, in May 1997, Aon bought the Minet Group, whose operations included wholesaler Swett & Crawford. Although Swett remains an independent operating unit within Aon, Sherwood absorbed its Califor-

nia offices in San Francisco, Woodland Hills and Irvine.

Sherwood spent the latter part of 1997 and virtually all of 1998 "putting these things together," said Mr. Barnes.

"When you work for a fast-moving company like Aon, things tend to change a lot," he said. In January 1999, Sherwood's construction underwriting facilities, which it had managed for about two years, were moved to an Aon underwriting group, Aon Alternative Market Operations, along with other stand-alone entities in Aon Specialty Group. Sherwood also is part of Aon Specialty Group.

The thinking there was that these facilities "would be better managed under (AAMO)," said Mr. Barnes. The change was implemented in January.

Because of this, Sherwood is now

down from five offices and two satellite operations to four offices, with brokerage operations in San Francisco, Woodland Hills, Irvine and Seattle.

Each office, except for Irvine, has underwriting facilities for property, professional liability and casualty, Mr. Barnes said.

There is "nothing on the horizon" to suggest Sherwood will discontinue these underwriting operations, said Mr. Barnes. "These are integral" to Sherwood's brokerage operations, he noted, as they were all set up and run by Sherwood. By contrast, the construction underwriting was a specialty operation that had been incorporated into Sherwood following the acquisitions, he said.

In conjunction with the loss of the construction underwriting business, Sherwood's staff count has gone down to 170 at present from 209 at

year-end 1998. That number is expected to remain essentially stable, though it "might be going up a little," Mr. Barnes said. "It seems to be right now about an optimal number" but could change if the market hardens, or other opportunities materialize, he said.

Meanwhile, "there are no plans right now or in the future that I know of" for additional acquisitions or to set up additional offices, he said.

Among other changes, Sherwood also has phased out all of its small casualty underwriting facilities, which had been handled by its Loxley Insurance Services subsidiary, while retaining Loxley's major lines property underwriting facilities.

There was a redundancy with casualty underwriting facilities at Swett & Crawford, explained Mr. Barnes. "There's no sense in competing for that kind of business with our sister company."

Although Sherwood's premium volume in 1998 was slightly lower as a result of market conditions and the changes within the company, gross revenues increased 6.3% to \$34 million. Its 1998 premium volume figure puts it at No. 5 in this year's *Business Insurance* ranking of surplus lines brokers.

"Profitability has actually increased in terms of margins," said Mr. Barnes, which he said is due to generating more gross revenues, instituting expense controls and the "much better economies of scale" created by the consolidations. This is what "you hope to achieve" when you buy two entities such as Swett & Crawford and Howden, said Mr. Barnes.

This year, the loss of the construction underwriting division and the reorganization of Loxley means premium volume is likely to be down by about 10% to 13%, or totaling \$290 million to \$300 million, said Mr. Barnes. Gross revenues will be in the \$29 million to \$30 million range, he said, though profit margins are staying at about last year's level.

The percentage of total wholesale business brought to Sherwood by Aon retail brokers has been in the area of 20% to 30%. "Right now it's probably at the lower end of the scale" at about 20% to 22%, with other major brokers expected to account for less than 0.5% this year and the remainder coming from strong local and regional brokers, he said.

Sherwood's business now consists of about 50% property, 35% casualty and 15% professional liability. Of the half of its business that is property, 75% to 80% has earthquake as an insured peril. "It's historically been our core business, and it remains our core business," said Mr. Barnes.

On the West Coast, "earthquake is always something that is a need for the insurance-buying public," he said.

Sherwood's top markets are: Associated International Insurance Co.; RLI Insurance Co.; Royal Insurance Co.; ACE USA; CNA Insurance Co.; Markel Corp.; Chubb Corp.; American International Group Inc.; TIG Insurance Co.; First State Insurance Co.; Reliance National Insurance Co.; Gerling America Insurance Co.; General Star Indemnity Co.; The St. Paul Cos. Inc.; and Fireman's Fund Insurance Co.

It has underwriting authority for Caliber One Indemnity Co.; Scottsdale Insurance Co.; Twin City Insurance Co.; Gulf Insurance Group; and Lexington Insurance Co.

In addition to Mr. Barnes, other Sherwood officers are Curt Biersch, president; Kevin Schrage, chief financial officer; Phil Mazur, Sara Corvin and Bob Kelley, executive vps; and Dawn Perri, vp.

Sherwood is a NAPSLO member.

—By Judy Greenwald

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	1998	1997*
Premium volume	\$454,000,000	\$474,000,000
Gross revenues**	\$37,600,000	\$39,300,000
Employees	338	332
Commercial lines	100%	100%
Admitted business	95%	95%
Non-admitted	5%	5%

*Restated **BI estimate

The Schinnerer Group aims to bridge the divide where coverage areas often are uncertain.

"It is one of the things we're trying to do. We now are starting to write other property and casualty coverages with an eye to decreasing the gaps," said Lorna Parsons, senior vp at the Chevy Chase, Md.-based underwriting manager.

Schinnerer is examining ways it can help eliminate coverage gaps. For example, design professionals may have pollution exposures not just in their professional role but also as property owners or residents, she said. "We can tailor where one (exposure) starts and where one ends" by coordinating the pollution coverage on the general liability and professional liability so that there are no gaps, Ms. Parsons said.

Schinnerer views itself as a "customer advocate and underwriting manager" to its 8,000 independent agents, 50,000 policyholders and 12 insurers, said Ms. Parsons.

"We look at each customer, each coverage, one at a time to make sure we're using our expertise to provide the services the customer wants," said Marie P. Solomon, a senior vp.

Ms. Parsons said that Schinnerer's customer base continues to grow at a rate of about 5% a year, "although you can't tell from the premiums."

In fact, the underwriting manager's premium volume dropped 4.2% last year, to \$454 million in 1998 from a restated \$474 million in 1997.

Although Schinnerer does not release revenue figures, BI estimates its 1998 revenue stood at \$37.6 million.

Premium volume this year is up after a slower second half in 1998. Schinnerer's premium volume reached \$235 million in the first half of 1999, down slightly from \$254 million a year earlier.

Ms. Parsons said that Schinnerer made "conscious decisions" to stop writing business for two programs, and "premium growth continues to be a challenge."

She cautioned, though, that rate erosion in some of Schinnerer's "mature programs" is masking "vibrant growth in some of our other programs." These include certain programs—directors and officers liability, construction consultants and small architectural and engineering firms—written on an admitted basis.

Schinnerer continues to place most of its business—95% for both 1998 and 1997—in the admitted market. Ms. Parsons said that the reason behind Schinnerer's reliance on admitted programs is simple: "It's easier for the broker to do business on an admitted basis, and it's more financially secure for the customer."

Schinnerer, which is a unit of Marsh & McLennan Cos. Inc.'s Seabury & Smith unit, acts as an underwriting manager for CNA Insurance Cos., United Educators Risk Retention Group, Gulf Insurance Co.,

Zurich-American Insurance Group and Employers Reinsurance Corp. It also acts as a wholesale broker on behalf of Executive Risk Inc.

Although Schinnerer will launch some new programs on a non-admitted basis to ensure flexibility, "the ultimate goal is to write a program on an admitted basis," Ms. Parsons said.

Schinnerer is also trying to raise its corporate profile by launching an advertising campaign stressing the Schinnerer brand, Ms. Parsons noted. Schinnerer hasn't conducted such a campaign for about 10 years, she said, choosing instead to promote itself in conjunction with its insurer partners.

Ms. Parsons said that Schinnerer has made a "huge investment" in training its staff. This included time

out of the office, payment for classes and consultants and even occasional training in clients' offices, she said.



Ms. Parsons

developing a newsletter for brokers and encouraging greater use of its Web site. She noted that different cus-

tomers prefer different modes of communication—some like letters, others e-mail or faxes—and Schinnerer tries to meet all of those preferences.

United Educators, which covers 1,175 educational institutions, offers up to \$50 million in excess liability limits. Despite a mature market, the program has been "holding its own," said Ms. Parsons.

Capacity for Schinnerer's flagship architects and engineers program remained at \$30 million for 1998. The program, launched in the 1950s, is written by CNA.

Ms. Parsons used her company's work with a particular architectural firm to illustrate the types of services Schinnerer provides to clients. The firm, which specialized in hospital

work, had decided to branch into airport business. Schinnerer conducted a claims analysis that showed that the airports, though only some 5% of the firm's business, generated the majority of its claims. The firm was able to use Schinnerer's analysis to decide whether it really wanted to continue investing in airport projects, she said.

Limits for Schinnerer's third core program, non-profit D&O liability insurance, also held steady at \$10 million. The program, also written by CNA, did undergo some changes last year, as Schinnerer added exclusions for antitrust exposures.

Like non-profit D&O, Schinnerer's real estate liability book of business did not see any changes in limits. The

Continued on next page

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Spotlight report

Continued from previous page

program offers up to \$10 million in limits for its large commercial errors and omissions program and up to \$2 million for its real estate professionals E&O program. CNA writes both of these programs.

"We actually cut back our writings" in the real estate program in California because of negative claims experience, said Richard Horner, senior vp.

Schinnerer also offers a variety of miscellaneous professional liability programs, noted Ms. Parsons, including coverage for facilities managers, interior designers and construction managers. These programs are written by CNA and carry limits of up to \$30 million.

She pointed out that Schinnerer has dropped programs that didn't live up to their potential. "We've winnowed out a few programs like insurance agents liability" because they weren't flourishing, she said.

Schinnerer also acts as underwriting manager for a kidnap and ransom program provided by Travelers Corp.'s Gulf Insurance Co. unit and underwriters at Lloyd's of London.

Policyholders of the program, which has limits of up to \$60 million, have access to Control Risks Group, an international security consultant.

Schinnerer recently offered two new programs written by CNA: an expanded facilities management program, and a professional liability and pollution incident liability policy for the design and construction industry.

The expanded facilities management program offers limits of up to \$5 million. It covers bodily injury, property damage and economic loss coverage and offers broad pollution and asbestos coverage.

"The program combines expertise in real estate E&O and construction," said Ms. Solomon. "This is one of our programs where our brokers asked for it," she said.

Schinnerer also plans to launch an intellectual property infringement program for software consultants, said Ms. Parsons. The program, which will be written on a non-admitted basis with XL Insurance, will offer limits of up to \$5 million, she said.

Houston-based AMGRIP, a public entity-oriented underwriting manag-

er that Schinnerer acquired in 1997, "continues to grow," said Ms. Parsons. "It completed a very successful project completing the privatization of the Nevada workers comp program."

Two senior executives left Schinnerer during the past year. Homer M. Sandridge, executive vp, joined Kemper Insurance Group's Kemper Pro unit. Richard Walk, a senior vp, left to become a partner at the Glenwood, Md., office of IBSC Insurance Services East.

The Schinnerer Group consists of Victor O. Schinnerer & Co. and ENCON Underwriting Agency Inc., both in Chevy Chase; AMGRIP in Houston; ENCON Insurance Managers Inc. in Ottawa, Ontario; and Schinnerer & Co. Ltd. in London. Victor O. Schinnerer also has offices in Chicago and San Francisco and Encon Insurance Managers Inc. has a Toronto office.

In addition to Ms. Parsons, Ms. Solomon and Mr. Horner, Schinnerer's senior management team consists of Vincent C. Santorelli, president, and Dennis Shillington and Campbell Scoones, both senior vps.

—By Mark A. Hofmann



ECS Underwriting Inc.

520 Eagleview Blvd., Exton, Pa.
19341; 800-327-1414;
fax: 610-458-8667
www.ecsinc.com

	1998*	1997*
Premium volume	\$266,000,000	\$225,000,000
Gross revenues	N/A	N/A
Employees	470	435
Commercial lines	100%	100%
Admitted business	95%	95%
Non-admitted	5%	5%

* Fiscal year 1998 ends June 30, 1999, while fiscal 1997 ends June 30, 1998.

When it turns 21 next year, ECS Underwriting Inc. will roost for the first time under the wing of a financially powerful group parent that will give the underwriting manager more freedom than it ever has enjoyed.

For Exton, Pa.-based ECS, that will mean more rapid premium growth, according to William Kronenberg III, president and chief executive officer.

The benefits for current and potential policyholders include the ability to obtain much of their property/casualty coverages in one-stop shopping, he said. ECS also will be able to offer more creative risk-financing options, he said.

XL Capital Ltd. earlier this year acquired the underwriting manager's parent company, ECS Inc., as well as sister companies ECS Risk Control Inc. and ECS Claims Administrators Inc. But the underwriting manager, which specializes in environmental insurance, is contractually tied to Reliance National Insurance Co. through year-end 1999 (BI, June 7).

Beginning next year, ECS largely will use the admitted paper of Greenwich Insurance Co., a subsidiary of NAC Re Corp., which XL also purchased this year. ECS also will use the paper of Intercargo Insurance Co., which XL obtained in a separate acquisition. Mr. Kronenberg said that exactly how ECS will use those companies' paper has not been sorted out.

ECS also will have access to the non-admitted paper of Indian Harbor Insurance Co., another NAC Re subsidiary.

Mr. Kronenberg expects ECS will continue to cover 95% of policyholders' risks through admitted insurers.

ECS' transition from Reliance, the only insurer for which ECS underwrote, to XL is "working very smoothly," Mr. Kronenberg said. Beginning next year, ECS will be responsible for running XL's worldwide environmental business.

While Mr. Kronenberg had not finalized ECS' budget for the upcoming year, he said he expects even more robust growth as a result of the company's acquisition by XL. In 1998, ECS' premium volume jumped 18.2% to \$266 million from a year earlier. That gain pushed the underwriting manager for the first time into the *Business Insurance* rankings of the nation's Top 10 insurance wholesalers. Based on premium volume, ECS ranks as the seventh-largest wholesaler and as the second-largest company among managing general agents and underwriting managers.

ECS' premium volume is on pace to grow 15% this year, Mr. Kronenberg said. After that, he said, he expects "significant growth" in premium volume. "We see the ability to grow the environmental coverage book of busi-

ness by double digits in each of the next three to five years," he predicted.

ECS currently offers up to \$75 million of environmental insurance limits. XL is evaluating those limits, an ECS spokeswoman said.

"Our belief is that the environmental market has nowhere near been tapped out," Mr. Kronenberg said.

Of ECS' 10 customer business units, the largest consists of environmental service contractors and consultants.

But "you don't need to be in environmental businesses to need environmental coverage," Mr. Kronenberg said. He noted, for example, that colleges and universities could benefit from the coverage if they have medical centers that handle chemicals that could damage the environment in an accident.

The environmental insurance industry is "getting smarter" about educating prospective clients about their environmental risks, he said.

In addition, with XL's presence throughout Europe, in Latin America and Australia and eventually in Asia, "we're bringing environmental insurance to a wider variety of clients than ever before," Mr. Kronenberg said.

ECS also hopes to tap into another XL strength—Fortune 1,000 companies—to generate new business, according to Mr. Kronenberg.

With XL's strong balance sheet and organizational support for developing new business—particularly primary business in the United States—additional growth opportunities abound, according to Mr. Kronenberg. He said ECS faced a "structural hindrance" to developing new business for Reliance National.

In addition, with the intercompany cross-selling opportunities at XL, "we see ourselves as a triple threat in 2000 and beyond," Mr. Kronenberg said.

ECS plans to expand the availability of predominantly casualty coverages, including workers compensation, as well as property insurance to its existing environmental insurance policyholders, Mr. Kronenberg said. "We'll be able to increase the one-stop shopping capabilities at ECS."

XL will provide limits that "will accommodate what clients need" to cover those risks, the ECS spokeswoman said.

XL's strong balance sheet also "opens up more opportunities" for ECS to cover some risks over a longer period of time, Mr. Kronenberg said. One example would be to offer finite environmental coverages to risks with long-term exposures and known cleanup costs. The coverage would be attractive to property buyers and sellers and their financial institutions, Mr. Kronenberg said.

ECS already offers a finite risk product. Beginning next year, though, ECS will be able to utilize XL's "intellectual capital" to underwrite more transactions, Mr. Kronenberg said. In addition, with XL's access to capital markets, ECS will gain the "esoteric capabilities" to structure coverages more creatively, he said.

ECS will be adding staff in its property/casualty, workers comp, finite risk and actuarial areas to accommodate the additional business it anticipates, Mr. Kronenberg said.

He said he expects that ECS will continue working with both large and small brokers. ECS currently works with more than 1,000 brokers, he said.

At its Web site, www.ecsinc.com, ECS is adding broker research links to technical and government sites. At the site, brokers already can review information on coverages ECS offers, download insurance applications and interface with its loss control and claims administration affiliates.

Other principal officers are Senior Vps Richard Corbett and Jeffrey Lejfer.

ECS is a member of NAPSLO.

—By Dave Lenckus

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(Peter Reeve, London, September 1999)

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30833 Northwestern Highway,
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Mich. 48334; 248-932-9000;
fax: 248-932-9046;
www.burnsandwilcox.com

	1998	1997
Premium volume	\$263,729,405	\$269,895,836
Gross revenues	\$41,818,924	\$39,046,750
Employees	530	567
Commercial lines	90%	91%
Admitted business	20%	21%
Non-admitted	80%	79%

Although Burns & Wilcox Ltd. is taking steps to prepare for the challenges and opportunities of doing business in new millennium, the managing general agent's formula for success hasn't changed much during its 30-year history, its president and chief executive officer says.

"We remain focused on things that made us successful 30 years ago," said Herbert Kaufman, noting that much of Burns & Wilcox's success is derived from its broad network of 31 offices nationwide and the strength of its staff. It also offers its own claims department, premium financing capabilities and an in-house advertising department and training school.

Burns & Wilcox, based in Farmington Hills, Mich., is ranked third in the *Business Insurance* annual ranking of managing general agents and underwriting managers.

In 1998, Burns & Wilcox's wholesale premium volume decreased by 2.3% to \$263.7 million. Gross revenues, however, increased by 7.1% in 1998 to \$41.8 million.

Burns & Wilcox is projecting a premium volume increase this year to \$285 million, Herbert Kaufman said. Through July of this year, the MGA had a retention rate of 67%, and it expects 1999 gross revenues to reach \$74 million.

Initiative 2000, a new effort aimed at expanding Burns & Wilcox's presence internationally, was introduced during the past year, said Alan Kaufman, chairman of the MGA and the CEO's son. In addition to expanding in the London market, Burns & Wilcox also is targeting Mexico, Canada, Latin America, Europe and the Far East.

Another facet of Initiative 2000 involves holding branch workshops with top management as a means of improving communications between the home office and satellite offices. Improvements already have been seen in that area, Herbert Kaufman said.

Burns & Wilcox unveiled two new products during the past year. The first, an umbrella policy that includes employers liability, has a limit of \$5 million. The second is a property risks policy that also offers \$5 million in limits. Both policies' limits can be expanded, though, under certain circumstances, the elder Mr. Kaufman said.

Industry consolidation, Herbert Kaufman said, has "been a positive development on several fronts." Not only has the MGA been able to attract talented people, he said, but consolidation has also enhanced Burns & Wilcox's position as an independently owned U.S. wholesaler.

Alan Kaufman said the MGA made two acquisitions within the past year: an office in Florida that strengthened Burns & Wilcox's professional liability expertise, and another in California that added coverage for trucking exposures.

Burns & Wilcox currently binds about 74% of its risks, but also works as a wholesale broker placing

business with admitted and non-admitted insurers, said the elder Mr. Kaufman.

Contractors liability, manufacturers liability, architects and engineers liability, profit and non-profit directors and officers liability risks, and apartment complex liability are among the risks bound in-house at Burns & Wilcox. The MGA also binds marine and inland marine property risks.

Although Burns & Wilcox did not exit any specific areas of business during 1998, Herbert Kaufman said the company did sell \$6 million of its book of business.

Overall, Herbert Kaufman said he sees the transportation market hardening slightly. Previously, the industry would give premium credits of 10% to 15% for long-haul trucking risks.

"We do not react with knee-jerk

initiatives in the face of short-term market fluctuations," said Herbert Kaufman.

Trucking is, however, among the areas in which Burns & Wilcox is particularly interested in competing.

Other such areas include employment practices liability, earthquake and flood coverage, and coverage for antiques, hot rod vehicles, tanning booths and health clubs, said Alan Kaufman. Burns & Wilcox also is planning to offer coverage for hunting and lodging facilities.

Burns & Wilcox is owned by private holding company H.W. Kaufman Financial Group.

Subsidiaries of Burns & Wilcox are Illinois R.B. Jones, based in Chicago; Cravens & Dargan, headquartered in Houston; Rathbone King & Seeley Insurance Services, headquartered in San Francisco;

Casualty Underwriters, based in St. Paul, Minn.; G.A. Insurance Services, based in Farmington Hills,

Allen, executive vp; David Price, senior vp; William McCord, vp; Robert Fekaris, vp-finance; Dave Sellon



'We remain focused on the things that made us successful 30 years ago.'

— Herbert Kaufman

corporate controller; Ed Frickelton, director of human resources and Marilyn Heckel, corporate secretary. Gerald W. Horton, former executive vp, resigned from the company. Brook Bothe, former corporate secretary, and Gerald

Wesolowski, former chief financial officer, retired.

Burns & Wilcox is a member of AAMGA, NAPSLO, Western Surplus Lines Assn. and several state surplus lines associations.

—By Amanda Milligan

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Spotlight report

4



K&K Insurance Group Inc.

1712 Magnavox Way,
Fort Wayne, Ind. 46804;
219-459-5000; fax: 219-459-5967
www.kandkinsurance.com

	1998	1997
Premium volume	\$228,417,000	\$212,454,000
Gross revenues	N/A	N/A
Employees	317	277
Commercial lines	100%	100%
Admitted business	98%	98%
Non-admitted	2%	2%

Still "Insuring the World's Fun," K&K Insurance Group Inc. continues to grow and enhance its product offerings, while keeping its eye closely on its core business of sports, entertainment and leisure risks.

At the end of 1998, for example, the company ended one business relationship involving a towing operators' business it operated with Deere & Co. because it didn't fit its niche.

"We closed our Greensboro, N.C., office," said Stephen L. Lunsford, president and chief executive officer of Fort Wayne, Ind.-based K&K. "We and Deere decided jointly that it didn't make sense to continue. It didn't fit with our sports, leisure and entertainment focus."

Meanwhile, in 1998 the company revamped its health club program.

"Essentially, we added professional liability and expanded the

scope of coverage and enhanced other areas of coverage," Mr. Lunsford said. "And we've seen and expect continued growth in that area."

"We write a fairly significant amount of motorcycle dealership business, and we enhanced the property coverage there, implemented new pricing procedures and included a boiler and machinery product," K&K's president and CEO added. "That's a growth area for us as well."

K&K's 1998 premium volume of \$228.4 million was up 7.5% over 1997. That volume makes it the fourth-largest company in *Business Insurance's* ranking of managing general agents and underwriting managers.

K&K declined to disclose its gross revenues to *BI*.

The managing general agent also has begun to venture into doing business online.

"In the beginning of '98 we instituted our first e-commerce initiative, and that involves putting our collector car program on the Internet," Mr. Lunsford said. Both brokers and individual consumers now can get quotes on collector car policies, bind coverage and pay online with a credit card.

"That's something we felt we needed to do," Mr. Lunsford said. "On the collector car program, we have between 100 and 200 users a week. That doesn't mean they all buy it, but this does get a lot of use."

K&K plans to continue expanding its e-commerce involvement, Mr. Lunsford said, and this year the company added its martial

arts studio program to its online offerings.

"Our plans are to continue to examine what programs might have applicability to e-commerce," he said.

Formed in 1952 with a focus almost exclusively on motor sports, K&K has since branched out into more than 100 different programs covering a broad swath of the recreation and leisure industries.

"We still do professional and amateur sports, the things we've always done," Mr. Lunsford said.

The company remains a dominant player in its original niche, the motor sports business. Meanwhile, in the area of professional team sports, the company is significantly involved in the insurance programs of approximately two-thirds of the professional baseball and football teams.

On the amateur side, the sports program also covers such things as college athletics and college football bowl games and high school athletic programs.

K&K also provides disability coverage for nearly all NASCAR drivers and for such special events as New Orleans' Mardi Gras celebration and the Super Bowl.

Other programs cover everything from miniature golf courses to brewpubs, bowling centers to polo clubs.

K&K recently began offering a products liability program for products in the sports, leisure and entertainment industries.

"We're having some success with that," Mr. Lunsford said. "It covers things like equipment manufacturers with specific prod-

uct liability needs."

Over time, Mr. Lunsford said, he sees new players try to enter aspects of K&K's niche, while others leave the market.

"We've had a few players drop out of certain lines. Every now and then we'll see a different name pop up," he said. "We do about 115 different programs, so it's different players across the board."

One of the ways K&K distinguishes itself from its competitors is the expertise it can offer customers due to its lengthy history in its niche.

It points to its full-service, in-house claims staff that specializes in the investigation, analysis and disposition of spectator and participant liability claims—staff the company has continued to build.

K&K added 40 employees companywide in 1998, bringing its total staff to 317 from 277 a year earlier.

"It's a reflection of growth. We've added staff primarily in marketing and claims," Mr. Lunsford said. "We brag about the fact that that's part of our added value, our expertise in claims. We have about 80 claims people on staff here in Fort Wayne."

K&K, whose parent company is Aon Corp., is an affiliate of Aon-owned SLE Worldwide Inc., which provides corporate support functions for K&K. K&K is the SLE operating subsidiary in the United States and Canada, while it operates as SLE outside North America.

In addition to its Fort Wayne

headquarters, K&K also has a small sales office in Orlando, Fla.

Mr. Lunsford said he's seen no changes in capacity for any of K&K's programs. "The market's still very competitive," he said.

In recent years K&K has been increasing its writing in the amusement park area, and Mr. Lunsford said that so far a recent spate of well-publicized amusement park accidents hasn't affected that market.

"At the moment it hasn't," he said. "Some of those losses you've read about are our insureds and some of them aren't."

Amusement park risks "have certainly taken a high profile lately," Mr. Lunsford said. "But as of the moment it hasn't affected the capacity available for that class of business."

All of K&K's business was commercial lines in 1998, as in 1997, with 98% placed with admitted insurers and 2% placed in the non-admitted market, again the same as the prior year.

K&K has underwriting authority for TIG Insurance Co., CNA Insurance Cos. and Great American Insurance Co.

K&K is licensed to do business as an excess/surplus lines broker in Indiana, North Carolina, Virginia and Florida.

The company does business with both large national and local brokers, and its limits vary across the company's different programs.

K&K's top three officers are Mr. Lunsford; Tony Wittwer, chief marketing officer; and Todd Bixler, chief operating officer.

—By Rodd Zolkos

5



Eastern America Insurance Agency Inc.

Metro Office Park,
Marginal Kennedy Ave.,
Caparra Heights, P.R. 00921;
787-273-1288; fax 787-782-8233
www.universalpr.com

	1998	1997
Premium volume	\$153,335,000	\$152,775,000
Gross revenues	\$6,617,000	\$6,019,000
Employees	80	80
Commercial lines	68%	69%
Admitted business	98%	98%
Non-admitted	2%	2%

Eastern America Insurance Agency Inc. is looking for ways to grow in a limited market it already dominates.

The Caparra Heights, Puerto Rico-based underwriting manager and managing general agent has a large share of the island's business, writing a mix of commercial lines and personal lines business for several major insurers.

Because Eastern America currently handles only business on the island, its expansion is circumscribed.

"Once you have a certain share of the market, it is very difficult to keep growing," said Jorge J. Amadeo, executive vp at Eastern America. "We're pretty large in Puerto Rico."

The agency's premium volume in 1998 inched up less than 1% to \$153.3 million, compared to 1997. Gross revenues grew nearly 10% to \$6.6 million over that period.

Based on its 1998 premium volume, Eastern America is No. 5 in *Business Insurance's* ranking of MGAs and underwriting managers.

Eastern America's premium volume for 1999 is expected to fall a

little below last year's, Mr. Amadeo said. Through August of this year, premiums totaled \$104 million, shy of the \$112 million generated during the first eight months of 1998.

As a way to boost its premium volume, Eastern America is looking to new avenues: small and medium-sized agencies and brokerages. Eastern America already has a substantial amount of business with large brokers on the island, according to Mr. Amadeo, and the agency has begun looking at smaller accounts to fuel growth.

To aid this effort, Eastern America hopes to begin offering a commercial lines package to small and medium-sized businesses. The package has been submitted to Puerto Rican insurance regulators for approval, and Mr. Amadeo said he hopes it will be available by the end of the year.

He said little can be revealed about the coverage until it is approved, but he described it as "really comprehensive."

"We think that can be a tool for getting the small to medium-sized producers," he said.

And Eastern America may eventually move beyond the Puerto Rican market. "We're looking perhaps in the near future to maybe expanding to the states and Latin America," Mr. Amadeo noted. "But it's still early" with regard to those plans, he said.

In another move aimed at boosting productivity, Eastern America plans to implement changes to its computer system by early next year, which will speed up the underwriting process by allowing some agents to transmit rating information via modem. "Nobody else is doing that on the island," Mr. Amadeo said.

Meanwhile, the 18-year-old agency is busy writing a book of business that is 68% commercial lines and 32% personal lines.

The commercial lines business

consists of automobile, fire, multiperil and general liability business.

Multiperil writings, which include property coverages, were the largest portion of Eastern America's commercial lines book, generating \$24.6 million in premiums last year. Fire writings made up \$23.9 million of the total, and commercial auto accounted for \$23.2 million. General liability writings reached \$18.4 million last year.



*'As a matter of fact,
in the soft market
we have grown every year.
That's very hard to do.'*

—Jorge J. Amadeo

Among its commercial liability writings are coverages for directors and officers, umbrella liability, aviation and a professional liability program for hospitals and doctors.

Liability risks are generally written up to \$1 million, though higher limits are available.

Eastern America typically offers limits up to \$5 million on property risks, with higher limits available if facultative reinsurance can be placed.

The agency writes the bulk of its business for sister company Universal Insurance Co., an admitted insurer that is a member of the parent organization Universal Insurance Group. Eastern America also writes coverage on behalf of several other major U.S. insurers, including units of American International Group Inc., Chubb Corp. and Royal & SunAlliance Insurance Group.

Nearly all of Eastern America's business—98%—is written on behalf of admitted insurers.

Apart from the limitations of the market, Eastern America is facing other challenges in Puerto Rico.

Insurance Commissioner Juan A. Garcia recently indicated that Puerto Rican insurance regulators may approve an open-rating system, which could heat up an already competitive market, Mr. Amadeo noted.

"That would affect us commission-wise," he suggested. "Once you start open rating, premium dollars get really tight. We would probably see reductions in commissions."

Eastern America already has its hands full trying to stay profitable in a soft market, Mr. Amadeo said.

"We had expected this year that we might see higher prices and some tightening." And while prices appeared to be firming at the beginning of the year, they suddenly began to fall again, he noted.

Mr. Amadeo said a market firming could be in the offing if damage from Hurricane Floyd and other storms drives up reinsurance rates.

Reinsurers "dictate what happens," as they set prices that determine what insurers must charge their policyholders, he said.

Despite the soft market, Eastern America has "managed every year to make money," Mr. Amadeo said. "As a matter of fact, in the soft market we have grown every year. That's very hard to do."

In addition to Mr. Amadeo, Eastern America's executive team is made up of Luis Miranda Casanas, president; Rafael A. Rodriguez, executive vp; and Guillermo Fernandez, senior vp.

Eastern America is a member of NAPSLO.

—By Michael Bradford

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Agency Marketing Services Inc.
7024 Central Ave.,
St. Petersburg, Fla. 33707;
727-384-1036; fax: 727-343-4123
www.agencymarketing.com

	1998	1997
Premium volume	\$20,000,000	\$19,400,000
Gross revenues	\$2,000,000	\$1,900,000
Employees	25	23
Wholesale employees	25	23
Commercial lines	95%	98%
Admitted business	50%	50%
Non-admitted	50%	50%

Founded: 1982.
Business: managing agent 50%, broker 45%, Lloyd's of London coverholder 5%.

MGA for: CNA Re, Hermitage Insurance Co., Mount Vernon Fire Insurance Co., Nautilus Insurance Co., St. Paul Re, Terra Nova Insurance Co., TIG Insurance Co., Zurich Insurance Group.

Broker for: Admiral Insurance Co., Evanston Insurance Co. Executive Risk, Fireman's Fund Insurance Co., Great American Insurance Co., Interstate Fire & Casualty, RLI Insurance Co., Reliance Insurance Co., Travelers Insurance Co., Tudor Insurance Co.

Subsidiaries: Raindrops Insurance Inc., St. Petersburg, Fla.; Allsouth Professional Liability Inc., Tampa, Fla.

Licensed in: Alabama, Florida, Georgia, Mississippi, Ohio, Texas and Tennessee.

Membership: NAPSLO, Professional Liability Underwriting Society.

Officers: Kevin Schuck, president; Tim Hoelle, executive vp; Bryon Chenell, vp.

Contact: Kevin Schuck.

All Risks Ltd.
1920 Greenspring Drive, Suite 200,
Baltimore, Md. 21093;
410-828-5810; fax: 410-828-8179

	1998	1997
Premium volume	\$8,400,000	\$68,000,000
Commercial lines	98%	97%
Admitted business	45%	45%
Non-admitted	55%	55%

Founded: 1964.
Business: managing agent 85%, broker 15%.

MGA for: Acceptance Insurance Co., California Casualty Insurance Co., Canal Insurance Co., CIGNA Insurance, Colony Insurance Co., Copenhagen Re, Essex Insurance Co., National Indemnity Insurance Co., Northland Insurance Co., QBE Insurance Corp., St. Paul Re, Scottsdale Insurance Co., Scor Insurance Co., TIG Insurance Co., Travelers Insurance Co., Union America Insurance Co., United National Insurance Co., Western Heritage Insurance Co.

Broker for: Admiral Insurance Co., American International Group Inc., Caliber One, Chubb Insurance, Essex Insurance Co., Evanston Insurance Co., Executive Risk Inc., General Star Management Co., Kemper Insurance Co., Northland Insurance Co., Reliance National, RLI Insurance Co., United Capitol Insurance Co., U.S. Liability Group, Westchester Insurance Co.

Licensed in: Arizona, Maryland, North Carolina, Ohio, Pennsylvania, Utah and Virginia.

Membership: AAMGA, NAPSLO, Independent Insurance Agents, Professional Insurance Agents.

Officers: William J. Salladin, CEO; Marti Dickinson, president; Nick Cortezi, executive vp.

Alternative Risk & Insurance Concepts Agency Inc.
2360 Fifth Ave.,
Mandeville, La. 70471;
800-947-7475; fax: 800-818-7382

	1998	1997
Premium volume	\$13,538,214	\$7,010,008
Gross revenues	\$1,264,748	\$757,424
Wholesale revenues	\$1,264,748	\$757,424
Employees	26	18
Wholesale employees	26	18
Commercial lines	100%	100%
Admitted business	16%	22%
Non-admitted	84%	78%

Founded: 1991.
Business: managing agent 86%, broker 14%.
Licensed in: Louisiana and Mississippi.

Membership: NAPSLO, Louisiana Surplus Lines Assn., Independent Insurance Agents of Louisiana, Professional Insurance Agents of Louisiana.
Officers: Donald E. Casse, president/CEO; Julie Bland, vp; Ed O'Connor, controller.

American E&S
101 California St.,
San Francisco, Calif. 94111;
415-398-7475; fax: 415-391-1002

	1998	1997
Premium volume	\$100,000,000	\$92,300,000
Gross revenues	\$10,000,000	NA
Employees	61	48
Commercial lines	100%	100%
Admitted business	10%	65%
Non-admitted	90%	35%

Founded: 1980.
Parent: Acordia Inc.

Business: managing agent 20%, broker 80%.

Licensed in: all states.

Membership: AAMGA, NAPSLO.

Officers: Denis Brady, president/CEO.

Contact: Maryann Mayeda.

American Marketing Center & Affiliates
111 John St., 27th Floor,
New York, N.Y. 10038;
212-285-2160; fax: 212-964-6465
www.amc-1.com

	1998	1997
Premium volume	\$78,000,000	\$66,000,000
Gross revenues	\$5,560,000	\$5,125,000
Wholesale revenues	\$5,560,000	\$5,125,000
Employees	55	50
Wholesale employees	55	50
Commercial lines	100%	100%
Admitted business	75%	75%
Non-admitted	25%	25%

Fiscal years ending 5/31.
Founded: 1980.

Business: managing agent 15%, broker 83%, Lloyd's of London coverholder 2%.

MGA for: American Equity Insurance Co., Colony Insurance Co., Frontier Pacific Insurance Co., General Star Indemnity Co., Lloyd's of London, Twin City, United States Liability Insurance Co.

Broker for: American Equity Insurance Co., Carisle Insurance Co., Chubb Custom Insurance, Colony Insurance Co., First State Management Co. General Star Indemnity Co., Lexington Insurance Co., Pacific Insurance Co., Scottsdale Insurance Co.

Licensed in: California, Florida, New Jersey and New York.

Membership: AAMGA, NAPSLO.

Officers: Ed Levine, president; Jim Frey; Neil Ecker.

Contact: Ed Levine, elevine@amc-1.com.

ARC Excess & Surplus L.L.C.
300 Old Country Road,
Mineola, N.Y. 11501;
516-747-4100; fax: 516-747-3633

	1998	1997
Premium volume	\$175,000,000	\$170,000,000
Employees	58	45
Wholesale employees	53	42
Commercial lines	100%	100%
Admitted business	85%	85%
Non-admitted	15%	15%

Founded: 1986.
Business: managing agent 5%, broker 95%.

MGA for: CNA Insurance Group, Gulf Insurance Group, John Deere Insurance Group, SAFECO Surplus Lines Insurance Co.

Broker for: ACE USA, Admiral Insurance Co., American Alliance Insurance Co., American Insurance Co., CNA Insurance, Evanston Insurance Co., Executive Risk Group, Federal Insurance Co., Fireman's Fund Cos., General Star Indemnity Co., Great American Insurance Co., Gulf Insurance Co., John Deere Insurance Group, Lexington Insurance Co., Lloyd's of London, National Union Fire Insurance Co. of Pittsburgh, Pa., Old Republic Insurance Co., Reliance Insurance Co., Royal Insurance Co., RLI Group, SAFECO Surplus Lines Insurance Co., TIG Insurance Co.

Licensed in: New York, New Jersey, Pennsylvania, Connecticut, Massachusetts, Texas.

Membership: NAPSLO, Professional Liability Underwriting Society.

Officers: Albert L. Salvatico, Christopher J. Cavallaro, Richard A. Fierstein, managing directors.
Contact: Albert L. Salvatico.

Aris Insurance Services
P.O. Box 8865,
Calabasas, Calif. 91372;
800-894-2747

	1998	1997
Premium volume	\$23,800,000	\$24,400,000
Gross revenues	\$2,255,842	\$2,145,892
Wholesale revenues	\$2,145,500	\$2,005,888
Employees	21	21
Wholesale employees	18	18
Commercial lines	100%	100%
Admitted business	18%	14%
Non-admitted	82%	86%

Founded: 1992.
Business: managing agent 55%, broker 40%, Lloyd's of London coverholder 5%.

MGA for: Lloyd's of London, Zurich-American Insurance Co., Zurich Specialty Insurance Co.

Broker for: Admiral Insurance Co., Chicago Insurance Co., Clarendon Insurance Co., Gainco Inc., General Security Insurance Co., Legion Insurance Co., Lloyd's of London, Preferred National Insurance Co., Pacific Insurance Co. LTD, Public Service Mutual Insurance Co., RLI Group, Topa Insurance Co., United Capitol Insurance Co., United Coastal Insurance Co., Unity Fire & Marine Insurance Co., USF Insurance Co., Western Specialty Insurance Co., Zurich-American Insurance Co., Zurich Re.

Licensed in: California.
Membership: NAPSLO, California Wholesale Assn.

Contact: Joseph I. Weckerle, president.

Atlantic Specialty Lines Inc.
9201 Forest Hill Ave., Suite 202,
Richmond, Va. 23235;
800-368-2095; fax: 804-320-7280
www.atlanticspecial.com

	1998	1997
Premium volume	\$8,800,000	\$8,500,000
Gross revenues	NA	\$880,000
Wholesale revenues	720,000	NA

	1998	1997
Employees	14	12
Commercial lines	96%	99%
Admitted business	10%	10%
Non-admitted	90%	90%

Founded: 1996.
Business: managing agent 42%, broker 50%.

MGA for: Acceptance Insurance Co., Colony Insurance Co., Essex Insurance Co., Scottsdale Insurance Co., United States Liability Insurance Co.

Broker for: Employers Reinsurance Corp., Evanston Insurance Co., General Star Indemnity Co., Great American Reinsurance Co., Gulf Underwriting Insurance Co., Legion Indemnity Insurance Co., Liberty International, Royal Surplus Lines Insurance Co.

Licensed in: Connecticut, Florida, Maryland, New York, North Carolina, Pennsylvania, Virginia and the District of Columbia.

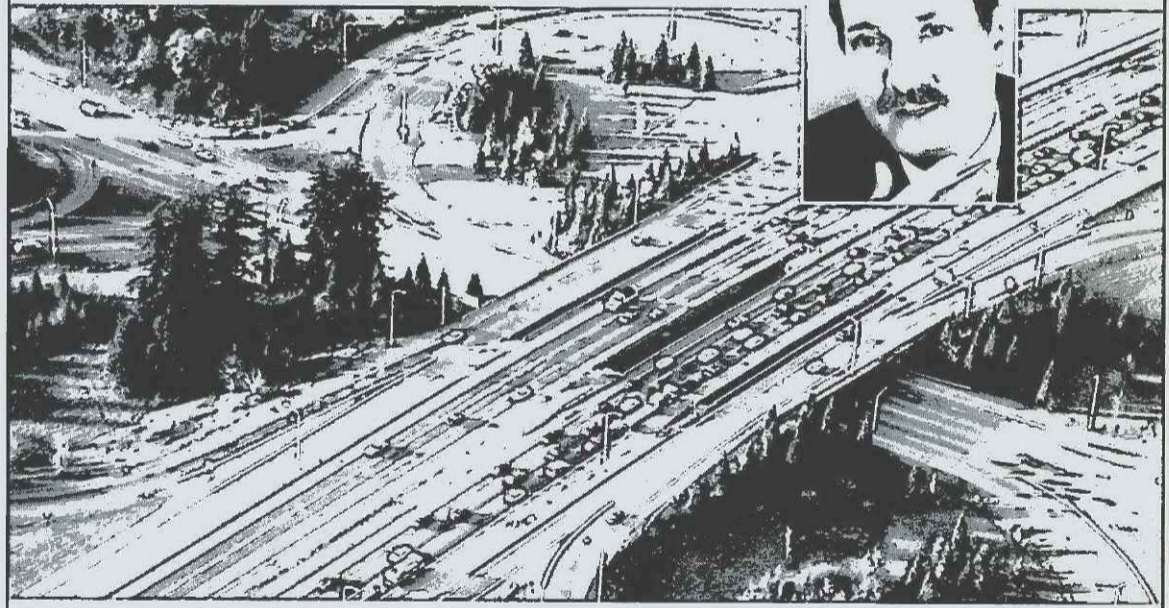
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Reader Service #	Advertiser	Page #	Reader Service #	Advertiser	Page #
—	ACE Group	.55	—	Kemper Environmental	.20
1	Acordia	.34	16	Lexington Insurance	.49
—	ACSTAR Insurance	.15	17	Wm. H. McGee & Co., Inc.	.31
—	Admiral Insurance	.14	18	McLarens-Toplis	.52
—	Aegis Insurance Services Inc.	.28	19	Metropolitan Life Ins. Co.	.40/41
—	AIG Corporate	.80	20	Metropolitan Life Ins. Co.	.42/43
—	American Excess & Surplus	.12	21	Munich-American Risk Partners	.44
—	American Insurance Assoc.	.36	24	NAPSLO	.70
22	American Re	.21	25	Old Republic Risk Management	.47
23	American Re	.19	—	Outdoorsman Agency	.71
—	Angel/London Special Risks	.18	—	Partner Reinsurance	.29
—	AON Corporation	.11	26	PHICO Group	.51
2	Atlantic Mutual	.4	27	PMA Reinsurance Corp.	.35
3	Burnham Systems	.72	—	Prime Insurance Syndicate	.66, 70
—	Business Insurance	.57	28	Pyramid Services Inc.	.56
—	Centre Solutions	.10	29	Risk Management Solutions	.37
—	Chubb Corporate	.13	30	RSA Surplus Lines Insurance	.54
4	CNA/E&S	.32	—	Scottsdale Insurance Company	.58
5	CNA/Reinsurance	.7	—	State Comp. Ins. Fund	.57R
6	Commonwealth Risk Service	.22	31	Swett & Crawford Group	.38
7	Corporate Systems Corp.	.25	—	Tenfold	.33
8	C.P.C.U. Society	.63	—	The Hartford - EBD Group	.61
9	Crawford & Company	.26	—	The Travelers P/C Ins. Co.	.53
10	CRC	.30	—	Unionamerica Insurance Co., Ltd.	.60
—	Crump Insurance Services	.24	32	USI Insurance Services	.23
—	Edwards & Angell	.66	—	Wausau Insurance Company	.5
11	Employers Reinsurance Corp.	.36	—	World Captive Forum	.68
—	First State Management Group	.59	—	X. L. Capital	.6
—	Fulcrum Insurance	.48	33	Zurich US/E&C	.39
12	GAB Robins	.9			
13	General Star Management	.27			
14	Great American Insurance Co.	.67			
15	INEX	.50			

Continued from previous page

Officers: Robert M. Bryant, president.
Contact: Eunice Hucker, associate vp.



Bliss & Glennon Inc.

435 N. Pacific Coast Highway,
 Suite 200,
 Redondo Beach, Calif. 90277;
 310-372-9115; fax: 310-372-1903
www.bliss-glennon.com

	1998	1997
Premium volume	\$29,200,000	\$28,900,000
Gross revenues	\$4,807,715	\$4,829,885
Employees	51	48
Commercial lines	95%	95%
Admitted business	60%	60%
Non-admitted	40%	40%

Founded: 1966.
Business: underwriting manager 2%, managing agent 68%, broker 30%.

Underwriting manager for: American Equity Insurance Co., First Financial Insurance Co., Great Divide Insurance Co., Lloyd's of London, Nautilus Insurance Co., Penn America Insurance Co.

MGA for: American Equity Insurance Co., Burlington Insurance Group, First Financial Insurance Co., Hudson Insurance Co., Nautilus Insurance Co., Penn American Insurance Co., Penn Star Insurance Co.

Broker for: Admiral Insurance Co., American Equity Insurance Co., Century Surety Co., First Specialty Insurance Co., Genesis Indemnity Insurance Co., Pacific Insurance Co. Ltd., Royal Surplus Lines Insurance Co., Western World Insurance Co.

Licensed in: California.
Membership: AAMGA, NAPSLO.
Officers: Robert P. Abramson, president; Corinne Jones, senior vp; Patrick Martin, CEO.

Bohrer-Croxdale & McAdoo Inc.

601 South Ave., P.O. Box 2760,
 Springfield, Mo. 65801-2760;
 417-869-2550; fax: 417-869-5120

	1998	1997
Premium volume	\$13,170,265	\$11,542,792
Employees	30	30
Wholesale employees	30	30
Commercial lines	100%	100%
Admitted business	50%	50%
Non-admitted	50%	50%

Founded: 1977.
Business: managing agent 60%, broker 30%, Lloyd's of London coverholder 10%.

MGA for: Capitol Indemnity Corp., Empire Fire & Marine Insurance Co., General Agents Insurance Co., National Casualty Co., National Indemnity Co., Northland Insurance Cos., Scottsdale Insurance Co.

Licensed in: Arkansas, Illinois, Iowa, Kansas, Missouri, Nebraska and Oklahoma.

Membership: AAMGA, NAPSLO, Surplus Lines Assn. of Missouri.

Officers: Yvonne S. Bohrer, president; Sydney T. Croxdale, vp/secretary/treasurer.
Contact: Yvonne S. Bohrer.

Bristol Management Group Ltd.

366 Veterans Memorial Highway,
 Commack, N.Y. 11725;
 516-543-5010; fax: 516-543-5138

	1998	1997
Premium volume	\$9,000,000	\$7,000,000
Gross revenues	\$1,350,000	\$1,200,000
Wholesale revenues	\$1,350,000	\$1,200,000
Employees	11	10
Wholesale employees	11	10
Commercial lines	100%	100%
Non-admitted	100%	100%

Founded: 1995.
Business: managing agent 90%, Lloyd's of London coverholder 10%.

MGA for: Agricultural Excess & Surplus Insurance Co., Executive Risk Specialty Insurance Co.

Licensed in: New Jersey and New York.

Membership: NAPSLO.
Officers: Arthur E. Torrington, president; Janet M. Wesche, executive vp; Patricia Guecia, CFO.

Contact: Arthur E. Torrington.

W. Brown & Associates

4675 MacArthur Court, Suite 770,
 Newport Beach, Calif. 92660;
 949-851-2060; fax: 949-851-2155

	1998	1997
Premium volume	\$46,086,540	\$39,804,121
Employees	39	34
Commercial lines	100%	100%
Admitted business	70%	60%
Non-admitted	30%	40%

Founded: 1987.
Business: underwriting manager 65%, managing agent 21%, broker 14%.

Licensed in: California.
Membership: AAMGA, NAPSLO.

Officers: Bill Brown, CEO; Scott Brown, president-aviation; John Krebs, president-property/casualty.

Contact: John Krebs.

Brown & Riding Insurance Services Inc.

777 S. Figueroa St., Suite 2550,
 Los Angeles, Calif. 90017;
 213-452-7060; fax: 213-452-7080

	1998	1997
Premium volume	\$35,000,000	\$33,000,000
Employees	25	22
Commercial lines	100%	100%
Admitted business	60%	60%
Non-admitted	40%	40%

Founded: 1980.

Continued on next page

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Business Insurance

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 Educational Inst Actry/Attorney Other _____

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- 150 or less 151 - 499 500 - 999
 1,000 - 4,999 5,000 or more Unknown

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 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60
 61 62 63 64 65 66 67 68 69 70 71 72 73 74 75
 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90
 91 92 93 94 95 96 97 98 99 100 101 102 103 104 105
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Explanation of terms in this directory

The annual *Business Insurance* directory of wholesale marketers lists underwriting managers, managing general agents and surplus lines brokers that responded to a BI questionnaire.

The directory is published as an editorial service; there is no charge for companies to be listed.

Listings begin with each company's name, address, telephone number, fax number and World Wide Web site address, if applicable.

Companies were required to report information on **premium volume** to be included, and this information is provided in the listings. Also included are: **gross revenues** (defined as commissions and fees after commissions to producers, including investment income and contingent commissions), **wholesale revenues** (defined as net commissions and fees for brokering insurance for other agents/brokers, serving an MGA and/or providing underwriting management services, including revenues from serving as a Lloyd's coverholder), **number of employees** and the percentage of premium volume related to **commercial lines**. A percentage breakout of premium volume placed with **admitted vs. non-admitted insurers** also is listed.

The **business** section provides a breakout of the percentage of business conducted as each of these categories: underwriting manager, MGA, Lloyd's of London coverholder and wholesale broker. Listings also include lists of the companies for whom these services are provided.

BI defines an underwriting manager as a company that handles all the affairs of the in-

urance company, including underwriting, reinsurance and claims, with the possible exception of investments.

A managing general agent is defined as having underwriting authority for an insurer, which includes the ability to determine rates on individual risks. It can bind and issue policies on behalf of the insurer. The managing general agent may or may not have reinsurance and claims supervision authority related to the insurance it has written.

Companies listed as a coverholder for Lloyd's of London hold the authority to bind and/or issue insurance documentation on behalf of a Lloyd's underwriter.

A broker places business with markets but has no underwriting authority or binding authority without approval of the insurer.

The year **founded** and **parent company** (if any) are noted next. **Subsidiaries** are then listed next.

A list of states in which the company is licensed to do business as an excess/surplus lines broker is included, as well as **membership** in either of the two national surplus lines organizations: the American Assn. of Managing General Agents (AAMGA) and the National Assn. of Professional Surplus Lines Offices (NAPSLO) and other related professional memberships. Principal **officers** and a **contact** name complete each listing.

In addition to this directory of wholesale marketers, a listing of excess and surplus lines insurers begins on page 26.

Although *BI* makes every effort to publish complete and accurate information, we are unable to verify all information provided.

Continued from previous page

Business: managing agent 1%, broker 99%.
Subsidiaries: Brown & Riding Insurance Services of Southern California Inc.; Brown & Riding Insurance Service of Nevada Inc., Las Vegas.
Licensed in: California and Nevada.
Membership: NAPSLO, Surplus Lines Assn. of California.
Officers: Chris A. Brown, president; Ramon C. Howing, Ravi K. Chopra, vps.
Contact: Chris A. Brown, cbrown@brownandriding.com.

Burnett & Co. Inc.
 615 Dumaine St.,
 New Orleans, La. 70116;
 504-588-9075; fax: 504-525-3766

	1998	1997
Premium volume	\$20,105,000	\$18,127,000
Gross revenues	\$2,190,187	\$2,031,846
Wholesale revenues	\$2,190,187	\$2,031,836
Employees	15	15
Wholesale employees	15	15
Commercial lines	100%	100%
Admitted business	5%	5%
Non-admitted	95%	95%

Founded: 1960.
Business: managing agent 70%, broker 10%, Lloyd's of London coverholder 20%.
MGA for: Lloyd's of London, United Capitol Insurance Co., United National Insurance Co.
Broker for: Frontier Insurance Co., American International Group, Great American Insurance Co., Interstate Fire & Casualty Co., Highland Insurance Co., Kemper Insurance Cos., Reliance Insurance Group.
Licensed in: Louisiana and Texas.
Membership: NAPSLO, Louisiana Surplus Lines Assn., Texas Surplus Line Assn.
Officers: John H. Burke Jr., president; Banos Georgiou, executive vp; Bruce D. Wohlwend, senior vp.
Contact: John H. Burke Jr. jburke@bcinc.com.

Burns & Wilcox Ltd.
 30833 Northwestern Highway,
 Suite 220,
 Farmington Hills, Mich. 48334;
 248-932-9000; fax: 248-932-9046
 www.burnsandwilcox.com

	1998	1997
Premium volume	\$263,729,405	\$269,895,836
Gross revenues	\$41,818,924	\$39,046,750
Wholesale revenues	\$36,535,585	\$35,728,377
Employees	530	567
Wholesale employees	530	567
Commercial lines	90%	91%
Admitted business	20%	21%
Non-admitted	80%	79%

Founded: 1969.
Business: managing agent 62%, broker 27%, Lloyd's of London coverholder 11%.
Subsidiaries: Seeley Insurance Services, San Francisco; Illinois R.B. Jones, Chicago; G.A. Insurance Service, Farmington Hills, Mich.; Rathbone King & Casualty Underwriters, St. Paul, Minn.; Service General: Cravens & Dargan, Houston.
Licensed in: all states excluding Alaska, Hawaii, Maine, Massachusetts, New York, New Jersey and Washington.
Membership: AAMGA, NAPSLO.
Officers: Alan Jay Kaufman, chairman; Herbert W. Kaufman, president/CEO; G. Stephen Allen, executive vp.
Contact: Edward G. Frickelton, director-human resources.

Cambridge General Agency
 P.O. Box 7340,
 San Francisco, Calif. 94120;
 415-955-8555; fax: 415-394-6305

	1998	1997
Premium volume	\$50,000,000	\$47,000,000
Employees	50	50
Wholesale employees	50	50
Commercial lines	95%	95%
Admitted business	10%	10%
Non-admitted	90%	90%

Founded: 1950.
Business: managing agent 75%, broker 20%, Lloyd's of London coverholder 5%.
MGA for: Acceptance Insurance Co., Colony Insurance Co., Essex Insurance Co., Lloyd's of London, Scottsdale Insurance Co.
Licensed in: California.
Membership: AAMGA, NAPSLO, California Insurance Wholesale Assn.
Officers: A. Mason Blodgett, president; Paul Janofsky, Julia Uang, vps.
Contact: A. Mason Blodgett.

Carpenter Moore Insurance Services
 530 Washington St.,
 San Francisco, Calif. 94111;
 415-433-1001; fax: 415-433-5148
 www.cmins.com

	1998	1997
Premium volume	\$70,000,000	\$50,000,000
Gross revenues	\$6,000,000	\$5,100,000
Wholesale revenues	\$6,000,000	\$5,100,000
Employees	35	28
Wholesale employees	32	26
Commercial lines	100%	100%
Admitted business	35%	35%
Non-admitted	65%	65%

Founded: 1986.
Business: broker 95%, Lloyd's of London coverholder 5%.
Broker for: Admiral Insurance Co., American International Group, Executive Risk Group, Genesis Insurance Co., Great American Insurance Co., Reliance Insurance Co., Zurich American Insurance Co.
Licensed in: California, Connecticut, Massachusetts and Utah.
Officers: Brian P. Marsh, chairman; Kinsey L. Carpenter, president; Susan M. Miner, executive vp.
Contact: Sueyin Wong.

Chicago Underwriting Group Inc.
 211 W. Wacker Drive, Suite 300,
 Chicago, Ill. 60606;
 312-750-8800; fax: 312-750-8965
 www.cug.com

	1998	1997
Premium volume	\$30,000,000*	\$30,000,000*
Employees	17	17
Commercial lines	100%	100%
Admitted business	95%	95%
Non-admitted	5%	5%

Estimate.
Founded: 1983.
Parent: Old Republic International Corp.
Business: underwriting manager 100%.
Underwriting manager for: Old Republic Insurance Co.
Subsidiaries: CHUG Insurance Brokers Inc., CHUG Services Inc., Chicago; Upper Peninsula Insurance Co., Jackson, Miss.
Officers: Martin J. Perry, president; William J. Schwass, senior vp; Diane Vasti, assistant vp.
Contact: Martin J. Perry, 312-750-8800.

Connecticut Underwriters Inc.
 P.O. Box 316,
 Portland, Conn. 06480;
 860-342-0713; fax: 860-342-4392

	1998	1997
Premium volume	\$21,000,000	\$19,500,000
Gross revenues	\$21,000,000	\$19,500,000
Wholesale revenues	\$21,000,000	\$19,500,000
Employees	40	40
Wholesale employees	40	40
Commercial lines	75%	75%
Admitted business	15%	15%
Non-admitted	85%	85%

Founded: 1962.
Business: managing agent 70%, broker 15%, Lloyd's of London coverholder 15%.
MGA for: American Empire Insurance Co., First Financial Insurance Co., Mt. Vernon Insurance Co., Penn-America Insurance Co., Scottsdale Insurance Co., Western World Insurance Co.
Broker for: First Specialty Insurance Co., Interstate Insurance Co., Reliance Insurance Co., United Capitol Insurance Co., United Coastal Insurance Co.
Subsidiaries: Conexco Insurance Agency Inc., Southborough, Mass.; Maine Underwriters Insurance Agency Inc., Kittery, Maine; New Hampshire Underwriters Insurance Agency Inc., Portsmouth, N.H.; Professional Agents Associates of New York Inc., Brewster, N.Y.
Licensed in: Connecticut, Maine, Massachusetts, New York and Rhode Island.
Membership: AAMGA, NAPSLO.
Officers: William D. Kiley, president; Lillian M. Guilmarin, treasurer; M. Marriam March (Stone), secretary.

Cooney, Rikard & Curtin Inc.
 1 Metroplex Drive, Suite 400,
 Birmingham, Ala. 35209;
 800-824-1709; fax: 205-879-3739
 www.crcins.com

	1998	1997
Premium volume	\$177,000,000	\$158,000,000
Gross revenues	\$14,400,000	\$12,300,000
Wholesale revenues	\$13,800,000	\$11,800,000
Employees	117	104
Commercial lines	100%	100%
Admitted business	61%	65%
Non-admitted	39%	35%

Founded: 1982.
Business: managing agent 5%, broker 95%.
Membership: AAMGA, NAPSLO, Professional Liability Underwriting Society.
Officers: Tom Curtin, chairman; John Cooney, president; Ron Helveston, vp.
Contact: Sandi Sokol, director-human resources; sabdus@crcins.com.

Crump Insurance Services Inc.
 7557 Rambler Road, Suite 350,
 Dallas, Texas 75231;
 214-265-2660; fax: 214-265-2661
 www.crumpins.com

	1998	1997
Premium volume	\$585,000,000	\$558,650,000
Gross revenues	\$43,600,000	\$41,340,000
Employees	324	337
Commercial lines	99%	100%
Admitted business	40%	40%
Non-admitted	60%	60%

Founded: 1955.
Parent: Marsh & McLennan Cos. Inc.
Business: managing agent 20%, broker 75%, Lloyd's of London coverholder 5%.
MGA for: American Equity Insurance Co., American Empire Surplus Lines Insurance Co., American International Group, Canal Insurance Co., CIGNA Group, First State Management Corp., General Star, Gulf Insurance Co., Interstate Fire & Casualty, Jefferson Insurance Group, Lloyd's of London, National Indemnity Co., Nautilus Insurance Co., Navigators Insurance Co., Northland Insurance Co., Scottsdale Insurance Co., United National Group, Western World Insurance Co.
Broker for: ACE USA, American Financial Insurance Group, American International Group, W.R. Berkley Group, Canal Insurance Co., Chubb Group, General Reinsurance Group, Hartford Insurance Group, Markel Corp. Group, RLI Group, Reliance Insurance Group, Royal Insurance Co., Travelers Group, Ulrich Insurance Group.
Licensed in: California, Florida, Georgia, Idaho, Illinois, Louisiana, Massachusetts, New York, New Jersey, Nevada, Oregon, Pennsylvania, South Carolina, Tennessee, Texas and Washington.
Membership: AAMGA, NAPSLO.
Officers: Orville D. Jones, chairman, CEO; Joel Berrian, vice chairman; Marcus Payne, president, COO.

Customized Worldwide Weather Insurance
 1615 Northern Blvd.,
 Manhasset, N.Y. 11030;
 800-500-5801; fax: 516-365-7474
 www.weatherins.com

	1998	1997
Premium volume	\$20,000,000	\$20,000,000
Gross revenues	\$3,000,000	\$3,000,000
Employees	17	10
Commercial lines	100%	100%
Admitted business	60%	60%
Non-admitted	40%	40%

Founded: 1988.
Business: managing agent 100%.
MGA for: General Star Indemnity Co., Legion Insurance Co.
Licensed in: All states.
Membership: Professional Insurance Wholesaler Assn.
Officers: Harold Mollin, CEO.
Contact: Pat Sleicher, director-events.

ECC Insurance Brokers L.L.C.
 800 Enterprise Drive, Suite 107,
 Oak Brook, Ill. 60523;
 630-954-1414; fax: 630-572-7121
 www.eccins.com

	1998	1997
Premium volume	\$15,222,000	\$13,802,000
Gross revenues	\$2,179,800	\$1,783,000
Employees	26	23
Commercial lines	99%	99%
Admitted business	92%	80%
Non-admitted	8%	20%

Founded: 1999.
Business: broker 95%, Lloyd's of London coverholder 5%.
Broker for: ACE USA, Admiral Insurance Co., American International Group, Agricultural Excess & Surplus Insurance Co., Caliber One Indemnity Co., Chubb Group, Evanston Insurance Co., Executive Risk Group, General Star Indemnity Co., Gulf Insurance Co., Lloyd's of London, TIG Insurance Co., Zurich American Insurance Co.
Licensed in: Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, North Dakota, Ohio, Pennsylvania, South Dakota and Wisconsin.
Officers: Daniel S. Real, president; Martin G. Horwitz, executive vp; Donna M. Rook, vp.
Contact: Daniel S. Real; dreal@e.

ECS Underwriting Inc.
 520 Eagleview Blvd.,
 Exton, Pa. 19341;
 800-327-1414; fax: 610-458-8667
 www.ecsinc.com

	1998	1997
Premium volume	\$266,000,000	\$225,000,000
Employees	470	435
Commercial lines	100%	100%
Admitted business	95%	95%
Non-admitted	5%	5%

Fiscal years ending 6/30/98 and 6/30/99.
Founded: 1979.
Parent: ECS Inc.
Business: underwriting manager 100%.
Membership: NAPSLO.
Officers: William Kronenberg III, president/CEO; Richard Corbett, Jeffery Leifer, senior vps.

Eastern America Insurance Agency Inc.
 P.O. Box 193900,
 San Juan, Puerto Rico 00919-3900;
 787-273-1288; fax: 787-782-8233
 www.universalpr.com

	1998	1997
Premium volume	\$153,335,000	\$152,775,000
Gross revenues	\$6,617,000	\$6,019,000
Employees	80	80
Commercial lines	68%	69%
Admitted business	98%	98%
Non-admitted	2%	2%

Founded: 1981.
Parent: Universal Insurance Group.
Business: underwriting manager 60%, managing agent 40%.
MGA for: American International Insurance Co. of Puerto Rico, CIGNA Insurance Co. of Puerto Rico, Federal Insurance Co., Reliance Insurance, Royal & SunAlliance Insurance Inc. (Puerto Rico), Universal Insurance Co.
Licensed in: Puerto Rico.
Membership: NAPSLO.
Officers: Luis Miranda Casanas, president; Jorge J. Amadeo, Rafael A. Rodriguez, executive vps.
Contact: Jorge J. Amadeo.

Equity Insurance Managers Inc.
 P.O. Box 14032,
 Lexington, Ky. 40512-4032;
 606-245-2500; fax: 606-245-2550
 www.equityins.com

	1998	1997
Premium volume	\$43,400,000	\$43,700,000
Gross revenues	\$6,124,000	\$5,898,000
Wholesale revenues	\$500,000	\$500,000
Employees	80	80
Wholesale employees	7	7
Commercial lines	74%	65%
Admitted business	71%	76%
Non-admitted	29%	24%

Founded: 1967.
Parent: Unified Financial Services Inc.
Business: underwriting manager 26%, managing agent 54%, broker 17%, Lloyd's of London coverholder 3%.
Licensed in: Illinois, Indiana, Kentucky, Ohio, Tennessee and Virginia.
Membership: AAMGA, NAPSLO.
Officers: J. Robert Owens, president; D. Richard Meyer, executive vp.
Contact: D. Richard Meyer; dmeyer@equityins.com.

Excess & Surplus Lines Insurance Brokers Inc.
 13848 Ventura Blvd, Suite A,
 Sherman Oaks, Calif. 91423;
 818-990-8860; fax: 818-990-4530

	1998	1997
Premium volume	\$10,000,000	\$6,000,000
Employees	6	6
Commercial lines	100%	100%
Admitted business	50%	60%
Non-admitted	50%	40%

Founded: 1981.
Parent: Frontier Insurance Group Inc.
Business: underwriting manager 45%, managing agent 50%, Lloyd's of London coverholder 5%.
Underwriting manager for: Frontier Insurance Co., Frontier Pacific Insurance Co.
MGA for: Lloyd's of London, United Capitol Insurance Co., Westport Insurance Corp.
Licensed in: New Jersey.
Membership: AAMGA, NAPSLO.
Officers: Donald R. Fischer, president; Paul Bunone, Joseph Loughlin.
Contact: Donald R. Fischer, 800-35-5119 ext. 5101.
Frontier Insurance Co. and Westport Insurance Corp. provides administration, computer and claims support.

Fischer Underwriting Group
 The Atrium, E. 80 Route 4,
 Paramus, N.J. 07652;
 800-355-5119; fax: 973-843-2323
 www.ftr.com

	1998	1997
Premium volume	\$177,000,000	\$158,000,000
Gross revenues	\$14,400,000	\$12,300,000
Wholesale revenues	\$13,800,000	\$11,800,000
Employees	117	104
Commercial lines	100%	100%
Admitted business	61%	65%
Non-admitted	39%	35%

Founded: 1950.
Business: managing agent 75%, broker 20%, Lloyd's of London coverholder 5%.
MGA for: Acceptance Insurance Co., Colony Insurance Co., Essex Insurance Co., Lloyd's of London, Scottsdale Insurance Co.
Licensed in: California.
Membership: AAMGA, NAPSLO, California Insurance Wholesale Assn.
Officers: A. Mason Blodgett, president; Paul Janofsky, Julia Uang, vps.
Contact: A. Mason Blodgett.

First Capital Group
 185 Great Neck Road,
 Great Neck, N.Y. 11021;
 516-466-1313; fax: 516-482-7878
 www.first-capital.com

	1998	1997
Premium volume	\$104,000,000	\$66,000,000
Gross revenues	\$9,700,000	\$8,000,000
Employees	60	50
Commercial lines	100%	100%
Admitted business	60%	70%
Non-admitted	40%	30%

Founded: 1995.
Business: underwriting manager 20%, managing agent 20%, broker 60%.
Underwriting manager for: QBE Insurance Corp.; Reliance National Insurance Co.
MGA for: General Security Insurance Co., QBE Insurance Co., Reliance National Insurance Co., Reliance of Illinois Insurance Co.
Broker for: Frontier Insurance Co., Legion Insurance Co., Lloyd's of London, QBE Insurance Co., Reliance National Insurance Co.
Subsidiaries: First Capital Agency Inc. d/b/a First Capital Group, Great Neck, N.Y.; First Capital Group/SRS Division, Chicago; First Capital of Pa. Inc., Doylestown, Pa.; First Capital Insurance Services Inc., San Francisco; First Capital Agency of Pa. Inc., Doylestown, Pa.; First Capital Group, Great Neck, N.Y.
Licensed in: Illinois, New York and Pennsylvania.
Membership: NAPSLO, Insurance & Brokers Assn. of New York, Professional Insurance Agents, Professional Insurance Wholesale Assn.
Officers: Alvin B. Moss, president, CEO; Timothy P. Demetres, senior vp/CFO; Frank Guerriero, executive vp.
Contact: Alvin B. Moss.

First State Management Group Inc.
 150 Federal St.,
 Boston, Mass. 02110;
 617-526-7600; fax: 617-526-0600
 www.firststateins.com

	1998	1997
Premium volume	\$216,469,000	\$238,310,000
Employees	222	225
Wholesale employees	222	225
Commercial lines	100%	100%
Admitted business	22%	18%
Non-admitted	78%	82%

Founded: 1989.
Parent: The Hartford Financial Services Group Inc.
Business: underwriting manager 100%.
Underwriting manager for: Hartford Group Cos.; Pacific Insurance Co. Ltd., Twin City Fire Insurance Co., Trumbull Insurance Co.
Membership: AAMGA, NAPSLO, Professional Liability Underwriting Society.
Officers: Ralph J. Palmieri, president/COO; Peter P. Coghlan, executive vp; Christian J. Maciejewski, senior vp.
Contact: John A. McFarland, first vp-marketing; 617-526-7650.
The Hartford provides employee benefits & payroll, investment services, and some actuarial and legal support.

Alcazar, Matthew Merkle, Debra Messina, vps.



First Capital Group
 185 Great Neck Road,
 Great Neck, N.Y. 11021;
 516-466-1313; fax: 516-482-7878
 www.first-capital.com

First State Management Group Inc.
 150 Federal St.,
 Boston, Mass. 02110;
 617-526-7600; fax: 617-526-0600
 www.firststateins.com

Fischer Underwriting Group
 The Atrium, E. 80 Route 4,
 Paramus, N.J. 07652;
 800-355-5119; fax: 973-843-2323
 www.ftr.com

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 www.ftr.com

Continued from previous page

Freberg Environmental Inc.

1675 Broadway, Suite 2210,
Denver, Colo. 80202;
800-377-4152; fax: 303-623-8101
www.feinsurance.com

	1998	1997
Premium volume	\$16,700,000	\$15,000,000
Employees	14	8
Commercial lines	100%	100%
Admitted business	25%	10%
Non-admitted	75%	90%

Fiscal years ending 3/31.

Founded: 1991.

Business: managing agent 90%, Lloyd's of London coverholder 10%.

MGA for: Gulf Insurance Group, United National Insurance Group.

Licensed in: all states.

Membership: NAPSLO, Professional Liability Underwriting Society.

Officers: Michael J. Hill, president; Danelle R. Nielsen, vp.

Contact: info@feinsurance.com.



Donald Gaddis Co. Inc.

150 S. Wacker Drive, Suite 600,
Chicago, Ill. 60606;
312-853-0071; fax: 312-853-1033

	1998	1997
Premium volume	\$9,216,000	\$9,197,000
Employees	8	8
Wholesale employees	8	8
Commercial lines	99%	99%
Admitted business	40%	40%
Non-admitted	60%	60%

Founded: 1982.

Business: managing agent 50%, broker 45%, Lloyd's of London coverholder 5%.

MGA for: Burlington Insurance Group, First Financial Insurance Co., Nautilus Insurance Co., Scottsdale Insurance Co.

Broker for: Admiral Insurance Co., American Empire Insurance Co., Evanston Insurance Co., Executive Risk Group, General Star Na-

tional Insurance, Lexington Insurance Co., Pacific Insurance Co., Reliance Insurance Co., Royal Excess & Surplus Lines Insurance Co., Seneca Insurance Co., Westport Insurance Co., Zurich American Insurance Co.

Licensed in: Illinois.

Membership: NAPSLO, Chicago Board of Underwriters, Illinois Lloyd's Brokers Assn, Professional Independent Insurance Agents of Illinois.

Officers: Christopher Gaddis, president; Sean Eric Gaddis, John Mette, vps.

General Star Management Co.

695 E. Main St., P.O. Box 10354,
Stamford, Conn. 06904-2354;
203-328-5700; fax: 203-328-6131
www.generalstar.com

	1998	1997
Premium volume	\$354,036,310	\$361,513,554
Employees	240	247
Commercial lines	91%	95%
Admitted business	12.9%	10.8%
Non-admitted	87.1%	89.2%

Founded: 1979.

Parent: Berkshire Hathaway Inc.

Business: underwriting manager 100%.

Underwriting manager for: General Star Indemnity Co.; General Star National Insurance Co.

Membership: AAMGA, NAPSLO.

Officers: Kevin P. Brooks, chairman/president; Patricia H. Roberts, senior vp; William F. Murray, vp.

Contact: David W. Micik, dmicik@genre.com.

General Reinsurance provides general service, human resources, actuarial, legal, investment and treasury services.

Genesis Professional Liability Underwriters

25550 Chagrin Blvd., Suite 300,
Beachwood, Ohio 44122;
216-766-5416; fax: 216-591-0906
www.gplu.com

	1998	1997
Premium volume	\$71,000,000	\$70,000,000
Employees	29	24
Commercial lines	100%	100%
Admitted business	97%	100%

Non-admitted 3% 0%

Parent: Berkshire Hathaway Inc.

Business: underwriting manager 100%

Underwriting manager for: Genesis Insurance Co., Genesis Indemnity Insurance Co.

Officers: Kevin M. LaCroix, president; Martin G. Hazala, vp.

Contact: Joe G. Aber III, underwriting manager; jabar@genre.com.

Global Facilities Inc.

146 Merrick Road,
Lynbrook, N.Y. 11563;
516-599-3800; fax: 516-599-3930

	1998	1997
Premium volume	\$7,365,000	\$7,105,000
Employees	5	5
Wholesale employees	5	5
Commercial lines	85%	95%
Admitted business	93%	93%
Non-admitted	7%	7%

Founded: 1977.

Business: managing agent 20%, broker 80%.

Licensed in: New York.

Membership: NAPSLO, Excess Lines Assn. of New York, Professional Insurance Wholesalers Assn.

Contact: Robert Shapiro, president.

Gracechurch Associates Inc.

83 Big Oak Road, P.O. Box 879,
Morrisville, Pa. 19067;
215-295-0725; fax: 215-295-1750

	1998	1997
Premium volume	\$11,500,000	\$11,500,000
Employees	10	11
Wholesale employees	10	11
Commercial lines	100%	100%
Admitted business	30%	30%
Non-admitted	70%	70%

Founded: 1965.

Business: broker 100%.

Licensed in: New Jersey and Pennsylvania.

Membership: NAPSLO, Pennsylvania Surplus Lines Assn.

Officers: Philip J. Corso, president; Tony Petrucci, Lee Stacy, vps.

Contact: Philip J. Corso.

Gresham & Associates Inc.

1 Gresham Landing, P.O. Box 927,
Stockbridge, Ga. 30281;
800-241-5677; fax: 770-389-1650
www.gresham-inc.com

	1998	1997
Premium volume	\$106,295,360	\$80,979,087
Gross revenues	\$13,000,000	\$9,500,000
Wholesale revenues	\$13,000,000	\$9,500,000
Employees	150	146
Wholesale employees	150	146
Commercial lines	100%	100%
Admitted business	50%	50%
Non-admitted	50%	50%

Founded: 1979.

Business: managing agent 40%, broker 55%, Lloyd's of London coverholder 5%

MGA for: AXA Global Risk, Canal Insurance Co., Carolina Casualty Insurance Co., Empire

Fire & Marine Insurance Co., Equity Insurance Co., Essex Insurance Co., GAINSCO Co., Lancer Management Co., Nautilus Insurance Co., Northland Insurance Co., Penn-America Insurance Co., Pacific Insurance Co.

Broker for: Admiral Insurance Co., American National Fire Insurance Co., Chubb Custom Insurance Co., Evanston Insurance Co., Executive Risk Specialty Insurance Co., General Star Indemnity Co., Lexington Insurance Co., Mt. Hawley Insurance Co., National Casualty Insurance Co., National Union Fire Insurance Co. of Pittsburgh, Pa., Reliance National Insurance Co., Royal Indemnity Insurance Co., Royal Surplus Lines Insurance Co., USF & G, Westchester Fire Insurance Co., Westchester Surplus Lines Insurance Co.

Licensed in: Alabama, Florida, Georgia, Indiana, Louisiana, North Carolina, Tennessee and Virginia.

Membership: AAMGA, NAPSLO, Florida Surplus Lines Assn., Georgia Surplus Lines Assn.

Officers: James V. Gresham, Chairman/CEO; George L. Abernathy, president; Tony Gresham, senior vp.

Contact: James V. Gresham; jgresham@greshaminc.com.



H&W Underwriters (Agency) Inc.

4300 Shawnee Mission Parkway,
Shawnee Mission, Kan. 66205;
800-616-9475; fax: 913-432-1706

	1998	1997
Premium volume	\$8,180,468	\$7,894,860
Gross revenues	\$1,892,242	\$1,773,500
Employees	12	12
Commercial lines	100%	100%
Admitted business	97%	95%
Non-admitted	3%	5%

Founded: 1958.

Business: managing agent 99%, broker 1%.

Licensed in: Kansas and Missouri.

Membership: AAMGA, NAPSLO, Professional Liability Underwriting Society.

Officers: Neil Pouppirt, chairman; Bernard Geis, president/CEO; Bruce Pouppirt, executive vp.

Hanover Excess & Surplus Inc.

228 N. Front St., Suite 200,
P.O. Box 1411,
Wilmington, N.C. 28402;
800-672-9006; fax: 800-426-5566

	1998	1997
Premium volume	\$14,758,841	\$13,644,933
Gross revenues	\$2,097,230	\$1,728,543
Wholesale revenues	\$2,097,230	\$1,728,543
Employees	35	30
Commercial lines	80%	80%
Admitted business	20%	20%
Non-admitted	80%	80%

Founded: 1970.

Business: broker 100%.

Licensed in: North Carolina, South Carolina, Tennessee and Virginia.

Membership: AAMGA, NAPSLO, Professional Liability Underwriting Society, North Carolina Independent Insurance Agents, North Carolina Surplus Lines Assn., NC Young Agents.

Officers: Glasgow Hicks Jr., president; David L. Parker, vp.

Contact: David L. Parker davidp@hanover-sx.com.

Healthcare Professional Services Inc.

P.O. Box 568062,
N. Springs Station,
Atlanta, Ga. 31156;
770-300-0845; fax: 770-248-1244

	1998	1997
Premium volume	\$5,446,856	\$5,040,732
Employees	5	5
Wholesale employees	5	5
Commercial lines	66%	70%
Admitted business	9%	10%
Non-admitted	91%	90%

Founded: 1990.

Business: broker 100%.

Subsidiaries: A & K Surplus, Margate, Fla.; Professional Insurance Services, Irvine, Texas.

Licensed in: Florida, Georgia, Texas and the District of Columbia.

Membership: NAPSLO.

Officers: P. Harvey, principal; P.A. Harvey, CFO; M.N. Hill, secretary.

HEATH Holdings USA Inc.

3100 Monticello, Suite 900,
Dallas, Texas 75205-3450;
214-528-3999; fax: 214-528-9101
www.hibi.com

	1998	1997
Premium volume	\$183,700,000	\$167,000,000
Gross revenues	\$15,100,000	\$12,500,000
Wholesale revenues	\$15,100,000	\$12,500,000
Employees	132	111
Wholesale employees	132	111
Commercial lines	100%	100%
Admitted business	50%	50%
Non-admitted	50%	50%

Founded: 1992.

Parent: Heath Group P.L.C.

Business: managing agent 7%, broker 91%, Lloyd's of London coverholder 2%.

MGA for: ACE USA, Albany Insurance Co., American Empire Insurance Co., American Equity Insurance Co., Audubon Insurance Co., Burlington Insurance Group, Century Surety Co., Essex Insurance Co., Evanston Insurance Co., First Specialty Insurance Co., General Star Indemnity Co., Interstate Insurance Co., Republic Vanguard Insurance Co., Steadfast Insurance Co.

Broker for: ACE USA, Allianz Insurance of America, American Financial Group, American International Group, W.R. Berkley Corp., Berkshire Hathaway Insurance Group, Chubb Group CNA Insurance Group, Hartford Insurance Group, Markel Corp., Reliance Insurance Group, RLI Group, Royal & Sun Alliance USA Group, St. Paul Cos. Inc., Zurich Insurance Group (US).

Subsidiaries: HEATH Insurance Brokers Inc., Fresno, Irvine, San Francisco and Woodland Hills, Calif.; Atlanta; Pocatello, Idaho; Chicago; Dallas, Houston and Lubbock, Texas; HEATH Resource Managers, Dallas.

Licensed in: Alabama, Alaska, Arizona, California, Colorado, Connecticut, Florida, Georgia, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maryland, Massachusetts, Mississippi, Missouri, Nevada, New Jersey, New Mexico, New York and North Carolina.

Membership: AAMGA, NAPSLO.

Officers: Gene Bisermann, chairman; Marshall Kath, CEO; Tom Sieks, senior vp; Cynthia Herndon, CFO.

Contact: Marshall Kath.

Jeffery L. Heath Inc.

59 S. Finley Ave., P.O. Box 301,
Basking Ridge, N.J. 07920;
908-766-7140; fax: 908-766-4419

	1998	1997
Premium volume	\$9,000,000	\$8,000,000
Employees	4	4
Commercial lines	100%	100%
Admitted business	90%	90%
Non-admitted	10%	10%

Founded: 1991.

Business: underwriting manager 100%.

Underwriting manager for: Legion Indemnity Co., Legion Insurance Co., Villanova Insurance Co.

Membership: NAPSLO.

Contact: Jeff Heath, president.



Insight Insurance Services Inc.*

4225 Naperville Road, Suite 265,
Lisle, Ill. 60532;
800-447-4626; fax: 630-505-1221
www.insightinsurance.com

	1998	1997
Premium volume	\$11,700,000	\$10,200,000
Employees	11	10
Commercial lines	100%	100%
Admitted business	98%	98%
Non-admitted	2%	2%

Founded: 1987.

Business: managing agent 98%, broker 2%.

MGA for: SAFECO Insurance Cos.

Broker for: SAFECO Insurance Cos.

Licensed in: Illinois.

Membership: Professional Liability Underwriting Society.

Officers: James M. Romano, president/owner; Michelle A. Duffett, executive vp/owner; Susan Harker, underwriting manager.

*Formerly Professional Indemnity Management Co.

Insurance Brokers Service Inc.

20 N. Wacker Drive, Suite 4000,
Chicago, Ill. 60606;
312-621-1770; fax: 312-621-0262
www.ibsil.com

	1998	1997
Premium volume	\$150,000,000	\$120,000,000

Continued on next page

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24/7

The annual directory of insurance wholesalers begins on page 63.

Continued from previous page

	1998	1997
Wholesale employees	75	55
Commercial lines	100%	100%
Admitted business	55%	50%
Non-admitted	45%	50%
Parent: Aon Corp.		
Business: managing agent 1%, broker 96%, Lloyd's of London coverholder 3%.		
MGA for: American Equity Insurance Co.		
Broker for: ACE USA, CNA E&S Insurance Co., General Star Indemnity Co., Gulf Insurance Co., Lexington Insurance Co., Markel Group, Royal Specialty Insurance Co., RLI Group.		
Membership: NAPSL0.		
Officers: Terry Winkler, CEO; Bob Greenebaum, president/COO; Blake Bartnick, president-IBS of Texas.		
Contact: Bob Greenebaum.		

Insurance Intermediaries Inc.

6460 Busch Blvd.,
Columbus, Ohio 43229;
614-846-1111; fax: 614-846-2111

	1998	1997
Premium volume	\$81,081,013	\$56,670,412
Gross revenues	\$3,883,002	\$3,277,063
Wholesale revenues	\$3,413,602	\$2,844,321
Employees	37	36
Wholesale employees	37	36
Commercial lines	40%	40%
Admitted business	20%	25%
Non-admitted	80%	75%

Founded: 1975.
Parent: Nationwide Insurance.
Business: managing agent 4%, broker 96%.
MGA for: Scottsdale Insurance Co.
Broker for: Chubb Group, Custom Insurance Co., Devore & Associates, General Star Indemnity, Great American Insurance Co., Lexington Insurance Co., Markel Group, P.S. & Associates, Prime Insurance Syndicate, Shand Morahan & Co. Inc., United Capitol Insurance Co.
Licensed in: Connecticut, Georgia, Florida, Illinois, Indiana, Kentucky, Maryland, Michigan, Missouri, North Carolina, Ohio, Pennsylvania, South Carolina, Virginia, West Virginia, Wisconsin and the District of Columbia.
Membership: NAPSL0, National Assn. of Professional Insurance Agents.
Officers: Roger L. Ayotte, president; Larry C. Babb, Robert Dunlap, vps.
Contact: Larry C. Babb.

International Placement Services Inc.

7710 Carondelet, Suite 433,
St. Louis, Mo. 63195;
314-725-8394; fax: 314-725-4317

	1998	1997
Premium volume	\$19,439,000	\$15,476,000
Gross revenues	\$1,993,000	\$1,616,022
Employees	17	15
Wholesale employees	17	15
Commercial lines	100%	100%
Admitted business	65%	65%
Non-admitted	35%	35%

Founded: 1981.
Business: broker 95%, Lloyd's of London coverholder 5%.
Broker for: ACE USA, Admiral Insurance Co., American International Group, Chubb Group, Evanston Insurance Co., Executive RE, Fireman's Fund Insurance Co., Frontier Insurance Co., General Star Indemnity Co., Great American Insurance Co., The Hartford, Northland Insurance Cos., Reliance Insurance Co., RLI Group, Royal Insurance Co., Scottsdale Insurance Co., St. Paul Surplus Lines Insurance Co., Travelers Insurance Co., Zurich American Insurance Co.
Licensed in: Florida, Missouri and Pennsylvania.
Membership: NAPSL0.
Officers: Richard J. Eichhorn, president; Michael J. Eichhorn, executive vp, Robert C. Fagan, vp-property.
Contact: Richard J. Eichhorn.

J

Jaeger & Haines Inc.

P.O. Box 1623,
Fayetteville, Ark. 72702;
501-521-2551; fax: 501-521-3195

	1998	1997
Premium volume	\$18,000,000	\$16,000,000
Employees	46	45
Commercial lines	88%	86%
Admitted business	45%	40%
Non-admitted	55%	60%

Founded: 1976.
Business: managing agent 60%, broker 10%, Lloyd's of London coverholder 30%.
Licensed in: Arkansas, Missouri, Oklahoma

and Tennessee.

Membership: AAMGA, NAPSL0.
Officers: Larry Haines, chairman; Mike Johnson, president; Alan Mitchell, senior vp.
Contact: Mike Johnson.

Jimcor Agencies

15 Vervalen St.,
Closter, N.J. 07624;
201-784-8900; fax: 201-784-7901
www.jimcor.com

	1998	1997
Premium volume	\$26,857,000	\$21,665,000
Gross revenues	\$4,644,000	\$2,990,000
Employees	51	45
Wholesale employees	51	45
Commercial lines	80%	88%
Admitted business	20%	20%
Non-admitted	80%	80%

Founded: 1986.
Business: managing agent 55%, broker 25%, Lloyd's of London coverholder 20%.
MGA for: American Equity Insurance Co., Burlington Insurance Group, Essex Insurance Co., Fireman's Fund Insurance Co., Interstate Insurance Co., Jefferson Insurance Co., Nautilus Insurance Co., Penn America Insurance Co., Scottsdale Insurance Co., U.S.L.I. Cos., Western World Insurance Co.
Broker for: Admiral Insurance Co., Agricultural Insurance Co., Commercial Underwriters Insurance Co., Evanston Insurance Co., First State, Investor's Insurance Co., Reliance Insurance Co., TIG Insurance Co., United Capitol Insurance Co., Tudor Insurance Co., United National Insurance Co.
Subsidiaries: Jimcor E&S L.L.C., Mount Laurel, N.J.; Jimcor Associates Corp., Clifton Park, N.Y.; Jimcor Associates Inc., Lafayette Hill Pa.
Licensed in: New Jersey, New York and Pennsylvania.
Membership: AAMGA, NAPSL0, Independent Insurance Agents, New Jersey Surplus Lines Assn., Professional Insurance Agents, Professional Insurance Wholesaler Assn.
Officers: Francis J. Mastowski, president; Coryn Mastowski, corporate vp; Jon Hill, vp.
Contact: Francis J. Mastowski, 201-784-8900 ext 123.

K

K&K Insurance Group Inc.

1712 Magnavox Way,
Fort Wayne, Ind. 46804;
219-459-5000; fax: 219-459-5967
www.kandkinsurance.com

	1998	1997
Premium volume	\$228,417,000	\$212,454,000
Employees	317	277
Commercial lines	100%	100%
Admitted business	98%	98%
Non-admitted	2%	2%

Founded: 1952.
Parent: Aon Corp.
Business: underwriting manager 100%.
Underwriting manager for: CNA Insurance Cos., Great American Insurance Co., TIG Insurance Co.
Licensed in: Florida, Indiana, North Carolina and Virginia.
Officers: Stephen L. Lunsford, president/CEO; Tony Wittwer, chief marketing officer; Todd Bixler, COO.

L

Leadenhall Insurance Brokers

188 N. Main St.,
Concord, N.H. 03301;
603-227-0701; fax: 603-227-0703

	1998	1997
Premium volume	\$10,800,000	\$7,500,000
Wholesale employees	6	6
Commercial lines	90%	90%
Admitted business	40%	25%
Non-admitted	60%	75%

Fiscal years ending 9/30.
Founded: 1997.
Parent: Cooper Gay Holdings (London) Ltd.
Business: broker 85%, Lloyd's of London coverholder 15%.
Broker for: ACE USA, American International Group, CIGNA Insurance Co., Chubb Group, Fulcrum Insurance Co., Frontier Insurance Group Inc., First State Management Co., General Star Indemnity Co., Hartford Specialty Insurance Co., Legion Insurance Co., RLI Group, Reliance Insurance Co., Royal Special Risk Insurance Co., TIG Insurance Co., Travelers Insurance Co., Zurich American Insurance Co.
Licensed in: New Hampshire and New York.
Membership: NAPSL0.

Officers: Erik Nikodem, president, Emma Freedman, Peter Gorman, vps.

LeFevre International Inc.

710 N. Post Oak Road,
Houston, Texas 77054;
713-681-1856; fax: 713-681-9350

	1998	1997
Premium volume	\$4,154,934	\$5,196,230
Gross revenues	\$498,080	\$513,178
Wholesale revenues	\$498,080	\$513,178
Employees	4	5
Wholesale employees	4	5
Commercial lines	100%	100%
Admitted business	1%	2%
Non-admitted	99%	98%

Fiscal years ending 5/31.
Founded: 1982.
Business: managing agent 40%, broker 52%, Lloyd's of London coverholder 8%.
MGA for: Lexington Insurance Co.
Broker for: Fidelity Excess Insurance Co., Lexington Insurance Co., Reliance Insurance Co., Steadfast Insurance Co.
Licensed in: California and Texas.
Membership: NAPSL0, Texas Surplus Lines Assn.
Officers: M. Doris LeFevre, president; Jerry Jones, secretary.

Lockhart Financial Insurance Services

223 S. Glendora Ave., Suite 100,
Glendora, Calif. 91741;
676-852-0473; fax: 626-852-2473

	1998	1997
Premium volume	\$3,000,000	NA
Gross revenues	\$250,000	NA
Wholesale revenues	\$250,000	NA
Employees	5	NA
Wholesale employees	5	NA

Fiscal years ending 1/31.
Founded: 1984.
Business: managing agent 25%, broker 62%, Lloyd's of London coverholder 13%.
MGA for: Burlington Insurance Group, Essex Insurance Co., First State Management Co., Interstate Insurance Co., Indian Harbor Insurance Co., Markel American Insurance Co.,

Commercial lines	100%	NA
Admitted business	80%	NA
Non-admitted	20%	NA

Founded: 1998.
Parent: Lockhart Services Inc.
Business: broker 100%.
Broker for: Admiral Insurance, American Equity Specialty Insurance Co., American International Surplus Lines Insurance Co., Evanston Insurance, Executive Risk, Fireman's Fund Insurance Co., Indemnity, Genesis Insurance, Great American Insurance Co., Legion Insurance Co., Lloyd's of London, National Casualty Co., National Union Fire Insurance Co. of Pittsburgh, Pa.
Licensed in: California.
Officers: Tom Lockhart, president; Angela Bratton, secretary, George Derischebourg, treasurer.
Contact: Tom Lockhart.

London American Risk Specialists Inc.

11000 Richmond Ave., Suite 600,
Houston, Texas 77042;
713-977-7726; fax: 713-977-7606

	1998	1997
Premium volume	\$35,000,000	\$32,000,000
Gross revenues	\$3,965,500	\$3,040,000
Wholesale revenues	\$3,965,500	\$3,040,000
Employees	26	30
Wholesale employees	26	30
Commercial lines	90%	95%
Admitted business	30%	25%
Non-admitted	70%	75%

Fiscal years ending 1/31.
Founded: 1984.
Business: managing agent 25%, broker 62%, Lloyd's of London coverholder 13%.
MGA for: Burlington Insurance Group, Essex Insurance Co., First State Management Co., Interstate Insurance Co., Indian Harbor Insurance Co., Markel American Insurance Co.,

Western World Insurance Co.
Broker for: ACE USA, Chubb Custom Group, Fidelity Insurance Co., Interstate Insurance Co., Legion Insurance Co., Lloyd's of London, Reliance Insurance Co., Royal Specialty Risk Insurance Co., Pacific Insurance Co. Ltd.
Licensed in: Texas.
Membership: NAPSL0, Texas Surplus Lines Assn., National Assn. of General Agents, Texas Assn. of Ind. Agents, Houston Agents Assn.
Officers: Brian Brecker, president; Michael Driscoll, executive vp; Karl Erney, vp.
Contact: Michael Driscoll.

London International Group

9600 Koger Blvd., Suite 225,
St. Petersburg, Fla. 33702;
727-578-2800; fax: 727-578-9977

	1998	1997
Premium volume	\$7,000,000	\$6,500,000
Employees	7	NA
Wholesale employees	7	NA
Commercial lines	100%	100%
Admitted business	80%	80%
Non-admitted	20%	20%

Founded: 1983.
Business: managing agent 20%, broker 80%.
Licensed in: Florida.
Membership: Florida Surplus Lines Assn.
Officers: Ian R. Greenway, president; Ginger K. Hayes, vp.
Contact: Ian R. Greenway, helm@london-grp.com.

LoVullo Associates Inc.

689 Main St.,
Buffalo, N.Y. 14203;
718-856-3065; fax: 718-856-8057

	1998	1997
Premium volume	\$22,300,000	\$20,100,000

Continued on page 69


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Sunday, November 14, 1999

Golf and Tennis Tournaments and Barbecue Luncheon for Players

Registration and Welcome Reception with Exhibitors

Monday, November 15, 1999

■ Captives 101: The Benchmark Course

- Nicholas Dove, President, Skandia International Risk Management
- D. Hugh Rosenbaum, Principal, Tillinghast-Towers Perrin

OR ■ Basics of Employee Benefits for Captives Owners

- John Woyke, Esq., Principal, Towers Perrin
- P. Bruce Wright, Esq., Partner, LeBoeuf, Lamb, Green & MacRae

Keynote Address: David Wasserman, President, Centre Solutions

■ Group Captives

- George Chaffee, President, Skandia International Risk Management Ltd. (VT)
- Michael Ducey, Assistant Vice President and Managing Director, Bermuda Operations, Liberty Mutual Insurance Group
- Robert S. Wilkinson, Executive Vice President for Plan Operations, Health Services Medical Corporation, A Univera Company
- Moderator: Gaelen W. Cole, Marketing Director, Fireman's Fund Insurance Company

OR ■ The Capital Market Landscape

- Joe Kavanagh, Vice President, Marsh & McLennan Securities Corporation
- Additional panelists to be announced
- Moderator: Thomas Wronski, Director, Insurance & Risk Management, Fidelity Investments

■ New Ways to Better Use Your Captive

- James D. Cameron, Esq., Partner, Baker & McKenzie
- Mitchell J. Cole, Principal, Towers Perrin
- Moderator: Michael Maglaras, Principal, Michael Maglaras & Co.

OR ■ Capital Markets vs. Reinsurance

- John Berger, CEO, Chubb Re
- John Kiernan, Senior Vice President, Lehman Re
- Moderator: D. Hugh Rosenbaum, Principal, Tillinghast-Towers Perrin

Reception at the Spa Terrace

Tuesday, November 16, 1999

■ Rent-a-Captives and Segregated Cell Facilities

- Philip J. Harvey, President, Philip J. Harvey & Company, Inc.
- Philip J. Stevens, ARM, Vice President, Aon Group Inc., Alternative Markets Organization
- William Watson, Executive Vice President, Reliance National
- Moderator: Nicholas Dove, President, Skandia International Risk Management

OR ■ Improving Financial Performance

- Patrick C. Jensen, FCAS, Senior Manager, Deloitte & Touche LLP
- Jan Lommele, Principal, Deloitte & Touche LLP
- John M. Lummis, Senior Vice President and Chief Financial Officer, RenaissanceRe Holdings Ltd.
- Moderator: Mitchell J. Cole, Principal, Towers Perrin

■ New Reinsurance Products for Captives

- R. Lincoln Trimble, Vice President, Chubb Atlantic
- Michael Woodroffe, President, Meadowbrook International
- Moderator: Robert J. Rosser, Senior Vice President, Skandia International Risk Management

OR ■ Expanding Captive Horizons to Employee Benefits

- Nancy Bern, Senior Vice President, John Hancock
- Richard M. Inserra, Assistant Treasurer, Union Carbide Corporation
- Gary Matson, Director, Global Benefits, HJ Heinz
- Moderator: Mitchell J. Cole, Principal, Towers Perrin

■ Shutdowns and Windups: Has Your Captive Run Its Course?

- Sanford Bragman, Vice President Risk Management, Tenet HealthSystems
- James M. Dineen, Principal, The Knowledge Guild, Inc.
- Moderator: Robert J. Rosser, Senior Vice President, Skandia International Risk Management

OR ■ Integrated Risk Financing/Enterprise Risk Management/Basket Aggregates

- Michel Cournier, Director of Risk Management, Alcatel
- P. Richard Hackenburg, President & CEO, XL America, Inc.
- Brian Kawamoto, Director, Enterprise Risk, Swiss Re New Markets
- Moderator: Kathryn J. McIntyre, Publisher and Editorial Director, Business Insurance

■ Using a Captive in Mergers and Acquisitions — A Healthcare Perspective

- C. Richard Cornelius, Vice President Insurance Services, VHA Inc.
- Corbette Doyle, Chief Executive Officer of Healthcare, Aon Healthcare Alliance
- Moderator: Michael Maglaras, Principal, Michael Maglaras & Co.

OR ■ Getting Ready for a Merger or Acquisition

- Peter Gentile, CEO, Gerling Global
- Ken Krenicky, Vice President, Risk Management, Rhone-Poulenc Rorer Inc.
- Gary Peruse, Senior Vice President, Risk Management, Ogden Corporation
- Moderator: Kathryn J. McIntyre, Publisher and Editorial Director, Business Insurance

Reception, Dinner and Entertainment at the Pavilion

Wednesday, November 17, 1999

■ Captive Case Studies Reception, Dinner and Entertainment at the Pavilion

- Janet Evans, Corporate Risk Manager, Snow Summit Ski Corporation
- Barry Port, President, Public Utility Mutual Insurance Company
- Philip Thomas, Director of Risk Management, Bass
- Moderator: D. Hugh Rosenbaum, Principal, Tillinghast-Towers Perrin

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	1998	1997
Employees	38	35
Wholesale employees	2	2
Commercial lines	63%	63%
Admitted business	87%	86%
Non-admitted	13%	14%

Founded: 1949.
Business: managing agent 90%, broker 9%, Lloyd's of London coverholder 1%.
MGA for: Acceptance Insurance Co., American Modern Insurance Co., Essex Insurance Co., Markel Group, National Casualty Insurance Co., National Liability & Fire Insurance Co., Northland Insurance Co., Penn America Insurance Co., RLI Group, U.S. Liability Insurance Co.
Broker for: Admiral Insurance Co., General Star Indemnity Co., Western World Insurance Co.
Licensed in: New York.
Membership: AAMGA, NAPSLO, Professional Liability Underwriting Society.
Officers: Leonard T. LoVullo, president; Paul W. LoVullo, senior vp; David W. Pietowski, vp.
Contact: Paul LoVullo.



MTS Insurance Services L.L.C.

19867 Prairie St., Suite 250,
 Chatsworth, Calif. 91311;
 818-772-1774; fax: 818-772-2796

	1998	1997
Premium volume	\$104,000,000	\$80,000,000
Gross revenues	\$6,900,000	\$5,100,000
Employees	34	30
Commercial lines	100%	100%
Admitted business	65%	55%
Non-admitted	35%	45%

Founded: 1980.
Business: managing agent 2%, broker 97%, Lloyd's of London coverholder 1%.
MGA for: Reliance Insurance Co.
Broker for: Commonwealth Insurance Co., Essex Insurance Co., First State Management Co., General Star Indemnity Co., Lexington Insurance Co., Lloyd's of London, Reliance National Insurance Co., Scottsdale Insurance Co.
Licensed in: California.
Membership: NAPSLO.
Officers: Ernie Telford, Ron Benigno, Charlie Adams, George Maggag, partners.
Contact: Celia McDonnell.

Managed Care USA Inc.

4401 Barclay Downs Drive,
 Charlotte, N.C. 28209-4604;
 704-945-2600; fax: 704-945-2634
 www.managedcareusa.com

	1998	1997
Premium volume	\$98,000,000	\$54,000,000
Employees	203	135
Commercial lines	100%	100%
Admitted business	100%	100%

Founded: 1994.
Business: underwriting manager 25%, managing agent 74%, broker 1%.
Underwriting manager for: American Re (American Alternative Insurance Corp.); Reliance Insurance Group.
MGA for: American Re (American Alternative Insurance Corp.), Legion Insurance, Reliance Insurance Group.
Subsidiaries: OccuCare USA, OccuCare Special Risk, Providers Assurance Corp.
Licensed in: North Carolina.
Officers: Steven M. Mariano, chairman/CEO; Stephen B. Cook, CFO; Lucia Tompkins, chief underwriting officer.
Contact: Kevin M. McCarthy, corporate communication director, 704-945-2706; kevinmccarthy@managedcareusa.com.

Gary Markel Surplus

Lines Brokerage Inc.
 1901 Ulmerton Road, Suite 700,
 Clearwater, Fla. 33762;
 727-540-9100; fax: 727-540-9600
 www.gmarkelsurplus.com

	1998	1997
Premium volume	\$9,600,000	\$9,450,000
Gross revenues	\$767,000	\$728,000
Wholesale revenues	\$767,000	\$728,000
Employees	9	7
Wholesale employees	9	7
Commercial lines	100%	100%
Admitted business	5%	5%
Non-admitted	95%	95%

Founded: 1993.
Business: managing agent 24%, broker 75%, Lloyd's of London coverholder 1%.
MGA for: Essex Insurance Co., Preferred National Insurance Co.
Broker for: American International Surplus

Lines, Admiral, Insurance Co., Coregis Insurance Co., Evanston Insurance Co., Executive Risk Group, Investors Insurance Co. of America, National Union Fire Insurance Co. of Pittsburgh, Pa., RLI Group, Royal Surplus Lines Insurance Co., Scottsdale Insurance Co., United Capitol Insurance Co.
Licensed in: Florida.
Membership: NAPSLO, Professional Liability Underwriting Society, Florida Surplus Lines Assn.
Officers: Gary Markel, president; Paula Wachholz, executive vp; Barbara Ermatinger, assistant vp.
Contact: Paula Wachholz, pwachholz@gmarkelsurplus.com.

Market Finders Insurance Corp.

P.O. Box 6549,
 Louisville, Ky. 40206;
 502-423-1800; fax: 502-426-7970
 www.mfic.com

	1998	1997
Premium volume	\$38,809,574	\$31,573,548
Gross revenues	\$4,150,019	\$3,955,538
Wholesale revenues	\$4,150,019	\$3,955,538
Employees	55	49
Wholesale employees	55	49
Commercial lines	80%	70%
Admitted business	50%	60%
Non-admitted	50%	40%

Fiscal years ending 1/31.
Founded: 1972.
Business: managing agent 70%, broker 20%, Lloyd's of London coverholder 10%.
Licensed in: Indiana, Kentucky, Ohio, Pennsylvania, South Carolina, and West Virginia.
Membership: AAMGA, NAPSLO.
Officers: James Ryan, president; Jerome H. Boyett, secretary/treasurer; J. Dennis Watts Sr., vp-professional liability division.
Contact: James Ryan.

G.A. Mavon & Co.

10 W. Chicago Ave.,
 Hinsdale, Ill. 60521;
 630-655-2400; fax: 630-654-4447
 www.mavon.com

	1998	1997
Premium volume	\$18,000,000	\$17,000,000
Employees	25	25
Commercial lines	55%	51%
Admitted business	82%	85%
Non-admitted	18%	15%

Founded: 1916.
Business: managing agent 45%, broker 45%, Lloyd's of London coverholder 10%.
MGA for: Northland Insurance Co., Scottsdale Insurance Co., Standard Mutual Insurance Co.
Broker for: CNA Insurance Group, CGU P.L.C., Chubb Insurance Co.
Licensed in: Illinois.
Membership: AAMGA, NAPSLO.
Officers: P.G. Mavon Jr., president; Phil Mavon, executive vp; James Davis, vp.

McAuley, Woods & Associates

1601 Forum Place, Suite 700,
 West Palm Beach, Fla. 33401;
 561-712-0008; fax: 561-712-9304

	1998*	1997*
Premium volume	\$24,000,000	\$16,500,000
Employees	10	14
Wholesale employees	10	14
Commercial lines	100%	100%
Admitted business	20%	20%
Non-admitted	80%	80%

**McAuley, Woods & Associates was formed in 1999 from a division of Tri-City Brokerage Inc. All figures are estimates of that division's value in 1998.*
Founded: 1999.
Business: broker 100%.
Broker for: ACE USA, Admiral Insurance Co., American Empire Insurance Co., Empire Insurance Co., Fulcrum Insurance Co., General Star Indemnity Co., Lexington Insurance Co., Ohio Casualty Insurance Co., RLI Group, Royal Specialty Insurance Co., St. Paul Surplus Lines Insurance Co., Transnational Insurance Co., Travelers Insurance Co.
Licensed in: Florida.
Officers: Loti Woods, Bob McAuley, co-CEO/presidents, 561-712-8112; bmcauley@mcauleywoods.com.
Contact: Bob McAuley, 561-712-8112; bmcauley@mcauleywoods.com.
Has entered into letter of intent to merge with Repath Group.

McClelland & Hine Inc.

P.O. Box 792710,
 San Antonio, Texas 78279;
 210-366-2500; fax: 210-366-2407
 www.mhi-tx.com

	1998	1997
Premium volume	\$25,000,000	\$24,000,000
Commercial lines	95%	95%

Admitted business 40% 40%
 Non-admitted 60% 60%

Founded: 1982.
Business: underwriting manager 12%, managing agent 32%, broker 23%, Lloyd's of London coverholder 33%.
Underwriting manager for: Home State County Mutual Insurance Co.
MGA for: Burlington Insurance Group, Colony Insurance Co., Gainsco Inc., Gulf Insurance Co., Penn America Insurance Co.
Broker for: Highlands Insurance Co., Lloyd's of London, Shand Morahan & Co. Inc., Texas Builders Insurance Co., TIG Insurance Co.
Licensed in: Texas.
Membership: AAMGA, NAPSLO.
Officers: Gilbert C. Hine Jr., president; Harold F. Smith Jr.; Shelley Hine.
Contact: Gilbert C. Hine Jr.

Media/Professional Insurance

2300 Main St., Suite 800,
 Kansas City, Mo. 64108;
 816-471-6118; fax: 816-471-6119
 www.mediaprof.com

	1998	1997
Premium volume	\$85,000,000	\$84,600,000
Employees	120	120
Commercial lines	100%	100%
Admitted business	70%	70%
Non-admitted	30%	30%

Founded: 1979.
Parent: Aon Corp.
Business: underwriting manager 100%.
Underwriting manager for: National Casualty Co. and affiliated members of Nationwide Insurance Enterprise; Gulf Insurance Group.
Licensed in: Kansas and Missouri.
Membership: AAMGA, NAPSLO, Professional Liability Underwriting Society.
Officers: John Pfannenstiel, president/CEO; Mark Hutchins, executive vp-underwriting; T.R. Franklin, executive vp-claims.
Contact: Marcia Jensen; marketing@mediaprof.com.

E.A. Meindl Insurance Agency Inc.

3452 Grand Blvd.,
 Brookfield, Ill. 60513;
 708-354-0184; fax: 708-354-0403

	1998	1997
Premium volume	\$11,000,000	\$11,500,000
Gross revenues	\$880,000	\$875,000
Wholesale revenues	\$750,000	\$750,000
Employees	20	21
Wholesale employees	16	16
Commercial lines	40%	40%
Admitted business	90%	90%
Non-admitted	10%	10%

Fiscal years ending 3/31.
Founded: 1974.
Parent: Albacor Inc.
Business: managing agent 5%, broker 90%, Lloyd's of London coverholder 5%.
MGA for: Commercial Underwriters Insurance Co., Topa Insurance Co.
Broker for: Admiral Insurance Co., American Ambassador Casualty Insurance Co., American Freedom Insurance Co., American Service Insurance Co., Century-National Insurance Co., Fremont Casualty Co., Interstate Bankers Casualty Co., Lloyd's of London, North Pointe Insurance Co., Safeway Insurance Co., Universal Underwriters Insurance Co., United Midwest Insurance Co.
Licensed in: Illinois.
Membership: NAPSLO.
Officers: Fred J. Harris, CFO; Joseph Peter Harris, president; Carolyn Harris, director.
Contact: Joseph Peter Harris.

Miami Valley Express & Surplus Agency Inc.

2877 Orchard Run Road,
 Dayton, Ohio 45449;
 937-438-0491; fax: 937-438-9834

	1998	1997
Premium volume	\$5,000,000	\$4,950,000
Gross revenues	\$730,000	\$704,000
Wholesale revenues	\$531,000	\$507,000
Employees	13	13
Wholesale employees	13	13
Commercial lines	98%	99%
Admitted business	80%	85%
Non-admitted	20%	15%

Founded: 1985.
Business: managing agent 75%, broker 25%.
MGA for: Burlington Insurance Group, Century Surety Co., Colony Insurance Co., Empire Fire & Marine Co., Packwood Casualty, Preferred National Insurance Co.
Licensed in: Kentucky, Ohio, Virginia and West Virginia.
Membership: AAMGA.
Officers: Fred C. Wootan, president; Barbara

A. Wootan, Craig Yuskewich, vps.

Midlands Management Corp.

3503 N.W. 63rd St., Suite 305,
 Oklahoma City, Okla. 73116;
 405-840-0074; fax: 405-840-5432
 www.midlandsmgmt.com

	1998	1997
Premium volume	\$50,500,000	\$44,500,000
Gross revenues	\$8,017,896	\$3,652,779
Wholesale revenues	\$8,017,896	\$3,652,779
Employees	99	16
Wholesale employees	99	16
Commercial lines	100%	100%
Admitted business	35%	50%
Non-admitted	65%	50%

Founded: 1990.
Parent: Midlands Holding Corp.
Business: managing agent 46%, broker 48%, Lloyd's of London coverholder 6%.
MGA for: Associated International Insurance Co., Clarendon America Insurance Co., Essex Insurance Co., Realm National Insurance Co.
Broker for: American Reinsurance Group, Century Surety Co., Clarendon America Insurance Co., Century Surety Co., Chubb Custom, Colony Insurance Co., Markel Group, Old United Insurance Co., Reliance Insurance Co., Texas Builders Insurance Co.
Subsidiaries: American Agency System, Inc.; Centrus Underwriting Managers Inc., Oklahoma City; Midlands Management of Texas, Inc., Dallas.
Licensed in: Oklahoma and Texas.
Membership: AAMGA, NAPSLO.
Officers: Charles C. Caldwell, CEO; Wayne Keith, executive vp; Mark Davis, vp.
Contact: James Caldwell, jmcaldwell@midman.com.

Midlands Claim Administrators provides claims adjusting and advisement services; Midlands Injury Management provides medical oversight and rehabilitation services.



Nason Associates Inc.

6901 W. 63rd St., Suite 207,
 Overland Park, Kan. 66202;
 913-677-1550; fax: 913-384-9350
 www.nasonassoc.com

	1998	1997
Premium volume	\$8,600,000	\$8,500,000
Gross revenues	\$1,290,000	\$1,275,000
Wholesale revenues	\$516,000	\$510,000
Employees	8	8
Admitted business	99%	99%
Non-admitted	1%	1%

Fiscal years ending 6/30.
Founded: 1983.
Business: broker 86%, Lloyd's of London coverholder 14%.
Licensed in: Kansas and Missouri.
Officers: C.H. Nason, chairman; Linda Joy, president; Lorri Shuey, vp.

National Insurance Professionals Corp.

1040 N.E. Hostmark St., Suite 200,
 Poulosbo, Wash. 98370;
 360-697-3611; fax: 360-697-3688
 www.nipc.com

	1998	1997
Premium volume	\$13,726,000	\$14,229,000
Employees	19	18
Wholesale employees	19	18
Commercial lines	100%	100%
Admitted business	33%	30%
Non-admitted	67%	70%

Founded: 1976.
Business: managing agent 91%, broker 9%.
Licensed in: Alaska, California and Washington.
Membership: AAMGA, NAPSLO, Professional Liability Underwriting Society.
Officers: Thomas C. Downs, chairman; William J. Reese, president; William L. Johnson, executive vp; Barry C. Clipsham, senior vp.
Contact: Thomas C. Downs.

North Island Group Inc.

30 Park Ave.,
 Manhasset, N.Y. 11030;
 516-365-7440; fax: 516-365-7392
 www.nifgroup.com

	1998	1997
Premium volume	\$77,000,000	\$77,000,000
Employees	81	74
Wholesale employees	81	74
Commercial lines	96%	96%
Admitted business	92%	92%
Non-admitted	8%	8%

Fiscal years ending 3/31.
Founded: 1976.
Business: managing agent 65%, broker

32%, Lloyd's of London coverholder 3%.
MGA for: General Star Indemnity Co., Hermitage Insurance Co., National Union Fire Insurance Co. of Pittsburgh, Pa., Redland/Acceptance Insurance Co., Royal Insurance Group, SAFECO Insurance Cos., Scottsdale/National Casualty, TIG Insurance Co., U.S. Liability Insurance Co.
Broker for: Admiral Insurance Co., Chubb Corp., Evanston Insurance Co., Executive Risk Group, Fireman's Fund Insurance Co., First Financial Insurance Co., First State Insurance Co., General Star Indemnity Co., Interstate Insurance Group, Investors Insurance Co. of America, Lexington Insurance Co., Reinsurance Corp. of New York, Reliance Insurance Co., SAFECO Insurance Cos., Travelers Group.
Licensed in: Connecticut, Florida, New Jersey, New York, Pennsylvania, Rhode Island, Virginia, District of Columbia.
Membership: AAMGA, NAPSLO.
Officers: Michael A. Orlando, president; John G. Orlando, executive vp; William Battistini, Dennis Loggie, vps.
Contact: Daphne Alvarado.



J.R. Olsen Bonds & Insurance Brokers Inc.

7407 Topanga Canyon Blvd.,
 Canoga Park, Calif. 91303;
 800-452-7121; fax: 818-224-4857

	1998	1997
Premium volume	\$5,000,000	\$4,000,000
Employees	15	13
Wholesale employees	15	13
Commercial lines	100%	100%
Admitted business	100%	100%

Founded: 1984.
Business: managing agent 85%, broker 15%.
MGA for: CIGNA Insurance Co., Connecticut/Surety Insurance Co., Frontier Insurance Co., Granite State Insurance Co., Hartford Insurance.
Broker for: Lloyd's of London, Reliance Insurance Co.
Licensed in: Alaska, Arizona, California, Idaho, Illinois, Kansas, Maryland, Michigan, Missouri, Montana, Nevada, New York, North Dakota, Oregon, Utah, Virginia, Washington, Wyoming and the District of Columbia.
Officers: James R. Olsen, Hope Olsen, Rosita Ciccolini.
Contact: James R. Olsen.



P.S. & Associates Underwriting Agency Inc.

1755 Park St., Suite 300,
 Naperville, Ill. 60563;
 630-416-0004; fax: 630-416-2246

	1998	1997
Premium volume	\$10,250,000	\$10,334,000
Employees	12	12
Commercial lines	100%	100%
Admitted business	15%	15%
Non-admitted	85%	85%

Fiscal years ending 9/30.
Founded: 1995.
Business: managing agent 99%, Lloyd's of London coverholder 1%.
MGA for: Hallmark Insurance Co., North American Capacity Insurance Co., North American Specialty Insurance Co., United National Insurance Co.
Licensed in: Illinois, Ohio.
Membership: NAPSLO.
Officers: Charles Podczewinski, president; R. Neil Shaffer, senior vp; John Hilligoss Jr., vp.

Petersen International Underwriters

23929 Valencia Blvd., Suite 215,
 Valencia, Calif. 91355;
 661-254-0006; fax: 661-254-0604
 www.piu.org

	1998	1997
Premium volume	\$14,900,000	\$11,800,000
Employees	10	9
Commercial lines	60%	60%
Non-admitted	100%	100%

Fiscal years ending 7/31.
Founded: 1979.
Business: Lloyd's of London coverholder 100%.
Licensed in: California.
Membership: Surplus Lines Assn. of California.
Officers: W. Harold Petersen, president; Thomas R. Petersen, chief information officer.

Continued from previous page

Professional Indemnity Agency Inc.

345 Route 17 S.,
Upper Saddle River, N.J. 07458;
201-934-4240; fax: 201-768-1145

	1998	1997
Premium volume	\$70,000,000	\$72,000,000
Employees	59	54
Commercial lines	100%	100%
Admitted business	44%	56%
Non-admitted	56%	44%

Fiscal years ending 1/31.
Founded: 1978.
Parent: Marshall Rattner Inc.
Business: managing agent 56.4%, Lloyd's of London coverholder 43.6%.
MGA for: Reliance National Indemnity Co., Legion Indemnity Co., Legion Insurance Co.
Licensed in: New Jersey.
Membership: AAMGA, NAPSLO, Professional Liability Underwriting Society; Professional Insurance Wholesalers Assn.
Officers: Mark E. Rattner, president; David F. Rattner, vp; Gerald Axel, senior vp/treasurer.
Contact: David F. Rattner.

ProSurance Group Inc.

1101 San Antonio Road, Suite 204,
Mountain View, Calif. 94043;
650-428-0818; fax: 650-428-0860

	1998	1997
Premium volume	\$9,000,000	\$7,000,000
Employees	12	10
Wholesale employees	12	10
Commercial lines	100%	100%
Admitted business	40%	40%
Non-admitted	60%	60%

Founded: 1993.
Business: managing agent 60%, broker 40%.
MGA for: ACE USA, Atlantic Employers Insurance Co., CIGNA Insurance Co., INA Surplus Insurance Co., Illinois Union Insurance Co.
Broker for: American International Group, Reliance National Insurance Co. and others.
Licensed in: California.
Membership: Professional Liability Underwriting Society.
Officers: John V. Wagner, chairman/CEO; Donald W. Satterlee, president/COO; Dorothy Kent, Susan Canlis, vps.
Contact: Donald Satterlee.



Rangemark Insurance Services

2040 Viborg Road, Suite 120,
Solvang, Calif. 93463;
805-686-8288; fax: 805-686-8284
www.rangemark.com

	1998	1997
Premium volume	\$29,000,000	\$27,000,000
Gross revenues	\$3,200,000	\$2,900,000
Employees	28	25
Commercial lines	100%	100%
Admitted business	100%	100%

Founded: 1994.
Business: underwriting manager 100%.
Underwriting manager for: Rarger Insurance Co., Superior National Insurance Co.
Licensed in: California.
Membership: California Insurance Wholesalers Assn.
Officers: Mickey Fay, president; Melanie Lee, vp; Mike Patterson, assistant vp.

Directory begins on page 63.

Repath Group

4301 Hillsboro Road, Suite 314,
Nashville, Tenn. 37215;
615-297-1739; fax: 615-297-3796

	1998	1997
Premium volume	\$65,000,000	\$57,026,000
Gross revenues	\$5,000,000	\$4,450,000
Who esale revenues	\$600,000	
Employees	44	48
Who esale employees	44	48
Commercial lines	99%	100%
Admitted business	23%	26%
Non-admitted	77%	74%

Founded: 1984.
Business: managing agent 7%, broker 91%, Lloyd's of London coverholder 2%.
MGA for: American Empire Surplus Lines Insurance Co.; Colony Insurance Co.; Century Surety Group; Essex Insurance Co.; Gainsco Inc.; General Star Indemnity Co.; The Hartford Steam Boiler Group; Interstate National; National Union Fire Insurance Co. of Pittsburgh, Pa.; Pacific Insurance Co. Ltd.; Relance Insurance Co.; Zurich Insurance Co.
Broker for: ACE USA, Admiral Insurance Co., Allianz Underwriters Insurance Co., CNA Insurance Cos., Chubb Custom Insurance Co. Group, Evanston Insurance Co., First Specialty Insurance Corp., General Accident, General Star Indemnity Co., Investors Insurance Co. of America, Ohio Casualty Group, RLI Insurance Co., Travelers Indemnity Co., Zurich Re.

Licensed in: Florida, Georgia, Indiana, Michigan, North Carolina, Ohio, Tennessee, and Washington.
Membership: AAMGA, NAPSLO.
Officers: Derek Repath, chairman, Elise Repath, president; Sandra Breedlove, executive vp.
Has entered into letter of intent to merge with Nicauley, Woods & Associates.

RISC Inc.

750 N. St. Paul St., Suite 300,
Dallas, Texas 75201;
214-954-0707; fax: 214-954-0999

	1998	1997
Premium volume	\$27,331,505	\$32,000,000
Gross revenues	\$2,752,983	\$2,400,000
Wholesale revenues	\$2,511,895	\$2,400,000
Employees	27	28
Wholesale employees	27	28
Commercial lines	99%	99%
Admitted business	30%	20%
Non-admitted	70%	80%

Founded: 1966.
Parent: The Rigg Group Inc.
Business: managing agent 47%, broker 50%, Lloyd's of London coverholder 3%.
MGA for: American Empire Surplus Lines Insurance Co., Century Surety Group, Empire Fire & Marine Insurance Co., Essex Insurance Co., General Star Indemnity Co., Interstate Fire & Casualty Co., Jefferson Insurance Group, Travelers Indemnity Co.
Broker for: Chubb Corp., General Star Indemnity Co., Lexington Insurance Co., RLI In-

surance Co., Zurich Insurance Co.

Licensed in: Texas.
Membership: AAMGA, NAPSLO, Texas Surplus Lines Assn.; Independent Insurance Agents of Texas.
Officers: Robin A. Stough, president; Daniel E. Whitt, senior vp; Jere Freel, vp.
Contact: Mary Ann Johnson.
The Rigg Group provides accounting and MIS support.

Risk Placement Services Inc.

2 Pierce Place,
Itasca, Ill. 60143;
630-285-4303; fax: 630-285-4020

	1998	1997
Premium volume	\$185,000,000	\$98,000,000
Gross revenues	\$13,372,000	\$6,300,000
Wholesale revenues	\$13,372,000	\$6,300,000
Employees	104	54
Wholesale employees	104	54
Commercial lines	98%	100%
Admitted business	65%	70%
Non-admitted	35%	30%

Founded: 1997.
Parent: Arthur J. Gallagher & Co.
Business: managing agent 12%, broker 75%, Lloyd's of London coverholder 13%.
Subsidiaries: Harbor Excess, Little Rock, Ark.; Nelson, Gordon & James Insurance Services, Tustin, Calif.; The Planning Corp., Reston, Va.; R&R Select, Tulsa, Okla.
Licensed in: Arkansas, California, Georgia, Illinois, Oklahoma, Virginia and the District of Columbia.
Officers: Dave McGurn, chairman; Joel D. Cavaness, president; Joe Nelligan, senior vp.
Contact: Joel Cavaness.



W.A. Schickedanz Agency Inc.

300 W. Main St.,
Belleville, Ill. 62220;
618-233-0644; fax: 618-233-0672

	1998	1997
Premium volume	\$6,000,000	\$6,500,000
Employees	13	14
Wholesale employees	13	14
Commercial lines	85%	85%
Admitted business	90%	90%
Non-admitted	10%	10%

Founded: 1931.
Business: managing agent 75%, broker 10%, Lloyd's of London coverholder 15%.
MGA for: Burlington Insurance Co., Empire Fire & Marine Insurance Co., First Financial Insurance Co., Landmark American Insurance Co., Northfield Insurance Co., Northland Insurance Co.
Broker for: Bituminous Casualty Corp., Bituminous Fire & Marine Insurance, Fireman's Fund Insurance Co., Fidelity & Deposit Co. of Maryland, Hartford Insurance Group, Metropolitan Group Property & Casualty Insurance, United National Insurance Co.
Subsidiaries: Interstate Risk Placement Inc., Peoria, Ill.
Licensed in: Illinois.
Membership: AAMGA, Illinois Surplus Lines Assn.; Independent Insurance Agents Assn. of America.
Officers: C. Jack Miller, president and CEO, Steven C. Miller, executive vp, David A. Miller, vp.
Contact: C. Jack Miller.

The Schinnerer Group Inc.

2 Wisconsin Circle,
Chevy Chase, Md. 20815;
301-961-9800; fax: 301-951-5444
www.schinnerer.com

	1998	1997
Premium volume	\$454,000,000	\$474,000,000*
Gross revenues	\$37,600,000**	\$39,300,000**
Employees	338	332
Commercial lines	100%	100%
Admitted business	95%	95%
Non-admitted	5%	5%

**Restated. **BI estimate.*
Founded: 1938.
Parent: Marsh & McLennan Cos. Inc.
Business: underwriting manager 99%, broker 1%.
Underwriting manager for: CNA Insurance Cos., Employers Reinsurance Corp., Gulf Underwriters Insurance Co., United Educators Insurance RRG Inc., Zurich-American Insurance.
Broker for: Executive Risk Group.
Subsidiaries: AMGRIP, Houston; ENCON Insurance Managers Inc., Ottawa.
Licensed in: California and Maryland.
Officers: Vincent C. Santorelli, president,

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Continued from previous page

Lorna M. Parsons, Dennis Schillington, senior vps.
Contact: Mary Jefferson, 301-951-9798; jef-ferm@schinnerer.com.

Shand Morahan & Co. Inc.

Shand Morahan Plaza,
 1007 Church St.,
 Evanston, Ill. 60201;
 847-866-0200; fax: 847-866-0778
 www.shand.com

1998	1997	
Premium volume	\$126,921,000	\$116,883,000
Gross revenues	\$26,022,436	\$24,271,102
Wholesale revenues	\$24,843,292	\$23,311,909
Employees	169	167
Wholesale employees	169	167
Commercial lines	100%	100%
Admitted business	8%	2%
Non-admitted	92%	98%

Founded: 1970.
Parent: Markel Corp.
Business: underwriting manager 100%.
Underwriting manager for: Essex Insurance Co., Evanston Insurance Co., Investors Insurance Co. of America, Markel American Insurance Co., Markel Insurance Co.
Licensed in: Illinois and Pennsylvania.
Membership: AAMGA, NAPSLO.
Officers: Anthony F. Markel, chairman/CEO; Paul W. Springman, president; Michael A. Rozenberg, COO.
Contact: Letha Heaton, vp-sales/marketing; heaton@markelcorp.com.

Sherwood Insurance Services

201 California St., Suite 1000,
 San Francisco, Calif. 94111;
 415-956-3236; fax: 415-956-1204

1998	1997	
Premium volume	\$334,000,000	\$335,000,000
Gross revenues	\$34,004,000	\$32,000,000
Wholesale revenues	\$1,775,000	\$1,890,000
Employees	209	256
Wholesale employees	209	256
Commercial lines	100%	100%
Admitted business	75%	75%
Non-admitted	25%	25%

Founded: 1978.
Parent: Aon Corp.
Business: managing agent 20%, broker 80%.
MGA for: Caliber One Indemnity Co., Gulf Underwriters Insurance Co., Lexington Insurance Co., Scottsdale Insurance Co., Twin City Fire Insurance Co.
Broker for: ACE USA, AIG National Insurance Co. Inc., Associated International Insurance Co., Chubb Group, CNA Insurance Cos., Fireman's Fund Insurance Co., First State Insurance Co., General Star Indemnity Co., Gerling Global Reinsurance Corp. of America, Markel Insurance Co., Royal Insurance Co. of America, RLI Insurance Co., TIG Insurance Co., USF&G Specialty Insurance Co.
Licensed in: all states.
Membership: NAPSLO.
Officers: James W. Barnes, chairman/CEO; Curt Biersch, president; Kevin Schrage, CFO.
Contact: Phil Mazur, executive vp; phil_mazur@shrwd.com.

Sovereign Group International Inc.

517 Route 1 S., Suite 3100,
 Iselin, N.J. 08830;
 732-750-2300; fax: 732-750-1650

1998	1997	
Premium volume	\$18,100,000	\$18,500,000
Gross revenues	\$2,100,000	\$2,160,000
Wholesale revenues	\$2,100,000	\$2,160,000
Employees	19	23
Wholesale employees	19	23
Commercial lines	98%	99%
Admitted business	40%	34%
Non-admitted	60%	66%

Founded: 1976.
Business: managing agent 60%, broker 38%, Lloyd's of London coverholder 2%.
MGA for: Burlington Insurance Group, First Financial Insurance Co., Fulcrum Insurance Co., General Star Insurance Co., Hermitage Insurance Co., Mt. Vernon Insurance Co., National Casualty Insurance Co., Scottsdale Insurance Co., U.S. Liability Insurance Co., Western Heritage Insurance Co.
Broker for: Admiral Insurance Co., Chubb Custom Insurance Co., Commercial Underwriters Insurance Co., Fireman's Fund Insurance Co., General Accident Insurance Co., Gerling America Insurance Co., Lexington Insurance Co., Markel Insurance Co., Reliance National Insurance Co., Royal Surplus Lines Insurance Co., Travelers Property Casualty Corp., United National Insurance Co.
Licensed in: Florida, Massachusetts, New Jersey, New York and Pennsylvania.

Membership: AAMGA, NAPSLO.
Officers: William F. Lynch, president; Daniel J. Lynch, executive vp; Joseph Certo, vp.

Special Program Management

525 Washington Blvd.,
 Jersey City, N.J. 07310;
 201-798-5100; fax: 201-798-9064

1998	1997	
Premium volume	\$19,770,219	\$23,656,812
Employees	8	9
Commercial lines	100%	100%
Non-admitted	100%	100%

Founded: 1987.
Parent: Willis Corroon Group Ltd.
Business: managing agent 100%.
MGA for: Lloyd's of London.
Licensed in: New Jersey.
Membership: Professional Liability Underwriting Society.
Officers: James R. Martocci, president/CEO; Marjorie B. Feit, vp; Roy S. Huelsebusch, assistant vp.
Contact: James R. Martocci.
Support services are provided by parent company.

Stewart Smith Group Inc.

26 Century Blvd.,
 Nashville, Tenn. 37214;
 615-872-3030; fax: 615-872-4408

1998	1997	
Premium volume	\$362,367,000	\$343,937,000
Gross revenues	\$28,895,000	\$28,590,000
Wholesale revenues	\$28,825,000	\$28,590,000
Employees	201	216
Wholesale employees	201	216
Commercial lines	100%	100%
Admitted business	60%	40%
Non-admitted	40%	60%

Founded: 1936.
Parent: Willis Corroon Group Ltd.
Business: managing agent 12%, broker 85%, Lloyd's of London coverholder 3%.
MGA for: CIGNA Insurance Co., Executive Risk Group, TIG Insurance Co.
Broker for: ACE USA, Admiral Insurance Co., CNA Insurance Cos., Chubb Indemnity Insurance Co., General Star Indemnity Co., Hartford Insurance Co., Lexington Insurance Co., Markel Insurance Co., Northland Insurance Co., Reliance Group, RLI Insurance Co., Royal Specialty Underwriting, RSA Surplus Lines Insurance Services Inc., Travelers Indemnity Co., Zurich-American Insurance Co.
Licensed in: Alaska, Arizona, California, Connecticut, Florida, Illinois, Michigan, New Jersey, New York, Ohio, Pennsylvania, Tennessee, Texas.
Membership: NAPSLO, Professional Liability Underwriting Society.
Officers: Gary H. Cooper, chairman/CEO; Mark M. Smith, president/COO; Connie Steinmetz, CFO.
Contact: Mark M. Smith.

The Sullivan Group - Wholesale Operations

800 W. 6th St., 18th Floor,
 Los Angeles, Calif. 90017;
 213-626-1000; fax: 213-628-8852
 www.gjs.com

1998	1997	
Premium volume	\$81,957,000	\$76,302,000
Gross revenues	\$7,781,000	\$7,901,000
Wholesale revenues	\$7,202,000	\$7,739,000
Employees	77	77
Wholesale employees	65	67
Commercial lines	97%	96%
Admitted business	86%	81%
Non-admitted	14%	19%

Founded: 1933.
Parent: The Sullivan Group.
Business: managing agent 74%, broker 23%, Lloyd's of London coverholder 3%.
Subsidiaries: VIBA Insurance Administration Inc., Irvine, Calif.
Licensed in: Arkansas, California and Oregon.
Membership: AAMGA, NAPSLO, California Insurance Wholesalers Assn.
Officers: Gerald J. Sullivan, CEO; Hank Haldeman, senior vp; Bob Bothamley, CFO.
Contact: Hank Haldeman.

Swett & Crawford Group

21650 Oxnard St., Suite 1600,
 Woodland Hills, Calif. 91367;
 818-348-7026; fax: 818-227-3434
 www.swett.com

1998	1997	
Premium volume	\$698,900,000	\$569,500,000
Gross revenues	\$70,800,000	\$52,500,000
Wholesale revenues	\$63,100,000	\$47,400,000
Employees	520	376
Wholesale employees	520	376
Commercial lines	99%	100%
Admitted business	60%	55%
Non-admitted	40%	45%

Parent: Aon Corp.
Business: underwriting manager 1.5%, managing agent 31.5%, broker 62%, Lloyd's of London coverholder 5%.

Underwriting manager for: Zurich Centre Insurance Co.,
MGA for: American Empire Surplus Lines Insurance Co., American Equity Insurance Co., Berkshire Hathaway Homestate, CNA Insurance Cos., Canal Insurance Co., First State Insurance Co., General Star Indemnity Co., Gryphon Insurance Group, Jefferson Insurance Co., Nautilus Insurance Co., Northland Insurance Co., Scottsdale Insurance Co., St. Paul Surplus Lines Insurance Co., TIG Insurance Co., United States Liability Insurance Co., Western Heritage Insurance Co., Western World Insurance Co.
Broker for: AIG, ACE USA, Admiral Insurance Co., Coregis Group, Executive Risk Management, First State/The Hartford Insurance Group, General Star Indemnity Co., Gryphon Insurance Group, RLI Group, Reliance National Insurance Co., Royal Specialty, St. Paul Surplus Lines Insurance Co., Shand Morahan/Markel, Travelers Insurance Co.
Subsidiaries: Howden Transportation, Atlanta; International Technical Risk, Dallas; J.H. Blades, Houston; Pine Street Management Co., New York.
Licensed in: Arkansas, Arizona, California, Colorado, Connecticut, Florida, Georgia, Hawaii, Iowa, Idaho, Massachusetts, Maryland, Maine, Michigan, Missouri, Montana, North Carolina, New Hampshire, New Jersey, Nevada, New York, Ohio, Oregon, Pennsylvania, Rhode Island, Texas, Utah, Virginia, Washington, Wisconsin and the District of Columbia and the U.S. Virgin Islands.
Membership: AAMGA, NAPSLO.
Officers: David Hartoch, chairman; Thomas Comer, president; Ronald Wardick, executive vp.

Founded: 1936.
Parent: Willis Corroon Group Ltd.
Business: managing agent 12%, broker 85%, Lloyd's of London coverholder 3%.
MGA for: CIGNA Insurance Co., Executive Risk Group, TIG Insurance Co.
Broker for: ACE USA, Admiral Insurance Co., CNA Insurance Cos., Chubb Indemnity Insurance Co., General Star Indemnity Co., Hartford Insurance Co., Lexington Insurance Co., Markel Insurance Co., Northland Insurance Co., Reliance Group, RLI Insurance Co., Royal Specialty Underwriting, RSA Surplus Lines Insurance Services Inc., Travelers Indemnity Co., Zurich-American Insurance Co.
Licensed in: Alaska, Arizona, California, Connecticut, Florida, Illinois, Michigan, New Jersey, New York, Ohio, Pennsylvania, Tennessee, Texas.
Membership: NAPSLO, Professional Liability Underwriting Society.
Officers: Gary H. Cooper, chairman/CEO; Mark M. Smith, president/COO; Connie Steinmetz, CFO.
Contact: Mark M. Smith.

Founded: 1985.
Business: managing agent 62%, broker 38%.
MGA for: First Financial Insurance Co., United Capitol Insurance Co.
Licensed in: California.
Membership: NAPSLO.
Officers: Thomas J. Gassen, president; Peter J. O'Shaughnessy, executive vp.

Founded: 1985.
Business: managing agent 5%, broker 92.5%, Lloyd's of London coverholder 2.5%.
MGA for: Fidelity & Deposit Co. of Maryland, General Star Indemnity Co.
Broker for: ACE USA, Admiral Insurance Co., American International Group, Berkshire Hathaway Homestate, Chubb Custom Insurance Co., CNA Insurance Cos., Essex Insurance Co., Evanston Insurance Co., Executive Risk Group, Fireman's Fund Indemnity Corp., First State Insurance Co., General Star Indemnity Co.
Subsidiaries: Five Star Managers, L.L.C., Jersey City, N.J.; Five Star Managers, L.L.C., Chicago.
Licensed in: California, Illinois, New Jersey and New York.
Membership: NAPSLO.
Officers: John G. Hahn, president/CEO; Scott W. Gunnison, Alexander M. Kullman, executive vps.
Contact: John G. Hahn.

Founded: 1981.
Business: underwriting manager 98%, managing agent 1%, broker 1%.
Underwriting manager for: Republic-Vanguard Insurance Co., Republic Lloyd's, Southern County Mutual Insurance Co., Southern Insurance Co.
Subsidiaries: TGA Special Risks Inc., Great Plains Special Risks.
Licensed in: Missouri and Texas.
Membership: AAMGA.
Officers: Sam Cangelosi, president; Don Cangelosi, vp; Don E. Meyer, secretary/treasurer.
Contact: Sam Cangelosi; scangelo@ccmc-group.com.

Founded: 1976.
Business: managing agent 60%, broker 38%, Lloyd's of London coverholder 2%.
MGA for: Burlington Insurance Group, First Financial Insurance Co., Fulcrum Insurance Co., General Star Insurance Co., Hermitage Insurance Co., Mt. Vernon Insurance Co., National Casualty Insurance Co., Scottsdale Insurance Co., U.S. Liability Insurance Co., Western Heritage Insurance Co.
Broker for: Admiral Insurance Co., Chubb Custom Insurance Co., Commercial Underwriters Insurance Co., Fireman's Fund Insurance Co., General Accident Insurance Co., Gerling America Insurance Co., Lexington Insurance Co., Markel Insurance Co., Reliance National Insurance Co., Royal Surplus Lines Insurance Co., Travelers Property Casualty Corp., United National Insurance Co.
Licensed in: Florida, Massachusetts, New Jersey, New York and Pennsylvania.

Founded: 1914.
Business: underwriting manager 1.5%, managing agent 31.5%, broker 62%, Lloyd's of London coverholder 5%.
Underwriting manager for: Zurich Centre Insurance Co.,
MGA for: American Empire Surplus Lines Insurance Co., American Equity Insurance Co., Berkshire Hathaway Homestate, CNA Insurance Cos., Canal Insurance Co., First State Insurance Co., General Star Indemnity Co., Gryphon Insurance Group, Jefferson Insurance Co., Nautilus Insurance Co., Northland Insurance Co., Scottsdale Insurance Co., St. Paul Surplus Lines Insurance Co., TIG Insurance Co., United States Liability Insurance Co., Western Heritage Insurance Co., Western World Insurance Co.
Broker for: AIG, ACE USA, Admiral Insurance Co., Coregis Group, Executive Risk Management, First State/The Hartford Insurance Group, General Star Indemnity Co., Gryphon Insurance Group, RLI Group, Reliance National Insurance Co., Royal Specialty, St. Paul Surplus Lines Insurance Co., Shand Morahan/Markel, Travelers Insurance Co.
Subsidiaries: Howden Transportation, Atlanta; International Technical Risk, Dallas; J.H. Blades, Houston; Pine Street Management Co., New York.
Licensed in: Arkansas, Arizona, California, Colorado, Connecticut, Florida, Georgia, Hawaii, Iowa, Idaho, Massachusetts, Maryland, Maine, Michigan, Missouri, Montana, North Carolina, New Hampshire, New Jersey, Nevada, New York, Ohio, Oregon, Pennsylvania, Rhode Island, Texas, Utah, Virginia, Washington, Wisconsin and the District of Columbia and the U.S. Virgin Islands.
Membership: AAMGA, NAPSLO.
Officers: David Hartoch, chairman; Thomas Comer, president; Ronald Wardick, executive vp.

Founded: 1985.
Business: managing agent 62%, broker 38%.
MGA for: First Financial Insurance Co., United Capitol Insurance Co.
Licensed in: California.
Membership: NAPSLO.
Officers: Thomas J. Gassen, president; Peter J. O'Shaughnessy, executive vp.

Founded: 1985.
Business: managing agent 62%, broker 38%.
MGA for: First Financial Insurance Co., United Capitol Insurance Co.
Licensed in: California.
Membership: NAPSLO.
Officers: Thomas J. Gassen, president; Peter J. O'Shaughnessy, executive vp.

Founded: 1985.
Business: managing agent 62%, broker 38%.
MGA for: First Financial Insurance Co., United Capitol Insurance Co.
Licensed in: California.
Membership: NAPSLO.
Officers: Thomas J. Gassen, president; Peter J. O'Shaughnessy, executive vp.

Founded: 1985.
Business: managing agent 62%, broker 38%.
MGA for: First Financial Insurance Co., United Capitol Insurance Co.
Licensed in: California.
Membership: NAPSLO.
Officers: Thomas J. Gassen, president; Peter J. O'Shaughnessy, executive vp.

Founded: 1985.
Business: managing agent 62%, broker 38%.
MGA for: First Financial Insurance Co., United Capitol Insurance Co.
Licensed in: California.
Membership: NAPSLO.
Officers: Thomas J. Gassen, president; Peter J. O'Shaughnessy, executive vp.

Founded: 1985.
Business: managing agent 62%, broker 38%.
MGA for: First Financial Insurance Co., United Capitol Insurance Co.
Licensed in: California.
Membership: NAPSLO.
Officers: Thomas J. Gassen, president; Peter J. O'Shaughnessy, executive vp.

Founded: 1985.
Business: managing agent 62%, broker 38%.
MGA for: First Financial Insurance Co., United Capitol Insurance Co.
Licensed in: California.
Membership: NAPSLO.
Officers: Thomas J. Gassen, president; Peter J. O'Shaughnessy, executive vp.

Truckers Insurance Associates Inc.
 7117 Hickman Road, P.O. Box 1494,
 Des Moines, Iowa 50306;
 515-276-7704; fax: 515-276-1418

1998	1997	
Premium volume	\$24,132,500	\$23,052,050
Employees	21	20
Commercial lines	100%	100%
Admitted business	100%	100%

Founded: 1943.
Business: managing agent 100%.
Licensed in: Iowa, Kansas, Missouri, Nebraska and South Dakota.
Membership: AAMGA, Independent Insurance Agents of Iowa; Professional Insurance Agents of Iowa.
Officers: Gary Albaugh, CEO; Doug Wilson, president.
Contact: Gary Albaugh.

U.S. Risk Insurance Group Inc.
 10210 N. Central Expressway,
 Suite 500,
 Dallas, Texas 75231;
 214-265-7090; fax: 214-265-2454
 www.usrisk.com

1998	1997	
Premium volume	\$115,110,000	\$120,770,000
Gross revenues	\$14,408,000	\$14,178,000
Wholesale revenues	\$11,130,200	\$11,685,000
Employees	140	139
Wholesale employees	121	124
Commercial lines	100%	100%
Admitted business	10%	7%
Non-admitted	90%	93%

Founded: 1977.
Business: managing agent 37.5%, broker 54.5%, Lloyd's of London coverholder 8%.
Subsidiaries: Jarrett Insurance Brokers Inc.,

Founded: 1977.
Business: managing agent 37.5%, broker 54.5%, Lloyd's of London coverholder 8%.
Subsidiaries: Jarrett Insurance Brokers Inc.,

Continued on next page



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Continued from previous page

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Licensed in: Kansas, Louisiana, Tennessee and Texas.

Membership: AAMGA, NAPSLO, Texas Surplus Lines Assn.

Officers: Randall G. Goss, chairman and CEO; Mac Wesson, president and COO.

Contact: Mac Wesson.

Unamark/Redwoods Underwriters

210 University Drive, Suite 900,
Coral Springs, Fla. 33071;
954-753-1502; fax: 954-755-5117
www.redwoodsgroup.com

	1998	1997
Premium volume	\$17,600,000	\$13,478,211
Employees	35	25
Wholesale employees	35	25
Commercial lines	100%	100%
Admitted business	80%	80%
Non-admitted	20%	20%

Parent: Front Royal Inc.

Business: managing agent 90%, Lloyd's of London coverholder 10%.

MGA for: Preferred National Insurance Co.

Licensed in: Florida and New Jersey.

Membership: NAPSLO, Florida Assn. of Insurance Agents, Latin American Assn. of Insurance Agents.

Officers: Darren Marsh, senior vp/COO; Stuart Ruttenberg, vp; Joel Sansone, assistant vp.

Contact: Darren Marsh; dmarsh@redwoodsgroup.com.

Accounting and MIS services are provided by parent company.

Underwriting Managers Inc.

222 S. Ragsdale, 4th Floor,
Jacksonville, Texas 75766;
800-545-2520; fax: 800-587-2958

	1998	1997
Premium volume	\$5,000,000	\$3,500,000
Gross revenues	\$550,000	\$375,000
Employees	5	4
Wholesale employees	5	4
Commercial lines	100%	100%
Admitted business	65%	50%
Non-admitted	35%	50%

Founded: 1984.

Business: underwriting manager 15%, managing agent 75%, broker 10%.

Underwriting manager for: Legion Insurance Co.

MGA for: Travelers Indemnity Co., Essex Insurance Co., Atlantic Casualty Insurance Co., Indian Harbour Insurance Co., Home State Insurance Co.

Broker for: Gulf Insurance Co., Shand Morahan Insurance Co., Markel Special Property In-

urance Co.

Licensed in: Texas.

Officers: Ray B. Baldwin, III, president; Gayle H. Farr, vp.

Contact: Gayle H. Farr.



Bernard Warschaw Insurance Sales Agency

11150 Olympic Blvd., Suite 1150,
Los Angeles, Calif. 90064;
310-966-9406; fax: 310-966-9416
www.pulic.com

	1998	1997
Premium volume	\$10,800,000	\$10,200,000
Employees	11	NA
Commercial lines	100%	100%
Admitted business	65%	50%
Non-admitted	35%	50%

Founded: 1989.

Parent: The Doctor's Management Co.

Business: managing agent 100%.

MGA for: Professional Underwriters Liability Insurance Co.

Licensed in: California.

Membership: Professional Liability Underwriting Society.

Officers: Manuel Puebla, president; Michael Yacob, treasurer; Charles A. O'Brien, secretary.

The parent company provides accounting, human resources and information services.

WKFOC Agency Inc.

1 Huntington Quadrangle,
Melville, N.Y. 11747;
516-756-3000; fax: 516-756-2500
www.wkfc.com

	1998	1997
Premium volume	\$22,500,000	\$20,000,000
Employees	17	14
Commercial lines	100%	100%
Admitted business	80%	85%
Non-admitted	20%	15%

Founded: 1995.

Business: managing agent 95%, Lloyd's of London coverholder 5%.

MGA for: Chubb Insurance Co., Gemini Insurance Co., Greenwich Insurance Co., Gulf Insurance Cos., Indian Harbor Insurance Co., Lloyd's of London, Lumbermen's Mutual Casualty Insurance Co., Travelers Insurance Co.

Licensed in: New Jersey and New York

Membership: NAPSLO.

Officers: Thomas J. Kennedy, chairman/CEO; Thomas Wilson, president/COO; Anthony Simone, vp.

Contact: Thomas Wilson.

Profiles of the largest insurance wholesalers and MGAs begin on page 48.

Wood & Co. Inc.

5445 Triangle Parkway, Suite 200,
Norcross, Ga. 30092;
770-448-7148; fax: 770-448-7105

	1998	1997
Premium volume	\$60,171,391	\$57,086,082
Gross revenues	\$4,281,752	\$4,158,768
Wholesale revenues	\$4,281,752	\$4,158,768
Employees	32	29
Wholesale employees	32	29
Commercial lines	100%	100%
Admitted business	57%	52%
Non-admitted	43%	48%

Founded: 1984.

Parent: McGriff, Seibels & Williams Inc.

Business: managing agent 5%, broker 95%.

Broker for: Admiral Insurance Co., Affiliated FM Insurance Co., Allianz Insurance Co. of America, Chubb Group, CIGNA Insurance Cos., First State Management Co., Inc., General Star Indemnity Co., Great American Insurance Co., Northland Insurance Co., Reliance National Insurance Co., RLI Group, Royal Indemnity Co., St. Paul Surplus Lines Insurance Co., Westchester Insurance Co.

Licensed in: Georgia and Virginia.

Membership: NAPSLO, Professional Liability Underwriting Society.

Officers: Bruce A. Wood, president/CEO; Fred Buck, Mike Rimbey, George Showalter, Don Swift, senior vps.

Contact: Bruce A. Wood.

Ergo

Continued from page 2

for Washington Hospital Services, a Seattle-based association of hospitals.

Employer representatives also point out that workplace injuries in Washington have declined 28% between 1990 and 1997, indicating that a mandatory ergonomics rule is unnecessary.

A state regulator contends, though, that the high cost of musculoskeletal injuries demands ergonomics rules to prevent injuries. He also predicts the rules will not be as onerous as feared by employers, who will have opportunity to provide input on the rules' development.

The rule development process includes employer input, says John Peard, an industrial hygiene program manager for the Department of Labor and Industries who is helping manage the rule develop-

ment. When a preliminary draft of the rule is released—expected later this fall—the business community likely will be pleasantly surprised, he said. Public hearings also will be held after the release of the proposal before a final rule is adopted, he added.

To develop a fair rule, the department has convened an advisory committee of representatives from labor, small business and large business interests, and health professionals, Mr. Peard noted.

Public input meetings also have been held across the state. Fifteen principles for developing the proposal have resulted from the meetings and advisory committee suggestions, he said.

One of those principles states that the ergonomics mandate will focus on preventing injuries and not on medical management or workers comp practices, such as return-to-work programs, Mr. Peard said.

Another principle states that a

company with an existing ergonomics program that meets the basic requirements of the new rule would be considered in compliance, he said.

An ergonomics regulation is necessary because insured claim losses from 1990 to 1997 for musculoskeletal injuries totaled \$2.3 billion, according to Mr. Peard. While he acknowledged that overall workers comp claims have declined during that period, he said that musculoskeletal injuries have declined at a much slower rate.

Musculoskeletal injuries represented 59% of lost-time injuries for self-insured companies during the same period, he added.

Mr. Peard said he suspects that business associations oppose the creation of an ergonomics rule simply because of their general distrust of new governmental regulation.

But sources close to the advisory committee's employer members say that even those members oppose an

ergonomics mandate. Those members declined to comment or did not return telephone calls.

One reason for businesses' mistrust of the state's handling of an ergonomics rule is that the Department of Labor and Industries already has tried to force a few businesses to adopt an ergonomics program by citing them for failure to implement remedies for musculoskeletal injuries, contends Ms. Balch.

The department acted under a 20-year-old state law requiring businesses to establish safety programs that address injuries common in their work sites, Mr. Peard explained.

However, businesses have argued, successfully in some cases, that the safety law does not give the Department of Labor and Industries the authority to cite them for failure to implement ergonomics programs, Ms. Balch said.

As a result of those enforcement

actions, businesses said they wanted a more specific rule, said the department's Mr. Peard. So the department set out to develop its ergonomics rule, he said.

Washington state's effort is based on the same principles as the Occupational Safety and Health Administration's attempt to mandate a federal ergonomics standard, said Keith Lessner, vp-safety and environment for the Alliance of American Insurers in Downers Grove, Ill. Several bills have been introduced in Congress that would halt OSHA from promulgating any standard (BI, Aug. 9).

A broad-based, loosely defined ergonomics program will leave Washington employers struggling to determine how much they need to spend for improvements that will assure they are in compliance, Mr. Lessner said. Whether their efforts will really benefit their workers or just meet the state's compliance requirements will remain in question, he said.

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OCTOBER

OCT. 10-12. Risk Management Forum, in Chicago, sponsored by Liberty Mutual. No fee. Tina Ziegler, Liberty Mutual, 175 Berkeley St., Boston, Mass. 02117; 617-574-5727.

OCT. 12-16. Self-Insurance Institute of America Inc.'s National Educational Conference & Expo, in Washington, sponsored by the Self-Insurance Institute of America. \$795 for members and \$1195 for non-members. P.O. Box 15466, Santa Ana, Calif. 92735; 800-851-7789.

OCT. 13. Georgia Return to Work Issues in Workers Compensation Seminar, in Athens, Ga., sponsored by Lorman Education Services. \$189. Lorman Education Services, P.O. Box 509, Eau Claire, Wis. 54702-0509; 715-833-3959.

OCT. 14-15. Corporate Benefits Conference, in Minneapolis, sponsored by the International Foundation of Employee Benefit Plans and the Council on Employee Benefits. \$540 for members of the IFEBP/CEB and \$640 for non-members. Colleen Radi, colleenr@ifebp.org; 414-786-6710, ext. 8219.

OCT. 14-15. Critical Illness Insurance Products and Services seminar, in Las Vegas, sponsored by the Mass Marketing Insurance Institute. \$295 for members and \$390 for non-members. Mass Marketing Insurance Institute, 2841 Main, Kansas City, Mo. 64108; 816-221-7575.

OCT. 15-19. Pharmaceutical Care Management Assn. Annual Meeting and Conference, in Tucson, Ariz., sponsored by PCMA. \$1,495 for members and \$2,500 for non-members. PCMA, 2300 Ninth St. S., Suite 210, Arlington, Va. 22204-2320; 703-920-8480.

OCT. 15-22. National Safety Council's Annual Congress & Expo, in New Orleans, sponsored by the National Safety Council. \$555 for members and \$735 for non-members. National Safety Council, Registration and Housing Office, c/o ITS, 108 Wilmot road, Suite 400, P.O. Box 825, Deerfield, Ill. 60015-0825; www.nsc.org.

OCT. 17-19. Chartered Property Casualty Underwriters Annual Meeting and Seminars, in Boston, sponsored by the CPCU Society. \$425 for members and \$475 for non-members. CPCU Society, P.O. Box 3009, Malvern, Pa. 19355-0709, 800-932-2728, ext. 2769.

OCT. 17-20. National Managed Health Care Congress-Fall & NMH/IT, in Los Angeles, sponsored by the National Managed Health Care Congress. \$1,695. NMHCC Inc., P.O. Box 102713, Atlanta, Ga. 30368-2713; 888-882-2500.

OCT. 18-19. Risk Management and Employee Benefits Conference and Exhibition, in Chicago, sponsored by the Chicago and Wisconsin Chapters of the Risk and Insurance Management Society Inc. \$275. REBEX '99, 60 Revere Drive, Suite 500, Northbrook, Ill. 60062; 847-480-9712.

OCT. 18-20. Business Insurance Seventh Annual Workers Compensation and Disability Management Confer-

ence, in Marina del Rey, Calif., sponsored by Business Insurance in conjunction with International Business Forum; \$695 for risk managers, \$995 for all others. International Business Forum, 100 Merrick Road, Suite 500, West Building, Rockville Centre, N.Y. 11570; 516-594-3000.

OCT. 19-20. PricewaterhouseCoopers Annual Executive Conference for the Life Insurance Industry, in New York, sponsored by PricewaterhouseCoopers. \$1,295. 704-541-2800.

OCT. 20-22. Offshore Life and Annuities Forum, in Nassau, Bahamas, sponsored by International Business Communications. \$1,599. IBC USA Conferences Inc, 225 Turnpike Road, Southborough, Mass. 01772-1749; 508-481-6400.

OCT. 21-22. Florida Reinsurance Forum, in Orlando, Fla., sponsored by Reinsurance Directions Inc.; \$795. Paul Walther, Reinsurance Directions Inc., 120 International Parkway, Suite 220, Heathrow, Fla. 32746; 407-333-1600.

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INTERNATIONAL

Campaign charges Texaco with racism

By GAVIN SOUTER

NEW YORK—A group representing 55,000 Indians in Ecuador and Peru who are seeking more than \$1 billion in pollution damages from Texaco Inc. has launched an aggressive advertising campaign against the oil giant.

Texaco says the ads are "offensive" and that the pollution claims are unsubstantiated.

Both sides are awaiting a decision from a federal district court judge on whether the class-action cases should be heard in the United States.

The Committee for the Defense of the Amazon is a coalition of Ecuadorian environmental and Indian groups. In its ads, the committee says that the alleged pollution of the Amazon region by Texaco showed a "cavalier disregard" for the well-being of the local population.

The ads state that the alleged rain forest pollu-

tion is part of a history of racial discrimination at Texaco. They cite a 1996 lawsuit that Texaco discriminated against its minority employees. That case was settled for \$176 million.

The copy for one print ad reads, "It's time that Texaco learns that devaluing the lives and well-being of people because of the color of their skin is no longer acceptable for any American company."

The ads are running in The New York Times newspaper, on the Cable News Network and on WQXR-FM radio in New York. Lawyers for the committee are paying for the ads but refuse to reveal how much money is being spent on the campaign.

The current pollution case bears no relation to the 1996 settlement of the employment discrimination case, and the ads are "a desperate attempt,"

See *Texaco* on next page



This ad, placed by the Committee for the Defense of the Amazon, appeared in The New York Times on Sept. 23.

U.K. risk managers applaud proposals for corporate reform

By EDWIN UNSWORTH

LONDON—The United Kingdom's risk management community is welcoming the latest in a series of recommendations for improving corporate governance.

The Turnbull Report, released last week, is the most recent proposal to more clearly define the accountability of company directors and management and to hold them more strictly accountable for their job-related actions and for managing the risks their organizations face.

The report was commissioned by the Institute of Accountants for England and Wales at the request of the London Stock Exchange, and written by Nigel Turnbull, chairman of the institute's Internal Control Working Party. It recommends that every publicly traded company have an "embedded" internal control system to monitor important threats to the company. The report loosely defines such risks as those "significant to the fulfillment of a company's business objectives." The report says it is up to company directors to determine what these risks are.

The guidance would require that a company identify, evaluate and manage its "significant" risks and assess the effectiveness of its relat-

ed internal control systems. To show what they are doing in that respect, directors would have to include statements in annual reports and financial accounts in which they assess the risks the company faces and the internal controls in place to deal with them.

While not legally binding, the Turnbull recommendations are being made a requirement for companies listed on the London Stock Exchange.

By Dec. 23, companies must show that they have procedures in place for implementing the recommendations and that they will be in full compliance by Dec. 23, 2000.

The Assn. of Insurance & Risk Managers, which had backed the establishment of the Turnbull Committee in April, last week soundly welcomed its recommendations.

In a statement, AIRMIC Chairman Mark Butterworth said the Turnbull recommendations would "embed the culture of risk management within the nation's companies."

"Along with its predecessors (the Cadbury and Hempel recommendations and the Hempel report), the Turnbull Committee guidelines have provided corporate U.K. with firm foundations upon which to

See *Turnbull* on next page



PHOTO: AFP

Insured loss may be \$60 million

BANGKOK, Thailand—Insured damage could top \$60 million for a Qantas Boeing 747 that skidded off the runway at Bangkok International Airport during a tropical storm.

The flight, which was en route from Sydney, Australia, to London, was making a scheduled stop in Bangkok when the accident occurred. None of the 407 passengers and crew of Flight QF1 was seriously hurt in the crash. All were safely evacuated using the aircraft's emergency slides and were accommodated in hotels until a replacement plane was available, a Qantas spokesman said.

Damage to the plane, which ran off the end of the runway Sept. 23, "includes the nose area, landing gear and engines, as well as possibly some areas of the fuselage," Qantas Chief Executive Officer James Strong said in a written statement. Further details would not be available until all information and reports had been reviewed by Qantas and the authorities, Mr. Strong said.

The plane was built in 1990 and is insured by Paris-based La Reunion Aeriennne through London-based broker Heath Group P.L.C. Qantas, Heath and La Reunion would not comment on the likely loss. Aviation market sources told *Business Insurance* that the aircraft has a hull value insured for more than \$180 million and that the loss could exceed \$60 million.

IRB privatization delays irk Brazil insurers

By MARIA KIELMAS

RIO DE JANEIRO, Brazil—Brazil's private-sector insurers and the government are at loggerheads over continuing delays in the privatization of the state-owned controlling share of monopoly reinsurer IRB Brasil Resseguros S.A. and the uncertain future of regulation of the insurance and reinsurance sectors.

In April, the Brazilian state development bank, Banco Nacional de Desenvolvimento e Social, which is handling the privatization, set the date for the IRB selloff at Oct. 14. But on Sept. 1, BNDES President Andrea Calabi announced that the sale would be delayed until next year due to legal problems associated with implementing a new regulatory frame-

work for the insurance sector.

As a state monopoly, IRB has acted as both a reinsurer and a reinsurance industry regulator. These regulatory functions were to be transferred to the state regulator of direct insurance, the Superintendencia de Seguros Privados, a division of the Economy Ministry.

The delay was due to "a mixture of political and legal problems," said Paulo Libergoti, the BNDES official in charge of the IRB privatization. He explained that the government initially planned to transfer these powers using a provisional measure, a legal tool equivalent to an executive order in the United States. But lawyers in the National Privatization Council, a part of the Development Ministry, said an executive order to transfer the regulatory pow-

ers was insufficient; they said the transfer had to be implemented through a fast-track congressional bill.

"We will send the bill to Congress under the special system, and we expect it to be approved by the end of the year. That means that the privatization should be sometime in the first quarter of next year," Mr. Libergoti said.

Meanwhile, IRB and Susep still are hammering out future reinsurance regulation.

But the delay has provoked an angry response from Federacao Nacional de Seguradoras, or Fenaseg, the Rio de Janeiro, Brazil-based group that represents private-sector insurance and reinsurance companies.

"This has been as surprise for everybody. See *IRB* on next page

Global Briefs

Japanese businesses are counting the cost of **Typhoon Bart**, which killed 26 people and injured more than 500 last month. Bart closely followed the path of 1991's Typhoon Mireille, which caused insured losses of more than \$1 billion. Initial indications are that Bart's slower wind speed has meant less destruction, but adjusters still are assessing the damage to property and businesses. . . . **The CNA Financial Corp. (Holding)** of Chicago has set up a branch office in Frankfurt, Germany, through its European subsidiary, CNA Insurance Co. (Europe) Ltd. Management. Joerg Bode, the new branch manager, expects premium volume to reach 15 million deutsche marks (\$8.2 million) this year. . . . **The St. Paul Cos. Inc.** has been licensed to underwrite general insurance and reinsurance in Hong Kong, where it has operated a representative office for the past year. The company said an important element of the general insurance license is that it will be able to provide products and services in alternative risk transfer, which is becoming increasingly important to companies in Hong Kong and elsewhere in Asia. . . . **Hartford Steam Boiler Inspection & Insurance Co.** of Hartford, Conn., and **Ecclesiastical Insurance Group P.L.C.** of Gloucester, England, have formed a partnership under which HSB will provide specialist engineering insurance and inspection services to Ecclesiastical policyholders. The service will be provided through a network of more than 200 engineer surveyors and support staff working from branches in the United Kingdom and Ireland. . . . **Market Wordings**, a database of more than 7,500 wordings, clauses, policy forms and schedules commonly used in the London insurance market, is available on CD-ROM. Administered by Lloyd's of London, Market Wordings gives underwriters and brokers access to its bank of clauses and wordings as business is being placed and underwritten, thus enabling immediate wording agreement and prompt issuance of coverage notes and policies. . . . **KSSAF**, a major hull and liability insurance placement group for about 40 airlines, is losing one of its key members, Swissair, which decided to place its coverage separately. The other KSSAF main partners—KLM, SAS, Austrian Airlines and Finnair and some 35 other partners in the group—will continue to place their business together. . . . London-based insurance consultant **Chiltington International (Holdings) Ltd.** has bought Insu-Re Group of Cos., a group of Australian insurance services providers. The move is part of Chiltington's strategy to develop a worldwide network of offices, and it is seen as particularly timely in light of the \$1.2 billion Australian (\$782.2 million) assumed reinsurance losses reported by the Australian market. . . . Syndicate 33, the Lloyd's of London part of London-based insurance group **Hiscox P.L.C.**, has won a multiline contract from Liverpool, England-based shipbuilder and offshore construction specialist **Cammell Laird Holdings P.L.C.** The package, put together by syndicate 33's synergy team, combines political risk and terrorism coverages with more conventional lines, such as property and shipbuilding coverages. . . . American International Underwriters has made a number of management appointments in Central and Eastern Europe. **Barbara Zito**, sales executive of AIG's Domestic Brokerage Group, was named general manager of AIG Poland Insurance Co. S.A. **Jean-Claude Noujaim**, general manager of AIG Romania Insurance Co. S.A., becomes general manager of AIG Ceska Republika. **Michael Jensen**, who previously worked for Winterthur International, was named general manager of AIG Romania. **John Starkey** has been named AIU regional manager, Central Asia and the Caucasus, assuming responsibility for Azerbaijan, Uzbekistan and Kazakhstan. He will continue as general manager of AIG Kazakhstan Insurance Co.

INTERNATIONAL

Texaco

Continued from previous page
to gain media attention," said a spokeswoman for Texaco in White Plains, N.Y.

The pollution litigation has been ongoing for six years, and this is the first time the Indians have alleged racial discrimination, she said.

The campaign has been launched as both sides await the decision of Judge Jed Rakoff on whether the cases should be heard in the United States or in Ecuador and Peru.

The case said to affect 30,000 Ecuadorian Indians was brought in 1993; the case said to involve 25,000 Peruvian Indians was brought in 1994.

The 103 Indian plaintiffs named in the suits allege that Texaco polluted the rain forests and rivers in Ecuador during oil exploration between 1964 and 1992. The suits charge that the oil company ignored prevailing industry practices at the time and dumped toxic waste into local rivers, which carried some of the waste to Peru. Also, a pipeline constructed by

Texaco leaked large quantities of petroleum into the environment, court papers say.

The plaintiffs are seeking more than \$1 billion to clean up the environment, pay for medical costs and compensate those Indians in Ecuador and Peru who suffered health problems as a result of the pollution, said Joseph C. Kohn, a partner at the law office of Kohn, Swift & Graf in Philadelphia, which represents the Indians.

Judge Rakoff dismissed the cases in 1996 and 1997, stating that the suits should not be brought in the United States.

In 1997 the 2nd U.S. Circuit Court of Appeals ruled that the dismissal of the cases was erroneous because it did not include a condition requiring Texaco to agree to the cases being heard in Ecuador. The appeals court also ruled that, while the original decisions had largely followed a similar case in Texas, the cases in New York had distinguishing factors that should be considered.

Judge Rakoff reheard the case in February 1999. No date has been set for the release of his decision.

Mr. Kohn said that the purpose of ad campaign to bring more pressure to bear on Texaco.

Mr. Kohn listed several reasons why the case should be heard in the United States. Texaco, he said, is headquartered in the United States, and an Ecuadorian court would be

Plaintiffs argue that the cases should be heard in the United States because Ecuador does not allow class-action suits.

unable to enforce the payment of any award in the United States. Additionally, Mr. Kohn said, the design of Texaco's Ecuadorian operations took place in the United States, most of the evidence regarding the operations is in the United States, and the Ecuadorian operations were directed from the United States. Furthermore, Mr. Kohn said, most of the expert witnesses that would appear in

any trial are in the United States, and Texaco no longer maintains significant operations in Ecuador. Finally, he said, Ecuador does not admit class-action lawsuits, so the United States is the only forum where all affected parties could obtain a remedy.

"Texaco's conscious decision to dump toxic waste into the rain forest was a violation of basic human rights," Mr. Kohn said.

Texaco argues that the cases should be heard in Ecuador and Peru, where the pollution is alleged to have taken place and where the plaintiffs live, said Milton J. Schubert, a partner at the New York law firm of Kaye, Scholer, Fierman, Kays & Handler L.L.P., which represents Texaco.

Texaco will submit to jurisdiction in Ecuador and Peru, and the U.S. parent will pay any legitimate awards against Texaco made in those countries' courts, Mr. Schubert said.

"All the facts are down there, and the witnesses and the parties are down there," Mr. Schubert said.

Texaco also says the oil production activities were regulated and con-

trolled by the Ecuadorian government and that the government has been the principal owner of the oil consortium operating in the region since the 1970s. Texaco ceased all operations in 1992. The Ecuadorian government has refused to waive its sovereign immunity in the case, court papers say.

Texaco also disputes the allegations that pollution caused the health problems, the Texaco spokeswoman said.

Health studies cited by the Indians are flawed, she said. And two environmental audits of the region ordered by Texaco show that there was no lasting environmental damage, she said. Also, Texaco conducted a \$40 million remediation program in the area between 1995 and 1998, the company said.

The spokeswoman would not comment on whether Texaco has insurance to cover any awards made against the company. According to Tillinghast-Towers Perrin, Texaco has a captive insurer, Heddington Insurance Ltd., in Bermuda, which was formed in 1970 and which has more than \$1 billion in assets. **B**

Turnbull

Continued from previous page
build substantial and appropriate risk management structures for individual organizations," Mr. Butterworth stated.

Marsh Risk Finance, a risk management consultant in London, also welcomed the Turnbull recommendations.

"We are pleased that the Turnbull Committee has clarified and balanced the roles and responsibilities of the board, management, operations and support functions," said Mike Hammond, managing director.

Failure to comply with Turnbull could increase a company's exposure to litigation if proper procedures are not followed, warned

Peter Holland, a partner in the corporate department of the London law firm of Allen & Overy.

It is likely that, in assessing the role of a company's management, "the courts will hold that failure to comply with the guidelines will be evidence of failure to meet responsibilities," said Mr. Holland, who was speaking last Monday at a seminar on Turnbull organized by Aon Risk Services.

He also said there are likely to be implications even for private U.K. companies, because the Turnbull guidelines "will set standards which all other companies will be expected to follow."

While liability insurance will remain an important part of a company's risk management program, it cannot be the solution for all risks identified under the Turnbull guidelines, Mr. Holland said. He pointed out that insurance cannot protect a company or its directors when they fail to do their legal duty or in situations where their actions result in a loss of reputation.

Jo MacDonald, a director for business consulting in the Aon Corporate Consulting Practice, pointed out at the same seminar that insurable risks do not figure highly in companies' perceptions of the overall risks they face. While insurable risks are considered important, they rank behind other considerations, such as possible damage to a company's reputation. Of 180 risk scenarios listed by Aon and shown to a range of clients, insurable risks rated no higher than 47th place, she said.

Ms. MacDonald also said there are "significant benefits for compliance with Turnbull."

She said the guidelines will not change the holistic approach to risk Aon has adopted in guiding its clients.

Also speaking at the Aon seminar was Gill Bolton, technical adviser to the Institute of Internal Auditors. Ms. Bolton said

the IIA welcomed Turnbull's focus on risk management and the "top down" approach, which places ultimate responsibility for a company's risk management on its directors. But one thing the guidelines lack, she said, is clearer guidance on management's role and responsibility in the risk assessment process.

Ms. Bolton said the Turnbull recommendations should minimize risk to listed companies and their shareholders. Previously, Ms. Bolton said, companies often identified their risks but failed to take action to eliminate or reduce them. Now they will be forced to take action, she said.

The Turnbull Report is the final element of the Combined Code of Corporate Governance. Other elements come from the Cad-

bury and Greenbury recommendations and the Hampel report.

The key elements of the Combined Code are that each listed company:

- Maintain a sound system of internal control.
- Review the sys-

tem at least annually.

- Include in the system of control both non-financial and financial risks.
- Review its need for internal audit functions.

Non-financial risks would include liabilities that could arise from contractual agreements, operations and third-party risks, compliance risks, environmental risks, and computer-related risks stemming from the year 2000 date change.

Meanwhile, another report issued earlier this month on corporate governance calls for greater legal clarification of the duties of company directors.

This month, the Law Commission and the Scottish Law Commission, both set up in 1965 to simplify and modernize law in England, Wales and Scotland, published a joint report, "Company Directors: Regulating Conflicts of Interests and Formulating a Statement of Duties." The report's three main recommendations are:

- The duties a director owes a company should be set out in statute. They should include the duty to exercise skill and care in managing the company.
- These duties should be set out in the official form of consent that a director signs when he or she takes up such a position.
- Legislation on directors' conflicts of interests should be updated and simplified.

The report has been presented to the government and the Department of Trade and Industry as part of a wider study of company law that was started in March. The DTI now will consider proposals for changes to company law. These proposals are expected sometime in 2001. **B**

IRB

Continued from previous page

Everybody has been talking about 'provisional measures,' and we all thought that the government had been doing its homework," said Maria Elena Bidino, technical superintendent at Fenaseg.

Because the government has majorities in both the congressional chambers, the Chamber of Deputies and the Senate, a fast-track bill could, in theory, be approved within three months. Each chamber has a maximum of 45 days to debate the bill, Ms. Bidino said.

"But now there are a number of lawyers saying that the congressional approval might require another legal tool, a complementary law, which could take a longer period (for approval) in the two houses," Ms. Bidino said. Approval of such a bill would require a two-thirds majority in both houses of Congress.

"We are very, very disappointed (by the delay)," said Daniel Castillo, vp of Sao Paulo-based General & Cologne Re Brasil Ltda., a subsidiary of General & Cologne Re. "Twelve reinsurance companies have representative offices in Brazil which have opened in the last two years. These offices all have expenses, and we were looking forward to an open market."

Mr. Castillo added, "The insurance industry is also disappointed because it has lost the chance to have more products available and more flexibility."

The privatization delay has worsened already-strained relations between the government authorities and the insurance and reinsurance private sector. Tensions heightened in mid-August, when the government announced that reinsurance premiums ceded overseas would be subject to a tax of 25%.

"We were not even notified of this," Ms. Bidino said.

Fenaseg and the government had been discussing taxes on reinsurance premiums ceded overseas for three months prior to the surprise announcement. The government regards reinsurance as a service that should be subject to the same taxes as other services, Ms. Bidino explained.

"But this is too high," she said.

"If the tax is to be 25%, then there is no reason for us (foreign reinsurers) to be here," said Mr. Castillo.

The government also demanded that IRB pay this reinsurance cession tax, at 25%, retroactively for the past five years of its operations.

"The IRB has been operating for 60 years and has never had to pay taxes on reinsurance premiums ceded abroad. Now (the government) has just found out they have been wrong all this time," Ms. Bidino said.

Prior to assuming her position at Fenaseg, Ms. Bidino was an oil and gas underwriter for IRB for 26 years.

IRB paid back taxes of 236 million reais (\$122 million) on Sept. 6. "That's approximately one-third of its surplus," Ms. Bidino said.

As a result of the taxation fiasco, Fenaseg advised its member companies to resign from the board of IRB. While 100% of IRB's voting shares are state owned, Brazil's private-sector insurers are currently joint owners of 50% of IRB's preferred stock, in proportion to their share of the domestic insurance market. The private-sector insurers have board representation but cannot vote. The companies resigned their posts Sept. 9.

On Sept. 27, the government agreed to review the status of taxes on reinsurance premiums ceded abroad. It offered a tax rate of 3%, while Fenaseg is pushing for a rate of 2%, Ms. Bidino explained. As a result of improved relations with the government, Fenaseg member companies have withdrawn their resignations from the IRB board, Ms. Bidino said.

But the tax issue causes further difficulties regarding the valuation of IRB, Ms. Bidino said.

Earlier this year, BNDES, on the advice of the Rio office of the London-based investment bank N.M. Rothschild & Sons, fixed a minimum price of 437 million reais (\$226 million) on 95% of the government holding in IRB. A further 5% of the company is to be sold to its employees for 3 million reais (\$1.6 million). But interest in the company on the part of foreign reinsurers has fueled market speculation in Brazil that the final price for the company could be two or three times the minimum price.

BNDES' Mr. Libergoti was unable to comment about future valuations of the company, but he did confirm that Rothschild & Sons would remain as its advisers on the IRB sale.

Last year, IRB wrote about 1 billion reais (\$518 million) in reinsurance premiums, of which 200 million reais (\$104 million) was ceded abroad. According to the company, its gross reinsurance premiums for the first five months of this year were 510 million reais (\$264 million at a current exchange rate), though it has given no figure for cessions overseas.

Mr. Castillo said he believes there is a large potential market for foreign reinsurers to engage in coinsurance arrangements with Brazilian direct insurers. He explained that this really is a kind of reinsurance pool that Brazilian direct insurers have created to avoid cessions to IRB. The pool could generate some 2 billion reais (\$1.04 billion) in premiums this year, he said.

Spokesmen from IRB and Susep were unavailable for immediate comment.

Case

Continued from page 1

icians did indeed act as fiduciaries, though the ruling did not proscribe all incentive plans.

Dr. Pegram and the plan appealed to the U.S. Supreme Court, which agreed last week to hear the case.

The case has begun to draw the attention of employers.

"This really does have the potential to be very damaging. It's an overreading of the statute and a real stretch of the definition of what is a fiduciary," said Robin S. Conrad, senior vp at the Washington-based National Chamber Litigation Center Inc., which represents the U.S. Chamber of Commerce. The litigation center joined the American Assn. of Health Plans, the Assn. of Private Pension & Welfare Plans and the Health Insurance Assn. of America in an amicus brief urging the high court to reverse the ruling of the 7th Circuit.

"In an unprecedented decision, the 7th Circuit has transformed a garden-variety medical malpractice case into a serious threat to the cost-containment measures of health insurance issuers and of employee health benefit plans, whether they are self-insured, insured through managed care organizations, or sponsored by government entities such as Medicare," the groups held in their brief.

The employer groups' brief held that the appellate decision imposes "unnecessary" burdens on employee benefit plans.

"The court of appeals' decision makes it impossible for anyone to design or administer benefit plans without the risk of becoming an ERISA plan fiduciary, subject to being continuously second-guessed and penalized by plaintiffs and courts. In enacting ERISA, Congress did not intend the federal courts to substitute their views of what constitutes appropriate plan design for the judgments of employers and plan sponsors," the brief said.

Benefits experts say the court's decision could have considerable impact on how managed care plans operate.

"A lot will depend on how the Supreme Court views the situation—do they use this case as a steppingstone to make a broader statement about financial incentives?" asked Mark Hamelburg, attorney and principal in the Washington resource group of William M. Mercer Inc.

"Depending upon how broadly they analyze this case, it might be that almost every plan that employs incentives might have to be reviewed," Mr. Hamelburg said. "I don't think there's any doubt" it could increase health plan costs, he said.

"The big issue in this case is, where all of us have looked at ERISA as a shield from liability, this case takes the position that, in fact, ERISA fiduciary responsibility was breached and, therefore, creates liability for the health plan," said Mary Case, a principal in New York with PricewaterhouseCoopers.

"It's sort of the other side of an apparently two-edged sword that is ERISA. I think, from the employers' perspective, any time a health

plan is liable for something, the employers who contribute heavily to that health plan are obviously going to see those costs. It would potentially be like the floodgates opening, so that every cost-containment measure a plan takes could be called into question as a potential breach of fiduciary responsibility. You could take it to a ridiculous extreme," said Ms. Case.

"Because the facts here are fairly unique—because the physicians are also the owners—if the court narrowly focuses on that situation and deals with this case from a narrow standpoint, the implications might be fairly limited," said Mercer's Mr. Hamelburg.

"But, frankly, any time you have a case before the Supreme Court dealing with ERISA issues, there's potential for a very significant impact, and you can't control it," he said.

"This is really going at the managed care plan for what managed care is supposed to do," said Ms. Case.

"If these kind of situations are handled by good-quality plans, then we're not going to have these kinds of problems," said Helen Darling, practice leader-group benefits and health care for Watson Wyatt Worldwide in Stamford, Conn.

"There should be no question about what is driving the physician in terms of finances or ethics in serving the patient. It should always be the patient's interest foremost," Ms. Darling said.

The attorneys representing Ms. Herdrich and Dr. Pegram and the health plans did not return telephone calls. **BI**

De Fini

Continued from page 2

quisitions that is showing no signs of letting up, Mr. De Fini noted.

"We have a mature market, flush with capital, and that will continue to drive mergers and acquisitions," he said. And the pace of deals is likely to accelerate through the rest of 1999 and beyond, Mr. De Fini said.

Insurers are trying to buy new business instead of building it, and the huge cost of implementing new technology is driving deals, as companies want to spread the cost over larger entities, Mr. De Fini said.

Brokers face similar pressures to expand, but as the top two brokers grow, smaller brokers still will be able to compete despite their smaller size, he said.

By forming, joining or renting international networks of brokerages, smaller brokers will be able to serve their clients more effectively, Mr. De Fini said. "You can bypass the limitations of mergers and acquisitions," he said.

By joining a network, smaller brokers can continue to concentrate on servicing policyholders rather than focusing on internal issues that sometimes consume brokerages involved in mergers or acquisitions, Mr. De Fini said.

"Relationships, rather than mergers and acquisitions, will be the next step. . . It's the best of both worlds, because you get depth without all the heartache of mergers and acquisitions," he said.

And if the larger brokers fail to concentrate on their clients, they will be left behind by the networks, Mr. De Fini said.

The mergers among brokers also will lead to new entities as parts of brokerages that do not fit in with the acquiring brokerages are spun off, he said. **BI**

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REQUEST FOR PROPOSALS

NEW YORK CITY HOUSING AUTHORITY PUBLIC NOTICE - INVITATION FOR BID EXCESS WORKERS' COMPENSATION INSURANCE

The New York City Housing Authority ("NYCHA") requests Proposals from qualified INSURANCE CARRIERS for Excess Workers' Compensation Insurance Coverages. Coverages are to become effective January 1, 2000.

Proposals shall be made in the format included in the Invitation For Bid package containing instructions, specifications and detailed submission requirements. Packets may be obtained by calling NYCHA's Insurance Consultant: MARSH USA, Inc., 1166 Avenue of the Americas, 40th Floor, New York, New York 10036 at (212) 345-3533. In order to be eligible, completed bid proposals must be received by 4:30 P.M. on November 2, 1999.



All inquires for additional information regarding the Invitation for Bid are to be directed, in writing, to Robert Mazzaro, Senior Vice President, MARSH USA, Inc., at the aforementioned address and phone.

Rudolph W. Giuliani, Mayor, New York City John G. Martinez, Chairman, NYCHA

REQUEST FOR PROPOSALS

REQUEST FOR PROPOSALS

Request for Proposals

Group of 44 nonprofit corps, including student assocs and childcare cntrs, serving 15 colleges at The City University of New York, a public univ., seeks proposals from NY carriers and agents for group D&O policy. Req'd proposers' conf. on 10/25 in NYC. For copy of RFP fax to CUNY Related Entities Group (212)794-5426.

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FTR FOR THE RECORD

NAIC moving ahead on protected cells

The National Assn. of Insurance Commissioners is making progress in adopting a new proposed model act that will enable a U.S. insurer to use a new onshore alternative to protect itself from catastrophe exposures.

The NAIC's Financial Condition Subcommittee approved a proposed model allowing the "protected cell" approach. That approach lets a domestic insurer

issue securitization transactions out of a business unit that segregates those assets and liabilities from other company activities.

Investors favor having risk securitization business written through a cell because the transaction and its proceeds are isolated from the creditworthiness of the insurer's other activities (BI, June 7). The full NAIC is expected to vote on the measure at its winter meeting Dec. 4-8.

Maine Mutual attempts expansion

CONCORD, N.H.—Maine Employers' Mutual Insurance Co., a Portland, Maine-based insurer formed to write assigned risks during the early 1990s workers compensation crisis, argues it should be permitted to expand into New Hampshire.

Several other workers comp insurers and insurer trade groups oppose the application, arguing that MEMIC is, in effect, a state fund and that state organizations should not be allowed to enter the commercial market.

MEMIC was established in 1993, when few workers comp insurers were willing to write business in Maine, said John Leonard, president and chief executive officer of MEMIC.

The company was capitalized by surcharges on policyholders made in the first three years of operation. MEMIC currently is paying back those surcharges, Mr. Leonard said.

The company is a private mutual seeking to grow its business, he said.

Other insurers disagree. MEMIC is another version of a state fund, and state funds should be allowed to function only in their states of domicile, said Bruce C. Wood, assistant general counsel at the American Insurance Assn. in Washington.

The New Hampshire Insurance Department this summer instructed MEMIC to withdraw its application for a New Hampshire license, as it would likely be denied. MEMIC then requested the hearing, which took place Sept. 22. A decision from the New Hampshire Insurance Department will be given within 60 days of that hearing.

SEC charges company, two former execs

PHOENIX—The Securities and Exchange Commission has charged a Scottsdale, Ariz.-based health care company and two of its former executives with falsifying the company's revenues and expenses in 1996 to meet publicly announced earnings estimates.

In a lawsuit filed this month, the SEC charged that Unison HealthCare Corp., former Unison President Jerry M. Walker and former Chief Financial Officer Craig R. Clark inflated the company's 1996 earnings. Along with fines, the suit seeks to bar the two men from violating securities laws in the future.

Without admitting or denying the charges in the SEC suit, Mr. Walker, who is a certified public accountant, has agreed to pay a \$15,000 fine and to be barred from representing any public company as an accountant for at least five years.

Mr. Clark could not be reached.

Unison, an operator of nursing homes and a provider of medical testing and pharmacy services, filed for bankruptcy protection in 1998.

It emerged under a reorganization plan earlier this year and has been renamed Raintree HealthCare Corp. In a separate SEC administrative proceeding, Raintree has agreed not to violate securities laws in the future.

MetLife board OKs demutualization plan

NEW YORK—Metropolitan Life Insurance Co.'s board of directors has approved the company's plan to demutualize.

The mutual insurance company's next step is to submit its plan to New York's superintendent of insurance for approval. The company expects to do that within the next six weeks.

Once the demutualization plan is submitted to New York insurance regulators, it also will be the subject of a public hearing.

Ultimately, to be enacted, the demutualization plan must be approved by two-thirds of the 11.2 million MetLife policyholders eligible to vote and receive compensation under the plan.

MetLife®

Comings & Goings: Industry

Joseph L. Zarandona has been named president and chief executive officer of AXA Global Risks U.S., an AXA Group unit that writes large corporate risks. Mr. Zarandona formerly was executive vp of GRE Insurance Group, a U.S. unit of Guardian Royal Exchange P.L.C. in London. AXA bought GRE earlier this year.

Information in brief

Because of a drastic increase in the number of HMO claims and in loss ratios, Fort Wayne, Ind.-based Lincoln Re has ceased writing new **HMO excess-of-loss reinsurance** coverage. The reinsurer will continue to pay claims and administer to its current excess-of-loss business. Excess-of-loss business accounted for 7% of Lincoln Re's total premium revenue. The reinsurer, a part of Lincoln National Corp., expects to take a \$25 million after-tax charge to strengthen claims for some of its existing HMO excess-of-loss business. . . . A Utah federal judge has fined the former operator of a failed offshore insurance company \$20,000 for his role in running two fraudulent investment funds. U.S. District Judge Tena Campbell imposed the fine on **Randy Glad**, one of several defendants accused of fraud in a Securities and Exchange Commission lawsuit related to the collapse of Public Funding Portfolios Inc. and American Vision Funds, both of Los Angeles. Mr. Glad formerly headed **Anchorage Fire & Casualty Insurance Co. Ltd.** of the Turks & Caicos islands, which was ordered liquidated in Tennessee in 1993. . . . A new product by Deloitte & Touche L.L.P. enables fiduciary risk managers to analyze and monitor risks and liabilities resulting from **benefits function outsourcing**. The Benefit program assists employers in areas such as quality control, best-practices benchmarking and vendor/client dispute intervention. Additional information can be found at www.us.deloitte.com/humancapital. . . . A roundtable of corporate chief executive officers is being formed by the Chicago-based Family Resource Coalition of America to examine the interactions between business and families through **work/life issues** and human resources policy. Some issues discussed by the Family Support at Work Leadership Roundtable will be flexible work arrangements, elder care and child care. For more information, contact the FRCA at 312-338-0900. . . . **Robert L. Brown**, president of the Mid-America Coalition on Health Care for the past eight years, died of cancer Sept. 2. An editorial in The Kansas City Star called Mr. Brown's death a "tremendous loss" for the community. Mr. Brown, who was 69, became president of the Mid-America coalition in 1991. **BI**

Taiwan

Continued from page 1

ties and Futures Commission said Taiwan's information technology industry suffered losses of \$7.45 billion Taiwanese (\$235 million), with the textile industry set to lose \$704.9 million Taiwanese (\$22 million) as a result of the largest quake to hit the island this century.

A spokesman for German reinsurer Munich Reinsurance Co. said its engineers have flown to Taiwan and are continuing to collect information. "We have a book of business (in Taiwan) which is some 15% of our 1.7 billion deutsche marks (\$929 million) in business from Asia, Australia and New Zealand," the spokesman said. "It is, for us, one of our important markets, but not the most important in that part of the world."

According to its spokesman, Munich Re's Taiwanese business is "broad and well balanced, as we had in Turkey," the scene of another recent quake.

Munich Re representatives "are collecting information in the science parks about the risks which are hit there," the spokesman said.

In particular, the science parks are home to Taiwan's huge semiconductor industry; Taiwan has more than half the global market share in semiconductor original equipment manufacturing. Semiconductor manufacturers, which rely on pollution-free environments, have been hit both by property damage and power supply interruptions.

Local reports estimate semiconductor manufacturers' lost about \$4 billion Taiwanese (\$126 million) in revenues as a result of the quake, mainly due to power outages.

A report published by Oakland, Calif.-based EQE International Inc. notes that nearly all of Hsin Chu

Science Park, located about 60 miles northwest of the epicenter, was without power for several days. One semiconductor manufacturer that was operating with generators experienced a total blackout that compromised its clean-room environment after the standby generators burned up.

At other science park facilities, sprinkler pipes that lacked earthquake bracing leaked, damaging clean rooms, according to EQE. Much of the machinery in these facilities was not anchored to floors, causing shifting and at least one instance of a machine overturning.

Taiwan's largest non-life insurance company, Taipei-based Fubon Insurance Co., has estimated the losses it will pay at the Hsin Chu Science Park, the center of the semiconductor industry, to be about \$2 billion Taiwanese (\$63 million).

A report issued late last week by McLarens Toplis estimates business interruption losses at semiconductor manufacturers will be in the tens of millions of dollars.

The insurance industry, as a whole, however, likely will not bear much of the island's total loss.

"It seems that losses to the insurance industry will not be so severe for this earthquake," states the EQE report. "The very large financial losses, such as business interruption at (Hsin Chu Science Park) . . . were likely not insured."

Peter Newall, regional managing director for East Asia for McLarens Toplis, was in Taipei last week assessing the level of destruction.

"I think there have been a number of very large claims, lots of people with damage, but a lot of people without any insurance cover," he said. Mr. Newall, who is based in Hong Kong, also noted that most of the very large claims have come from the semiconductor and electronics industries.

Other industries fared much better, according to official statements from Taiwan's Ministry of Economic Affairs. Petrochemical and steel companies, which are located away from the quake's epicenter, suffered no property damage, though power supply problems did interrupt production, according to the ministry.

Nearly 13,000 buildings were damaged or destroyed in the quake and subsequent aftershocks, and Taiwanese authorities already have begun prosecuting builders for failing to meet the country's construc-

'It seems that losses to the insurance industry will not be so severe for this earthquake,' says an EQE report.

tion code standards. At the same time, the Construction and Planning Administration of the Ministry of the Interior has unveiled a reconstruction plan that aims to restrict building in geologically unstable parts of the country.

The extent of damages in both rural towns near the earthquake's epicenter and in cities such as Taipei could be blamed on poor construction, said Nozar Kishi, a manager of engineering research for Boston-based Applied Insurance Research. Mr. Kishi assessed damages in parts of Taiwan.

Many of the damaged buildings were very old. In addition, materials such as clay tiles and mud were used to construct some of the buildings in rural areas, Mr. Kishi said.

Guy Morrow, vp and principal engineer for Menlo Park, Calif.-based Risk Management Solutions Inc., said many of the first levels of

both mid- and high-rise buildings were "soft," causing the bottom floors to collapse and higher levels to topple off the structure. Concrete columns, in many cases, lacked proper steel reinforcement that would have prevented them from bursting, he explained.

"Many columns were crushed as the buildings swayed back and forth," Mr. Morrow said.

Mr. Kishi said a quake of this magnitude in the United States would not have caused such severe damages, as U.S. building codes are updated and enforced.

"Generally speaking, if the (building) code was enforced and the quality of the concrete was good, then, in major cities, you would see almost negligible damage," he said.

The EQE report notes that Taiwan's building code is similar to codes in other earthquake-prone areas, such as California and Japan.

A spokesman for Swiss Reinsurance Co. said the Zurich, Switzerland-based reinsurer expects to pay less in losses for the Taiwanese quake than for the recent Turkish temblor, though it still has not released any figures relating to the Turkish catastrophe. "Like the Turkish quake, the Taiwan quake is not an extraordinary event for Swiss Re. . . . We expect that kind of earthquake several times a year," the spokesman said.

Earlier last week, Herbert Haag, president and chief executive officer of Partner Reinsurance Co. Ltd. in Bermuda, said the reinsurer expects some claims from the Taiwan earthquake. "We cannot overlook the significance of those claims yet," Mr. Haag said. But, he said, "it should not really have a material impact on our company."

Mr. Haag said Partner Re had prepared for such a catastrophe by keeping its commitments lower in

Taiwan. It had been some time since the region had seen a seismic event of significant magnitude, and underwriters reasoned that such an event was likely, he said.

Earthquake coverage, Mr. Haag said, will be more valued by homeowners and businesses in Taiwan after this event. He said he also is hoping for price increases for the coverage.

Coming on the heels of earthquakes in Turkey and Greece, as well as Hurricane Floyd and Typhoon Bart, the Taiwan quake may help tighten conditions in the reinsurance market, said the Munich Re spokesman. Reinsurers' results have been increasingly gloomy over the past several years, he said, but recent events, coupled with low interest rates, may reduce the overcapacity in the international reinsurance markets. "There is a broad expectation that there should be, and will be, certain hardening in the market," he said.

Chubb Re's Mr. Wafer said he thinks the industry is "usually pretty geared up for the big loss." He noted that this year has seen an unusually high in the number of small and midsize losses that have eaten away at insurers' and reinsurers' profits. The buildup of those events, he said, "has been a bad scenario for the industry."

As a new player in the reinsurance market, Chubb Re's exposure in Taiwan was minimal. Catastrophe pricing in January, when the reinsurer entered the market, was not attractive, he said; rates were dropping with each anniversary of major catastrophes such as Hurricane Andrew.

"The pricing had fallen so much that, even in a year with no catastrophes, there was a minimal margin," Mr. Wafer said. He added that the insurance community continues to be battered by frequent, albeit smaller, catastrophe events. **BI**

Riding out storm over the Ryder Cup

Stop worrying about pandemonium and the end of life as we know it when the millennium draws to a close. Nothing can compare with the irreparable damage to civilization Sept. 26. That was when the U.S. Ryder Cup team erupted into a premature victory celebration on the 17th green after Justin Leonard sank an improbable 45-foot putt but before Jose Maria Olazabal could putt to keep the match alive.

And the American fans' behavior was so appalling that surely the risk management manual for the next Ryder Cup, in 2001 at England's The Belfry, should either ban American fans from the fairways or require them to tape their mouths shut during the matches so they can neither utter a sound nor guzzle a beer.

That, at least, is what one could conclude from the beating the American team and the American fans are taking in both the European and American press for their behavior at The Country Club in Brookline, Mass.

Perhaps all this bashing should just be allowed to run its course as Americans celebrate the greatest comeback in the history of 33 Ryder Cups. But as an avid fan and a struggling golfer, and in honor of golf as the unofficial sport of insurance, I couldn't resist the urge to poll people in the insurance business who were there. Were the Americans bad sports, or are the Europeans sore losers?

My insurance sources are as divided as the sports writers and golf gurus. Several contended that the press, as usual, is blowing everything out of proportion; others were quite critical of the Americans.

Among those with no apologies to make for the Americans was American Jim Ansaldi, senior vp of XL Insurance Co. Ltd. in Bermuda. XL co-hosted a tent with ACE. (Originally, the tent was to be shared by XL and CIGNA's property/casualty operations, which ACE bought earlier this year.)

Commenting on the controversial celebration on the 17th green, Jim said: "It was just a spontaneous eruption of emotion on the 17th. It wasn't planned." He quickly added, "No one said anything on Saturday when Sergio was jumping all over the green, when Parnevik chipped in and an American still had to play his shot."

Ken Pinkston, vice chairman of Willis Group Ltd. in Nashville, Tenn., whose company also hosted a tent, agreed that "the celebration on the 17th green was one of exuberance. You can't blame them for that."

But some do. An Atlanta-based European expatriate who asked not to be named called the American team's behavior "appalling." "Our guy hadn't putted, and they were screaming and shouting. They disturbed his concentration. And they knew what they were doing. They had to know they were disturbing his concentration," he said.

He also dismissed any comparison to the jubilation exhibited by Europeans Sergio Garcia and Jesper Parnevik on Saturday. "The match was not on the line," he said.

Bermudian Michael Foulger, president and chief operating officer of broker Park International Ltd. in Bermuda and a champion amateur golfer who was supporting the European team, said simply: "It's still golf. It's not basketball."

And the American fans? Were they hooligans? Are fistfights along the fairway next?

"It's a possibility," said Dermot O'Donohoe, president and chief underwriting officer of XL Europe, referring to concerns that violence could erupt at the next Ryder Cup. While "there was good-humored bantering" between the Americans and Europeans in the XL/ACE tent, he said, along the fairways, "Fans were out of order. . . . You could feel the hostility toward the Europeans." Several people on his Aer Lingus flight home vowed they would never go to another Ryder Cup in America.

But Mr. Ansaldi disagreed. "There were no hard feelings among the spectators," he said. He also disputed reports of drunken fans, which has prompted a call to ban alcohol at future Ryder Cups. "I didn't see an inebriated person during any of the three days."

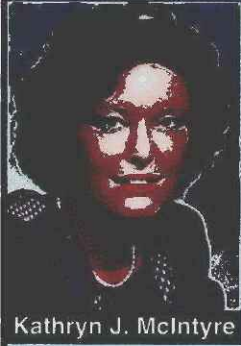
Paul Scope, chief executive officer of Park International in Bermuda and a European fan, found the American fans "extremely well-behaved and complimentary of the European team."

About the only agreement among those who talked to me was that the celebration on the 17th green and the heckling Americans didn't cost the Europeans the Ryder Cup. "Let's not make excuses; we were well beaten," said the European expat.

I agree. No excuses, either by the Europeans for their loss or by the Americans who forgot their manners.

But, honestly—let's get a grip on this controversy, and play some golf.

Publisher and Editorial Director Kathryn J. McIntyre's column appears fortnightly. Reach her at kmcintyr@crain.com.



Kathryn J. McIntyre

Doctors

Continued from page 1

"Health care in this state is being so dramatically underfunded that at least 34 medical groups or IPAs will fail before the end of this year," the CMA found.

Already this year, 15 doctor groups in California have gone out of business or declared bankruptcy, the CMA says.

Benefits experts say the report like-

ly is more alarmist than is necessary. Nonetheless, the report has made an impact, generating several news stories.

To help ease concerns over the financial health of physician groups, Gov. Gray Davis last week signed legislation requiring a soon-to-be-created Department of Managed Care to develop minimum criteria for medical group solvency. A rating system is to be developed based on that criteria.

But the new law likely will not allow employers to relax, said Kirby

Bosley, head of William M. Mercer Inc.'s Los Angeles health care and group benefits consulting practice.

"They are going to start hearing from employees if they haven't heard yet," Ms. Bosley said. "They have been hearing more, and they are going to continue hearing. There is no question about that."

One reason is that daily newspapers have followed the MedPartner problem and cited the CMA report. Some of the newspaper stories have recom-

See Doctors on next page

Indictment

Continued from page 1

returned, Mr. Brown asserted his innocence. "It seems to me the equivalent of a drive-by shooting," he said of the indictment, "because I was in the wrong place at the wrong time."

The indictment outlines a complex scenario that is based in part on telephone recordings by the FBI. Prosecutors say the recordings show that Mr. Brown and others conspired to help David J. Disiere, the president and majority owner of Cascade, construct a "sham settlement" to avoid the suit.

Along with Messrs. Brown and Disiere, the indictment names former Louisiana Gov. Edwin Edwards; Robert Bourgeois, director of the Louisiana Receivership Office Inc.; Alfred F. "Foxy" Sanders III, a state court judge; and Ron Weems, a Shreveport, La.-based attorney for Cascade.

Mr. Brown wrote in a statement that the "government, in its zeal to pursue the former governor, has chosen to interpret actions of others, over whom I had no control, as part of a scheme involving me."

Mr. Edwards is awaiting trial in January on charges that he rigged the licensing of casino riverboats. A trial in the insurance case is expected to be held after the riverboat casino trial.

The indictment charges that Mr. Brown, in return for using his influence to have the suit against Mr. Disiere dropped, wanted Mr. Edwards to persuade Judge Sanders to return control of insurer liquidations to the Insurance Department. Prosecutors also say Mr. Brown sought Mr. Edwards' support for a U.S. Senate campaign. Mr. Edwards resumed practicing law in Baton Rouge after his term as governor ended in 1996.

The defendants have been charged with 43 counts of conspiracy, mail fraud, wire fraud, insurance fraud and witness tampering.

Mr. Brown faces another 13 charges of making false statements to federal officials. If convicted, he faces a sentence of up to 290 years in prison and \$13.8 million in fines.

The case against Mr. Brown and the others evolved from Cascade's collapse after it moved to Shreveport from Texas in 1993. The automobile insurer was placed in rehabilitation shortly after it began writing in Louisiana; it later was ordered liquidated by Mr. Brown.

The indictment charges that for nearly two years, beginning in 1996, the defendants participated in a complicated scenario of favor-swapping during an investigation into Mr. Disiere's activities. The investigation ended with the so-called sham settlement that derailed a planned lawsuit against Mr. Disiere.

Mr. Brown was mired in the deal-making in part because he was trying to regain authority over receiverships, the indictment says. It charges that his authority over the Louisiana Receivership Office provided a "well-known source of political patronage" that the commissioner had used in doling out contracts to parties involved in receiverships. The indictment says Mr. Brown "desperately wanted control returned to him."

Judge Sanders took control of the

receivership office by court order in 1995 and put in as its director Mr. Bourgeois, whom the indictment described as a "good personal friend and drinking buddy" of the judge.

In April 1996, the judge ordered a special master to investigate Mr. Disiere's operation of Cascade and Bonneville Insurance Cos., an Oregon-based company in rehabilitation.

In August of that year, Mr. Disiere hired Mr. Edwards to represent him in matters related to Cascade.

Meanwhile, Mr. Bourgeois filed a claim with the Oregon commissioner of insurance, seeking \$2.5 million from Bonneville to pay creditors and policyholders of Cascade, the indictment states.

A month later, the U.S. attorney's office announced it was investigating Judge Sanders' handling of the assets of a failed Louisiana insurer, Arist Insurance Co., court papers show.

Prosecutors charge that Judge Sanders agreed to aid Mr. Edwards' efforts to stop the investigation of Mr. Disiere if the former governor "could get the U.S. Attorney for the Middle District of Louisiana to terminate his investigation" of the judge.

In late 1996, the special master recommended to Judge Sanders that a \$27 million civil racketeering suit should be filed against Mr. Disiere related to activities that led to Cascade's failure, the indictment says.

As the suit was being prepared, Mr. Brown was planning to allow Mr. Disiere to relocate Bonneville to Louisiana even though the commissioner was aware of the planned lawsuit, according to court papers.

Allowing Bonneville to relocate to Louisiana would have saved the company from regulatory seizure and preserved a multimillion-dollar tax break Mr. Disiere realized from Bonneville's losses, the indictment states.

To derail the suit, Messrs. Edwards and Brown discussed having the special master removed from the investigation, according to the indictment.

Mr. Brown, however, feared the special master had a good case against Mr. Disiere. The commissioner was quoted as saying the special master "just wouldn't make that stuff up," according to the court documents.

Prosecutors charge that Mr. Brown, in discussing the plan with Mr. Edwards to remove the special master, said that if the judge returned oversight of receiverships to the Insurance Department, the commissioner would have "all kinds of flexibility" to "hire anybody Sanders wanted, including the special master."

Messrs. Edwards and Brown and Judge Sanders worked out an arrangement under which the special master received a job and a pay increase as a subcontractor with an outside law firm hired to take over the investigation of Mr. Disiere, prosecutors charge.

According to the indictment, in return for helping the former governor, Mr. Brown asked for "advice and assistance" under a "scenario whereby Brown would immediately replace an incumbent United States Senator." The indictment did not reveal the incumbent's name or why that senator would be leaving office.

The papers state that Mr. Brown said in conversation with Mr. Edwards that there had never been an

insurance commissioner in the Senate and he considered himself the "fair-haired boy" of insurance companies.

Prosecutors say that in December 1996, Mr. Disiere met privately in Baton Rouge with Mr. Bourgeois and reached an oral agreement whereby the racketeering suit would not be filed.

A written settlement protected by a confidentiality agreement was approved by a state court judge who was selected by Judge Sanders and was unfamiliar with the case, according to the indictment.

This "sham settlement" provided, among other things, that only one Cascade creditor would be paid, the indictment charges. With the settlement agreed upon, the receivership office withdrew its \$2.5 million claim against Bonneville.

Prosecutors allege that as a federal investigation involving the defendants became known, Mr. Disiere entered into a second agreement with Mr. Bourgeois under which Mr. Disiere "agreed to pay all of Cascade's creditors and claimants whom the sham settlement of 1996 had failed to pay."

"Obviously I'm disappointed," Mr. Bourgeois said of the indictment.

He claimed the plan to liquidate Cascade is a good deal for policyholders. "We have a liquidation scenario where we can pay every single claim 100 cents on the dollar," Mr. Bourgeois said. He said he also will recommend that the court allow interest to be paid on the claim amounts.

"I defy the feds to find a better liquidation scheme than that," Mr. Bourgeois said.

Prosecutors charged that Mr. Brown made false statements to FBI agents during their investigation of Cascade, including those made in 1997 that he was only vaguely familiar with the company and was "out of the loop" concerning any settlement issues between the Louisiana Receivership Office and Mr. Disiere.

Mr. Disiere's attorney said he thinks his client was caught up in the prosecutors' attempts to snare Mr. Edwards.

"I am absolutely confident that David Disiere will be vindicated when all the facts are known," said Bob Habans of the New Orleans firm Habans, Bologna & Carriere.

Mr. Edwards, who the indictment says received at least \$100,000 in legal fees from Mr. Disiere, proclaimed his innocence after the charges were announced and said he intends to represent himself in the case.

Attorneys for Judge Sanders could not be reached last week.

The indictment says Mr. Weems was involved in discussions to remove the special master and have the investigation into Mr. Disiere stopped. The attorney also is charged with using a "fraudulently obtained report" in an attempt to show that Mr. Disiere's activities in Cascade had been investigated in 1994 and "nothing wrong had been discovered."

Mr. Weems' attorney said his client was a "zealous advocate for his client" and did everything any hard-working attorney would do.

There is no "smoking gun tape" wherein Ron Weems did, said or heard anything illegal," said Eddie Castaing, an attorney with Crull, Castaing & Lily in New Orleans. **BI**

Doctors

Continued from previous page
mended to consumers that, during open enrollment periods, they learn more about the physician groups their primary care doctors belong to before choosing their health plans.

That's not bad advice, said John C. Garner, a benefits expert at Garner Consulting in Pasadena, Calif.

Mr. Garner said he has not heard of any cases of news stories actually driving employees to ask more questions of their benefit managers. But after MedPartners failed, one health insurer arbitrarily sent plan enrollees to new primary care physicians, issuing new insurance cards to the enrollees, Mr. Garner said.

After employees complained, the insurer made new arrangements with the doctors that allowed the employees to continue seeing their original primary care physicians. That episode left at least one of his clients with more explaining to do to employees, Mr. Garner said.

Disruptions, however, have not been severe, because doctors often belong to several medical groups. If one group fails, the doctor often might belong to another group under contract with the same insurers, several experts agreed.

"It's generally not that big of a deal," Mr. Garner said. "But the problem is when something happens suddenly, like last year when FPA folded. All of a sudden, those people were displaced. In some cases, there were doctor's offices that just physically closed. That is the exception."

A benefit manager for a major corporation said the issue has not surfaced on his watch. His company required all the health plans with which it has contracts to undergo a rigorous test before the contracts were signed.

Such a proactive approach calls for screening each health plan's provider compensation agreements, along with other factors, such as its quality improvement, its accreditation and its member services administration, said the benefit manager, who asked not to be identified.

"We don't just go in there and say, 'We will take this insurance,' and then find afterward they are insolvent or have shoddy relationships

with their providers," he said.

Some health plans have stepped up their oversight of doctor groups, and some insurers have made individual contract arrangements with those doctors that already are under contract through physician groups, explained Ms. Hoo of the PBGH.

Aetna U.S. Healthcare has underlying agreements with the individual doctors with which it has contracts through physician groups, a spokesman for the insurer said. The individual contract is "silent," activated only if the doctor's physician group fails.

It appears that some health plans are handling each situation on a case-by-case basis, said Greger Vigen, a principal in Mercer's Los Angeles office.

'The problem is when something happens suddenly, like last year when FPA folded,' says John C. Garner.

gees office. "We don't have a sense they have a policy in place," Mr. Vigen said.

But with the failure of each physician group, health plans appear to be improving their ability to respond quickly to ensure that doctors who may be in one failed group are represented by a functional group contracting with the insurer, said Barbara Decker, benefits manager for Southern California Edison in Rosemead, Calif.

SCE was affected, to a limited extent, by the MedPartner and FPA problems, Ms. Decker said. Someone from her office had to travel to Nevada and Arizona to calm affected employees in those locations.

But the sky is not falling, she said. And while she believes there is plenty of distress among doctor groups, she said plans are responding.

"Perhaps it is an indicator that the plans are figuring out they have to be ready to adapt to this type of disruption and figure out alternative delivery as fast as possible," she said.

Ms. Decker has not received many queries from employees, but senior managers reading the newspaper

stories have asked for assurances that the benefits department is managing its responsibilities appropriately, she said.

Overall, the concern among large-company benefit managers is that there is a small chance a major problem exists, Mercer's Mr. Vigen said. The question is, how small is that chance?

Mr. Vigen said it remains unclear whether what is plaguing medical groups is a one-time problem of the groups receiving inadequate compensation under their current contracts or a fundamental lack of management ability.

So far, Mercer sees indications that funding is the problem. But the consultant is investigating to develop a better understanding.

Overall, employers continue to want doctors to deliver health care as medical groups and to assume responsibility for patient medical decisions, Mr. Vigen said. With that in mind, he said, the CMA's report did not answer a fundamental question, "which is whether or not it is the effective groups going out of business" or whether it's the ineffective groups that are failing.

Mr. Vigen questions whether the decreasing number of doctor groups is something negative.

"It is clear to us that some of the groups deserve, in a business sense, to no longer be operational," he said. "They simply didn't have the infrastructure. They didn't have the management. They didn't have the capabilities to deliver."

While the problem is more pronounced in California, many HMOs nationwide are now requiring the medical groups with which they contract to provide letters of credit, said Gary Hagen, senior vp for Lambertville, N.J.-based Managed Care Resources Inc.

A letter of credit ensures that money will be available so the health plan won't be stuck with the medical group's financial liabilities to individual doctors should the group fail.

As an alternative, Managed Care Resources, backed by a pool of reinsurers, makes available an "aggregate reinsurance" product that guarantees the financial assumption of a medical group to a health plan, Mr. Hagen said. Policies are available on a multiyear basis. **B**

Claims

Continued from page 2

Department of Health and Human Services, is expected to be approved by the full House this week. President Clinton, for a variety of reasons, has threatened to veto the House bill.

A similar enforcement bar has not yet been proposed in the Senate, though such a proposal could come soon, Washington observers say.

A congressionally imposed halt to the Labor Department's health claims rulemaking effort was expected. For the past several months, employers and insurers have been lobbying legislators, urging them to stop the DOL rule, which they say is so flawed that regulators need to start anew.

"The regulation needed serious work. The rule's 'one size fits all' approach does not work. A moratorium is not a bad idea to give the DOL more time and start over," said a spokeswoman for the Washington-based Employers Council on Flexible Compensation.

Others say that, with Congress likely to set its own rules on health care claims handling as part of patient protection legislation, it made little sense for DOL to finalize rules that likely would require revision if the legislation passes.

"We feel it is premature to issue regulations when Congress is taking

up patient protection bills," said Maria Ghazel, director of health policy at the Assn. of Private Pension & Welfare Plans in Washington.

But Rep. DeLauro said there is no certainty that Congress will pass patient protection legislation and that, even if such legislation did pass, it might be so watered down as not to ensure expeditious claims handling.

"Why put people's health at risk?" Rep. DeLauro asked.

Deputy Assistant Labor Secretary for Policy Leslie Kramerich said faster health care claims processing rules is not a "partisan issue." Aware, though, of the criticisms that have been leveled at the proposed rules, Ms. Kramerich said the DOL was working to ensure that the final rule protected enrollees without imposing unreasonable demands on plan sponsors.

The proposed rules would replace those first implemented in 1977, which require health care plans to act on claims as soon as possible, but in no more than 90 days.

By contrast, under the new regulations:

- In the case of urgent care, a plan would have 72 hours to notify a member whether coverage would be provided for a procedure or service. For non-urgent care, the deadline would be 15 calendar days.

Those deadlines would apply in situations such as those in which a plan requires precertification before

a beneficiary can obtain coverage for an operation performed in a hospital.

If coverage is denied, the beneficiary would have 180 days in which to appeal the decision.

- In the case of services that already have been performed by providers, health care plans generally would have 15 calendar days to process the claims. If a claim were incomplete, a plan administrator would have five calendar days from the receipt of the claim to notify a participant of the additional information needed to process the claim.

Employers and insurers have complained that the deadline for processing a claim after a service is delivered does not allow sufficient time. While the proposed regulation says health plans would have 15 days to process claims, the effective deadline would be five days, they say, because a health plan administrator would have only five days to determine whether all information needed to process a claim was available.

A requirement of five calendar days, insurers say, would lead to more processing errors from weekend staffing and reviews rushed to meet the new deadlines.

In addition, insurers say a new five-day standard would lead to cost increases, because such a standard would force insurers to run their claims processing departments 24 hours a day, seven days a week. **B**

Updates

Court: Gun suit can proceed

Continued from page 2

The 2-1 ruling by the state's 1st District Court of Appeal reversed a 1997 decision by a California Superior Court judge who dismissed the suit, saying there was no evidence that marketing by Navegar Inc., the manufacturer of the Tec-DC9, helped cause the gunman's actions.

But the appellate court ruled that, though other state and federal courts previously have held against such actions, the victims' families are entitled to pursue their claims because evidence exists that the harm the gun could cause should have been foreseeable, that marketing by Miami-based Navegar increased the possibility of such harm, and that there is no legitimate civilian use for the Tec-DC9.

The ruling cited testimony that the Tec-DC9 is a highly inaccurate weapon, designed for "spray fire" at close quarters. And, the majority opinion said, features such as large-capacity magazines; a threaded barrel that allows the attachment of silencers and flash suppressors; the gun's resistance to fingerprints; and the ability to hang the Tec-DC 9 from a "combat sling" shoulder harness, permitting a gunman to fire two weapons simultaneously, as was done in this case, appeal to criminals.

The suit, originally filed in 1994, did not seek specific damages but did request a jury trial and punitive damages.

California health bills signed

LOS ANGELES—Standing in front of a family medical center in Los Angeles amid physicians, patients and state legislators, California Gov. Gray Davis last week signed a series of managed care reform bills that will transform the health care delivery system in the state.

"Too often, critical medical decisions are being made by cost-cutting bookkeepers instead of care-giving doctors," said Gov. Davis. "It's time to make the health of the patient the bottom line of every managed care company in California."

Among the bills signed by Gov. Davis were measures that will:

- Guarantee patients the right to external review of health care coverage decisions.

- Allow a patient to sue his or her health maintenance organization and insurer for compensatory and punitive damages if he or she can prove a coverage denial resulted in substantial harm.

The governor also signed at least 19 other bills, including one that creates a new Department of Managed Care to act as the watchdog of HMO providers, and another that requires health insurers and HMOs to provide the same benefits for severe mental disorders as they offer for other physical illnesses. Other bills require plans to cover prescription contraceptives, cancer screenings, services for diabetics, and hospice care.

Gov. Davis also urged Congress to pass similar reform legislation for the nation.

Meanwhile, as expected, Gov. Davis last week vetoed a bill that would have increased workers compensation benefits by more than \$2 billion by the time it was fully implemented in 2005 (BI, Sept. 20).

Rite Aid may sell part of PCS

CAMP HILL, Pa.—Rite Aid Corp. says it is considering selling a portion of its recently acquired PCS Health Systems division.

The Camp Hill-based drug retailer in January completed its purchase of PCS, a prescription benefit manager, from Eli Lilly & Co. for \$1.5 billion. Lilly purchased PCS in 1994 for \$4.1 billion.

Rite Aid's plan, which is still in its preliminary stages, calls for selling part of the PBM to one of several suitors, creating a jointly owned PCS. No price or timetable has been set for a sale, however, a company spokesman said.

No-fly penalty proposed

WASHINGTON—U.S. air carriers that do not provide the Federal Aviation Administration with information about their Year 2000 readiness may be grounded if the vice chairman of a Senate panel looking into Y2K compliance gets his way.

Air carriers have until Tuesday to comply with the FAA's request for Y2K information, Sen. Christopher J. Dodd, D-Conn., and vice chairman of the Senate Special Committee on the Year 2000, said last week. Those that don't make the deadline will be listed in the Congressional Record. He then plans to introduce legislation that would direct the FAA to ground those air carriers that haven't complied.

Sen. Dodd told the committee that about 1,900 of the nation's 3,300 air carriers had not responded to the FAA request by last Thursday. All of the non-responding air carriers are small, he said.

Briefly noted

Democratic presidential candidate Bill Bradley unveiled a **health care reform proposal** last week that would add an optional prescription drug benefit to the Medicare program. By paying a monthly \$25 premium, enrollees could obtain unlimited benefits, subject to a \$500 deductible and a 25% copayment on each prescription. His proposal also would subsidize health insurance premiums for low-income individuals. . . . Waltham, Mass.-based **Tufts Health Plan** said last week it plans to discontinue operations in Maine, where it has about 70,000 members, effective April 1, 2000. The non-profit organization also said it expects to post a \$30 million loss this year, citing \$73 million more in medical expenses than it had originally expected. . . . Colorado Insurance Commissioner William J. Kirven III issued an order last week **increasing workers compensation rates** by an overall average of 3.4%, to be effective for all policies issued or renewed on or after Dec. 1, 1999. . . . Oklahoma's State Board for Property and Casualty Rates has approved a 5% increase in the loss-cost component of **workers compensation rates**, beginning Dec. 1. Insurance Commissioner Carroll Fisher urged the state Legislature to work with him next year for "meaningful reform" to reduce workers comp insurance costs.

Wear away

Continued from page 2
cribes as an "injustice."

But just as exaggeration and misunderstanding has been part of the debate on cash balance plans, wear away, a result that can occur when a new benefit formula is applied to an employee's past and future service, also has been misunderstood, pension experts say. The term "wear away" gets its name because employees don't start accruing new benefits under the new formula until they have "worn away" the benefits they earned under the old formula.

In a cash balance plan conversion, applying the new benefit formula to all years of service can just as easily produce bigger pension benefits for employees compared with other approaches, such as adding the benefit accrued under the old formula to the benefit earned under the cash balance plan, a point congressional critics of wear away rarely, if ever, mention.

From the perspective of the employee, "wear away works in some situations and causes problems in others," said Kevin Wagner, a consultant in the Southfield, Mich., office of Watson Wyatt Worldwide.

Banning approaches that result in wear away wouldn't necessarily lead to employees getting bigger benefits when their companies convert existing plans to cash balance plans.

In fact, benefit experts say, the value of benefits an employee is entitled to after a cash balance plan conversion is driven by fluctuating interest rates, over which legislators have little control.

During certain economic conditions—interest rates climbing after a cash balance plan conversion—employees initially would be entitled to substantially lower benefits if the new and old formulas were used rather than the cash balance formula applying to all service.

"When rates go down (after a conversion), employees may complain of wear away. When rates go up, employees are sitting pretty," and there are no complaints of wear away, said Ethan Kra, chief actuary with William M. Mercer Inc. in New York.

While wear away has been a long-established outcome of pension plan design changes, it has been only as cash balance plan conversions have proliferated that the result has commanded so much attention and controversy.

Simply put, wear away can occur when a new benefit formula is applied to employees' past and future service. Under this approach, though, federal rules stipulate that an employee can never receive less than he or she earned under the old formula.

The term gets its name because the minimum benefit the worker accrued under the old formula eventually will "wear away," or no longer apply, because the new formula at some point will generate a larger benefit, notes Larry Sher, a principal with PwC Kwasha in Teaneck, N.J.

The advantage to this approach rather than a "sum all" approach—in which the frozen benefit earned under the old plan is added to the benefit earned for future service under the new formula—is administrative simplicity.

Plan administrators don't have to track benefits under two formulas for one individual for an extended period of time, Mr. Sher said.

"Imagine how complex it is to have one person in two plans," said Rita Metras, director of total compensation at Rochester, N.Y.-based Eastman Kodak Co., which next year will con-

In Mr. Sher's example, a 45-year-old employee had earned a \$1,000 lifetime monthly benefit, payable at age 65, under the old final average pay plan. Using a 6% interest rate assumption, the \$1,000 benefit would have a present value of \$36,239.

This would be the employee's opening account in the cash balance plan, which gives an annual pay credit of 5% and a 6% interest credit on account balances.

One year later, the employee, who was earning \$40,000 a year, leaves. At that point, the 30-year Treasury bond rate is 5%. Using that rate, which is lower than at the time of the conversion, the present value of the benefit earned under the old final average pay plan for the now-46-year-old employee would be \$49,908.

By contrast, the employee's cash balance account would have grown only to \$40,413. That amount is comprised of the \$36,239 opening account balance, the \$2,000 pay credit and the \$2,174 interest credit.

In that example, the employee would receive the \$49,908 benefit earned under the old formula. In practical terms, the employee effectively worked a year without earning any new benefits.

But a very different result would occur if, for example, a year later the prevailing interest rate on the 30-year Treasury bond rate had climbed to 7%.

In that scenario, the cash balance account still would be \$40,413. But the present value of the benefit that had been accrued under the old plan would be only \$29,851, far less than the cash balance account, which the departing employee would take.

Similarly, if benefit conversions approaches that result in wear away were banned and benefits earned under the old formula and the cash balance accounts were kept separate, the employee would be entitled to \$31,851, which includes the \$29,851 present value of the frozen benefit and the \$2,000 pay credit in the cash balance plan. That, too, would be substantially smaller than the \$40,413 cash balance account that the employee would be entitled to through the employer's use of the wear away approach.

While banning wear away situations would not necessarily result in employees receiving bigger benefits in cash balance conversions, it would mean that benefits accrued under the old formula would not be converted to an opening account balance in the new plan, making it more difficult for employees to know what the cash value is of their accrued benefits.

"You take away from employees the ability to understand their benefits. It keeps too much in the dark," said Gary Leventhal, a PwC principal in Teaneck.

For employees, 'wear away works in some situations and causes problems in others,' says Kevin Wagner of Watson Wyatt Worldwide.

vert its traditional defined benefit plan to a cash balance plan.

In a cash balance plan conversion, wear away essentially could occur like this: An employer converts an employee's accrued benefit under the old pension formula to a present value or lump sum.

In converting the accrued benefit to a present value, employers are free to use their own interest rate assumptions. Many use the prevailing 30-year Treasury bond rate, benefit consultants say.

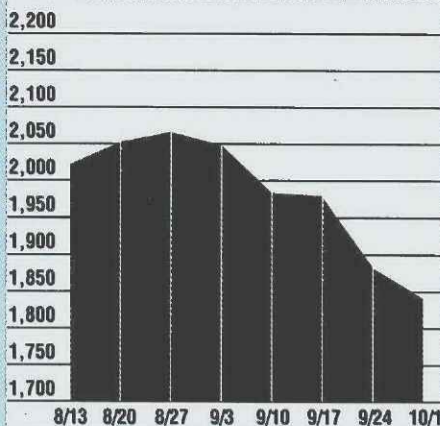
This present value of the accrued benefit then becomes an employee's opening account in the cash balance plan.

When that employee leaves the company, the employer again converts his or her benefit accrued under the old plan to a present value. In doing this calculation, employers must—under federal rules—use the 30-year Treasury bond rate at the time an employee terminates employment. The present value of the old plan benefit then would be compared to the current cash balance account, and employees would be entitled to the larger of the two.

Interest rate changes are a key variable in determining which benefit is higher.

An example provided by PwC's Mr. Sher illustrates the powerful role interest rate changes play in the "wearing away" of the old benefit.

BI Insurance Index



Base=100 on Dec. 29, 1978
Source: Nordby International Inc. (nordby.com) Boulder, Colo.

PCS catastrophe options

As of Oct. 1	Call spread	Price bid/ask	Call spread	Price bid/ask	
National Annual 1999	40/60	15.0/19.5	California Annual 1999	60/80	0.2/—
	60/80	6.0/—		80/100	0.1/0.5
	80/100	2.0/—		100/150	0.2/1.0
	150C	0.5/2.0	Western Annual 1999	80/100	—/1.9
	200/250	—	National Annual 2000	100/150	6.7/—
Southeastern September 1999	40/60	—/0.2		150C	5.0/—
	60/80	—/0.2		190/195	0.3/0.5
Eastern September 1999	60/80	—/0.2		200/250	3.0/—
	80/100	—/0.2			

Total volume: 0 Total open interest: 10,305
For information on PCS cat options, call the Chicago Board of Trade at 312-435-3674.

Source: Chicago Board of Trade

British Issues

Companies	Price pence	P/E	Div. pence	Yield %	52-week high-low
Legal & Gen	172	21.5	3.6	2.1	237-142
Royal & Sun	477	16.7	23.0	4.8	633-452

Brokers	Price	P/E	Div. pence	Yield %	52-week high-low
Lmbert Fenchurch	78	7.8	4.2	5.3	94-58
JLT	255	11.5	12.0	4.7	286-166

Note: Prices are Oct. 1 closings; other numbers from Sept. 30.
Source: CNET Investor (investor.cnet.com) Boulder, Colo.

BI Industry Stock Report SEPT. 27, 1999, THROUGH OCT. 1, 1999

BROKERS							INSURERS/REINSURERS							HEALTH MAINTENANCE ORGANIZATIONS									
Price	Weekly % change	Year to date % change	Year to date High	Year to date Low	Year to date Vol.(000)		Price	Weekly % change	Year to date % change	Year to date High	Year to date Low	Year to date Vol.(000)	Price	Weekly % change	Year to date % change	Year to date High	Year to date Low	Year to date Vol.(000)					
Aon Corp.	NYS	28.50	-5.39	-23.75	46.69	28.50	3102	EMC Insurance Gro.p Inc.	NDO	9.88	-8.14	-22.55	13.38	9.00	17	Seibels Bruce Group	NDO	2.81	-11.76	-19.64	6.25	2.69	69
Clark Barden Holdings	NDO	20.63	14.58	22.13	21.00	8.25	76	ESG Re Limited	NDO	9.00	0.00	-54.57	22.25	8.63	817	Selective Ins. Group	NDO	19.25	6.94	-4.94	23.00	16.69	423
E.W. Blanch Holdings Inc.	NYS	64.75	-1.43	38.69	71.75	36.13	265	Enhance Financia Services	NYS	16.94	5.24	-44.01	30.38	16.94	413	Terra Nova Ins Co. Ltd.	NYS	31.63	-1.17	29.74	32.63	21.25	176
Gallagher Arthur J. & Co.	NYS	52.94	0.36	21.00	56.50	34.88	181	Everest Reinsurance	NYS	23.25	-1.33	-36.63	38.94	21.94	1470	Tokio Marine & Fire	NDO	59.75	13.27	1.49	64.63	42.50	282
Hib, Rogal & Hamilton	NYS	25.00	4.99	34.23	25.13	15.56	74	Fremont General Corp.	NYS	8.75	0.00	-63.73	25.69	8.50	1813	Torchmark Corp.	NYS	25.56	0.74	-26.44	45.50	24.56	1555
Kaye Group Inc.	NDO	8.38	3.88	15.52	9.25	5.00	4	Frontier Insurance Group	NYS	8.50	-7.48	-32.00	18.75	7.50	1302	Torstantic Holdings	NYS	69.19	-3.06	-8.51	85.94	69.19	129
Marsh & McLennan	NYS	66.81	2.49	13.00	81.50	43.38	3740	Gainsco Inc.	NYS	6.31	-0.98	0.00	7.31	3.94	129	Travelers Property Casualty	NYS	28.19	-11.57	-7.96	41.88	24.13	1916
Brown & Brown	NYS	33.00	-2.04	-5.55	39.44	29.31	14	Harleysville Group	NDO	15.25	-9.63	-40.20	26.13	13.75	105	Trenwick Group Inc.	NDO	18.63	-4.49	-41.11	35.25	16.50	113
BROKERS AVERAGE			1.37	19.48				HSB Group Inc.	NYS	34.94	-1.58	-13.06	43.31	33.88	326	Unico American Corp.	NDO	8.44	-3.57	-26.83	14.13	8.06	9
								HCC Insurance Holdings	NYS	16.69	0.75	-1.48	25.13	13.88	1058	United Fire & Casualty	NDO	22.75	1.11	-31.64	38.50	22.19	10
								ING Groep N.V.	NYS	54.63	3.55	-10.45	70.00	36.06	227	Unitrin	NDO	36.56	1.21	3.17	42.38	29.75	282
								IPC Holdings Ltd.	NDO	39.50	-4.52	-18.88	26.38	17.38	115	UNUM Corp.	NYS	31.63	0.00	-47.24	62.50	28.38	4346
								Hartford Financial Services	NYS	18.06	-9.94	-30.01	66.44	37.63	5361	Vesta Insurance Co.	NYS	4.44	-2.74	-22.83	9.88	3.38	99
								LaSalle Re Holdings Ltd.	NYS	12.31	-12.05	-40.30	26.88	11.63	190	XL Capital Ltd.	NYS	44.94	-1.24	-37.21	79.50	41.94	1897
								Lincoln National	NYS	37.94	-3.80	-8.45	57.50	33.50	3573	Zenith National Ins.	NYS	21.94	3.24	-5.14	26.69	20.31	38
								MAIC Holdings Inc.	NYS	24.56	-6.87	-23.24	33.13	24.56	65	INSURERS/REINSURERS AVERAGE			-3.57	-20.22			
								Market Corp.	NYS	180.50	-1.50	0.14	193.00	132.00	48								
								MBA Insurance Group	NYS	45.56	-7.25	-31.29	71.88	45.56	2001	Foundation Health Systems Inc.	NYS	9.38	-12.79	-14.77	20.06	5.88	3839
								Meadowbrook Insur. Group	NYS	11.50	-4.17	-29.50	25.00	10.56	10	Humana Inc.	NYS	7.06	-7.38	-62.71	22.13	6.88	2634
								MMI Cos. Inc.	NYS	10.75	-10.42	-35.58	19.06	10.38	355	Oxford Health Plans	NDO	12.56	-20.24	-10.27	24.25	7.00	8126
								Mutual Risk Mgmt. Ltd.	NYS	11.44	-39.60	-69.85	43.25	11.44	9263	Pacificare Health Sys.	NDO	44.50	-5.82	-37.76	100.38	42.00	2124
								NAVIGATORS Group	NDO	13.38	0.00	-12.30	16.25	13.25	5	Safeguard Health Enter.	NDO	3.38	-6.90	-5.26	5.50	2.34	64
								NYMagic Inc.	NYS	13.25	-2.30	-36.53	25.38	12.00	2	Sierra Health Services	NYS	9.50	-18.72	-54.49	24.94	9.50	343
								Ohio Casualty Corp.	NDO	16.44	0.77	-20.06	21.69	15.00	464	United HealthGroup	NYS	45.75	-21.79	2.66	70.00	33.38	9947
								Old Republic Int'l	NYS	14.38	-2.13	-32.94	24.00	14.38	1036	Wellpoint Health Networks	NYS	56.63	-13.71	-34.06	97.00	50.81	3910
								Orion Capital Corp.	NYS	47.31	1.47	20.73	48.50	27.56	778	HMOs AVERAGE			-13.42	-27.08			
								Partner Re Ltd.	NYS	33.88	-1.99	-25.03	46.50	33.63	177	ALL COMPANIES AVERAGE			-5.21	-9.27			
								Penn-America Group Inc.	NYS	8.44	-6.25	-8.78	11.44	8.44	48								
								PMA Capital Corporation	NDO	20.00	0.00	2.24	21.13	16.63	48								
								Philadelphia Cons. Holding	NDO	13.88	-7.50	-34.71	25.50	10.81	404								
								PXRE Corp.	NYS	14.25	-7.69	-43.56	26.69	13.94	289								
								Reliance Group Holdings	NYS	4.13	4.78	-68.12	15.13	3.94	1599								
								ReliaStar Financial Corp.	NYS	32.38	-11.60	-27.65	49.81	29.00	2929								
								RenaissanceRe Holdings Ltd.	NYS	34.00	-3.03	-5.88	45.38	30.00	118								
								Risk Capital Holdings	NDO	15.25	10.91	-27.81	23.75	12.00	87								
								RLI Corp.	NYS	32.88	0.00	-1.50	38.81	27.88	43								
								St. Paul Companies	NYS	28.00	-3.03	-20.00	37.50	27.00	3219								
								SCOR	NYS	50.75	6.01												

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