

You're lying in bed watching *60 Minutes*. Suddenly the face of a man you've had no choice but to fire appears on the screen. It seems he's naming your company in a big discrimination suit. Such allegations are made every day (the EEOC receives over 77,000 employee discrimination claims a year). In fact, the rise has been so dramatic, it inspired a line of products: our EPL SelectSM employment practices liability coverages.

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Wisconsin appeals court overturns pollution rulings

MILWAUKEE—The Wisconsin Court of Appeals last Wednesday overturned a \$100 million punitive damages award against Wisconsin Electric Power Co. for its role in dumping toxic waste.

In addition, the 2-1 ruling overturned a trial court decision that prohibited Wisconsin Electric from pursuing insurance coverage for the punitive damages award.

See Updates on next page

Insurers cut e-risks from policies

By JOANNE WOJCIK

It's déjà vu all over again. The recent launch of new e-commerce insurance programs and the introduction of exclusions and endorsements to commercial general liability and property policies pertaining to electronic data risks is reminiscent of the mid-1980s, when insurers began issuing pollution exclusions, coverage experts say.

But this time the impact will be a lot more widespread, they warn.

Already, risk managers at Fortune 1000 companies who thought they had coverage for e-commerce risks under their commercial property policies are finding gaps, especially if they bought coverage from foreign insurers.

And there are questions about whether CGL policies will respond to claims for electronic data corruption or damage

from computer viruses introduced by policyholders to third parties.

In August, the Jersey City, N.J.-based Insurance Services Office Inc. filed an endorsement to the standard CGL policy that modifies coverage for electronic data and computer viruses, an ISO spokesman said. The ISO electronic data liability endorsement states that, "for purposes of this insurance, 'electronic data' is not tangible property."

ISO is preparing a similar endorsement for commercial property policies, as well as a "clarification of existing policy language to describe what limitations there are and where they apply," the spokesman said. These changes will be filed in October, he said.

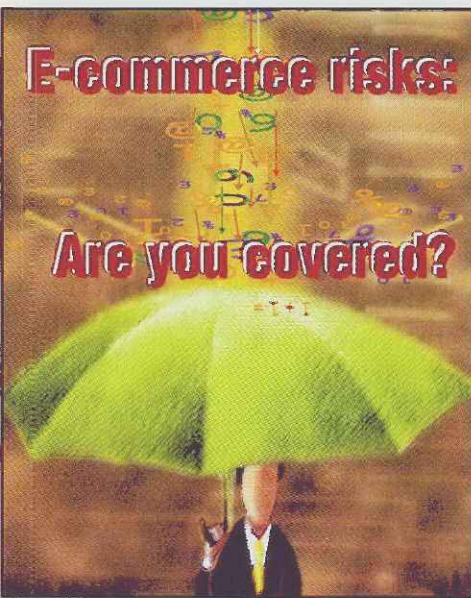
"Forget about analogizing it to the pollution exclusion," said Michael Rossi, president of the Insurance Law Group Inc., a law firm based in Los Angeles that

provides risk management legal services, predominantly to large multinational corporate policyholders. "The absolute pollution exclusion didn't affect everybody...but any company that uses a computer is affected" by these new exclusions, he said.

For example, if a manufacturer's assembly line shuts down as a result of a computer failure, it may not be covered for any resulting business interruption loss, Mr. Rossi said. That's because most insurers don't consider data to be tangible property, and damage to tangible property is required to trigger business interruption coverage, he explained.

"It's another EIL," concurred Larry Eisenstein, a policyholder attorney at Swidler, Berlin, Shereff & Friedman L.L.P. in Washington. "If you look back, you see the same pattern that emerged in

See E-commerce on page 53



2001 NCQA report Quality improves among HMOs

By MICHAEL PRINCE

Managed health care plans improved in quality in 2000, for the second straight year, according to a report released last week by the National Committee for Quality Assurance.

Health plans have seen improvements in both their clinical quality and their member satisfaction, according to the 2001 "State of Managed Care Quality" report.

This is the fifth annual report on health plan quality released by the Washington-based NCQA. The report is based on audited 2000 data provided by 273 commercial health maintenance organizations and point-of-service plans that cover over 63 million people.

"The national averages for nearly every single measure of

clinical care improved, in some cases substantially, for the second year in a row," the report states.

For example, in 2000, 51.5% of plan members with high blood pressure had their high blood pressure controlled, compared with 39% in 1999, the report states.



Other measures that saw improvements include:

- The rate of immunization of children for chicken pox, which jumped to 70.5% in 2000 from 63.8% in 1999.
- The rate of use of beta-blocker drugs after heart attack, which rose to 89.4% from 85%.
- The rate of cervical cancer screening, which improved to 78.1% from 71.8%.
- Hepatitis B immunization rates among adolescents improved to 41.1% from 34.4%.

See NCQA on page 56

Counterfeit crackdown

Risk manager role in protecting brand to grow

By ROBERTO CENICEROS

The nefarious ways of product counterfeiters may become familiar to risk managers as they increasingly deal with corporate brand-protection concerns and reputational risks.

These experts say that product counterfeiting is a growing problem worldwide, devaluing corporate brands, diminishing legitimate profits and destroying the confidence of consumers, shareholders, the media, regulators and business partners. Counterfeiting also has the potential to generate liability-related losses, experts say, especially for industries with strict product safety standards, such as pharmaceuticals and aircraft parts manufacturing.

At the same time, protecting a company's brand presents an opportunity for risk managers to increase their worth, said David Mair, risk manager for the U.S. Olympic Committee in Colorado Springs, Colo.

"There is opportunity for risk managers to get involved because, clearly, boards (of directors), senior management and sales and marketing departments are very concerned about brand image and brand protection," Mr. Mair said.

Risk managers and corporate leaders worldwide are showing a lot of interest in reputation-related issues, said David Abrahams, managing consultant in London for Marsh Risk Consulting. "There is a growing realization that brand, as an intangible asset, is critical to the performance of a business," he said.

Mr. Abrahams said he encourages companies to take reputation into consideration when identify-

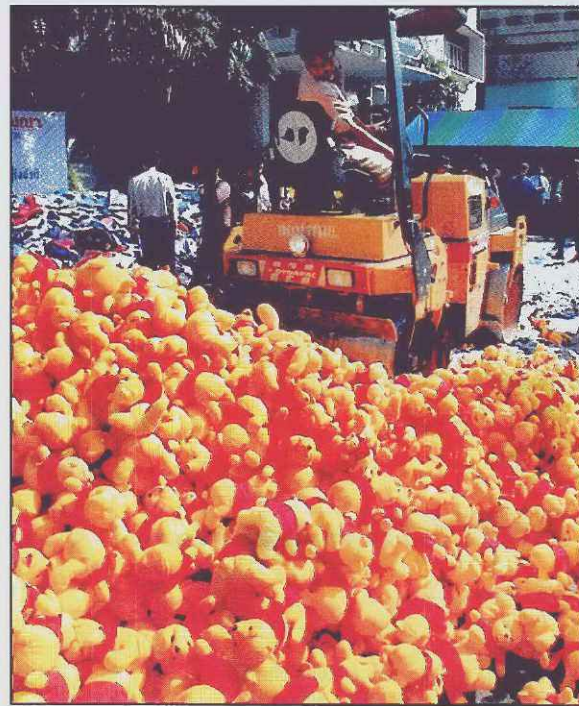


PHOTO: PORNHAI KITTIWONGSAKUL

Thai authorities destroy counterfeit Winnie-the-Pooh dolls as part of a crackdown on pirated goods.

ing risks and mapping out risk management strategies. He said that for each risk identified, the company must consider the "recoverability," or resilience, of its corporate reputation if that ex-

See Brand on page 55



Brandon to be next CEO of Gen Re
page 3

Asbestos still a top concern for Equitas
page 6

European reinsurer outlook poor: S&P
page 51

INSIDE

● The current increase in asbestos claims is threatening the financial well-being of Equitas Ltd. and has the runoff reinsurer reviewing its strategies to deal with the problem. PAGE 6



● Full disclosure of plaintiffs' attorney contingency fees is needed to protect consumers from potential abuses when entering into contracts for legal representation, this week's editorial says. PAGE 8

● Dismal results are forcing some European reinsurers to exit lines of business or sell operations altogether as the companies struggle to keep pace with larger rivals. PAGE 51



ZURICH

● Zurich Financial Services Group announces plans to launch an initial public offering of reinsurance subsidiary Zurich Re. PAGE 51

● BI Editor Paul D. Winston gets down in the dumps. PAGE 53

DEPARTMENTS

Advertiser Index	54
Classifieds	50
Commentary	53
Directory of Insurance Wholesalers	42
Directory of Surplus Lines Insurers	34
Global Briefs	51
Insurance Services Guide	48
International	51
Letters	8
Opinions	8
Ticker	55

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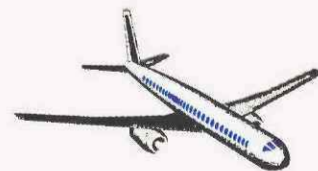
UPDATES

Continued from previous page

The suit arose from the discovery of oxide box waste, a byproduct of producing natural gas from coal, on property in West Allis, Wis. The property owners, which included the city, sued Wisconsin Electric to cover cleanup costs. A jury in 1999 awarded the plaintiffs nearly \$4.5 million in compensatory damages and \$100 million in punitive damages. After the trial, Wisconsin Electric notified the court that its earlier assertion that it had no insurance for punitive damages was incorrect and that such coverage did exist. In response, the court imposed sanctions ordering the company not to pursue insurance coverage for punitive damages imposed. Wisconsin Electric, a Milwaukee-based unit of Wisconsin Energy Corp., appealed both the jury verdict and the sanctions penalty. The appeals court agreed with the company's contention that the punitive damages penalty was improper as five-sixths of the jurors did not agree on the award. The appeals court also overturned the sanction because the trial court lacked the authority to deny Wisconsin Electric its insurance coverage. The case will return to the trial court for a new trial solely on the issue of punitive damages.

● **PBGC TAKING OVER PLANS** The Pension Benefit Guaranty Corp. is taking over two underfunded pension plans sponsored by Northwestern Steel & Wire Co., a former Sterling, Ill.-based structural steel manufacturer that has been in bankruptcy since late last year and is now liquidating. The two plans have a total of about 4,600 participants. In aggregate, the plans are underfunded by about \$160 million, with assets of \$311 million and liabilities of \$470 million. The termination of the Northwestern Steel plans is the PBGC's second-largest this year. The biggest termination was the PBGC's takeover in January of two Trans World Airlines Inc. pension plans, which had a total of \$700 million in unfunded liabilities.

● **FIRM INSURED FOR PLANE DAMAGE** Aircraft ground services provider Aircraft Service International Group Inc. is "fully insured" for any damages for which it might be liable after a British Airways jet caught fire during refueling at Denver International Airport last Wednesday, an ASIG spokesman said. A wing of the Boeing 777 became engulfed in flames when a refueling hose disconnected from the plane and fell to the tarmac, a Federal Aviation Administration spokesman said. The ASIG employee who was refueling the jet, which just had landed, was critically burned. None of the flight crew or passengers was injured. One of the jet's two engines, manufactured by General Electric Corp. of Fairfield, Conn., likely was destroyed in the fire, London insurance market sources said. Those engines are valued at \$10 million to \$15 million. A spokesman for London-based conglomerate BBA Group P.L.C., the ultimate parent



of Dania, Fla.-based ASIG, said ASIG is fully covered for the incident. But he could not provide insurance details. Aviation market sources say that ASIG's lead insurer is Global Aerospace Underwriting Managers Ltd. of London and that Marsh Ltd. of London placed the coverage. The National Transportation Safety Board is investigating the accident. As of late Friday, it had not announced any findings.

● **ONLINE REINSURANCE EXCHANGE** A new online reinsurance trading exchange was launched in London last week. RI3K Exchange allows insurers, reinsurers and brokers to negotiate, exchange and bind contracts for all reinsurance coverages, explained Alex Letts, chief executive of RI3K Ltd. RI3K, previously known as City3K, established an electronic debt trading marketplace in March (*BI*, March 26). RI3K, which intends to keep brokers in the process, aims to achieve 10% to 20% savings in back-office costs, Mr. Letts said. He said the company plans to roll out the exchange for the 2001 year-end renewal season, when participants will be able to try out the system free of charge. The exchange is backed by Citibank, which will provide electronic cash settlement to speed the resolution of claims. Mr. Letts said that once the exchange is established in the United Kingdom and continental Europe, RI3K will consider launching in the United States, probably in partnership with a U.S. firm.

● **ARCH CAPITAL BID FOR TRI-CITY** Arch Capital Group Ltd. has reached an agreement in principle with Washington-based ULLICO Inc. to acquire wholesaler Tri-City Brokerage Inc. for an undisclosed sum. The proposed deal, which is subject to due diligence, comes almost two years after Ulico Insurance Group, the marketing and underwriting arm of Ulico Casualty, acquired the San Francisco-based wholesaler. In a statement, Arch Capital said the acquisition of Tri-City would broaden the products and services it currently offers to the retail insurance brokerage market through Arch Insurance Services. Earlier this year, Arch Capital paid \$36 million for Altus Holdings Ltd., a Cayman Islands-based provider of rent-a-captive and other alternative risk transfer services. Arch acquired Oak Brook, Ill.-based merchant bank Hales & Co. late last year for an undisclosed sum. Marsh & McLennan Cos. Inc. and Merrill Lynch & Co. each own about 15% of Arch Capital, which changed its name from Risk Capital Holdings in 1999 after selling off the assets of its Risk Capital Reinsurance Co. unit to Folksamerica Reinsurance Co.

● **HEALTH CARE PETITION REJECTED** Massachusetts Attorney General Thomas Reilly invalidated a petition initiative that sought to ensure universal health care coverage in the state. The petition would have placed on the November 2002 ballot a proposal that, if passed, would have denied health insurance to every state lawmaker if the Massachusetts Legislature failed to enact universal health care coverage for state residents. Physicians and health care activists backed the petition. Mr. Reilly said the health care petition did not propose a specific binding law, as required by the Massachusetts Constitution, and thus could

not be placed on the state ballot. Last year, a somewhat different ballot initiative—one that would have required the state legislature to develop a universal health care plan—was narrowly defeated by Massachusetts voters.

● **CONSTRUCTION CLAIM LIMIT UPHeld** Washington's Supreme Court has reaffirmed a state law barring construction-defect lawsuits filed six or more years after completion of construction. The court ruled that the law did not violate the plaintiffs' constitutional rights. In *Lakeview Boulevard Condominium Assn. vs. Apartment Sales Corp.*, the plaintiffs argued that the six-year limitation denied them equal protection under the law because the limitation barred them from access to the court system. The defendants countered that the plaintiffs could not challenge the statute on equal protection grounds because the association is not a member of a class excluded from the law. Washington's high court unanimously agreed with rulings by the trial court and appellate court that found the six-year limitation does not violate the plaintiffs' state or federal rights. The high court also found that the law bars their suit.

● **BRIEFLY NOTED** American General Corp. Chairman Robert Devlin has resigned in the wake of the Houston-based company's purchase by American International Group Inc. AIG Chairman and Chief Executive Officer Maurice R. Greenberg will replace Mr. Devlin, who will stay on as a consultant, AIG said....Zurich Financial Services Group Inc. has renamed its Canadian operations Zurich North America Canada. The unit will operate as part of Zurich's North America Corporate Business Division....The California Senate has passed legislation that would increase workers compensation benefits. The measure, S.B. 71, was earlier approved by the state Assembly and now goes to Gov. Gray Davis, who has vetoed two similar bills....Health insurers and health maintenance organizations will have to cover infertility-related treatment expenses on the same basis as other medical and surgical expenses in policies they sell to employers with more than 50 employees in New Jersey under legislation, signed last month by Acting Gov. Donald DiFrancesco. The new mandate will go into effect next year....A 9th U.S. Circuit Court of Appeals panel has withdrawn its Jan. 8 decision in *Robert C. Konop vs. Hawaiian Airlines Inc.*, in which the court ruled the Honolulu-based airline violated the federal wiretap law by allegedly gaining unauthorized access to an employee's personal Web site (*BI*, Jan. 22). In a 2-1 ruling filed Aug. 28, the panel said it was denying Hawaiian Airlines' petition for an en banc rehearing of the case because it was withdrawing its opinion and would file another opinion at an unspecified later date. There was no further explanation. An airline spokesman said, "We hope this is a favorable development, but we won't really know until the new opinion is rendered."...Thomas Miller, the London-based mutual captive manager, has acquired the London risk management business and Guernsey captive business of CGU International Insurance P.L.C. Thomas Miller also bought out the captive management joint venture that it and CGU International operate on the Isle of Man. Terms were not disclosed.

► To get breaking news as it occurs, visit *Business Insurance's* free online Updates, at www.businessinsurance.com. All of the material in the Updates column, as well as other content in this week's issue, is generated from daily news postings that appeared on the Web site in the previous week.

Poor results likely to push rates higher

By JUDY GREENWALD

Continuing poor results for many U.S. reinsurers likely will drive efforts to achieve double-digit rate hikes at year-end renewals, reinsurance executives and analysts say.

Ceding companies might also see reinsurers withdraw capacity in some areas until reinsurance pricing improves, they add, noting that U.S. reinsurers generally started raising rates later than did U.S. primary companies.

The 30 reinsurers that reported their first-half results to the Washington-based Reinsurance

Assn. of America as a group posted a 115.3% combined ratio, vs. a 112.2% ratio reported by a comparable group of U.S. reinsurers for the first half of 2000.

The 20 largest U.S. reinsurers, based on net premiums written, reported a 114.9% combined ratio vs. a 106.7% combined ratio a year earlier. This group includes the results of the Berkshire Hathaway Reinsurance Group, which is not an RAA member.

The RAA reinsurers as a group

reported \$13.79 billion in premium volume, a 12.2% increase from the total reported a year earlier by a comparable group of reinsurers.

The Top 20 reinsurers reported \$14.44 billion in net premium volume, a 29.6% increase. Excluding Berkshire Hathaway—which almost quadrupled its volume in the first half to \$2.08 billion—the volume of the remaining top reinsurers increased 15.3% to \$12.37 billion, which accounts for 89% of the RAA group's overall volume.

Rick Smith, president and chief executive officer of P&C Re Americas, a unit of Overland Park, Kan.-based Employers Reinsurance Corp., said the RAA results “just underscore yet again” the difficulty the reinsurance marketplace has had with the 1997, 1998, 1999 and, to some degree, 2000 accident years.

Mr. Smith said he expects the reinsurance industry in general and Employers Re in particular to focus more on underwriting profitability rather than top-line growth, which he said will require greater underwriting discipline and increased prices.

Although it is hard to predict what will occur during the January renewals, Mr. Smith said, “I think you’re going to see continued and consistent increases among many lines,” although the hikes will not be radical, he said.

“This industry has had such a long soft market period that to expect to get all that price back” at one time is unrealistic, Mr. Smith said. There may also be some withdrawal of capacity from the market, with quota-share programs most likely to be affected by this shift, he said.

Ray Sprague, an executive vp
See Results on page 54

REINSURER Results

Scope exceeds current federal law

States enacting mental health parity measures

By JERRY GEISEL

WASHINGTON—While the backers of federal mental health care benefits parity legislation push to get a Senate committee-approved bill enacted by Congress, states continue to pass their own parity measures.

So far this year, governors in Illinois, Kansas and Rhode Island have signed mental health care benefits parity bills, which generally bar health plans from offering lower limits of coverage for mental health care benefits than they offer for other medical and surgical benefits.

Nearly three dozen states have passed parity bills since the early 1990s, with most of those passed since Congress approved a watered-down federal parity bill in 1996.

Most of the state laws—which apply only to plans issued by insurance companies and health maintenance organizations—go well beyond the current federal statute in scope.

The federal law—which, without congressional action, will expire at the end of this month—bars all self-insured and insured plans from offering lower annual and lifetime dollar limits for mental health care benefits than they offer for other medical and surgical benefits.

The federal law does not apply to plans offered by employers with 50 or fewer employees. The federal law also allows plans to impose higher deductibles and copayments for mental health care services than those imposed for other medical treatments. The federal law also allows plans to cap the number of outpatient visits and inpa-

tient visits for mental health treatment, even if there are no comparable limits for other medical treatment.

By contrast, a new Rhode Island law, which builds on an existing statute, requires complete parity for the inpatient treatment of mental illnesses. The prior law, passed in 1994, provided parity only for conditions defined as “serious” mental illnesses, such as schizophrenia and bipolar affective disorders, and imposed a 90-day annual limit on consecutive days in the hospital.

Under the new law, though, health plans can place an annual limit of 30 visits for mental health care services delivered on an outpatient basis.

Mental health care advocates say the new Rhode Island law continues the progress the state has made to ensure parity for mental health care treatment.

“The 1994 law was a step toward parity where there was none. This is another step,” said Nicki Sahlin, executive director of the National Alliance for the Mentally Ill-Rhode Island in Providence.

A new Kansas parity law also expands on an earlier statute. For example, the new law repeals a \$7,500 lifetime cap on coverage for the treatment of mental illnesses. Plans, though, can limit to 45 the annual number of covered inpatient days for mental illnesses and limit to 45 the number of annual outpatient visits.

“It is not quite true parity, but we had to compromise to get the best bill possible,” said Elizabeth Adams, executive director of NAMI-

See Parity on page 36

Gen Re names next CEO

Longtime chief Ferguson will pass torch to Brandon

STAMFORD, Conn.—Ronald E. Ferguson will step down as chief executive officer of General Re Corp. Oct. 1 and will be succeeded by Joseph P. Brandon, now a General Re executive vp.

Mr. Ferguson will remain chairman of Stamford, Conn.-based General Re until June 2002, when he will retire and Mr. Brandon will assume the additional post of chairman.

Mr. Ferguson, who joined General Re in 1969 and has headed the company since 1987, oversaw large changes during his tenure, including the reinsurer's 1994 takeover of Cologne Re Group and its 1998 acquisition by Berkshire Hathaway Inc. He will become a member of Berkshire Hathaway's board of directors next year and will continue working with General Re clients as a consultant, General Re said.

In 2000, Mr. Ferguson was named “Insurance Leader of the Year” by The College of Insurance in New York, which is now known as The School of Risk Management, Insurance and Actuarial

Science following its merger last year with St. John's University.

Mr. Brandon joined General Re in 1989 and served as its chief financial officer for nearly a decade before his promotion to executive vp of the parent company and CEO of U.S. operating unit General Reinsurance Corp. last year.

General Re also announced several other executive moves effective Oct. 1. Franklin Montross IV, currently executive vp of the parent company, will become its president and chief

underwriting officer; Peter Lutke-Bornefeld, now a General Re executive vp and chairman of Cologne Re's board of executive directors, will become vice chairman of General Re; Hans-Peter Gerhardt, a General Re executive vp, will become vice chairman of Cologne Re's board; and J. Daniel Hickey, a General Reinsurance Corp. executive vp, will become president-North American treaty reinsurance.

—By Douglas McLeod



Mr. Ferguson



Mr. Brandon

PHOTOS: GLORIA BAKER PHOTOGRAPHY INC.

Petition asks for FTC regulation

Contingency fee rules sought

By MARK A. HOFMANN

WASHINGTON—The Federal Trade Commission should do more to regulate the way plaintiffs' attorneys handle contingency fee agreements, a free-market advocacy group contends.

The Washington Legal Foundation, a free-market oriented policy center, outlined its stance in a petition filed last month with the government agency. The WLF last week also hosted a discussion of the issue at which its chief counsel, Richard A. Samp, stressed that it does not oppose contingency fees per se.

Mr. Samp argued, though, that a disparity in bargaining power between plaintiffs and the attorneys who represent them on a contingency fee basis

requires federal action and oversight.

He noted that the WLF had attempted to persuade state bar associations to deal with the issue by requiring members to provide greater disclosure about contingency fee arrangements. Those efforts met with indifference at best, and outright hostility at worst, he said.

Although the WLF is critical of federal regulation in many cases, it felt that the FTC would be the proper forum for addressing this issue where the states had failed, Mr. Samp said. The federal agency in the past has been involved in “very analogous situations”—such as regulating funeral home practices—when states have failed to provide adequate oversight of consumers, he said.

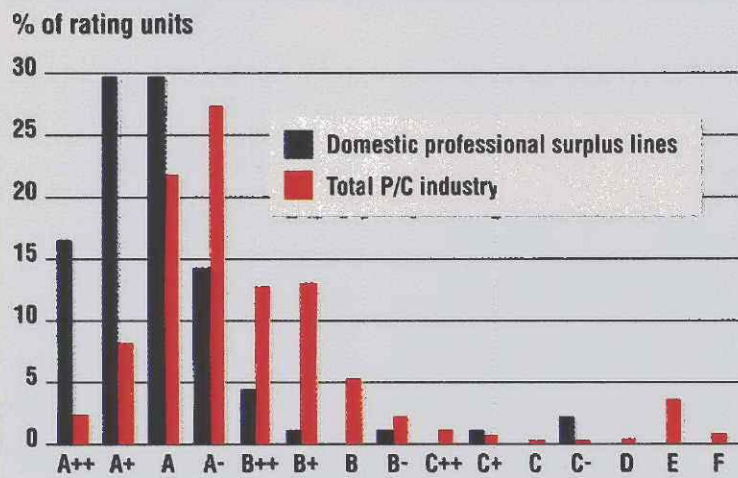
In its petition—which was

prepared by longtime tort reform advocate Victor Schwartz and two of his colleagues in the Washington office of Kansas City, Mo.-based law firm Shook, Hardy & Bacon—the WLF calls for several reforms to be adopted by the FTC. These would include requiring that an attorney working on a contingency fee basis inform potential clients in writing that:

- The potential client has three business days to reconsider and rescind any contingency and retainer agreement.
- The size of contingency fees is always subject to negotiation.
- There are potential adverse consequences of litigation.
- The client is entitled to receive a “statement of client's rights and lawyer's responsibilities” that embodies the first

See Fees on page 53

Rating Distribution



Source: A. M. Best Co.

GRAPHIC BY JOHN HALL

Surplus market strong: Best

Asbestos, environmental liabilities are biggest concerns

By DAVE LENCKUS

OLDWICK, N.J.—The surplus lines property/casualty insurance market is financially strong, but rising loss and reinsurance costs likely will cut into the market's underwriting margins over the next few years, says a new study by A.M. Best Co.

The impact, however, should not be any more severe than it likely will be on admitted insurers, according to a co-author of the study.

Meanwhile, a greater earnings drag from asbestos and environmental liabilities in the surplus lines market than in the admitted market

raises some concerns for the rating agency. But, because of the E&S industry's financial strength, Best is not "alarmed," said study co-author Ralph Cagnetta, a managing senior financial analyst for Oldwick, N.J.-based Best.

The National Assn. of Professional Surplus Lines Offices Ltd.'s Educational Foundation commissioned the eighth annual study and plans to release it at the organization's annual conference this week in San Antonio.

Over the past few decades, surplus lines market growth has far outpaced growth in the admitted mar-

ket, but the failure rate of companies in each market has remained stable and nearly identical, according to Best.

From 1980 through 2000, direct written premium in the surplus lines market more than quintupled to \$11.7 billion, while premiums in the U.S. property/casualty insurance industry in total more than tripled to \$322.2 billion.

A strong expansion of commercial lines business fueled the growth of the surplus lines market during that period. While the surplus lines market during that period grew to 3.6% from 2.4% of the total property/casualty industry, the surplus lines market's commercial lines market share expanded far more robustly to 7.2% from 4%, according to Best.

But since 1972, the nonadmitted market's annual failure rate of less than 1% has mirrored the admitted market's failure rate. "The similarity of failure frequency rates between the admitted and nonadmitted markets attests to the pricing discipline of the surplus lines market, particularly considering the lack of rate regulation," the study's authors wrote.

Deficient loss reserves and rapid uncontrolled growth have been the leading causes of insolvency, according to Best.

Today, as in prior years, professional surplus lines insurers, on average, maintain slightly higher solvency ratings from Best than do admitted companies. The median rating for nonadmitted insurers is A, or excellent, while the total insurance industry's median rating is A-, also excellent.

Best cites four reasons for the surplus lines market's higher average rating:

- Due to the surplus lines market's lack of guaranty fund protection, nonadmitted insurers must maintain a higher level of capital than admitted insurers do to attract business, provide high levels of capacity and provide personalized service. As a result, surplus lines insurers typically have more conservative balance sheets compared with admitted markets.

- As they watch and wait to take advantage of market opportunities, surplus lines insurers typically keep more of their capital sidelined.

- Most leading surplus lines insurers belong to large, diversified insurance organizations.

- The market's "more disciplined underwriting" and "strong risk management techniques" consistently produce favorable loss experience.

The surplus lines market's results reflect that underwriting discipline.

Based on the five-year operating results of a composite of 66 U.S. surplus lines insurers that accounted for two-thirds of the nonadmitted market's premium volume in 2000, surplus lines insurers over the past five years posted a 27.6% return on net premium, according to Best. By comparison, the admitted market posted a 7.4% return over the same period, Best reported in its study.

At year-end 2000, the composite group posted a five-year combined ratio of 97.6%, more than nine points lower than total industry's. In 2000, underwriting profitability slid, but the surplus lines composite

See **Surplus** on page 55

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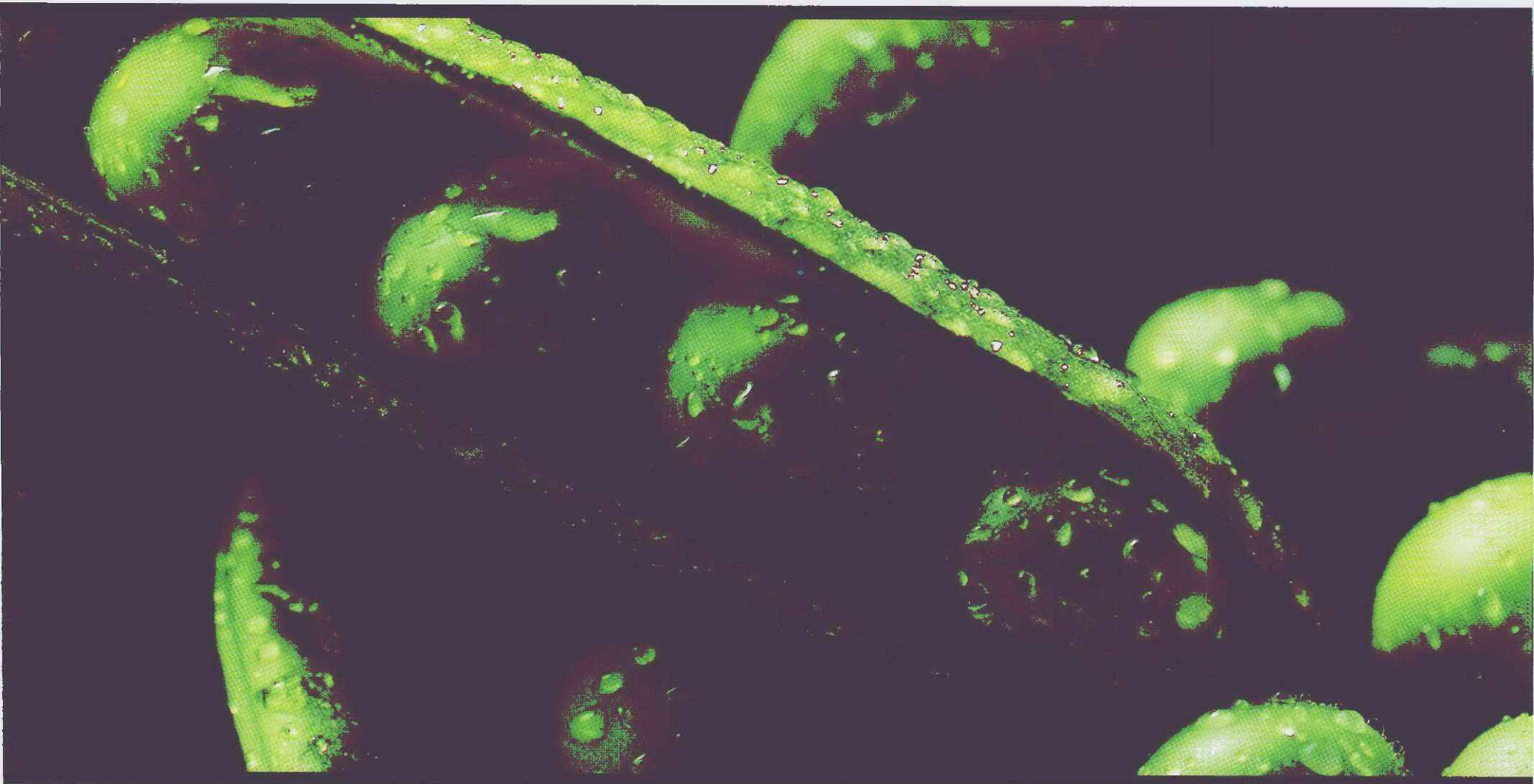
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Equitas strategizes to face asbestos threat—again

By SARAH VEYSEY

LONDON—An increase in asbestos claims once again dominated discussion at the annual meeting of Equitas Ltd., the company set up to reinsure and run off the pre-1993 long-tail liabilities of Lloyd's of London syndicates.

There is no simple solution to the problem of mounting asbestos claims, Scott Moser, claims director of Equitas, said at the meeting last Friday in London.

"Today, the rise in asbestos claims filings represents the

most-serious threat to Equitas' financial well-being," Mr. Moser said. He pointed out that there had been a 33% increase in asbestos claims filings in 1999 and a 20% increase in 2000.

"There is no silver bullet, no simple solution to the problems presented by asbestos claims," Mr. Moser said. "Asbestos claims have confounded the very best business executives, insurance executives, lawyers, academics, politicians and judges—including U.S. Supreme Court justices—for nearly 30 years," he added. "Billions have been spent, and 29 major U.S. companies

have gone bankrupt. If the solutions were easy or simple, they would have been discovered long before now."

Growing asbestos claims prompted Equitas to increase its asbestos reserves by £1.7 billion (\$2.40 billion) for the fiscal year ending March 31. For the prior fiscal year, Equitas had bolstered its asbestos reserves by £1.5 billion (\$2.21 billion). But members of Equitas' board stressed at the meeting that the company was making every effort to attack the problem of asbestos filings and to avoid paying spurious claims.

Glenn Brace, head of asbestos,

pollution and health hazard claims at Equitas, outlined to members some of the steps the company is taking to combat the asbestos problem. He said that following a surge of new claims filings, Equitas last year undertook a review of asbestos claims and the strategies used to handle them. "We expect to leave no stone unturned in our search for solutions to the problems posed by increasing asbestos claims filings. This review continues as I speak," he said.

Mr. Brace pointed out that, earlier this year, new documentation requirements for asbestos

claims were implemented by Equitas and other London market insurers (*BI*, May 7). These requirements state that asbestos injury claims must be supported by "adequate medical evidence of a claimant's impairment and identification of the product that caused the impairment."

When asked why Equitas had not imposed such requirements before, Mr. Moser said that there previously was a belief that if asbestos claims were settled with "swift small payment" the problem would disappear and costly court battles could be avoided. But because of the significant increase in the number of claims in the past few years, that theory has been abandoned, he said.

Mr. Brace added that Equitas believes that many claims are being filed by unimpaired claimants, which is contributing to the increase in filings. The documentation requirements, he said, were intended to help weed out such claims.

"We have taken this important step to limit abuses in what has become an asbestos litigation industry," Mr. Brace said. "We are the first to take this step, but we hope other insurers and defendant companies will take similar ones."

Mr. Brace added that Equitas is drafting another set of documentation requirements for reinsurance claims. He said these requirements would be implemented later in the year.

Equitas is also reviewing claims settlement values for asbestos claims, Mr. Brace said. "We believe that some proposed claim settlements do not assign appropriate values to the various claims at issue and often seek to overcompensate certain claimants," he said. "We will refuse to consent to claims settlements that assign unreasonable values to the subject claims," he added.

Mr. Brace said that Equitas also has reviewed some of the coverage-in-place agreements negotiated between companies and their insurers. As a result of this review, one such agreement had been terminated, and Equitas has asked the courts to impose new rules, under which "claims will be allocated among the assured's insurance policies."

Equitas is also attempting to negotiate global policy releases, Mr. Brace said. He pointed out that such a system of policy buybacks proved very successful in the settlement of pollution claims. But he said that such buybacks were difficult to negotiate in the case of asbestos because of the degree of uncertainty about the ultimate cost of claims.

In another attempt to stem the tide of asbestos claims, Equitas is taking a more-active role in bankruptcy proceedings. "This is new territory for Equitas and fraught with risk, but also with opportunities," Mr. Brace said. "The bankruptcy process provides an opportunity for finality for both insurers and assureds that may make it possible to negotiate buy-out agreements or otherwise obtain final resolutions of our coverage obligations." **BI**

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cont'd.
was some rate improvement reported by both U.S. and European reinsurers in 2000, it appears to have been too little, too late to affect the 2000 results. Additionally, the overall consensus is that there were
is only one part of the bigger equation. The companies that come out in the lead are going to be the ones who really find some innovative solutions for the way they write their business. These are the companies that will
starts with fundamental insurance operations "There's got to be a underwriting as the pr out of this."

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OPINIONS

Legal fee disclosure needed

FULL DISCLOSURE IS ONE of the best consumer protections available.

That is a key reason why we support a petition that the Washington Legal Foundation recently filed with the Federal Trade Commission that aims to protect consumers from potential abuses in our legal system.

The WLF, a free-market advocacy group, is calling for the FTC to make it an unfair trade practice for attorneys to enter into contingency fee arrangements without providing their clients with even basic information about those arrangements. And the information the WLF would require is quite basic—giving in writing a potential client three business days to reconsider and rescind an agreement; acknowledging that the size of a contingency fee can always be negotiated; and informing the client that there can be a downside to litigation. That's the kind of information consumers deserve before they sign any kind of binding pact, whether it's a contract for legal representation or a financing agreement for a home or car.

We feel it is unfortunate that federal intervention might be necessary to correct problems with contingency fees. This is a situation that ideally would have been remedied by state bar associations, or even state lawmakers. However, those bodies have failed to act—as, indeed, has the FTC when it was asked to

intervene two years ago on this very issue.

But action is needed; the problem is real. Too often, plaintiffs—especially those in class action lawsuits—wind up with little or none of the awards because contingency fee arrangements were not fully revealed or explained. There are numerous instances of class actions lawsuits in which members of the class ended up with discount coupons, while the attorneys representing them took home millions of dollars in fees. We have also seen situations in which judges, upon reviewing these arrangements, have found contingency fees disproportionate to the work done by the attorneys and have labeled the fees excessive.

Risk managers and insurers should care about this problem; if they are required to pay court awards, the money should go to the plaintiffs, not to enrich attorneys. Requiring disclosure that litigation can have costly downsides for a plaintiff—such as expert witness fees, copying costs and filing fees—also might discourage frivolous litigation.

We are not attacking the concept of contingency fees. They have a valuable place in our legal system and, in some cases, are the only way to guarantee the access of individuals to redress in the courts. Nor are we advocating fixed limits on the percentage that lawyers can charge. In a free-market economy, they should be permitted to set their terms of service, especially because they bear much of the financial risk



if a lawsuit does not succeed.

It is imperative, though, that attorneys give their clients some basic details about the terms of their compensation before the clients sign on the dotted line.

We're certainly not anxious to see federal regulation of the legal profession, which could lead to hopeless judicial tangles. But we regard a federal requirement for disclosure as a small step that could make a big difference in discouraging unseemly conduct by some members of the plaintiffs bar.

LETTERS

Kennedy proposal raises questions

To the editor: One can only assume that Trust Fund Teddy has not included members of Congress in his zealous attempt to protect women, which was the subject of the Aug. 20 article "Kennedy Crafting Spousal Consent Pension Measure."

Sen. Edward Kennedy, D-Mass., has produced another multitiered, multistep federal mandate, the costs of which must be borne by others.

Business Insurance should attempt to de-

termine the average cost per plan participant of implementing this proposal, then the average value to that participant's account. Also, would it be applicable to all existing accounts, and must they retrofit Teddy's program to comply? How much would that cost?

Finally, for the multiply married—such as Trust Fund Teddy—does each successive bride get a pro-rata share of the 401(k)? What if Wife No. 1 doesn't have the same in-

vestment results—and corollary benefits—as Wife No. 2 or Wife No. 3; can she piggyback on their deal?

The real question, *BI*, is by what enumerated power from the Constitution does Congress legislate such actions? Does anybody care any more?

Mark A. Tessier
Managing Director
TransCapital Management L.L.C.
New Orleans

LETTERS TO THE EDITOR

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SPOTLIGHT

Largest U.S.-based surplus lines insurers

Insurer Parent company	Nonadmitted 2000 direct premiums	% change	Total gross premiums	% change	Statutory combined ratio
Lexington Insurance Co.¹ American International Group Inc.	\$1,278,916,173	26.4%	\$1,786,134,580	9.4%	99.1%
American International Specialty Lines Insurance Co.¹ American International Group Inc.	1,107,979,952	10.4	1,132,528,722	7.7	98.5
Scottsdale Insurance Co.¹ Nationwide Mutual Insurance Co.	576,421,627	17.3	1,421,652,426	7.0	111.1
Steadfast Insurance Co.¹ Zurich Financial Services Group	370,278,119	14.4	382,260,376	11.8	59.9 ²
Evanston Insurance Co. Markel Corp.	276,351,838	104.5	352,598,463	72.7	89.3
General Star Indemnity Co. Berkshire Hathaway Inc.	269,605,541	4.5	273,833,490	4.2	111.7
United National Insurance Co.¹ American Insurance Service Inc.	256,660,795	39.8	453,495,872	26.8	94.1
Columbia Casualty Co. CNA Financial Corp.	223,531,385	-30.2	437,586,730	-16.1	112.0
Admiral Insurance Co. W.R. Berkley Corp.	184,754,736	13.3	212,811,478	23.1	104.9
Essex Insurance Co. Markel Corp.	175,904,255	43.5	331,438,159	131.8	101.3

¹Figures reported on pooling basis ²BI estimate
Source: BI survey

Largest U.S.-based insurance wholesalers

Broker Parent company	2000 premium volume	% change	2000 gross revenues	% change	% surplus lines
Swett & Crawford Group Aon Corp.	\$1,050,000,000	19.3%	\$102,218,000 ¹	17.8%	38%
Crump Insurance Services Inc. Marsh & McLennan Cos. Inc.	639,000,000	3.9	47,727,000 ¹	1.8	55
Stewart Smith Group Willis Group Holdings Ltd.	432,138,000	12.0	36,555,000	21.5	41
Cooney, Rikard & Curtin Insurance Group Cooney, Rikard & Curtin Inc.	377,000,000	72.5	35,000,000	73.7	65
Heath Holdings USA Inc. HLF Insurance Holdings Ltd.	340,100,000	47.1	28,900,000	51.8	50

MGA/underwriting manager Parent company	2000 premium volume	% change	2000 gross revenues	% change	% surplus lines
The Schinnerer Group Marsh & McLennan Cos. Inc.	\$559,000,000	18.4%	\$46,509,000 ¹	17.2%	5%
Burns & Wilcox Ltd. H. W. Kaufman Financial Group Inc.	349,716,395	22.9	48,841,000	18.7	80
K&K Insurance Group Inc. Aon Corp.	320,000,000	24.4	\$68,800,000 ¹	23.8	2
New Century Global of New York Inc. Privately held	255,000,000	20.9	\$20,000,000	17.6	5
North Island Facilities Inc. Privately held	112,800,000	26.7	\$10,500,000	28.0	12

¹BI estimate
Source: BI survey

Index

Profiles of leading surplus lines brokers	page 26	Directory of surplus lines insurers	page 34
Profiles of leading MGAs and underwriting managers	page 30	Directory of insurance wholesalers	page 42

Focus on profitability

Surplus lines insurers raise rates, standards

By JOANNE WOJCIK
and SALLY ROBERTS

Surplus lines insurers are becoming more selective and raising rates—sometimes by triple digits—as they focus more than ever on trying to achieve underwriting profits.

Among the lines of business seeing the biggest rate increases are liability insurance lines covering contractors, medical malpractice and transportation-related risks. Some insurers also are withdrawing from these and other lines, though there is not a capacity crisis, as in the mid-1980s, because other insurers are still writing the business.

Thanks to firming rates—and the return of business to the surplus lines market from the admitted market—most of the largest U.S.-based surplus lines insurers turned in double-digit growth in nonadmitted premiums in 2000, an accomplishment they expect to repeat this year.

But continued high losses on older business continued to dog many insurers in 2000, which was reflected in deteriorating combined ratios turned in by eight out of the 10 top companies.

The excess and surplus lines market “is transitioning into a hard market,” said Seth D. Freudberg, president of United National Insurance Co. of Bala Cynwyd, Pa.

“As a general rule of thumb, there are price increases across the market,” he said. There are, however, “rather substantial increases in anything with a long tail on it.”

“The market had been hardening all through 2000 and especially during the fourth quarter of 2000,” said Steve Vaccaro, president and chief operating officer of Essex Insurance Co., a unit of Markel Corp. based in Glen Allen, Va.

“What we’re seeing in the excess and surplus lines market is that hardness varies by product line and varies by geography,” he said.

“The market has definitely changed,” said Jerry Albanese, senior vp-underwriting for Shand Morahan & Co. Inc., a Deerfield, Ill.-based managing general agency that primarily underwrites on Evanston Insurance Co. paper. “Is it a market like people remember in 1985? I’d say no,” he said.

“Some coverage is much more difficult to get today than it was 12 months ago,” he said, citing medical malpractice liability insurance as an example. Shand Morahan, for example, in some cases is seeking rate increases in excess of 100% on medical malpractice risks with loss histories, he said.

On the other hand, some lines, such as miscellaneous errors and omissions and various e-commerce coverages, still have plenty of markets and very competitive

See **Insurers** on page 18

Lloyd's growing in U.S. as other aliens lose share

By DOUGLAS McLEOD

Lloyd's of London, long the largest alien market for U.S. surplus lines risks, is seeing sharp increases in U.S. premium volume and a slight expansion of its market share, while other alien insurers are watching their share of the U.S. surplus lines market shrink, insurance regulators and surplus lines market observers say.

Like their U.S.-domiciled counterparts in the nonadmitted market, Lloyd's syndicates have benefited from a tightening

market, recording a roughly 26% jump in surplus lines gross premium volume to \$2.40 billion last year from \$1.90 billion the previous year.

The growth has continued into this year and is partly a function of shrinking capacity among U.S. nonadmitted markets for such lines of coverage as property catastrophe, directors and officers liability and difficult products liability.

Other non-U.S. insurers, meanwhile recorded a roughly 22% decline in gross premium volume to \$940.0 million last year from \$1.20 billion in 1999, according

See **Alien** on page 12

Online E&S services generally not clicking

By MICHAEL PRINCE

The past year has been tough for Web sites that specialize in surplus lines insurance, with sites that have folded, premium growth that has failed to meet expectations and participants in the field that have reshaped their views about what can and cannot succeed on the Internet.

On April 30, the prominent Web site iwix.net ceased operations. The site had been in existence just over a year before failing to obtain the additional capital it

needed to stay in business (BI, April 23). Software producer ebix.com Inc. purchased the rights to all products offered by iwix.net from its parent company, Chicago-based Internet Worldwide Insurance Exchange L.L.C. (BI, May 14).

Pulling the plug is now common among insurance-related Internet businesses, said Kimberly Harris, senior analyst with Gartner Inc. in Durham, N.C., a business and technology research company.

Numerous insurance Web sites have failed to generate profits. In response, their financial backers have often cut their losses

See **Online** on page 16



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SPOTLIGHT

Alien

Continued from page 10

to figures compiled by the National Assn. of Insurance Commissioners.

A variety of factors explains the drop, including insurer mergers and acquisitions; cutbacks in underwriting of U.S. risks; and changes in U.S. regulators' trust fund requirements for alien companies, which may be leading some to form U.S.-licensed subsidiaries, regulatory and market sources say.

Overall, Lloyd's and other alien nonadmitted markets are gaining slightly in their share of the U.S.

surplus lines market, brokers and market analysts say.

"I wouldn't call it dramatic, but it's been a steady increase in the flow of business as the market has firmed," said Les Ross, executive vp with Tri-City Insurance Brokers Inc. in New York. "Is it a huge tidal wave? No."

Lloyd's dominance of the surplus lines landscape remains unchanged. Lloyd's underwriters' \$2.40 billion in 2000 gross premiums represents 24% of the total U.S. surplus lines market, and Lloyd's syndicates collectively represent the single largest surplus lines writer in each of the largest U.S. states, state surplus lines as-

sociation data show.

In California, for example, Lloyd's accounted for \$225.0 million, or 21.2%, of the state's total \$1.06 billion in surplus lines premiums for the first six months of this year, far outstripping the \$52.3 million written by all the other alien insurers, according to the Surplus Lines Assn. of California.

Lloyd's share of the U.S. surplus lines market has also expanded steadily since the market implemented its reconstruction and renewal plan in the mid-1990s, according to figures compiled by A.M. Best Co. While Lloyd's held about 20% of the surplus lines market in the late 1980s, its market

share dropped to 14% in 1994 and 1995, as the rebuilding plan was taking hold. Since then, Lloyd's portion of the market has grown slightly almost every year and had reached 18% by year-end 1999, according to Best.

The premium growth Lloyd's saw during 2000 proceeds this year as the market continues to tighten, said Wendy Baker, president of Lloyd's America Inc., the market's New York-based U.S. arm.

Lloyd's syndicates saw 10% to 50% rate increases on business they wrote last year, and underwriters this year are being asked to write larger participations on risks as capacity from U.S. markets be-

comes tighter, Ms. Baker said.

Where Lloyd's falls short of U.S. competitors, she conceded, is in its relatively cumbersome distribution system, in which a risk may be passed along a chain of brokers before reaching a Lloyd's underwriter. Lloyd's is asking non-U.K. brokers to become Lloyd's brokers, cutting down the number of hands submissions must pass through; so far, it has signed up 11 brokers, including two in the United States, she said.

U.S. surplus lines brokers cite capacity among Lloyd's attractions.

While the "vast majority" of business is still written by U.S. nonadmitted insurers, "we are doing more business with Lloyd's than we have in the past," said Neal Abernathy, executive vp with Aon Corp.'s Swett & Crawford Group unit in Atlanta. For property placements, "they still have some capacity left, where most domestic carriers do not have much capacity in catastrophe-prone areas."

While Lloyd's U.S. surplus lines business has grown steadily in recent years, that of all other alien insurers has fluctuated and appears to have shrunken since 1998.

Excluding Lloyd's, regulated alien insurers—those listed quarterly by the NAIC's International Insurers Department—saw their U.S. surplus lines market share shrink to a 10-year low of 8% in 1997 and then jump to 12% the following year before sliding to 11% in 1999, according to A.M. Best.

Excluding Lloyd's syndicates, the number of alien insurers writing surplus lines business in New York has been falling for 10 to 12 years, according to Daniel F. Maher Jr., executive director of the Excess Line Assn. of New York.

Non-U.S. insurers exited the market during that period for a number of reasons, including that they were not writing enough business to justify a market presence; that U.S. risks were underpriced; and that they acquired U.S.-licensed units to take over the business, Mr. Maher noted.

A change in state regulators' rules on policyholder trust funds may also have pushed a small number of alien companies out of the market, observers say.

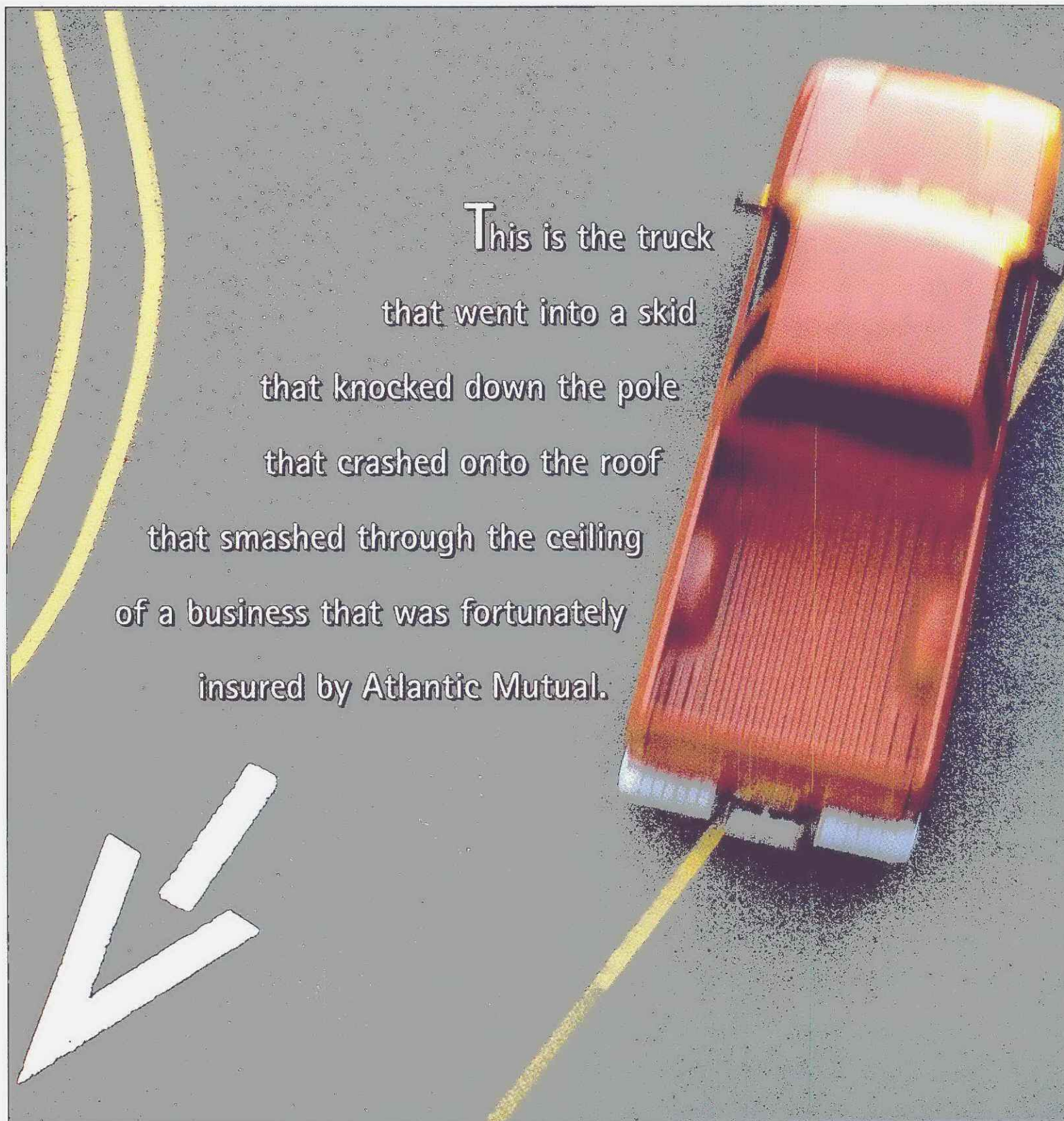
Last year, the NAIC, following regulatory changes in Louisiana and New York, began requiring non-U.S. insurers to maintain trusts with a minimum of 30% of gross surplus lines liabilities on business written after year-end 1997, in addition to the previous trust minimum of \$5.4 million.

For some alien insurers, committing an ever-larger amount of money to a trust fund may be proving less attractive than simply setting up or acquiring a U.S.-domiciled company.

"You would be tying up less capital by setting up a subsidiary," Mr. Maher said.

As the market tightens, though, Mr. Maher said he is seeing a comeback in the number of non-Lloyd's alien insurers seeking to do business in New York.

"It makes no sense to pump up volume in a market that is fundamentally underpriced," but that may change as prices rise, he said. **B**



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SPOTLIGHT

Online

Continued from page 10

es and closed them down, Ms. Harris said. "The people who are funding the effort are not willing to stay in it for the long haul," she said.

But those failures have been offset, in part, by some success at the Web site MarketScout.com, an online marketplace where agents can access specialty lines of insurance.

In the past year, the number of agents registered to use the site has mushroomed to more than 11,000, from about 700, said Richard Kerr, the founder and chief executive officer of MarketScout.com in Dallas. "That's just stunning to us. We never

would have dreamed it."

The number of participating insurance companies has also increased, to 67 from 35 a year ago, as has the number of individual product offerings, to more than 700 from about 300 a year ago, Mr. Kerr said.

At MarketScout, each area of coverage features just one insurance provider. MarketScout screens the insurers applying to represent each market, Mr. Kerr said, and selects the one it considers best for that specialty. For some lines, he said, the insurer can bind the coverage through the Web site, while for others, the final transaction must take place offline. Binding business offline may be necessary due to the complexity of the coverage or state regulations.

MarketScout allows agents who lack extensive contacts with surplus lines brokers to find surplus coverage and expert advice. And by using the site, the agents can bypass the premium-volume requirements that many insurers impose on their agents, said Mr. Kerr.

The site aspires to become the place agents and brokers visit to access the specialty lines market, Mr. Kerr said. "The independent agent is our customer," he said.

Despite increased traffic Mr. Kerr admitted that premium growth has not expanded as fast as was projected. Two years ago, he said, MarketScout anticipated reaching \$1 billion in total premiums by the end of this year, but the company is likely

to record less than half that amount.

One observer said he is not surprised. Selling surplus lines insurance over the Internet continues to be difficult, said Vincent Oliva, research director at Gartner Inc. in Warren, N.J. That's because the transaction is often more complicated than the sale of other types of insurance, he said. "The amount of explanation and discussion that has to go on for a surplus lines policy is too much for the Web."

A barrier to the success of surplus lines sites is that large brokers often are unwilling to change how they currently procure coverage.

A number of large retail brokers say they don't use the Web for arranging surplus lines coverage. In-

stead, the brokers say, they call contacts at wholesale brokers. On occasion, they say, they use the Internet as a resource, visiting a wholesale broker's Web site to see if the broker offers a particular line of insurance.

Those practices are typical of the insurance field, said Gartner's Ms. Harris. In general, she said, Web sites that sell commercial insurance have not flourished because buyers haven't yet changed their buying habits to make much use of the Web. "There is not just a technical issue; it's a culture issue," she said.

Don Martin, the chairman of ePolicy.com in Torrance, Calif., concurred. Businesses "are not buying directly on the Web," he said.

Although ePolicy.com was set up to sell commercial insurance directly to businesses, the company has redirected its focus to streamlining the process of buying insurance and reducing administrative costs, Mr. Martin said.

In July, the company launched a venture with Chicago-based Interstate Fire & Casualty Co., a unit of Fireman's Fund Insurance Cos. that connects the surplus lines insurer to its managing general agents.

"The Web will be effective, not in disintermediating agents and brokers, but it will reduce process costs to insurance companies and, in particular, the MGAs," Mr. Martin said.

Using the system, MGAs submit applications to Interstate. If an application is properly completed and complies with established underwriting guidelines, the policy is approved and issued over the Internet.

If an application has been improperly filled out, it is rejected and the MGA is given a chance to resubmit. Such an approach will reduce the amount of time needed to complete the transaction for both the insurer and the MGA, resulting in a savings of up to a 20% in overall administrative costs, Mr. Martin said. "This is the ultimate use of the Web," he said.

Gartner's Mr. Oliva praised this approach, saying it can succeed because much of the business from MGAs is program business that is typically written to comply with specific underwriting guidelines. "That's the type of stuff that's easy to put on the Internet," he said.

Another new entrant into the field will focus on the directors and officers liability insurance market. The program, called Directors & Officers Market Exchange, or DOME, was developed by singleentry.com Corp. of Lakeway, Texas. DOME, which is scheduled to debut in December, will attempt "to put the entire submission process all in one click," said Matthew Young, executive vp at singleentry.com.

Currently, the company has arrangements with four D&O liability insurers and is negotiating with 18 others.

At the site, a broker can fill out one application, attach all required documents and submit it to multiple insurers for a quote rather than complete a separate application for each insurer.

One big advantage of DOME is the application gets to the insurer in the format it wants, Mr. Young said. "Everything is delivered the way the carrier wants to see it," he said.

Unlike MarketScout, DOME offers a number of insurance company choices, Mr. Young said. "We're giving the people what they want, not what we want," he said. **EI**

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Surplus lines premiums and taxes by state

State	Gross surplus lines premiums written			% change		Surplus lines taxes collected			% tax rate
	2000	1999	1998	'00-'99	'00-'98	2000	1999	1998	
Alabama	\$156,758,966 ¹	\$124,311,716	\$119,949,067	20.7%	23.5%	\$9,405,538	\$11,003,672	\$8,091,228	6.0%
Alaska	39,477,611	33,811,840	35,849,509	14.4	9.2	932,193	798,470	878,645	2.7
Arizona	99,613,910 ²	111,738,624	98,770,874	-12.2	0.8	2,988,417	3,386,101	2,853,297	3.0
Arkansas	74,305,884	65,573,196	59,923,410	11.8	19.4	3,069,802	2,714,026	2,475,252	4.0
California	1,630,560,004	1,524,697,221	1,219,556,305	6.5	25.2	48,916,800	45,740,917	36,586,689	3.0
Colorado ³	191,508,609	129,813,826	113,468,367	32.2	40.8	5,827,863	3,963,674	3,460,905	3.0
Connecticut	103,397,060	79,987,000 ²	77,707,550	22.6	24.8	3,976,810	3,047,127	3,028,302	4.0
Delaware ⁴	32,661,244	24,119,135	23,936,770	26.2	26.7	653,224	482,036	478,735	2.0
District of Columbia ⁵	99,585,887	64,200,369	54,056,161	35.5	45.7	1,781,879	1,198,985	977,324	2.0
Florida	1,039,802,564	875,823,047	943,932,535	15.8	9.2	48,592,286	40,634,531	44,108,997	5.0
Georgia ⁵	330,966,100	288,768,825	219,026,725	12.7	33.8	13,238,644	13,238,644	11,550,753	4.0
Hawaii ^{5,7}	55,832,026	49,342,160	56,129,749	11.6	-0.5	2,593,620	2,303,364	2,622,733	4.7
Idaho	25,364,963	19,897,106	15,654,106	21.6	38.3	676,236	521,745	402,721	2.8
Illinois	224,646,485	204,512,048	230,529,146	9.0	-2.6	6,741,643	6,137,621	6,918,077	3.0
Indiana	109,250,643	92,900,012	46,378,961	15.0	57.5	2,817,916	2,322,500	1,159,474	2.5
Iowa	58,029,035	40,555,555	34,932,659	30.1	39.8	1,160,581	811,111	698,653	2.0
Kansas	59,381,515 ²	41,444,475	37,198,756	30.2	37.4	3,563,302	2,486,020	1,939,035	6.0
Kentucky	47,517,688	41,119,186	36,652,175	13.5	22.9	1,425,531	1,215,576	1,189,195	3.0
Louisiana	352,856,029	310,611,777	321,965,963	12.0	8.8	17,642,801	15,530,589	16,098,298	5.0
Maine	16,676,267 ^{1,5}	14,677,661	16,173,933	12.0	3.0	500,288	440,330	485,218	3.0
Maryland ⁶	122,880,240	77,480,067	105,934,634	36.9	13.8	3,684,127	2,318,403	3,177,960	3.0
Massachusetts	271,704,829	212,119,529	206,412,066	21.9	24.0	10,178,229	7,981,661	7,717,512	4.0
Michigan ⁶	239,609,225 ²	272,992,439	267,086,772	-13.9	-11.5	5,974,242	5,459,849	6,769,484	2.5
Minnesota	91,798,882	104,365,791	84,083,270	-13.7	8.4	2,753,966	3,130,974	2,522,498	3.0
Mississippi	80,735,413	73,098,730	55,752,580	9.5	30.9	3,229,904	2,923,896	2,230,101	4.0
Missouri ⁵	191,234,699	161,541,365	148,661,787	15.5	22.3	9,444,231	7,999,290	7,357,693	5.0
Montana	8,211,824	7,764,716	7,444,305	5.4	9.3	259,685	236,897	227,706	2.8
Nebraska	30,604,934	25,814,094	25,476,228	15.7	16.8	953,620	803,316	785,073	3.0
Nevada ⁵	47,249,487	55,289,659	31,437,406	-17.0	33.5	1,653,799	2,070,675	1,100,712	3.5
New Hampshire ⁸	32,560,472	23,221,852	45,291,773	28.7	-39.1	651,209	464,437	905,835	2.0
New Jersey ⁵	338,415,025	308,029,382	271,767,678	9.0	19.7	10,302,220	9,123,830	9,000,927	3.0
New Mexico	21,301,000	32,929,243	20,093,400	-54.6	5.7	637,030	987,877	602,803	3.0
New York	681,070,099	593,287,133	678,222,348	12.9	0.4	18,647,436	15,784,439	16,452,984	3.6
North Carolina ⁷	130,782,977	111,675,829	105,883,426	14.6	19.0	6,539,149	5,583,796	5,294,170	5.0
North Dakota	7,064,017	5,677,111	5,205,427	19.6	26.3	123,632	99,353	91,096	1.8
Ohio ⁶	270,699,089	121,483,366	172,432,884	55.1	36.3	3,998,887	4,033,568	4,580,777	5.0
Oklahoma	99,034,617	99,050,807	95,208,983	-0.02	4.0	5,942,077	5,943,048	5,712,539	6.0
Oregon	75,989,129	60,822,824	67,920,470	20.0	10.6	1,519,930	1,216,458	1,362,296	2.0
Pennsylvania ⁵	342,000,000	364,000,000	255,500,000	-6.4	25.3	8,502,000	8,577,482	9,490,444	3.0
Rhode Island	32,488,100	32,088,100	31,108,403	1.2	4.2	974,643	962,643	933,252	3.0
South Carolina	174,471,050	133,701,025	111,525,550	23.4	36.1	6,978,842	5,348,041	4,461,022	4.0
South Dakota ⁶	10,618,888	8,748,381	7,891,950	17.6	25.7	265,472	218,710	197,299	2.5
Tennessee ¹⁰	207,735,896	177,373,229	110,438,013	14.6	46.8	5,194,418	4,724,697	3,840,610	2.5
Texas	1,127,375,550	1,029,151,854	1,007,374,123	8.7	10.6	55,367,427	46,841,687	48,546,527	4.9
Utah	52,711,955	41,631,018	40,761,490	21.0	22.7	2,240,258	1,769,318	1,732,363	4.3
Vermont ^{6,7,10}	8,691,943	8,459,311	8,952,539	2.7	-3.0	20,400,650	20,399,766	20,055,072	3.0
Virginia ⁵	183,414,604	156,121,775	125,397,673	14.9	31.6	4,307,334	3,746,509	3,172,921	2.3
Washington ⁵	181,938,185	157,060,473	115,188,331	13.7	36.7	3,638,764	3,141,493	2,303,767	2.0
West Virginia	32,256,542	25,970,813	23,969,309	19.5	25.7	1,148,339	973,989	861,487	4.0
Wisconsin ⁶	108,522,807	65,092,803	61,909,047	40.0	43.0	3,263,678	1,981,795	1,866,920	3.0
Wyoming	6,055,027	5,867,255	6,450,023	3.1	-6.5	177,010	168,674	185,329	3.0
Totals	\$9,957,418,995	\$8,689,814,753	\$8,062,574,609	12.7%	7.2%	\$375,457,582	\$332,993,610	\$319,542,710	

1. B/ estimate. 2. Estimate. 3. Figures include only premiums and taxes reported to the surplus lines association and no self-procured insurance or transactions made directly to state. 4. Figures were restated to show adjusted reported figures. 5. Fiscal year ends June 30. 6. Fiscal year ends Sept. 30. 7. Net surplus lines premiums written. 8. Former years were B/ estimates. 9. Additional taxes collected. 10. Tax is 3.25 on fire portion. Taxes are collected based on insurance written. Source: B/ survey

SPOTLIGHT**Insurers**

Continued from page 10
prices, Mr. Albanese said.

"We're getting double-digit increases in most lines, especially casualty lines," said Jim Carey, president and chief operating officer of Admiral Insurance Co. of Cherry Hill, N.J. "Any medically related risks are getting 50% or more increases. It's an area people are quite concerned about."

"This was the eighth consecutive quarter of rate increases on property business, and the third quarter of rate movement on casualty," said Kevin H. Kelley, president of American International Group

Inc.'s two surplus lines insurers—Boston-based Lexington Insurance Co. and American International Specialty Lines Insurance Co., which is based in Anchorage, Alaska.

The industry "is emerging from a prolonged soft market, and there are certain lines of business that have had substantial loss inflation over the years," said Bryan Salvatore, senior vp-marketing for Zurich North America Specialties, a New York-based business unit of Zurich Financial Services Group. Zurich is the parent of Schaumburg, Ill.-based Steadfast Insurance Co.

"What is driving this market is the fact that we're seeing, as an in-

dustry, very strong social inflation," said Mr. Kelley. "People who are on juries think corporate America needs a wake-up call, the plaintiffs bar is better organized, and the judicial bench is more conducive to a plaintiffs bar view of life."

As a result, there's a kind of "wealth transfer" occurring in jury verdicts, which is translating into higher insured losses, he said.

"There are those who made money investing on Wall Street and those who didn't, and it's the have-nots who frequently sit on juries," Mr. Kelley said.

In some cases, insurers have been willing to walk away from certain risks or lines if they feel

they won't get the price they need to write them profitably.

"We focus on underwriting profit. We don't focus on top-line growth. When there's something that makes sense for us to grow in, we will grow. But there's a walk-away price for things," said Mr. Vaccaro of Essex.

Scottsdale Insurance Co., Admiral Insurance Co. and General Star Indemnity Co. all withdrew from the tough market for liability insurance covering nursing homes in 1999. The line has had poor loss experience in recent years.

United National has significantly downsized its contractors liability business within the past year, though it has not completely with-

drawn from the market.

"We know that there's a growing problem with construction defect claims," Mr. Freudberg said. "It started in California and is moving into other states, like Washington."

"It's an extremely difficult type of business to deal with," he said. "Even if we exclude the coverage, the defense costs to uphold the exclusion are quite expensive."

Stamford, Conn.-based General Star Indemnity Co. has been steadily losing trucking business because it's been raising prices to better reflect the line's risk, said Patricia Roberts, president and chief executive officer.

The industry 'is emerging from a prolonged soft market, and there are certain lines of business that have had substantial loss inflation over the years.'

— Bryan Salvatore
Zurich North
America Specialties

"We looked at trucking and said to be profitable, we need this rate. So we're not the truck writer we once were," said Bill Murray, senior vp-facilities at Gen Star.

Between 1997 and 2000, Gen Star lost nearly three-fourths of its trucking business, Ms. Roberts estimated.

"In each situation, we've analyzed the results and determined what we need to do," she said. "Our No. 1 goal is to have an underwriting profit by 2002."

Zurich North America Specialties is approaching its business by looking at "what we need to do...to ensure profitability and that we're going to be there for the long term," said Mr. Salvatore. This involves making decisions on risk selection, terms and conditions, and rates, he said.

"Insurers are returning to profitability and are willing to sacrifice top-line growth to go from red ink to black," Mr. Freudberg said.

Despite the retreat from certain businesses, most of the top surplus lines insurers ranked by *Business Insurance* reported double-digit growth in nonadmitted premium volume in 2000, chiefly as a result of rate hikes. And nearly all expect their 2001 surplus lines volume will reflect continued growth.

"There's more room to go, but the mentality is like night and day," between renewals this year and in previous years, said Mr. Freudberg. "Buyers recognize that the rate reduction environment that existed for the entire decade of the 1990s is over," he said.

Although most of the growth in 2000 came from rate increases, some business that once was the bastion of the surplus lines market is returning, after being lost to admitted insurers during the prolonged soft market.

See **Insurers** on page 22

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INSURANCE IN TOUCH WITH BUSINESS

SPOTLIGHT

Insurers

Continued from page 18

"There's no question in my mind that nursing homes are flocking back to the E&S market," Mr. Freudberg said.

In addition, construction defect claims are driving contractor liability business back to the surplus lines market, and habitational risks are also returning because of mold exposures, he said.

"It's a time of opportunity for the E&S business to respond," said R. Max Williamson, president of Scottsdale, Ariz.-based Scottsdale Insurance Co., a unit of the Nationwide Mutual Insurance Co. "That's

what we do."

Following are profiles of the top 10 U.S.-based surplus lines insurance companies, based on gross premiums written on a direct, nonadmitted basis.

1 Lexington

Lexington Insurance Co.

Buoyed by a 26.4% jump in 2000 nonadmitted premiums to \$1.28 billion, Lexington Insurance Co. maintained its front-runner status

among the nation's surplus lines insurers.

Most of the increased premium volume came from rate hikes in both property and casualty lines, according to Kevin H. Kelley, president and chairman of the Boston-based surplus lines subsidiary of American International Group Inc.

Last year, Lexington's premiums for property in catastrophe-prone areas increased by 40% to 60%, while casualty premiums surged by between 25% and 150%, depending on the line.

For example, transportation coverage, particularly buses and long-haul trucking, saw the biggest increases, Mr. Kelley said.

Lexington also continued to in-

troduce new products during 2000, including an employment practices liability program for the hospitality industry and an excess program for project owners to cover liability stemming from their hired design professionals.

"Innovation is extremely important to us," Mr. Kelley explained, adding that the insurer established an "innovation council" last year. Steve Paris, formerly an attorney with Morris, Mahoney & Miller in Boston, joined Lexington last year as director of new products.

Despite its increased premium volume, Lexington's net income slipped 24.2% to \$141.1 million in 2000. Its combined ratio also inched up to 99.1% from 97.4% in 1999.

Mr. Kelley declined to comment specifically on the company's results.

2 AIG

American International Specialty Lines Insurance Co.

American International Specialty Lines Insurance Co., also a unit of AIG, held its No. 2 spot on the *Business Insurance* rankings with a 10.4% increase in nonadmitted premiums to \$1.11 billion.

Like Lexington, AISLIC grew mostly from higher rates, though both companies did see an increase in submissions due to hardening in the admitted market, according to Mr. Kelley, who also serves as president of AISLIC.

"Activity is very strong," he said "We are seeing an awful lot of new business opportunities."

In particular, package accounts that, in Mr. Kelley's opinion, "shouldn't have been written by the standard market" are now returning to surplus lines, he said.

Unlike its sister company, AISLIC saw its profitability improve slightly in 2000. Its net income grew just under 2% to \$29.8 million. However, AISLIC's combined ratio deteriorated to 98.5% from 90.3% in 1999.

3

Scottsdale Insurance Co.

Scottsdale Insurance Co., the Scottsdale, Ariz.-based surplus lines subsidiary of Nationwide Mutual Insurance Co., saw a 17.3% increase in nonadmitted premiums to \$576.4 million, keeping it in the No. 3 spot.

Most of the increase came from higher pricing of its existing business, according to R. Max Williamson, president.

For example, rates increased an average of 28.1% on property insurance for coastal risks, while liability premiums climbed an average of 15%, according to Gary Tiepelman, vp-underwriting.

Perhaps the biggest jump occurred in Scottsdale's trucking business, where premiums increased anywhere from 40% to 100%, Mr. Williamson said, adding that he expects prices to climb even higher for 2002.

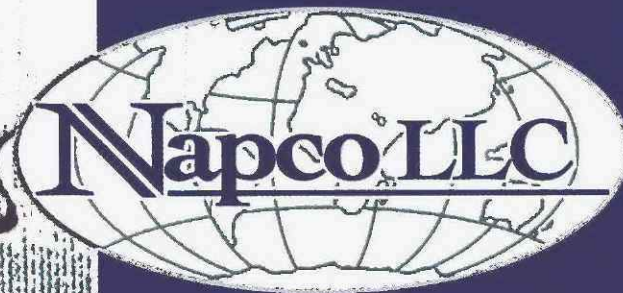
"It's been terribly underpriced, and I'm not sure it still isn't," he said.

Some rates also grew as a result of higher reinsurance pricing, he said, adding that the insurer has been passing those additional costs through to policyholders.

The company did not introduce any new products in 2000, primarily because it has been busy focusing on the increasing

See *Insurers* on page 24

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SPOTLIGHT

Insurers

Continued from page 22
number of submissions it has received in response to the hardening standard market, said Mr. Tiepelman.

However, Scottsdale has withdrawn from some lines that had poor experience, such as physician medical malpractice, he said. The year before, the insurer withdrew from the nursing home liability market.

Partly as a result of these underwriting losses, coupled with lower investment income, Scottsdale's combined ratio slipped to 111.1% in 2000 from 106.9% in 1999, and it posted a \$2.9 million loss in 2000, compared with a \$5.2 million profit in 1999.

**Steadfast Insurance Co.**

A mixture of rate increases and new business development was the recipe behind Steadfast Insurance Co.'s 14.4% growth in nonadmitted premiums to \$370.3 million in 2000.

The Schaumburg, Ill.-based member company of Zurich North America, a division of Zurich Financial Services Group, maintained its No. 4 position in the *BI* rankings.

Steadfast offers a host of specialty products, and it benefits from being a member company of Zurich, said Bryan Salvatore, senior vp-marketing for Zurich North America Specialties in New York, a business unit of Zurich North America. "There's a sense of stability... that comes from our financial stability and how we approach the marketplace," he said. "We don't jump in or out of marketplaces," which gives comfort to brokers and policyholders.

In the last 12 months, Zurich has introduced several new products on surplus lines paper. Among them is a product recall expense policy for small to mid-size companies, with limits of up to \$5 million. Zurich also is offering a liability program for private equity venture capital firms, with limits of up to \$50 million.

Steadfast's gross premium volume in 2000 rose 11.8% to \$382.3 million. It did not report statutory combined ratio figures, but *BI* estimates its combined ratio to be 59.9% for 2000, up from 21.2%. The ratio is low due to minimal underwriting expenses, which other Zurich units handle.

**Evanston Insurance Co.**

Evanston has returned to the rankings of the leading surplus lines insurers for the first time since 1995.

A mixture of rate increases and new business from sister compa-

nies resulted in a 104.5% increase in nonadmitted premiums for Evanston Insurance Co. With \$276.4 million in nonadmitted premiums, the Deerfield, Ill.-based unit of Markel Corp. is the fifth-largest surplus lines insurer in *BI*'s rankings.

Jerry Albanese, senior vp-underwriting at Shand Morahan & Co. Inc., explains that in addition to Shand Morahan, which primarily uses Evanston paper to underwrite its professional and products liability risks, Investors Underwriting Managers Inc., another Markel managing general agency, has increased its flow of business into Evanston over the past year. At the same time,

Markel's newest MGA, Markel Southwest Underwriters, also is using Evanston paper for its risks now, he said.

Markel Southwest Underwriters was formed in 2000 as a result of Markel's 1999 acquisition of the renewal rights to the business of the Scottsdale, Ariz., office of Acceptance Insurance Cos.

Shand Morahan introduced a new product this year called "Competitive Edge." The coverage offers employers protection if an employee leaves and takes intellectual property to a new company. The coverage also protects companies that hire new employees and are accused of stealing intellectual property. The policy

offers limits of up to \$1 million.

Running contrary to many other top-10 insurers, Evanston saw its statutory combined ratio improve to 89.3% in 2000, down from 103.0% in 1999.

**General Star Indemnity Co.**

Even though its nonadmitted premiums grew just 4.5% in 2000, to \$269.6 million, Stamford, Conn.-

based General Star Indemnity Co. inched up a notch in the *BI* rankings as a result of the departure of Reliance Insurance Co. of Illinois and Columbia Casualty Co.'s precipitous fall.

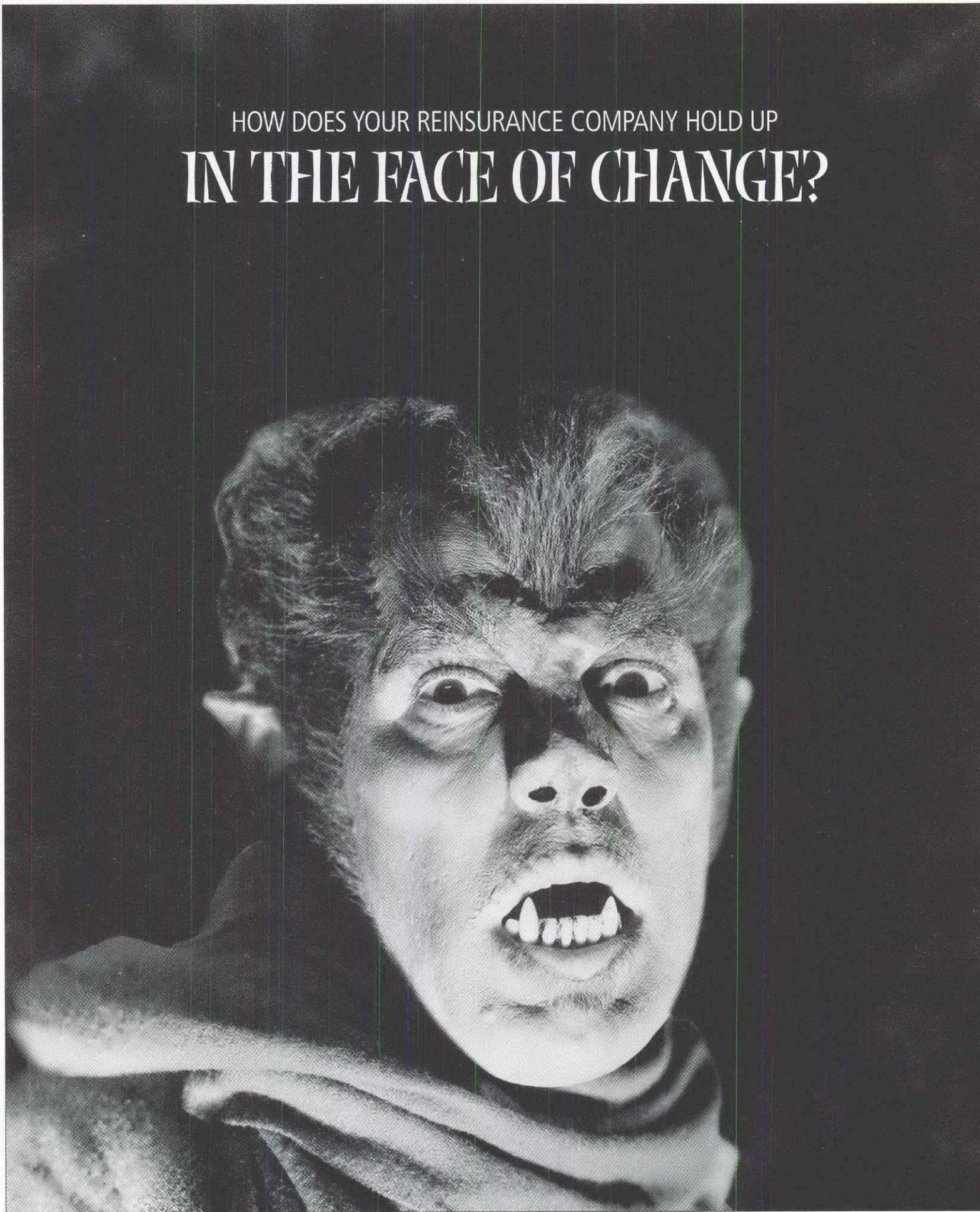
But the premium growth at this Berkshire Hathaway Inc. unit lagged behind many of its competitors, partly because of its stricter pricing and underwriting, according to Patricia Roberts, president.

"We've had a significant re-underwriting of our book over the last 12 months," she explained. As a result, "some business has found new homes."

However, "it's starting to come back" now that the admitted insurer

Continued on next page

HOW DOES YOUR REINSURANCE COMPANY HOLD UP IN THE FACE OF CHANGE?



Continued from previous page
ance market is hardening, she said.

And Ms. Roberts expects Gen Star's premiums overall to grow between 20% and 30% in 2001.

"The average size of account is up," which translates into higher premiums per account, she said.

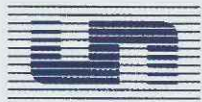
Gen Star is working on improving its automation.

"This year, we had loss runs available via the Internet, and by January we hope to have billing online," said Ms. Roberts, who was promoted to president of the company in March after the departure of Kevin P. Brooks.

The insurer saw its combined ratio deteriorate to 111.7% last

year from 99.2% in 1999.

7



United National Insurance Co.

One year after taking itself off the sale block, United National Insurance Co. reported double-digit growth in nonadmitted premiums written.

Such premiums were up 39.8%, to \$256.7 million, making the Bala Cynwyd, Pa.-based insurer No. 7

in the *BI* rankings.

"Our owners are pleased to retain the company," said Seth D. Freudberg, United National's president, referring to parent American Insurance Services Inc.'s decision to terminate a year-old purchase agreement with American Re-Insurance Co. that lapsed largely due to regulatory inaction (*BI*, Aug. 14, 2000). "We're coming into a very profitable year."

Mr. Freudberg said that much of United National's growth in 2000 came from its existing accounts.

"The market began to tighten in 2000, and it picked up real steam in 2001," he said. "There's been

substantial underwriting and rate changes as business flowed out of the admitted market and was dumped into the excess and surplus lines market," he said.

United National's statutory combined ratio was 94.1% in 2000, up from 84.3% in 1999.

8



Columbia Casualty Co.

Columbia Casualty Co. slipped three notches in the *BI* rankings to the No. 8 spot as a result of a

30.2% decline in nonadmitted premiums to \$223.5 million in 2000.

However, the insurer's combined ratio improved to 112.0% in 2000 from 125.6% in 1999, and its net income was \$19.3 million, compared with a \$2.7 million loss the year before.

Executives at Columbia, a unit of CNA Financial Corp. of Chicago, declined to be interviewed for this report.

9

Admiral Insurance Co.

Gross premiums written on a direct, nonadmitted basis rose 13.3% to \$184.8 million at Admiral Insurance Co. in 2000. The Cherry Hill, N.J.-based unit of W.R. Berkley Corp. maintains its No. 9 spot in the rankings.

Jim Carey, Admiral's president and CEO, attributes a vast majority of the insurer's growth in 2000 to rate increases.

"I'd say 80% or more is pure price increases. 2000 was the year business started chasing us," he said.

Despite double-digit growth in nonadmitted premiums in 2000, Admiral's statutory combined ratio rose to 104.9% in 2000 from 89.7% in 1999. Mr. Carey said this is a reflection of a "hangover with some past business."

"Some nursing home business, a market in which we exited in 1999, came back and haunted us in 2000," he said. "Most of it is behind us now and we're happy to not be in that business anymore."

Admiral has not exited any other lines of business and did not add any new products during the past year.

"We're up to our eyeballs servicing people with our existing products," Mr. Carey said.

10



Essex Insurance Co.

Essex Insurance Co. makes its debut in the *Business Insurance* rankings in the No. 10 spot based on \$175.9 million in gross nonadmitted premiums, a 43.5% increase over 1999.

Steve Vaccaro, president and chief operating officer of the Markel Corp. unit, said that most of the insurer's growth came from price increases on renewals. Essex also benefited in 2000 from a primary property book of business that it inherited through Markel's 1999 acquisition of Gryphon Holdings Inc., he said.

The costs associated with that acquisition and with putting a portion of Gryphon's business into runoff, however, contributed to a 101.3% statutory combined ratio in 2000, compared with 87.4% in 1999.

Mr. Vaccaro said that the insurer's combined ratio over the past five years, solely on the business it produced and underwrote itself, has averaged 83.1%. **BI**

TALK TO YOUR BROKER

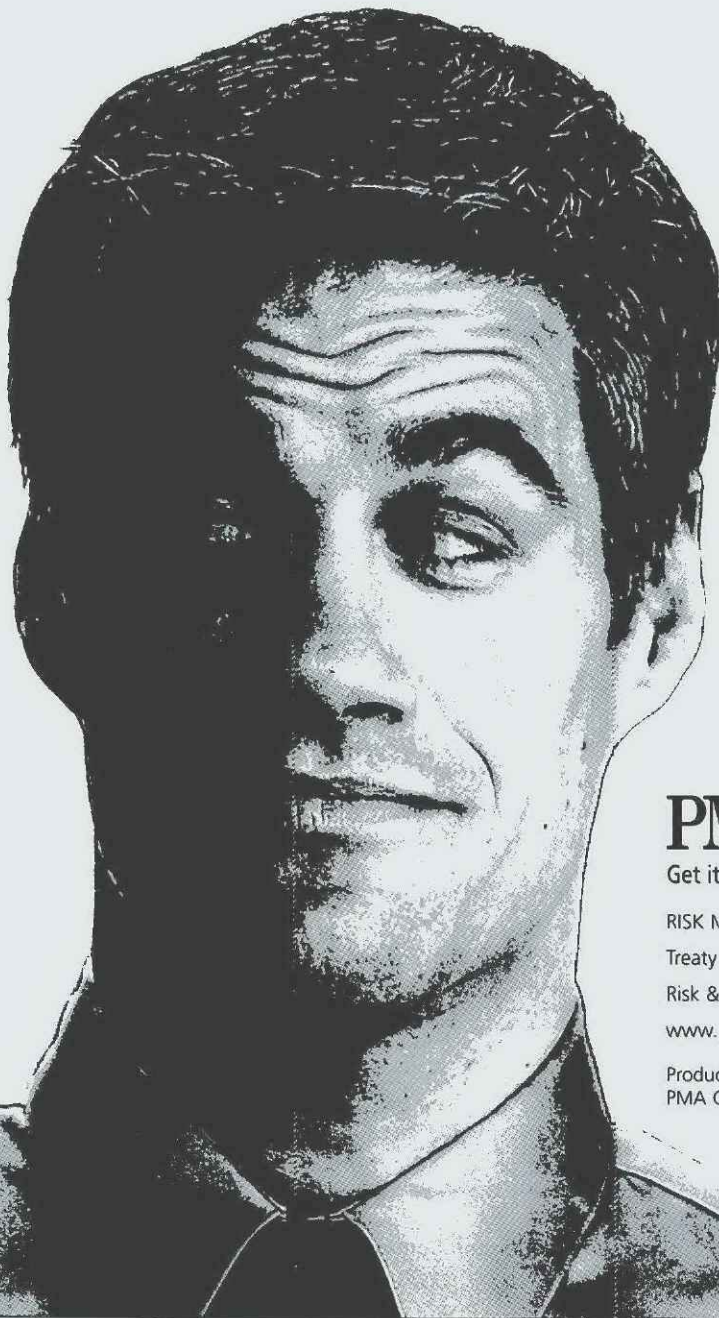
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SPOTLIGHT

Surplus lines brokers overloaded as business soars

By **RODD ZOLKOS**
and **ROBERTO CENICEROS**

The hardening insurance market, in which standard companies are cutting capacity for certain lines of coverage or even abandoning them altogether, is providing wholesale brokers with all the opportunities they could ask for. In fact, for some wholesalers, the market is presenting more opportunities than they can keep up with.

"We are just absolutely swamped. Our brokers are getting business in by the bucketful," said David R. Hartoch, chairman and chief executive officer of Woodland Hills, Calif.-based Swett & Crawford Group.

Stephen Conner, president and chief operating officer at Crump Insurance Services in Dallas, said wholesale brokers and insurance companies are receiving more submissions than the markets can process, which is causing disruptions.

Insurance buyers aren't accepting the price increases they are getting from standard insurers, so they are demanding that their retail brokers market the accounts, Mr. Conner said. As a result, more accounts are hitting the desks of more companies and more wholesale brokers.

Charles Wood, chief financial officer for Birmingham, Ala.-based Cooney, Rikard & Curtin Insurance Group, said he expects insurers' current tight control over capacity to continue for the next 12 to 18 months,

with any natural catastrophe extending that time frame. The situation could worsen after the Jan. 1, 2002, reinsurance treaty renewals, Mr. Wood predicted.

"The market is becoming more firm," said Mark M. Smith, president and CEO at Stewart Smith Group in New York. That, he said, "is the market that demands that the wholesale industry steps up."

"Now it's not about low cost; it's about complex marketing problems," Mr. Smith said. "It's about access to the marketplace

capacity. It's about coverage forms."

"Right now, if you look at what the carriers are doing, they're narrowing the scope of the coverage and increasing the rate," said John G. Hahn, president and CEO of Tri-City Brokerage Inc. in San Francisco. "It was, 'Cheap insurance sells,' and, today, it's not really about that."

"Every renewal, you're just trying to protect your renewal," Mr. Smith said. "You're meeting out 90 to 120 days before, and, sometimes, the market changes in that 90 to 120 days."

On some tough accounts, "we're getting to the point where, by the end of this quarter, clients will be happy to get a quote on their submissions," Mr. Smith said. "And it's not that there isn't capacity. It's that everybody is up to their ears in files on their desks."

The response to the overload is to seek to prequalify the accounts they look at, said Marshall Kath, CEO at Heath Holdings USA Inc. in Dallas.

"When you have the kind of volume we're having now, it's really important to predetermine: 'Yes, we can help,' 'Yes we can help but not in the way you're thinking,' and, sometimes, it's actually a 'No,'" he said.

In the current market, a retailer attempting to place a difficult risk is sometimes forced to bring the client "a rate increase that just makes the client gag," Mr. Kath said. So that retail broker may look to a wholesaler to find a better deal, "but you have to say, 'The specialty market's going to be at 40% to 50% (higher), too,'" he said. "If the only aspect of this you're looking at is price...I'm not going to be able to find you a better price."

While the work might be harder for wholesale brokers in the current market, the changed nature of the submissions they're seeing brings the potential for higher profits.

"For us, we're spending more time on each account, but the rewards are bigger," Mr. Hahn said.

"In competing in a soft market, we wrote a lot of large primary accounts," Mr. Smith said. "Large premiums but very low net commissions."

With the hardening market, those types of accounts have now gone out of the wholesale system and are being replaced by more traditional excess and surplus business, he said.

Mr. Conner said that percentage price increases that range anywhere from the low teens to triple digits are the norm across all lines.

Any broker not positioning its accounts for an increase is likely to get replaced, he said, adding that the largest increases are in transportation, health care, nursing and convalescent homes.

Price increases for some casu-
See **Brokers** on page 28

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SPOTLIGHT**Brokers***Continued from page 26*

ality lines are still less than 20%, he said, but for all lines of casualty coverage, underwriters typically are seeking increases of at least 10% to 20%, regardless of account activity and claims.

"Casualty is where we're going to be able to help our clients, because, every day, it seems, the carriers are not providing the coverage; they're reducing limits," Mr. Smith said. "We're being challenged every day on the primary, the umbrella."

Property catastrophe rates are increasing very significantly, Mr. Conner said. "While pricing is going up, capacity is a real problem," he said. "Especially windstorm along the Florida coast and Gulf Coast."

"The London market has restricted cat capacity, as well as a lot of the domestic markets. Some just flat have pulled out of it," Mr. Conner said. "In Florida, we are running out of capacity in homeowners, and in some of our commercial properties, we are having to restrict the writing so we don't run out before the end of the year."

On property catastrophe business, "even with our size, it is difficult to fill out the capacity for every submission," Mr.

Smith said.

Capacity can be problematic in some other lines as well.

"At this stage, the areas where the biggest impact with capacity is coming into play are things like nursing homes, trucking and transportation," said Tri-City's Mr. Hahn. "Also, some construction and homebuilders."

"Errors and omissions for technology is dear as well, and malpractice is a mess," Mr. Hahn said. "This is what we're in business for. Every account is a battle."

"There are a lot of markets that are running out of capacity in the tougher areas, and many of the smaller underwriting facilities and companies are pulling out altogether," said Chris Brown, president of Brown & Riding Inc. in Los Angeles.

As for umbrella and excess coverage for residential construction, "there are maybe one or two markets, period," Mr. Brown said. "Capacity is way down. We are having several accounts that can't buy the limits they want."

Mr. Brown cited one client that had previously purchased \$4 million in coverage for \$22,000; this year, the account was quoted a premium of \$140,000. "We had one that the

same insurer the previous year charged \$5,000; going forward, they wanted \$80,000," he said.

Following are profiles of the five largest U.S.-based wholesale insurers, based on wholesale premium volume.

**Swett & Crawford Group**

Premium volume for Woodland Hills, Calif.-based Swett & Crawford Group exceeded the \$1 billion mark in 2000, far outstripping that of other wholesale brokers.

The growth came without adding any new products, said David R. Hartoch, chairman and chief executive officer. All of the company's four major lines of business—property, casualty, transportation and professional liability—reported growth.

Premium volume shot up to \$1.05 billion, an increase from \$880 million in 1999. The company did not release its gross revenues for 2000, but *Business Insurance* estimates Swett & Crawford's gross revenues totaled at least \$102.2 million, up nearly 18% from \$86.8 million.

Support from parent company

Aon Corp.'s Specialty Products Network helped accelerate growth, he said. Representatives for the Aon networks visit independent agents to scout out their placement needs. The representatives then refer business to the appropriate unit among the 42 Aon has, he said.

"We probably benefit the most because they go out and see independent agents, and if an agent has a need, they direct that need to the appropriate company, and most of the time it is Swett & Crawford," he said.

**Cooney, Rikard & Curtin Insurance Group**

Cooney, Rikard & Curtin Insurance Group has grown into a sizable competitor, making its debut on *Business Insurance's* list of the five largest surplus lines brokers.

To make the top-five ranking, the Birmingham, Ala.-based company's premium volume shot up to \$377 million in 2000 from \$218.5 million the year before. Total gross revenues,

meanwhile, grew to \$35 million from \$20.2 million during the same period, helped in part by new business.

The company's talent pool and the autonomy given to managers to foster a creative entrepreneurial environment is behind that growth, said Charles Wood, Cooney, Rikard's chief financial officer. Multiple product offerings supported by specialized expertise also create the opportunity for cross-marketing. Cooney, Rikard's specialties include property, casualty, marine and professional liability.

Growth also came from the May 1999 purchase of a Crump Insurance Services Inc. office in Chicago and the March 2000 opening of a Los Angeles office. Cooney, Rikard has identified several cities ripe for future expansion, Mr. Wood said. The goal, he said, is to expand the company's presence in all regions of the country.

**Crump Insurance Services Inc.**

Sports and entertainment event coverage is one of the

Continued on next page



Continued from previous page
newer specialties at Crump Insurance Services Inc., said President and Chief Operating Officer Stephen Conner.

Late in 2000, Crump developed a sports/entertainment department to meet growing demand for capacity and expertise in that arena, Mr. Conner said. Corporations sponsoring promotional events, such as hole-in-one golf contests, are fueling the demand as they seek prize indemnification coverage.

Crump also can provide coverage for professional sporting events. The company played a role in providing insurance for businesses related to the Tour de France.

Also during 2000, Crump saw its premium volume grow to \$639 million from \$615 million in 1999. The company did not release the amount of gross revenue it earned in 2000, but *Business Insurance* estimates the Marsh & McLennan Cos. Inc. division's revenues would total at least \$47.7 million.

Crump continues to grow in other areas as well. On July 1, the Dallas-based wholesaler launched a program for long-haul trucking operations with fleets of 25 to 150 units. Creating that program would not have been possible without the reinsurance support Crump ob-

tained through its sister company, reinsurance intermediary Guy Carpenter & Co., Mr. Conner said.

4 Stewart Smith

Stewart Smith Group

"Last year was an outstanding year for the Stewart Smith Group," said Mark M. Smith, president and CEO of the New York-based wholesaler. While its wholesale premium volume increased 12% in 2000 to \$432.1 million, gross revenues increased nearly 21.5% to almost \$36.6 million.

Mr. Smith said that in this year's first six months, premium volume was up 30% over the same period last year and net commissions increased 22.7%.

Casualty is Stewart Smith's largest discipline, representing about 55% of its business. Property represents about 30% of the wholesaler's business, while professional and management liability account for about 15%.

On property business, "net commissions are up 40% for the first six months, and I would say premiums probably track the same," Mr. Smith said. Casualty

business is up about 25% for the first six months, he said, and professional liability is flat.

A 1999 restructuring saw Stewart Smith move from an emphasis on regional operations to a single national company with individual practice areas. Those areas are led by practice group leaders who "connect the dots all across the country," Mr. Smith said. The arrangement allows for "a tremendous amount of networking across our company that benefits our clients."

In October, Stewart Smith named Sylvia Mayfield to the newly created position of group casualty manager.

In April, Armando Vilches was named group program manager, leading a newly created programs department focusing initially on fiduciary, employment practices liability, and nonprofit directors and officers products marketed through the wholesaler's Web site.

Jim Conroy was hired in June as the wholesaler's group construction leader, and Pat Maloney was named executive officer of the company's central region in July. Other key managers include: Tom Cesare, group property manager; Ed Antonucci, group professional and management liability manager; Fred Anderson, West regional executive officer; Fred

Curatolo, East executive officer; and Jim Compton, Southeast executive officer.

5

Heath Holdings USA Inc.

With 10 offices across the United States, each with its own business plan, Dallas-based Heath Holdings USA Inc. is situated to effectively cover key business areas across the country, said CEO Marshall Kath.

The company believes such an approach facilitates responsiveness and quick decision-making. The wholesaler's approach to business was quite successful last year, with Heath Holdings' wholesale premium volume increasing 47.1% to \$340.1 million and total gross revenues increasing 51.8% to \$28.9 million.

"For 2000, 40% of that (increase) was rate and 60% was volume," said Mr. Kath. "And in this marketplace, which is changing, you really have to look at the two different components."

This year, the wholesaler's performance is off to an even

better start. In 2001, "our quarter over quarters so far...are running about 35% to 40% up over last year," Mr. Kath said, noting that this year, the increases are driven 55% by higher rates and 45% by increased volume.

While Heath's business lies heavily in property/casualty lines, the company also is active in placing directors and officers liability, errors and omissions liability and employment practices liability coverages, particularly through the wholesaler's financial services practice. **BI**

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SPOTLIGHT

MGAs see premiums, workload grow as market firms

By **DAVE LENCKUS**
and **MICHAEL BRADFORD**

Although managing general agents and underwriting managers are writing as much business as they can handle in the hardening property/casualty insurance market, they face several challenges, according to executives for the wholesalers.

How well wholesalers respond by updating their computer systems, developing and retaining

experienced personnel, creating innovative products and shaping new regulations likely will determine their success far beyond the duration of the current hard market.

A year ago, wholesalers reported a dramatic market turn, with some noting that July 2000 was their best month ever.

In the year since, business has not slowed. Indeed, some wholesalers have reported record business volume this July, said Baron Garcia, president of the American Assn. of Managing General

Agents. Mr. Garcia also is president of Oklahoma General Agency in Oklahoma City.

Among approximately 200 wholesalers that produce business for Markel North America, "I don't think I talked to a single one that was not up over at least 20% from last year," said Paul Springman, president of the Richmond, Va.-based subsidiary of Markel Corp.

But, "the market is very different now than it was 12 months ago," because rates are jumping and coverage is shrinking in all

classes rather than for just loss-plagued accounts, noted Julian T. James, London-based director of worldwide markets for Lloyd's of London. "The market currently is in a stage of major upheaval."

Much of the increase in wholesalers' volume is attributable to higher premiums, but the portion that is due to new business has "overburdened" underwriters, according to Tapley O. Johnson Jr., incoming president of the National Assn. of Professional Surplus Lines Offices Ltd. Mr.

Johnson also is chairman of Burlington, N.C.-based managing general agency TAPCO Underwriters Inc.

One key concern for wholesalers is improving automation.

Automation has helped some wholesalers handle their increased business volume more efficiently. For example, updated technology at Burns & Wilcox Ltd. of Farmington Hills, Mich., helped the MGA take advantage of the market turn over the past year, according to Alan J. Kaufman, president.

"The market can change, but you still have to have an excellent underwriting staff, the infrastructure and technology" to serve the marketplace, Mr. Kaufman said. "That is paying dividends for us handsomely."

"Customers are demanding 21st-century service," said Lorna M. Parsons, a managing director at The Schinnerer Group in Chevy Chase, Md.

Some MGA are using the Internet to exchange data and to communicate with underwriters, who, in some cases, are rating and underwriting risks online without speaking to wholesalers.

Such an approach saves time for wholesalers, underwriters, retailers and buyers, and it allows underwriters to give more attention to tougher risks, market executives explained.

But most MGA "have a way to go," NAPSLO's Mr. Johnson said. Wholesalers "need to be automated to handle the increased volume of business" they are seeing, he said. And, "anyone who thinks they're all the way there is fairly naive."

Although 90% of AAMGA members have Web sites, only 15% to 20% bind business or accept applications over the Internet, according to Bernd G. Heinze, executive director of the AAMGA. Mr. Heinze also is president and chief executive officer of Wayne, Pa.-based Beacon Management Group Inc., a risk, claim, litigation and audit management company.

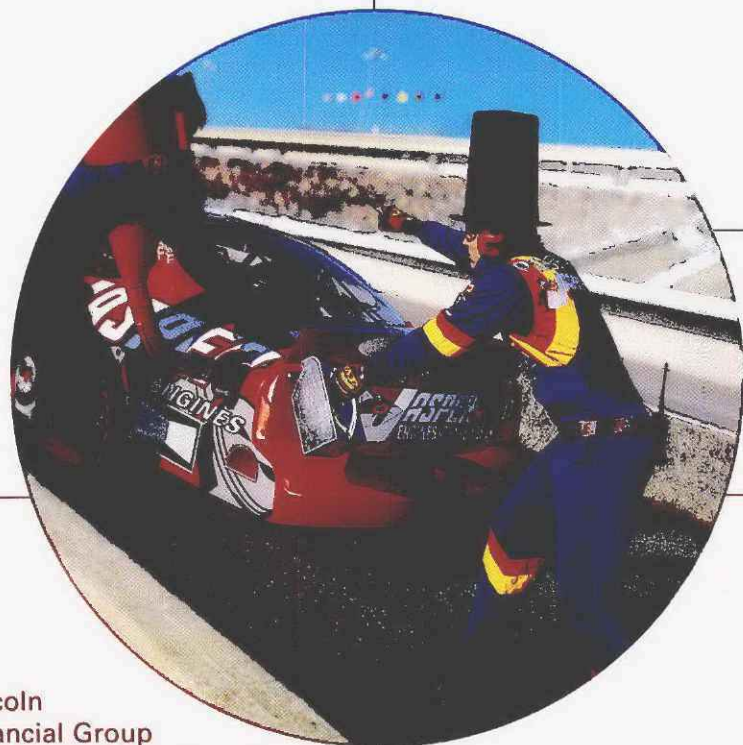
Wholesalers also face the challenge of finding and retaining experienced employees and shepherding less experienced employees through their first hard market.

"Most employees have never experienced a market with rates going up, not down," Mr. Johnson said. They are being challenged to explain significant price hikes to longtime customers that have not suffered any losses, he said.

The problem is, "the industry has not been training an adequate number of young people," said Michael A. Orlando, president of MGA North Island Facilities Ltd. of New York. "What we are doing is training people ourselves."

Burns & Wilcox has set up its own training program and recruits from colleges and universities, but Executive Vp G. Stephen Allen said that few students are interested in insurance careers.

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SPOTLIGHT

MGAs

Continued from page 30

Often, new hires at MGA and wholesale broker New Century Global Inc. of New York are experienced professionals whose previous managers stifled their creativity, noted Lee Orabona, president and chief operating officer.

One creative aspect of wholesalers' business may be suppressed more by the hardening market, some wholesale executives report. The amount of new business that wholesalers are handling has left them little time to work on new products, they say.

But wholesalers and underwriters must continue looking for new opportunities, said Markel's Mr. Springman. Hard market conditions "won't be with us forever," and new products will help sustain wholesalers and surplus lines underwriters when the market softens, he said.

An issue for wholesalers that transcends market conditions is regulation.

Wholesalers largely agree that commercial lines deregulation in 19 states and the District of Columbia in recent years has had little impact on the market. Still, wholesalers are concerned that while admitted markets have more freedom from form and rate regulation when insuring sophisticated buyers, only five states have lifted due diligence requirements imposed on retailers to seek admitted market coverage for clients before they can turn to the surplus lines market.

MGA also are watching the model MGA regulation bill that the National Assn. of Insurance Commissioners is drafting, said the AAMGA's Mr. Garcia.

Some tentative language in the model act defines MGA in a way that does not describe the way that many operate, Mr. Garcia explained. The AAMGA's concern is that if the NAIC adopts that language, MGA might reason they do not have to comply with the regulation, while courts may rule otherwise.

MGA and underwriting managers apparently have dodged fallout from the Unicover debacle. Unicover Managers Inc., formerly based in Lisle, Ill., acted as an underwriting manager for three workers compensation reinsurance facilities. In early 1999, the facilities fell apart amid reinsurer accusations that Unicover had greatly exceeded its underwriting authority. Total losses on the business have been estimated at \$2 billion or more.

Wholesaler executives say that insurers view the Unicover problem as isolated and have not withdrawn underwriting authority given to wholesalers. Unicover, though, has "increased awareness" among insurers that have given away that authority, said the AAMGA's Mr. Heinze.

Mr. James said that Lloyd's underwriters relish their long-term relationships with North American wholesalers. According to Lloyd's most current figures, U.S.-based MGA in 1999 accounted for \$1.13 billion, or

29%, of the total direct business of the Lloyd's market. Four years earlier, MGA accounted for \$699 million, or 24%.

Following are profiles of the top five U.S.-based managing general agents, based on wholesale premium volume.

1



The Schinnerer Group

The Schinnerer Group is seeing its premium writings grow

as it makes life easier for its brokers.

"Being easy to do business with has helped us grow 18%," said Lorna M. Parsons, managing director of the Chevy Chase, Md.-based underwriting manager. Schinnerer's wholesale premium volume reached \$559 million last year, up from \$472 million in 1999.

Schinnerer has launched a new Web site at which brokers can retrieve account information, and it has installed a new telephone system. In addition, the underwriting manager has upgraded its fax equipment to improve communications with intermediaries. Ms. Parsons said

competitors that don't follow suit are going to struggle.

Like some other underwriting managers and managing general agents, Schinnerer is primarily concerned with enhancing its existing coverages in the busy hard market. New programs are expected to be introduced next year, but details cannot be released, Ms. Parsons said.

The Web site will be enhanced to feature some "self-quoting" programs that brokers can access, Ms. Parsons said. And, Schinnerer is expanding its architects and engineers program, which traditionally has been a liability program, to include property coverages.

2



Burns & Wilcox Ltd.

Burns & Wilcox Ltd. saw the market turn coming and is poised to take advantage of it.

The Farmington Hills, Mich.-based managing general agency has hired "an excellent underwriting staff," upgraded its computer systems and put in place a solid infrastructure to quote and write business, according to Alan Kaufman, the MGA's president.

Continued on next page

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- COMBINED
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- FLOODWATCH
- Financial & Professional Risk Solutions, Inc.
- HUNTINGTON T. BLOK INSURANCE AGENCY, INC.
- IHG Ian M. Graham, Inc. INSURANCE
- IBS Insurance Brokers Service, Inc.
- INSURMARK
- K&K INSURANCE
- M&A RiskSolutions merger & acquisitions insurance specialists
- Media/Professional Insurance
- Midway Underwriting Services
- Muirfield UNDERWRITERS, LTD.
- New Dimensions Underwriting Group
- PROFESSIONAL PRC RISK CO. INSURANCE SERVICES
- Rural Electric Utilities Underwriting Managers
- Strategic Underwriters International
- Wexford Underwriting Managers, Inc.
- SPECTRUM CAPTIVE SERVICES
- SCARBOROUGH
- Aon Aon Limited
- SI SHERWOOD INSURANCE SERVICES
- STERLING Life Insurance Company
- SURF
- Swett & Crawford
- UMS
- Aon Worksite Solutions

Continued from previous page

"We were very careful in the soft market to protect the company" with sound underwriting that would not lead to tough times down the road, Mr. Kaufman said.

That strategy helped boost wholesale premium volume to \$349.7 million in 2000, up 22.9% from the year before.

Burns & Wilcox continues to look for acquisitions. In the current marketplace, certain MGAs are struggling to find markets to write their programs, and some are deciding to sell or merge, Mr. Kaufman said. "We've been very aggressive in making acquisitions," he said. "It's a great opportunity to expand."

The MGA lost its founder in August when Herbert W. Kaufman died at 76 after a short illness.



K&K Insurance Group Inc.

"Insuring the world's fun," the motto of K&K Insurance Group Inc., is keeping the MGA busy.

Fort Wayne, Ind.-based K&K saw wholesale premiums in 2000 rise by nearly 25%, to an estimat-

ed \$320 million. The MGA specializes in sports, entertainment and leisure programs.

Growth continues to come from leisure accounts, according to Stephen L. Lunsford, president and chief executive officer at K&K. "Professional sports is still relatively competitive. It's just the glamour of that industry segment" that attracts a lot of underwriters to it, he said.

The MGA has focused on "making sure independent agents are more aware of the K&K brand and name," said Tony Wittwer, chief marketing officer. Instead of carving out new niches over the past year, K&K has focused on ensuring that its current offerings

are meeting retail agents' and policyholders' needs, he said.

K&K places 98% of its business with admitted insurers and the remainder in the nonadmitted market.



New Century Global of New York Inc.

New Century Global of New York Inc. is finding itself a lot

more popular in today's hardening insurance market.

"Wholesalers are back in vogue," said Lee Orabona, president and chief operating officer of New York-based New Century.

In 2000, New Century saw its wholesale premium volume jump 21% to \$255 million.

Mr. Orabona pointed out that New Century is in an unusual position to capture growing premiums in the hard market. The company is "an MGA but with other divisions within it that handle wholesale transactions," Mr. Orabona explained. In fact, 50% of the agency's premium volume is written as an MGA and another 45% comes from wholesale brokerage. The remaining 5% is written as a Lloyd's of London coverholder.

New Century in 2000 placed nearly all its business—95%—with admitted market insurers; the other 5% was placed with surplus lines underwriters.

Earlier this year, New Century completed a management buy-out of the company, purchasing the 80% interest in the company held by Reliance Insurance Co. and Heath Lambert Fenchurch Group P.L.C. The remaining 20% of the company is owned by MTS Insurance Services L.L.C., a wholesale brokerage in Chatsworth, Calif.

5

North Island Facilities Ltd.

North Island Facilities Ltd. is making the most of a tightening insurance market.

"It was phenomenal year for us," said Michael A. Orlando, president of the New York-based managing general agency. In 2000, the MGA saw wholesale premium volume rise nearly 27% over 1999, to \$112.8 million.

"We're currently reunderwriting to bring a lot of lines into profitability," Mr. Orlando said. That means tweaking programs to emphasize coverages that are profitable and moving away from those that are not, he added.

In addition, "we are writing a fair amount of new business," Mr. Orlando noted.

Dan Mogelnicki, vp of North Island, said the MGA continues to look for new business, taking advantage of opportunities where insurers have decided to abandon some lines. As it does that, North Island is expanding the market for its signature program for social services organizations.

"That's a niche that (the company) put together 25 years ago," Mr. Mogelnicki said. Operations covered by the program include mental health facilities and drug and alcohol rehabilitation centers.

North Island placed 88% of its business with surplus lines insurers last year, slightly less than the 90% written by such insurers in 1999. **BI**

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Business Insurance directory of surplus lines insurers

A

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

	2000	1999
Premium written	\$212,811,478	\$172,877,537
Nonadmitted	\$184,754,736	\$163,066,093
Commercial risk	100%	100%
Net premiums	\$151,631,467	\$104,013,455
Paid-in capital	\$5,600,000	\$5,600,000
Policyholder surplus	\$223,027,935	\$209,381,465
Employees	158	162
Combined ratio 1	104.9%	89.7%
Combined ratio 2	104.9%	89.7%
Net income	\$15,715,776	\$32,871,041
Best's rating	A+	A++
S&P's rating	A+	A+

Founded: 1952.
Parent: W.R. Berkley Corp.
Subsidiaries: Nautilus Insurance Co., Scottsdale, Ariz.; Admiral Indemnity Co., Wilmington, Del.

Approved nonadmitted in: all states, excluding Delaware and New Jersey; also approved in the 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: Karen A. Gilmer-Pauciello, controller.

Adriatic Insurance Co.

3501 N. Causeway Blvd., Suite 1000,
Metairie, La. 70002-3675;
504-838-8100; fax: 504-832-0605
www.adriaticins.com

	2000	1999
Premium written	\$15,038,318	\$8,094,605
Nonadmitted	\$15,038,318	\$7,986,370
Commercial risk	96%	NA
Net premiums	\$11,784,751	\$6,357,005
Paid-in capital	\$3,500,000	\$3,500,000
Policyholder surplus	\$24,934,503	\$23,809,312
Employees	18	16
Combined ratio 1	91.2%	94.3%
Combined ratio 2	93.8%	92%
Net income	\$1,125,781	\$1,121,507
Best's rating	A	A

Founded: 1979.

Approved nonadmitted in: all states, excluding Alaska, Colorado, Connecticut, Delaware, Hawaii, Maine, Massachusetts, Nevada, New Hampshire, New Mexico, North Carolina, North Dakota, Rhode Island and Vermont; also approved in the District of Columbia.
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, Suite 300,
Burbank, Calif. 91505-4691;
818-972-8000; fax: 818-972-8950

	2000	1999
Premium written	\$39,326,019	\$67,979,033
Nonadmitted	\$34,973,123	\$43,197,924
Net premiums	\$4,351,539	\$5,109,919
Paid-in capital	\$4,500,000	\$4,500,000
Policyholder surplus	\$42,980,598	\$44,678,336
Combined ratio 1	189%	184.9%
Net income	\$1,098,172	\$28,640

Officers: Wolfgang Schlink, president.

American Empire Surplus Lines Insurance Co.

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

	2000	1999
Premium written	\$72,408,614	\$23,980,924
Nonadmitted	\$62,559,933	\$19,583,528
Commercial risk	100%	100%
Net premiums	\$42,653,157	\$13,849,750
Paid-in capital	\$4,100,000	\$4,100,000
Policyholder surplus	\$112,835,110	\$112,203,609
Employees	42	47
Combined ratio 1	68.4%	63.3%
Combined ratio 2	46.2%	63%
Net income	\$14,570,285	\$20,112,322
Best's rating	A	A
S&P's rating	A+	A+

Figures are reported on a pooling basis.
Founded: 1977.
Parent: Great American Insurance Co.
Subsidiaries: American Empire Insurance Co., Cincinnati; Fidelity Excess & Surplus Insurance Co., Cincinnati.
Approved nonadmitted in: All states, excluding

Delaware and New Hampshire; also approved in the District of Columbia.
Admitted in: Delaware.
Officers: Robert A. Nelson, president; Chester A. Nalepa, senior vp; T. Matthew Held, vp/treasurer.
Contact: Robert A. Nelson.

American International Specialty Lines Insurance Co.

1400 W. Benson Blvd., Suite 315,
Anchorage, Alaska 99503;
907-277-6693

	2000	1999
Premium written	\$1,132,528,722	\$1,051,569,330
Nonadmitted	\$1,107,979,952	\$1,003,410,080
Net premiums	\$127,495,262	\$126,941,525
Paid-in capital	\$5,002,500	\$5,002,500
Policyholder surplus	\$293,845,582	\$268,338,846
Combined ratio 1	98.5%	90.3%
Combined ratio 2	98.5%	90.3%
Net income	\$29,820,342	\$29,240,430
Best's rating	A++	A++
S&P's rating	NA	AAA

Figures are reported on a pooling basis.
Parent: American International Group Inc.
Approved nonadmitted in: All states, excluding Alaska and New Jersey.
Admitted in: Alaska.
Officers: Kevin Hugh Kelley, president; Armand G. Pepin, senior vp/comptroller/treasurer; James M. Kilkenry, vp.
Contact: Armand G. Pepin, 70 Pine St., New York, N.Y., 10270

American Safety Indemnity Co.

1845 The Exchange, Suite 200,
Atlanta, Ga. 30339;
800-388-3647; fax: 770-916-0618
www.americansafetygroup.com

	2000	1999*
Premium written	\$13,614,449	\$176,960
Nonadmitted	\$11,349,565	\$148,118
Commercial risk	100%	100%
Net premiums	\$3,136,655	[\$1,047,597]
Paid-in capital	\$5,000,000	\$5,000,000
Policyholder surplus	\$15,696,240	\$14,668,451
Combined ratio 1	95.6%	[150.2%]
Net income	\$11,720	\$859,949
Best's rating	A	NA

Founded: 2000.
Parent: American Safety Insurance Group.
Approved nonadmitted in: all states, excluding Connecticut, Delaware, Iowa, Maine, Massachusetts, Michigan, Minnesota, Mississippi, New Hampshire, New Jersey, New Mexico, Oklahoma, South Carolina, Tennessee, Wisconsin and Wyoming; also approved in the District of Columbia.
Admitted in: Oklahoma.
Officers: Lloyd Fox, president; Steve Mathis, treasurer; Fred Pinckney, secretary.
1999 figures reflect previous ownership.

Associated International Insurance Co.

21820 Burbank Blvd., Suite 330,
Woodland Hills, Calif. 91367;
818-595-0600; fax: 818-316-0379
www.markelcorp.com

	2000	1999
Premium written	\$16,088,001	\$76,703,201
Nonadmitted	\$659,949	\$11,900,479
Commercial risk	3.8%	40%
Net premiums	[\$2,806,728]	\$26,335,785
Paid-in capital	\$3,500,000	\$3,500,000
Policyholder surplus	\$59,939,807	\$69,178,665
Employees	56	62
Combined ratio 1	92.1%	71.8%
Combined ratio 2	92.1%	71.8%
Net income	[\$12,611,316]	\$2,325,197
Best's rating	A-	A-

Founded: 1972.
Parent: Markel Corp.
Subsidiaries: Associated International Intermediaries Inc.; Woodland Hills, Calif.
Approved nonadmitted in: all states, excluding California, Colorado, Maine and New Hampshire.
Admitted in: California.
Officers: Anthony Markel, president; Gregory Nevers, secretary; Joanne Cichon, treasurer.
Contact: Robert W. Blazer III, vp-finance; rblazer@markelcorp.com.

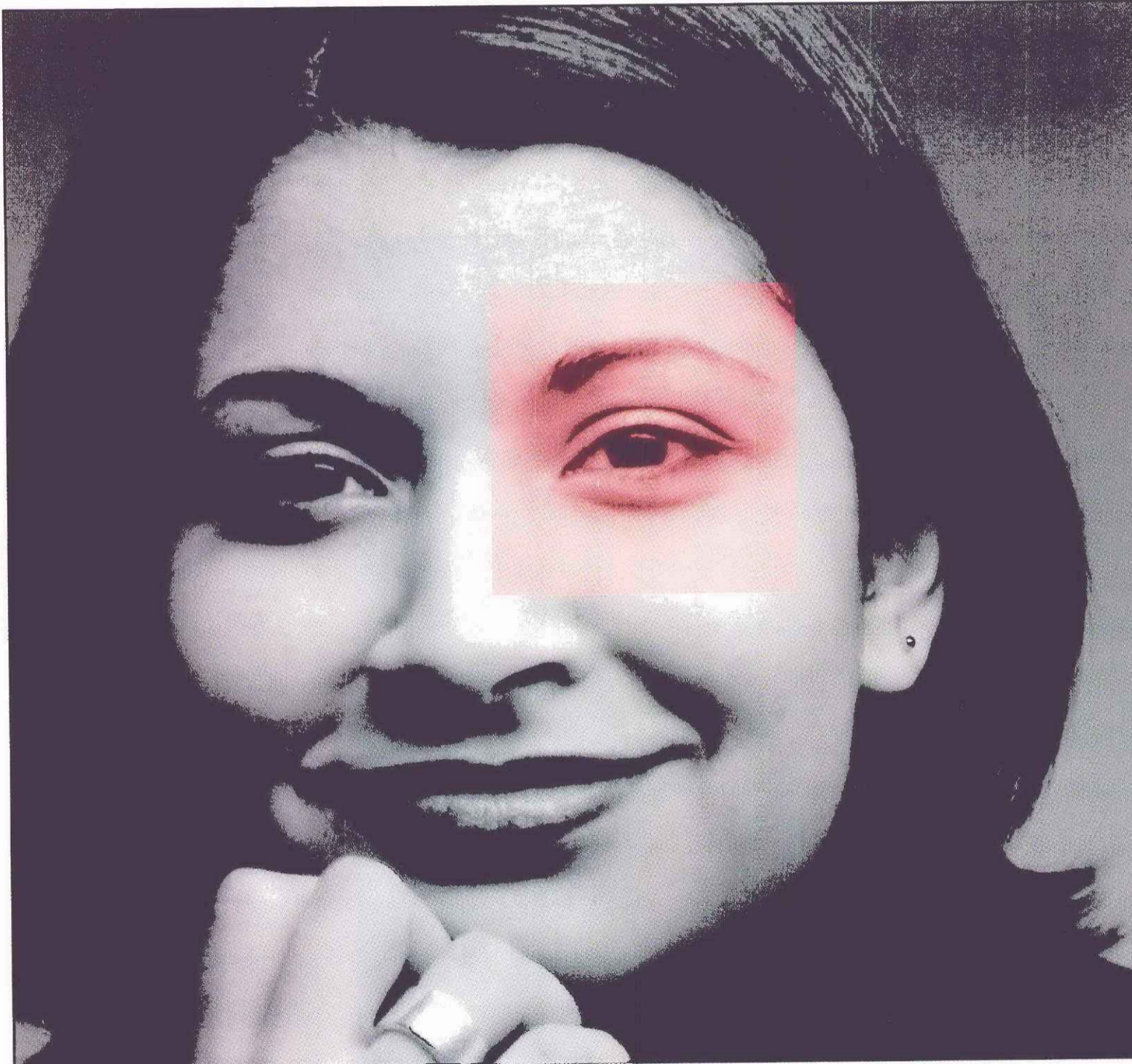
C

Caliber One Indemnity Co.

1040 Stony Hill Road, Suite 200,
Yardley, Pa. 19067;
215-504-3740; fax: 215-504-3753
www.caliber-one.com

	2000	1999
Premium written	\$93,404,528	\$93,416,712
Nonadmitted	\$93,125,382	\$93,255,731
Commercial risk	97.5%	92.7%
Net premiums	\$15,755,387	\$51,286,485
Paid-in capital	\$3,500,000	\$3,500,000
Policyholder surplus	\$42,858,652	\$32,837,725
Employees	75	51
Combined ratio 1	113.9%	103.3%
Combined ratio 2	105%	103.2%
Net income	\$5,232,807	[\$5,452,620]
Best's rating	A	A

Founded: 1997.
Parent: PMA Capital Corp.
Approved nonadmitted in: all states, excluding Alaska, Delaware, New Hampshire, New Mexico, Rhode Island and Vermont; also approved in the District of Columbia, Puerto Rico and the U.S. Virgin Islands.
Admitted in: Delaware.
Officers: Ronald S. Austin, president/COO; James T. Dowdy, vp/senior property officer; Michael P. Flaherty.



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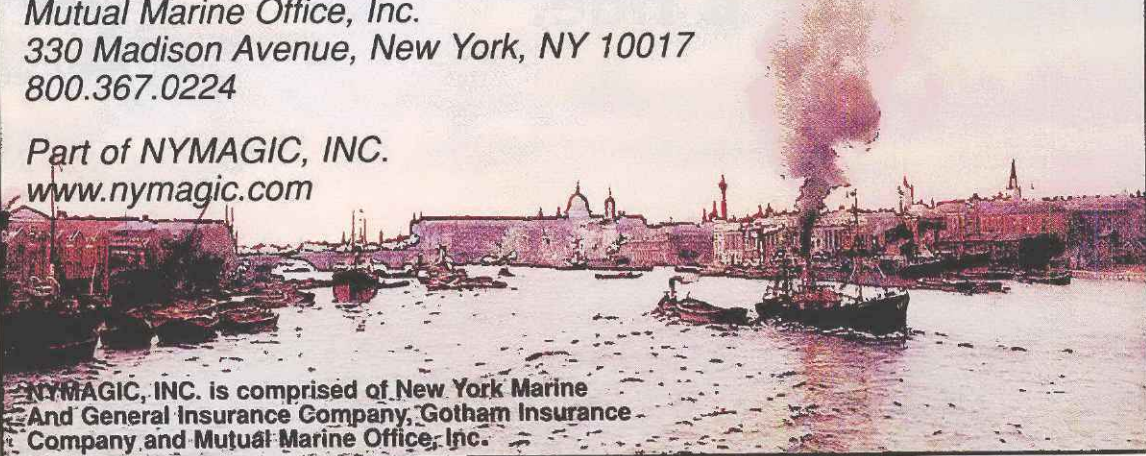
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Company and Mutual Marine Office, Inc.



Continued from page 34

vp/senior casualty officer.

Contact: Carrie Higgins, compliance and state filing manager; 215-505-6952; chiggins@caliber-one.com.

Chubb Custom Insurance Co.

15 Mountain View Road, P.O. Box 1615,
Warren, N.J. 07061-1615;
908-903-2000; fax: 908-903-3805

	2000	1999
Premium written	\$163,900,286	\$109,731,245
Nonadmitted	\$116,577,329	\$102,669,314
Net premiums	\$29,426,822	\$23,990,362
Paid-in capital	\$3,750,000	\$3,750,000
Policyholder surplus	\$35,733,120	\$29,960,601
Combined ratio 1	90.9%	105.9%
Net income	\$6,023,680	\$2,265,995

Officers: Emelia Mildred Accardi, president.

Colony Insurance Co.

9201 Forest Hill Ave., Suite 200,
Richmond, Va. 23235;
804-327-1700; fax: 804-327-1711
www.colonyins.com

	2000	1999
Premium written	\$67,643,891	\$50,497,717
Nonadmitted	\$67,066,715	\$49,729,153
Commercial risk	99.1%	98.5%
Net premiums	\$39,176,232	\$34,113,067
Paid-in capital	\$2,000,000	\$2,000,000

	2000	1999
Policyholder surplus	\$38,949,285	\$37,787,689
Employees	115	76
Combined ratio 1	96.7%	97.2%
Combined ratio 2	96.4%	97.2%
Net income	\$4,093,192	\$4,923,667
Best's rating	A-	A-

*Does not include assumed premiums written.

Founded: 1981.

Parent: Front Royal Inc.

Subsidiaries: Front Royal Insurance Co., Richmond, Va.

Approved nonadmitted in: all states, excluding New Hampshire, New Jersey and Virginia; also approved in the District of Columbia.

Admitted in: Virginia.

Officers: John K. Latham, president/CEO; Dale H. Pilkington, Barry W. Gates, senior vps.

Contact: Douglas Grant, manager-marketing; dgrant@colonyins.com.

Columbia Casualty Co.

CNA Plaza,
Chicago, Ill. 60685;
312-822-5000; fax: 312-817-1777
www.cna.com

	2000	1999
Premium written	\$437,586,730	\$521,831,931
Nonadmitted	\$223,531,385	\$320,385,493
Commercial risk	6%	5%

Continued on page 38

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Directory terms explained

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 a company to be listed.

To be listed, a surplus lines insurer must write at least 50% of its gross premiums related to commercial risks, or a minimum of \$10 million, on a direct, nonadmitted basis; an excess insurer must generate at least 50% of its gross premiums, or a minimum of \$50 million, from excess liability lines, either on an admitted or nonadmitted basis.

Each listing begins with a company's name, address, telephone number, fax number and Web address, if applicable.

Next is information on gross **premiums written**, which is 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, **nonadmitted** 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.

The volume of **net premiums** is calculated by subtracting reinsurance ceded from gross premiums.

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

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

Statutory **net income** indicates the income left after dividends to policyholders and federal income taxes are subtracted.

The **Best's rating** listed under each year is the rating assigned by Best after the close of the year; the rating modifier of "pi" refers to pooled. The **S&P rating** for claims paying and solvency are also listed.

The total number of **employees** is given in full-time equivalents. For excess insurers, **excess employees** indicates the number of employees involved in excess liability underwriting, given in full-time equivalents.

Each listing includes the year the company was **founded** and its **parent** company, if any. The names and locations of **subsidiaries** are also provided.


Next follows list of the states in which the company is an **approved nonadmitted** insurer and those in which it is an **admitted** insurer.

Finally, the names and titles of the company's principal **officers** are provided, as is the name of a **contact** for readers seeking more information.

In addition to this directory of excess and surplus lines insurers, a directory of insurance wholesalers begins on page 42.

Although *BI* makes every effort to publish complete and accurate information, we are unable to verify all information provided.

If your company would like to be listed in the 2002 directory, contact Directory Editor Kevin Edison at 312-649-5279 or e-mail kedison@crain.com to obtain a questionnaire.



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Continued from page 36

Net premiums	\$158,917,805	\$169,491,549
Paid-in capital	\$4,200,000	\$4,200,000
Policyholder surplus	\$233,093,415	\$215,000,430
Employees	180	182
Combined ratio 1	112%	125.6%
Combined ratio 2	113.4%	125.9%
Net income	\$19,263,407	[\$2,679,146]
Best's rating	A	A/A-
S&P's rating	A	A/A-

Founded: 1900.

Parent: CNA Financial Corp.

Subsidiaries: HealthPro Solutions L.L.C., Chicago.

Approved nonadmitted in: all states, excluding Illinois.

Admitted in: Illinois.

Officers: William P. Casey, executive vp; Robert Victor Deusch, Jonathan David Kantor, senior vps.

Contact: Pamela Lyons, director-marketing communications; 312-822-4882.

E

Essex Insurance Co.

4521 Highwoods Parkway,
Glen Allen, Va. 23060;
804-273-1400; fax: 804-273-1435

	2000	1999
Premium written	\$331,438,159	\$142,983,604
Nonadmitted	\$175,904,255	\$122,595,986
Commercial risk	53.1%	85.7%
Net premiums	\$256,495,596	\$94,816,330
Paid-in capital	\$4,500,000	\$4,500,000
Policyholder surplus	\$81,047,767	\$69,205,146
Employees	200	175
Combined ratio 1	101.3%	87.4%
Combined ratio 2	101.3%	87.4%
Net income	\$11,358,228	\$20,291,232
Best's rating	A	A
S&P's rating	A-	A+

Founded: 1980.

Parent: Markel Corp.

Approved nonadmitted in: all states, excluding Delaware; also approved in the District of Columbia, Guam, Puerto Rico, and the U.S. Virgin Islands.

Admitted in: Delaware.

Officers: Alan Irving Kirshner, chairman; Anthony F. Markel, vice chairman; Stephen J. Vaccaro, president.

Contact: James G. Essex, accounting manager.

Evanston Insurance Co.

10 Parkway N.,
Deerfield, Ill. 60015;
847-572-6000; fax: 847-572-6289
www.shand.com

	2000	1999
Premium written	\$352,598,463	\$204,208,712
Non-admitted	\$276,351,838	\$135,108,114

Commercial risk	100%	100%
Net premiums	\$256,859,619	\$149,131,260
Paid-in capital	\$8,251,229	\$8,251,229
Policyholder surplus	\$163,448,103	\$138,621,389
Combined ratio 1	89.3%	103%
Combined ratio 2	89.3%	103%
Net income	\$25,675,708	\$20,424,246
Best's rating	A	A
S&P's rating	A-	A

Founded: 1977.

Parent: Markel Corp.

Approved nonadmitted in: all states, excluding Illinois and New Hampshire.

Admitted in: Illinois.

Officers: Paul W. Springman, chairman; Michael A. Rozenberg, president; Edgar W. Phoebus, senior vp/general

counsel/secretary.

Contact: Letha Heaton, vp-sales and marketing; heaton@markelcorp.com.

F

Fulcrum Insurance Co.

199 Water St., 21st Floor,
New York, N.Y. 10038-3526;
212-248-1886; fax: 212-480-1328
www.fulcrumins.com

	2000	1999
Premium written	\$55,430,199	\$42,770,838
Nonadmitted	\$54,542,256	\$42,044,296
Commercial risk	100%	100%
Net premiums	\$1,329,413	\$1,429,669
Paid-in capital	\$3,000,000	\$3,165,000
Policyholder surplus	\$27,431,561	\$25,359,237
Employees	42	28
Combined ratio 1	118.6%	117.6%
Net income	\$2,471,996	\$504,440
Best's rating	A	A
S&P's rating	A+	A+

Founded: 1994.

Parent: SOREMA North American Reinsurance Co.

Approved nonadmitted in: all states, excluding Maine, New Hampshire and Vermont; also approved in the District of Columbia, Guam, Puerto Rico and the U.S. Virgin Islands.

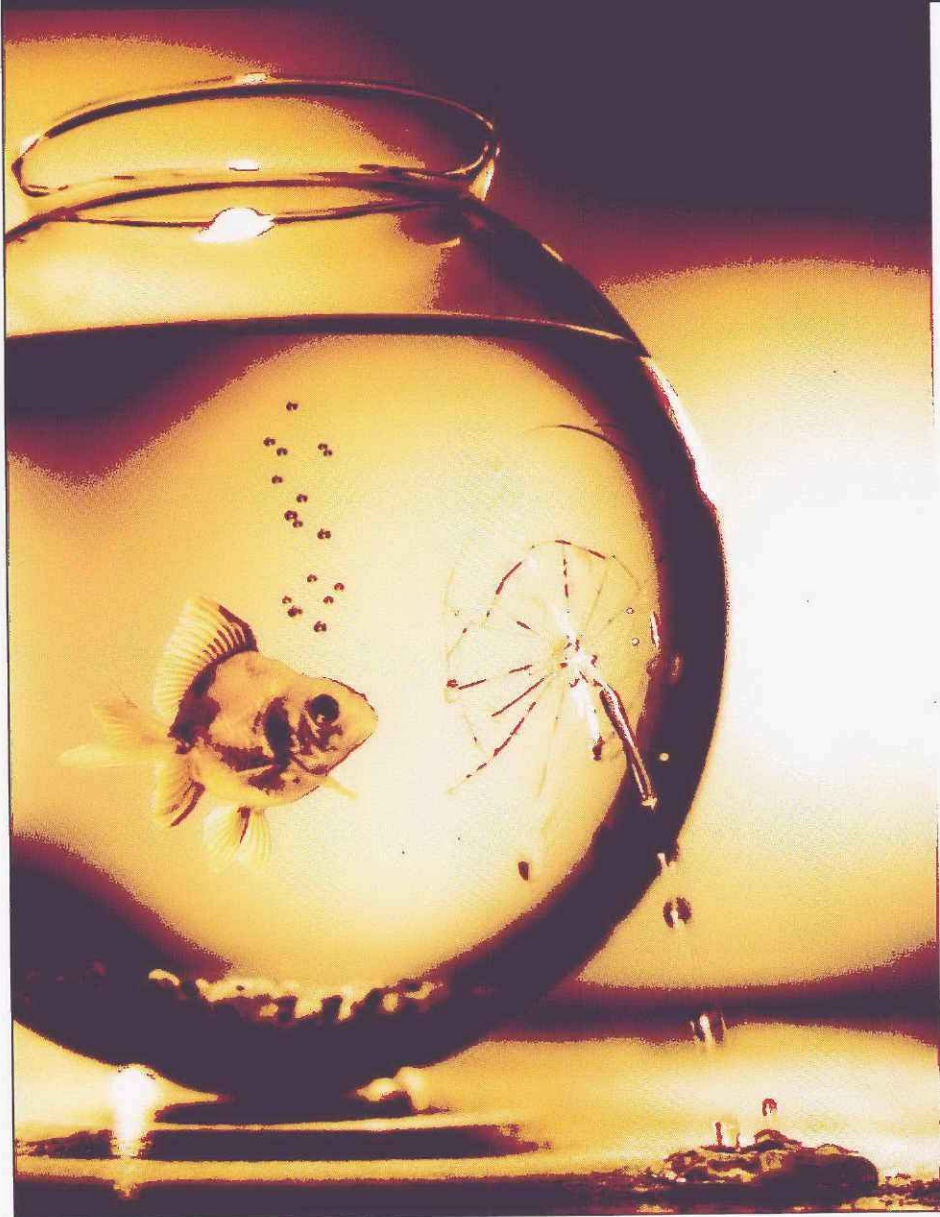
Admitted in: Arizona.

Officers: Francis M. Chavel, chairman/CEO; Joseph T. Olson, vice chairman/president/COO; Nicholas Papadopoulos, vice chairman/executive vp.

Contact: Deborah L. Brady, senior vp.

Terms in the directory are explained on page 36.

Continued on next page



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Continued from previous page

G

General Star Indemnity Co.

695 E. Main St.,
Stamford, Conn. 06901;
203-328-5700; fax: 203-328-6030
www.generalstar.com

	2000	1999
Premium written	\$273,833,490	\$262,757,174
Nonadmitted	\$269,605,541	\$257,889,425
Commercial risk	86%	89%
Net premiums	\$203,864,772	\$174,100,749
Paid-in capital	\$5,000,000	\$5,000,000
Policyholder surplus	\$373,159,266	\$374,382,725
Combined ratio 1	111.7%	99.2%
Combined ratio 2	111.2%	98.8%
Net income	\$27,264,120	\$52,658,606
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 nonadmitted in: all states, excluding Connecticut.
Admitted in: Connecticut.
Officers: Patricia H. Roberts, president/CEO; William Murray, senior vp; Beverly Tramontelli, vp.
Contact: Patricia H. Roberts; proberts@genre.com.

General Star National Insurance Co.

695 E. Main St.,
Stamford, Conn. 06901;
203-328-5700; fax: 203-328-6030
www.generalstar.com

	2000	1999
Premium written	\$59,398,450	\$38,946,592
Commercial risk	100%	100%
Net premiums	\$40,355,586	\$29,083,663
Paid-in capital	\$4,000,000	\$4,000,000
Policyholder surplus	\$141,272,999	\$126,801,488
Combined ratio 1	91.1%	88.3%
Combined ratio 2	90%	88.2%
Net income	\$14,319,858	\$16,051,691
Best's rating	A++	A++
S&P's rating	AAA	AAA

Founded: 1864.
Parent: Berkshire Hathaway Inc.
Admitted in: all states.
Officers: Patricia H. Roberts, president/CEO; William Murray, senior vp; Beverly Tramontelli, vp.
Contact: Patricia H. Roberts; proberts@genre.com.

Guilford Specialty Group

100 Pearl St.,
Hartford, Conn. 06103;
806-723-4150; fax: 860-723-4183

	2000*	1999*
Premium written	\$110,555,470	\$85,652,488
Nonadmitted	\$42,554,294	\$24,700,580
Commercial risk	100%	100%
Net premiums	\$80,048,139	\$69,099,372
Paid-in capital	\$5,000,000	\$5,000,000
Policyholder surplus	\$87,843,567	\$89,480,582
Employees	163	133
Combined ratio 1	113.5%	167.3%
Combined ratio 2	113.5%	167.3%
Net income	\$761,244	\$27,716,856
Best's rating	A+	A+
S&P's rating	BBBpi	Api

*Consolidated numbers include Burlington Insurance Co. and First Financial Insurance Co.
Founded: 1981.
Parent: International Financial Group.
Approved nonadmitted in: all states.
Officers: Richard Barbieri, president; David MacLeod, executive vp; Manuel Almagro, chief actuary.
Contact: Margo M. Espinosa, regional director-business development; 860-723-4167; mmespinosa@itg-companies.com.

L

Lexington Insurance Co.

200 State St.,
Boston, Mass. 02109;
617-330-1100; fax: 617-722-4588

	2000	1999
Premium written	\$1,786,134,580	\$1,632,664,505
Nonadmitted	\$1,278,916,173	\$1,012,091,690
Commercial risk	96.8%	96.5%
Net premiums	\$533,802,920	\$560,402,468
Paid-in capital	\$5,000,000	\$5,000,000
Policyholder surplus	\$1,639,414,983	\$1,549,449,335
Employees	260	260
Combined ratio 1	99.1%	97.4%
Net income	\$141,051,278	\$186,045,814
Best's rating	A+++	A+++
S&P's rating	NA	AAA

Founded: 1965.
Parent: American International Group Inc.
Approved nonadmitted in: all states, excluding Delaware.
Admitted in: Delaware.
Officers: Kevin Kelley, chairman; Shaun E. Kelly, executive vp; John Murphy, senior property executive.
Contact: John Willeit, marketing department; 617-330-8406.

Lloyd's of London

1 Lime St.,
London, EC3M 7HA England;
44-207-327-1000; fax: 44-207-327-5211
www.lloydsolondon.com

	2000	1999
Premium written*	\$5,858,000,000	\$4,821,000,000
Nonadmitted	\$3,230,000,000	\$2,612,000,000
Best's rating	A	A

*U.S. business only.
Founded: 1688.
Approved nonadmitted in: all states, except Kentucky.
Admitted in: Illinois and Kentucky; also approved in the U.S. Virgin Islands.
Officers: Sax Riley, chairman; Nicholas Prettejohn, CEO; Wendy Baker, president-Lloyd's America.
Contact: Wendy Baker; 212-382-4060; wendy.baker@lloydsamerica.com.

M

Mt. Hawley Insurance Co.

9025 N. Lindbergh Drive,
Peoria, Ill. 61615;
309-692-1000; fax: 309-689-2079
www.rlicorp.com

	2000	1999
Premium written	\$86,905,614	\$73,041,822
Nonadmitted	\$84,662,951	\$71,417,770
Commercial risk	100%	100%
Net premiums	\$59,042,851	\$52,668,135
Paid-in capital	\$10,000,000	\$10,000,000
Policyholder surplus	\$136,111,752	\$125,820,900
Employees	471	413
Combined ratio 1	102.9%	103.5%
Combined ratio 2	103.1%	103.5%
Net income	\$6,687,706	\$6,890,446
Best's rating	A	A
S&P's rating	A+	A+

Founded: 1979.
Parent: RLI Insurance Co.
Subsidiaries: Planet Indemnity Co., Peoria, Ill.
Approved nonadmitted in: all states, excluding Illinois; also approved in the District of Columbia, Guam, Puerto Rico and the U.S. Virgin Islands.
Admitted in: Illinois.
Officers: Jonathan E. Michael, president/CEO; Michael J. Stone, executive vp; Joseph E. Dondarville, vp/CFO.
Contact: Michael A. Price, treasurer; 309-693-5880; mike_price@rlicorp.com.

N

National Fire & Marine Insurance Co.

3024 Harney St.,
Omaha, Neb. 68131-3580;
402-536-3000; fax: 402-536-3350
www.nationalindemnity.com

	2000	1999
Premium written	\$14,783,213	\$12,215,243
Nonadmitted	\$13,251,097	\$12,516,245
Commercial risk	89.6%	100%
Net premiums	\$14,941,933	\$12,498,389
Paid-in capital	\$3,500,000	\$3,500,000
Policyholder surplus	\$2,697,541,263	\$2,648,759,070
Employees	58	59
Combined ratio 1	65.1%	35%
Combined ratio 2	36.3%	45.8%
Net income	\$123,161,080	\$47,772,423
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 nonadmitted in: all states, excluding Nebraska, New Jersey and New York.
Admitted in: Nebraska.
Officers: Donald F. Wurster, president; Forrest N. Krut-ter, Philip M. Wolf, senior vps.

Contact: John Giandinoto, vp; 402-536-3220.

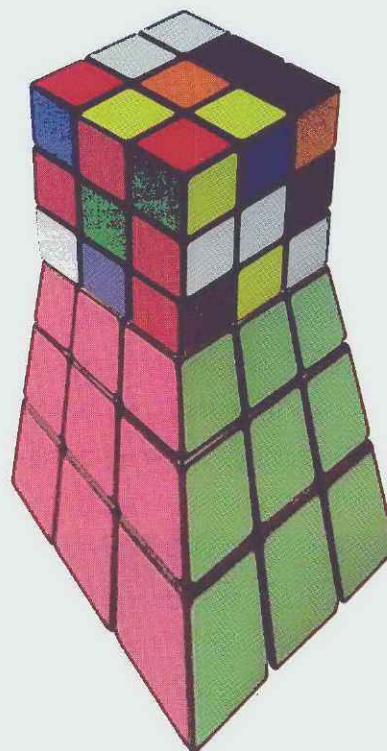
Nautilus Insurance Co.

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

	2000	1999
Premium written	\$100,680,496	\$95,343,542
Nonadmitted	\$63,989,169	\$54,169,461
Commercial risk	98%	97%
Net premiums	\$53,566,531	\$49,174,919
Paid-in capital	\$3,500,000	\$3,500,000
Policyholder surplus	\$78,620,247	\$73,667,711
Employees	142	141
Combined ratio 1	92%	81.6%
Combined ratio 2	92%	81.6%
Net income	\$9,659,757	\$12,936,609
Best's rating	A	A

Continued on next page

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 800.367.0224

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Continued from previous page

S&P's rating **A+** **A+**
Founded: 1985.
Parent: W.F. Berkley Corp.
Subsidiaries: Great Divide Insurance Co., Scottsdale, Ariz.
Approved nonadmitted in: all states, excluding Arizona, North Carolina and Virginia.
Admitted in: Arizona, North Carolina and Virginia.
Officers: Thomas M. Kuzma, president/CEO; John M. Runberg, senior vp/treasurer; Philip J. See, vp.
Contact: Vickie L. Potts, senior vp-marketing.

Northfield Insurance Co.

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

	2000	1999
Premium written	\$243,986,482	\$184,693,239
Nonadmitted	\$95,748,243	\$103,957,282
Net premiums	\$146,872,686	\$103,957,282
Paid-in capital	\$3,500,000	\$3,500,000
Policyholder surplus	\$86,227,565	\$89,735,084
Combined ratio 1	107.6%	91.1%
Net income	[\$3,919,976]	\$9,932,818

Officers: Eugene Joseph Keating Jr., president.

Old Lyme Insurance Co. of Rhode Island Inc.

175 Metro Center Blvd., Suite 10,
 Warwick, R.I. 02806;
 401-732-4684; fax: 401-732-4634

	2000	1999
Premium written	\$30,683,481	\$27,382,384
Nonadmitted	\$8,973,834	\$12,097,980
Net premiums	\$28,583,810	\$26,414,576
Paid-in capital	\$3,000,000	\$3,000,000
Policyholder surplus	\$33,887,249	\$31,100,087
Combined ratio 1	79.4%	75.6%
Net income	\$6,920,123	\$5,468,573

Officers: Eruce D. Guthart, chairman/CEO.

Pacific Insurance Co. Ltd.

150 Federal St.,
 Boston, Mass. 02110;
 617-523-7600; fax: 860-547-3622
 www.firststateins.com

	2000	1999
Premium written	\$269,106,570	\$272,416,122
Nonadmitted	\$156,130,073	\$160,067,567
Net premiums	\$112,976,545	\$103,374,521
Paid-in capital	\$7,200,000	\$7,200,000

Policyholder surplus **\$325,374,255** **\$296,628,271**
 Combined ratio 1 **101.9%** **104%**
 Net income **\$29,834,494** **\$15,344,727**
 S&P's rating **A+** **A+**
Best's rating **AA** **AA**
Founded: 1928.
Parent: The Hartford Financial Services Group.
Approved nonadmitted in: all states, excluding Connecticut and New Hampshire.
Admitted in: Connecticut and Hawaii.
Officers: Ramani Ayer, chairman; Ralph J. Palmieri, president; Joseph H. Gareau, executive vp.
Contact: Ronald E. Roy, vp/secretary; 617-526-7762.

Penn-America Group Inc.

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

	2000	1999
Premium written	\$109,790,851	\$95,982,975
Nonadmitted	\$38,983,850	\$35,029,422
Net premiums	\$97,250,415	\$87,036,245
Paid-in capital	\$3,000,000	\$3,000,000
Policyholder surplus	\$55,530,573	\$69,515,167
Employees	110	102
Combined ratio 1	115.6%	108.7%
Combined ratio 2	115.6%	108.7%
Net income	[\$4,518,639]	\$592,516
Best's rating	A	A

Founded: 1976.
Subsidiaries: Penn-America Insurance Co., Hatboro, Pa.; Penn-Star Insurance Co., Hatboro, Pa.
Approved nonadmitted in: all states, excluding California and Nevada; also approved in the District of Columbia.
Admitted in: Delaware, Hawaii, Nebraska, Oklahoma, South Carolina, Texas and Wisconsin.
Officers: Jon S. Saltzman, president; John M. DiBiasi, executive vp; Joe Morris, senior vp/CFO.
Contact: John M. DiBiasi; dibiasi@penn-america.com.

Penn-Star Insurance Co.

420 S. York Road,
 Hatboro, Pa. 19040;
 215-443-3600; fax: 215-443-3602

	2000	1999
Premium written	\$38,807,143	\$32,256,126
Nonadmitted	\$2,305,679	\$1,362,234
Net premiums	\$34,037,644	\$30,365,998
Paid-in capital	\$4,200,000	\$4,200,000
Policyholder surplus	\$28,980,158	\$30,060,697
Combined ratio 1	110.6%	100.1%
Net income	[\$608,452]	\$1,582,037

Officers: Jon S. Saltzman, president.

Terms in the directory are explained on page 36.

Preferred National Insurance Co.

9201 Forest Hill Ave., Suite 200,
 Richmond, Va. 23235-6865;
 804-327-1700; fax: 804-327-1746
 www.colonyins.com

	2000	1999
Premium written*	\$28,585,403	\$33,134,034
Nonadmitted	\$6,361,226	\$10,366,099
Commercial risk	22.3%	31.3%
Net premiums	\$34,823,317	\$28,770,345
Paid-in capital	\$3,500,000	\$3,500,000
Policyholder surplus	\$28,258,264	\$28,523,560
Employees	46	48
Combined ratio 1	95.8%	97.3%
Combined ratio 2	96.4%	96.5%
Net income	\$2,581,925	\$2,078,063
Best's rating	A-	A-

*Does not include assumed premiums written.

Founded: 1989.
Parent: Front Royal Inc.
Approved nonadmitted in: Alabama, Arizona, Arkansas, California, Colorado, Georgia, Hawaii, Idaho, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maryland, Minnesota, Mississippi, Missouri, 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; Dale H. Pilkington, Barry W. Gates, senior vps.
Contact: Douglas Grant, manager-marketing; dgrant@colonyins.com.

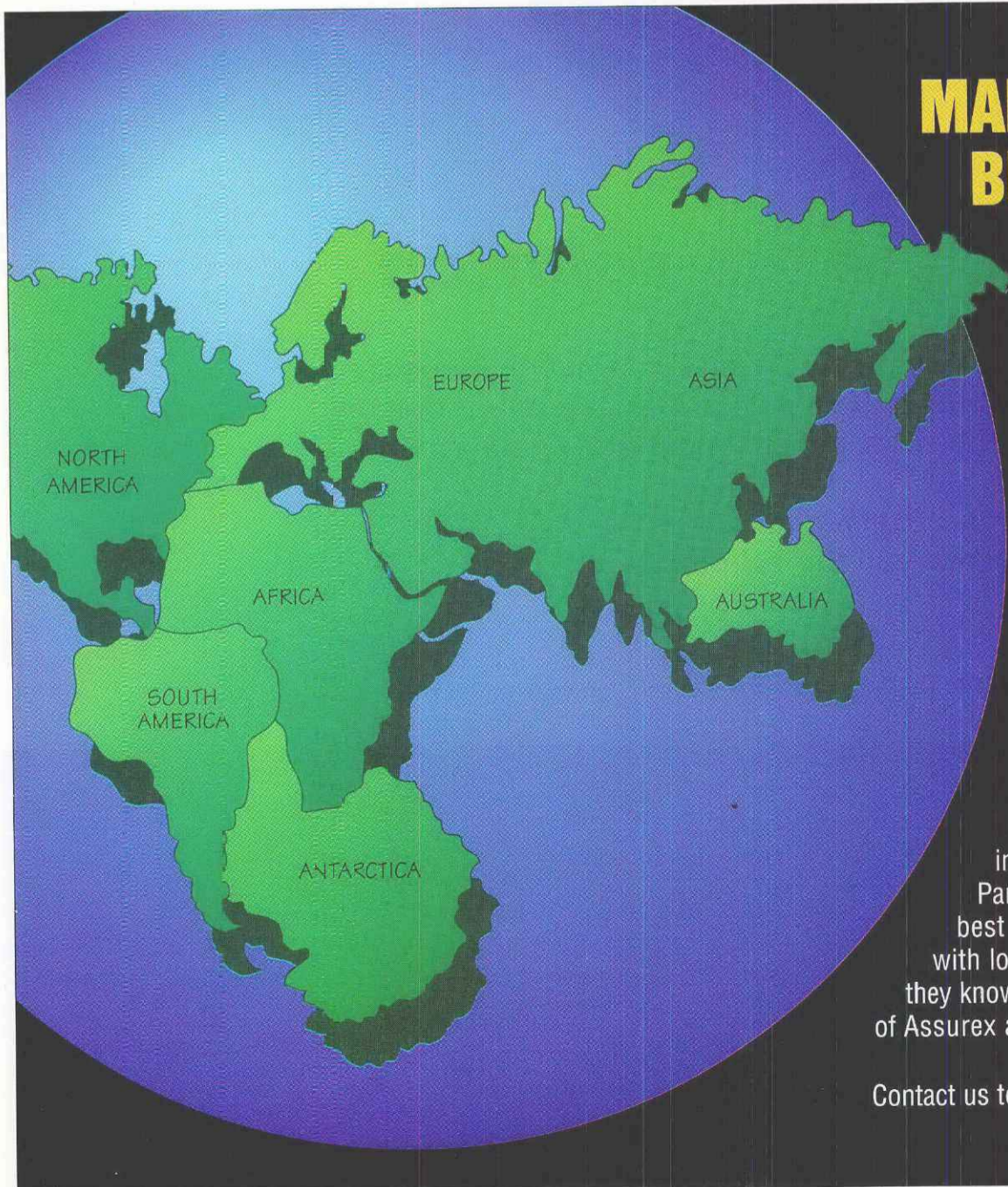
Prime Insurance Syndicate Inc.

311 S. Wacker, Suite 3360,
 Chicago, Ill. 60606;
 877-585-2050; fax: 801-304-5595
 www.primeis.com

	2000	1999
Premium written	\$18,089,447	\$6,893,776
Nonadmitted	\$13,860,278	\$5,278,369
Commercial risk	100%	100%
Net premiums	\$15,337,572	\$5,978,487
Policyholder surplus	\$6,132,044	\$5,296,996
Employees	64	42
Combined ratio 1	104.2%	112.5%
Combined ratio 2	105.1%	112.5%
Net income	[\$1,341,350]	[\$694,059]
Best's rating	B-	B+

Founded: 1992.
Approved nonadmitted in: all states, excluding California, Colorado, Connecticut, Florida, Maine, Minnesota, Nevada, New Hampshire, New Mexico, New York, Rhode Island, Texas, Vermont and Washington.
Officers: Rick J. Lindsey, president; Roger C. Day; Fark Fisher.

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Continued from previous page

Contact: Rick J. Lindsey; 801-304-5570; rjl@primis.com.

S

Safety National Casualty Corp.

2043 Woodland Parkway, Suite 200,
St. Louis, Mo. 63146;
314-995-5300; fax: 314-995-6817
www.sncc.com

	2000	1999
Premium written	\$155,238,324	\$109,260,385
Commercial risk	99.9%	99.9%
Admitted	100%	100%
Net premiums	\$93,383,128	\$81,280,857
Paid-in capital	\$5,000,000	\$5,000,000
Policyholder surplus	\$221,536,008	\$195,277,468
Employees	135	115
Excess liability	12	11
Combined ratio 1	107.1%	111.9%
Combined ratio 2	NA	102.4%
Net income	\$32,311,441	\$13,330,520
Best's rating	A	A
S&P's rating	A	A

Founded: 1942.

Parent: Delphi Financial Group Inc.
Officers: Terrence T. Schoeninger, president/CEO; Duane A. Hercules, executive vp/treasurer; Jeffrey W. Otto, secretary/general counsel.
Contact: Donald L. Wilson, government relations manager; don.wilson@sncc.com.

St. Paul Surplus Lines Insurance Co.

385 Washington St.,
St. Paul, Minn. 55102;
651-310-7066; fax: 651-310-7334

	2000	1999
Premium written	\$214,814,435	\$181,290,548
Nonadmitted	\$97,451,370	\$77,988,849
Net premiums	\$117,011,812	\$103,393,673
Paid-in capital	\$4,100,000	\$4,100,000
Policyholder surplus	\$100,337,189	\$93,808,064
Combined ratio 1	104.2%	113.5%
Net income	\$16,997,701	\$10,060,431

Officers: Douglas W. Leatherdale, chairman/CEO/president.

Savers Property & Casualty Insurance Co.

700 W. 47th St.,
Kansas City, Mo. 64112-1802;
248-358-1100; fax: 248-358-2966

	2000	1999
Premium written	\$285,737,071	\$223,834,273
Nonadmitted	\$10,380,256	\$19,294,792
Net premiums	\$13,524,413	\$19,322,412
Paid-in capital	\$2,500,000	\$2,500,000
Policyholder surplus	\$31,855,379	\$28,502,703
Combined ratio 1	81.4%	103%
Net income	\$613,205	\$2,499,398
Best's rating	A-	A-
S&P's rating	A	A

Parent: Meadowbrook Insurance Group Inc.

Officers: Karl W. Koch, president.
Contact: Karen M. Spaul, vp-investor relations; kspaul@meadowbrook.com.

Scottsdale Insurance Co.

8877 N. Gainey Center Drive,
Scottsdale, Ariz. 85261-2108;
480-948-0505; fax: 480-368-5856

	2000	1999
Premium written	\$1,421,652,426	\$1,328,657,362
Nonadmitted	\$576,421,627	\$491,206,969
Commercial risk	88.4%	88%
Net premiums	\$373,794,510	\$382,387,215
Paid-in capital	\$6,027,200	\$6,027,200
Policyholder surplus	\$231,265,554	\$246,040,131
Employees	1,084	1,049
Combined ratio 1	111.1%	106.9%
Combined ratio 2	111.3%	107.6%
Net income	(\$2,968,687)	\$5,239,945
Best's rating	A+	A+

Figures are reported on a pooling basis.

Founded: 1982.

Parent: Nationwide Mutual Insurance Co.
Subsidiaries: Scottsdale Surplus Lines Insurance Co.,
Scottsdale, Ariz.; Western Heritage 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 Max Williamson, president; Judy Lee Howard, treasurer; Glenn Warrn Soden, secretary.

Contact: Arlan Gene Oliva, associate vp/controller; arlano@scottsdaleins.com.

Steadfast Insurance Co.

1400 American Lane, Tower 1, 19th Floor,
Schaumburg, Ill. 60196-1056;
847-605-6000; fax: 847-605-7895

	2000	1999
Premium written	\$382,260,376	\$341,783,529
Nonadmitted	\$370,278,119	\$323,575,277
Commercial risk	100%	100%
Net premiums	NA	(\$10,141,658)
Paid-in capital	\$4,100,000	\$4,100,000
Policyholder surplus	\$141,218,546	\$132,365,187
Combined ratio 1	59.9%	21.2%
Net income	\$4,296,949	\$8,231,519
Best's rating	A+	A+
S&P's rating	AA+	AA+

Founded: 1988.

Parent: Zurich Financial Services Group.
Approved nonadmitted in: all states, excluding Delaware.

Admitted in: Delaware.
Officers: Constantine Iordanou, president/CEO; Thomas Buess, vp/treasurer; David Alan Bowers, corpo-

rate secretary.

Contact: Bryan Salvatore, vp/director-marketing; 1 Liberty Plaza, New York, N.Y. 10006; 212-676-4073.

T

Tudor Insurance Co.

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

	2000	1999
Premium written	\$35,702,137	\$43,985,896
Nonadmitted	\$29,417,328	\$39,332,732
Commercial risk	97.6%	99%
Net premiums	\$11,258,480	\$8,961,827
Paid-in capital	\$4,200,000	\$4,200,000
Policyholder surplus	\$42,731,875	\$40,234,337
Employees*	182	180
Combined ratio 1	104.5%	136.6%
Combined ratio 2	104.6%	104%
Net income	\$3,288,817	\$3,400,758
Best's rating	A+	A+
S&P's rating	Api	Api

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

Founded: 1979.

Parent: Western World Insurance Group.
Approved nonadmitted in: all states, excluding New Hampshire.

Admitted in: New Hampshire.
Officers: Andrew Frazier, president; Robert Livingston, executive vp-operations/treasurer; Stephen Gerstman, senior

vp-underwriting and marketing.
Contact: Nick Hudson.

U

United National Insurance Co.

3 Bala Plaza E., Suite 300,
Bala Cynwyd, Pa. 19004;
610-664-1500; fax: 610-660-8887
www.unitednat.com

	2000	1999
Premium written	\$453,495,872	\$357,604,576
Nonadmitted	\$256,660,795	\$183,574,246
Commercial risk	96.3%	97.9%
Net premiums	\$109,646,929	\$94,749,891
Paid-in capital	\$5,000,000	\$5,000,000
Policyholder surplus	\$299,197,744	\$272,681,760
Employees	203	165
Combined ratio 1	94.1%	84.3%
Combined ratio 2	94.2%	84.4%
Net income	\$28,900,306	\$27,905,768

Best's rating

S&P's rating

A+

Api

A+

Api

Figures are reported on a pooling basis.

Founded: 1960.

Parent: American Insurance Service Inc.

Subsidiaries: Diamond State Insurance Co., Indianapolis; United National Specialty Insurance Co., Milwaukee, Wis.

Approved nonadmitted in: all states, excluding Pennsylvania.

Admitted in: Pennsylvania.

Officers: Seth Daniel Freudberg, president; Kevin Lee Tate, treasurer; Richard Steven March, senior vp.

Contact: Thomas Michael McGeehan, vp/controller.

W

Western World Insurance Co.

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

	2000	1999
Premium written	\$85,340,006	\$69,097,112
Nonadmitted	\$57,750,884	\$37,672,065
Commercial risk	95.2%	93.6%
Net premiums	\$66,022,533	\$55,239,528
Paid-in capital	\$8,200,000	\$8,200,000

Policyholder surplus

Employees*

Combined ratio 1

Combined ratio 2

Net income

Best's rating

S&P's rating

*Employee numbers are for Western World Insurance Group

Figures are reported on pooling basis.

Founded: 1964.

Parent: Western World Insurance Group.

Subsidiaries: Stratford Insurance Co., Keene, N.H.; Tudor Insurance Co., Keene, N.H.

Approved nonadmitted 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/treasurer; Thomas Mulligan, senior vp-underwriting and marketing.

Contact: Thomas Mulligan.

Business Insurance's annual directory of U.S.-based surplus lines insurance companies begins on page 34. BI's annual directory insurance wholesalers begins on page 42.

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Annual Business Insurance directory of wholesalers

A

AEON Insurance Group Inc. dba AEON Insurance Services

17715 Monterey Road,
Morgan Hill, Calif. 95037-3613;
800-683-8600; fax: 408-779-7399
www.aeon-inc.com

	2000	1999
Premium volume	\$12,286,000	\$8,557,000
Gross revenues	\$1,100,000	\$820,000
Employees	12	7
Wholesale employees	2	2
Commercial lines	100%	100%
Admitted business	98%	98%
Nonadmitted	2%	2%

Founded: 1995.
Business: managing agent 98%, broker 2%.
MGA for: American Equity Insurance Co., Empire Fire & Marine Insurance Co., Insurance Corp. of Hannover, Interstate Insurance Co., Zurich American Insurance Co.
Broker for: Legion Insurance Co., Lloyd's of London,

St. Paul Surplus Lines Insurance Co.
Licensed in: California, North Carolina.
Officers: Lee Wendleton, president; Mark Sedlacek, Mark Schroeder, executive vps.
Contact: Mark Schroeder; 559-323-5896; mschroeder@aeon-inc.com.

Agency Marketing Services Inc.

7024 Central Ave.,
St. Petersburg, Fla. 33707;
727-384-1036; fax: 727-343-4123
www.agencymarketing.com

	2000	1999
Premium volume	\$28,500,000	\$25,000,000
Gross revenues	\$2,800,000	\$2,500,000
Wholesale revenues	\$2,800,000	\$2,500,000
Employees	31	28
Wholesale employees	31	28
Commercial lines	90%	90%
Admitted business	50%	50%
Nonadmitted	50%	50%

Founded: 1982.
Business: managing agent 50%, broker 45%, Lloyd's of London coverholder 5%.
MGA for: Essex Insurance Co., Hermitage Insurance

Co., Markel Corp., Nautilus Insurance Co., St. Paul Surplus Lines Insurance Co., Terra Nova Insurance, TIG Insurance Co., Zurich American Insurance Co.

Broker for: Admiral Insurance Co., Chubb Custom Insurance Co., Evanston Insurance Co., Fireman's Fund Insurance Co., Great American Insurance Co., Interstate Fire & Casualty Insurance Co., Mount Vernon Fire Insurance Co., SAFECO Surplus Lines Insurance Co., Travelers Property & Casualty Insurance Co.

Subsidiaries: Allsouth Professional Liability Inc., Tampa, Fla.

Licensed in: Alabama, Florida, Georgia, Mississippi, Ohio, South Carolina, Tennessee, Texas.
Membership: NAPSLO.

Officers: Kevin Schuck, president, Tim Hoelle, executive vp; Byron Chenell, vp.
Contact: Kevin Schuck; kschuck@agencymarketing.com.

American Marketing Center Inc.

111 John St.,
New York, N.Y. 10038;
212-285-2160; fax: 212-964-6465

	2000	1999
Premium volume	\$131,806,975	\$88,858,627
Gross revenues	\$11,707,066	\$8,170,669

	2000	1999
Wholesale revenues	\$11,470,789	\$7,718,832
Employees	103	75
Wholesale employees	103	75
Commercial lines	100%	100%
Admitted business	67.5%	76.4%
Nonadmitted	32.5%	23.6%

Fiscal years ending 5/31.

Founded: 1980.
Business: managing agent 17.5%, broker 71.5%, Lloyd's of London coverholder 11%.

MGA for: American Equity Insurance Co., The Burlington Insurance Co., CNA Financial Corp., Colony Insurance Co., First Financial Insurance Co., First Specialty Insurance Co., General Star Indemnity Co., Indian Harbor Insurance Co., Twin City Fire Insurance Co., U.S. Underwriters Insurance Co.

Broker for: Affiliated FM, Chicago Insurance Co., Chubb Custom Insurance Co., Diamond State Insurance Co., Greenwich Insurance Co., Interstate Indemnity Insurance Corp. of N.Y., Legion Insurance Co., National Casualty Insurance Co., Scottsdale Insurance Co., Security Insurance Co. of Hartford, USF Insurance Co.

Subsidiaries: American Security Underwriters Agency Inc., Hollywood, Fla. and Jericho, N.Y.; American Marketing Center of New Jersey, Livingston, N.J.; American Marketing Center of Pennsylvania, Carlisle, Pa.
Licensed in: Florida, New Jersey, New York, Pennsylvania.

Membership: AAMGA, NAPSLO.
Officers: Edwin Levine, president; Mark Rothchild, James A. Frey, senior vps.

ARC Excess & Surplus L.L.C.

300 Old Country Road,
Mineola, N.Y. 11501;
516-747-4100; fax: 516-747-3633
www.arcbrokers.com

	2000	1999
Premium volume	\$185,000,000	\$175,000,000
Gross revenues	\$13,000,000	\$12,400,000
Wholesale revenues	\$12,250,000	\$11,700,000
Employees	65	60
Wholesale employees	61	56
Commercial lines	100%	100%
Admitted business	80%	90%
Nonadmitted	20%	10%

Founded: 1986.
Business: managing agent 5%, broker 95%.
MGA for: CNA Financial Corp., Gulf Insurance Group, SAFECO Surplus Lines Insurance Co.

Broker for: ACE USA, Admiral Insurance Co., Clarendon Insurance Co., Chubb Custom Insurance Co., Evanston Insurance Co., Genesis Insurance Co., Great American Insurance Co., The Hartford Financial Services Inc., Kemper Insurance Cos., Lloyd's of London, National Union Fire Insurance Co., Old Republic Insurance Co., Royal & Sun Alliance Insurance Group P.L.C., St. Paul Surplus Lines Insurance Co., TIG Insurance Co., XL Insurance, Zurich American Insurance Co.

Subsidiaries: ARC Mid-Atlantic Excess & Surplus Inc., Philadelphia; Professional Risk Facilities Inc., Mineola, N.Y.

Licensed in: Connecticut, New Jersey, New York, Pennsylvania, Virginia.
Membership: NAPSLO.
Officers: Albert L. Salvatico, Christopher J. Cavallaro, Richard A. Fierstein, managing directors.
Contact: Albert L. Salvatico; asalvatico@arcs.com.

Arlington/Roe & Co. Inc.

8465 Keystone Crossing,
Indianapolis, Ind. 46240;
317-257-9123; fax: 317-259-4106
www.arlingtonroe.com

	2000	1999
Premium volume	\$39,427,929	\$28,504,491
Gross revenues	\$3,844,602	\$2,819,183
Wholesale revenues	\$3,844,602	\$2,819,183
Employees	70	47
Wholesale employees	70	47
Commercial lines	83%	78%
Admitted business	65%	65%
Nonadmitted	35%	35%

Founded: 1964.
Business: managing agent 58%, broker 41%, Lloyd's of London coverholder 1%.

MGA for: over 15 companies.
Broker for: over 15 companies.
Licensed in: Indiana, Kentucky, Ohio.
Membership: AAMGA, NAPSLO, Aviation Insurance Assn.

Officers: James A. Roe, president; Kurt A. Behrman, Allen J. Grau, executive vps.
Contact: Helen E. Kiser, director-marketing; hkiser@arlingtonroe.com.

B

Bristol Management Group Ltd.

366 Veterans Memorial Highway,
Commack, N.Y. 11725;
631-543-5010; fax: 631-543-5138

	2000	1999
Premium volume	\$15,900,000	\$12,500,000
Wholesale revenues	\$15,900,000	\$12,500,000
Employees	11	11
Wholesale employees	11	11
Commercial lines	100%	100%
Nonadmitted	100%	100%

Fiscal years ending 1/31.

Founded: 1995.
Business: managing agent 75%, Lloyd's of London coverholder 25%.

MGA for: Legion Indemnity Insurance Co.
Licensed in: New York.
Membership: NAPSLO.
Officers: Arthur E. Torrington Sr., president; Martin Cholewa, senior vp; Arthur Torrington Jr., vp.
Contact: Arthur Torrington Jr.

Brown & Riding Insurance Services Inc.

777 Tower, 777 S. Figueroa St., Suite 2550,
Los Angeles, Calif. 90017;
213-452-7060; fax: 213-452-7080
www.browndriding.com

	2000	1999
Premium volume	\$52,368,750	\$41,678,000
Gross revenues	\$4,350,000	\$3,400,000
Wholesale revenues	\$100,000	\$100,000
Employees	35	32
Wholesale employees	35	32
Commercial lines	100%	100%
Admitted business	60%	60%
Nonadmitted	40%	40%

Founded: 1980.
Business: broker 100%.
Subsidiaries: Brown & Riding Insurance Services of Southern California Inc.
Licensed in: California, Nevada.
Membership: NAPSLO.
Officers: Chris A. Brown, president; Ramon C. Howling, Shaida T. Monshi, vps.
Contact: Chris A. Brown.

Burnett & Co. Inc.

615 Dumaine St.,
New Orleans, La. 70116;
504-588-9075; fax: 504-525-4766

	2000	1999
Premium volume	\$28,659,000	\$24,609,000
Gross revenues	\$2,805,489	\$2,322,423
Wholesale revenues	\$2,805,489	\$2,322,423
Employees	17	17
Wholesale employees	17	17
Commercial lines	100%	100%
Admitted business	5%	5%
Nonadmitted	95%	95%

Founded: 1960.
Business: managing agent 80%, broker 10%, Lloyd's of London coverholder 10%.

MGA for: Gulf Insurance Group, Lloyd's of London.
Broker for: American International Group Inc., Great American Insurance Co., Interstate Fire & Casualty Co.

Licensed in: Louisiana, Texas.
Membership: NAPSLO, Louisiana Surplus Line Assn., Texas Surplus Line Assn.
Officers: John H. Burke Jr., president; Banos Georgiou, executive vp; Bruce 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

	2000	1999
Premium volume	\$349,716,395	\$284,595,027
Gross revenues	\$48,841,000	\$41,131,613
Wholesale revenues	\$45,691,002	\$37,687,150
Employees	631	631
Wholesale employees	560	560
Commercial lines	87%	89%
Admitted business	20%	20%
Nonadmitted	80%	80%

Founded: 1969.
Parent: H. W. Kaufman Financial Group Inc.
Business: managing agent 60%, broker 30%, Lloyd's of London coverholder 10%.

MGA for: over 15 companies.
Broker for: over 15 companies.
Subsidiaries: Rathbone King & Seely Insurance Services, Fresno and San Francisco, Calif.; Howard James/Burns & Wilcox Insurance Services Inc., Los Angeles; Illinois R.B. Jones, Chicago, Farmington Hills, Mich.; GA Insurance Service Inc., Farmington Hills, Mich.; Floyd West & Co., Farmington Hills, Mich.; New Orleans, Dallas; Cravens Dargan, Houston; Service General, Houston.

Licensed in: all states, excluding Hawaii, Maine, Massachusetts, New York, New Jersey, Washington.
Membership: AAMGA, NAPSLO.

Officers: Alan J. Kaufman, chairman; G. Stephen Allen, executive vp; David J. Price, senior vp.
Contact: G. Stephen Allen.

C

Cal E&S Brokers Inc.

182-A Orinoco Drive,
Brightwaters, N.Y. 11718;
631-969-1900; fax: 631-969-8989
www.calesbrokers.com

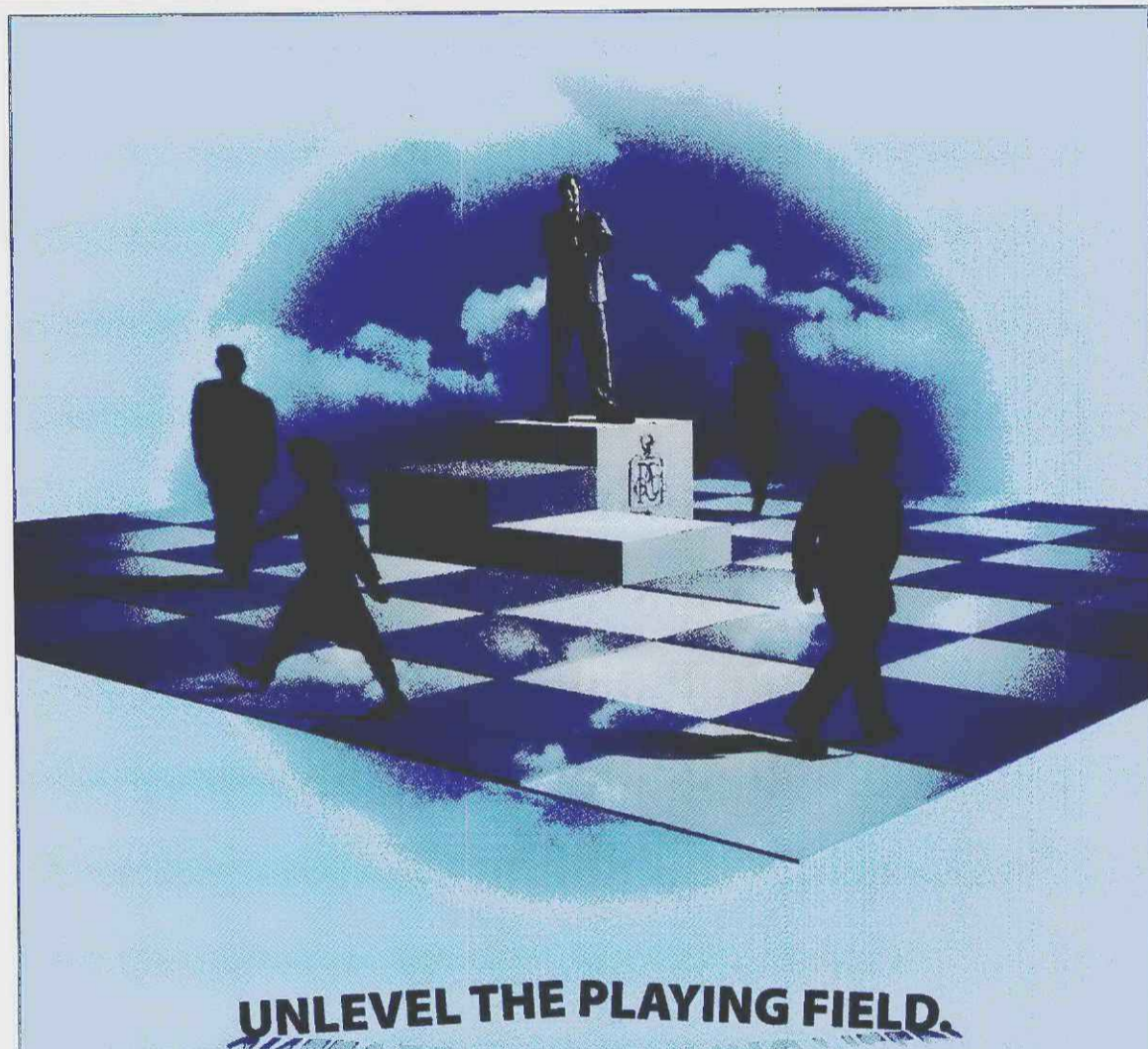
	2000	1999
Premium volume	\$10,000,000	NA
Gross revenues	\$750,000	NA
Wholesale revenues	\$750,000	NA
Employees	9	NA
Wholesale employees	9	NA
Commercial lines	95%	NA
Admitted business	40%	NA
Nonadmitted	60%	NA

Founded: 2000.
Business: broker 100%.

Broker for: ACE USA, Chubb Custom Insurance Co., Commonwealth Insurance Co., Essex Insurance Co., First State Management Co., General Star Indemnity Co., Lexington Insurance Co., Lloyd's of London, RLI Insurance Co., Royal Specialty Insurance Co., TIG Insurance Co.

Licensed in: Florida, New Jersey, New York.
Membership: Professional Insurance Wholesalers Assn.

Officers: Joseph Caligiuri, president; John Hall, senior vp; Steve Genatt, vp.
Contact: Joseph Caligiuri; joe@calesbrokers.com.
Accounting and claims services are provided by Hospitality & Leisure Insurance Inc.



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Phone: (800) 932-2728
Fax: (610) 251-2761
E-mail: membercenter@cpucusociety.org
Web site: www.cpcusociety.org

Continued from previous page

Cambridge General Agency

100 Pine St., Suite 250,
San Francisco, Calif. 94111;
415-955-8555; fax: 415-394-6305
www.cambridgega.com

	2000	1999
Premium volume	\$20,000,000	\$20,000,000
Gross revenues	\$5,000,000	\$5,000,000
Wholesale revenues	\$3,000,000	\$3,000,000
Employees	48	45
Wholesale employees	48	45
Commercial lines	97.5%	96%
Admitted business	35%	20%
Nonadmitted	65%	80%

Fiscal years ending 3/31.

Founded: 1962.

Business: managing agent 60%, broker 35%, Lloyd's of London coverholder 5%.

MGA for: Colony Insurance Co., Evanston Insurance Co., Scottsdale Insurance Co., Scottsdale Indemnity Co., State National Insurance Co., Sutter Insurance Co., Topa Insurance Co.

Broker for: Ace USA, American Safety Insurance Inc., Associated International Insurance Co., Century National Insurance Co., Chubb Custom Insurance Co., Constitution Insurance Co., Essex Insurance Co., Genesis Indemnity Insurance Co., Great American Insurance Co., Gulf Insurance Co., Lexington Insurance Co., North American Specialty Insurance Co., Pacific Insurance

Co., RLI Insurance Co., USF Insurance Co.
Subsidiaries: Rancho Cordova, Stockton and West Covina, Calif.

Licensed in: California.
Membership: AAMGA, NAPSLO, California Insurance Wholesalers Assn.

Officers: A. Mason Blodgett, president; Paul Janofsky, vp/general manager; Julie Sylim-Uang, vp/underwriting manager.

Contact: A. Mason Blodgett.

Capitol Special Risks Inc.

1640 Powers Ferry Road,
Building 24, Suite 200,
Marietta, Ga. 30067;
770-956-0125; fax: 770-956-9779
www.csrisks.com

	2000	1999
Premium volume	\$12,000,000	\$10,000,000
Gross revenues	\$1,185,000	\$1,173,000
Employees	14	12
Wholesale employees	14	12
Commercial lines	95%	95%
Admitted business	48%	58%
Nonadmitted	52%	42%

Founded: 1991.

Business: broker 100%.

Broker for: ACE USA, American International Group Inc., Boston Mutual Life Insurance Co., CNA Financial Corp., Chubb Custom Insurance Co., Great American

Insurance Co., Hartford Financial Services Group Inc., Kemper Insurance Co., Lloyd's of London, Royal Specialty Insurance Co., Shand Morahan & Co. Inc., TIG Insurance Co.

Licensed in: Georgia.
Membership: AAMGA, NAPSLO.

Officers: Lynn Levinson, CEO; Kerry Plumley, CFO; Dorothea Westin, president.

Contact: Kerry Plumley; kplumley@csrisk.com.

Carpenter Moore Insurance Services Inc.

530 Washington St.,
San Francisco, Calif. 94111;
415-243-2300; fax: 415-243-2399
www.cmains.com

	2000	1999
Premium volume	\$127,600,000	\$94,500,000
Gross revenues	\$11,200,000	\$8,200,000
Wholesale revenues	\$10,000,000	\$8,200,000
Employees	55	50
Wholesale employees	50	50
Commercial lines	100%	100%
Admitted business	44%	35%
Nonadmitted	56%	65%

Fiscal years ending 9/30.

Founded: 1986.

Business: broker 95%, Lloyd's of London coverholder 5%.

Broker for: Admiral Insurance Co., Clarendon Insur-

ance Group Inc., Great American Insurance Co., Gulf Insurance Group, Lloyd's of London, Rock River Insurance Co., TIG Insurance Co.

Licensed in: California, Connecticut, Massachusetts, New Jersey.

Officers: Brian P. Marsh, chairman; Kinsey L. Carpenter, president; Susan M. Miner, executive vp.

Contact: Sueyin Wong, controller.

Cooney, Rikard & Curtin Insurance Group

1 Metroplex Drive, Suite 400,
Birmingham, Ala. 35209;
205-870-7790; fax: 205-879-3739
www.crcins.com

	2000	1999
Premium volume	\$377,000,000	\$218,500,000
Gross revenues	\$35,000,000	\$20,150,000
Wholesale revenues	\$33,150,000	\$19,400,000
Employees	175	116
Wholesale employees	175	116
Commercial lines	100%	100%
Admitted business	35%	35%
Nonadmitted	65%	65%

Founded: 1982.

Parent: Cooney, Rikard & Curtin Inc.

Business: managing agent 5%, broker 85%, Lloyd's of London coverholder 10%.

MGA for: American Equity Insurance Co., Audubon Insurance Group, Colony Insurance Co., Empire Fire &

Marine Insurance Co., Essex Insurance Co., General Star Indemnity Co., Interstate Fire & Casualty, National Indemnity Co.

Broker for: ACE USA Group, Allianz of America Group, American International Group, Berkshire Hathaway Inc., Caliber One Management Co., Chubb Custom Insurance Co., Fairfax Financial Group, Great American Insurance Group, Markel Corp., Ohio Casualty Insurance Group, RLI Insurance Co., Royal & Sun Alliance Insurance Group P.L.C., Scottsdale Insurance Co., Thompson, Heath & Bond Ltd., Zurich American Insurance Co.

Licensed in: all states.

Membership: NAPSLO.

Officers: Thomas J. Curtin Sr., president; Wiley H. Cooper IV, Ronald C. Helveston, executive vps.

Crump Insurance Services Inc.

7557 Rambler Road, Suite 350,
Dallas, Texas 75231;
214-265-2660; fax: 214-265-2661
www.crumpins.com

	2000	1999
Premium volume	\$639,000,000	\$615,000,000
Gross revenues	\$47,727,000	\$46,870,000
Employees	341	338
Commercial lines	99%	99%
Admitted business	45%	45%

Continued on next page

Directory terms explained

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.

Each listing begins with the company's name, address, telephone number, fax number and Web site address, if applicable.

Companies were required to report information on premium volume to be included, and this information is provided in the listing. 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 as a managing general agent and providing underwriting management services, as well as revenues from serving as a Lloyd's of London coverholder); number of employees; and the percentage of premium volume related to commercial lines. A percentage breakout of premium volume placed with admitted vs. nonadmitted insurers also is provided.

The year founded and parent company, if any, are noted next, followed by the names of any subsidiaries.

The business section provides a breakout of the percentage of business conducted as an underwriting manager, an MGA, a Lloyd's of London coverholder and/or a wholesale broker. Listings also include the names of the companies for which these services are provided.

BI defines an underwriting manager as a company that handles all the affairs of an insurance company—including underwriting, reinsurance and claims—with the possible exception of investments.

A managing general agent is a company that has underwriting authority for an insurer, including the ability to determine rates on individual risks. An MGA can bind and issue policies on behalf of the insurer; it may or may not have reinsurance and claims authority related to the insurance it has written.

A company listed as a coverholder for Lloyd's of London can bind and/or issue insurance documents on behalf of a Lloyd's underwriter.

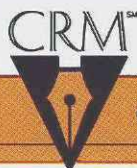
A broker places business with markets but has no underwriting authority or binding authority without the approval of the insurer.

A list of states in which the company is licensed to do business as an excess/surplus lines broker also is provided. Noted next is membership in the American Assn. of Managing General Agents (AAMGA), the National Assn. of Professional Surplus Lines Offices (NAPSLO) and other related professional organizations. Principal officers and a contact name complete each listing.

In addition to this directory of wholesale marketers, there is a directory of excess and surplus lines insurers. That directory begins on page 34.

Although BI makes every effort to publish complete and accurate information, we are unable to verify all information provided.

If your company would like to be listed in the 2002 directory, contact Directory Editor Kevin Edison at 312-649-5279 or kedi-son@crain.com.



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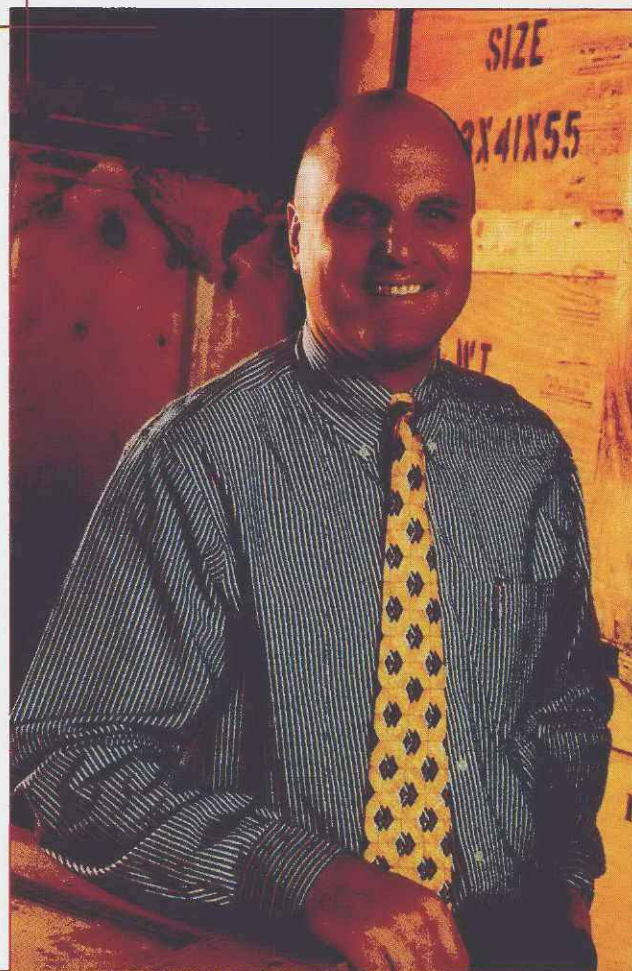
Lance Ewing, CRM, ARM
Senior Director, Risk Management
GES Exposition Services
Las Vegas, Nevada

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800/633-2165

www.crm-edu.com

Continued from previous page

Nonadmitted 55% 55%
 *BI estimate.

Founded: 1955.
Parent: Marsh & McLennan Cos. Inc.
Business: managing agent 30%, broker 55%, Lloyd's of London coverholder 15%.
MGA for: over 15 companies.
Broker for: over 15 companies.
Subsidiaries: Crump E&S of California Insurance Services Inc., Glendale and Orange, Calif.; Crump E&S of San Francisco Insurance Services Inc., San Francisco; Crump Insurance Services of Florida Inc., Casselberry, Fla.; Crump Insurance Services of Louisiana Inc., Metairie, La.; Crump Insurance Services of Michigan Inc., Livonia, Mich.; Crump of New Jersey, Iselin, N.J.; Crump of New York Inc., New York; Crump Insurance Services Northwest Inc., Portland, Ore.; Crump Insurance Services of Memphis Inc., Memphis, Tenn.; Crump Financial Services Inc., Nashville, Tenn.; Crump Insurance Services of Texas Inc., Dallas; Crump Underwriting Services Inc., Dallas; Crump Insurance Services of Houston Inc., Houston; Crump Insurance.
Licensed in: California, Florida, Georgia, Illinois, Indiana, Louisiana, Michigan, Nevada, New Jersey, New York, Oregon, Pennsylvania, South Carolina, Tennessee, Texas, Washington.
Membership: AAMGA, NAPSLO.
Officers: Stephen Conner, president/COO; Patrick O'Brien, executive vp/CFO.
Contact: Mary Jefferson, vp-corporate marketing,

301-951-9798, mary.l.jefferson@schinnerer.com.

D

Dwyer & Associates Insurance Services Inc.

318 27th St.,
 Oakland, Calif. 94612;
 510-452-9291; fax: 510-452-9293
 www.dwyerinsur.com

	2000	1999
Premium volume	\$15,000,000	\$7,000,000
Gross revenues	\$1,250,000	\$600,000
Wholesale revenues	\$1,250,000	\$600,000
Employees	12	8
Wholesale employees	12	8
Commercial lines	100%	100%
Admitted business	35%	35%
Nonadmitted	65%	65%

Founded: 1997.
Business: managing agent 5%, broker 85%, Lloyd's of London coverholder 10%.
Licensed in: California.
Officers: Terrence Dwyer, president; Erik Kamiya, executive vp.
Contact: Terrence Dwyer; 510-452-9291, ext. 101, terry@dwyerinsur.com.

E

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

	2000	1999
Premium volume	\$15,000,000	\$11,000,000
Gross revenues	\$1,500,000	\$1,050,000
Wholesale revenues	\$1,500,000	\$1,050,000
Employees	6	8
Wholesale employees	6	8
Commercial lines	100%	100%
Admitted business	80%	80%
Nonadmitted	20%	20%

Founded: 1999.
Business: broker 95%, Lloyd's of London coverholder 5%.
Licensed in: Illinois.
Membership: NAPSLO.
Officers: Daniel S. Real, president; Patrick R. Edwards, executive vp; Jennifer Birmingham, vp.
Contact: Daniel S. Real.

ECM Insurance Services Inc.

120 Howard St., Suite 220,
 San Francisco, Calif. 94105;
 415-778-0310; fax: 415-778-0315
 www.ecminsurance.com

	2000	1999
Premium volume	\$54,000,407	\$29,780,407
Gross revenues	\$4,381,894	\$2,234,583
Wholesale revenues	\$424,107	\$150,000
Employees	35	24
Wholesale employees	35	24
Commercial lines	100%	100%
Admitted business	34.5%	30%
Nonadmitted	65.5%	70%

Founded: 1997.
Business: broker 90%, Lloyd's of London coverholder 10%.

Broker for: Admiral Insurance Co., American International Group Inc., Chubb Custom Insurance Co., Great American Insurance Co., Lloyd's of London, Old Republic Insurance Co., Zurich American Insurance Co.

Subsidiaries: Presidio Insurance Agency, Walnut Creek, Calif.
Licensed in: California.
Membership: NAPSLO.
Officers: Patrick E. Hanley, president; Paul J. LeCourt, Zulma Marquez, senior vps.
Contact: Patrick E. Hanley; phanley@ecminsurance.com.

e-perils.com

3530 Wilshire Blvd., Suite 1500,
 Los Angeles, Calif. 90010;
 213-251-2427; fax:
 www.e-perils.com

	2000	1999
Premium volume	\$15,000,000*	NA
Employees	5	NA
Wholesale employees	5	NA
Commercial lines	100%	NA
Admitted business	65%	NA
Nonadmitted	35%	NA

Founded: 2000.
Parent: Worldwide Facilities Inc.
Business: broker 100%.
Membership: NAPSLO.
Officers: Peter R. Tafae, president/CEO.
Contact: info@e-perils.com.
 *Estimated.
 Accounting, administrative, compliance and human resources services are provided by Worldwide Facilities Inc.

Equity Insurance Managers Inc.

P.O. Box 14032,
 Lexington, Ky. 40512-4032;
 859-245-2500; fax: 859-245-2550
 www.equityins.com

	2000	1999
Premium volume	\$43,470,000	\$34,400,000
Gross revenues	\$6,230,000	\$4,510,000
Wholesale revenues	\$5,610,000	\$4,060,000
Employees	80	78
Wholesale employees	80	78
Commercial lines	72.2%	78.7%
Admitted business	76.5%	74.5%
Nonadmitted	23.5%	25.5%

Founded: 1967.
Parent: Unified Financial Services Inc.
Business: managing agent 90.5%, broker 7%, Lloyd's of London coverholder 2.5%.
Licensed in: Illinois, Indiana, Kentucky, Michigan, Ohio, Tennessee, West Virginia.
Membership: AAMGA, NAPSLO.
Officers: J. Robert Owens, president; D. Richard Meyer, R. Leigh Mulloy.
Contact: J. Robert Owens; rowens@equityins.com.

F

Freberg Environmental Insurance

1675 Broadway, Suite 2210,
 Denver, Colo. 80202;
 800-377-4152; fax: 303-623-8101

	2000	1999
Premium volume	\$30,000,000	\$18,000,000
Gross revenues	\$4,500,000	\$2,700,000
Employees	18	14
Commercial lines	100%	100%
Admitted business	35%	25%
Nonadmitted	65%	75%

Founded: 1991.
Parent: Freberg & Co. of Wyoming Inc.
Business: managing agent 82%, Lloyd's of London coverholder 18%.
MGA for: Gulf Insurance Group, United National Insurance Group.
Licensed in: All states and the District of Columbia.
Membership: NAPSLO.
Officers: Michael J. Hill, president; Danelle R. Nielsen, vp.
Contact: Danelle R. Nielsen.
 Reception and information technology services are provided by Freberg & Co. of Wyoming Inc.

Frontier General Insurance Agency Inc.

6801 Calmont Ave.,
 Fort Worth, Texas 76116;
 817-732-2111; fax: 817-732-7226
 www.frontiergeneral.com

	2000	1999
Premium volume	\$42,000,000	\$29,500,000
Gross revenues	\$16,000,000	\$9,000,000
Wholesale revenues	\$2,600,000	\$2,500,000
Employees	145	100
Wholesale employees	75	50
Commercial lines	71%	60%
Admitted business	81%	80%
Nonadmitted	19%	20%

Founded: 1988.
Parent: Frontier Consolidated Group Inc.
Business: underwriting manager 40%, managing agent 60%.
Subsidiaries: Frontier General Agency of California Inc., Oakland, Calif.
Licensed in: Arizona, California, Florida, Louisiana, Nevada, Oregon, Texas, Washington.
Membership: NAPSLO, Texas Surplus Lines Assn.

Officers: William E. Geer, president; Alvin M. Johnston, executive vp; Robert P. Robinson, senior vp.
Contact: Bryan E. Jones, vp-marketing, bjones@frontiergeneral.com.

G

Donald Gaddis Co. Inc.

150 S. Wacker Drive, Suite 600,
 Chicago, Ill. 60606;
 312-853-0071; fax: 312-853-1033
 www.gaddiscompany.com

	2000	1999
Premium volume	\$11,100,000	\$10,800,000
Gross revenues	\$1,200,000	\$1,000,000
Wholesale revenues	\$1,200,000	\$1,000,000
Employees	8	8
Wholesale employees	8	8
Commercial lines	99%	99%
Admitted business	40%	40%
Nonadmitted	60%	60%

Founded: 1982.
Business: managing agent 45%, broker 50%, Lloyd's of London coverholder 5%.
Licensed in: Illinois.
Membership: NAPSLO, Lloyd's Brokers Assn., Surplus Lines Assn. of Illinois.
Officers: Christopher Gaddis, president; Sean Eric Gaddis, John Mette, vps.
Contact: Christopher Gaddis.

General Star Management Co.

695 E. Main St.,
 Stamford, Conn. 06905;
 203-328-5700; fax: 203-328-6030

	2000	1999
Premium volume	\$326,186,578	\$298,494,401
Employees	237	239
Commercial lines	79.9%	87.5%
Admitted business	18%	13%
Nonadmitted	82%	87%

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: Patricia H. Roberts, president/CEO; William Murray, senior vp; Beverly Tramontelli, vp.
Contact: Patricia H. Roberts.
 Actuarial, general, legal and treasury services are provided by General Reinsurance Corp.

Global Facilities Inc.

146 Merrick Road,
 Lynbrook, N.Y. 11563;
 516-599-3800; fax: 516-599-3930

	2000	1999
Premium volume	\$12,039,000	\$7,947,000
Employees	8	6
Wholesale employees	8	6
Commercial lines	90%	90%
Admitted business	90%	93%
Nonadmitted	10%	7%

Founded: 1977.
Business: managing agent 10%, broker 90%.
Membership: NAPSLO, Excess Line Assn. of New York.
Officers: Robert Shapiro, president; Craig Shapiro, junior vp.

Gracechurch Associates Inc.

83 Big Oak Road, P.O. Box 879,
 Morrisville, Penn. 19067;
 215-295-0725; fax: 215-295-1780

	2000	1999
Premium volume	\$16,000,000	\$12,500,000
Employees	11	10
Wholesale employees	11	10
Commercial lines	100%	100%
Admitted business	60%	60%
Nonadmitted	40%	40%

Founded: 1965.
Business: broker 100%.
Licensed in: New Jersey, Pennsylvania.
Membership: NAPSLO, Pennsylvania Surplus Lines Assn.
Officers: Philip Corso, president; Anthony Petruzzi, Lee Stacy, vps.
Contact: Philip Corso.

Gresham & Associates Inc.

1 Gresham Landing, P.O. Box 927,
 Stockbridge, Ga. 30281;
 770-389-1600; fax: 770-389-1650
 www.gresham-inc.com

	2000	1999
Premium volume	\$161,296,100	\$131,670,050
Gross revenues	\$16,670,000	\$14,775,900
Wholesale revenues	\$16,670,000	\$14,775,900
Employees	239	175
Wholesale employees	239	175
Commercial lines	100%	100%
Admitted business	50%	50%
Nonadmitted	50%	50%

Founded: 1979.
Business: managing agent 40%, broker 55%, Lloyd's of London coverholder 5%.
MGA for: American Equity Insurance Co., Canal Insurance Co., Carolina Casualty Insurance Co., Empire Fire & Marine Insurance Co., Essex Insurance Co., Lancer Management Group, Lloyd's of London, Nautilus Insurance Co., Northland Insurance Co., Pacific Insurance Co., Penn-America Insurance Co., RSA Surplus Lines Insurance Co., Scottsdale Insurance Co., U.S. Liability Insurance Co.
Broker for: ACE USA, Admiral Insurance Co., American International Group Inc., American Empire Surplus Lines Co., Cover X Corp., Evanston Insurance Co., Executive Risk Management, General Star Management Co., Great American Insurance Cos., Gulf Insurance Co., Investors Underwriting Managers, Lexington Insurance Co., RLI Insurance Co., Royal Specialty Insurance Co., Zurich American Insurance Co.

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 www.kempes.com

Continued from previous page

Subsidiaries: Gresham & Associates Inc., Birmingham, Ala., Jacksonville and West Palm Beach, Fla., Springfield, Mo.; Charlotte, N.C., Franklin, Tenn.; Gresham & Associates of Indiana, Indianapolis; Gresham & Associates of Louisiana, Baton Rouge, La.; Excess Insurance Underwriters Inc., Portland, Maine; EIU of Rhode Island Inc., East Greenwich, R. I.
Licensed in: Alabama, Florida, Georgia, Iowa, Indiana, Louisiana, Maine, Missouri, Mississippi, North Carolina, Ohio, Rhode Island, Tennessee, Virginia.
Membership: AAMGA, NAPSLD.
Officers: James V. Gresham, chairman/CEO; George L. Abernathy, president; James A. Gresham, senior vp.
Contact: James V. Gresham, jgresham@gresham-inc.com.

H

H&W Insurance Services Inc.

4300 Shawnee Mission Parkway, Suite 101, Shawnee Mission, Kan. 66205; 913-676-9305; fax: 913-432-1706 www.hwunderwriters.com

	2000	1999
Premium volume	\$4,821,010	\$7,206,555
Gross revenues	\$448,370	\$990,047
Employees	10	10
Wholesale employees	10	10
Commercial lines	100%	100%
Admitted business	95%	95%
Nonadmitted	5%	5%

Founded: 1958.
Business: managing agent 99%, broker 1%.
Licensed in: Kansas.
Membership: NAPSLD.
Officers: Larry Worrell, chairman; Bernard R. Geis, president; Ronald R. Burrows, executive vp.
Contact: Bernard R. Geis; bgeis@hwunderwriters.com.

Heath Holdings USA Inc.

3100 Monticello, Suite 830, Dallas, Texas 75205-3441; 214-561-7000; fax: 214-523-1573 www.hibi.com

	2000	1999
Premium volume	\$340,100,000	\$231,200,000
Gross revenues	\$28,900,000	\$19,040,000
Wholesale revenues	\$28,900,000	\$19,040,000
Employees	205	170
Wholesale employees	205	170
Commercial lines	100%	100%
Admitted business	50%	50%
Nonadmitted	50%	50%

Founded: 1992.
Parent: HLF Insurance Holdings Ltd.
Business: managing agent 9%, broker 88%, Lloyd's of London coverholder 3%.
Subsidiaries: Heath Insurance Brokers Inc., Fresno, San Francisco, Solvang and Woodland Hills, Calif.; Hartford, Conn.; Vero Beach, Fla.; Atlanta; Chicago; Dallas; Houston; Heath Underwriting Managers.
Licensed in: all states.
Membership: AAMGA, NAPSLD.
Officers: Gene Eisenmann, chairman; Marshall Kath, CEO; Cindy Herndon, CFO.
Contact: Marshall Kath.

I

Insight Insurance Services Inc.

2000 S. Batavia Ave., Suite 300, Geneva, Ill. 60134; 800-447-4626; fax: 888-447-6289 www.insightinsurance.com

	2000	1999
Premium volume	\$15,000,000	\$12,000,000
Employees	12	12
Wholesale employees	12	12
Commercial lines	100%	100%
Admitted business	99%	99%
Nonadmitted	1%	1%

Founded: 1987.
Business: managing agent 100%.
MGA for: SAFECO Surplus Lines Insurance Co.
Licensed in: Illinois.
Officers: James M. Romano, president; Michelle A. Duffett, executive vp.
Contact: Michelle A. Duffett; mduffett@insightinsurance.com.

Insurance Broker Services

20 N. Wacker Dr., 40th Floor, Chicago, Ill. 60606; 312-621-1770; fax: 312-621-0262 www.ibsil.com

	2000	1999
Premium volume	\$290,000,000*	\$168,000,000
Employees	100*	86
Wholesale employees	100*	86
Commercial lines	99%	99%
Admitted business	60%	60%
Nonadmitted	40%	40%

Founded: 1980.
Parent: Aon Corp.
Business: managing agent 3%, broker 95%, Lloyd's of London coverholder 2%.
MGA for: American Equity Insurance Co.
Broker for: ACE USA, Allianz Insurance Co., American Custom, American Equity Insurance Co., American International Group Inc., Boston Mutual Life Insurance Co., General Star Indemnity Co., Investors Underwriting Managers, RLI Insurance Co., Royal Specialty Insurance Co., UNUM Provident, Zurich American Insurance Co.
Licensed in: Florida, Illinois, Missouri, Nevada, Texas, Virginia, Wisconsin.
Membership: NAPSLD.
Officers: Terri Winkler, CEO; Bob Greenebaum, president/COO; Blake Bartnick, president-IBS of Texas.
Contact: Bob Greenebaum, robert.greenebaum@ibsil.com.
 * Estimated.

International Placement Services Inc.

7710 Carondelet, Suite 433, St. Louis, Mo. 63105; 314-725-8394; fax: 314-725-4317 www.ipsico.com

	2000	1999
Premium volume	\$31,999,224	\$25,298,000
Gross revenues	\$2,985,523	\$2,428,517
Employees	24	19
Wholesale employees	24	19
Commercial lines	100%	100%
Admitted business	65%	65%
Nonadmitted	35%	35%

Founded: 1981.
Business: broker 98%, Lloyd's of London coverholder 2%.
Broker for: Admiral Insurance Co., Affiliated Insurance Co., American International Group Inc., Excess Insurance Co., Executive Risk Management, Fireman's Fund Insurance Co., Great American Insurance Co., The Hartford Financial Services Inc., Pacific Insurance Co. Ltd., RLI Insurance Co., Royal Specialty Insurance Co., TIG Insurance Co. Travelers Property & Casualty Co., Zurich American Insurance Co.
Subsidiaries: International Placement Services Inc., Clearwater, Fla.
Licensed in: Florida, Illinois, Missouri.
Membership: NAPSLD.
Officers: Richard J. Eichhorn, president; Michael J.

Eichhorn, executive vp.
Contact: Richard J. Eichhorn.

J

Jaeger & Haines Inc.

P.O. Box 1623, Fayetteville, Ark. 72702; 501-521-2551; fax: 501-521-3195

	2000	1999
Premium volume	\$20,000,000	\$19,000,000
Employees	49	49
Commercial lines	91%	89%
Admitted business	45%	45%
Nonadmitted	55%	55%

Founded: 1976.
Business: managing agent 60%, broker 10%, Lloyd's of London coverholder 30%.
Licensed in: Arkansas, Missouri, Oklahoma, Tennessee.
Membership: AAMGA, NAPSLD, U.S.A. Alliance.
Officers: Larry Haines, chairman; Mike Johnson, president; Alan Mitchell, senior vp.
Contact: Mike Johnson.

Directory terms are defined on page 43.

K

K&K Insurance Group Inc.

1712 Magnavox Way, Fort Wayne, Ind. 46804; 219-459-5000; fax: 219-459-5967 www.kandkinsurance.com

	2000	1999
Premium volume	\$320,000,000*	\$257,332,000
Gross revenues	\$68,800,000	\$55,577,000
Employees	400**	360
Commercial lines	100%	100%
Admitted business	98%	98%
Nonadmitted	2%	2%

* BI Estimate. ** Estimated.
Founded: 1952.
Parent: Aon Corp.
Business: managing agent 100%.
MGA for: CNA Financial Corp., First Specialty Insurance Co., Great American Insurance Co., Guarantee Trust Life Insurance, One Beacon Insurance Group, TIG Insurance Co.
Licensed in: Florida, Indiana, Minnesota, Nevada, Virginia.
Officers: Stephen L. Lunsford, president/CEO; Tony Wittwer, chief marketing officer, Todd Bixler, COO; Terry Stevens, chief underwriting officer.
 Accounting, data processing, and corporate support services are provided by Aon Service Center.

L

LIG Marine Managers

9600 Koger Blvd. N., Suite 225, St. Petersburg, Fla. 33702; 727-578-2800; fax: 727-578-9977 www.liginsurance.com

	2000	1999
Premium volume	\$8,000,000	\$7,500,000
Employees	9	9
Wholesale employees	7	7
Commercial lines	100%	100%
Admitted business	80%	80%
Nonadmitted	20%	20%

Founded: 1983.
Business: managing agent 20%, broker 80%.
Licensed in: all states.
Membership: Florida Surplus Lines Assn., Institute for Marine Insurance Studies.
Officers: Ian R. Greenway, president; Ginger K. Hayes, vp.
Contact: Ian R. Greenway.


London American Risk Specialists Inc.

11000 Richmond Ave., Suite 600, Houston, Texas 77042; 800-546-7630; fax: 713-977-7606

Continued on next page

PMA Claims Service Manager
KIM LAUDERMILCH


Client:
VILLANOVA UNIVERSITY



**"YEA, TEAM!!
 Villanova's losses are
 down by 63!"**

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It's one for the record books! In 1995, Villanova's workers' comp losses were way up. That's when PMA's Kim Laudermilch jumped in. Teaming up with Villanova's benefits administrators and their broker, Kim helped spark the rally. Injury patterns and risk factors were uncovered. Campus supervisors were coached. Modified duty and return-to-work options were put into play, along with an aggressive injury-prevention program. Today, the name of the game at Villanova is reduction in losses—63% to be exact. Does Kim get her own cheering section? No need. For real team players, reaching the goal together is all that counts.



It's that kind of relationship.™
 For more information, visit our website, www.pmagroup.com

Continued from previous page

	2000	1999
Premium volume	\$36,000,000	\$34,000,000
Gross revenues	\$7,000,000	\$6,500,000
Wholesale revenues	\$2,450,000	\$1,950,000
Employees	25	25
Wholesale employees	15	15
Commercial lines	95%	99%
Admitted business	20%	20%
Nonadmitted	80%	80%

Founded: 1984.
Business: managing agent 35%, broker 65%.
MGA for: Burlington Insurance Co., Essex Insurance Co., Homestate County Mutual Insurance Co., Indian Harbor Insurance Co., Interstate Fire & Casualty Co., Lloyd's of London, Old American County Mutual Insurance Co., One Beacon Insurance Co., Pacific Insurance Co. Ltd., Western World Insurance Co.
Licensed in: Texas.
Officers: Brian Brecker, president; Michael Driscoll, executive vp.
Contact: Lisa Brightman, marketing manager, lbrightman@londonamericantx.com.

Depew, N.Y. 14043;
 716-856-3065; fax: 716-856-8057

	2000	1999
Premium volume	\$37,650,110	\$27,554,995
Gross revenues	\$4,560,000	\$4,203,000
Employees	53	42
Wholesale employees	53	42
Commercial lines	72%	66%
Admitted business	60%	70%
Nonadmitted	40%	30%

Founded: 1949.
Business: managing agent 87%, broker 10.5%, Lloyd's of London coverholder 2.5%.
MGA for: American Modern Insurance Co., Canal Insurance Co., Essex Insurance Co., GuideOne Insurance Co., Markel American Insurance Co., National Casualty Insurance Co., National Indemnity Insurance Co., Nautilus Insurance Co., Northland/Gulf Insurance Co., RLI Insurance Co., Penn-America Insurance Co., Scottsdale Insurance Co., USLiability Insurance Co.
Broker for: ACE USA, Admiral Insurance Co., American International Group Inc., CGU Insurance Co., Fireman's Fund Insurance Co., Great American Insurance Co., General Star National Insurance Co., Investors Insurance Co., Lloyd's of London, Swiss Re, Tudor Insurance Co.
Licensed in: New York.
Membership: AAMGA, NAPSLO, Professional Insur-

ance Wholesalers of New York State.
Officers: Leonard T. LoVullo, president/CEO; Paul W. LoVullo, Dave Pietrowski, vps.

M

MTS Insurance Services L.L.C.

19867 Prairie St., Suite 250,
 Chatsworth, Calif. 91311-6530;
 818-772-1775; fax: 818-772-2796
 www.mtsinsurance.com

	2000	1999
Premium volume	\$137,000,000	\$120,592,272
Gross revenues	\$8,220,000	\$7,523,042
Employees	50	42
Wholesale employees	50	42
Commercial lines	100%	100%
Admitted business	79%	21%
Nonadmitted	79%	21%

Founded: 1980.
Business: broker 100%.
Licensed in: Alaska, California, Colorado.
Membership: NAPSLO.
Officers: Ernest Telford, Ron Benigno, George Maggay, partners.
Contact: Celia McDonnell, cmcdonnell@mtsins.com.

Gary Markel Surplus Lines Brokerage Inc.

1901 Ulmertown Road, Suite 700,
 Clearwater, Fla. 33762;
 727-540-9100; fax: 727-540-9600

	2000	1999
Premium volume	\$11,357,584	\$9,676,482
Gross revenues	\$1,018,479	\$845,524
Wholesale revenues	\$1,018,479	\$845,524
Employees	10	10
Wholesale employees	10	10
Commercial lines	100%	100%
Admitted business	40%	30%
Nonadmitted	60%	70%

Founded: 1993.
Business: managing agent 16%, broker 83%, Lloyd's of London coverholder 1%.
MGA for: Clarendon Insurance Group Inc., Colony Insurance Co., Essex Insurance Co., Markel Corp., Pre-

ferred National Insurance Co., RLI Insurance Co.
Broker for: Admiral Insurance Co., American International Surplus Lines Insurance Co., Chubb Custom Insurance Co., Coregis Indemnity Co., Essex Insurance Co., Evanston Insurance Co., Executive Risk Management, Fireman's Fund Insurance Co., Great American Insurance Co., Lexington Insurance Co., Mt. Hawley Insurance Co., RLI Insurance Co., Royal Specialty Insurance Co., Scottsdale Insurance Co., Travelers Property & Casualty Corp., United National Insurance Co.
Licensed in: Florida.
Membership: NAPSLO, Florida Surplus Lines Assn.
Officers: Gary L. Markel, president; Paula L. Wachholz, executive vp; Barbara Ermatinger, assistant vp.
Contact: Paula L. Wachholz, pwachholz@gmarkel-surplus.com.

McClelland & Hine Inc.

P.O. Box 792710,
 San Antonio, Texas 78279;
 210-366-2500; fax: 210-366-2407
 www.mhi-tx.co

	2000	1999
Premium volume	\$32,000,000	\$26,000,000

Founded: 1982.
Business: underwriting manager 28.8%, managing agent 37.3%, broker 17.8%, Lloyd's of London coverholder 16.1%.
Subsidiaries: Chaparral Underwriters Ltd., Grand Cayman, Cayman Islands, B.W.I.
Licensed in: Texas.
Membership: AAMGA, NAPSLO.
Officers: Gilbert C. Hine Jr., Harold F. Smith, Shannon Dahlke, partners.
Contact: Gilbert C. Hine Jr.

Midland Insurance Group Inc.

1300 Iroquois Ave., Suite 160,
 Naperville, Ill. 60563;
 630-778-7770; fax: 630-778-0523
 www.midlandinsurance.net

	2000	1999
Premium volume	\$9,840,481	\$9,062,712
Gross revenues	\$2,791,949	\$2,442,811
Wholesale revenues	\$2,702,812	\$2,319,991
Employees	24	22
Wholesale employees	24	22
Commercial lines*	100%	100%
Admitted business	100%	100%

Founded: 1992.
Business: underwriting manager 80%, managing agent 20%.
Underwriting manager for: Security Insurance Co. of Hartford.
MGA for: Interstate Insurance Group.
Licensed in: all states.
Officers: Greg Born, Jeff Born, Jim Taylor, partners.
**Specialize in amateur sports insurance.*

Midlands Management Corp.

3503 N.W. 63rd St., Suite 305,
 Oklahoma City, Okla. 73116;
 405-840-0074; fax: 405-840-5432
 www.midlandsmgmt.com

	2000	1999
Premium volume	\$95,233,605	\$73,300,000
Gross revenues	\$16,760,469	\$12,734,020
Wholesale revenues	\$10,898,587	\$7,830,000
Employees	200	170
Wholesale employees	125	105
Commercial lines	96%	100%
Admitted business	50%	60%
Nonadmitted	50%	40%

Founded: 1990.
Parent: Midlands Holding Corp.
Business: managing agent 33%, broker 62%, Lloyd's of London coverholder 5%.
MGA for: Clarendon Insurance Group Inc., Markel Corp.

Broker for: American International Group Inc., Century Surety Co., Chubb Custom Insurance Co., Clarendon Insurance Group, Colony Insurance Co., Continental Assurance Co., European Specialties N.A. Ltd., Executive Risk Management, Houston Casualty Co., Legion Insurance Co., Markel Corp., Transatlantic Holdings Inc.
Subsidiaries: American Agency System Inc., Oklahoma City; American Marine Underwriters, Addison, Texas; Midlands Management of Texas Inc., Addison, Texas; Midlands Underwriting Managers Inc., Addison, Texas; U.S. Marine Insurance Group, Addison, Texas.
Licensed in: Mississippi, Oklahoma, Virginia, Texas.
Membership: AAMGA, NAPSLO.
Officers: Charles C. Caldwell, CEO; Mark Davis, vp; Dennis Otis, treasurer.
Contact: Bill Cornett, marketing director, wmcornett@midman.com.
 Claims adjustment services are provided by Midlands Claims Administrators. Medical advisory and fee scheduling services are provided by Midlands Injury Management Inc.

N

Napco L.L.C.

333 Thornall St.,
 Edison, N.J. 08818;
 732-549-5222; fax: 732-549-0221
 www.napcollc.com

	2000	1999
Premium volume	\$107,999,000	\$72,549,000
Employees	33	27
Wholesale employees	33	27
Commercial lines	100%	100%
Admitted business	63%	73%
Nonadmitted	37%	27%

Founded: 1996.
Parent: Napco Inc.
Business: broker 100%.
Licensed in: all states.
Membership: NAPSLO.
Officers: George Pagoumian, president/CEO; Armand Colaninini, executive vp; David Pagoumian, senior vp.

Contact: David Pagoumian; dpagoumian@napcollc.com.

Nason Associates Inc.

6901 W. 63rd St., Suite 207,
 Overland Park, Kan. 66202;
 913-677-1550; fax: 913-384-9350

	2000	1999
Premium volume	\$8,242,146	\$7,146,417
Gross revenues	\$1,179,528	\$1,025,639
Wholesale revenues	\$557,312	\$496,550
Employees	8	8
Wholesale employees	8	8
Commercial lines	100%	100%
Admitted business	95%	95%
Nonadmitted	5%	5%

Founded: 1984.
Business: broker 95%, Lloyd's of London coverholder 5%.
Broker for: American Motorists Insurance Co., Clarendon Insurance Group Inc., Continental Insurance Co., Federal Insurance Co., Indemnity Insurance Co. of North America, National Union Fire Insurance Co., Nobel Insurance Ltd., Old Republic Insurance Co., North American Specialty, Insurance Co. of the State of Pennsylvania, U.S. Specialty, United States Aviation Insurance Group, Westchester Fire Insurance Co.
Licensed in: Kansas, Missouri.
Officers: Courtney H. Nason, chairman; Linda S. Joy, president; Lorri A. Shuey, vp.

New Century Global of New York Inc. & Affiliates

Wall Street Plaza, 88 Pine St.,
 New York, N.Y. 10005;
 212-858-8900; fax: 212-858-8993
 www.ncglobal.com

	2000	1999
Premium volume	\$255,000,000	\$211,000,000
Gross revenues	\$20,000,000	\$17,000,000
Wholesale revenues	\$18,000,000	\$16,500,000
Employees	115	112
Wholesale employees	60	57
Commercial lines	100%	100%
Admitted business	95%	95%
Nonadmitted	5%	5%

Founded: 1997.
Business: managing agent 50%, broker 45%, Lloyd's of London coverholder 5%.
MGA for: Burlington Insurance Co., CNA Financial Corp., Essex Insurance Co., United National Insurance Co.
Broker for: Evanston Insurance Co., General Star National Insurance Co., Lexington Insurance Co., Lloyd's of London, Royal Specialty Insurance Co.
Subsidiaries: NC Global Insurance Services of California Inc., Los Angeles; New Century Global of New England Inc., Farmington, Conn.; New Century Global of Texas Inc., Dallas; Lambert Green Ltd., Harrisonburg, Va.
Licensed in: California, Connecticut, New Jersey, New York, Texas.
Membership: NAPSLO, Excess Lines Assn. of New York, Professional Insurance Wholesale Assn., Texas Surplus Lines Assn.
Officers: Ernie Telford, chairman; Lee Orabona, president/COO; Kieran Burke, executive vp.
Contact: Patti Doyle; 212-858-8921; patti.doyle@ncglobal.com.

North Island Facilities Ltd.

30 Park Avenue,
 Manhasset, N.Y. 11030;
 516-365-7440; fax: 516-365-7392
 www.nifgroup.com

	2000	1999
Premium volume	\$112,800,000	\$89,000,000
Gross revenues	\$10,500,000	\$8,200,000
Employees	97	90
Wholesale employees	97	90
Commercial lines	96%	95%
Admitted business	88%	90%
Nonadmitted	12%	10%

Founded: 1976.
Business: managing agent 65%, broker 32%, Lloyd's of London coverholder 3%.
MGA for: AmRe Managers, Burlington Group, General Star Indemnity Co., Granite State Insurance Co., Hermitage Insurance Co., Insurance Co. of Hanover, Royal Specialty Insurance Co., SAFECO Surplus Lines Insurance Co., Scottsdale Insurance Co., U.S. Liability.
Broker for: Admiral Insurance Co., Chubb Custom Insurance Co., Evanston Insurance Co., First Financial Insurance Co., First State Management Co., Executive Risk Management, Fireman's Fund Insurance Co., General Star Indemnity Co., Guilford Corp., Interstate Fire & Casualty Co., Investors Insurance Co., Lexington Insurance Co.; Reinsurance Corp. of New York, SAFECO Surplus Lines Insurance Co., Travelers Property & Casualty Co.
Subsidiaries: NIF Services of Florida, Duck Key, Fla.; NIF Governmental Services, Montvale, N.J.; NIF Services of New Jersey, Montvale and Oakhurst, N.J.; NIF Pro, NIF Adirondack, Glens Falls, N.Y.; Manhasset, N.Y.; NIF Services of New York, New York; NIF Services Mid-Atlantic, Bala Cynwyd, Pa.; NIF Services of New England, Warwick, R.I.
Licensed in: Connecticut, Florida, New Jersey, New York, Pennsylvania, Rhode Island, Virginia and the District of Columbia.
Membership: AAMGA, NAPSLO.
Officers: Michael A. Orlando, president; John G. Orlando, executive vp; Mark Maher, Dan Mogelnicki, David Vicari, John Buckley, vps.
Contact: Daphne Alvarado, marketing representative; marketing@nifgroup.com.

P

Prime Insurance Syndicate Inc.

311 S. Wacker Drive,
 Chicago, Ill. 60606;
 800-456-4576; fax: 312-408-8081
 www.primeis.com

Continued on next page

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www.greatamericaneld.com

GREATAMERICAN INSURANCE GROUP

Continued from previous page

	2000	1999
Premium volume	\$20,000,000	\$10,000,000
Gross revenues	\$5,000,000	\$2,500,000
Employees	60	48
Wholesale employees	30	24
Commercial lines	90%	90%
Nonadmitted	100%	100%

Founded: 1992.
Parent: Prime Holdings Insurance Services Inc.
Business: underwriting manager 100%.
Officers: Rick J. Lindsey, president/CEO; Roger C. Day; Mark Fisher, vp.
Contact: Rick J. Lindsey, rjl@primeis.com.

Program Brokerage Corp.

122 E. 42nd St.,
 New York, N.Y. 10168;
 212-338-2354; fax: 212-338-0331
 www.programbrokerage.com

	2000	1999
Premium volume	\$85,870,000	\$68,159,000
Gross revenues	\$7,779,000	\$6,088,000
Wholesale revenues	\$7,347,000	\$5,692,000
Employees	59	55
Wholesale employees	59	55
Commercial lines	100%	100%
Admitted business	87.8%	82.5%
Nonadmitted	12.2%	17.5%

Founded: 1985.
Parent: Kaye Group Inc.
Business: underwriting manager 80%, managing agent 15%, broker 5%.
Underwriting manager for: American International Group Inc., Genesis Insurance Co., Kemper Insurance Cos., USF&G Insurance Co.
MGA for: American Alternative Insurance Co., Old Lyme Insurance Co. of Rhode Island Inc.; Old Lyme Insurance Ltd.
Broker for: Chubb Custom Insurance Co., Connecticut Indemnity, First Specialty Insurance Co., Lexington Insurance Co., Liberty Surplus Insurance Co. USF&G Insurance Co.
Licensed in: New York, Rhode Island.
Membership: Professional Insurance Wholesalers of New York.
Officers: Bruce D. Guthart, chairman/CEO; Marc I. Cohen, president; Michael P. Sabanos, executive vp/CFO.
Contact: Marc I. Cohen, 212-338-2354.
Administrative support services are provided by Kaye Insurance Assn. and Kaye Group Inc.

Repath McAuley Woods L.L.C.

1801 Centrepark Drive E., Suite 250,
 West Palm Beach, Fla. 33401;
 561-712-0008; fax: 561-712-9304
 www.rmwins.com

	2000	1999
Premium volume	\$95,000,000	NA
Employees	62	NA
Wholesale employees	62	NA
Commercial lines	100%	NA
Admitted business	30%	NA
Nonadmitted	70%	NA

Founded: 2000.
Business: managing agent 12%, broker 88%.
Subsidiaries: Repath McAuley Woods of California L.L.C.
Licensed in: California, Florida, Georgia, Michigan, Tennessee.
Membership: AAMGA, NAPSLO.
Officers: Derek Repath, chairman; Robert McAuley, Loti Woods, co-CEOs.
Contact: Michael Ryan, vp/corporate operations manager, mryan@rmwins.com.

ISC Inc.

750 N. St. Paul St., Suite 800,
 Dallas, Texas 75201;
 214-954-0707; fax: 214-954-0999
 www.gorisc.com

	2000	1999
Premium volume	\$39,441,721	\$27,614,014
Gross revenues	\$4,108,827	\$3,113,774
Wholesale revenues	\$3,926,173	\$2,860,992
Employees	40	40
Wholesale employees	40	40
Commercial lines	99%	99%
Admitted business	30%	30%
Nonadmitted	70%	70%

Founded: 1966.
Parent: The Rigg Group Inc.
Business: managing agent 39%, broker 55%, Lloyd's of London coverholder 6%.
Membership: AAMGA, NAPSLO, Texas Surplus Lines Assn.
Officers: Robin Stough, president; Dan Whitt, senior vp; Jere Freel, vp.
Contact: Robin Stough; 214-220-0806; stough@gorisc.com.
Accounting and MIS services are provided by The Rigg Group Inc.

Risk Placement Services Inc.

2 Pierce Place,
 Itasca, Ill. 60143;
 630-285-4303; fax: 630-285-4020

	2000	1999
Premium volume	\$323,725,000	\$225,000,000
Gross revenues	\$24,500,000	\$17,159,000
Wholesale revenues	\$24,100,000	\$17,159,000
Employees	220	135
Wholesale employees	220	135
Commercial lines	99%	99%
Admitted business	65%	70%
Nonadmitted	35%	30%

Founded: 1997.
Parent: Arthur J. Gallagher & Co.
Business: managing agent 38%, broker 55%, Lloyd's of London coverholder 5%.
Subsidiaries: Harbor Excess, Little Rock, Ark.; ARM of California, Canoga Park, Calif.; Nelson Gordon and James Insurance Services, Tustin, Calif.; Risk Placement Services, Inc., Atlanta, Chicago, and Springfield,

Mo.; International Special Risk Services, Itasca Ill.; Castle Insurance Associates, Boston; R&R/Select, Tulsa, Okla.

Licensed in: all states, excluding Alaska and Hawaii.
Officers: Dave McGurn, chairman; Joel Cavaness, president.

S

Sacia Risk Solutions L.L.C.

1000 Second Ave., Suite 2450,
 Seattle, Wash. 98104;
 206-748-7733; fax: 206-748-7737
 www.saciarisk.com

	2000	1999
Premium volume	\$500,000	NA
Gross revenues	\$55,000	NA
Wholesale revenues	\$55,000	NA
Employees	5	NA
Wholesale employees	5	NA
Commercial lines	100%	NA
Admitted business	100%	NA

Founded: 2000.
Business: managing agent 80%, broker 20%.
MGA for: Lloyd's of London.
Broker for: Lloyd's of London.
Licensed in: Washington.
Membership: Washington Surplus Lines Assn.
Officers: John Sacia, CEO; Terry Payne, vp.

W.A. Schickedanz Agency Inc.

300 W. Main St.,
 Belleville, Ill. 62220;
 618-233-0644; fax: 618-233-0672

	2000	1999
Premium volume	\$6,200,000	\$6,100,000
Employees	12	12
Wholesale employees	12	12
Commercial lines	85%	85%
Admitted business	90%	90%
Nonadmitted	10%	10%

Founded: 1931.
Business: managing agent 75%, broker 10%, Lloyd's of London coverholder 15%.
MGA for: Aegis Security Insurance Co., Burlington Insurance Co., Chicago Insurance Co., Empire Fire & Marine Insurance Co., Empire Indemnity, First Financial Insurance Co., Interstate Fire & Casualty Co., Interstate Indemnity, Insurance Corp. of Hanover, National Fire & Marine, National Indemnity Co., National Liability & Fire Co., Northfield Insurance Co., Northland Insurance Co.
Broker for: Bituminous Casualty Corp., Bituminous Fire & Marine Co., Clarendon Insurance Group Inc., Fidelity & Deposit Co. of Maryland, The Hartford Financial Services Inc., United National Insurance Co.
Subsidiaries: Interstate Risk Placement Inc., Peoria, Ill.
Licensed in: Illinois.
Membership: AAMGA, Illinois Surplus Lines Assn.
Officers: C. Jack Miller, president/CEO; Steven C. Miller, executive vp; David A. Miller, vp.
Contact: C. Jack Miller.

The Schinnerer Group

2 Wisconsin Circle,
 Chevy Chase, Md. 20815;
 301-961-9800; fax: 301-951-5444
 www.schinnerer.com

	2000	1999
Premium volume	\$559,000,000	\$472,000,000
Gross revenues*	\$46,509,000	\$39,700,000
Employees	490	350
Commercial lines	100%	100%
Admitted business	95%	95%
Nonadmitted	5%	5%

Founded: 1938.
Parent: Marsh & McLennan Cos. Inc.
Business: underwriting manager 99%, broker 1%.
Underwriting manager for: CNA Financial Corp., Employers Reinsurance Group, Genesis Insurance Co., Gulf Insurance, Indian Harbor Insurance Co., Kemper Insurance Cos., RLI Insurance Co., Royal Specialty Underwriting Inc., United Educators Risk Retention Group, Zurich-American Insurance Co.
Broker for: Executive Risk Management.
Subsidiaries: Victor O. Schinnerer & Co. Public Entities Group, San Francisco; Victor O. Schinnerer & Co Inc., Chevy Chase, Md.; AMGRIP, Houston; ENCON Insurance Managers Inc., Ottawa, Ontario; Schinnerer & Co. Ltd., London.
Licensed in: California, Maryland.
Membership: NAPSLO.
Officers: Vincent C. Santorelli, president; Lorna M.

Parsons, Marie Solomon, managing directors.
Contact: Mary Jefferson, vp-corporate marketing; 301-951-9798, mary.l.jefferson@schinnerer.com.

Shand Morahan & Co. Inc.

10 Parkway N.,
 Deerfield, Ill. 60015;
 847-572-6000; fax: 847-572-6259
 www.shand.com

	2000	1999
Premium volume	\$184,482,000	\$141,403,000
Gross revenues	\$32,487,589	\$30,559,252
Wholesale revenues	\$29,880,516	\$29,011,986
Employees	199.5	188
Wholesale employees	199.5	188
Commercial lines	100%	100%
Admitted business	18%	15%
Nonadmitted	82%	85%

Founded: 1977.
Parent: Markel Corp.
Business: underwriting manager 100%.
Underwriting manager for: Deerfield Insurance Co., Essex Insurance Co., Evanston Insurance Co., Markel American Insurance Co., Markel Insurance Co.
Licensed in: Illinois, Pennsylvania.
Membership: AAMGA, NAPSLO.
Officers: Paul W. Springman, chairman; Michael A. Rozenberg, president/COO; Edgar W. Phoebus, senior vp/secretary/general counsel.

Continued on next page

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First State Proactive

First State Management Group, Inc. 150 Federal St. Boston, MA 02110 <http://www.firststateins.com> An affiliate of The Hartford Financial Services Group, Inc. Atlanta Boston Chicago Los Angeles New York San Francisco

Continued from previous page

	2000	1999
Premium volume	\$59,900,000	\$80,034,000
Gross revenues	\$7,200,000	\$7,994,000
Wholesale revenues	\$5,845,000	\$6,575,000
Employees	67	81
Wholesale employees	50	71
Commercial lines	95%	97%
Admitted business	74%	87%
Nonadmitted	26%	13%

Founded: 1933.
Business: underwriting manager 1%, managing agent 44%, broker 50%, Lloyd's of London coverholder 5%.
Subsidiaries: G.J. Sullivan Co. E&S, Anaheim, Calif.; Sullivan Healthcare Insurance Services Inc., Los Angeles; Kevin Davis Insurance Services Inc., Los Angeles; Gerald J. Sullivan & Associates of Oregon, Portland, Ore.

Licensed in: Arkansas, California, Connecticut, Oregon.

Membership: AAMGA, NAPSLO, California Insurance Wholesalers Assn.

Officers: Gerald J. Sullivan, CEO; Hank Haldeman, senior vp.

Contact: Hank Haldeman, haldemanh@gjs.com.

Swett & Crawford Group

21650 Oxnard St., Suite 1600,
 Woodland Hills, Calif. 91367;
 800-262-6099; fax: 818-227-3434
 www.swett.com

	2000	1999
Premium volume	\$1,050,000,000	\$880,000,000
Gross revenues	\$102,218,000	\$86,800,000
Employees	575**	541
Wholesale employees	575**	541
Commercial lines	99%	99%
Admitted business	62%	60%
Nonadmitted	38%	40%

*BI Estimate. **Estimated

Founded: 1914.

Parent: Aon Corp.

Business: underwriting manager 4%, managing agent 23%, broker 70%, Lloyd's of London coverholder 3%.

Underwriting manager for: Zurich Centre Insurance Co.

MGA for: over 15 companies.

Broker for: American International Group Inc., ACE USA, W.R. Berkley Corp., Chubb Custom Insurance Co., General Star Indemnity Inc., Hartford Financial Services Inc., Interstate Insurance Co., Lloyd's of London, Market Corp., RLI Insurance Co., Royal Specialty Insurance Co., St. Paul Surplus Lines Insurance Co., Shand Morahan & Co. Inc., The Travelers Property & Casualty Co., Zurich American Insurance Co.

Subsidiaries: Amicus Re, Hartford, Conn. and New York; Howden Transportation, Atlanta; Pine Street Management Co., New York; J.H. Blades, Houston; Energy Technical Underwriters, Houston.

Licensed in: Alaska, Arizona, California, Colorado, Connecticut, Florida, Georgia, Hawaii, Iowa, Idaho, Massachusetts, Maryland, Maine, Michigan, Missouri, Montana, Nevada, New Hampshire, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Rhode Island, Texas, Utah, Virginia, Washington, Wisconsin, District of Columbia and the U.S. Virgin Islands.

Membership: AAMGA, NAPSLO.

Officers: David Hartoch, chairman/CEO; Thomas Comer, president/COO; Ronald Wartick, Neal A. Abernathy, executive vps.

Contact: info@swett.com.

Tri-City Brokerage Inc.

50 California St., Suite 2000,
 San Francisco, Calif. 94111;
 415-986-5050; fax: 415-986-5004
 www.tricityins.com

	2000	1999
Premium volume	\$282,750,000	\$329,500,000
Employees	132	130
Wholesale employees	132	130
Commercial lines	100%	100%
Admitted business	70%	80%
Nonadmitted	30%	20%

Founded: 1985.

Parent: ULLICO Inc.

Business: broker 96%, Lloyd's of London coverholder 4%.

Broker for: Admiral Insurance Co., American International Group Inc., Chubb Custom Insurance Co., CNA Financial Corp., Employers Reinsurance Group, Essex Insurance Co., Evanston Insurance Co., Fireman's Fund Insurance Co., General Star Indemnity Co., Great American Insurance Cos., Gulf Insurance Co., The Hartford Financial Services Inc., Lloyd's of London, Liability Manager's Inc., RLI Insurance Cos., Royal & Sun Alliance Insurance Group P.L.C., Scottsdale Insurance Co., St. Paul Surplus Lines Insurance Co., XL America, Zurich American Insurance Co.

Subsidiaries: Five Star Manager L.L.C., Chicago.

Licensed in: California, Illinois, New Jersey, New York.

Membership: NAPSLO.

Officers: John G. Hahn, president/CEO; Tom Clardello, Brian Duffy, Scott Gunnison, John Jennings, senior vps.

Contact: John G. Hahn.

Truckers Insurance Associates Inc.

7117 Hickman, P.O. Box 1494,
 Des Moines, Iowa 50306-1494;
 515-267-7704; fax: 515-276-1418
 www.truckersins.com

	2000	1999
Premium volume	\$33,912,664	\$26,479,002
Employees	24	24
Wholesale employees	24	24
Commercial lines	99%	99%
Admitted business	100%	100%

Founded: 1943.

Business: managing agent 100%.

Licensed in: Iowa, Kansas, Missouri, Nebraska, North Dakota, South Dakota.

Membership: AAMGA.

Officers: Doug Wilson, president; Gary Albaugh, CEO.

Contact: Gary Albaugh.

U.S. & Overseas Agencies Inc.

1693 Stuyvesant Ave.,
 Union, N.J. 07083;
 908-964-5950; fax: 908-964-9487

	2000	1999
Premium volume	\$2,950,000	\$2,760,000
Gross revenues	\$642,500	\$617,200
Wholesale revenues	\$397,400	\$378,200
Employees	9	9
Wholesale employees	8	8
Commercial lines	78%	80%
Admitted business	2%	2%
Nonadmitted	98%	98%

Founded: 1933.

Business: managing agent 80%, broker 3%, Lloyd's of London coverholder 17%.

MGA for: Essex Insurance Co., Mount Vernon Fire Insurance Co., United States Liability Insurance Co.

Broker for: Lloyd's of London.

Licensed in: New Jersey.

Membership: NAPSLO, New Jersey Surplus Lines Assn.

Officers: Jeffrey S. Neubauer, president; Jack Neubauer, vp; Ingrid Neubauer, secretary.

Contact: Jeffrey S. Neubauer.

Underwriting Managers Inc.

P.O. Box 2049,
 Jacksonville, Texas 75766;
 800-545-2520; fax: 800-587-2958

	2000	1999
Premium volume	\$12,000,000	\$5,000,000
Employees	8	7
Wholesale employees	7	6
Commercial lines	100%	100%
Admitted business	10%	10%
Nonadmitted	90%	90%

Founded: 1984.

Business: underwriting manager 10%, managing agent 88%, broker 2%.

Underwriting manager for: Legion Insurance Co.

MGA for: Essex Insurance Co., Atlantic Casualty Insurance Co., Indian Harbor Insurance Co., Travelers Insurance Co.

Broker for: Lexington Insurance Co.

Licensed in: Texas.

Membership: NAPSLO, Texas Surplus Lines Assn.

Officers: Ray B. Baldwin III, president; Gayle H. Farr, vp.

Contact: Gayle H. Farr.

A list of the top insurance wholesalers appears on page 10.

United Network of Insurance dba CalSurance Wholesale Insurance Services

333 City Blvd. W., Fourth Floor,
 Orange, Calif. 92868;
 714-939-0800; fax: 714-939-7445
 www.calsurance.com

	2000	1999
Premium volume	\$7,588,000	\$6,011,000
Gross revenues	\$29,668,000	\$24,897,000
Wholesale revenues	\$1,584,000	\$1,478,000
Employees	176	149
Wholesale employees	11	3
Commercial lines	100%	100%
Admitted business	99%	99%
Nonadmitted	1%	1%

Founded: 1962.

Parent: The CalSurance Cos. Inc.

Business: managing agent 100%.

MGA for: Fireman's Fund Insurance Co., Royal Specialty Insurance Co.

Licensed in: Arizona, California, Colorado, Delaware, Louisiana, Maryland, Nevada, New York, Oklahoma, Pennsylvania, Utah, Virginia.

Membership: Surplus Line Assn. of California.

Officers: Donald Martin, chairman; Kenneth Masters, president/CEO; James Adams, vp/COO.

Wood & Co. Inc.

5445 Triangle Parkway, Suite 200,
 Norcross, Ga. 30092;
 800-476-4703; fax: 770-448-7105

	2000	1999
Premium volume	\$84,000,000	\$64,000,000
Gross revenues	\$6,500,000	\$4,770,000
Employees	40	34
Wholesale employees	40	34
Commercial lines	100%	100%
Admitted business	60%	60%
Nonadmitted	40%	40%

Founded: 1984.

Parent: McGriff, Seibels & Williams Inc.

Business: managing agent 2%, broker 98%.

MGA for: RLI Insurance Co.

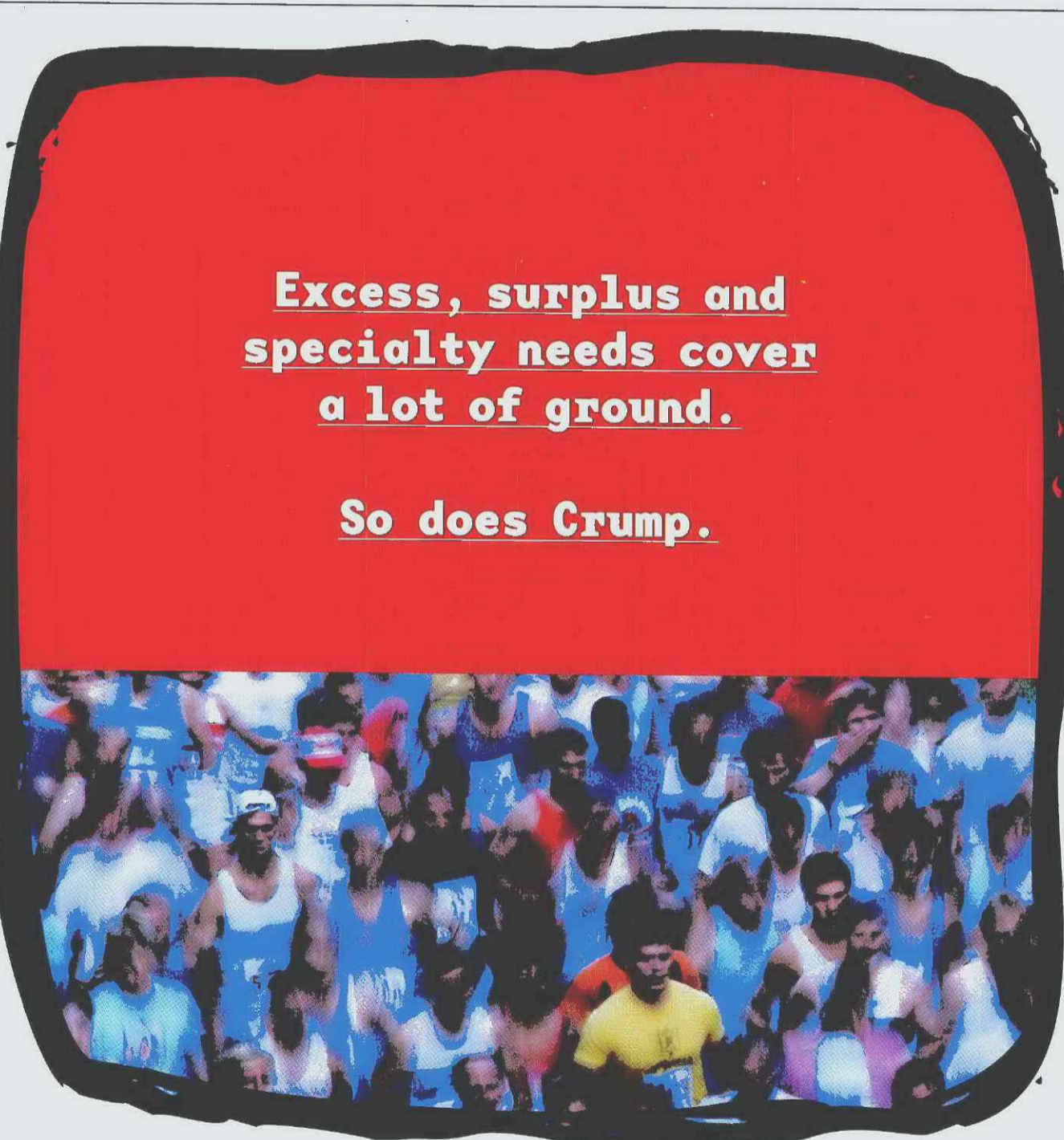
Broker for: Allianz Insurance Co., Chubb Custom Insurance Co., National Union, RLI Insurance Co., Royal Specialty Insurance Co., St. Paul Surplus Lines Insurance Co., Westchester Fire Insurance Co., Zurich American Insurance Co.

Licensed in: all states.

Membership: NAPSLO.

Officers: Randall D. Jones, president; George E. Showalter, senior vp/casualty and property manager; Fred W. Buck, senior vp/financial services manager.

Contact: Randall D. Jones; 770-448-7148; rjon@woodandco.com.



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**NOTICE OF A SPECIAL MEETING OF MEMBERS OF
 LIBERTY MUTUAL INSURANCE COMPANY TO APPROVE
 THE PLAN OF REORGANIZATION**

A special meeting of members (the "Special Meeting") of Liberty Mutual Insurance Company ("LMIC"), will be held on November 9, 2001 at 10:00 a.m. Eastern Time, at LMIC's office at 175 Berkeley Street, Boston, Massachusetts 02117. At the Special Meeting, Eligible Members will be asked to consider and vote upon a proposal to approve LMIC's Plan of Reorganization and the transactions contemplated thereby, including the amendment and restatement of the articles of organization and the bylaws of LMIC.

The Plan of Reorganization contemplates the formation of a parent mutual holding company and the conversion of LMIC to a stock insurance company. The Plan of Reorganization will not go into effect unless approved by the requisite number of votes from Eligible Members voting at the Special Meeting. An Eligible Member is an individual or an entity who meets either one of the following eligibility requirements:

- Such individual or entity was a Member on September 13, 2000, the day the Plan of Reorganization was originally adopted by the Board of Directors of LMIC (the "Adoption Date"); or
- Such individual or entity is a Member on the date of the Special Meeting.

Not less than two-thirds of individuals or entities who were Members on the Adoption Date and voting at the Special Meeting must vote FOR the Plan of Reorganization and not less than two-thirds of the votes cast by individuals or entities who are Members on the date of the Special Meeting voting at the Special Meeting must be voted FOR the Plan of Reorganization for the Plan of Reorganization to be approved by Eligible Members. Members meeting both eligibility requirements need to cast their vote just once in order to have them counted under both approval requirements. **Approval or disapproval of the Plan of Reorganization will not reduce the benefits under LMIC's policies or result in increased insurance premiums.**

Eligible Members of LMIC may cast their vote by mail, in person at the Special Meeting or by proxy. A ballot for casting a vote on the proposal was enclosed with the information package recently mailed to LMIC's policyholders. (If you are a policyholder of LMIC but did not receive a package, please call 1-877-520-8550 toll free between 8:00 a.m. and 8:00 p.m., Eastern Time, Monday through Friday.) Mailed ballots must be received by 5:00 p.m. Eastern Time on November 8, 2001 to be counted. Members who want to cast their vote in person may do so at the Special Meeting. Members who prefer to vote by proxy should request one authorizing designated employees of LMIC to cast the Member's vote by calling the Liberty Mutual MHC Information Line toll-free at 1-877-520-8550 from 8:00 a.m. to 8:00 p.m., Eastern Time, Monday through Friday. Members may also use their own proxy form authorizing individuals other than designated employees of LMIC to cast their votes by proxy; however, such proxies must meet the requirements relating to proxies set forth in the Policyholder Information Statement in order to be valid. Proxies must be dated and executed no earlier than August 9, 2001 and received by LMIC by 5:00 p.m., Eastern Time, November 6, 2001, in order to be counted.

If the ballot or proxy is signed but not marked FOR or AGAINST, it will be treated as a vote FOR the Plan of Reorganization. If the ballot or proxy is marked both FOR and AGAINST, or if it is not signed, the ballot or proxy will not be counted.

The Board of Directors has voted to approve the Plan of Reorganization and recommends that Eligible Members of LMIC vote FOR the adoption of the Plan of Reorganization.

July 13, 2001

LIBERTY MUTUAL FIRE INSURANCE COMPANY
 175 BERKELEY STREET
 BOSTON, MASSACHUSETTS 02117

**NOTICE OF A SPECIAL MEETING OF MEMBERS OF
 LIBERTY MUTUAL FIRE INSURANCE COMPANY TO
 APPROVE THE PLAN OF REORGANIZATION**

A special meeting of members (the "Special Meeting") of Liberty Mutual Fire Insurance Company ("LMFIC"), will be held on November 9, 2001 at 12:00 p.m. Eastern Time, at LMFIC's office at 175 Berkeley Street, Boston, Massachusetts 02117. At the Special Meeting, Eligible Members will be asked to consider and vote upon a proposal to approve LMFIC's Plan of Reorganization and the transactions contemplated thereby, including the amendment and restatement of the articles of organization and the bylaws of LMFIC.

The Plan of Reorganization contemplates the formation of a parent mutual holding company and the conversion of LMFIC to a stock insurance company. The Plan of Reorganization will not go into effect unless approved by the requisite number of votes from Eligible Members voting at the Special Meeting. An Eligible Member is an individual or an entity who meets either one of the following eligibility requirements:

- Such individual or entity was a Member on September 13, 2000, the day the Plan of Reorganization was originally adopted by the Board of Directors of LMFIC (the "Adoption Date"); or
- Such individual or entity is a Member on the date of the Special Meeting.

Not less than two-thirds of individuals or entities who were Members on the Adoption Date and voting at the Special Meeting must vote FOR the Plan of Reorganization and not less than two-thirds of the votes cast by individuals or entities who are Members on the date of the Special Meeting voting at the Special Meeting must be voted FOR the Plan of Reorganization for the Plan of Reorganization to be approved by Eligible Members. Members meeting both eligibility requirements need to cast their vote just once in order to have them counted under both approval requirements. **Approval or disapproval of the Plan of Reorganization will not reduce the benefits under LMFIC's policies or result in increased insurance premiums.**

Eligible Members of LMFIC may cast their vote by mail in person at the Special Meeting or by proxy. A ballot for casting a vote on the proposal was enclosed with the information package recently mailed to LMFIC's policyholders. (If you are a policyholder of LMFIC but did not receive a package, please call 1-877-520-8550 toll free from 8:00 a.m. to 8:00 p.m., Eastern Time, Monday through Friday.) Mailed ballots must be received by 5:00 p.m. Eastern Time on November 8, 2001 to be counted. Members who want to cast their vote in person may do so at the Special Meeting. Members who prefer to vote by proxy should request one authorizing designated employees of LMFIC to cast the Member's vote by calling the Liberty Mutual MHC Information Line toll-free at 1-877-520-8550 from 8:00 a.m. to 8:00 p.m., Eastern Time, Monday through Friday. Members may also use their own proxy form authorizing individuals other than designated employees of LMFIC to cast their votes by proxy; however, such proxies must meet the requirements relating to proxies set forth in the Policyholder Information Statement in order to be valid. Proxies must be dated and executed no earlier than August 9, 2001 and received by LMFIC by 5:00 p.m., Eastern Time, November 6, 2001, in order to be counted.

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The Board of Directors has voted to approve the Plan of Reorganization and recommends that Eligible Members of LMFIC vote FOR the adoption of the Plan of Reorganization.

July 13, 2001



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The Los Angeles County Metropolitan Transportation Authority (LACMTA) will receive proposals for RFP PS-5310-1124, Worker's Compensation Ancillary Medical Services per specifications on file at the LACMTA Office of Procurement, One Gateway Plaza, Los Angeles, CA 90012-2932, (12th Floor).

All proposals must be received on or before 2:00 p.m. (PST), Monday, October 22, 2001 at the address listed above, sent to the attention of Mr. Edward Velasquez. Proposals received later than the above date and time will be rejected and returned unopened. A pre-proposal conference will be held on September 27, 2001 at 10:00 a.m. (P.S.T.), in the LACMTA Board Overflow Conference Room on the 3rd Floor, located at the address above.

You may obtain a copy of the RFP, or further information by faxing Mr. Edward Velasquez at (213) 922-1004 or emailing your request to: velasquez@mta.net. The RFP package is expected to be available on September 27, 2001, but check the MTA Internet Site at www.mta.net for specific availability and download information.

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GLOBAL BRIEFS

Lloyd's of London managing agency Cotesworth & Co. Ltd. last week placed its syndicates into runoff. Cotesworth, one of the oldest Lloyd's agencies, ceased underwriting last month after failing to replace capital it lost following the collapse of its main corporate backer, Sydney, Australia-based HHH Insurance Ltd. HHH, which had provided 85% of the managing agency's capital, went into liquidation in March. Cotesworth could not find new backing for the 2002 year of account for its marine syndicate 535 and nonmarine syndicate 1688, which together had an underwriting capacity of more than £200 million (\$289.3 million)....Moody's Investors Service Ltd. in London predicts marketwide losses at Lloyd's of London for 1999 and 2000 that are greater than those forecast by Lloyd's itself. Moody's predicts losses of £1.7 billion (\$2.75 billion) for the 1999 year of account, £1.1 billion (\$1.64 billion) for 2000 and £350 million (\$510.0 million) for 2001. This compares with Lloyd's own predictions of a £1.39 billion (\$2.24 billion) loss for 1999 and a £694 million loss (\$1.04 billion) for 2000. The 1998 year of account, which closed Dec. 31, 2000, was the most recent to close under Lloyd's three-year accounting system. Moody's said that while 2000 marked the beginning of an upturn of rates at Lloyd's, market conditions remained weak....Moody's this month downgraded its performance rating of Limit Underwriting Ltd.'s nonmarine syndicate 456 to C from B and placed the rating under review. The rating action follows Limit's recent announcement that the syndicate would make a loss of 32.5% to 37.5% of its capacity of £20.8 million (\$33.6 million) for the 1999 year of account. It also forecast a 27.5% to 32.5% loss of its £22.3 million (\$33.2 million) capacity for the 2000 year. Moody's said there was now significant uncertainty over the syndicate's long-term future as a stand-alone entity....Moody's placed under review for possible downgrade its ratings of SVB Syndicates Ltd.'s property and casualty syndicate 1007 and nonmarine syndicate 1212. Moody's said the action followed an announcement by SVB that syndicate 1212, rated A1 by Moody's, would make a loss of 20% to 25% on its £106.0 million (\$171.1 million) capacity for 1999 and a 10% to 15% loss on its £115.0 million (\$171.6 million) of capacity for 2000. Syndicate 1007 is forecasting a result of between a 4% loss and a profit of 1% on its £147.1 million (\$237.6 million) of capacity for 1999 and between a 3% loss and a 2% profit on its £151.0 million (\$225.4 million) of capacity for 2000. But Moody's said the syndicate's orientation toward liability business and SVB's weakened business position could negatively affect the syndicate....Jardine Sayer Inc., the Lawrenceville, N.J.-based U.S. reinsurance brokerage arm of London-based Jardine Lloyd Thompson Group P.L.C., has changed its name to JLT Re Solutions Inc. It also announced the appointment of Robert K. Cooney, formerly of HartRe Co. L.L.C., as chief executive officer to succeed John Sayer, who is retiring....Paul Balthasart has been named treaty underwriting manager in the Brussels, Belgium, office of St. Paul Re, the reinsurance subsidiary of The St. Paul Cos. Inc. Mr. Balthasart was previously credit and bond manager at Sirius International in Liege, Belgium.

European reinsurers struggle

CNA places London unit on block as Copenhagen Re, others scale back

By CAROLYN ALDRED
and SARAH VEYSEY

LONDON—Dismal results are forcing some European reinsurers to exit lines of business or sell out altogether as they struggle to keep pace with larger rivals.

Copenhagen Reinsurance Co. Ltd. said last week that its London operation was exiting some lines of business, and CNA Financial Corp. announced that its London reinsurance unit is up for sale.

This news follows announcements by other European insurance groups that they also are selling reinsurance units.

The sales and closures are symptomatic of hard times for smaller European reinsurance companies, according to Standard & Poor's Corp., which recently issued a negative outlook for European reinsurers.

Copenhagen Re will stop writing facultative property and marine reinsurance following disastrous first-half losses by the reinsurer and its parent company, Alm. Brand A/S.

Alm. Brand, one of Denmark's largest insurance groups, reported an aftertax loss of 75 million Danish kroner (\$8.5 million) for the first half of 2001, compared with an aftertax profit of 90 million Danish kroner (\$11.5 million) for the year-earlier period.

The downturn in the group's fortunes stemmed from a "large number of major claims," at least five of which resulted from facultative business written by Copenhagen Re's London subsidiary, the group said in a statement. Details on the claims were not disclosed.

Copenhagen Re, which is based in Denmark and handles the group's international reinsurance operations, recorded an aftertax loss of 260 million Danish kroner (\$29.6 million) for the first half of 2001, compared with an aftertax loss of 44 million Danish kroner (\$5.6 million) for the

first half of 2000.

"New business written in the London office in respect of facultative property and marine operations will be ceased, and major initiatives will be initiated to limit the risk profile, primarily in the London office operations," according to the group statement that accompanied the release of the

'Standard & Poor's fully expects further instances where underperforming reinsurance subsidiaries will be divested' from primary parents.

—Stephen Searby
Standard & Poor's Corp.

results. Before the announcement, Copenhagen Re's business included predominantly property treaty and facultative reinsurance as well as some life and accident business.

No one from the London office was available to comment.

The statement said the group is more positive about its future reinsurance results, noting that, "as a result of the rate increases recognized at the end of 2000, the remaining business is showing signs of improvement as compared with 2000, but further rate increases are required before a satisfactory level is reached."

Meanwhile, Copenhagen Re is launching a new branch in Madrid, Spain, to write

business in Portugal, Spain and the Latin American markets.

S&P lowered the ratings of Copenhagen Re and its branches in Australia, London, Madrid and Singapore to A- from A on Aug. 30.

"Over the past three years, Copenhagen Re's operating performance has been very poor, with a combined ratio averaging 123% over the three years 1998-2000, compared with a weighted average of 114% for the reinsurance industry as a whole. The main reasons for this underperformance are the greater inherent volatility in Copenhagen Re's book of business, which is skewed to property risks, and specific problems relating to the underwriting of parts of the London marine market and property facultative books during 1997-1999," according to S&P.

Meanwhile, Chicago-based CNA Financial Corp. last month confirmed that its London-based reinsurance subsidiary, CNA Reinsurance Co. Ltd., is for sale. CNA Re saw its premium volume fall more than 37% in 2000 to £350 million from £561 million (to \$522.6 million from \$906.0 million) in 1999.

CNA Re announced that it will restructure to focus on geographic markets. The company said these changes included the decision to write all U.S. reinsurance business from U.S. offices and to have London and Zurich as the "principal access points for international business." Previously, the London market operation also covered U.S. risks.

"As a result of these changes, we are seeking a buyer for our London company, CNA Reinsurance Co. Ltd.," CNA said in a written statement.

The announcement from CNA Re's parent followed a downgrade of the sub-
See Reinsurers on next page

Canadian court says Lloyd's can pursue debts from names

TORONTO—Lloyd's of London has scored another legal victory in its efforts to collect debts from so-called refusenik names.

Late last month, the Ontario Court of Appeal ruled that Lloyd's may begin debt enforcement proceedings against 88 Canadian names.

LLOYD'S

The names—individual investors at Lloyd's—refused to pay premiums to Equitas Ltd., which was set up under the 1996 reconstruction and renewal plan to reinsure and run off the pre-1993 long-tail liabilities of Lloyd's syndicates.

Initially, about 200 Canadian names refused to pay the premiums, claiming they had not been made aware of the risks of underwriting at Lloyd's, which suffered crippling losses in the early 1990s.

Last year, Lloyd's obtained a

ruling in the U.K. courts allowing it to pursue debts owed from overseas names that had rejected the 1996 plan. This decision was then recognized by the Canadian court system.

More than 100 Canadian names agreed to a settlement offer made by Lloyd's last December (BI, Jan. 8), but 88 Canadian names appealed the debt enforcement ruling. Last month, the Ontario Court of Appeal in Toronto upheld the

decision of the U.K. court and ruled that Lloyd's could enforce the debts of the Canadian names, which total about \$48 million Canadian (\$31.1 million).

The 88 names still could appeal the case to the Supreme Court of Canada, a Lloyd's spokesman said. But the spokesman added that Lloyd's considers it unlikely that the Supreme Court would overturn the decisions of the U.K. and Ontario courts.

—By Sarah Veysey

IPO to fund growth

Zurich Re plans stock offering

ZURICH, Switzerland—Zurich Financial Services Group last week announced plans to launch an initial public offering of its reinsurance subsidiary, Zurich Re, and divest itself of at least 70% of the company.

Rolf Hueppi, chairman and chief executive of ZFS, said in a

statement that Zurich Re would be renamed Converium Ltd. and would be listed on the Swiss stock exchange. Separately, Mr. Hueppi said that ZFS would seek a listing on the New York Stock Exchange.

Dirk Lohmann, chief executive officer of Zurich Re, said he would continue to

lead the reinsurer following the IPO. ZFS said proceeds from the sale would be used to fund growth.

Meanwhile, ZFS reported net income of \$922 million for the first half of 2001, down from \$1.1 billion in profits for the same period last year.

"As we indicated earlier this year, we anticipated an adverse operating environment characterized by depressed equity markets, declining interest rates, a continued strong U.S. dollar and weaker economies," Mr. Hueppi said in the a statement.

Standard & Poor's Corp. in London assigned an A+ counterparty credit and insurer financial strength rating to Converium. S&P said the new reinsurance entity has both "very strong capitalization" and a "strong business position."

—By Sarah Veysey



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INTERNATIONAL

Reinsurers

Continued from previous page
sidiary by A.M. Best Co. in Oldwick, N.J. Best cited uncertainty over the future ownership of CNA Re as among the reasons for the change and downgraded CNA Re's financial strength rating to B+, or very good, from A-, or excellent.

Best said that it believed there was a significant chance that the company would enter runoff. "Recent discussions with senior management of CNA Re have detailed the current low levels of renewal business in London and thus emphasize this," Best said in

a statement.

But Stephen Riley, chief executive of CNA Re in London, stressed that the company was not exiting reinsurance in London altogether. He said that the company would hope to retain a significant proportion of its business and a shell company for future operations.

Several other European reinsurers are also reviewing their operations and dropping lines of business, said Christian Dinesen, S&P director in London.

"Major facultative reinsurers are withdrawing their capacity and expertise, and large industrial insurers now are taking a closer look at their large industrial

business accounts," Mr. Dinesen said. He added that "these moves could change the market for large industrial risks significantly."

But because many large corporations can now retain high levels of their exposures, "the big question is whether the insurers and reinsurers left in the facultative market will get the rates they need," Mr. Dinesen said.

S&P affirmed its negative outlook last month on the entire European reinsurance market, indicating that financial strength ratings for the market are more likely to be downgraded than to remain the same.

Stephen Searby, associate director in S&P's Financial Services Group, noted that, "despite an estimated 9% growth in premium volumes in 2000, premium rate increases during the January 2000 renewal season were patchy. Although further quarterly renewals throughout the year saw the level rise, there was almost no improvement in the European reinsurance market's operating performance in 2000, compared to 1999."

"Although 2000 was a relatively benign year for catastrophes, continued loss development from the European storms in 1999 and losses in some London long-tail books impacted many reinsurers' results," Mr. Searby said.

S&P also predicted that 2001 would not show much improvement, with the market not expected to return an underwriting profit until 2002, at the earliest.

Mr. Searby pointed out that a marked division has existed between small and large reinsurance companies. "Larger groups have tended to have stronger levels of reserving, allowing them to better withstand low points in the cycle. Conversely, the operating performance of many smaller companies remains volatile, because they tend to write more lower-layer short-tail proportional business, which more closely tracks the fortunes of the primary markets. In addition, smaller reinsurers felt more keenly the sharp increase" in retrocessional rates during 2000. Mr. Searby said.

He noted that several European insurance groups are divesting themselves of their reinsurance subsidiaries, and he predicted that the trend would continue.

In May, GROUPAMA, one of France's largest property/casualty and life insurance companies, sold its reinsurance subsidiaries, Sorema S.A. and Sorema N.A., to French reinsurer SCOR S.A. In March, Zurich Financial Services Group announced its intention to spin off Zurich Re as a renamed, independent and separately listed global reinsurer. Zurich announced details of its plan last week (see story, previous page).

"Standard & Poor's fully expects further instances where underperforming reinsurance subsidiaries will be divested from their primary parents as they focus more closely on the long-term level and volatility of returns from their reinsurance operations," Mr. Searby said. "Consequently, this will bring into question the strategic importance of reinsurers to primary companies when assessing ratings." **BI**



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COMMENTARY

Down in the dumps about historic places

A recent change of heart by the U.S. Department of the Interior has gotten me thinking.

Late last month, after reviewing the nominations it had received, the Interior Department announced the latest sites around the country to be designated National Historic Landmarks. The federal agency granted landmark status to a total of 15 new sites, adding them to a roster of more than 73,000 sites already so designated.

According to the National Park Service, which maintains the landmarks, the sites "are places where significant historical events occurred, where prominent Americans worked or lived, that represent those ideas that shaped the nation, that provide important information about our past, or that are outstanding examples of design or construction."

Among the thousands of sites designated over the years as National Historic Landmarks are Alcatraz Island; the U.S. Naval Base at Pearl Harbor; the birthplace of Martin Luther King Jr.; and Mount Vernon, the longtime home of George Washington.

Most individuals are probably not aware that the batch of nominated sites recently approved by the Secretary of the Interior includes not one but two oyster packinghouses on the Eastern seaboard. According to the National Park Service, one such site, the J.C. Lore Oyster House in Solomons, Md., was included for its contribution to making "the 'Patuxent' brand of oysters famous throughout much of the Midwest."

I am now motivated to take a family vacation soon to visit the place that brought mollusks to the dinner tables of Iowa.

Other recent inductees include the Sheldon Jackson School in Sitka, Alaska, where, the National Park Service says, "Native American students were forced, through English-language instruction, removal from their homes and families and the promotion of non-native vocational training, to adopt Euro-American cultural patterns."

In other words, children were uprooted from their families, sent to the school and forced to abandon their cultural heritage and native tongue. The school was the setting for a less-than-admirable bit of U.S. history, but one far more deserving of recognition than an oyster-shucking enterprise.

And then there is the Fresno Sanitary Landfill in Fresno, Calif. Established in 1937, the site is regarded as the country's first "true" sanitary landfill, meaning that municipal waste was covered over daily in order to prevent the proliferation of rodents and eliminate the health problems associated with other means of garbage disposal then in use.

Two days after these 15 landmarks were named, though, the Fresno landfill was stripped of its new status.

It turns out that the site already appeared on another list of significant places maintained by the government. In 1989, two years after the landfill was shut down, it was added to the National Register of Hopelessly Polluted Places, also known as the Superfund site list.

The landmark designation of the Fresno landfill was removed at the urging of the National Park Service. No doubt the Park Service claimed it would prove hazardous for its rangers to set up shop amid the ongoing risks of toxic waste and methane gas explosions.

When I first heard that the Superfund site had been dropped from the list, I suspected that our country was trying to sweep its trashy past under the carpet. To my way of thinking, U.S. waste dumps have just as significant a place in our country's history as more tranquil and less smelly places—such as Walden Pond, where Henry David Thoreau penned his treatise on nature. After all, I figured, we are also recognizing the Sheldon Jackson School and a couple of 19th-century oyster shacks.

My concerns were allayed, though, when the secretary of the Interior noted there are already several Superfund sites among the many National Historic Landmarks.

Still, I believe that we should have more Superfund sites on the list—for the very reason that they are contaminated, befouled bits of land. I maintain that they could stand as testament to the folly of corporations, the suffering of unwary residents, the greed of lawyers and the torment of insurance companies.

Love Canal, N.Y., could be one of the first added under this new interpretation of what should constitute an historic place. Maybe also the Stringfellow Acid Pits in California.

Better yet, I suggest we make these sites national parks. Install campgrounds and RV hookups, license fast food and gas station franchises and invite in the public.

Before long, the roads to these National Dumpsites would be clogged with tourists, the waste cans would be overflowing and the air would be permeated with exhaust fumes, as people rushed to pay homage to—and perpetuate—these overlooked expanses of Americana.

Editor Paul D. Winston's commentary appears fortnightly and on www.businessinsurance.com. He can be reached at pwinston@crain.com.



Paul D. Winston

E-commerce

Continued from page 1
pollution cases."

"I think there is a striking parallel between the issuance of EIL policies in response to growing pollution risks and e-commerce policies as we see more Internet exposures arising," he said.

"This is what happens whenever there's a new risk. There's an argument (between insurers and policyholders) about whether a (policy) form covers these exposures. Then the exclusions go in. Does that mean it was covered before and it isn't now?" Mr. Eisenstein queried.

"The same thing happened with sexual harassment exclusions," recalled Lance Ewing, senior director of insurance and loss prevention at GES Exposition Services in Las Vegas.

It wasn't long after exclusions for sexual harassment were added to CGL and workers compensation policies that insurers introduced employment practices liability insurance programs, he said.

And new endorsements, such as those issued by ISO pertaining to electronic data and computer viruses, "are always a red flag," Mr. Ewing said, because they suggest insurers are no longer going to cover those risks without charging an additional premium.

It all started late last year when reinsurers began excluding coverage for computer viruses in reinsurance policies sold in Europe, sources say. This development was also reported at the Inland Marine Underwriters Assn.'s annual meeting in Keystone, Colo., in June.

"The reinsurance was limited in renewal treaties. This is forcing direct markets to greatly limit coverage," said John Hughes, senior vp in Marsh Inc.'s property practice in New York.

In some cases, the exclusion goes beyond viruses, eliminating coverage for all losses involving electronic data, software and computer programs damaged by any source, Mr. Rossi said. However, property policies will cover damage from fire or explosion caused by computer equipment, he noted.

"The underwriters are removing coverage for destruction, disruption or distortion of data," said Mr. Hughes, adding that he understands why underwriters are fearful.

"You don't insure where an event could cause an enormous amount of simultaneous loss," he said. "It's like war and nuclear."

Most U.S.-based insurers and reinsurers are still covering first-party damage from computer viruses in commercial property policies, Mr. Rossi said. "But if you need major capacity, that means you're using the European market, and the European insurers started putting in exclusions months ago."

Fortunately, e-commerce liability risks haven't been as difficult to insure, according to Mr. Rossi. Commercial policyholders can still obtain amend-

'I think there is a striking parallel between the issuance of EIL policies in response to growing pollution risks and e-commerce policies as we see more Internet exposures arising.'

— Larry Eisenstein
Swidler, Berlin, Shereff
& Friedman L.L.P.

ments to traditional CGL policies to clarify or extend coverage for third-party e-commerce risks.

"But first-party property, business interruption and extra expense is gone," he said. "It's leaving the building as we speak."

As a result, "if you're a large multinational and you're hit with one of these exclusions to your property policy, you have to buy e-commerce coverage" to fill in the gaps, he said.

Mr. Hughes said Marsh also is advising clients to review their property policies to make sure they have coverage and, if not, to consider some type of e-commerce insurance.

But buying e-commerce coverage is no cakewalk, either, Mr. Rossi warned.

First, the capacity is limited. The largest program available today is e-Comprehensive, a \$50 million policy offered jointly by JLT Risk Solutions, underwriters at Lloyd's of London and Information Risk Group Inc. that has separate aggregate limits for property and liability. All the

other policies available on the market currently have limits of \$25 million.

"But are all those primary players willing to participate in a quota-share program" if a company needs to assemble, say, \$200 million in limits? he queried.

Furthermore, each insurer's program is slightly different, making it difficult to compare them, let alone combine them, Mr. Rossi added.

Even if a company is able to get the limits it needs, the underwriting process is difficult, usually requiring system security checks by outsiders, he said.

That means risk managers must sit down with their IT departments and analyze exposures, but "in some companies, not only are IT and risk management not connected, they're antagonistic," he said.

Because of these roadblocks and the erroneous belief that their current property policies will protect them, few corporate risk managers are buying the new e-commerce insurance policies, according to Mr. Rossi.

"A lot of people have been holding off, waiting to see how they evolve," agreed Mike Phillipus, manager of risk management at Pennzoil-Quaker State in Houston and vp of external affairs for the New York-based Risk & Insurance Management Society Inc.

"It's like with the early EPLI," he said, referring to employment practices liability insurance introduced in the early 1990s. "You may not have wanted to be one of the first buyers."

Eventually, however, commercial policyholders may have no other choice but to buy stand-alone e-commerce insurance policies, Mr. Rossi predicts.

"Society is so dependent on computers and computers running things," he said. "This will eventually create a robust e-commerce insurance market."

"The insurance industry is making a concerted effort to push people into taking this coverage," Mr. Eisenstein agreed. BI

Fees

Continued from page 3
three provisions.

Lawyers who failed to abide by the rules could be charged with having committed unfair trade practices.

Mr. Samp said that even though the FTC declined to act on a 1999 WLF petition seeking similar reforms, the group believes that the change of administration, the possibility that patients rights legislation will expand litigation and a growing concern over abusive use by some class-action attorneys justifies its new petition.

Mr. Schwartz said that the petition is justified for several reasons, including the practice of plaintiffs' attorneys to advertise on an interstate basis. He said that unlike the funeral industry,

the contingency fee question has never been the subject of a book like "The American Way of Death," Jessica Mitford's bestseller of the 1960s that exposed questionable funeral home practices.

Not everyone agrees, though, that federal intervention is required.

Michael Krauss, a professor of law at George Mason University School of Law in Arlington, Va., attacked the idea from the right of the political spectrum. Mr. Krauss—an outspoken critic of the U.S. contingency fee system who formerly taught at Canadian universities—said that petitioning the FTC to regulate lawyers would further commercialize the profession of law. He also said that having the federal government step into what should be a state matter "fritters away the constitutional separation of powers."

Former U.S. Attorney General Richard Thornburgh moderated the discussion. BI

Largest U.S. reinsurers' first-half 2001 results

Ranked by net reinsurance premiums written. All amounts in thousands of dollars.

	Net reinsurance premiums written 2001	Net reinsurance premiums written 2000	Policyholders' surplus (reinsurers only)	Net income (loss) 2001	Losses & loss adjustment expenses	Loss ratio	Underwriting expenses	Expense ratio	Combined ratio 2001	Combined ratio 2000
1. Employers Reinsurance Corp.	\$2,252,574	\$1,954,974	\$5,841,305	\$197,857	\$1,745,367	78.8%	\$670,386	29.8%	108.6%	113.0%
2. Berkshire Hathaway Reinsurance	2,078,000	417,000	N/A	N/A	1,874,000	102.3	95,000	5.2	107.5	111.8
3. General Re Group ¹	1,889,609	1,455,199	4,733,671	(50,607)	1,612,373	92.3	512,861	27.1	119.4	112.3
4. American Re-Insurance Co.	1,730,404	1,508,974	2,394,886	73,630	1,297,018	76.4	533,714	30.8	107.2	116.9
5. Swiss Reinsurance America Corp. ²	832,061	851,707	2,015,611	68,293	820,284	99.0	233,891	28.1	127.1	115.5
6. Everest Reinsurance Co.	785,055	588,645	1,294,924	52,460	526,161	74.2	241,018	30.7	104.9	104.2
7. St. Paul Re*	767,390	680,777	NA	NA	466,349	71.8	253,824	33.1	104.9	118.5
8. Hartford Re Co.	568,378	455,526	NA	NA	427,233	89.1	136,704	24.1	113.2	104.9
9. Zurich Reinsurance (N.A.) Inc.	548,965	588,223	960,955	57,020	327,627	68.8	183,212	33.4	102.2	102.3
10. Gerling Global Reinsurance	451,233	441,463	513,558	(20,377)	346,890	83.3	149,756	33.2	116.5	113.0
11. Odyssey America Reinsurance Corp. ³	399,534	282,105	898,326	39,907	258,109	69.6	127,405	31.9	101.5	107.8
12. SCOR U.S. Group	322,727	241,168	328,971	(5,812)	250,034	76.0	102,999	31.9	107.9	143.0
13. CNA Re*	305,726	555,690	NA	NA	878,758	258.7	128,063	41.9	300.5	109.0
14. Partner Re U.S. ⁴	275,638	172,877	331,919	(16,408)	160,063	78.1	83,494	30.3	108.4	113.9
15. Folksam America Reinsurance Co.	228,912	266,409	412,888	9,150	167,999	81.2	68,306	29.8	111.0	109.5
16. Berkley Insurance Co.	220,823	206,670	680,757	16,292	162,879	71.9	76,175	34.5	106.4	103.6
17. AXA Corporate Solutions Reinsurance Co.	184,937	102,089	361,999	(21,400)	107,597	72.5	70,231	38.0	110.5	110.6
18. Insurance Corp. of Hannover	156,101	87,429	178,325	(10,802)	96,341	77.6	46,588	29.8	107.4	114.1 ¹
19. Trenwick America Corp. ⁵	146,141	84,477	412,912	(22,767)	118,686	95.5	51,614	35.3	130.8	113.1
20. American Agricultural Insurance Co.	144,178	118,005	279,910	(8,730)	144,178	94.6	31,143	21.6	116.2	105.3
Total for top 20	\$14,444,487	\$11,146,836	\$21,819,242	\$346,904	\$11,884,287	88.6%	\$3,796,384	26.3%	114.9%	106.7%
Total for all companies⁶	\$13,790,263	\$12,295,148⁷	\$25,709,819	\$484,787	\$11,009,049	85.3%	\$4,146,015	30.1%	115.3%	112.2%

*Results include combined U.S. and non-U.S. affiliate operations.

1. All data presented on a North American Combined Statutory Basis for the General Re Group. Excludes other affiliates from the Berkshire Hathaway Group Inc. 2. Includes assumed Underwriters Reinsurance Co. business. 3. Includes the combined results of Odyssey America Reinsurance Corp., Odyssey Reinsurance Corp. and Hudson Insurance Co. 4. Includes the combined results for Partner Reinsurance Co. of the U.S. and its subsidiary, Partner Re Insurance Co. of New York. 5. Includes the combined results of Trenwick America Reinsurance Corp. and Chartwell Insurance Co., formerly Chartwell Reinsurance Co. 6. Excludes Berkshire Hathaway. 7. Total premiums shown for June 2000 are those reported in the 2000 Reinsurance Underwriting Report.

Sources: Reinsurance Assn. of America and Business Insurance

Results

Continued from page 3

responsible for reinsurance operations at the Hartford Financial Services Group Inc. in Hartford, Conn., drew a distinction between property and casualty reinsurance renewals. In January, "we definitely expect to see a continuation in the property trends we've seen, which is double-digit increases," Mr. Sprague said.

As for casualty, "We're expecting the casualty price movement to accelerate quite a bit from what we've seen to date, but we have not been through a renewal season yet where we've seen consistent and strong movement," he said. "We're hopeful and we're definitely expecting on our book to be moving the casualty rates in a much stronger way" than they have before now, Mr. Sprague said.

"Reinsurers may have more inadequate reserves and pricing than the primary commercial business," said Todd Bault, a research analyst at Sanford Bernstein & Co. in New York. "That combination, I think, could lead to a very strong (Jan. 1) renewal," he said.

Renewals "could be painful, and we may get a preview of that in Monte Carlo next week and Baden Baden in October," he said.

Firming market conditions would particularly affect small and medium-sized primary insurers, which are more dependent on reinsurance than are their larger counterparts, said Mr. Bault.

"They're going to be forced to raise rates pretty strongly, and the sort of hardening market we've seen could turn into a full-fledged

hard market, looking much more like it did in the mid-'80s. I don't think it will be exactly the same, but I think it could start to look a lot more like that," said Mr. Bault.

"The math doesn't work any other way," he added. "If you don't get a much harder market—or a very prolonged period of gradual price increases—there's just no way to get back to profitability."

"There was a time when reinsurance looked to be decoupled from the underwriting cycle," but that is no longer the case, said Michael Smith, an analyst with Bear Stearns in New York.

"I suspect what we're looking at here is a bubbling up from the goo of all the past underwriting mistakes of the primary companies," which were supported with cheap reinsurance capacity over the past five or six years, said Mr. Smith.

"I think what you're going to see first is another retrenchment of capacity on the year-end renewals, and some of that capacity retrenchment's probably not going to be altogether voluntary," said Mr. Smith.

Michael Paisan, a principal with Williams Capital Group in New York, said the good news about the RAA first-half results is "this will be an additional catalyst for continued rate increases."

"The bad news, obviously, is that the underwriting results were so poor," he added.

If there is a silver lining, it is that the poor results will add pressure for an "acceleration in the rate of price increases that they're getting," Mr. Paisan said.

"It's no secret," he said, that until recently the U.S. reinsurance industry has been underpricing its business. The poor results ap-

parent today reflect this lack of discipline among reinsurers in recent years, he added.

Reinsurers will have to significantly raise rates "to get those underwriting results back into some sort of manageable territory, and that will probably have to extend into 2003," Mr. Paisan said.

"The reinsurance industry is still experiencing a fair amount of pain from the sins of its past," agreed Brian Meredith, senior property/casualty insurance analyst with Banc of America Securities in New York. "The underpricing, and the results, demonstrate the need for further price increases in the property/casualty reinsurance industry," he said.

Mr. Meredith said he expects stronger reinsurance pricing for the Jan. 1, 2002, renewal period. "I think we're probably in the third or fourth inning right now for reinsurance pricing, and we've still got a good five or six innings to go for price increases and tightening of terms and conditions."

Patrick Mailloux, head of the U.S. Direct unit of Swiss Reinsurance Co.'s Americas division in New York, said the rate increases introduced so far have not led to better results because of the degree of pricing improvement required, inflation and the impact of catastrophes. "Although we hear the right things in the market, the numbers for 2001 are not fully reflecting what we would hope the results would be as a result of these changes," said Mr. Mailloux, who added that he would characterize this year as only a "step in the right direction."

Mr. Mailloux also said improved results for reinsurers would depend on reserve adequacy as well as the stock market's

performance.

"In the past few years, we have been very fortunate in having the ability to release capital gains," as a result of strong investment performances, to boost net income, Mr. Mailloux said. Because that no longer is the case, "we're really in a situation where each year has to stand on its own," he said.

Some smaller reinsurers may use the opportunity of firming in the market to boost their premi-

um volume, one analyst says.

"The big players must raise rates, at least in this coming renewal season, and my expectations would be probably beyond that," said Cliff Gallant, an analyst with Keefe, Bruyette & Woods in New York. "It seems to me to be an opportunity to put on some profitable growth" for smaller reinsurance companies, such as Everest Reinsurance Co. and Partner Re U.S., he said. **B**

ADVERTISER INDEX

Issue of September 10

ADVERTISER	PAGE #	ADVERTISER	PAGE #
Acordia Inc.	34	General Star Management	35
ACSTAR Insurance	16	G & M Marine Incorporated	52
Admiral Insurance	52	Great American Insurance Co. ...	46
Aetna Group Life ...	4	Guilford Specialty Group	11,13
American Assoc. of Orthodontics	48	Heath Holdings USA, Inc.	39
American Institute for CPCU ...	42	Katie Insurance School	48
American Reinsurance	28,29	Kemper Insurance Companies ...	7,9
Aon Specialty Product Network	32,33	KEMPES	44
Assurex International	40	Lexington Insurance	C2-C4
Atlantic Mutual	12	Lincoln National/Reinsurance ...	30
AXA Corporate Solutions	18	Lloyd's Of London	26
Blue Cross of GA	37R	Metropolitan Life Ins. Co.	14,15
Business Insurance ...	37,56	Michigan State	46
Burnham Systems.	48	Munich-American Risk Partners	19
Guy Carpenter & Company ...	C5	Mutual Marine Office, Inc. ...	36,40
Carvill America Inc.	38	Napco	22
Certified Risk Managers Intl. ...	43	PacificCare	C1R,17R
CNA Re	6	PMA Group Inc.	45
CNA/Risk Management	20,21	PMA Reinsurance Corp	24,25
CNA RSKCo	C6	RLI Corp.	36
Crump Insurance Services	49	St. Paul Reinsurance	38
EWI Re Inc.	48	Swett & Crawford	23
FACTS Services Inc.	48	The Travelers P/C Ins. Co.	41
Fireman's Fund McGee	31	Tufts Health Plan	37R
First State Management Group ...	47	Zurich NA	5,27

Brand

Continued from page 1
posure were to develop into a real catastrophe.

Counterfeiting is on the rise, brand risk experts say, especially as more companies turn to Third World factories from China to Latin America for the production of well-known products. And every type of merchandise—from electronics to apparel—is at risk.

When U.S. lawmakers enacted the Anticounterfeiting Consumer Protection Act of 1996, for example, they found that counterfeit products cost American businesses about \$200 billion annually. The act stiffened penalties for product counterfeiting.

The U.S. Customs Service also reports a marked increase in the seizure of counterfeit goods, beginning in 1998. The average number of seizures during the last three years grew 65% over that of the previous three years. According to the Customs Service, agents have seized approximately \$219 million worth of counterfeit goods over the past three years.

Counterfeiters often create products and packaging that closely resemble legitimate goods. They also prey on corporate supply chains, said Jim Reiman, director of business operations for Stamford, Conn.-based Westvaco Brand Security Inc.

One trick counterfeiters use is to steal logos and manufacturing specifications when unsuspecting companies seek bids for the manufacture of their trademarked products. As part of a bidding process, a company may require potential contractors to manufacture sample products, complete with that company's brand logo. In that way, even a contractor that does not win manufacturing work can get access to a brand logo and manufacturing specifications.

"Now your artwork is out there someplace," Mr. Reiman

said. "That makes it very easy," he said, to produce counterfeit goods.

It also is common for manufacturing contractors to stop their authorized production of brand-name products after normal work hours, and then fire up their factories later to produce more of the same goods for sale to unscrupulous business contacts, he said.

'The counterfeiters are pretty insidious and great at what they do. If they want to copy it badly enough, they will do it.'

— Jim Reiman
Westvaco Brand Security

To deter counterfeiters, companies such as Westvaco apply identifying markers to brand products and their packaging. Such markers include holograms, complex printing patterns, revealing inks and radio-frequency chips.

Some customers use overt markers, such as holograms, and then educate consumers to look for those markers to ensure they are buying the real thing, Mr. Reiman explained. Others use the markers covertly, sometimes hiring investigation firms to track down and prosecute counterfeiters.

Westvaco advocates applying such technology in layers, Mr. Reiman said. That's because determined counterfeiters can often overcome some of the security measures.

"The counterfeiters are pretty insidious and great at what they do," Mr. Reiman said. "If they want to copy it badly enough, they will do it. So the idea is to make it difficult enough so they

will go somewhere else."

The security products also deter other types of brand-related schemes, such as "diverting," Mr. Reiman said. That practice involves buying, in one geographic area, the legitimate but lower-priced and lower-quality goods of a particular product line and then selling them elsewhere at higher prices—in competition with the product line's higher-quality goods that are being sold by legitimate vendors.

For example, a manufacturer of leather handbags may produce goods of higher quality for sale on Park Avenue in New York while making goods of a lower quality for sale in Mexico City. A diverter would purchase the product intended for sale in Mexico and sell it in New York.

That practice is not illegal, but it can threaten a company's reputation among the consumers who receive the inferior products, Mr. Reiman said. It can also cause problems with the legitimate business partners that are undersold by the diverters.

To date, few, if any, legitimate companies have been sued over counterfeit products bearing their brands, said Tim Trainer, the president of the International AntiCounterfeiting Coalition in Washington. But the potential exists, he said, for brand owners and their business partners to face legal action.

In 1995, for example, authorities discovered a counterfeit-labeled version of a popular infant formula on the shelves of well-known grocery stores, according to the IACC. Federal officials warned consumers not to buy the counterfeit formula. The media, meanwhile, reported that some babies had developed rashes and seizures after drinking the bogus formula.

Mr. Trainer said he knows of no lawsuits that resulted from that case. But such situations might present an opportunity for lawsuits against the brand owner and the grocery stores that sold the product, he said, even if they were not aware that the goods were counterfeit. **BI**

months from rising rates and as admitted markets continue to withdraw from various classes of business, Mr. Cagnetta predicted. But, as with the admitted market, the resulting improved underwriting results likely will be "somewhat lessened by a rise in loss and reinsurance costs," he said.

But surplus lines insurers, like admitted markets, also will likely face an increased drag on earnings in coming years because of expected unfavorable asbestos claim payment trends, according to Best.

Both the surplus lines market and the total property/casualty insurance industry fall short of the survival ratio of 12 that Best uses as a benchmark to measure reserving adequacy for asbestos and environmental liabilities. The survival ratio reflects the number of years that carried reserves would be available at the current average annual payment level.

In 2000, the asbestos and environmental survival ratio was stronger for the surplus lines industry at 8.9 than it was for the industry overall at 7.2. For asbestos-only liabilities,

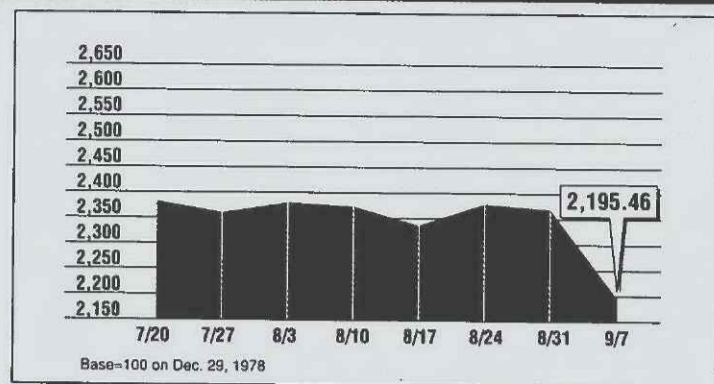
however, the overall industry's ratio of 7.6 was stronger than the nonadmitted market's 5.7 ratio, according to Best.

In addition, asbestos and environmental liabilities in 2000 hurt the earnings of the surplus lines insurer composite group more so than the total industry's earnings, according to Best. Those liabilities bumped up the surplus lines composite's combined ratio 1.4% but increased the total industry's combined ratio 0.56%.

The Best study's authors said the good news for the surplus lines market is that: "Given the conservative balance sheet and historically strong operating performance, surplus lines writers are not expected to be as adversely impacted as other carriers; however, weakening reserve margins may place pressure on the funding of A&E liabilities as well as the overall financial condition of the surplus lines composite."

Copies of Best's "Annual Review of the Excess & Surplus Lines Industry" can be ordered online at www.ambest.com/ratings for \$150 each.

B/Stock Index - 9/7/2001



BROKERS

		Price	% change	Year to date % change	Year to date High	Year to date Low	Vol. (000)
Aon Corp.	NYS	36.33	-2.21	6.07	42.31	28.13	2238
Arthur J. Gallagher & Co.	NYS	26.96	1.32	-15.57	34.25	21.88	1273
Brown & Brown	NYS	41.40	-6.40	18.29	50.69	26.88	302
Clark Bardsley Holdings	NDQ	22.58	-8.17	123.01	33.30	7.25	109
E.W. Blanch Holdings Inc.	NYS	13.50	0.00	-22.58	29.50	6.70	0
Hibb, Rogal & Hamilton	NYS	41.98	-1.69	5.28	48.16	33.75	90
Marsh & McLennan	NYS	87.11	-6.23	-25.55	135.69	80.30	4428
Willis Group Holdings Ltd.	NYS	17.76	-5.58	6.99	20.20	15.50	397
BROKERS AVERAGE			-3.82	11.99			

INSURERS/REINSURERS

ACE Ltd.	NYS	33.06	-0.33	-22.10	43.94	31.59	4240
Accel International Corp.	NDQ	0.07	0.00	-76.42	0.59	0.06	0
Acceptance Insurance Cos.	NYS	5.73	-3.70	9.14	6.94	3.70	84
AEGON N.V.	NYS	25.80	-14.57	-37.74	43.00	25.80	684
AFLAC Inc.	NYS	26.65	-3.16	-26.16	37.47	23.38	5401
Allmerica Financial Corp.	NYS	50.74	-4.75	-30.01	74.25	46.30	935
Allstate Corp.	NYS	33.18	-2.21	-23.83	45.90	29.44	11291
Ambac Financial Group	NYS	57.70	-2.53	-1.05	64.00	43.25	2467
American Financial Group	NYS	22.18	-5.29	-16.50	30.75	18.69	667
American General	NYS	44.55	0.00	9.33	47.44	33.66	0
American Intl Group	NYS	73.15	-6.46	-25.78	103.75	72.64	45591
American Safety Insurance	NYS	9.78	-3.17	59.67	10.36	3.25	18
Argonaut Group	NDQ	16.24	-7.67	-22.67	21.25	13.50	120
AXA-UAP Group	NYS	23.40	-15.06	-34.83	38.09	23.40	1402
Baldwin & Lyons Inc.	NDQ	23.90	7.90	2.80	28.75	18.38	12
Berkley W.R. Corp.	NDQ	39.12	2.68	-17.10	48.75	26.06	363
Berkshire Hathaway Inc.	NYS	68700.00	-1.01	-3.24	74600.00	53500.00	1
Capital Transamerica Corp.	NAS	16.40	0.74	31.86	16.50	10.31	143
Chubb Corp.	NYS	65.13	-3.51	-24.71	90.25	63.30	2574
Cincinnati Financial Corp.	NYS	38.97	-2.58	-1.50	42.92	32.56	1008
Citigroup	NYS	43.42	-5.20	-14.97	57.38	39.00	60183
CNA Financial Corp.	NYS	25.95	-6.55	-33.03	41.00	25.95	1907
CNA Surety	NYS	13.75	-2.14	-3.51	14.70	10.63	85
EMC Insurance Group Inc.	NDQ	14.25	1.79	21.28	15.86	9.25	3
ESG Re Limited	NDQ	3.40	0.00	84.41	4.00	1.72	596
Everest Reinsurance	NYS	61.60	-5.08	-14.00	75.50	40.88	1985
Fremont General Corp.	NYS	5.85	-0.17	108.00	6.97	1.50	512
Gainsco Inc.	NYS	1.50	7.14	-42.86	4.25	1.10	111
Harleysville Group	NDQ	24.11	-0.58	-17.57	30.63	18.52	108
HCC Insurance Holdings	NYS	24.49	-2.89	-9.09	29.66	17.63	1143
ING Groep N.V.	NYS	27.36	-13.64	-31.71	41.97	27.36	850
IPC Holdings Ltd.	NDQ	24.16	0.29	15.05	25.05	16.25	153
Hartford Financial Services	NYS	60.97	-5.91	-13.67	80.00	53.50	2639
John Hancock Fin. Services	NYS	37.70	-5.63	0.20	42.00	25.06	4030
Lincoln National	NYS	46.83	-6.08	-1.02	56.38	38.00	2319
Market Corp.	NYS	185.12	0.11	2.28	207.47	133.50	146
MBA Insurance Group	NYS	52.74	-2.35	6.73	57.49	40.05	2502
Meadowbrook Insur. Group	NYS	3.17	-2.46	-60.98	8.38	2.45	15
MetLife	NYS	28.30	-7.21	-19.14	36.63	23.38	6234
Mutual Risk Mgmt. Ltd.	NYS	10.20	-3.41	-32.84	23.56	3.40	692
Navigator Group	NDQ	19.58	2.51	47.08	20.86	10.63	#N/A
NYMagic Inc.	NYS	20.54	2.70	8.82	22.70	14.38	10
Ohio Casualty Corp.	NDQ	12.76	-7.60	27.60	14.34	6.13	812
Old Republic Intl	NYS	25.94	-3.39	-18.94	32.06	21.25	1790
Partner Re Ltd.	NYS	47.61	-3.53	-21.95	62.50	42.44	640
Penn-America Group Inc.	NYS	10.05	0.50	31.80	10.60	6.69	3
PMA Capital Corporation	NDQ	18.00	0.00	4.35	18.94	15.19	17
Philadelphia Cons. Holding	NDQ	30.43	2.11	-1.44	37.50	16.50	748
ProAssurance	NYS	16.99	-6.03	1.81	19.25	11.88	113
PXRE Corp.	NYS	17.48	3.55	3.59	20.10	12.56	96
RenaissanceRe Holdings Ltd.	NYS	72.11	1.07	-7.92	84.19	47.88	417
RLU Corp.	NYS	45.50	1.84	1.82	46.16	37.44	16
St. Paul Cos.	NYS	40.72	-3.12	-25.03	57.00	39.58	3344
SCOR	NYS	43.25	-4.74	-13.93	53.75	40.50	25
SAFECO Corp.	NDQ	28.78	-4.32	-12.46	35.88	21.50	2963
SCPIE Holdings Inc.	NYS	20.10	-4.42	-14.92	31.40	17.78	NA
Seibels Bruce Group	NDQ	2.74	0.00	387.11	3.25	0.55	14
Selective Ins. Group	NDQ	24.99	-0.52	3.05	28.22	15.25	152
Tokio Marine & Fire	NDQ	50.60	-2.90	-11.23	58.25	45.10	81
Torchmark Corp.	NYS	39.47	-6.56	2.69	43.25	26.94	2145
Transatlantic Holdings	NYS	72.46	-1.21	2.66	84.16	58.80	68
Trenwick Group Ltd.	NYS	13.55	-3.83	-45.39	27.13	13.55	284
Unico American Corp.	NDQ	5.75	-8.00	-2.13	7.75	5.27	1
United Fire & Casualty	NDQ	28.40	-0.25	43.80	34.52	16.19	8
Unitrin	NYS	35.82	-2.66	-11.83	41.94	29.50	163
UNUM Corp.	NYS	26.88	-4.07	0.02	33.75	21.75	2345
Vesta Insurance Co.	NYS	11.92	2.14	135.46	12.24	4.25	634
XL Capital Ltd.	NYS	80.80	-2.65	-7.53	89.25	64.88	8214
Zenith National Ins.	NYS	29.55	-1.50	0.60	30.70	20.00	36
INSURERS/REINSURERS AVERAGE			-2.60	2.90			

MANAGED CARE ORGANIZATIONS

Aetna Inc.	NYS	28.58	-4.41	-30.40	42.69	23.02	2690
CIGNA Corp.	NYS	86.55	-3.83	-34.58	136.75	86.48	2736
Health Net Inc.	NYS	19.35	2.54	-26.11	26.94	15.56	2810
Humana Inc.	NYS	11.40	-5.00	-25.25	15.81	8.13	2340
Oxford Health Plans	NYS	25.94	-3.39	-34.33	32.06	21.25	1790
Pacificare Health Sys.	NDQ	14.50	-1.36	-3.33	56.13	9.81	1795
Sierra Health Services	NYS	9.20	-8.00	142.11	11.16	2.75	434
United HealthGroup	NYS	65.30	-4.06	6.40	70.00	44.84	8978
Wellpoint Health Networks	NYS	102.49	-3.75	-11.07	121.50	81.66	2089
MANAGED CARE AVERAGE			-3.47	-1.84			

ALL COMPANIES -3.23 4.35
Top advancing issues: Baldwin & Lyons Inc., Gainsco Inc., PXRE Corp., NYMagic Inc., W.R. Berkley Corp. Leading decliners: AXA-UAP Group, AEGON N.V., ING Groep N.V., Clark Bardsley Holdings, Sierra Health Services. Most active issues: Citigroup, American International Group, XL Capital Ltd., Allstate Corp., United HealthGroup. The B/Stock Index fell 7.32%; the Dow Jones 30 Industrials fell 3.46%; the S&P 500 fell 4.22%; and the NYSE Composite dropped 3.69%. Average P/E: Brokers, 24.46%; Insurers/reinsurers, 20.47%; and managed care companies, 17.54%.

Surplus

Continued from page 4
group's combined ratio of 103.4% still beat the total industry's ratio by seven points.

The surplus lines market's underwriting results have deteriorated in recent years due to competitive pricing and a "reduction in the level of favorable loss reserve development on prior accident years," according to Best.

The rating agency noted that from 1996 to 1999, the release of redundant loss reserves for prior accident years improved calendar-year loss ratios eight points on average. In 2000, however, \$35 million of unfavorable loss reserve development for prior years hurt underwriting results and added one point to the market's combined ratio.

The "significant" shrinkage in reserve margins limits insurers' ability to use prior-year loss reserve redundancies to support future underwriting results, according to the Best study.

Surplus lines insurers should benefit over the next 12 to 18

NCQA

Continued from page 1

• The percentage of smokers whose physicians advised them to quit increased to 66.3% from 63.7%.

• Cholesterol control for plan members who have heart disease improved to 53.4% from 45.2%.

The report represents a rare burst of good news in an otherwise gloomy health care environment, Dr. Vince Kerr, medical director at Dearborn, Mich.-based Ford Motor Co., said at the press conference. Assessing health care quality represents an important step in improving it.

"If you can't measure something, you're unlikely to control it or improve it," he said.

Dr. Paul Wernick, a consultant in the Minneapolis office of Watson Wyatt Worldwide, said in an interview that he was not surprised that quality measures have improved, because "managed care organizations have emphasized the measures that the NCQA was looking for. I think this is a very positive report."

Beyond a year-to-year comparison, the report indicates long-term improvements in numerous measures. For example, the use of beta blockers for victims of heart attack has steadily increased from 62.6% in 1996—the figures from the first quality report—to 89.4% in this year's report.

"This is a real success story," said

Margaret O'Kane, NCQA president said at a press conference releasing the report.

'The care we deliver, we know, lags behind what is the best care that can be delivered. As an industry, we can do better.'

— Dr. Sam Nussbaum
Anthem Blue Cross
& Blue Shield

In addition, the percentage of diabetic plan members receiving comprehensive eye exams improved to 48% in 2000 from 38% in 1996, the report states.

The NCQA report also notes that the difference between low-performing and high-performing health plans is shrinking.

For example, in 1996, the plans in the 90th percentile in the use of beta blockers had rates that exceeded by 50.9 points the plans in the 10th percentile. In this year's report, however, that gap shrank to 21.5 points. Similarly, the gap between the top plans in screening the cholesterol of plan members with heart disease shrank from 40 points

in 1996 to 22 points in 2000.

Despite the negative publicity surrounding managed care plans, member satisfaction, as measured by satisfaction surveys, has improved. For example, the number of plan members that said claims processing was always or usually handled correctly increased to 80.8% in 2000 from 77.9% in 1999. Also, on average, 66.6% of plan members said that their plan's customer service was not a problem, compared with 64.5% the previous year.

Member satisfaction "is inching up, and, in this climate, even going up at all is an achievement," Ms. O'Kane said.

This year's report includes a section that details the cost savings that employers can achieve by selecting higher-quality plans.

While out-of-pocket costs for health plans are the most-common measure of costs, "they present an

incomplete picture," Ms. O'Kane said. The NCQA report states that the indirect costs of low-quality health care to employers—such as days that employees are absent or have reduced productivity due to illness—exceed the direct costs of health care. These indirect costs can be lowered through the implementation of higher-quality health care, the report states.

"Good health is a win-win for both the employer and employee," she said.

Ford's Dr. Kerr agrees that higher-quality care will lower employers' costs. The next step, he said, is to obtain quality data on individual physicians as that is what patients ultimately need to choose higher-quality doctors.

Despite the report's positive news, health care quality can still improve, Dr. Sam Nussbaum, executive vp of Anthem Blue Cross &

Blue Shield in Indianapolis, said at the press conference.

"The care we deliver, we know, lags behind what is the best care that can be delivered," he said. "As an industry, we can do better."

Dr. Wernick praised health plans for putting provider accountability on the health care agenda. "That really did not exist in any degree before managed care existed," he said.

He said employers can counter their employees' negative feelings toward managed care plans by publicizing how health plans have helped to improve health care quality. The NCQA report "is evidence that managed care is having a positive impact on the health care system," he said.

The report is available through the NCQA Web site, at www.ncqa.org, or by calling the NCQA at 888-275-7585.

Parity

Continued from page 3
Kansas in Topeka.

By contrast, a new Illinois mental health care parity statute is "not worth the paper it is printed on," said Randy Wells, the director of NAMI-Illinois in Springfield. "There are so many exemptions that we are not sure who the law really would help."

For example, the new law does not apply to policies issued by HMOs and exempts employers

with 50 or fewer employees. Equitable coverage for serious mental illnesses would be required, except that plans can cap the annual number of days for inpatient treatment at 45 and limit to 35 the annual number of visits for outpatient treatment.

Meanwhile in Washington, supporters of a mental health care benefits parity bill approved last month by the Senate Health, Education, Labor & Pensions Committee are deciding whether to work for passage of the measure as a freestanding bill or to try to attach

it to an appropriations bill.

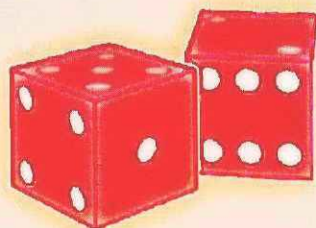
The chief advantage of the latter route is that such measures—needed to keep federal agencies running—have to be passed, while other measures can linger. The 1996 mental health care benefits law now in place was attached to an appropriations bill that funded several federal agencies.

The current federal legislation would mandate complete parity for the coverage of mental illnesses, though employers with 50 or fewer employees still would be exempt. **BI**

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Conference Registration
The Benchmark Course/Captive Developments
or New Ideas Roundtable
Welcome Reception with Exhibitors

Tuesday, November 13

Continental Breakfast
Keynote Address: Betting on the Future
with David Hale, Chief Global Economist,
Zurich Financial Services, Inc., Chicago
Employee Benefits or Investments
Buffet Luncheon
Healthcare or E-Commerce
Rent-a-Captives or Capital (In)Adequacy
Dinner and Entertainment

Wednesday, November 14

Continental Breakfast
Captive Case Studies
Reinsurance or Financing Business Risks
Buffet Luncheon

2001 WORLD CAPTIVE FORUM FEES

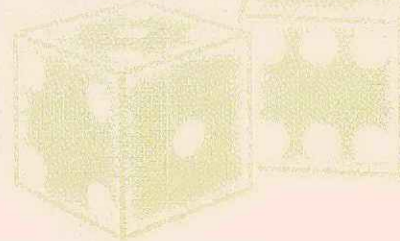
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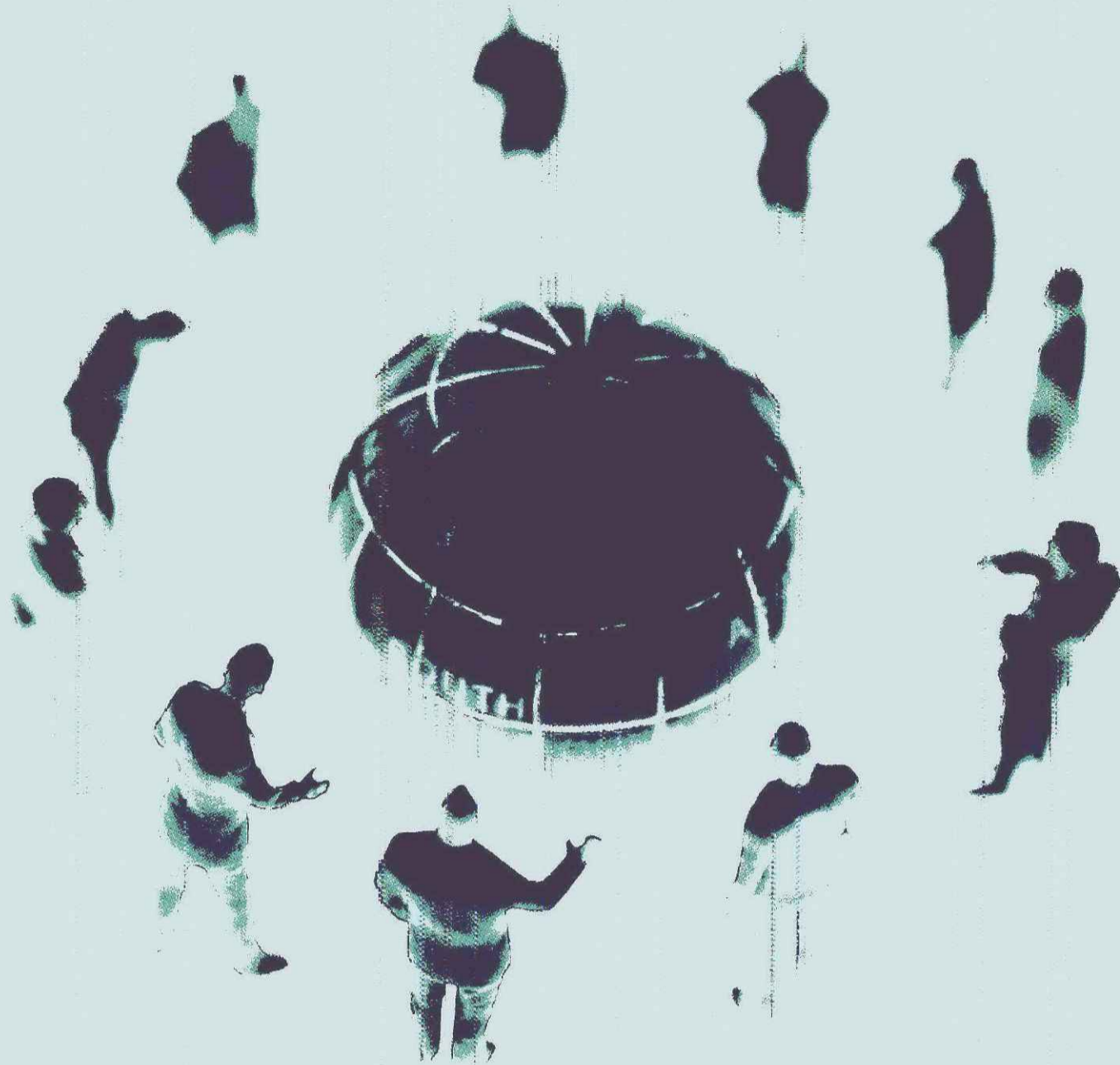
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