

# Business Insurance

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

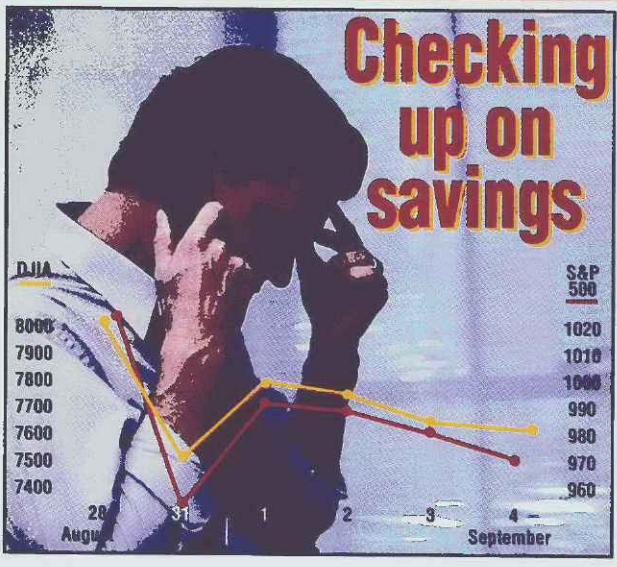
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## HCFA sides with HMOs over drug benefit mandate

WASHINGTON—Federal health care officials are siding with Massachusetts health maintenance organizations that are fighting a state mandate to provide unlimited prescription drug benefits for retirees eligible for Medicare.

HMOs say a 1997 federal law giving retirees additional private market alternatives to the traditional Medicare program pre-empts a Massachusetts law and regulations that require Medicare risk HMOs to offer either unlimited prescription drug benefits or no drug benefits.

See Updates on next page



## 401(k) plan members stay put

By JERRY GEISEL

Amid last week's stock market volatility, most 401(k) plan participants kept their cool. Call volumes early last week jumped anywhere from a third more to twice as much as what would be normal at this time of the year, benefit administration centers said. But most calls were from plan participants checking account balances through voice response systems or seeking other information about their accounts or investment options in light of the volatility.

"Call volume went up significantly, but participants were not looking to make changes. A lot of people wanted to know their account balances and not move funds from one account to another," said Margaret-Ann Cole, a principal at PwC Kwasha in Fort Lee, N.J.

"Most of the inquiries were from people finding out how much was in their account. There was little activity going on," said John McGlone, director of participant services at Buck Consultants Inc. in Secaucus, N.J.

Mirroring its experience of Oct. 27, 1997, when the Dow Jones Industrial Average fell a record 554 points, The Principal Financial Group said roughly 0.1% of plan participants moved funds from one type of investment to another.

"Call volume went up and transaction volume went up, but that increase was from a very low base," said Jim Sager, The Principal's director of pension investment services in Des Moines, Iowa.

At Kemper Insurance Cos., just over 60 plan participants—out of 10,000—moved funds in and out of different investment options each day between Aug. 27 and Sept. 2.

While that is a significant increase from a typical day

See Stocks on page 69

## Hopewell seeks protection

### Bankruptcy filing would avoid claims litigation

By DOUGLAS McLEOD

NEW YORK—A mammoth \$168.8 million property loss that pitted General Mills Inc. against its own captive insurer has now triggered a bankruptcy court battle between the captive and its Bermuda reinsurer.

The reinsurer, Hopewell International Insurance Ltd., which has been in runoff in Bermuda since 1995, has filed for bankruptcy protection in New York in the face of a threatened lawsuit by General Mills' captive, Gold Medal Insurance Co.

In its filing, Hopewell seeks an injunction barring Gold Medal from suing it in the United States. That would instead force the captive to arbitrate an expected dispute over the huge General Mills loss in Bermuda under the terms of a so-called scheme of arrangement that has governed Hopewell's runoff.

A U.S. lawsuit by Gold Medal, Hopewell contends, could torpedo the entire runoff scheme by encouraging other Hopewell captive policyholders to sue rather than arbitrate in Bermuda.

General Mills and Gold Medal, however, charge that the bankruptcy filing is the latest in a series of bad faith actions by Hopewell to delay its day of reckoning on the loss, which arose from massive pesticide contamination of General Mills grain.

"When the history of this claim is reviewed in its entirety, we believe it is clear that Hopewell will be shown to be hiding behind various procedural devices as a pretext to minimize its exposure and the exposure of (its) retrocessionaires," Stephen A. Cozen, *See Hopewell on page 75*

## PacifiCare publicizes grades it gives medical providers

By JOANNE WOJCIK

CYPRESS, Calif.—A California health maintenance organization is making public for the first time information on the performance of the medical groups with which it contracts.

While most HMOs keep tabs on their medical groups, the information they collect usually is kept confidential from plan participants.

Other so-called report cards released to date have either focused

solely on member satisfaction or on clinical outcomes, such as the Na-

**A winning bid by the Pacific Business Group on Health to administer a health care plan for small employers has been challenged. Page 73**

But PacifiCare of California's Quality Index measures medical group and independent practice association performance in three categories:

- Administrative, which covers the quality of professional and institutional patient encounter data.
- Clinical, which encompasses the frequency and quality of preventive and chronic disease treatment.
- Service, which includes patient satisfaction, member transfer and

*See PacifiCare on page 73*

## Airline captive insurer to bear Swissair claims

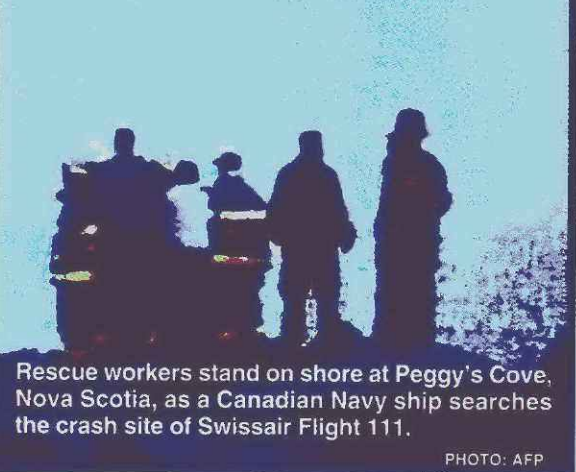
By EDWIN UNSWORTH

LONDON—Hull and liability claims from last week's crash of a Swissair passenger jet off Nova Scotia are covered by an airline industry captive insurer but will be felt globally by aviation reinsurers.

The aircraft's hull is insured for more than \$125 million, while liability claims are likely to cost hundreds of millions of dollars more, given the size of liability reserves for other recent aviation disasters. In addition, Swissair is among the international air carriers that waived Warsaw Convention restrictions on liability limits for passengers on international flights (*BI*, Dec. 9, 1996).

The crash of the MD-11 airliner occurred the night of Sept. 2, killing all 215 passengers and 14 crew members.

*See Swissair on page 74*



Rescue workers stand on shore at Peggy's Cove, Nova Scotia, as a Canadian Navy ship searches the crash site of Swissair Flight 111.

PHOTO: AFP

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NEWSPAPER

**Updates**

**HCFA sides with HMOs**

*Continued from previous page to retirees.*

Responding to inquiries from state officials, Nancy-Ann DeParle, administrator of the federal Health Care Financing Administration, says state laws that "dictate" what benefits must be provided by Medicare + Choice organizations, such as HMOs, are pre-empted by the 1997 law.

"States cannot specify what must be included as a federal Medicare benefit," Ms. DeParle wrote in a letter to Massachusetts Attorney General Scott Harshbarger.

Several Massachusetts HMOs, in filings with HCFA, have proposed offering a prescription drug benefit capped at \$800 to \$1,200 a year to keep premiums more affordable for Medicare-eligible retirees.

The state's Division of Insurance, though, has warned that it may take legal action against the HMOs if they offer reduced prescription drug benefits (BI, Aug. 24).

**Preliminary settlement reached**

LEXINGTON, Mass.—Interneuron Pharmaceuticals Inc., the developer of withdrawn diet drug Redux, has reached a preliminary agreement to settle all litigation against it from use of the drug for \$70 million plus the full amounts of its insurance policies.

The company will deposit \$15 million into a settlement fund, and once the settlement is finalized, it will add another \$55 million of the company's royalties from other drugs over the course of a seven-year period.

After deducting defense costs to date, insurance proceeds will exceed \$30 million under three policies: a \$20 million primary policy from Columbia Casualty Co., a CNA subsidiary; a \$5 million excess policy from Reliance National Insurance Co.; and a \$15 million excess policy from New Hampshire Insurance Co., an American International Group Inc. unit, said Barbara Wrubel, a partner with the New York law firm of Skadden, Arps, Slate, Meagher & Flom L.L.P., Interneuron's attorney.

The total number of plaintiffs is unknown, but Interneuron will go ahead with the settlement only if all claimants, current and future, resolve their claims through the settlement fund and not through litigation.

Court approval of the settlement is required.

**State probes Fremont files**

SAN FRANCISCO—State auditors can access Fremont Compensation Insurance Group's workers compensation claim files without first having to subpoena the insurer, a San Francisco Superior Court ruled.

California Department of Industrial Relations auditors had been investigating allegations that Fremont Compensation "had illegally falsified dates on benefit notices to injured workers, back-dated checks to avoid paying penalties and altered medical bills and invoices at several of its adjusting locations, including San Francisco, Glendale and Fresno," according to a Sept. 1 news release from the DIR.

Marcus S. Topel, an attorney at Topel & Goodman in San Francisco who represented Fremont Compensation, said the allegations are unwarranted. But Fremont Compensation did find employees in its Fresno, Calif., office had back-dated "a minuscule amount" of documents, he said. Fremont fired them, changed its procedures so that the back-dating could not happen again and referred employees for prosecution to the Fresno County District Attorney's Office, according to Mr. Topel.

"There were no allegations the company had authorized it or encouraged it or that it was anything but these guys in this particular office trying to correct deficiencies such as missing deadlines," he said.

In June 1988, Fremont "abruptly denied (the Department of Workers' Compensation) further access to claims and filed a lawsuit" attempting to force investigators to obtain a subpoena before proceeding with their investigation. But the DIR's procedures are constitutional, and a preliminary injunction would preclude the agency from carrying out its legislative mandate, Judge Raymond D. Williamson said in a ruling last month.

The court did not address the allegations that led to the DIR's non-random audits, and the DIR has not released information on its findings. Depending on its findings, the DIR can hold a hearing and assess a civil penalty.

**Aetna to cut Medicare offerings**

BLUE BELL, Pa.—Aetna U.S. Healthcare is pulling out of the Medicare risk HMO market in six states and parts of three others.

The HMO giant no longer will offer a Medicare HMO product in Delaware, Maryland, Massachusetts, New Hampshire, Rhode Island and Virginia. Also, the company is withdrawing from the District of Columbia; Windham and Tolland counties in Connecticut; Polk County, Fla.; and Marin and Sonoma counties in California.

The withdrawal will be effective Jan. 1, 1999.

After the move, which will affect about 58,000 plan members, Aetna U.S. Healthcare still will serve some 469,000 Medicare HMO members in 16 states.

"In those areas where Aetna U.S. Healthcare could not offer substantial additional benefits over traditional Medicare due to the federal payment structure, the company had no alternative but to allow its current contracts to expire," Aetna said in a written statement.

A member in a terminated plan can return to traditional Medicare; purchase a Medicare supplement to the traditional plan; or enroll in another plan's Medicare risk HMO, if available, the company said.

Aetna's move follows similar pullouts by other managed care companies. In June, Anthem Blue Cross & Blue Shield stopped offering a Medicare risk HMO in 19 Ohio counties (BI, June 15). Foundation Health Systems Inc. will exit the Medicare market in some counties in Cali-

*See Updates on page 74*

**Errors & omissions**

• The July 20 directory of agents and brokers contained an incorrect figure for the 1997 brokerage revenues of Cameron M. Harris & Co. The correct figure is \$17,753,828.

**Suit seeks Y2K judgment**

Ruling could clarify liabilities of computer consultants

By MARK A. HOFMANN

NORFOLK, Mass.—An unusual lawsuit over Year 2000 computer liability could have wide-ranging ramifications for information system consultants if the issue ever goes to trial.

In fact, the suit could provide "bright lines" to determine the extent of consultants' professional liability for Year 2000-related problems, says one lawyer.

The suit, filed last month by New York-based Andersen Consulting in Massachusetts Superior Court in Norfolk, Mass., seeks a declaratory judgment in its favor to settle a dispute with J. Baker Inc.

J. Baker, a Canton, Mass.-based retailer, wants Andersen to reimburse it for costs it incurred since 1991 to make a computer merchandising system—that Andersen installed in 1989—Year 2000-

compliant.

An Andersen spokesman declined to comment on how much money is at stake.

J. Baker has not initiated any legal action against Andersen, and the company declined any comment on any aspect of the dispute.

In a statement released Aug. 28, Andersen said: "We are reluctantly taking this action after repeated attempts to resolve this matter

*See Y2K on page 74*

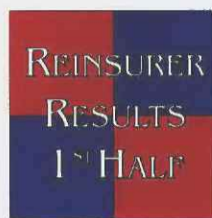
**Reinsurers escape cat losses, but other clouds on horizon**

By JUDY GREENWALD

The U.S. reinsurance industry is relatively unscathed by the catastrophes that hit primary insurers in the first half, but reinsurers still are exposed to soft prices and the prospect of declining earnings.

Reinsurers were largely insulated from the heavy catastrophe toll in the second quarter because much of their business is written on an excess-of-loss basis.

"The reinsurance industry has moved up in terms of its attachment points for property risk, so it takes



a pretty good-sized event, certainly more than a \$300 or \$400 million hurricane, to really hit" the reinsurers, said Weston M. Hicks, an analyst with Sanford Bernstein & Co. in New York.

Rather than one major event, the second quarter had 16 relatively small catastrophes that combined generated a total of \$3.4 billion in losses.

"You can see very little visible impact from catastrophes," said Michael Smith, an analyst with Bear, Stearns & Co. in New York. "The reinsurance market has quite successfully insulated itself from the high-

*See Results on page 71*

**Benefit trust buys insurer**

Self-funded health plan opts to market insured benefits

By JERRY GEISEL

CHICAGO—A self-funded health care program that covers members of two Illinois medical societies is buying a dormant insurance company to write coverage and better compete for society members.

The purchase of Illinois-domiciled United Independent Life Insurance Co. by Physicians' Benefits Trust, is believed to be the first time that an employee benefit plan has bought a commercial insurer, trust administrators say.

Starting next January, members of the Illinois State Medical Society and the Chicago Medical Society will be able to buy health care coverage from the newly-named Physicians' Benefits Trust Life Insurance Co.

By operating as a commercial insurer subject to state oversight and capital and surplus requirements, the health care program could attract more policyholders.

"This will improve marketing. Policyholders will know that this will be a state-regulated company and they have confidence in that,"

said Bruce Mathews, administrator of Physicians' Benefits Trust and director of the employee benefits practice of R.T. Nelson & Associates Ltd. in Chicago, a third-party claims administrator that manages the PBT program.

"Medical practices are becoming larger as a result of mergers and we believe the larger practices will find our status as an insurance company more appealing" than purchasing coverage from the self-funded program, Mr. Mathews added.

*See PBT on page 68*

**Holocaust reparations expanded**

By MEG FLETCHER

Holocaust survivors are expanding the scope of their demands for wartime reparations by charging in two lawsuits that at least a dozen German or Austrian manufacturers profited through the use of slave labor.

Both suits seek compensatory and punitive damages on behalf of

thousands of Nazi victims who, the suits allege, were subjected to inhumane treatment while forced to work without compensation during World War II.

The lawsuits follow the recent \$1.25 billion settlement of Swiss bank claims and a \$100 million settlement of insurance claims with Assicurazioni Generali S.p.A. of Italy (BI, Aug. 31). While

many Holocaust victims' insurance claims still are being litigated, progress also is being made in establishing an international commission to resolve them.

The suits seeking compensation for slave labor stem from European court action. According to court papers, plaintiffs' legal right to seek compensation for slave

*See Holocaust on page 72*

**Inside**

• Massachusetts politicians should allow Medicare risk HMOs to offer plans with varying levels of prescription drug benefits, this week's editorial says. **PAGE 8**

• New initiatives are emerging to provide more advanced analysis of U.K. windstorm risks. **PAGE 67**

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# Surplus lines premium growth is stalled

By DAVE LENCKUS

The surplus lines market is playing out its version of the Ernest Hemingway classic "To Have and Have Not."

What the market does not have—premium growth—may be the most glaring element of the story. Indeed, one insurer rating agency, Moody's Investors Service Inc., recently concluded that the surplus lines market's short-term prospects for premium growth are "dim," as the seemingly never-ending supply of capital stokes competition for almost any kind of business.

The prospect of rate and form deregulation of admitted insurers writing large commercial risks could lead to even further competition for surplus lines business. However, many analysts and industry executives say the impact would be marginal, because the admitted market's competitiveness already is so fierce.

Still, surplus lines insurers and wholesalers have a few important things going for them that show those challenges will not be their undoing, market executives and rating agencies say.

Despite falling premiums, many surplus insurers reported strong profits in 1997. Executives for many insurers explained that their underwriters are walking away from business that will not achieve their profit margin goals.

"As growth in premiums diminishes, some players won't make it. That's not to say the entire industry will fold up and go away," observed Harry E. Comminellis, a Moody's analyst in New York.

In addition to last year's profits, analysts with both Moody's and A.M. Best Co. of Oldwick, N.J., noted that the surplus lines insurance market's capitalization is stronger than that of the entire industry. And the surplus market's solvency rate is comparable to the admitted market's, according to the agencies.

The surplus lines market also has a strong reputation as an incubator of new coverages, a role the market is likely to continue to play, according to the analysts with Best and Moody's.

But, as last year's results show, premiums generated by new products will not always make up for business lost to competitors. For the first time in nearly a decade, the nation's 10 largest surplus lines insurers in 1997 reported a drop in non-admitted direct written premiums as a group. With seven of the insurers reporting decreases, written premiums for the group fell 4.5% to \$3.88 billion in 1997 from less than \$4.07 billion in 1996. That year, only two of the insurers reported decreases in written premiums.

The 1997 decrease for the Top 10 more than doubled the 2% industrywide premium downturn. For years, the Top 10 insurers had, as a group, fared better than the surplus lines industry. The Top 10 boosted written premiums while the industry lost premiums in 1994 and 1995. And, with its 6.5% written premium increase in 1996, the Top 10 eclipsed the 4.6% industrywide gain in 1996 by 41%.

The last time a group of the 10 largest surplus lines insurers reported a decrease in direct non-

admitted premiums was in 1988, but the premium swoon then was much steeper. Non-admitted direct premiums plunged 16% in 1988 to \$2.28 billion from nearly \$2.72 billion in 1987.

In 1988, admitted insurers were pulling out of their hardest-ever market and competing with the surplus lines market for non-admitted business for the first time in several years.

Compared with surplus lines insurers, the 10 largest wholesalers managed slightly better results in 1997. But, for many wholesalers, premium volume slackened. With half of the wholesalers reporting premium volume decreases, the group of 10 companies eked out

less than a 1% gain to \$3.74 billion.

The top five managing general agents and underwriting managers were slightly more successful than the five largest wholesale brokers. The MGAs and underwriting managers generated a 1.3% gain in volume to \$1.54 billion compared with 1996. The five wholesale brokers' premium volume dropped 0.59% to \$2.2 billion in 1997 compared with the 1996.

An oddity in the rankings this year is that the same companies comprised the Top 10 surplus insurers and Top 10 wholesalers for the second consecutive year. For numerous years, there has been at least one change in the roster of

companies that make up those two groups. Industry consolidation, a significant downturn in business for a company in one of the groups or a spike in business for a company that had just missed making the rankings a year earlier typically led to those changes.

In addition, there were only minimal changes in how the companies ranked against each other.

Among the largest surplus lines insurers, the rankings of the six largest companies were unchanged. The most significant movement was by Columbia Casualty Co. Its relatively robust 11% gain in 1997 non-admitted direct premiums boosted the CNA

Insurance Cos. subsidiary to No. 7 from No. 10. The insurers that ranked seventh through ninth last year each dropped a notch in this year's rankings after their 1997 non-admitted premiums shrank between about 2% and 9%.

The rankings of the 10 largest wholesalers were only slightly more dynamic. The top two and bottom two wholesalers in the group retained their rankings from a year ago. The middle six moved up or down only a notch or two.

The first half of 1998 signaled another lackluster year in terms of premium volume for many surplus lines insurers and

See Market on next page

## 10 largest U.S.-based surplus lines insurers

| Insurer<br>Parent company  | Non-admitted<br>direct premiums |                 | %<br>change | Total gross premiums       |                            | %<br>change | Statutory<br>combined ratio |                    |
|--|---------------------------------|-----------------|-------------|----------------------------|----------------------------|-------------|-----------------------------|--------------------|
|  | 1997                            | 1996            |             | 1997                       | 1996                       |             | 1997                        | 1996               |
| <b>Lexington Insurance Co.</b><br>American International Group Inc.                              | \$1,029,734,783                 | \$1,112,070,783 | -7.4%       | \$1,308,433,539            | \$1,351,925,234            | -3.2%       | 98.6%                       | 99.9%              |
| <b>American International Specialty Lines Insurance Co.</b><br>American International Group Inc. | 663,033,822                     | 780,243,287     | -15.0       | 695,086,205                | 811,765,737                | -14.4       | 97.3                        | 94.8               |
| <b>Scottsdale Insurance Co.</b><br>Nationwide Mutual Insurance Co.                               | 491,060,055                     | 522,109,042     | -5.9        | 1,114,198,849 <sup>1</sup> | 1,146,643,486 <sup>1</sup> | -2.8        | 104.3 <sup>1</sup>          | 111.8 <sup>1</sup> |
| <b>Steadfast Insurance Co.</b><br>Zurich Insurance Co.   | 317,272,143                     | 328,396,607     | -3.4        | 351,319,459 <sup>1</sup>   | 360,091,511 <sup>1</sup>   | -2.4        | 111.7 <sup>1</sup>          | 120.8 <sup>1</sup> |
| <b>General Star Indemnity Co.</b><br>General Reinsurance Corp.                                   | 311,434,771                     | 293,228,768     | 6.2         | 322,502,210                | 299,338,485                | 7.7         | 96.6                        | 93.8               |
| <b>Reliance Insurance Co. of Illinois</b><br>Reliance Insurance Co.                              | 305,604,293                     | 259,948,439     | 17.6        | 356,811,524 <sup>1</sup>   | 296,765,781 <sup>1</sup>   | 20.2        | 102.3 <sup>1</sup>          | 110.0 <sup>1</sup> |
| <b>Columbia Casualty Co.</b><br>CNA Insurance Cos.   | 201,266,877                     | 181,294,645     | 11.0        | 544,205,439 <sup>1</sup>   | 544,954,351 <sup>1</sup>   | -0.1        | 110.3 <sup>1</sup>          | 109.7 <sup>1</sup> |
| <b>Pacific Insurance Co. Ltd.</b><br>The Hartford Financial Services Group                       | 193,078,990                     | 196,632,048     | -1.8        | 290,994,413 <sup>1</sup>   | 296,042,074 <sup>1</sup>   | -1.7        | 101.8 <sup>1</sup>          | 117.3 <sup>1</sup> |
| <b>United National Insurance Co.</b><br>Privately held   | 191,534,066                     | 195,765,451     | -2.2        | 264,568,836                | 270,148,508                | -2.1        | 85.9                        | 98.4               |
| <b>Acceptance Insurance Co.</b><br>Acceptance Insurance Cos. Inc.                                | 177,612,843                     | 195,728,421     | -9.3        | 249,894,071 <sup>1</sup>   | 281,399,887 <sup>1</sup>   | -11.2       | 104.8 <sup>1</sup>          | 110.9 <sup>1</sup> |

<sup>1</sup> Figures are reported on a pooling basis  
Source: BI survey

## 10 largest U.S.-based insurance wholesalers

| Broker<br>Parent company                                       | Premium volume |                            | %<br>change | Gross revenues          |                           | %<br>change | % surplus lines <sup>1</sup> |                    |
|--|----------------|----------------------------|-------------|-------------------------|---------------------------|-------------|------------------------------|--------------------|
|  | 1997           | 1996                       |             | 1997                    | 1996                      |             | 1997                         | 1996               |
| <b>Swett &amp; Crawford Group</b><br>Aon Corp.                 | \$569,500,000  | \$607,500,000 <sup>2</sup> | -6.3%       | \$52,500,000            | \$59,100,000 <sup>2</sup> | -11.2%      | 45.0%                        | 50.0% <sup>2</sup> |
| <b>Crump Insurance Services Inc.</b><br>Sedgwick Group P.L.C.  | 558,650,000    | 522,550,000                | 6.9         | 41,340,000              | 38,669,000                | 6.9         | 60.0                         | 60.0               |
| <b>Tri-City Brokerage Inc.</b><br>Privately held               | 435,000,000    | 454,850,811                | -4.4        | 31,200,000 <sup>3</sup> | 31,200,000 <sup>3</sup>   | 0.0         | 20.0                         | 20.0               |
| <b>Sherwood Insurance Services</b><br>Aon Corp.                | 335,000,000    | 263,000,000                | 27.4        | 32,000,000              | 23,800,000                | 34.5        | 25.0                         | 25.0               |
| <b>Stewart Smith Group Inc.</b><br>Willis Corroon Group P.L.C. | 302,866,000    | 366,169,000                | -17.3       | 28,590,000              | 28,728,000                | -0.5        | 60.0                         | 60.0               |

| MGA/Underwriting Manager<br>Parent company  | Premium volume |               | %<br>change | Gross revenues            |                           | %<br>change | % surplus lines <sup>1</sup> |      |
|---|----------------|---------------|-------------|---------------------------|---------------------------|-------------|------------------------------|------|
|   | 1997           | 1996          |             | 1997                      | 1996                      |             | 1997                         | 1996 |
| <b>The Schinnerer Group Inc.</b><br>Marsh & McLennan Cos. Inc.                    | \$445,000,000  | \$444,000,000 | 0.2%        | \$37,100,000 <sup>3</sup> | \$37,100,000 <sup>3</sup> | 0.0%        | 5.0%                         | 5.0% |
| <b>General Star Management Co.</b><br>General Reinsurance Corp.                   | 361,513,554    | 354,000,781   | 2.1         | NM                        | NM                        | NM          | 89.2                         | 84.5 |
| <b>Burns &amp; Wilcox Ltd.</b><br>H.W. Kaufman Financial Group Inc.               | 269,895,836    | 271,650,000   | -0.6        | 39,046,750                | 37,896,000                | 3.0         | 79.0                         | 81.0 |
| <b>First State Management Group Inc.</b><br>The Hartford Financial Services Group | 238,310,000    | 245,483,000   | -2.9        | NM                        | NM                        | NM          | 82.0                         | 82.0 |
| <b>K&amp;K Insurance Group Inc.</b><br>Aon Corp.                                  | 229,142,000    | 209,028,539   | 9.6         | 48,430,900 <sup>3</sup>   | 45,777,250 <sup>3</sup>   | 5.8         | 2.0                          | 2.0  |

<sup>1</sup> Percentage placed with non-admitted markets; <sup>2</sup> 1996 figures reflect 12 months ending 9/30/96; 1997 figures reflect 12 months ending 12/31/97; <sup>3</sup> BI estimate; NM=Not meaningful  
Source: BI survey

# Market

Continued from page 3  
wholesalers.

Some insurers and wholesalers, though, managed much stronger results despite continuing soft market conditions.

Competition has resulted in 10% to 25% price reductions "on any policy" that wholesaler Crump Insurance Services Inc. of Dallas has renewed, said Orville D. Jones, Crump chairman and chief executive officer.

"We're actually issuing more policies, but we can't catch up to the dollar amount," said Herbert W. Kaufman, president and chief executive officer of wholesaler Burns & Wilcox Ltd. of Farmington Hills, Mich.

Surplus lines executives typically have few reservations describing how

they think admitted insurers often naively and indiscriminately have competed for surplus lines business.

Lorna Parsons, a senior vp with The Schinnerer Group Inc. in Chevy Chase, Md., was highly critical of underwriters for established admitted and non-admitted markets chasing professional liability coverage for the first time, as well as new market entrants with little professional liability underwriting experience.

"The new entrants have no idea of the real profitability level that they're entering at, because of the long tail of this business. So, they merrily jump in at the current market price, cut the market price to get share and probably have no clue what they're doing to their book as a whole."

Patricia Roberts, a senior vp at General Star Indemnity in Stamford, Conn., said any six- and seven-figure

account has been able to negotiate 20% to 30% price reductions with limit increases.

Many surplus lines executives said they do not fear the commercial lines

**Deregulation of commercial lines 'is not one of the things that keep me up at night,' says Paul Springman.**

deregulation that the National Assn. of Insurance Commissioners is evaluating. A regulatory re-engineering proposal that an NAIC committee's working group has proposed would exempt large commercial insurance buyers from most regulations govern-

ing their policies, including rate and form requirements.

Surplus line insurers already have that advantage, which allows them to react more quickly than can admitted markets to risks. But admitted insurers, whose risks are protected by state guaranty funds in case of insurer insolvencies, must reject a risk before it can be placed within the non-admitted market, where there is no guaranty fund protection.

Opinion among wholesalers is so mixed about the potential impact that deregulation would have on the surplus lines market that the National Assn. of Surplus Lines Offices has not taken a position on the issue.

Wai H. Tung, a senior financial analyst in Best's property/casualty division, said he could not predict whether large policyholders would be swayed by the benefits of deregula-

tion or continue to count on the non-admitted market's demonstrated expertise in writing certain risks.

Many other industry observers expect that commercial lines deregulation would have little impact on the surplus lines market.

Because of their greater costs, big insurers have to write a greater amount of business than do surplus lines insurers, said Albert L. Salvatico, a principal with wholesale broker ARC Excess & Surplus L.L.C. of Mineola, N.Y.

But some buyers may need more creative policies, not greater limits, he said. "It may cost big insurers too much to do that," especially for smaller risks, he said.

Moody's Mr. Comminellis said deregulation would create competition for only the largest surplus lines insurers, because it is focused on large insurance buyers. "But those larger players are formidable competitors. I don't expect them to give up," he said.

Noting that tough competition already exists and saying that many regulators already are willing to approve insurers' recommended form changes, underwriting manager executive William Kronenberg said that deregulation would be "like pushing along a speeding car."

Regulation, however, "acts as a control on underwriters from acting willy-nilly," said Mr. Kronenberg, president and chief executive officer of Exton, Pa.-based ECS Underwriting Inc., an underwriting manager for Reliance Insurance Co. of Illinois, the sixth-largest surplus lines insurer.

He asserted that underpricing is the insurance industry's biggest challenge.

Crump's Mr. Jones, the incoming NAPSLO president, said that fixing the cumbersome and complex surplus lines tax filing system would have a greater impact on the market. The system would be more efficient, but that could foster competition, he said.

Deregulation is not one of the things "that keep me up at night," said Paul Springman, the outgoing NAPSLO president. Deregulation would benefit certain large sophisticated buyers, said Mr. Springman, president of both surplus lines insurer Evanston Insurance Co. and underwriting manager Shand Morahan & Co. Inc., which are Evanston, Ill.-based subsidiaries of Markel Corp.

But accounts that generate six-figure premiums already have extremely attentive underwriters, who either ignore loss histories or naively believe they will be luckier than other underwriters, he said. Those insurers, though, have not focused on underwriting profits. Instead, they have depended on investment income, he said.

Mr. Springman said he is more nervous about the Year 2000 computer problem. In one case, he worries whether vendors could impair Evanston's and Shand's operations. For the industry at large, he is concerned about the potential Y2K losses for large standard stock insurers that have written occurrence-based umbrella and general liability coverage.

How the NAIC's deregulation proposal would impact the surplus lines market likely will not be a factor as the proposal moves forward, said Maryellen Waggoner, a member of the NAIC committee subgroup that prepared a white paper recommending deregulation.

Underpinning the working group's proposal was how regulators could better direct limited resources to protect more vulnerable policyholders than the large insurance buyers whose bottom lines, in some cases, are larger than their insurers' written premiums, explained Ms. Waggoner, deputy commissioner with the Colorado Insurance Department.

See Market on page 6

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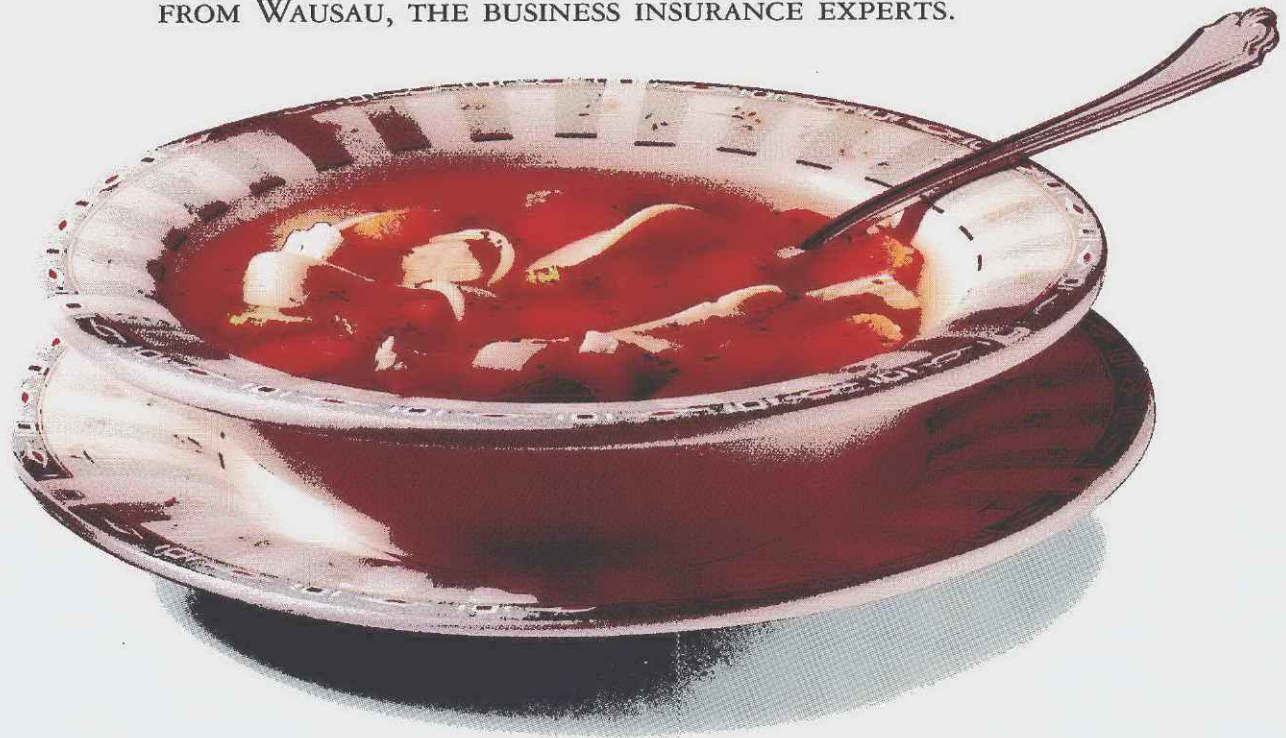
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# Market

Continued from page 4

But Louisiana Insurance Commissioner James Brown, chairman of the NAIC's Surplus Lines Committee, said he would like the NAIC to evaluate several surplus lines-related issues before approving deregulation.

Mr. Brown said he does not object to deregulation. However, he would like the NAIC to consider how deregulation would affect the nation's guaranty funds. In addition, he would like to see deregulation limited to insurers that meet certain solvency requirements.

More so than premium volume, market executives point to net income as a measure of the market's success.

Net income gains of 20% to 60% were typical, and one insurer, Steadfast Insurance Co., reported a 15-fold gain. Another insurer, Acceptance Insurance Co., reported a \$13 million profit in 1997 after posting a nearly \$8 million loss the year before. Acceptance reported the second-largest drop in written non-admitted premiums among the Top 10 in 1997.

Market executives said they have focused on underwriting their many new coverages' profitability and have walked away from old business that no longer meets their profit margin goals.

"Competition is death," observed ECS Underwriting's Mr. Kronenberg.

Scottsdale Insurance Co., which reported a decline in non-admitted premiums for the third consecutive year in 1997, will not even try to

compete on price against admitted insurers, according to R. Max Williamson, Scottsdale's president.

But walking away from business "doesn't mean you have to do poorer business," said ARC Excess & Surplus' Mr. Salvatico. "You can improve your book of business," he said.

The market can maintain its profitability as long as it keeps "the new-product pipeline flowing," Mr. Kronenberg said. "You can't keep the genie in the bottle forever. You have to find a new bottle and a new genie."

First-half 1998 net income figures for insurers, though, were more mixed. For example, United National Insurance Co. reported a 30.2% net income gain for the first half. But Lexington Insurance Co. and General Star Indemnity Co, which last year reported respective profit

gains of 31.5% and 10.7%, each reported increases of less than 2% for the first half of this year.

Moody's Mr. Comminellis said the surplus lines market's profits may deviate somewhat but that he expects profits and returns on equity to continue to outpace the insurance industry's.

The surplus lines market still continues to churn out new coverage. Among those is Steadfast's professional liability coverage for companies that provide encryption of computer transmissions between businesses. Steadfast also is writing copyright infringement coverage for Internet Web site designers.

Lexington and J&H Marsh & McLennan Inc. have just launched a program that covers non-profit health care providers for liabilities arising from unintentional violations of Medicare and Medicaid

claims-reporting rules.

Among the more than one dozen new products that Burns & Wilcox has introduced in the past year are a specialty program for craft beer brewers; a builders risk program for builders of log homes; and a large-prise indemnity program for contest sponsors.

Acceptance has introduced a medical malpractice program that targets specific physician groups, including anesthesiologists, obstetricians/gynecologists and maxillofacial surgeons, who are unable to obtain medical malpractice insurance in the standard market.

Wholesaler K&K Insurance Group Inc. has introduced a program that covers vending services at major sports stadiums.

Scottsdale offers errors and omissions coverage for managed care entities.

And Reliance of Illinois plans to unveil in the third quarter an Internet liability product designed to cover companies involved in electronic commerce for security-related risks.

Surplus lines insurers and wholesalers also are beefing up existing coverages, especially employment practices liability insurance.

Wholesaler Swett & Crawford Group recently introduced an EPL form under which policyholders have much greater coverage for punitive damages awards.

And wholesaler Stewart Smith Group last year launched an employment practices liability program for the fast-food industry.

In another area, General Star Indemnity now offers occurrence-based liability coverage to environmental contractors that install or remove underground storage tanks.

Wholesalers and insurers also increasingly are developing services to add value to their products, market executives say. For example, along with its new EPL coverage, Lexington is offering optional free risk management services, including an employment practices audit by the Baker & McKenzie law firm, toll-free phone access to an employment practices consultant and use of an electronic human resources reference system.

Wholesale broker Cooney, Rikard & Curtin Inc. of Birmingham, Ala., two years ago opened a claims department responsible for pressing its insurers to handle claims as quickly as possible and in accordance with policy language.

"It reinforces our relationship with the retail agent," said John Cooney, president of Cooney, Rikard. "If what we're doing doesn't improve our retailer's lot in life... we're doing something wrong."

Schinnerer has launched a service that uses interactive technology to speed up the quoting and ordering process for small associations.

In the not-too-distant future, wholesalers must be quicker in issuing mistake-free policies—perhaps through direct electronic links with policyholders, said Mr. Jones, NAP-SLO's incoming president.

Surplus lines companies also are continuing to investigate how technological enhancements can improve their operating efficiency. For example, at Scottsdale, all underwriting departments will be paperless by year end. After that, the insurer will turn its attention to electronically linking with agencies so it can receive policies electronically and to updating its claims-handling process.

NAPSLO has commissioned KPMG Peat Marwick to study the impact of information technology on the surplus lines industry and package the research so NAP-SLO can forward recommendations to members.



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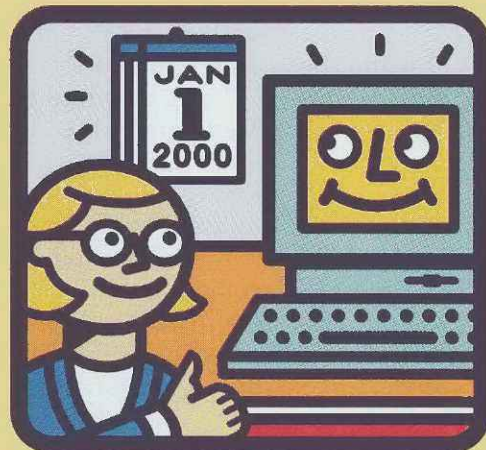
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# Opinions

## Mandates don't help retirees

We can understand why Massachusetts politicians are so eager to step into a controversy involving whether HMOs have to offer unlimited prescription drug benefits to retirees eligible for Medicare.

As we reported last month, HMOs say a 1997 federal law giving retirees new private-market alternatives to the Medicare program pre-empts a Massachusetts requirement that they offer either unlimited prescription drug benefits or no drug benefits to retirees.

HMOs have the support of the top official of the Health Care Financing Administration, the agency that administers Medicare. HCFA Administrator Nancy-Ann DeParle says the 1997 Balanced Budget Act unambiguously pre-empts state laws and regulations that dictate the kind of benefits that must be offered by HMOs and other plans that provide coverage to retirees who opt out of the traditional Medicare program.

But Massachusetts officials see the matter differently. Gov. Paul Cellucci says he won't stand by while HMOs cut benefits, while a spokesman at the state Division of Insurance has put out the word that HMOs risk legal action if they do not abide by the prescription drug benefit mandate.

Certainly, intervention in this controversy by state officials must seem irresistible. They see themselves, no doubt, as protecting vulnerable retirees from benefit cuts by HMOs, which, for a variety of reasons, are none too popular anyway.

Of course, the reality is very different. Putting the legal issues aside for the moment, we think HMOs are acting very much in the public interest in proposing to offer benefit plans with reduced prescription drug benefits.

The cost of prescription drugs is rising at a rate of 15% to 20% annually, or several times the rate of increase of other medical goods and services. HMOs, like other buyers of health care goods, are not immune from these increases and have to pass them on, in the form of higher premiums, to policyholders.

Forcing Medicare HMOs to offer unlimited prescription drugs can have only one result: making the plans less affordable to enrollees, many of whom probably would be satisfied with a less costly plan that has a dollar limit on prescription drugs. Making plans less affordable by burdening them with benefit mandates doesn't strike us as acting in the public interest.



Indeed, what makes the most sense—hardly a revolutionary idea—is to allow Medicare risk HMOs to offer plans with varying levels of prescription drug benefits and to let enrollees decide which plans best meet their needs.

This is more than a local battle between Massachusetts regulators and state HMOs. If Massachusetts regulators are allowed to prevail, surely it will send a signal to other state politicians to try to do the same thing.

Then, it would be only be a matter of time before Medicare risk HMOs—just like commercial insurers and HMOs that write policies in the under-65 market—are loaded up with benefit mandates that jack up their costs.

When that happens, Medicare risk HMOs will become a much less attractive option to retirees, and employers will find it much more difficult and expensive—if they subsidize premiums—to get retirees out of corporate-sponsored Medicare supplemental plans and into Medicare risk HMOs.

Fortunately, we think the law is so clear that the HMOs will prevail in Massachusetts. Regrettably, though, unless state regulators and politicians back off, HMOs will have to wage an expensive legal battle in order to win.

Given what is at stake, though, it is very much a battle worth fighting.

## Letters

### Opposition to association health plans way off base

To the editor: I read with complete astonishment the Aug. 31 letter to the editor, "...But Create Adverse Selection," which argued that proposed association health plans would create "adverse selection."

The comments in the letter by the president of the Health Insurance Assn. of America have no basis of fact, and included absurd generalizations such as: "these plans threaten to divide and conquer the small group marketplace," "healthier (AHP) groups will offer fewer

benefits," and "AHPs would raise costs for less healthy employees and add thousands of people to the ranks of the uninsured."

The fact is: Today's state-regulated small group health insurance marketplace increases costs and restricts coverage levels for small employers that have high claim experience; and pre-existing condition requirements prohibit the open market benefits of a larger group which can fund the occasional high-cost claim.

I would have expected the president of the HIAA to support this exciting new initiative with conditions to implement "wellness programs" and "centers of excellence" for the high-end claim exposures, instead of burying his head in the sand and making short-sighted comments supporting the conventional methods that hurt the smaller employers.

**Kevin J. Cunningham**  
Insurance Program Manager  
Specialized Carriers & Rigging Assn.  
Fairfax, Va.

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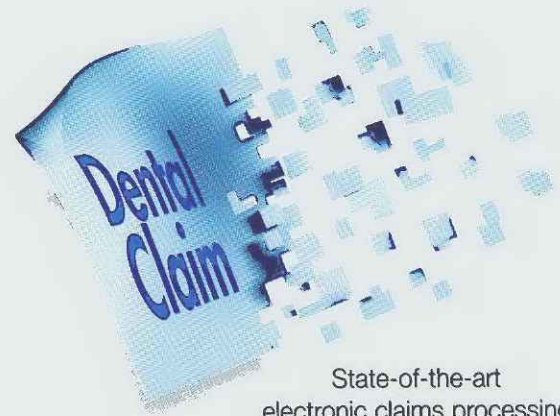
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# Soft market saps nationwide surplus lines premium growth

By RICHARD TROUT

The stock market isn't the only market that's falling.

With \$8.43 billion in non-admitted premium, the U.S. surplus lines market registered a 2.0% decrease in 1997, losing some ground from a restated \$8.60 billion in 1996. Although not as dramatic as last week's 512-point plunge of the Dow Jones Industrial Average, the drop in 1997 surplus lines premiums written mirrors the decreases reported in 1994 and 1995, but not the 4.6% increase reported in 1996.

Part of the 2.0% decrease stemmed from Ohio's 69.8% drop in surplus lines premium volume,

which is largely attributable to the state Insurance Department's lack of data on tax-exempt business in 1997. Ohio did report that information in previous years. Discounting Ohio, surplus lines premium volume nationwide decreased 0.7%.

The 1997 results may foreshadow further decreases. At midyear renewals this summer, most wholesalers and surplus lines insurers began cutting rates as they struggled for business in a very soft market, which includes competition from many admitted insurers (BI, July 6).

Despite the overall downturn, however, three fewer states reported declines in premium volume: 24

in 1997, compared with 27 in 1996.

Several states made significant gains in surplus lines premiums written. With \$32.6 million in premium volume, Delaware posted a 94.3% gain, which state regulators attributed to a large one-time risk. In North Dakota, surplus lines premiums hit \$5.4 million, a 21.9% increase, while Oklahoma's premiums rose 20.3% to \$86.5 million. Five other states posted double-digit increases: Nevada, up 18.9%; Connecticut, up 17.9%; Virginia, up 16.9%; New Hampshire, up 13.8%; and Minnesota, up 12.0%.

Ten states reported double-digit decreases in surplus lines premiums written. The most significant

decline occurred in Ohio, whose 1997 premiums excluded tax-exempt business because the information was not available this year. Other states reporting significant declines were: Hawaii, down 23.4% to \$68.7 million; Kansas, down 20.1% to \$29.6 million; and Indiana, down 16.4% to \$89.1 million. Idaho, Iowa, Michigan, Mississippi, Montana and New Mexico also reported double-digit declines.

California reported the highest 1997 premium volume, at \$1.49 billion, up 3.2% from 1996. The states with the next highest premium volume included: Texas, \$1.22 billion, down 2.0%; Florida, \$796.6 million, down 8.8%; and New York,

\$571.1 million, down 4.4%.

Many insurance departments restate their prior-year premiums as more accurate information becomes available. In several states, surplus lines figures were provided by the stamping office or the surplus lines association rather than the state insurance department.

Proposals to change surplus lines laws are pending in California, Illinois, Nevada, New Jersey and Pennsylvania. Nine states reported changes to their surplus lines laws last year.

Oregon is the only state that altered its surplus lines tax rate in 1997. The rate fell to 2% from 2.25%. **BI**

## Surplus lines premiums and taxes by state

| State                     | Surplus lines premiums     |                            |                            | '96 - '97<br>% change | '95 - '97<br>% change | Surplus lines taxes    |                          |                      | % tax rate        |
|---------------------------|----------------------------|----------------------------|----------------------------|-----------------------|-----------------------|------------------------|--------------------------|----------------------|-------------------|
|                           | 1997                       | 1996                       | 1995                       |                       |                       | 1997                   | 1996                     | 1995                 |                   |
| Alabama                   | \$122,972,700              | \$123,153,883              | \$125,024,733              | -0.1%                 | -1.6%                 | \$7,378,362            | \$7,389,233 <sup>1</sup> | \$7,501,784          | 6.00%             |
| Alaska                    | 33,906,845                 | 33,866,365                 | 34,924,216                 | 0.1                   | -2.9                  | 827,214                | 767,120                  | 809,502              | 2.70              |
| Arizona                   | 88,036,456                 | 93,028,903                 | 92,639,482                 | -5.4                  | -5.0                  | 2,592,033              | 2,714,211                | 2,775,249            | 3.00              |
| Arkansas                  | 52,857,881                 | 50,485,607                 | 52,664,378                 | 4.7                   | 0.4                   | 2,188,538              | 2,078,103                | 2,166,320            | 4.00 <sup>2</sup> |
| California*               | 1,486,989,349 <sup>3</sup> | 1,440,710,322 <sup>3</sup> | 1,320,335,608 <sup>3</sup> | 3.2                   | 12.6                  | 44,609,680             | 43,221,310               | 39,610,068           | 3.00              |
| Colorado*                 | 115,490,017                | 111,308,945                | 110,497,360                | 3.8                   | 4.5                   | 3,516,490              | 3,120,848                | 3,360,973            | 3.00              |
| Connecticut               | 86,302,397                 | 73,174,208                 | 88,328,696                 | 17.9                  | -2.3                  | 3,199,554              | 2,852,495                | 3,483,000            | 4.00 <sup>4</sup> |
| Delaware                  | 32,642,551                 | 16,799,818                 | 20,841,566                 | 94.3                  | 56.6                  | 666,371                | 336,045                  | 417,201              | 2.00              |
| District of Columbia      | 61,172,520                 | 60,616,059                 | 61,785,450                 | 0.9                   | -1.0                  | 1,112,329              | 1,120,391                | 1,143,264            | 2.00              |
| Florida                   | 796,601,038                | 873,482,993                | 716,004,687                | -8.8                  | 11.3                  | 35,117,309             | 37,350,045               | 31,967,932           | 5.00              |
| Georgia <sup>5</sup>      | 229,378,322                | 210,614,775                | 220,931,690                | 8.9                   | 3.8                   | 9,175,133              | 8,424,591                | 8,837,268            | 4.00              |
| Hawaii <sup>5</sup>       | 68,657,661                 | 89,661,591                 | 96,557,865                 | -23.4                 | -28.9                 | 3,218,716              | 4,204,665                | 4,516,082            | 4.68              |
| Idaho                     | 14,804,962                 | 16,709,489                 | 19,727,124                 | -11.4                 | -25.0                 | 375,726                | 436,602                  | 526,466              | 2.75              |
| Illinois*                 | 272,608,014                | 270,364,258                | 265,532,109                | 0.8                   | 2.7                   | 8,180,750              | 8,113,152                | 7,968,939            | 3.00              |
| Indiana                   | 89,054,878                 | 106,486,053                | 87,378,429                 | -16.4                 | 1.9                   | 3,543,484              | 2,029,695                | 2,585,842            | 2.50              |
| Iowa                      | 45,286,071                 | 52,422,569                 | 41,024,520                 | -13.6                 | 10.4                  | 905,721                | 1,048,451                | 820,490              | 2.00              |
| Kansas                    | 29,560,786 <sup>1</sup>    | 36,987,987 <sup>1</sup>    | 34,844,175 <sup>1</sup>    | -20.1                 | -15.2                 | 1,775,204 <sup>1</sup> | 2,219,279                | 2,090,651            | 6.00              |
| Kentucky                  | 38,953,489                 | 39,571,196                 | 40,519,377                 | -1.6                  | -3.9                  | 1,168,605              | 1,187,159                | 1,215,381            | 3.00              |
| Louisiana                 | 345,789,326                | 358,971,241                | 371,014,602                | -3.7                  | -6.8                  | 17,289,466             | 17,948,562               | 18,550,730           | 5.00              |
| Maine <sup>5</sup>        | 12,076,513                 | 11,588,491                 | 11,712,619                 | 4.2                   | 3.1                   | 362,295                | 347,655                  | 351,379              | 3.00              |
| Maryland                  | 80,511,334 <sup>1</sup>    | 82,590,400 <sup>1</sup>    | 72,300,467 <sup>1</sup>    | -2.5                  | 11.4                  | 2,409,340              | 2,471,682                | 2,189,954            | 3.00              |
| Massachusetts             | 195,460,542                | 211,003,875                | 220,000,000                | -7.4                  | -11.2                 | 7,818,426              | 8,440,155                | 8,800,000            | 4.00              |
| Michigan                  | 290,941,676                | 325,745,254                | 358,055,641                | -10.7                 | -18.7                 | 7,273,543              | 8,053,584                | 8,612,934            | 2.50              |
| Minnesota                 | 103,112,782                | 92,078,389                 | 85,105,776                 | 12.0                  | 21.2                  | 3,093,383              | 2,762,352                | 2,553,173            | 3.00              |
| Mississippi               | 56,214,198                 | 65,341,286                 | 63,313,808                 | -14.0                 | -11.2                 | 2,248,568              | 2,613,651                | 2,493,892            | 4.00 <sup>6</sup> |
| Missouri                  | 154,995,096                | 143,362,738                | 164,855,299                | 8.1                   | -6.0                  | 7,698,121              | 6,993,993                | 8,073,451            | 5.00              |
| Montana                   | 8,440,194                  | 9,800,256                  | 11,446,656                 | -13.9                 | -26.3                 | 233,000                | 270,555                  | 315,382              | 2.75              |
| Nebraska                  | 31,707,924                 | 29,617,999                 | 31,732,434                 | 7.1                   | -0.1                  | 961,190                | 901,433                  | 951,973              | 3.00              |
| Nevada <sup>1</sup>       | 34,685,874                 | 29,179,680                 | 30,986,039                 | 18.9                  | 11.9                  | 1,212,825              | 1,162,029                | 1,140,901            | 3.50              |
| New Hampshire             | 53,035,170                 | 46,611,884                 | 23,705,902                 | 13.8                  | 123.7                 | 1,060,704              | 932,238                  | 474,113              | 2.00              |
| New Jersey                | 293,834,636                | 301,173,834                | 266,911,706                | -2.4                  | 10.1                  | 8,652,717              | 8,891,327                | 8,465,107            | 3.00              |
| New Mexico                | 22,198,500                 | 26,234,648                 | 25,819,574                 | -15.4                 | -14.0                 | 665,956                | 787,039                  | 774,587              | 3.00              |
| New York*                 | 571,115,133                | 597,398,628                | 559,191,363                | -4.4                  | 2.1                   | 14,705,600             | 14,976,689               | 13,915,443           | 3.60              |
| North Carolina            | 102,144,777                | 93,018,721                 | 83,649,691                 | 9.8                   | 22.1                  | 5,107,240              | 4,650,938                | 4,182,483            | 5.00              |
| North Dakota              | 5,353,539                  | 4,393,435                  | 6,943,777                  | 21.9                  | -22.9                 | 144,838                | 76,887                   | 121,497              | 1.75              |
| Ohio                      | 46,902,617 <sup>7</sup>    | 155,516,400                | 157,304,231                | -69.8                 | -70.2                 | 2,041,655              | 1,380,115                | 1,365,530            | 5.00              |
| Oklahoma <sup>5</sup>     | 86,505,265                 | 71,935,170                 | 66,281,910                 | 20.3                  | 30.5                  | 5,190,316              | 4,136,110                | 3,976,915            | 6.00              |
| Oregon*                   | 62,217,561                 | 58,275,437                 | 71,655,421                 | 6.8                   | -13.2                 | 1,270,111              | 1,410,446                | 1,744,673            | 2.00              |
| Pennsylvania              | 314,000,000                | 308,000,000                | 303,000,000                | 1.9                   | 3.6                   | 8,569,329              | 8,820,086                | 10,000,340           | 3.00              |
| Rhode Island <sup>5</sup> | 26,090,770 <sup>3</sup>    | 27,665,948 <sup>3</sup>    | 26,375,463 <sup>3</sup>    | -5.7                  | -1.1                  | 782,723                | 829,978                  | 791,264              | 3.00              |
| South Carolina            | 94,687,762                 | 88,087,590                 | 85,036,930                 | 7.5                   | 11.3                  | 3,787,510              | 3,523,504                | 3,401,477            | 4.00              |
| South Dakota <sup>5</sup> | 6,515,790                  | 5,932,398                  | 9,792,500                  | 9.8                   | -33.5                 | 162,893                | 148,310                  | 244,813              | 2.50              |
| Tennessee                 | 144,615,201                | 138,614,590                | 117,490,748                | 4.3                   | 23.1                  | 3,858,173              | 3,686,919                | 3,196,815            | 2.50 <sup>8</sup> |
| Texas*                    | 1,215,646,746              | 1,240,115,777              | 1,259,634,116              | -2.0                  | -3.5                  | 59,216,851             | 60,144,424               | 61,070,380           | 4.85              |
| Utah*                     | 41,753,077                 | 42,528,843                 | 42,264,629                 | -1.8                  | -1.2                  | 1,774,505              | 1,807,476                | 1,796,246            | 4.25              |
| Vermont                   | 8,062,245                  | 8,714,474                  | 9,859,848                  | -7.5                  | -18.2                 | 241,867                | 261,434                  | 295,795              | 3.00              |
| Virginia                  | 130,973,499                | 112,043,454                | 127,801,956                | 16.9                  | 2.5                   | 3,282,753              | 2,814,121                | 2,875,544            | 2.25              |
| Washington*               | 126,440,187                | 117,282,716                | 124,847,580                | 7.8                   | 1.3                   | 2,528,804              | 2,345,654                | 2,496,952            | 2.00              |
| West Virginia             | 25,331,940                 | 25,381,365                 | 21,635,822                 | -0.2                  | 17.1                  | 950,900                | 825,701                  | 796,610 <sup>1</sup> | 4.00              |
| Wisconsin                 | 66,645,559                 | 65,015,504                 | 76,852,251                 | 2.5                   | -13.3                 | 2,007,432              | 1,940,419                | 2,296,699            | 3.00 <sup>9</sup> |
| Wyoming                   | 7,342,478                  | 7,020,187                  | 8,762,821                  | 4.6                   | -16.2                 | 210,486                | 216,926                  | 249,105              | 3.00              |
| <b>TOTALS/AVERAGES</b>    | <b>\$8,430,623,848</b>     | <b>\$8,599,685,633</b>     | <b>\$8,324,903,045</b>     | <b>-2.0%</b>          | <b>1.3%</b>           | <b>\$306,364,739</b>   | <b>\$305,185,787</b>     | <b>\$300,362,569</b> | <b>3.41%</b>      |

<sup>1</sup> State insurance department estimate <sup>2</sup> Tax is 4% of premiums plus 4% of underwriting expenses <sup>3</sup> Non-taxable premiums excluded <sup>4</sup> Tax is 2.25% for ocean marine and railroad/airline interstate coverages <sup>5</sup> Fiscal years ending 6/30 <sup>6</sup> Tax is 3% on direct premiums <sup>7</sup> Does not include tax-exempt business <sup>8</sup> Tax is 3.25% on fire portion <sup>9</sup> Tax is 0.5% on ocean marine coverage \* Information provided by stamping office or surplus lines association † 1997 information provided by surplus lines association; all other information provided by state insurance department

Source: BI survey

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# Soft market forces Lexington to leave unprofitable areas

## Lexington Insurance Co.

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

|                   | 1997           | 1996           |
|-------------------|----------------|----------------|
| Gross premiums    | \$1.31 billion | \$1.35 billion |
| Non-admitted      | \$1.03 billion | \$1.11 billion |
| Commercial risks  | 97.2%          | 98.2%          |
| Net premiums      | \$461,839,259  | \$626,671,017  |
| Paid-in capital   | \$5,000,000    | \$5,000,000    |
| Capital & surplus | \$1.22 billion | \$1.06 billion |
| Employees         | 260            | 260            |
| Combined ratio    | 98.6%          | 99.9%          |
| Rating agency     | 98.4%          | 99.8%          |
| Net income        | \$172,994,444  | \$131,555,192  |
| Best's rating     | A++            | A++            |
| S&P rating        | AAA            | AAA            |

The still softening property/casual-

ty market is forcing Lexington Insurance Co. and other surplus lines insurers to separate the wheat from the chaff in their portfolios.

Lexington, a unit of American International Group Inc., is working to identify areas producing inadequate profit margins so it can shift its resources to better-performing lines.

That process is causing Lexington to walk away from certain property risks where rates have fallen too far to generate adequate returns.

"Our approach on the property business is to focus on profitability," noted Kevin H. Kelley, the insurer's chairman.

Lexington is taking the same approach to its casualty business, though Mr. Kelley sees more growth

opportunities in specialty liability lines.

The insurer also is focusing on providing risk management and loss control services and expanding its distribution channels.

"We have our eyes and ears wide open for opportunity. The company that's going to be successful with that opportunity is going to have to understand its customers and understand distribution," Mr. Kelley said.

Perennially the largest U.S. surplus lines insurer, Lexington's gross written premium volume declined last year for the first time since the early 1990s, dropping 3.2% to \$1.31 billion in 1997. Direct non-admitted premiums fell 7.4% to \$1.03 billion.

Liability lines, traditionally the

bulk of Lexington's business, led the decline with a 9.7% drop to \$665.5 million last year. After falling for three years, casualty volume last year was nearly even in 1997 with Lexington's property gross premium volume of \$608.4 million.

The trend continued in the first half of this year, with casualty direct premiums down 9.1% to \$254.7 million from \$280.3 million a year earlier.

Lexington's casualty book consists of roughly 65% excess and umbrella risks, 20% transportation business written on an occurrence form, and 15% primary liability risks.

The insurer can offer a gross line on excess casualty business of up to \$50 million with facultative reinsurance support. It also offers up to \$5 million

in limits on directors and officers liability coverage and up to \$5 million on primary liability, though most primary policies carry limits of about \$1 million, Mr. Kelley said.

The soft market has shifted Lexington's focus to specialty casualty lines. These include architects and engineers professional liability, specialty contractors, employment practices liability, transportation and railroad risks, and health care-related risks, such as provider stop-loss protection and pharmaceutical and biotechnology products liability.

Lexington also has built an array of risk management and loss control services for its policyholders. These services weren't intended to become a new profit center for Lexington but instead are offered as a benefit to clients—and a way to control Lexington's own losses.

This summer, for example, the insurer unveiled a new EPL policy providing limits of up to \$100 million, including coverage of punitive damages. Along with the coverage, Lexington is offering optional free risk management services, including an employment practices audit by law firm Baker & McKenzie, toll-free phone access to an employment practices consultant and use of an electronic human resources reference system.

Meanwhile, Lexington's property volume—which skyrocketed during the mid-1990s run-up in catastrophe pricing—is shrinking as rates continue to slide. Gross property premiums rose a modest 2.4% last year to \$608.4 million. However, Lexington significantly boosted the amount of property business it cedes to reinsurers. The result was a 46.3% drop in property net written premiums to \$176.2 million last year.

The slide in property business continued in the first half of 1998, with gross direct premiums falling 13.3% to \$191.3 million the year before.

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

The insurer can provide up to \$20 million in net and treaty limits on property business, which can be expanded to \$25 million with facultative reinsurance support.

Falling rates and poor claims experience have led Lexington to cut back its property underwriting in some locations and in certain lines, Mr. Kelley said. "I would say it's pretty much across the board," he said.

One of Lexington's fastest-growing segments continues to be one of its smallest: property and liability combined lines, which jumped 48.1% last year to \$31.5 million and which continues to grow rapidly this year. Much of this business consists of high-value coastal Florida homeowners' risks, he said.

Along with individual risk property and casualty accounts, Lexington writes business through several specialized divisions, including:

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

Last month, Lexington and J&H Marsh & McLennan Inc. jointly launched a program covering non-profit health care providers for liabilities arising from unintentional violations of Medicare and Medicaid claims reporting rules. Lexington will write limits of up to \$50 million, while policyholders must carry a self-insured retention and coinsurance percentage. The insurance does not cover

Continued on page 16

"Some trees bend, and because they bend, even their twigs are safe, while stubborn trees are torn up, roots and all."

Sophocles  
Antigone

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## Spotlight report

Continued from page 14

intentional acts. The program includes a risk management audit of a policyholder's Medicare and Medicaid compliance plan, which is a prerequisite for coverage.

- An international division, which handles the U.S. and overseas exposures of non-North American multinational corporations.

Volume in this division is down substantially because of a cutback in international property business that contributed to an unusual net underwriting loss for Lexington in the first half, Mr. Kelley reported.

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

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

Along with developing new market niches and offering expanded services to clients, Lexington also has tried to shore up its position in the soft market by expanding its distribution network. The insurer in recent years has added many producers, accepting business from retail and wholesale brokers, managing general agents, reinsurance intermediaries and London brokers. A large part of its business is produced through Risk Specialist Cos. Inc., an AIG agency unit with more than two dozen U.S. subsidiaries.

Lexington has continued to grow its bottom line despite market conditions. Earned premiums last year fell 16% to \$465.6 million. Losses and underwriting expenses also dropped, though, and the insurer finished the year with an underwriting gain of \$7.7 million, compared with an underwriting loss of \$6.6 million in 1996.

After investment gains, other gains, losses and taxes, Lexington reported net income of \$173 million, up 31.5% from 1996.

The insurer paid a \$31 million

dividend to its AIG-affiliated shareholders last year; after this and other adjustments, Lexington registered a 15.3% gain in policyholder surplus to \$1.22 billion at year-end 1997.

First-half 1998 results were not as good. Earned premiums fell 15.7% to \$198.7 million. Losses and expenses didn't fall at the same rate, though, and Lexington experienced a \$22.9 million underwriting loss in the first half, compared with a \$5.4 million underwriting gain a year earlier.

Mr. Kelley ascribed much of the loss to international property business written in London and the United States that he said Lexington is now "winding down" because of inadequate rates.

After investment income and other gains and losses, net income dropped 1.5% to \$73.7 million from \$74.8 million in the same period last year.

As of June 30, Lexington's surplus stood at \$1.28 billion.

Lexington has undergone one change in its top management: In January, AIG had named John Iannucci as president of Lexington, taking over the title from Mr. Kelley, who became chairman and chief executive officer. Mr. Iannucci, a former CEO of two Gryphon Holdings Inc. underwriting units, resigned from Lexington several months later and was replaced by John Keough, formerly an officer with AIG's domestic brokerage unit.

In addition to Messrs. Kelley and Keough, other Lexington officers include Richard Bucilla and Richard Jodoin, executive vps; and Nicholas Anselmo and Michael Castelli, senior vps.

Lexington carries AIG's group rating of A++ from A.M. Best Co. and individually holds a AAA claims-paying ability rating from Standard & Poor's Corp.

—By Douglas McLeod

### American International Specialty Lines Insurance Co.

c/o American International Surplus Lines Agency Inc., Harborside Financial Center, 401 Plaza 3, Jersey City, N.J. 07311; 201-309-1100; fax: 201-309-1186

|                   | 1997          | 1996          |
|-------------------|---------------|---------------|
| Gross premiums    | \$695,086,205 | \$811,765,737 |
| Non-admitted      | \$663,033,822 | \$780,243,287 |
| Commercial risks  | 100%          | 100%          |
| Net premiums      | \$101,994,745 | \$111,203,436 |
| Paid-in capital   | \$5,002,500   | \$5,002,500   |
| Capital & surplus | \$212,200,853 | \$192,349,336 |
| Employees         | 0             | 0             |
| Combined ratio    | 97.3%         | 94.8%         |
| Net income        | \$24,297,358  | \$22,157,671  |
| Best's rating     | A++           | A++           |
| S&P rating        | AAA           | AAA           |

If the price isn't right, American International Specialty Lines Insurance Co. won't underwrite the business.

As a result, AISLIC has sharpened its underwriting focus to assure the business it does write is profitable. That approach paid off last year, as net income increased against sharply lower premium volume.

As part of its strategy, the insurer, a subsidiary of American International Group Inc., is narrowing its focus to a handful of key business areas.

"The key areas are financial lines products, environmental and alternative risk or risk finance," said Kevin H. Kelley, AISLIC's president. Mr. Kelley also is president of Boston-based Lexington Insurance Co., which ranked as the No. 1 surplus lines insurer.

What had been a fourth key area for AISLIC—health care excess liability insurance—now exists as a "shrinking" business, because of inadequate pricing in the competitive market, he said.

"Rates in some areas are not what we'd like to see, so we're letting the business go," Mr. Kelley said. The lower rates are due to "a combination of new entrants becoming more aggressive, some very mature competitors becoming very aggressive. There are certain classes of business that we like and certain classes of business that we can't get the rate for, so we're going to let that business go," he added.

Letting go of underpriced risks hasn't hurt the surplus lines insurer's profitability.

AISLIC's 1997 net income increased 9.7% to \$24.3 million compared with 1996 earnings.

That gain came despite significant declines in both gross premiums and premiums written on a non-admitted basis. Gross premiums last year reached \$695.1 million, which was 14.4% lower than 1996.

Premiums written on a non-admitted basis fell 15% to \$663 million last year compared with a year earlier.

Policyholder surplus grew more than 10.3% to \$212.2 million.

Despite the premium drop, AISLIC maintained its longtime position as No. 2 on *Business Insurance's* list of the top surplus lines insurers.

Premium showed a rebound during the first half of this year, noted Mr. Kelley.

AISLIC wrote an estimated \$366.6 million in direct non-admitted premium during the first six months of 1998, a 28.6% increase over the same period in 1997.

Net income reached \$13 million in the first half, an 11.6% decline compared with the year earlier.

Mr. Kelley said AISLIC provides its customers with a "pretty tight product focus" and the expertise that comes with specializing in a few key areas.

"We're involved in areas that most traditional surplus lines insurers are not, such as environmental, risk finance and other financial lines products," he noted.

"What AISLIC brings to the table is its product focus and product expertise, and its retail distribution is pretty strong," said Mr. Kelley.

AISLIC's chief producers include the major insurance brokers.

Environmental business has been a strong performer for AISLIC, especially its EAGLE and SEAL programs.

EAGLE, introduced three years ago, stands for Environmental And General Liability Exposures. The program combines pollution and general liability coverages and is available with limits of up to \$10 million. The general liability portion covers claims for bodily injury, property damage or personal injury stemming from the policyholder's operations, products or premises. The pollution legal liability portion responds to losses from pollution coming from scheduled locations causing third-party bodily injury, third-party property damage and third-party cleanup costs.

SEAL, which stands for Supplemental Environmental Automobile Liability, is a program designed to fill gaps in commercial automobile and trucking policies by providing coverage against claims of bodily injury, property damage or cleanup costs caused by pollution releases from cargo carried by a covered vehicle. Like EAGLE, the SEAL program provides limits of up to \$10 million.

A third environmental product—the Professional Package, or Pro Pac—also has done well in terms of sales, he said. This package includes general liability, environ-

mental and professional liability for environmental consultants, engineers and contractors.

The Pro Pac policy goes beyond general liability coverage to provide coverage for claims that result from a pollution release arising from a client's professional services and contracting operations. Pro Pac offers primary limits of \$1 million per occurrence and \$2 million aggregate, with up to \$30 million in umbrella limits.

Another casualty product launched within the past two years—Corporate I—"has probably not taken off as well," even though AISLIC's primary casualty rates are up, he said. Corporate I is a specially tailored policy that can combine several forms of coverage, such as various E&O policies, for clients in specific industries. The policy provides \$5 million in primary limits and up to \$20 million in excess limits.

Mr. Kelley said AISLIC's capacity for most casualty lines is \$50 million, unchanged from a year ago, though the insurer can provide higher limits through reinsurance if necessary.

Mr. Kelley said there are no risks the company absolutely won't write.

"We'd take a look at any type of risk and attempt to offer a solution," he said.

Among the risks the insurer writes in addition to environmental liability are commercial general excess and umbrella liability, medical malpractice, miscellaneous professional liability and fiduciary liability. Mr. Kelley said AISLIC is not heavily involved in commercial excess property coverage.

AISLIC did not launch any major new products recently. "In terms of the product array, it's pretty much the same as last year," he said.

Mr. Kelley says the alternative risk financing area could become increasingly important for the insurer, pointing to the results of the first half of this year.

"We're up about 28%, 29% over the prior first half," said Mr. Kelley, referring to non-admitted premium volume. "A lot of that growth is coming from the risk finance/alternative risk area," he said.

Despite continued competitive pressures, the surplus lines segment will have a definite place in the insurance marketplace of the future, said Mr. Kelley.

"The surplus lines market's role is very clear: We're kind of the pressure release valve for the industry. When you have a market that has ample surplus, it's tougher to see opportunity. But I think the fact that AISLIC's been able to grow by almost 30% indicates that we've been able to see opportunity where others haven't," he said.

AISLIC writes on a non-admitted basis in every state except Alaska and New Jersey. It operates as an admitted insurer in Alaska, where it was incorporated in 1973.

AISLIC has no employees of its own. It is staffed by employees of its parent, AIG.

The surplus lines insurer's only major management change in recent months was the replacement of David M. Walsh as senior vp and general counsel by Peg Birk. Mr. Walsh, a former Alaska insurance commissioner, left AIG earlier this year.

In addition to Mr. Kelley, principal officers include Thomas R. Tizio, chairman; Elizabeth M. Tuck, secretary; Armand G. Pepin, treasurer; Peg Birk, senior vp and general counsel; and James M. Kilkenny, vp and assistant general counsel.

—By Mark A. Hofmann



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### Scottsdale Insurance Co.

8877 N. Gainey Center Drive,  
Scottsdale, Ariz. 85258;  
602-948-0505; fax: 602-483-6752

|                   | 1997            | 1996            |
|-------------------|-----------------|-----------------|
| Gross premiums    | \$1,114,198,849 | \$1,146,643,486 |
| Non-admitted      | \$491,060,055   | \$522,109,042   |
| Commercial risks  | 88.3%           | 88.9%           |
| Net premiums      | \$327,032,443   | \$323,980,100   |
| Paid-in capital   | \$6,027,200     | \$6,027,200     |
| Capital & surplus | \$211,078,908   | \$192,819,964   |
| Employees         | 1,087           | 1,066           |
| Combined ratio    | 104.3%          | 111.8%          |
| Rating agency     | 105.0%          | 112.3%          |
| Net income        | \$17,528,408    | \$8,517,936     |
| Best's rating     | A+XVP           | A+XVP           |
| S&P rating        | AA              | AA              |

Scottsdale Insurance Co. is developing new coverages and programs, encouraging cross-selling of products and investing in technology to attract more business from customers and agents.

Those efforts all are designed to combat a slowdown in premium growth in the surplus lines market that has affected Scottsdale and other surplus lines insurers coping with heavy competition.

Scottsdale's gross premiums written on a direct, non-admitted basis were \$491.1 million in 1997, about 6% below 1996's level.

Despite the decline, the surplus lines subsidiary of Nationwide Group holds on to its spot as the third-largest surplus lines insurer.

Premiums "are down a little bit because of the continued soft market," explained President R. Max Williamson.

For surplus lines insurers, "the competition still is, day-in, day-out, the standard market," added Bob Keul, vp-underwriting.

In fact, Scottsdale isn't even trying to compete on price when pitted against admitted insurers.

"If the competition's admitted, then

we're out the door," said Mr. Williamson.

As a result of the competition from the admitted market, Scottsdale is writing more business on admitted paper than ever before: Admitted business now represents 34% of Scottsdale's total \$1.11 billion in 1997 gross premium volume.

The composition of Scottsdale's business is changing in other ways.

The insurer, which started out as primarily a casualty underwriter, now writes more property than liability business.

For example, contract property business now represents about 29% of Scottsdale's entire book of business, while contract casualty comprises just 24%. Those percentages are nearly the opposite of the insurer's mix of business as recently as 1995. Contract business is risks written by general agents to which the insurer has given binding authority. It includes both commercial and personal lines.

Scottsdale hopes its stability as a market will help it lure back some of the business it has lost to competitors in the soft market.

"What we hope is that companies will decide to get out of certain classes of business that we have historically been a market for," said Mr. Keul. "That business can come gravitating back to us. Maybe it went away from us for a while. . . . We're trying to maintain a consistent market with good availability and not get in and out of business. That really is difficult for a customer."

In fact, Mr. Williamson said, "we're seeing little signs of change" in the marketplace.

Those signs include some insurance companies withdrawing from certain lines of business and others moving to rein in expenses, he said.

"That says something that they're making their first step toward trying to improve their combined ratio. They

start with expenses and then right behind that will be the underwriting revisions," he explained.

Scottsdale itself has cracked down on expenses related to claims handling in an effort to cut costs over the past two years. It also has redoubled efforts to enforce deductibles and take advantage of subrogation opportunities where possible. So far, the expense control effort is paying off big.

The insurer's combined ratio improved to 104.3% in 1997.

Thanks in part to that more aggressive expense control, Scottsdale's net income has jumped to \$17.5 million in 1997, up 105% from 1996.

"At the end of the day, if you look at the numbers, 1997 was the most profitable year in the history of the company," pointed out Mr. Keul.

In response to the competitive market, Scottsdale has developed a range of new programs to attract business.

The insurer now provides up to \$25 million in property coverage for petrochemical plants and oil refineries, a coverage it introduced in 1997.

"We'll probably do \$10 million or more (in premiums) this year," Mr. Keul estimates.

In addition, between \$1 million and \$5 million in limits are available for these risks introduced last year:

- Tire recappers, or retreaders, property and liability.
- Auto recovery property and liability.
- Architects and engineers professional liability.
- Ocean marine cargo.
- Home inspectors' liability.
- Wind farms property for windmills generating electricity.
- Exercise and health studios property and liability.

Scottsdale also will entertain business it might not have considered before. For example, "we're looking at sports equipment manufacturing, condos, vacant property, forestry as-

sociations, national golf associations, ice skating rinks and amusement parks," Mr. Keul said. "Stuff that before came to us and wasn't our cup of tea, now we're looking at and saying 'Is there a way we can do it?' The market today asks for that."

Meanwhile, Scottsdale continues to write transportation coverages; professional liability coverages; general, excess and umbrella liability coverages; and property insurance.

While the same \$10 million in capacity is available for all product liability lines, the new umbrella liability capacity was increased to \$25 million from \$10 million as of Jan. 1, 1997.

Fortunately for Scottsdale, the reinsurance market is still soft, enabling the company to keep just between \$500,000 and \$1 million of each risk.

While Scottsdale primarily buys treaty reinsurance for the extra capacity, it will find facultative reinsurance when necessary, according to Mr. Keul.

Scottsdale increasingly is emphasizing cross-selling by offering ancillary coverages to existing clients. For example, the insurer is offering more transportation coverages to its casualty clients.

"We're trying to package more business, provide property and casualty together," Mr. Keul explained. "Demand today is to package that."

For the most part, "we're still a contract company, which means a majority of our business is written by general agents, and it historically has been monoline," Mr. Keul explained.

About 90% of Scottsdale's business comes from managing general agents and program managers that market specific lines of business, such as professional liability. The remainder is generated by brokers.

Among Scottsdale's top producers are: Burns & Wilcox Ltd.; Media/Professional Insurance Co. Inc.; Go Pro Underwriting Managers; Crump In-

surance Services; J.J. Negley & Associates; Hull & Co.; and Colonial General Insurance, which is operated by Rollie Wieggers, Scottsdale's founder.

Scottsdale added about 10 brokers in 1997, bringing to 165 the total number of general agents and brokers with which it does business.

"We're still aggressively looking for opportunities there," Mr. Keul said, adding that Scottsdale is primarily interested in adding producers that will aggressively market its business.

Another area in which Scottsdale is continuing to focus on improvement is technology. "We're on a real technology kick," Mr. Williamson explained. "We're trying to work smarter, more efficiently and improve productivity to make it easier to do business with us, but also less costly."

"We're trying to go paperless," he said. "That's a big movement on our part, a big change."

For example, today when an agent issues a policy and mails or faxes it to Scottsdale, "it goes through an imaging process" so that "every underwriter, every accounting person, every claim person, whoever needs access to a policy file instantly has access to that file" via their desktop computer," Mr. Williamson explained.

At the same time, technology "is helping us redo the workflow to be more productive and efficient," he said, adding that such efficiencies enable Scottsdale to handle more business.

By year-end, all underwriting departments will be paperless, he predicted.

"The next step is the agency interface so that the policy comes to us electronically. One of the challenges we have is that we have agents who are very sophisticated and others who are very unsophisticated," when it comes to technology, Mr. Williamson said.

—By Joanne Wojcik

### Steadfast Insurance Co.

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

|                   | 1997          | 1996          |
|-------------------|---------------|---------------|
| Gross premiums    | \$351,319,459 | \$360,091,511 |
| Non-admitted      | \$317,272,143 | \$328,396,607 |
| Commercial risks  | 100%          | 100%          |
| Net premiums      | \$30,990,196  | \$32,537,225  |
| Paid-in capital   | \$4,100,000   | \$4,100,000   |
| Capital & surplus | \$95,725,290  | \$75,680,250  |
| Employees         | 0             | 0             |
| Combined ratio    | 111.7%        | 120.8%        |
| Net income        | \$4,059,974   | \$250,862     |
| Best's rating     | A+            | A+            |
| S&P rating        | AA+           | AA+           |

Despite lower overall premiums, thanks to the competitive market, Steadfast Insurance Co. is seeing steady growth in business and big profits from its key specialties, executives say.

After seeing premium growth slow from 1995 to 1996, Steadfast's premium volume actually declined in 1997.

The Zurich Insurance Co. subsidiary's gross premiums dipped to \$351.3 million in 1997, down 2.4% from the previous year. Direct non-admitted premiums fell to \$317.3 million in 1997, down 3.4%.

Still, Steadfast's premium was large enough to rank it No. 4 on the *Business Insurance* list of the largest surplus lines insurers.

Although premium volume is down, Steadfast remains "thrilled with what's going on right now," says Bryan Salvatore, vp and director of marketing in Zurich-American Insurance Co.'s specialty lines division in New York.

That's because the Schaumburg, Ill.-based insurer's key areas—umbrella liability, employment practices, a miscellaneous professional liability

area known as "specialized professions" and its primary casualty area—are performing well in a soft market as they help Zurich-American meet specific customer needs that can't be met with admitted products.

"We think these areas are going strong, and we think it's largely because our commitment has been to focusing on our brokers' and our customers' needs," Mr. Salvatore said.

While gross premium volume might have fallen, Steadfast's net income increased in 1997 to almost \$4.1 million, up dramatically from \$250,862 in 1996, a jump in profits that Mr. Salvatore attributes to its key specialties.

In the specialized professions areas, there has been a dramatic growth in business as new exposures emerge.

"Specialized professions, which is miscellaneous professional liability, has doubled in the past year. We've been more aggressive," said Michael Smith, assistant vp at Zurich-American Specialties in New York. He heads the area.

Mr. Smith described the specialty as "professional liability for non-doctors, lawyers and accountants. It's basically everybody else."

"These days we see a lot of management consultants, temporary placement. . . . we're writing outsourcing agencies, we're also writing third-party administrators," said Mr. Smith.

"Basically any area where there's a possibility of an error or omission, that's what we cover," he said.

Steadfast offers up to \$50 million in limits with a \$10,000 minimum premium for specialized professions coverage.

There is "a lot" of competition in the market, "a lot" being a relative term," Mr. Smith said, with some of it coming from the admitted market.

"One of the ways we distinguish ourselves is by our servicing to the

broker community and also being creative in a lot of the coverages," he said.

The need for that creativity is emphasized as new professions with E&O risks emerge. For example, Steadfast is writing professional liability coverage for risks such as businesses that create computer encryption services, and Internet World Wide Web site designers.

In cases where the risk is a new one, Mr. Smith said it's necessary to sit down with the broker and be creative in designing the coverage, "because (such coverage) doesn't exist."

"That makes it interesting and frustrating at times but I think we do that pretty well," he said. "These are the kinds of things you didn't see 10 years ago."

Another hot area for the surplus lines insurer is employment practices liability insurance. Steadfast offers up to \$50 million in EPL capacity, "and we pretty much are looking at companies with a minimum of 200 employees and up," said Lisa McElroy, an assistant vp at Zurich-American in New York who heads the EPL area.

"We basically look at every industry anyone can think of," she said. "There isn't any industry we wouldn't look at. The book is pretty diversified in terms of types of companies."

Having offered EPL coverage since 1993, Steadfast was an early player in that market. Now, even though employment practices remains an "immature" market with only about 15% of businesses buying the cover, Ms. McElroy noted that it acts "like a mature product in a saturated market" with considerable pressure on rates.

One way Steadfast competes in that tight market is with a package of EPL loss control services it offers free.

The services include a hotline fax service to provide personalized advice on employment situations, a self-ad-

ministered computerized employment labor law audit, employment practices training, a corporate governance newsletter and an online, interactive source of EPL legal information.

In the umbrella area, where Steadfast also can provide \$50 million in capacity, the surplus lines unit allows Zurich-American to meet specific customer requirements or fill in program gaps that call for non-admitted paper. "Basically, our target tends to be the Fortune 1000, Forbes 500 kinds of businesses," Mr. Spencer said. "So it's a fairly wide spectrum."

The company also specializes in the medical products and pharmaceuticals industries, said Bruce Spencer, a senior vp at Zurich-American Specialties in New York. That umbrella area also is seeing considerable market competition. Price competition continues, Mr. Spencer said, with prices "tending to be a little bit down but not necessarily by leaps and bounds, at least on our book."

"The competition seems to be more in meeting certain kinds of customer needs," he said. "We see new things now like third-party products recall, some of those types of things. And we tend to get a rational price for that."

Steadfast is eligible to write as a non-admitted insurer in every state, as well as in Puerto Rico and the District of Columbia. It's also an admitted insurer in Delaware.

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

As an open brokerage unit, Steadfast has a wide distribution network. While it gets a lot of business from major brokers, the company also enjoys strong relationships with some

wholesale and regional brokers.

In the specialized professions area, for example, Aon and J&H/Marsh & McLennan bring in the most business, though regional brokers and wholesalers also bring business Steadfast's way, Mr. Smith said.

"We're probably a little unique in that regard because miscellaneous professional liability, everybody has a piece of that," he said.

A majority of Steadfast's EPL business comes from wholesalers, Ms. McElroy said, "but it also comes from the alphabets and it also comes from the regionals, in that order."

Most of the EPL business flows from New York and California, she said. "California is just that way because it's indicative of the fact that people are buying there because it's such a litigious state and it's very favorable for employees."

On the umbrella side, "We tend to be very highly concentrated in national or major regional wholesalers or wholesale/retail markets," Mr. Spencer said. "Although we're trying to reach out and touch more people."

All Steadfast's premiums written on a direct non-admitted basis in 1997 was in commercial lines, as in 1996.

Policyholder surplus increased to \$95.7 million, up 26% over the previous year. Steadfast's combined ratio was 111.7% in 1997, improved from 120.8% in 1996.

Steadfast has no employees, all staff being Zurich-American employees. It has an A+ rating from A.M. Best Co., unchanged from the prior year, and an AA+ rating from Standard & Poor's Corp., also unchanged.

Steadfast's officers are: Constantine P. Iordanou, president and CEO; Loren J. Alter, vp and treasurer; Ronald A. Anderson, vp; David A. Bowers, vp; and Barry J. Gilway, vp.

—By Rodd Zolkos

## Spotlight report

## General Star Indemnity Co.

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

|                   | 1997          | 1996          |
|-------------------|---------------|---------------|
| Gross premiums    | \$322,502,210 | \$299,338,485 |
| Non-admitted      | \$311,434,771 | \$293,228,768 |
| Commercial risks  | 97%           | 98%           |
| Net premiums      | \$245,098,139 | \$222,386,129 |
| Paid-in capital   | \$5,000,000   | \$5,000,000   |
| Capital & surplus | \$330,026,971 | \$327,790,817 |
| Employees         | 0             | 0             |
| Combined ratio    | 96.6%         | 93.8%         |
| Rating agency     | 96.3%         | 93.5%         |
| Net income        | \$45,479,447  | \$41,065,501  |
| Best's rating     | A++           | A++           |
| S&P rating        | AAA           | AAA           |

The soft market finally has caught up with General Star Indemnity Co. and slowed down its premium increases.

For 1997, non-admitted gross premiums grew 5.8%, significantly less than the 23.6% increase registered in 1996 and the 11.1% increase in 1995 over the previous year's figure. Despite the slower growth, though, General Star still held on to its fifth-place position in *Business Insurance's* ranking of the largest U.S.-based surplus lines insurers.

The slowdown was attributable mostly to market conditions, said Kevin Brooks, chairman and president of the Stamford, Conn.-based insurer.

In addition, the soft prices cut into General Star's underwriting income, which fell 14.8% to \$6.6 million in 1997, Mr. Brooks said.

Net income, however, moved up to \$45.5 million in 1997, a 10.7% increase over 1996 profits. The gain was mostly due to strong investment returns.

Statutory combined ratio for the company was 96.6% in 1997, compared with 93.8% in 1996.

Particularly hard hit by falling prices was the company's property coverage for Southeast wind-related risks, executives say.

General Star vigorously jumped into that market when admitted insurers pulled back from the region after Hurricane Andrew losses in 1992. But as more insurers, both admitted and surplus lines, returned to writing property coverage for windstorm risks, capacity has swelled and prices have slumped.

"It's pretty plain that there's enough new capacity in that marketplace to drive pricing down," Mr. Brooks said.

As "the prices in 1997 began to give way, some of that business was lost," he added.

Falling rates not only have lowered premium volume on existing accounts but also have driven some business to competitors offering even lower prices.

Large accounts "were under serious siege," he said.

In the current market, any six- or seven-figure account can obtain 20% to 30% price reductions with increases in limits, noted Patricia Roberts, senior vp.

"As we move forward we have to decide which accounts we're going to try to hold and which ones we're going to let go," Ms. Roberts said.

At General Star, the tough times have continued into the first half of this year.

Non-admitted premiums dropped 0.73% in the first six months of 1998 compared with 1997. In addition, the company's underwriting income for the period was \$3.26 million, a 32% drop from the same period in 1997.

Net income for the first half of

1998, however, was \$22.7 million, up 1.9% from the year earlier.

"I'd say in the large accounts it's been pretty brutal this year," Ms. Roberts said.

As it has for a number of years, General Star looks to field new products, to tap markets with less competition where prices are firmer and to expand existing products to meet the demands of current policyholders.

"If we see a hole in the marketplace, we usually move in pretty quickly at this stage of the game," Ms. Roberts said.

An example of an expansion of an existing product was adding an occurrence-based option for environmental contractors where in the past General Star Indemnity offered the coverage only on a claims-made basis. The hope is that the new contract will stem the

loss of contractors moving to other insurers already offering an occurrence-based policy.

The policy is designed for companies that install or remove underground storage tanks.

"We call it our yank-a-tank program," Ms. Roberts said.

The occurrence policy offers primary limits of \$10 million with no excess coverage, while the claims-based policy also has a \$10 million excess feature.

Jumping into a new area, earlier this year General Star Indemnity launched a general liability and professional liability policy for nursing home operators. The new program covers the whole gamut of long-term care providers, from home care companies to assisted living facilities to full nursing homes, she said.

"The beauty on that program is

we've developed a risk management feature to it so that when we bind the account, we're going to be sending someone out to try to do an inspection of the facility and try to help with the documentation that needs to be there," Ms. Roberts said.

The policy offers primary limits of \$2 million with excess limits up to \$25 million and is now offered in Florida and Louisiana.

Nursing homes in Florida have had a hard time finding liability coverage, she noted.

Another new product is designed to cover losses within municipalities' self-insured retentions as well as provide high excess limits. The policy covers general liability, professional liability and auto liability claims for police, fire, school and other public officials.

"These are big municipalities

that can take a fairly significant retention" of \$500,000 to \$1 million, Ms. Roberts said.

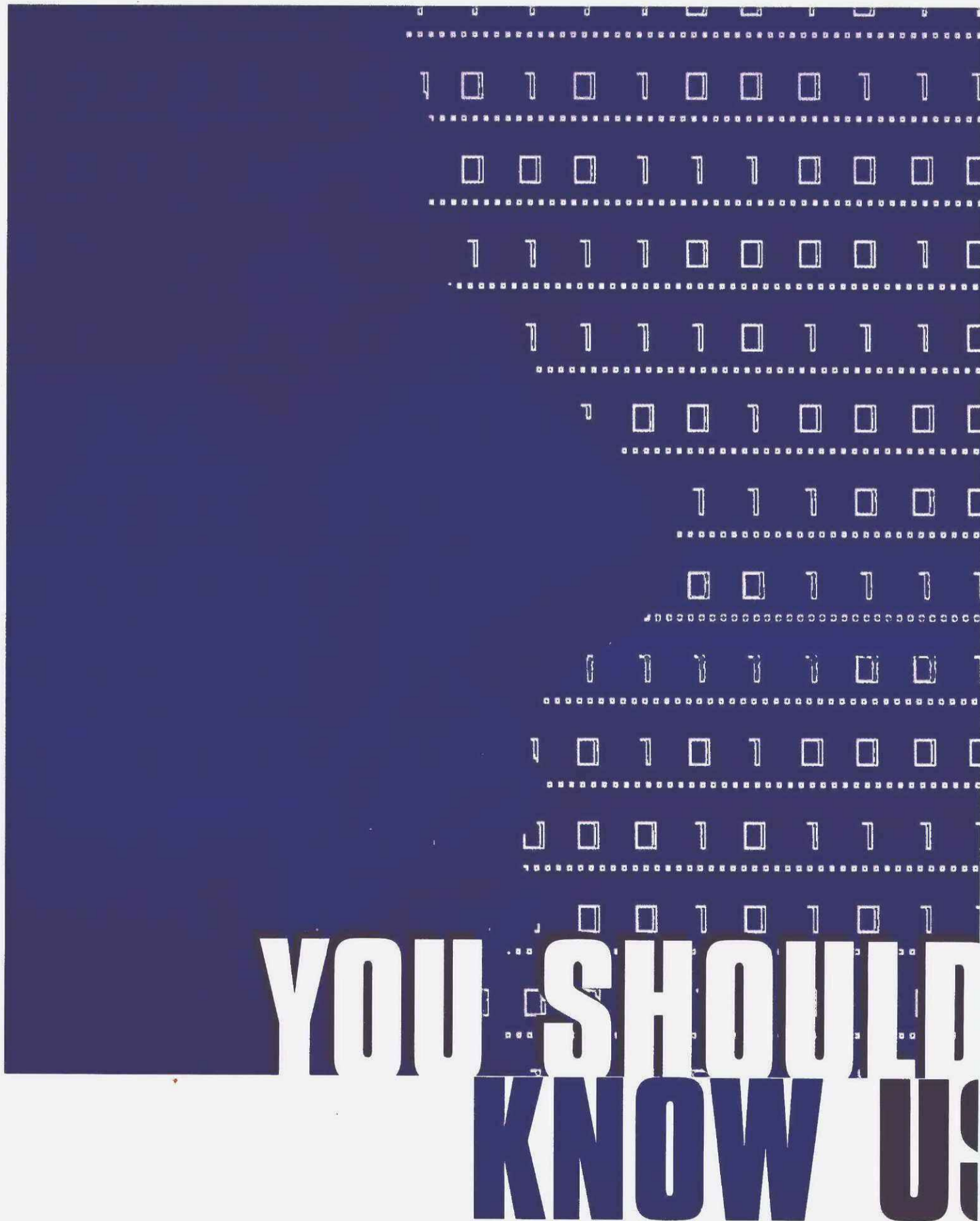
Launched last year, General Star has written \$2 million to \$3 million in premiums for the program to date. Limits are \$25 million and can be increased to \$30 million through reinsurance.

This year General Star also formed a partnership with Swett & Crawford to market an employment practices liability product for midsize companies. It is a claims-made policy with primary limits up to \$1 million and excess limits up to \$25 million.

Many of the programs the insurer introduced in the past few years have flourished.

A professional liability product for biotechnology companies has been received well. "That's a line

*Continued on next page*



Continued from previous page of business that we're actually trying to expand and offer more coverage to maintain our edge in the marketplace," Ms. Roberts said. Excess limits on the program have increased to \$25 million from \$10 million, due to demand.

Also, because of strong response, the limits on a pharmaceutical clinical trials policy have been upped to \$25 million from \$10 million.

Success with an oil well blowout liability program also has led the surplus lines insurer to increase limits to \$25 million from \$10 million while adding a property insurance aspect that covers the entire value of the policyholder's equipment up to \$5 million.

But not all the new products have been winners. Losses suffered with a crop insurance program in

1996 continued into 1997.

"We wrote it, we lost and we're still writing it," summed up Mr. Brooks. He said General Star is in the business for the long term.

Also, last year's introduction of a copyright, product and professional liability program for software developers did not see sizable demand. In addition to continuing to offer that product, the company is looking to use the expertise for other industries, such as a company whose World Wide Web site might have copyright and trademark infringement exposure.

Despite the grinding soft market, the company sticks to its philosophy of making an underwriting profit.

"That's the goal today. That's the goal tomorrow. That's the goal next year and forever after that," Mr. Brooks said.

As a result, the company has pulled out of the long-haul trucking business and increasingly is walking away from accounts in other lines rather than match a competitor's price.

The number of MGAs producing business for General Star has jumped to 65. The company has about 225 producers in the United States, unchanged from last year.

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

Besides Mr. Brooks and Ms. Roberts, General Star Management's principal officers include Senior Vp Sam Anderson and Vps William Murray, Craig Ott and Adin Tooker.

—By Michael Prince

**Reliance Insurance Co. of Illinois**

311 S. Wacker Drive, Suite 3700, Chicago, Ill. 60606; 312-554-3200; fax: 312-554-3223; www.reliancenational.com

|                   | 1997          | 1996          |
|-------------------|---------------|---------------|
| Gross premiums    | \$356,811,524 | \$296,765,781 |
| Non-Admitted      | \$305,604,293 | \$259,948,439 |
| Commercial risks  | 85.6%         | 87.6%         |
| Net premiums      | \$19,651,979  | \$17,195,237  |
| Paid-in capital   | \$4,100,000   | \$4,100,000   |
| Capital & surplus | \$42,955,502  | \$36,248,196  |
| Employees         | 0             | 0             |
| Combined ratio    | 102.3%        | 110.0%        |
| Rating agency     | 102.5%        | 110.2%        |
| Net income        | \$3,259,375   | \$1,777,675   |
| Best's rating     | A-p           | A-p           |
| S&P rating        | A             | A             |

Almost everything in modera-

tion: That's the attitude Reliance Insurance Co. of Illinois takes when selecting risks and setting coverage terms.

Offering adequate coverage for reasonable risks has been part of Reliance's formula for success in the continuing soft market excess and surplus lines insurers have dealt with since the late 1980s, said Elaine Trischetta, executive vp of Reliance National Insurance Co. She oversees the excess and surplus division, of which Reliance of Illinois is the main non-admitted insurer. Reliance's surplus lines underwriting is concentrated on employment practices liability and professional liability coverage for several professions, such as architects and engineers, lawyers and insurance agents.

"We see that some competitors are offering a lot of broadened coverages on risks that don't seem to warrant it," said Ms. Trischetta, who works in the New York office. "We are trying to offer broadened coverage in a prudent fashion."

Its ability to keep a rein on coverage terms despite pressures from competitors to expand coverage also has contributed to the surplus lines insurer's growth strategy.

With a slew of surplus lines insurers vying for business in a market that finds its coverages routinely gobbled up by the admitted market, it would seem the insurers couldn't afford to walk away from a bad risk. But that's not the case with Reliance.

"We always have a walk-away price in our minds. Everything has a walk-away price," said Ms. Trischetta, noting that some lines, such as miscellaneous professional liability, always will be the domain of the surplus lines market, due to the degree of policy tailoring involved when tailoring coverage to various professions.

But, she concedes, "What used to be strictly a surplus lines coverage may find its way to the admitted market, because they have broadened their appetite for risk."

Reliance of Illinois' gross premium volume went up 20.2% to \$356.8 million in 1997.

Direct premiums written on a non-admitted basis jumped 17.6% to \$305.6 million, enabling Reliance to maintain its place as the sixth-largest surplus lines insurer in *Business Insurance's* rankings.

Net income escalated 83% to \$3.3 million in 1997.

The increased profits can be attributed to good underwriting results, said Ms. Trischetta, and a 1996 pretax charge for additions to asbestos and pollution claim reserves that lowered earnings for that year.

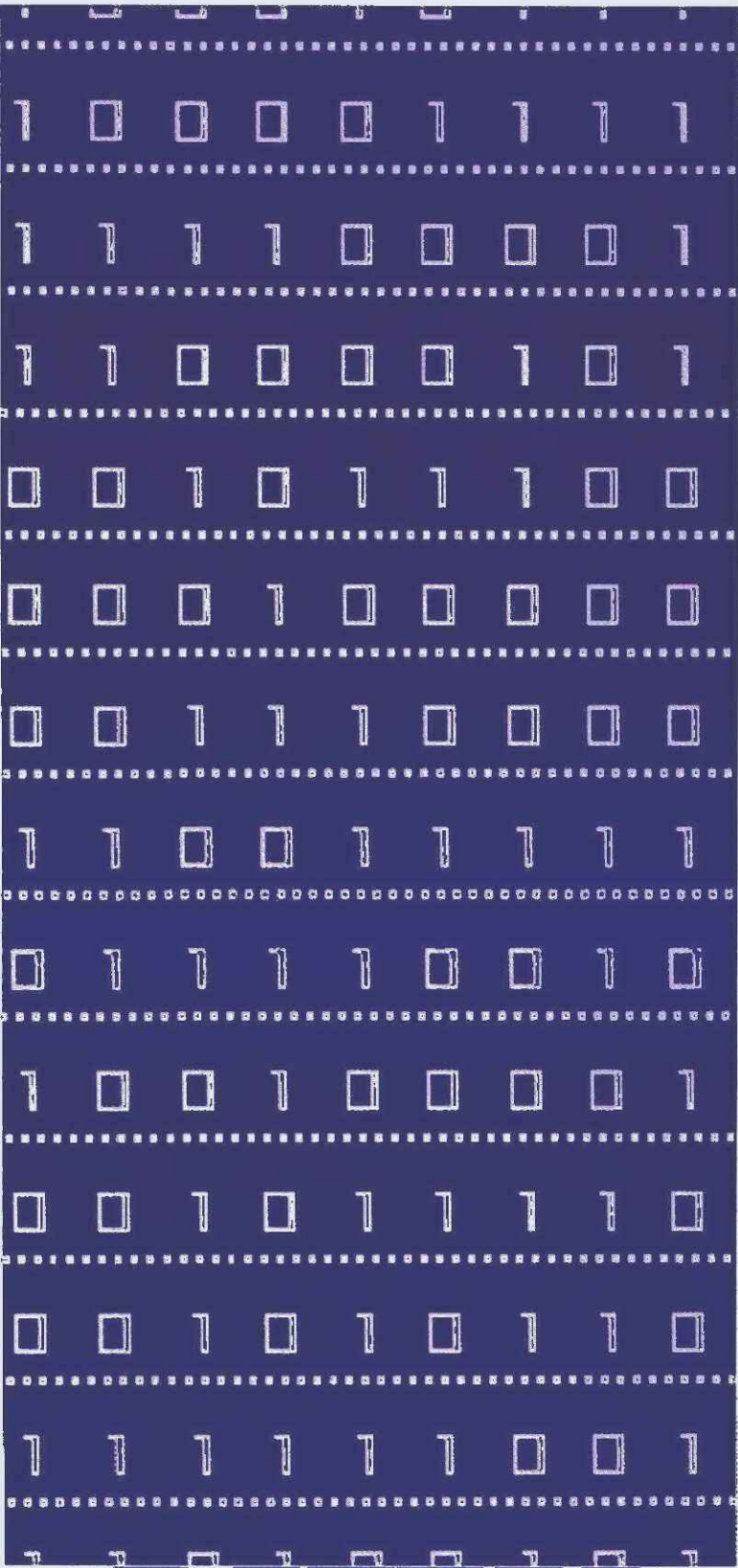
Reliance is an admitted insurer only in Illinois, and in 1997, Reliance wrote about \$10.2 million in admitted premiums, which accounts for 2.9% of gross premium volume. It writes as a non-admitted insurer elsewhere.

Reliance doesn't offer set rate cuts, Ms. Trischetta said; each risk is evaluated individually. In general, though, rates have gone down 10% to 15% annually, and property rates still are soft.

Some lines, such as liability coverage for nursing homes and managed care organizations, are actually showing signs of tightening, she said. She also noted competitors for lawyers' professional liability business are discussing raising rates.

Limits have grown in every line of business. Professional liability

Continued on next page



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**Spotlight report**

Continued from previous page  
limits are up \$5 million from last year, to \$25 million. Reliance's umbrella policy has limits of \$50 million, a 50% increase over last year. Employment practices liability limits increased by \$5 million to \$25 million, and property limits also doubled to \$50 million from \$25 million in 1996.

Reliance also has a new professional liability product: errors and omissions liability coverage for agents and brokers. Reliance, which is the endorsed insurer for the National Assn. of Professional Insurance Agents, is working on adding enhancements to the agents E&O program, Ms. Trischetta said. Deductibles vary, and limits up to \$15 million are available.

Reliance also plans to introduce an Internet liability product some-

time in the third quarter of this year. Developed in conjunction with Network Risk Management Services, a risk management service provider based in Atlanta, the new product attempts to take

### Reliance of Illinois is planning to introduce an Internet liability product in the third quarter of this year.

away some of the fear and uncertainty of liability and security issues stemming from e-commerce. The policy will have a limit of \$10 million, with variable deductibles. In the past year, Reliance has

not stopped writing any line of business. Major producers for large casualty and directors and officers liability coverages are the large brokerages, Ms. Trischetta said, such as Aon, Willis Corroon, Sedgwick and J&H Marsh & McLennan. Specialty brokers are used for certain lines.

Reliance's combined ratio improved to 102.3% in 1997 from 110.0% the year before.

Reliance's results have been helped by growth in three areas: employment practices liability, E&O coverage for miscellaneous professional and architects and engineers coverages, and umbrella liability.

Looking ahead, Ms. Trischetta said maintaining steady growth is among Reliance's goals. Reliance of Illinois was founded in 1972, and reaps several benefits from its

26 years of experience.

The surplus lines insurer has routinely attained a Best's rating of A-p, which indicates that figures are reported on a pooling basis. Standard & Poor's has rated Reliance's claims-paying ability an A for 1997 and 1996.

Reliance Insurance Co. of Illinois does not employ a staff; it is wholly operated by the New York-based staff of Reliance National. Principal officers are basically the same as last year, with the addition of Linda Kaiser, senior vp, general counsel and secretary.

Robert Olsman remains chairman and president, and the other officers are: Jerome Carr, senior vp, treasurer and CFO; Kenneth Krohlich, senior vp and chief actuary; and Robert Krisowaty, senior vp and controller.

—By Amanda Milligan

### Columbia Casualty Co.

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

|                   | 1997          | 1996          |
|-------------------|---------------|---------------|
| Gross premiums    | \$544,205,439 | \$544,954,351 |
| Non-Admitted      | \$201,266,877 | \$181,294,645 |
| Commercial risks  | 100%          | 100%          |
| Net premiums      | \$321,837,070 | \$360,441,102 |
| Paid-in capital   | \$8,700,000   | \$5,200,000   |
| Capital & surplus | \$291,700,643 | \$280,811,095 |
| Employees         | 168           | 122           |
| Combined ratio    | 110.3%        | 109.7%        |
| Rating agency     | 106.7%        | 109.4%        |
| Net income        | \$29,565,889  | \$34,272,113  |
| Best's rating*    | A/A-          | A/A-          |
| S&P rating*       | A+/A-         | A+/A-         |

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

Chicago-based Columbia Casualty Co. posted an 11% increase in direct, non-admitted premiums last year, allowing it to leapfrog to seventh position on *Business Insurance's* 1997 list of leading surplus lines insurers from 10th the year before.

The numbers reported by Columbia Casualty, the lead non-admitted insurer owned by CNA Financial Corp., show nearly \$201.3 million in direct, non-admitted premiums for 1997, compared with \$181.3 million in 1996.

The figures reflect the combined financial results for Columbia Casualty and Pacific Insurance Co. CNA blended Pacific into its existing non-admitted operations when it acquired Continental Corp. in May 1995. However, it decided to gradually reduce Pacific's share of non-admitted writings, which amounted to \$12.8 million, or 6.4%, of its total premiums in 1997.

Pacific is a different company from Pacific Insurance Co. Ltd., which is profiled on page 28.

Columbia Casualty is eligible to write as an approved, non-admitted insurer in most U.S. states, except Illinois and Louisiana. Its Pacific affiliate is eligible to write in Canada and most U.S. states, except for Alaska, California and New York.

Columbia Casualty attributes most of its 1997 growth in non-admitted premium volume to increased writings in existing lines, said Richard W. Quehl, who is president of both Columbia Casualty and CNA E&S, the corporate division to which the non-admitted insurer belongs. CNA E&S also uses other CNA insurers to write excess and surplus lines coverages where approved.

Columbia Casualty writes mostly primary and excess casualty risks for a variety of corporate policyholders, including specialties in railroads and liquor-serving establishments.

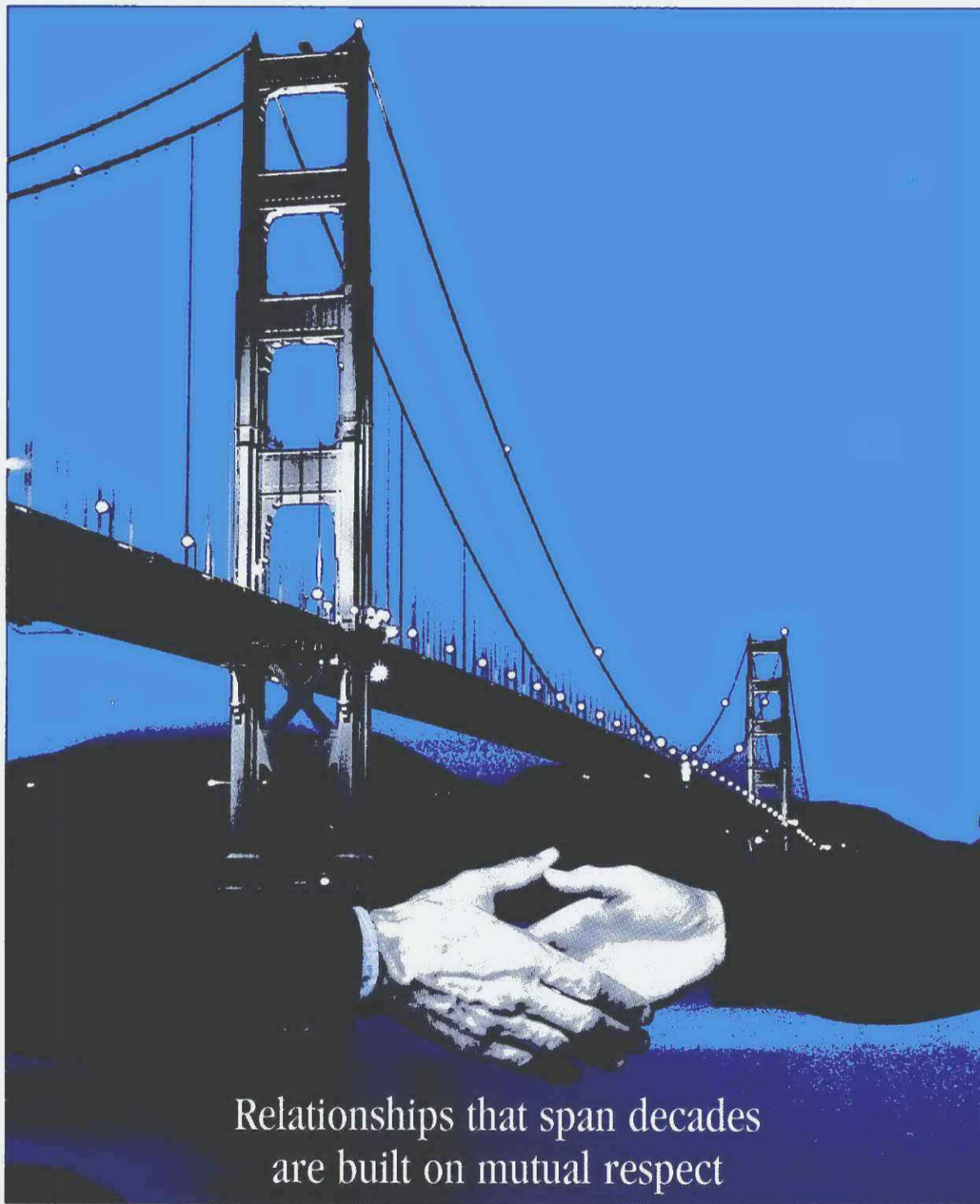
The non-admitted insurer's writings are about 40% errors and omissions liability coverages—equally split between health care providers and other types of policyholders—12% directors and officers liability coverage and 48% casualty coverages for a variety of volatile risks.

New customers have also helped Columbia Casualty increase its non-admitted writings, including biotechnology firms, a major Internet service provider needing E&O coverage and public entities seeking public officials' liability coverage.

Other new customers include companies renting contractors' equipment and aquaculturalists operating catfish farms.

Columbia Casualty recently ceased writing only one product—a construction defect policy that a

Continued on page 24



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CONSECO

## Spotlight report

Continued from page 20

wholesaler wrote on a claims-made form. It was not as popular as an occurrence-based form that was available from competing insurers, Mr. Quehl said.

The non-admitted insurer avoids aviation as well as oil and gas risks because it lacks expertise in those areas, Mr. Quehl said.

Customers' quest for higher limits have also helped Columbia's bottom line, Mr. Quehl said.

"Part of what we see going on in the market is a customer interest and a distributor interest in having higher limits available so they can cut down the number of companies involved in a single risk," he said.

For example, Columbia Casualty's limits typically range from \$1 million for liquor liability customers, which is what many states require, to up to \$50 million in ex-

cess or umbrella limits for volatile manufacturing risks. In addition, a large medical facility may be able to obtain \$25 million in umbrella limits.

A policyholder benefits from higher limits because it has fewer policy forms to study and less potential for discrepancies among different layers of coverage. Also, a corporate risk manager may become more confident because he or she generally has to deal with larger insurers to obtain such coverage, Mr. Quehl said.

Rate cuts were less of a motivating factor for customers last year than in the past, he said.

Rate-cutting has slowed to 5% to 10% on both primary and excess casualty risks, compared with the cuts of 10% to 15% made in the past, Mr. Quehl said.

However, admitted insurers are

continuing to be an important factor behind conditions in the traditional surplus lines market.

"There is a lot of poaching that is going on" with admitted insurers writing more risks that traditionally were the domain of the surplus lines market, he said. For example, some admitted insurers are now writing some liquor liability risks as well as errors and omissions liability coverage for architects that had previously been written primarily by surplus lines insurers.

However, surplus lines insurers still retain the more volatile risks, including "heavy" manufacturing accounts, construction defects coverage, railroads' pollution liability coverage and directors and officers liability coverage for securities firms engaged in initial public offerings, Mr. Quehl said.

Increased competition from oth-

er insurers may have contributed to some declining numbers Columbia Casualty reported last year.

The most significant drop was a 13.7% decline in 1997 net income to \$29.6 million from the year before. "I was surprised," said Mr. Quehl. He was unable to point to any specific reason for the profit decline.

Lesser drops were seen in a 10.7% decline in net written volume and a 0.14% drop in gross premium volume in 1997 compared with 1996.

Columbia Casualty also reported mixed results in combined ratios, depending upon the source of the calculation.

The rating agency's calculation showed some improvement as the ratio moved to 106.7% from 109.4%, though the statutory-based calculation deteriorated

slightly as the ratio moved to 110.3% from 109.7%.

However, some of these lower or mixed results were offset, in part, by a nearly 3.9% increase in policyholder surplus to \$291.7 million at year-end 1997.

In addition, the company's claims-paying ability held constant in 1997 compared with the previous year. A.M. Best Co. assigned CNA an A and Columbia Casualty an A-, while Standard & Poor's rated CNA slightly higher with an A+ and Columbia an A-.

To ensure future growth, Columbia Casualty is developing its own internal resources rather than counting on a radical swing in the market to bring business its way.

Mr. Quehl expects the overall soft market will continue and doesn't anticipate any significant impact from any general hardening, although an individual event like a hurricane may cause some localized hardening of rates.

The advent of securitization-type financial arrangements is a key reason buyers are now protected from the rate swings of the past that affected the insurance industry. "Buyers have become keenly aware there is more than one type of transaction to protect themselves from risk," he said.

"Across the broad spectrum, there are too many alternatives out there" that will prevent insurers from imposing higher rates over the broad market, Mr. Quehl added.

The company's continued growth in new customers and new products appears to be working this year, too.

Business in the first half of this year is good for the CNA E&S division, which saw a 21% increase in its total written premiums, which was 1% better than its target for the period. Columbia Casualty's non-admitted premiums for the first half were not available.

Last year, figures were flat after the first six months, but CNA E&S netted a 3% increase in total written premiums for all of 1997. Separate figures for Columbia Casualty were unavailable.

The company's overall goals for the current year include a 20% increase in gross written premiums as well as more net written premiums.

Mr. Quehl predicted that continued growth will be fueled by increased dealings with entrepreneurial brokers and new relationships with veteran surplus lines brokers and wholesalers that have an established business following.

Insurance buyers and retail brokers have a new appreciation for those veterans because they provide an alternative to the huge brokerage conglomerates that resulted from recent mergers.

In addition, CNA E&S has launched a major "Customer Discovery" program using surveys and in-person interviews with representatives of specific industries to learn about industry trends and untapped opportunities, Mr. Quehl said.

For example, the insurer has learned that businesses serving inner-city Hispanics are an untapped consumer market for liquor liability coverage. It also is considering developing a Spanish-language policy to meet their needs.

The company's multicultural experience already includes hiring Korean translators to help Korean-American policyholders make claims under non-standard auto policies sold in California, he added.

—By Meg Fletcher

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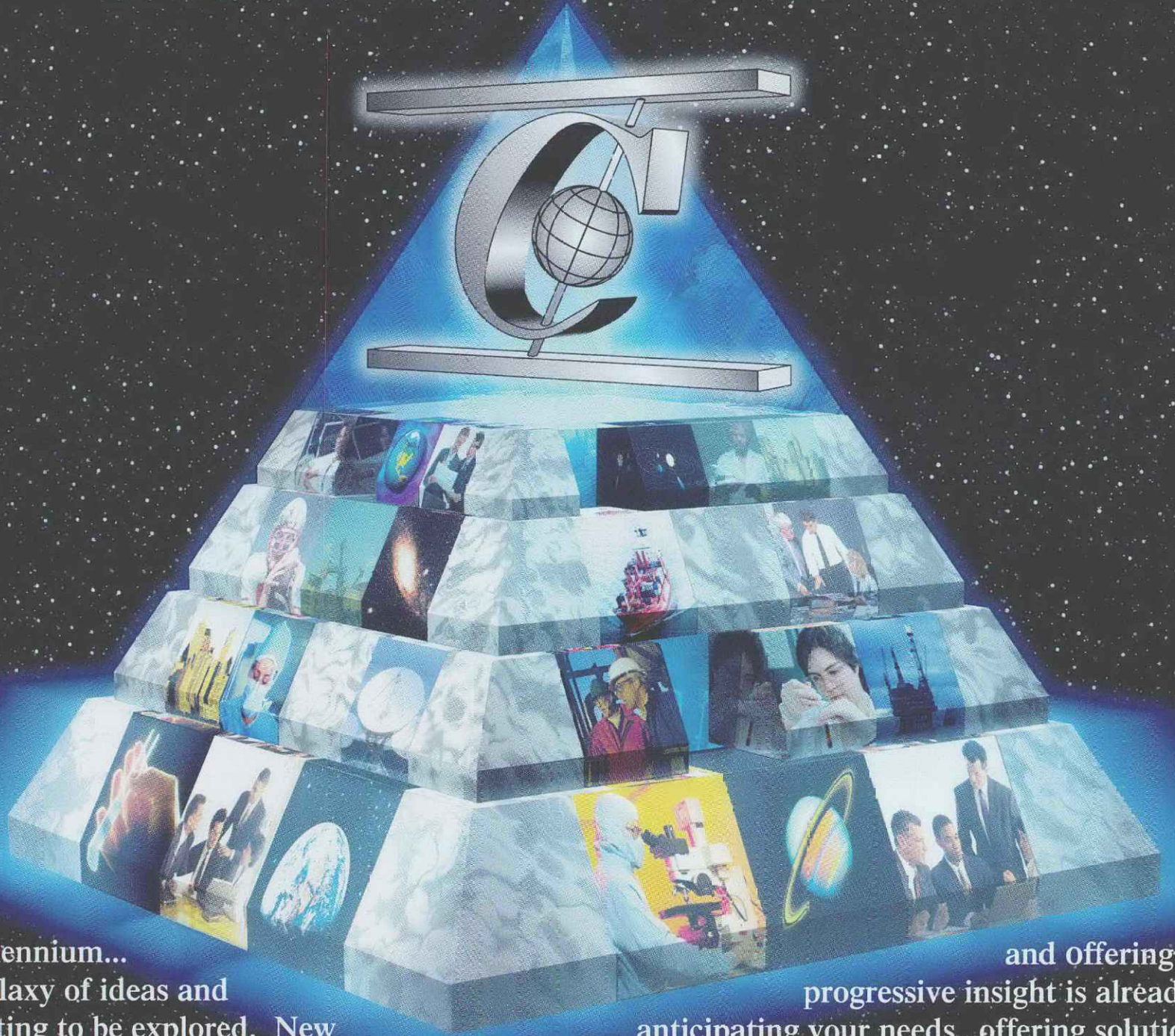
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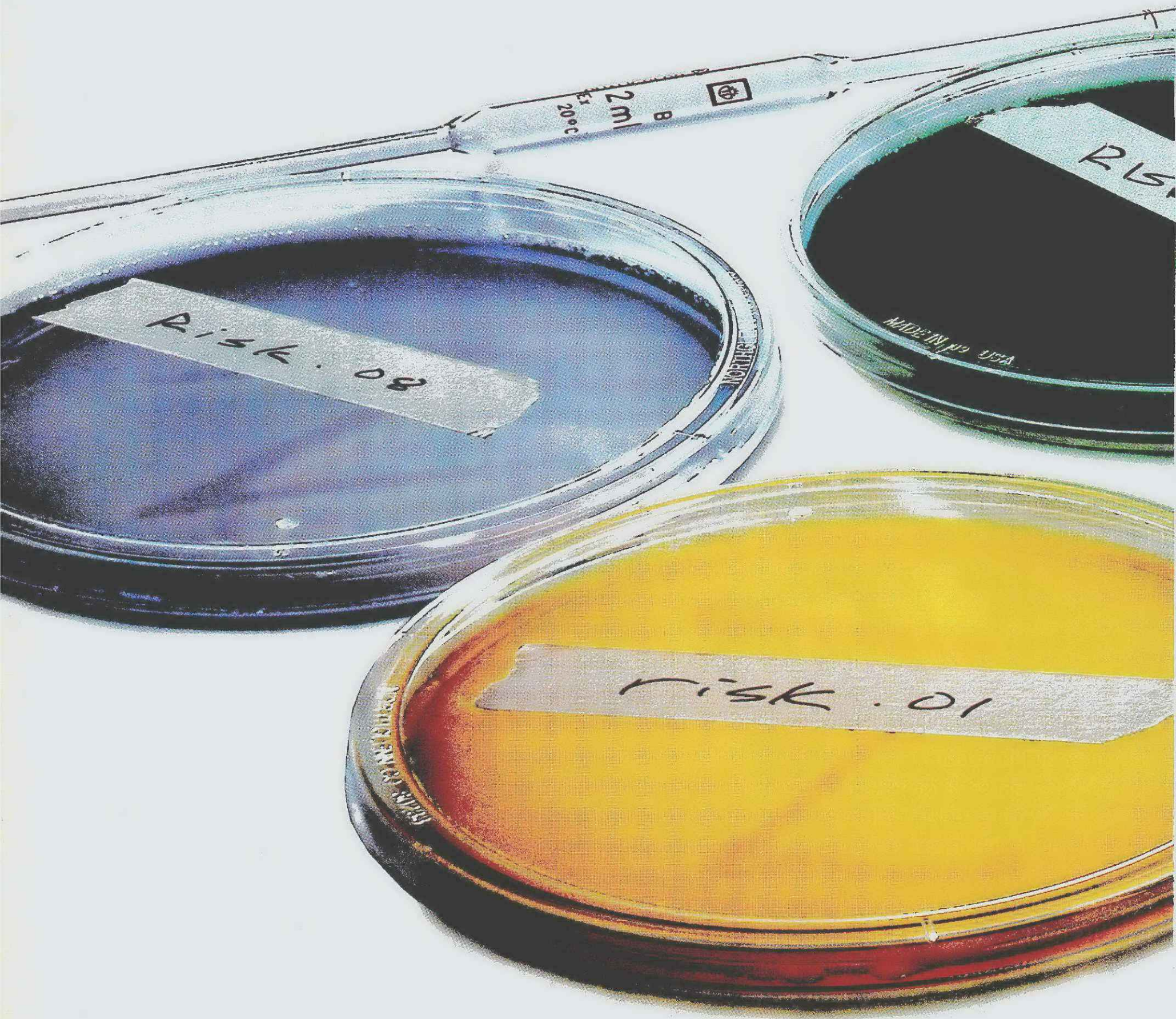
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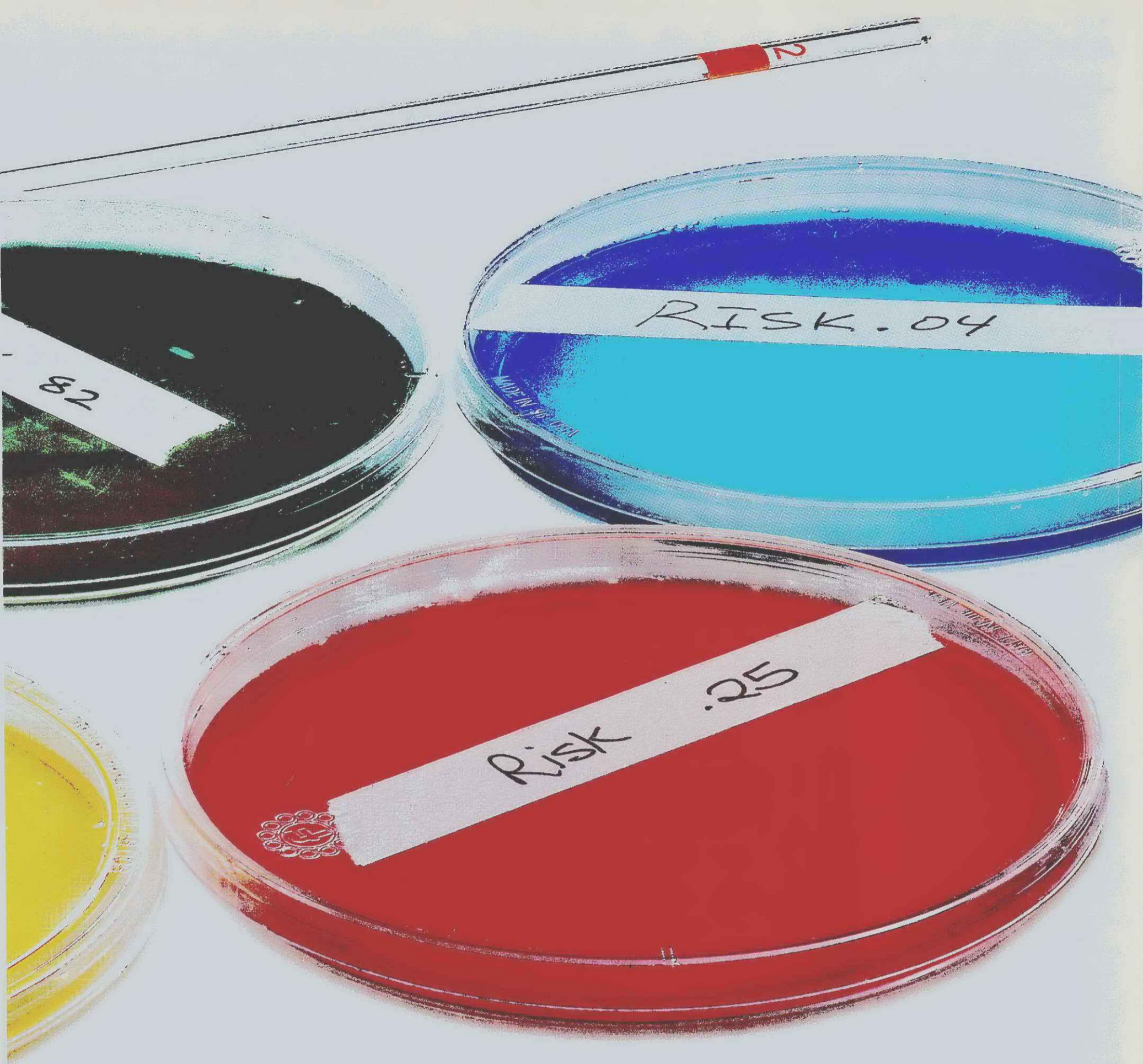
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## Spotlight report

## Pacific Insurance Co. Ltd.

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

|                   | 1997          | 1996          |
|-------------------|---------------|---------------|
| Gross premiums    | \$290,994,413 | \$296,042,074 |
| Non-admitted      | \$193,078,990 | \$196,632,048 |
| Commercial risks  | 95%           | 95%           |
| Net premiums      | \$98,070,026  | \$97,553,420  |
| Paid-in capital   | \$7,200,000   | \$7,200,000   |
| Capital & surplus | \$318,770,009 | \$292,054,079 |
| Employees         | 225           | 227           |
| Combined ratio    | 101.8%        | 117.3%        |
| Rating agency     | NA            | 118.1%        |
| Net income        | \$23,233,900  | \$10,162,425  |
| Best's rating     | A+            | A+            |
| S&P rating        | AA            | AA            |

Still facing the pressure of a buyer's insurance market, Pacific Insurance Co. Ltd. is zeroing in on profitable lines such as professional liability and property catastrophe while eliminating products whose performance has been marginal.

Pacific, a surplus lines unit of Hartford Financial Services Group Inc., has seen tremendous growth in products like employment practices liability and architects and engineers errors and omissions liability insurance, and is still doing well writing cat coverages despite softening market conditions, says President Ralph J. Palmieri.

On the flip side, Pacific has stopped writing potentially money-losing liability coverage for residential building contractors, and its exclusive underwriting manager—First State Management Group Inc.—sold off an underperforming unit that specialized in trucking coverages, Mr. Palmieri reported.

Overall, Pacific's gross non-admitted premiums fell 1.8% to \$193.1 million last year compared with 1996, moving the company down one notch to the No. 8 spot among the nation's largest surplus lines insurers.

"I would characterize it as a modest decrease pretty much driven by the market itself," noted Mr. Palmieri, who also is president of First State Management. A profile of First State appears on page 55.

The market for catastrophe-exposed property risks, one of Pacific's largest sources of business, is not nearly as attractive for insurers as it was a few years ago. After another year of relatively good loss experience, rates for California earthquake coverage have slipped 10% to 15% this year and Florida windstorm rates have fallen by about 5%, he said.

While pricing may be sliding, though, "I would have to say (it is not declining) as much as we originally thought and not enough to discourage us from continuing to write it," Mr. Palmieri said. "Even at this stage in 1998, we are still making a pretty good living writing cat business."

First State this year bought additional catastrophe reinsurance protection for its underwriting units—which include Trumbull Insurance Co., Pacific's admitted market counterpart—allowing them to increase property volume "somewhat," he said.

About \$50 million of First State's total of \$238.3 million in 1997 gross written premiums placed consisted of cat risks, with Pacific writing the majority of this business, Mr. Palmieri said.

Pacific writes an average \$5 million limit on property business, though it can raise this limit to \$20 million to \$25 million with facultative reinsurance support.

The insurer typically provides a larger limit when property coverage is part of a larger program, he ex-

plained, noting for instance that Pacific might provide higher property limits to a health care facility for which the insurer also writes liability coverages.

On the casualty side, Pacific continues to focus on its rapidly growing professional liability sector, which includes employment practices liability coverage and programs for architects and engineers, real estate brokers and lawyers. It also writes miscellaneous E&O coverage that spans dozens of classes of professional risk.

Professional liability lines including lawyers professional liability grew to represent 29% of Pacific's casualty book last year from 15% of casualty writings in 1996, according to Mr. Palmieri.

"It's growing very nicely for us and we continue to add staff," he observed.

First State last year began "regionalizing" its professional liability underwriting operations, moving underwriting responsibility to branch offices after having centralized the underwriting function in Boston. Field underwriters are now located in Atlanta; Kansas City, Mo.; Los Angeles; and San Francisco, he said.

"We're bringing our professional liability production closer to the source and eliminating any time zone problems we might have had," Mr. Palmieri noted.

Pacific also is continuing to expand its lawyers malpractice program from Massachusetts to Connecticut and New Hampshire. First State also formed an alliance with an affinity group unit of Aon Corp. to market the lawyers program, Mr. Palmieri said.

Other sources of business for Pa-

cific include:

- Primary casualty lines, where Pacific will write up to \$1 million per occurrence and \$2 million annual aggregate. This book consists mainly of manufacturers and contractors liability, product liability and owners, landlords and tenants liability risks.

- A liquor liability program providing \$1 million primary and \$5 million umbrella limits that draws most of its business from Massachusetts but is available in five other states.

- Several property and/or liability programs for health care providers, including nursing homes and home health care services. These programs offer \$1 million in primary liability limits, and the nursing home program provides up to \$10 million in umbrella limits.

Premium volume in health care

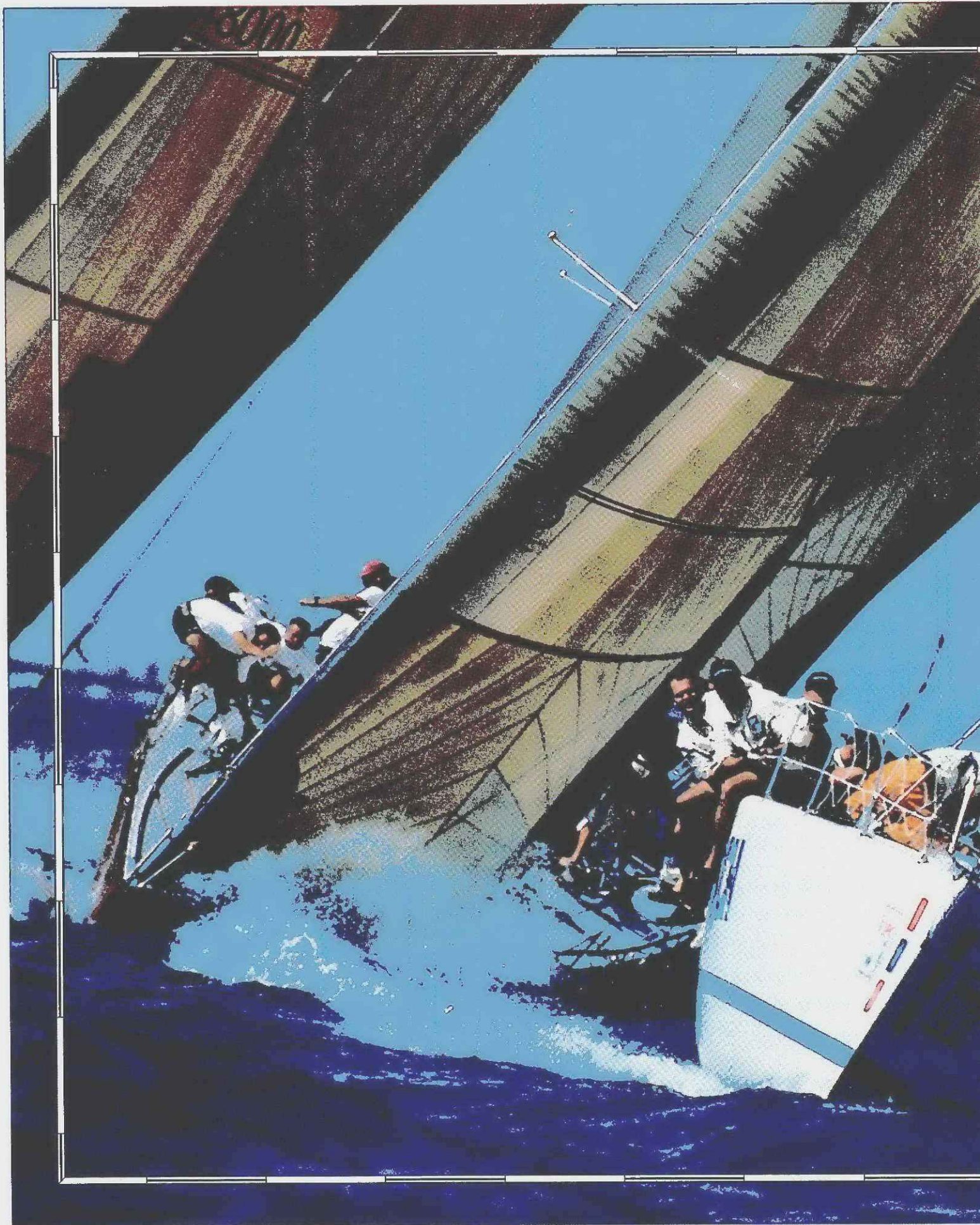
programs slid about 10% in 1997, partly because Pacific cut back its writings in Texas, where it judged the legal climate too unfriendly.

While Pacific has focused on what it perceives as growth opportunities, it has also seen volume drop in other areas, including highly competitive excess general liability lines.

"The price erosion has continued through 1997 and even into 1998. We certainly do not feel at this point that excess and umbrella (liability) is an opportunity for any surplus lines company," Mr. Palmieri said. "Our volume of that business is continuing to decline, and we are looking to take up the slack with other lines of business."

Meanwhile, Pacific has stopped writing liability coverage for residential construction contractors, a

*Continued on next page*



Continued from previous page  
 loss-prone line the insurer wrote mainly in California. Pacific continues to write commercial contractors on a risk-by-risk basis, he said.

"That is a position that has certainly cost us some premium volume, but there's no question in our minds that it's not the place to be," Mr. Palmieri said.

In January, First State also sold its Burlington, N.C.-based trucking insurance division to Lancer Financial Group Inc. of Long Beach, N.Y. First State decided that the operation, which produced \$14 million in gross written premiums for physical damage and bodily injury risks, was not profitable enough to maintain, he said.

Pacific itself, helped in part by favorable catastrophe experience, had a good year in 1997, and First

State overall recorded a combined ratio "very comfortably under 100%," according to Mr. Palmieri.

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

In 1997, for example, Pacific reported gross written premiums of \$291 million, including \$192.7 million of its own direct written business and \$98.1 million in reinsurance assumed from the Hartford pool. Pacific then ceded all of its direct business to the pool, leaving it with net volume consisting entirely of the pool premiums it assumed, which include several lines of coverage Pacific does not write on a direct basis.

The \$192.7 million in direct premiums written represented \$193.1

million in non-admitted business partially offset by \$154,588 reported for Connecticut and Hawaii, the only two states in which Pacific is licensed as an admitted insurer.

For 1997, Pacific reported virtually flat earned premiums of \$96.9 million, again consisting of pool business.

Losses and underwriting expenses fell, though, narrowing Pacific's underwriting loss to \$2.1 million last year from \$16.9 million in 1996. Its statutory combined ratio on this business was 101.8%, higher than the experience Mr. Palmieri reported on the insurer's own direct business.

Pacific more than doubled its net income to \$23.2 million from \$10.2 million in 1996. Policyholder surplus expanded 9.1% to \$318.8 million at the end of last year, compared with year-end 1996.

For the first six months of 1998, Pacific reported earned premiums of \$48.3 million, down 1% from the same period last year. The underwriting loss expanded to \$1.9 million from \$1 million in the first six months of 1997.

After investment income and other gains and losses, Pacific reported net income of \$12.9 million, up 11.2% from 1997's first half.

In addition to Mr. Palmieri, Pacific officials include Ramani Ayer, chairman; Joseph Gareau, executive vp and chief investment officer; Peter Coghlan, senior vp; and Michael O'Halloran, vp and secretary.

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

—By Douglas McLeod

**United National Insurance Co.**

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

|                   | 1997          | 1996          |
|-------------------|---------------|---------------|
| Gross premiums    | \$264,568,836 | \$270,148,508 |
| Non-Admitted      | \$191,534,066 | \$195,765,451 |
| Commercial risks  | 99%           | 97%           |
| Net premiums      | \$76,582,113  | \$77,807,064  |
| Paid-in capital   | \$5,000,000   | \$5,000,000   |
| Capital & surplus | \$233,411,241 | \$196,175,542 |
| Employees         | 142           | 148           |
| Combined ratio    | 85.9          | 98.4%         |
| Rating agency     | 85.9          | 98.8%         |
| Net income        | \$32,274,190  | \$19,826,361  |
| Best's rating     | A+            | A+            |
| S&P rating        | Aq            | Aq            |

United National Insurance Co. is beefing up its armory as it continues to fight an uphill battle against declining rates.

The surplus lines insurer has increased its marketing department to more aggressively pitch itself as an underwriter of program-based products. In the future, it also plans to grow with the acquisition of managing general agencies.

The increased emphasis on growth comes as United National struggles to maintain its premiums in a difficult market for surplus lines insurers.

But by working according to the old maxim of "the best defense is a strong offense," United National hopes to beat the soft market, said Seth D. Freudberg, president and chief executive officer.

In 1997, the market got the upper hand, when non-admitted premiums fell 2.2% to \$191.5 million. Mr. Freudberg stressed that premiums dropped in the highly competitive market despite an increase in program business at United National.

He said that United National's competition is increasing on three fronts:

- Admitted insurers are increasingly targeting business that has traditionally been covered by surplus lines insurers, such as tough products liability risks.
- Other surplus lines insurers are becoming much more aggressive in searching for new business and holding on to their existing business.
- There is a growing movement among wholesalers and MGAs to establish captive insurers for their profitable businesses so that they can share in the underwriting profits.

"All three factors can be traced back to the fact that the industry is ridiculously overcapitalized," Mr. Freudberg said.

But United National's prospects look better for 1998. In the first six months, non-admitted premiums reached \$89.7 million, up 9.9% from the first half of 1997. First-half net income jumped 30.2% to \$16.8 million a year ago.

This year the insurer has implemented strategies to enhance its growth, Mr. Freudberg explained.

For example, over the past year it increased its marketing staff to three people from one, he said.

Those marketing staffers are working to promote United National as a stable insurer that is particularly adept at handling program business, said Robert Cohen, senior vp. "Producers don't want to jump around carriers but they have to be sensitive to the insureds, so it's important for us to pass on the message that we are a stable, long-term marketer."

The consistency of United National is also played up to win program business, which the insurer specifically targets, Mr. Cohen said. "If you

Continued on next page

# Perform with Distinction



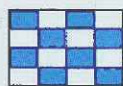
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 \$13.7 billion  
 \$16.1 billion



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 \$33.8 billion  
 \$43.5 billion  
 \$47.9 billion



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## Spotlight report

## Acceptance Insurance Co.

222 S. 15th St., Suite 600 North,  
Omaha, Neb. 68102;  
402-344-8800; fax: 402-341-0792

|                   | 1997*         | 1996*         |
|-------------------|---------------|---------------|
| Gross premiums    | \$249,894,071 | \$281,399,887 |
| Non-Admitted      | \$177,612,853 | \$195,728,421 |
| Commercial risks  | 100%          | 100%          |
| Net premiums      | \$113,155,960 | \$187,382,793 |
| Paid-in capital   | \$5,619,520   | \$5,619,520   |
| Capital & surplus | \$128,811,406 | \$115,727,611 |
| Employees         | 1,200         | 1,201         |
| Combined ratio    | 104.8%        | 110.9%        |
| Rating agency     | 105.5%        | 111.0%        |
| Net income        | \$13,000,505  | (\$7,987,432) |
| Best's rating     | A- V          | A- VIII       |
| S&P rating        | BBB           | BBB           |

\* All figures, except gross premiums, reported on a pooling basis for Acceptance Insurance Co. and Acceptance Indemnity Insurance Co. Combined ratios and net income also include Redland Insurance Co., Acceptance Casualty Insurance Co., and Phoenix Indemnity Insurance Co.

Acceptance Insurance Co. is doing all it can to support its surplus lines producers as the soft pricing environment continues to stymie premium volume growth.

Acceptance not only is keeping an open mind toward underwriting a broad array of products but also is focusing on efficiencies with its managing general agencies by beefing up its technological capabilities and offering a profit-sharing plan.

Simply put, "if the surplus lines broker does not survive, our non-admitted business is not going to survive," said Ken Coon, chief executive officer. "We're looking for ways to support the surplus lines

broker so it continues to be there" when a capacity crisis does occur, he said. In the past when this has happened, the first response often came from the non-admitted market, he said.

In the meantime, Acceptance must grapple with a competitive surplus lines environment, where capacity is plentiful and prices are low.

As a result, 1997 gross premium volume on a pre-pooled basis for Acceptance Insurance Co. and its wholly owned subsidiary, Acceptance Indemnity Co., was down 11.2% to \$249.9 million. Non-admitted premium volume slid 9.3% to \$177.6 million.

Despite the drop, Acceptance remains the ninth-largest U.S.-based surplus lines insurer, based on *Business Insurance's* survey.

Mr. Coon said Acceptance has had a difficult time growing premium volume because the bulk of its business is in casualty lines and casualty prices continue to decline.

"There is an increase in policy count, but the average premium has dropped considerably," he said.

This trend for Acceptance has continued into 1998, as non-admitted premium volume dropped to \$88.1 million for the first six months of year, down 3.6% from the first half of 1997.

Mr. Coon, however, is more focused on Acceptance's bottom line.

"1997, for us as a company, was a very good year," he said. "All four of our key operating divi-

sions contributed to the bottom line, including our general agency business, where a majority of our non-admitted business is written."

Holding company Acceptance Insurance Cos. Inc. divides its business into four units: crop, general agency, program business and non-standard auto.

While premium volume figures include only non-admitted business from Acceptance Insurance and Acceptance Indemnity, net income figures are reported on a pooling basis.

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

American Growers Insurance Co., which writes crop programs, also is a subsidiary of Redland Insurance but is not included in the pooling.

On a pooled basis, the insurer reported a \$13 million profit in 1997, a \$21 million improvement from the \$8 million loss reported in 1996 as a result of a difficult year with its non-standard auto division. Acceptance reported a \$5.5 million loss in 1995 as a result of a \$22.5 million reserve strengthening charge taken in the third quarter that year.

"We turned the corner," Mr.

Coon said of 1997's bottom line. "We're on target again to see profit from all our operating divisions" in 1998.

To aid in that effort, Acceptance is seeking to gain efficiencies in its relationships with its managing general agents. This means not only underwriting a broader base of products but also doing so more efficiently.

Acceptance, for example, is beefing up its technological capabilities so that general agencies can upload information directly to Acceptance's systems. This single-entry system streamlines operations, cuts down on duplication and makes general agencies more responsive to clients, Mr. Coon said.

In addition, Acceptance wants to increase the number of general agency partners that share in some of the risk-taking as well as company profits, Mr. Coon said. About a dozen of Acceptance's 120 general agencies participate in the profit-sharing arrangement.

Under this system, agencies have the opportunity to boost profits, which provides the incentive to assume a higher standard of care for accounts.

"We still believe that the independent agency and general agency system, where the surplus lines business is generated, will be a viable and very active marketplace," Mr. Coon stressed.

That said, Acceptance also "needs to look at a broader spectrum of products, so the surplus lines broker can survive," he observed.

Each year Acceptance looks at between 100 and 200 new programs and new lines of business; it chooses about four or five of those offerings.

In 1997, Acceptance introduced a new \$1 million brown water hull and liability marine program in the non-admitted market for boats serving the Gulf Coast oil rig business.

And this year, Acceptance introduced a medical malpractice

program that targets specific physician groups such as anesthesiologists, obstetricians/gynecologists and maxillofacial surgeons who are unable to obtain medical malpractice insurance in the standard market.

As a primary insurer, Acceptance underwrites limits of \$1 million per occurrence and \$3 million aggregate. As an excess insurer, it provides \$4 million in coverage above a \$1 million primary layer.

Mr. Coon said that while Acceptance has \$5 million in capacity for a single program and is able to underwrite one program as both the primary and excess insurer, it typically acts as one or the other.

Acceptance is principally a writer of the first layer of risk or the first layer above a self-insured retention. The bulk of its casualty accounts have limits of \$1 million, but it can write up to \$5 million in-house and, on occasion, more than \$10 million with facultative reinsurance support.

On property accounts, Acceptance generally writes \$2 million in first-layer coverage, while a few programs have limits up to \$5 million. Mr. Coon said that with reinsurance support, Acceptance has written a few \$50 million property programs.

Acceptance and its subsidiary, Acceptance Indemnity, are approved non-admitted insurers in 46 states, the District of Columbia, Guam, Puerto Rico and the U.S. Virgin Islands. Approval is pending in Michigan, New Hampshire and Rhode Island. It does not write business in Vermont.

The majority of Acceptance's reinsurance is placed with PMA Reinsurance Corp., Swiss Re America Holding Corp. and Constitution Reinsurance Corp.

In addition to Mr. Coon, other Acceptance executives include: J.P. Nelson, chief operating officer; and Thomas D. Stamm, Bruce W. Slaughter and Richard Gibson, senior vps.

—By Sally Roberts

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# Business Insurance annual directory of surplus lines insurers



## Acceptance Insurance Co.

222 S. 15th St., Suite 600 N.,  
Omaha, Neb. 68102;  
402-344-8800; fax: 402-341-0792

|                      | 1997*         | 1996*         |
|----------------------|---------------|---------------|
| Gross premiums       | \$249,894,071 | \$281,399,887 |
| Non-admitted         | \$177,612,843 | \$195,728,421 |
| Commercial risks     | 100%          | 100%          |
| Net premiums         | \$113,155,960 | \$187,382,799 |
| Paid-in capital      | \$5,619,520   | \$5,619,520   |
| Policyholder surplus | \$128,811,406 | \$115,727,610 |
| Employees            | 1,200         | 1,200         |
| Combined ratio 1     | 104.8%        | 110.9%        |
| Combined ratio 2     | 105.5%        | 111.0%        |
| Net income           | \$13,000,505  | (\$7,987,433) |
| Best's rating        | A-            | A-            |
| S&P's rating         | BBB           | BBB           |

\*All figures, except gross premiums, reported on a pooling basis for Acceptance Insurance Co. and Acceptance Indemnity Insurance Co. Combined ratios and net income also include Redland Insurance Co., Acceptance Casualty Insurance Co. and Phoenix Indemnity Insurance Co.

**Founded:** 1979.  
**Parent:** Acceptance Insurance Cos. Inc.  
**Specialties:** General liability, commercial multiperil, multiperil crop insurance, fine arts, temporary help agencies, transportation coverages.

**Subsidiaries:** Acceptance Casualty Insurance Co., Acceptance Indemnity Insurance Co., American Growers Insurance Co., Phoenix Indemnity Insurance Co., Redland Insurance Co.

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

**Admitted in:** Alabama, Alaska, Arizona, Arkansas, Colorado, Florida, Georgia, Hawaii, Illinois, Indiana, Iowa, Kansas, Kentucky, Maine, Michigan, Minnesota, Missouri, Nebraska, Nevada, North Dakota, Ohio, Oregon, Pennsylvania, South Dakota, Tennessee, Virginia, Washington, Wisconsin.

**Officers:** K.C. Coon, CEO; J.P. Nelson, COO; Thomas D. Stamm, Bruce W. Slaughter, Richard C. Gibson, senior vps.  
**Contact:** W.J. Gerber.

## ACE USA\*

6 Concourse Parkway,  
Suite 2500, Atlanta, Ga. 30328;  
770-393-9955; fax: 770-393-0888  
www.ace.bm

|                      | 1997           | 1996          |
|----------------------|----------------|---------------|
| Gross premiums       | \$195,122,829  | \$257,774,181 |
| Excess liability     | 80%            | 90%           |
| Admitted             | 80%            | 90%           |
| Net premiums         | \$86,463,951   | \$125,037,476 |
| Paid-in capital      | \$9,250,000    | \$9,250,000   |
| Policyholder surplus | \$289,213,802  | \$343,240,617 |
| Employees            | 194            | 221           |
| Excess liability     | 194            | 221           |
| Combined ratio 1     | 277.9%         | 114.1%        |
| Combined ratio 2     | 277.9%         | 114.1%        |
| Net income           | (\$99,432,171) | \$43,404,994  |
| Best's rating        | A              | A             |
| S&P's rating         | A+             | A-            |

**Founded:** 1993.  
**Parent:** ACE Ltd.  
**Subsidiaries:** Industrial Underwriters Insurance Co., Westchester Fire Insurance Co., Westchester Specialty Insurance Services Inc., Westchester Surplus Lines Insurance Co.

**Admitted in:** All states. Also admitted in Bermuda, Guam and Puerto Rico.

**Approved non-admitted in:** All states, excluding Colorado, Massachusetts, Maine, New Hampshire and Rhode Island. Also approved in the U.S. Virgin Islands.

**Officers:** Dennis Reding, chairman/CEO/president; John Intondi, senior vp-claims; John Edack, senior vp-casualty underwriting; Marshall Turner, senior vp-property underwriting; Robert Gaffney, CFO/treasurer.  
**Contact:** Jerry Wolk, 770-673-8869.  
\* Formerly Westchester Specialty Group.

## Admiral Insurance Co.

1255 Caldwell Road,  
Cherry Hill, N.J. 08034;  
609-429-9200; fax: 609-429-6572  
www.admiralins.com

|                      | 1997          | 1996          |
|----------------------|---------------|---------------|
| Gross premiums       | \$159,720,419 | \$156,416,209 |
| Non-admitted         | \$151,845,171 | \$149,807,416 |
| Commercial risks     | 100%          | 100%          |
| Net premiums         | \$95,010,080  | \$100,306,513 |
| Paid-in capital      | \$5,600,000   | \$5,600,000   |
| Policyholder surplus | \$218,916,827 | \$183,003,261 |
| Employees            | 150           | 145           |
| Combined ratio 1     | 90.3%         | 91.3%         |
| Combined ratio 2     | 90.3%         | 91.3%         |

|               |              |              |
|---------------|--------------|--------------|
| Net income    | \$32,725,427 | \$20,995,919 |
| Best's rating | A++          | A++          |
| S&P's rating  | AA-          | AA-          |

**Founded:** 1952.  
**Parent:** W.R. Berkley Corp.  
**Specialties:** Commercial casualty, professional liability, commercial property, D&O liability.

**Subsidiaries:** Nautilus Insurance Co., Scottsdale, Ariz.

**Approved non-admitted in:** All states, excluding Delaware and New Jersey. Also approved in Puerto Rico and the U.S. Virgin Islands.

**Admitted in:** Delaware, New Jersey.  
**Officers:** Michael J. Snead, chairman; James S. Carey, president/CEO; Scott R. Barraclough, senior vp/treasurer; Daniel A. MacDonald, senior vp/secretary.  
**Contact:** Scott R. Barraclough.

## Adriatic Insurance Co.

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

|                      | 1997         | 1996         |
|----------------------|--------------|--------------|
| Gross premiums       | \$11,193,828 | \$11,791,912 |
| Non-admitted         | \$11,193,828 | \$11,791,912 |
| Commercial risks     | 91%          | 94.4%        |
| Net premiums         | \$8,816,914  | \$9,336,338  |
| Paid-in capital      | \$3,500,000  | \$3,500,000  |
| Policyholder surplus | \$21,876,785 | \$20,418,076 |
| Employees            | 16           | 16           |
| Combined ratio 1     | 90.1%        | 91.8%        |
| Combined ratio 2     | 92.4%        | 91.7%        |
| Net income           | \$1,457,140  | \$1,444,111  |
| Best's rating        | A            | A            |

**Founded:** 1979.  
**Specialties:** Physical damage, including trucks (local and long-haul), taxicabs and special automobile; garage keepers legal liability on hook and storage.

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

**Admitted in:** Delaware, Nevada, New Mexico, North Dakota.  
**Officers:** Joseph E. Taylor, president;

Steven M. Harris, treasurer; Anthony V. Ciervo, secretary.  
**Contact:** Joseph E. Taylor.

## Agricultural Excess & Surplus Insurance Co.

49 E. Fourth St., Suite 300 S.,  
Cincinnati, Ohio 45202-3803;  
513-579-6300; fax: 513-579-6314

|                      | 1997         | 1996          |
|----------------------|--------------|---------------|
| Gross premiums       | \$96,358,432 | \$103,555,009 |
| Non-admitted         | \$95,041,206 | \$102,165,566 |
| Commercial risks     | 98.63%       | 98.66%        |
| Net premiums         | \$1,317,226  | \$1,389,443   |
| Paid-in capital      | \$4,100,000  | \$4,100,000   |
| Policyholder surplus | \$20,691,990 | \$20,491,322  |
| Employees            | 37           | 45            |
| Combined ratio 1     | 102.0%       | 110.7%        |
| Net income           | \$1,050,707  | \$893,188     |
| Best's rating        | A            | A             |

**Founded:** 1979.  
**Parent:** Great American Insurance Co.  
**Specialties:** Underground storage tanks,

product liability, college/university liability, professional liability.

**Approved non-admitted in:** All states, excluding Delaware.

**Admitted in:** Delaware.  
**Officers:** Carl Lindner III, chairman; Don Larson, vice chairman/senior vp; Gayle Christen, senior vp; Al Jaeger, Tom McGilly, vps.

**Contact:** Doris Paul, 513-579-6346.

## Alliance General Insurance Co.

6 W. Hubbard St.,  
Chicago, Ill. 60610-4606;  
312-755-0099; fax: 312-755-1056

|                      | 1997         | 1996         |
|----------------------|--------------|--------------|
| Gross premiums       | \$17,333,027 | \$20,226,198 |
| Non-admitted         | \$16,639,117 | \$19,368,899 |
| Commercial risks     | 96%          | 96%          |
| Net premiums         | \$9,078,349  | \$8,941,514  |
| Paid-in capital      | \$2,000,000  | \$2,000,000  |
| Policyholder surplus | \$15,598,480 | \$15,345,388 |

Continued on next page

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Continued from previous page

|                  |               |            |
|------------------|---------------|------------|
|                  | 1997          | 1996       |
| Combined ratio 1 | 141%          | 120.8%     |
| Net income       | (\$1,355,998) | (\$45,873) |
| Best's rating    | A-            | A-         |

**Founded:** 1984.  
**Parent:** Alliance Insurance Group Inc.  
**Specialties:** Product liability, business owners' packages, including liquor liability.  
**Approved non-admitted in:** All states, excluding Alaska, Connecticut, Delaware, Illinois, Maine, Massachusetts, Montana, Nebraska, New Hampshire, New Jersey, New Mexico, Rhode Island and Vermont.  
**Admitted in:** Illinois.  
**Officers:** Donald V. McCann, chairman; Eric W. Rahn, president; Jeffrey M. Josephs, treasurer; Denise M. LeBeau, secretary; Steven S. Levenson, general counsel.  
**Contact:** Eric W. Rahn.

**American Empire Surplus Lines Insurance Co.**

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

|                |              |              |
|----------------|--------------|--------------|
|                | 1997         | 1996         |
| Gross premiums | \$37,593,631 | \$44,644,422 |
| Non-admitted   | \$32,562,257 | \$38,318,282 |

|                      |               |               |
|----------------------|---------------|---------------|
| Commercial risks     | 100%          | 100%          |
| Net premiums         | \$21,000,862  | \$25,457,068  |
| Paid-in capital      | \$4,100,000   | \$4,100,000   |
| Policyholder surplus | \$111,546,893 | \$122,397,666 |
| Employees            | 57            | 65            |
| Combined ratio 1     | 88%           | 84.4%         |
| Combined ratio 2     | 87.2%         | 54.2%         |
| Net income           | \$24,168,602  | \$21,353,727  |
| Best's rating        | A+            | A+            |

Figures reported on a pooling basis.  
**Founded:** 1977.  
**Parent:** Great American Insurance Co.  
**Subsidiaries:** American Empire Insurance Co. and Fidelity Excess & Surplus Insurance Co., Cincinnati, Ohio.  
**Approved non-admitted in:** All states, excluding Delaware and New Hampshire.  
**Admitted in:** Delaware.  
**Officers:** Walter E. Snyder, president; Robert A. Nelson, senior vp-underwriting; Chester A. Nalepa, senior vp-claims; Leonard Mikulski, Richard Weyhrich, vps.  
**Contact:** Walter E. Snyder.

**American International Specialty Lines Insurance Co.**

550 W. Seventh St., Anchorage, Alaska 99501; 907-277-6693

|                      |               |               |
|----------------------|---------------|---------------|
|                      | 1997          | 1996          |
| Gross premiums       | \$695,086,205 | \$811,765,737 |
| Non-admitted         | \$663,033,822 | \$780,243,287 |
| Commercial risks     | 100%          | 100%          |
| Net premiums         | \$101,994,745 | \$111,203,436 |
| Paid-in capital      | \$5,002,500   | \$5,002,500   |
| Policyholder surplus | \$212,200,853 | \$192,349,335 |
| Combined ratio 1     | 97.3%         | 94.8%         |
| Net income           | \$24,297,358  | \$22,157,671  |
| Best's rating        | A++           | A++           |
| S&P's rating         | AAA           | AAA           |

**Founded:** 1973.  
**Parent:** American International Group Inc.  
**Specialties:** Commercial general excess and umbrella, medical malpractice, E&O, professional liability, pollution liability, fiduciary liability, primary and excess commercial property coverage.  
**Approved non-admitted in:** All states, excluding Alaska and New Jersey.  
**Admitted in:** Alaska.  
**Officers:** Kevin Hugh Kelley, president; Thomas Ralph Tizzio, chairman; Elizabeth Margaret Tuck, secretary; Armand George Pepin, senior vp; Peg Birk, senior vp/general counsel, James Martin Kilkenny.  
**Contact:** Armand G. Pepin, American International Surplus Lines Agency Inc.; Harborside Financial Center, 401 Plaza Three, Jersey City, N.J. 07311.

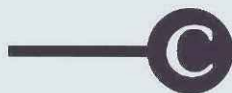
**Associated International Insurance Co.**

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

|                      |               |               |
|----------------------|---------------|---------------|
|                      | 1997          | 1996          |
| Gross premiums       | \$146,438,399 | \$157,286,430 |
| Non-admitted         | \$28,573,016  | \$35,470,520  |
| Commercial risks     | 35.34%        | 36.58%        |
| Net premiums         | \$80,398,743  | \$75,840,196  |
| Paid-in capital      | \$3,500,000   | \$3,500,000   |
| Policyholder surplus | \$70,790,762  | \$65,854,497  |
| Employees            | 94            | 87            |
| Combined ratio 1     | 110%          | 107.1%        |
| Net income           | \$8,994,605   | \$5,571,881   |
| Best's rating        | A-            | A             |

Figures reported on a pooling basis.  
**Founded:** 1972.  
**Parent:** Gryphon Holdings Inc.  
**Specialties:** Self-insured retentions, excess of buffer layers, umbrella, architects and engineers E&O, special programs, difference-in-conditions (California), excess property, commercial auto.  
**Subsidiaries:** Associated International Intermediaries Inc., Woodland Hills, Calif.  
**Approved non-admitted in:** All states, excluding California and Maine.

**Admitted in:** California.  
**Officers:** Mark S. Sioma, president; Kathryn W. Suchomel, executive vp; Matthew T. Peiler, executive vp-property; Virendra Amin, vp-information systems; Sunil L. Hingorani, senior vp/CFO.  
**Contact:** Kathryn W. Suchomel.



**Century Surety Co.**

2400 Corporate Exchange Drive, Suite 290, Columbus, Ohio 43231; 614-895-2000; fax: 614-895-2707

|                      |              |              |
|----------------------|--------------|--------------|
|                      | 1997         | 1996         |
| Gross premiums       | \$55,607,881 | \$41,086,364 |
| Non-admitted         | \$32,785,752 | \$30,793,129 |
| Commercial risks     | 100%         | 100%         |
| Net premiums         | \$29,911,011 | \$24,663,945 |
| Paid-in capital      | \$3,000,000  | \$2,000,000  |
| Policyholder surplus | \$31,461,231 | \$25,953,588 |

Continued on next page

**Explanation of terms in this directory**

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

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

Information on gross premiums, which are reported as a combination of direct business and reinsurance assumed by the company, begins each listing.

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

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

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

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

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

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

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

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

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

Each listing includes the company's year founded and its parent company. Commercial risks the company specializes in insuring are noted under specialties. The names and locations of subsidiaries are also listed.

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

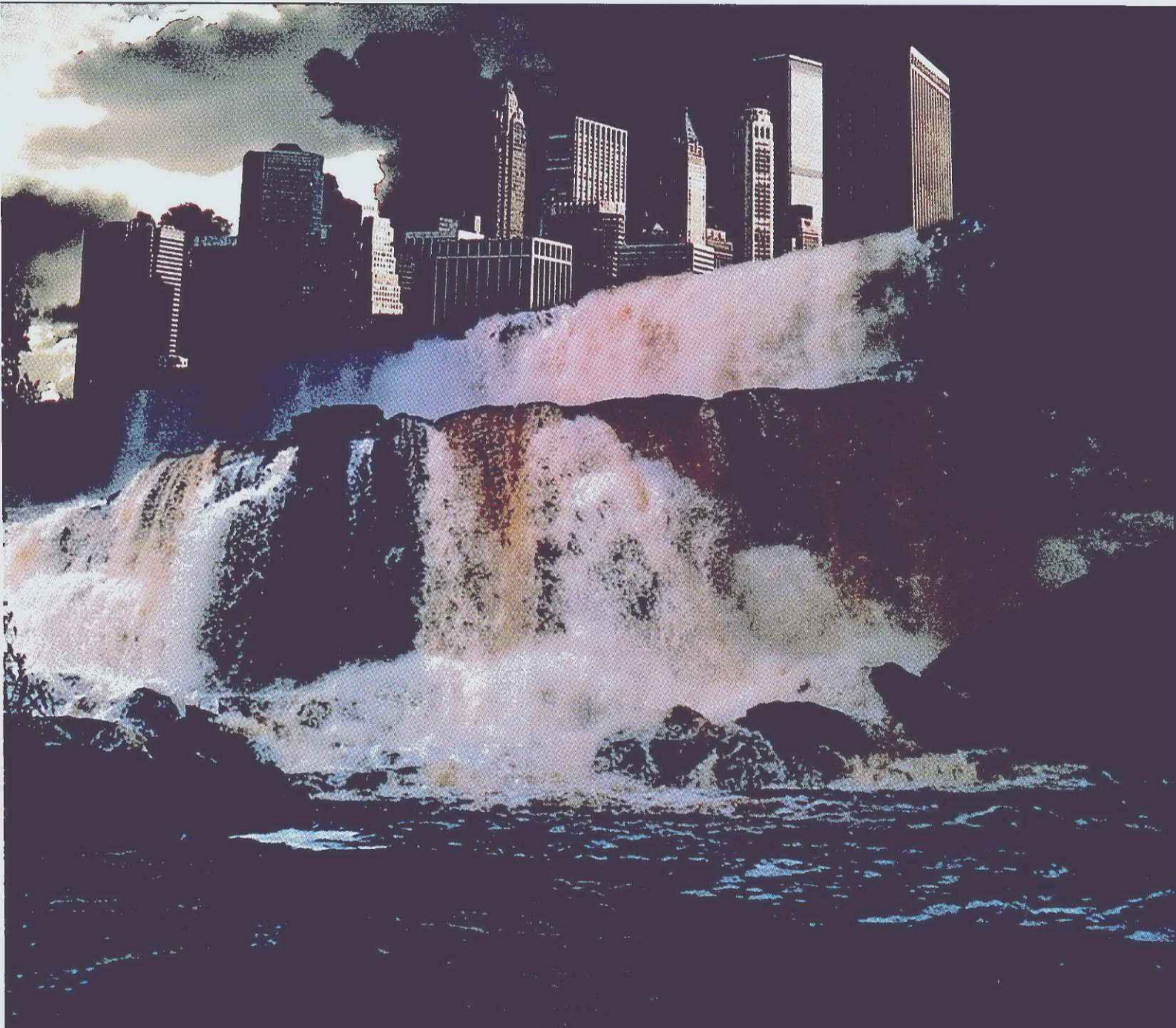
Names and titles of principal officers, as well as a contact for readers seeking more information, complete each listing.

In addition to this directory of excess and surplus lines insurers, a directory of insurance wholesalers begins on page 57.

BI publishes the directory as an editorial service; there is no charge to be included. Financial information is verified whenever possible against the companies' annual statements as filed with state insurance departments. Although every effort is made to provide complete and accurate information, BI is unable to verify all information received.

The Best's rating modifiers used in the directory are:

(c) a contingent rating; (e) the rating of the parent company; (g) a group rating; (q) a qualified rating; (p) a pooled rating; (r) a reinsured rating; (s) a consolidated rating.



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www.pxre.com



Continued from previous page

|                  | 1997        | 1996        |
|------------------|-------------|-------------|
| Employees        | 111         | 91          |
| Combined ratio 1 | 90.5%       | 101.1%      |
| Combined ratio 2 | 89.9%       | 100.4%      |
| Net income       | \$5,165,972 | \$1,915,862 |
| Best's rating    | A-          | A-          |
| S&P's rating     | BBB         | BBB         |

Figures reported on a pooling basis.

**Founded:** 1978.**Parent:** Century Business Services Inc.

**Specialties:** Contractors; restaurants, bars and taverns; tanning salons; taxicab and limousine; health and exercise; environmental professional consultants; apartment buildings; hotels/motels; day care/pre-schools.

**Subsidiaries:** American Inspection & Audit Services Inc., Columbus, Ohio; CSC In-

urance Agency Inc., Columbus, Ohio; Continental Heritage Insurance Co., Salt Lake City; Evergreen National Indemnity Co., Columbus, Ohio.

**Approved non-admitted in:** Alabama, Alaska, Arkansas, California, Delaware, District of Columbia, Florida, Georgia, Hawaii, Idaho, Illinois, Iowa, Kansas, Kentucky, Maryland, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, North Carolina, North Dakota, Oklahoma, Oregon, Pennsylvania, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, Washington, Wyoming.

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

**Officers:** Roswell Ellis, CEO; Norman Amick, president; Glenn D. Southwick, treasurer/CFO; Anne L. Meyers, secretary; Craig L. Stout, vp.

**Contact:** Mike Stith.

### Colony Insurance Co.

9201 Forest Hill Ave., Suite 200,  
Richmond, Va. 23235;  
804-327-1700; fax: 804-327-1799

|                      | 1997         | 1996         |
|----------------------|--------------|--------------|
| Gross premiums       | \$49,102,590 | \$47,633,925 |
| Non-admitted         | \$45,810,752 | \$45,388,150 |
| Commercial risks     | 100%         | 100%         |
| Net premiums         | \$28,715,347 | \$21,048,339 |
| Paid-in capital      | \$2,000,000  | \$2,000,000  |
| Policyholder surplus | \$30,535,456 | \$25,950,364 |
| Employees            | 80           | 70           |
| Combined ratio 1     | 98.4%        | 100.4%       |
| Combined ratio 2     | 98.4%        | 100.2%       |
| Net income           | \$3,046,875  | \$3,170,460  |
| Best's rating        | A-           | B++          |

**Founded:** 1981.

**Parent:** Front Royal Inc.

**Specialties:** Contractors, restaurants/taverns, auto garages, health care facilities, day care centers, pest control, security guards, environmental coverages.

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

**Approved non-admitted in:** All states except Connecticut, Delaware, Maine, New Hampshire, New Jersey, New Mexico, Rhode Island.

**Admitted in:** Virginia.

**Officers:** John K. Latham, president/CEO; Dale Pilkington, senior vp-underwriting; Edward Desch, vp/CFO; Douglas Wall, vp-claims; Paul Gazzara, vp-marketing.

**Contact:** Julie Farley.

### Columbia Casualty Co.

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

|                      | 1997          | 1996          |
|----------------------|---------------|---------------|
| Gross premiums       | \$544,205,439 | \$544,954,351 |
| Non-admitted         | \$201,266,877 | \$181,294,645 |
| Commercial risks     | 100%          | 100%          |
| Net premiums         | \$321,837,070 | \$360,441,102 |
| Paid-in capital      | \$8,700,000   | \$5,200,000   |
| Policyholder surplus | \$291,700,643 | \$280,811,095 |
| Employees            | 168           | 122           |
| Combined ratio 1     | 110.3%        | 109.7%        |
| Combined ratio 2     | 106.7%        | 109.4%        |
| Net income           | \$29,565,889  | \$34,272,113  |
| Best's rating*       | A/A-          | A/A-          |
| S&P's ratings*       | A+/A-         | A+/A-         |

Figures reported on a pooling basis.

**Specialties:** Railroad liability, excess workers compensation, liquor liability, elevator maintenance, non-standard automobile, group personal excess, excess casualty, specialty automobile.

**Approved non-admitted in:** All states. Also approved in Canada.

**Admitted in:** All states. Also admitted in Canada.

**Officers:** Richard W. Quehl, president; William P. Casey, senior vp.

**Contact:** Richard W. Quehl.

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

E

### Essex Insurance Co.

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

|                      | 1997          | 1996          |
|----------------------|---------------|---------------|
| Gross premiums       | \$161,167,072 | \$129,310,644 |
| Non-admitted         | \$115,132,512 | \$119,485,293 |
| Commercial risks     | 71.4%         | 92.4%         |
| Net premiums         | \$114,711,797 | \$83,352,750  |
| Paid-in capital      | \$4,500,000   | \$4,500,000   |
| Policyholder surplus | \$77,601,421  | \$60,623,414  |
| Employees            | 161           | 143           |
| Combined ratio 1     | 87.5%         | 81.6%         |
| Combined ratio 2     | 87.5%         | 81.7%         |
| Net income           | \$14,977,847  | \$14,146,645  |
| Best's rating        | A             | A             |
| S&P's rating         | A             | A             |

**Founded:** 1980.

**Parent:** Markel Corp.

**Specialties:** Property, general liability, inland marine, motor truck cargo, umbrella, excess casualty.

**Approved non-admitted in:** All states, excluding Delaware. Also approved in Guam, Puerto Rico and the U.S. Virgin Islands.

**Admitted in:** Delaware.

**Officers:** Stephen J. Vaccaro Jr., president; Alan Irving Kirshner, chairman; Anthony Foster Markel, vice chairman; Gregory Brian Nevers, secretary; Steven Andrew Markel, executive vp.

**Contact:** Jill Grode Goldfine.

F

### Fulcrum Insurance Co.

199 Water St., 20th Floor,  
New York, N.Y. 10038-3526;  
212-480-1900; fax: 212-480-1328  
www.fulcrumins.com

|                      | 1997         | 1996         |
|----------------------|--------------|--------------|
| Gross premiums       | \$19,351,762 | \$4,872,775  |
| Non-admitted         | \$19,197,918 | \$4,885,245  |
| Commercial risks     | 99.2%        | 100%         |
| Net premiums         | \$426,866    | \$529,910    |
| Paid-in capital      | \$4,500,000  | \$4,500,000  |
| Policyholder surplus | \$23,485,490 | \$22,528,681 |
| Employees            | 21           | 19           |
| Combined ratio 1     | 2.4%         | 120%         |
| Combined ratio 2     | NA           | 121.5%       |
| Net income           | \$1,174,402  | \$734,801    |
| Best's rating        | A            | A-           |
| S&P's rating         | AA-          | NA           |

**Founded:** 1994.

**Parent:** SOREMA North America Reinsurance Co.

**Specialties:** Catastrophe-driven products, national accounts, technical risks, program business, commercial general liability.

**Approved non-admitted in:** All states excluding Connecticut, Maine, New Hampshire, New York, Rhode Island and Vermont. Also approved in Guam, Puerto Rico and the U.S. Virgin Islands.

**Admitted in:** New York.

**Officers:** Francois M. Chavel, chairman/president/CEO; Nicolas Papadopoulos, executive vp/chief underwriting officer; William J. Gelert, executive vp-risk (casualty); R. Daniel Peed, senior vp-risk (property); Mark J. Purcell, senior vp/CFO; Deborah L. Brady, senior vp/marketing director.

**Contact:** Deborah L. Brady.

## How one insurance claims company tested the strategic claims of GE Capital.

JEFF WARD,  
Chief Executive Officer

Ward North America, Inc.  
San Diego  
National insurance claims outsourcing leader



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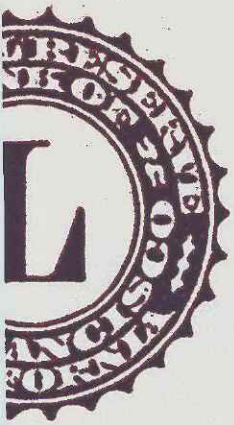
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Continued on page 38

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*Richard F.*

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Secretary of

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Fidelity & Surety Division, Schaumburg, Illinois  
Latin American & Caribbean Division, Coral Gables, Florida  
Professional Liability Treaty Division, Florham Park, New Jersey  
Property & Casualty Treaty Division, Florham Park, New Jersey



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Continued from page 36



**General Agents Insurance Co. of America Inc.**

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

|                      | 1997          | 1996          |
|----------------------|---------------|---------------|
| Gross premiums       | \$101,259,374 | \$111,338,529 |
| Non-admitted         | \$50,821,251  | \$55,850,492  |
| Commercial risks     | 100%          | 100%          |
| Net premiums         | \$68,480,615  | \$77,921,818  |
| Paid-in capital      | \$3,000,000   | \$3,000,000   |
| Policyholder surplus | \$76,495,883  | \$57,011,890  |
| Employees            | 140           | 175           |
| Combined ratio 1     | 93.2%         | 89.2%         |
| Combined ratio 2     | 93.2%         | 89.2%         |
| Net income           | \$15,449,442  | \$12,509,842  |
| Best's rating        | A+            | A+            |

Figures reported on a pooling basis.

**Founded:** 1978.

**Specialties:** Commercial auto, trucking, contractors, auto dealers and property.

**Subsidiaries:** Agents Processing Systems

Inc., General Agents Premium Finance Co.

**Approved non-admitted in:** All states, excluding Maine.

**Admitted in:** All states, excluding Colorado, Hawaii, Maine, New Hampshire, New Jersey and New York.

**Officers:** Glenn W. Anderson, president/CEO; Daniel J. Coots, CFO; Carolyn E. Ray, senior vp; J. Landis Graham, Richard M. Buxton, vps.

**Contact:** Brian Schwarzbach, marketing.

\* Reflects General Agents Group (GAINSCO Cos.)

**General Star Indemnity Co.**

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

|                      | 1997          | 1996          |
|----------------------|---------------|---------------|
| Gross premiums       | \$322,502,210 | \$299,338,485 |
| Non-admitted         | \$311,434,771 | \$293,228,768 |
| Commercial risks     | 97%           | 98%           |
| Net premiums         | \$245,098,139 | \$222,386,129 |
| Paid-in capital      | \$5,000,000   | \$5,000,000   |
| Policyholder surplus | \$330,026,971 | \$327,790,817 |
| Combined ratio 1     | 96.6%         | 93.8%         |

|                  | 1997         | 1996         |
|------------------|--------------|--------------|
| Combined ratio 2 | 96.3%        | 93.5%        |
| Net income       | \$45,479,447 | \$41,065,501 |
| Best's rating    | A++          | A++          |
| S&P's rating     | AAA          | AAA          |

**Founded:** 1967.

**Parent:** General Reinsurance Corp.

**Specialties:** Animal mortality; biotechnology/clinical trials; environmental and pollution covers; excess auto/buffer layers; E&O/D&O; oil and gas services contractors (onshore and offshore); product liability, including pharmaceuticals, chemicals, medical devices; scenic and shortline railroads; wind deductible buybacks; earthquake.

**Subsidiaries:** General Star International Indemnity Ltd., London.

**Approved non-admitted in:** All states, excluding Connecticut.

**Admitted in:** Connecticut.

**Officers:** Kevin P. Brooks, chairman/president.

**Contact:** David W. Micik.

**General Star National Insurance Co.**

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

|                      | 1997          | 1996          |
|----------------------|---------------|---------------|
| Gross premiums       | \$38,782,944  | \$56,116,680  |
| Excess liability     | 89%           | 88%           |
| Admitted             | 100%          | 100%          |
| Net premiums         | \$24,928,555  | \$33,369,753  |
| Paid-in capital      | \$4,000,000   | \$4,000,000   |
| Policyholder surplus | \$103,398,811 | \$100,309,970 |
| Combined ratio 1     | 96.2%         | 97.7%         |
| Combined ratio 2     | 95.8%         | 96.4%         |
| Net income           | \$14,088,822  | \$11,067,378  |
| Best's rating        | A++           | A++           |
| S&P's rating         | AAA           | AAA           |

**Founded:** 1864.

**Parent:** General Reinsurance Corp.

**Specialties:** Day care, entertainment, substandard/high-hazard property, excess auto buffer layers.

**Admitted in:** All states.

**Officers:** Kevin P. Brooks, chairman/president.

**Contact:** David W. Micik.

**Glencoe Insurance Ltd.**

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

|                | 1997        | 1996        |
|----------------|-------------|-------------|
| Gross premiums | \$7,041,000 | \$1,552,000 |

|                      | 1997         | 1996         |
|----------------------|--------------|--------------|
| Non-admitted         | \$7,041,000  | \$1,552,000  |
| Commercial risks     | 100%         | 100%         |
| Net premiums         | \$6,190,000  | \$1,052,000  |
| Paid-in capital      | \$500,000    | \$500,000    |
| Policyholder surplus | \$68,409,000 | \$50,956,000 |
| Employees            | 5            | 5            |
| Combined ratio 1     | 81.3%        | 203.3%       |
| Combined ratio 2     | 112%         | NA           |
| Net income           | \$2,421,000  | \$900,000    |
| Best's rating        | A-           | A-           |

**Founded:** 1996.

**Parent:** RenaissanceRe Holdings Ltd.

**Specialties:** Commercial property catastrophe.

**Subsidiaries:** Desoto Insurance Co., Tallahassee, Fla.

**Approved non-admitted in:** Arkansas, California, Delaware, District of Columbia, Florida, Georgia, Hawaii, Illinois, Indiana, Iowa, Kansas, Louisiana, Maryland, Missouri, Nebraska, New Mexico, New Jersey, New York, North Carolina, Ohio, Oregon, South Carolina, South Dakota, Texas, Washington, West Virginia, Wisconsin, Wyoming. Also approved in the U.S. Virgin Islands.

**Admitted in:** Guam.

**Officers:** James N. Stanard, chairman; Keith S. Hynes, president/CEO; Craig W. Tillman, assistant vp; John D. Nichols Jr., treasurer; Diana R. Petty, secretary.

**Contact:** Craig W. Tillman.



**Houston Casualty Co.**

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

|                      | 1997          | 1996          |
|----------------------|---------------|---------------|
| Gross premiums       | \$212,007,053 | \$211,467,952 |
| Non-admitted         | \$74,077,575  | \$76,343,840  |
| Commercial risks     | 100%          | 100%          |
| Net premiums         | \$74,443,082  | \$82,501,411  |
| Paid-in capital      | \$5,000,000   | \$5,000,000   |
| Policyholder surplus | \$233,042,964 | \$150,684,595 |
| Employees            | 86            | 79            |
| Combined ratio 1     | 70%           | 71.9%         |
| Combined ratio 2     | 72%           | 77.2%         |
| Net income           | \$35,084,169  | \$29,232,685  |
| Best's rating        | A+            | A             |
| S&P's rating         | AAq           | Aq            |

**Founded:** 1980.

**Parent:** HCC Insurance Holdings Inc.

**Specialties:** Aviation, blue water ocean marine, offshore energy, property catastrophe.

**Subsidiaries:** HCC Underwriters, Trafalgar Insurance Co., U.S. Specialty Insurance Co., Houston.

**Approved non-admitted in:** All states excluding New Hampshire, South Carolina, Tennessee, Texas and Vermont. Also approved in Guam, Puerto Rico and the U.S. Virgin Islands.

**Admitted in:** Texas.

**Officers:** Stephen L. Way, chairman; Peter B. Smith Jr., president/CEO; John N. Molbeck Jr., executive vp; Edward H. Ellis Jr., senior vp/CFO; L. Edward Tuffly Jr., senior vp/treasurer.

**Contact:** Peter B. Smith Jr.



**INEX Insurance Exchange**

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

|                      | 1997         | 1996         |
|----------------------|--------------|--------------|
| Gross premiums       | \$31,555,826 | \$37,824,902 |
| Non-admitted         | \$16,897,429 | \$78,143,719 |
| Commercial risks     | 54%          | 91.5%        |
| Net premiums         | \$20,963,348 | \$24,838,918 |
| Paid-in capital      | \$7,229,283  | \$4,502,533  |
| Policyholder surplus | \$79,988,517 | \$20,313,484 |
| Employees            | 11           | 22           |
| Combined ratio 1     | 115%         | 107.2%       |
| Net income           | (\$916,672)  | (\$109,128)  |

**Founded:** 1980.

**Specialties:** Associations, contractors, environmental, excess coverages, liquor liability, property, recreational risks, special events, specialty programs, umbrellas.

**Approved non-admitted in:** All states, excluding California, Colorado, Connecticut, Maine, Nevada, New Hampshire, New York, Rhode Island and Texas. Authority limited to certain syndicates in Arizona, Florida, Louisiana, South Carolina, Virginia, Washington, and Wisconsin.

**Admitted in:** Illinois.

**Officers:** James E. Tait, president/CEO; Gerald F. Murray, vp/general counsel/secretary.

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# BrokerTopics

A monthly editorial section sent exclusively to agents and brokers

## LEADERS IN PRODUCTIVITY

### Most productive U.S. agents and brokers

Ranked by 1997 brokerage revenues per employee for companies deriving a majority of their revenues from commercial retail business

| Company Name                           | Revenue/Employee |                  |             | Brokerage Revenues     |                        |              | Employees    |              |             |
|--|------------------|------------------|-------------|------------------------|------------------------|--------------|--------------|--------------|-------------|
|  | 1997             | 1996             | % change    | 1997                   | 1996                   | % change     | 1997         | 1996         | % change    |
| 1 Joseph Held Co. Inc.                 | \$318,750        | \$309,375        | 3.0%        | \$2,550,000            | \$2,475,000            | 3.0%         | 8            | 8            | 0.0%        |
| 2 Healthcare Insurance Services Inc.   | 240,753          | 211,485          | 13.8        | 43,335,455             | 39,759,206             | 9.0          | 180          | 188          | -4.3        |
| 3 The Sklover Group Inc.               | 230,375          | 230,375          | 0.0         | 1,843,000              | 1,843,000              | 0.0          | 8            | 8            | 0.0         |
| 4 The Wood Insurance Group Inc.        | 224,093          | 195,870          | 14.4        | 2,016,840              | 2,350,439              | -14.2        | 9            | 12           | -25.0       |
| 5 AirSure Ltd.                         | 221,336          | 215,924          | 2.5         | 4,426,728              | 3,670,713              | 20.6         | 20           | 17           | 17.6        |
| 6 Frank Crystal & Co. Inc.             | 215,260          | 193,925          | 11.0        | 48,864,000             | 44,021,000             | 11.0         | 227          | 227          | 0.0         |
| 7 Seaman Ross & Wiener Inc.            | 206,667          | 215,322          | -4.0        | 3,100,000              | 3,014,512              | 2.8          | 15           | 14           | 7.1         |
| 8 Wm. Rigg Cos.                        | 187,870          | 170,566          | 10.1        | 22,732,292             | 20,297,354             | 12.0         | 121          | 119          | 1.7         |
| 9 Norwest Insurance Inc.               | 187,722          | 127,669          | 47.0        | 126,900,000            | 78,133,500             | 62.4         | 676          | 612          | 10.5        |
| 10 Hobbs Group L.L.C.                  | 182,006          | 173,813          | 4.7         | 28,575,000             | 26,072,000             | 9.6          | 157          | 150          | 4.7         |
| 11 MLW Services Inc.                   | 173,250          | 175,154          | -1.1        | 11,088,000             | 11,385,000             | -2.6         | 64           | 65           | -1.5        |
| 12 James Econn & Co.                   | 173,140          | 155,136          | 11.6        | 5,540,470              | 5,429,769              | 2.0          | 32           | 35           | -8.6        |
| 13 Van Beurden Insurance Services Inc. | 165,808          | 152,894          | 8.4         | 16,083,356             | 14,524,928             | 10.7         | 97           | 95           | 2.1         |
| 14 The Jacobs Co. Inc.                 | 163,303          | 132,167          | 23.6        | 3,102,750              | 2,907,684              | 6.7          | 19           | 22           | -13.6       |
| 15 Aviation Insurance Services         | 163,000          | 201,250          | -19.0       | 4,075,000 <sup>1</sup> | 4,025,000 <sup>1</sup> | 1.2          | 25           | 20           | 25.0        |
| 16 Mesirow Insurance Services Inc.     | 162,026          | 116,199          | 39.4        | 23,655,867             | 19,986,159             | 18.4         | 146          | 172          | -15.1       |
| 17 The Simkiss Cos.                    | 159,065          | 157,968          | 0.7         | 9,862,000 <sup>2</sup> | 9,794,000 <sup>2</sup> | 0.7          | 62           | 62           | 0.0         |
| 18 Associated Agencies Inc.            | 157,894          | 159,783          | -1.2        | 14,210,500             | 14,700,000             | -3.3         | 90           | 92           | -2.2        |
| 19 The Graham Co.                      | 156,654          | 142,712          | 9.8         | 19,895,000             | 18,552,500             | 7.2          | 127          | 130          | -2.3        |
| 20 HCM Benefits Inc.                   | 155,536          | 177,034          | -12.1       | 6,843,578              | 6,196,200              | 10.4         | 44           | 35           | 25.7        |
| <b>Average/totals</b>                  | <b>\$192,225</b> | <b>\$180,731</b> | <b>6.4%</b> | <b>\$398,699,836</b>   | <b>\$329,137,964</b>   | <b>21.1%</b> | <b>2,127</b> | <b>2,083</b> | <b>2.1%</b> |

<sup>1</sup> Fiscal year ending 6/30 <sup>2</sup> Fiscal year ending 3/31  
Source: BI survey

# Leading firms follow proven path

## Specialization, technology and hard work key to success

By SALLY ROBERTS

**W**hile some agents and brokers are keen on the notion that bigger is better, size was not a factor for the Top 20 most productive agents and brokers in 1997.

Instead, these companies relied on specialization, technology and old-fashioned hard work to earn a spot on *Business Insurance's* annual ranking of the most productive U.S.-based agents and brokers.

For the 20 agents and brokers in the ranking, the average brokerage revenue per employee grew 6.4% to \$192,225 in 1997. Agencies making the Top 20 ran the gamut in size, from an agency with \$1.8 million in brokerage revenues and eight employees to a \$126.9 million agency with 676 employees.

Comparatively, J&H Marsh & McLennan Inc., the world's largest broker, with \$4.4 billion in 1997 brokerage revenues and

30,900 employees, averaged \$142,275 in revenues per employee. Likewise, Aon Group Inc., which reported an estimated \$4.03 billion in 1997 brokerage revenues and 33,000 employees, averaged \$122,176 in revenues per employee. Neither broker made the most productive chart.

Specialization is key, according to the most productive agents and brokers. Others point to technology as the catalyst behind becoming more efficient and productive, while others say hard work and a smaller staff really pays off.

"It boils down to what we've been doing for the past several years, and that's specialization," contends John McGrath, president of Hobbs Group of California in San Francisco, whose parent Hobbs Group Inc., based in Waltham, Mass., ranks as the 10th most productive company, based on \$182,006 in revenues per employee in 1997.

Hobbs Group specializes in strategic risk management programs for larger accounts gener-

ating more than \$1 million in annual premiums.

For Associated Agencies Inc., productivity is only as high as its staff is strong, according to President Robert M. Schrayner.

The Rolling Meadows, Ill.-based agency is the 18th most productive company, with \$157,894 in revenues per employee.

"We are fortunate to have very qualified people who work hard, are ambitious and do a great job," Mr. Schrayner said. "That's really the story."

Each year, *Business Insurance* ranks the 20 most productive agents and brokers based on information supplied to *BI* for the annual Agent/Broker Profiles issue (*BI*, July 20).

To be eligible for the list of the Top 20 most productive agents and brokers, companies must generate more than 50% of their 1997 brokerage revenues from commercial retail business.

For the eighth year in a row, Joseph Held Co. Inc. ranks as the most productive agent or broker. Revenues per employee in-

creased 3% in 1997 to \$318,750, the only agency on the chart to reach the \$300,000 mark.

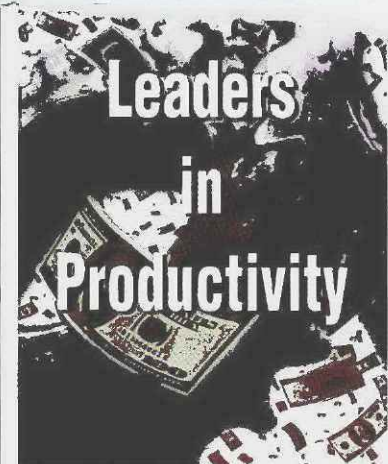
According to Kenneth S. Held, president and chief executive officer of the New York-based, family-owned agency, finding a niche is the key to the company's productivity.

"What we do is specialization," Mr. Held said. "Others just talk about it, we actually do it and have been doing it for 25 years."

Not only does the Joseph Held Co. specialize in writing catastrophe programs for high-value high-rise condominiums located in the coastal areas, it also is one of the largest suppliers of insurance for the beer distribution industry.

"We write the largest beer distributor in New York City, which is the largest beer distributor in the country," Mr. Held said. He added that the average premium for the agency's food and beverage distribution program is in excess of \$1 million.

The agency also has found a niche providing coverage for Year 2000 computer compliance and system security for large fi-



nancial institutions, Mr. Held said.

Houston-based Healthcare Insurance Services Inc., a perennially productive agency, reappears in the ranking at the No. 2 spot with \$240,753 in 1997 revenues per employee.

The agency did not appear in last year's ranking because only 48% of its 1996 revenues came from retail business. In 1997, that percentage increased to 58.6%, making it eligible for the ranking.

The Sklover Group Inc.  
*Continued on next page*

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Continued from page 38B

dropped one spot in the ranking, to No. 3, based on \$230,375 in revenue per employee.

1997 brokerage revenues remained flat at \$1.8 million as did Sklover's employee count, which was unchanged at eight.

"Specialization, without a doubt, that's the key," said Chairman Richard Sklover, when asked what makes the Westbury, N.Y.-based agency so productive. The agency specializes in the travel and credit card industries.

"We represent 5,000 travel agents with all their insurance and God only knows how many credit cards we represent in the

country," Mr. Sklover said. "That's really the reason why" the agency is so productive.

Jumping two spots in the ranking, The Wood Insurance Group Inc. takes the No. 4 spot, based on \$224,093 in 1997 revenue per employee.

Wood's overall 1997 brokerage revenues are down 14.2% to just over \$2 million, but head count also shrank by three, to nine employees.

In addition to investing in "faster and more efficient" computer equipment and software, the Phoenix-based agency thrives on its small staff, according to President David Wood.

"Our company operates more efficiently with a certain-sized staff," he said. Not only do all nine employees know and like each other, but "everyone brings to the table a strength that is another's weakness...and work flows to each person's strength."

Plus, "it's a little more fun working hard with people you like," Mr. Wood added.

Finishing out the top five, AirSure Ltd. drops two spots in the ranking to No. 5, with \$221,336 in 1997 revenue per employee, a 2.5% increase from 1996. The Golden, Colo.-based agency's 1997 brokerage revenue jumped 20.6% to \$3.7 million, while its

staff increased to 20 from 17 in 1996.

According to Bill Behan, president of the aviation insurance broker, AirSure's productivity comes down to the right people and the right automation systems.

AirSure hires the right people and gives them incentives and the training and supplies "needed to make their job easier," Mr. Behan said.

"We've got good systems, good people and committed players all the way around," he said.

Not surprisingly, the biggest jumps in productivity came from agencies that did not make the

cut last year.

Norwest Insurance Inc., for example, reported the largest increase in revenue per employee in this year's ranking, bolting 47% to \$187,722. The Minneapolis-based agency, which assumes the No. 9 spot, is the largest among the Top 20, with \$126.9 million in 1997 brokerage revenues and 676 employees.

Mesirow Insurance Services saw a 39.4% jump in productivity in 1997. The Chicago-based broker became the 16th most productive agency, with revenue per employee of \$162,026.

The Jacobs Co. Inc. makes an ap-  
See **Productive** on next page

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## Productive

Continued from previous page  
pearance on this year's chart in the No. 14 spot, based on \$163,303 in 1997 revenues per employee, up 23.6% from 1996. The Columbia, Md.-based agency's 1997 brokerage revenues increased 6.7% to \$3.1 million, while head count decreased to 19 employees from 22 in 1996.

Revenues per employee at The Graham Co. increased 9.8% to \$156,654 in 1997, enough to put the Philadelphia-based agency in the No. 19 spot. Brokerage revenues increased 7.2% in 1997 to

\$19.9 million, while the number of employees at The Graham Co. fell by three to 127.

Rounding out the Top 20 is Torrance, Calif.-based HCM Benefits Inc., which had revenues per employee of \$155,536.

Agents and brokers missing from this year's list, including last year's No. 19 Corporate Benefit Consultants Inc. and No. 20 The HDH Group Inc., posted revenue per employee below this year's cut of \$155,536.

Last year's No. 5, Wittner & Co., and No. 13 San Diego Associates Inc., did not participate in this year's *BI* directory of agents and brokers. **BI**

## Experts suggest a new look at producer compensation

By GAVIN SOUTER

**P**aying producers good money to bring in good business has long been the game plan for many successful agencies.

But by taking a more sophisticated approach to structuring compensation programs, insurance agencies and their produc-

ers can become more successful, agency consultants say.

Producers should be offered financial incentives to bring in more new business and larger accounts, the consultants say. At the same time, financial rewards for smaller accounts and renewal business should be reduced.

And to ensure that producers are contributing to every part of an agency's book, they should get referral compensation when they pass on leads they do not have the expertise to follow up themselves.

Producers ultimately win richer rewards under these structures and insurance agencies will achieve revenue growth in a soft market by winning new business and larger accounts, these consultants say.

Different business environments need different compensation plans to ensure that agencies remain as profitable as possible, said Timothy J. Cunningham, a principal at Insight Management Group in Chicago.

Currently, if agencies want to grow their business, they need to aggressively seek new accounts, as the commissions on renewal business are falling with premiums in the soft property/casualty insurance market, he said.

But at the same time they should be careful not to lose any of the existing business, Mr. Cunningham said.

Popular compensation structures to encourage new business growth include varying commissions for new and renewal business. Currently, a commission of 40% for new business and 20% for renewal business is a popular structure that agencies use to encourage producers to bring in new business.

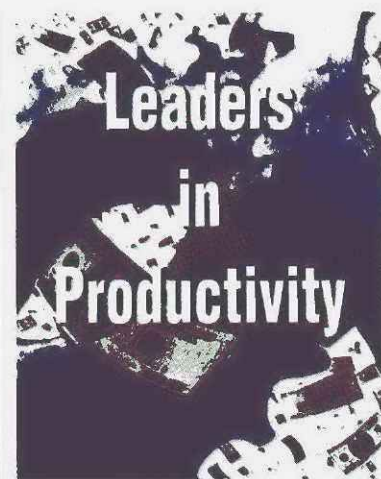
But even this structure can be improved, Mr. Cunningham said.

"A new and renewal matrix may obliquely reward growth, but it has very little relevance for retention and profitability," he said.

Agencies should consider offering a higher percentage commission when a producer's entire book moves above a given threshold, Mr. Cunningham said.

Allowing producers a stake in their own book of business after they reach certain targets is another popular compensation-based growth strategy that needs to be revised, said John M. Wepler, vp of merger and acquisition services at Marsh, Berry & Co., an agency consultant in Concord, Ohio.

Agencies often offer producers, for example, 50% interest on their book of business once it reaches a certain size as an enticement to bring in new busi-



ness, he said.

"The danger with that is that the producers end up doing things only in their own interests rather than in the interests of the agency," Mr. Wepler said. Producers may grow the book to such a size that they spend much of their time servicing their existing customers rather than drumming up new business, he said.

Agencies seeking to avoid this scenario should offer successful producers an ownership stake in the agency, Mr. Wepler said. Then, producers are more likely to be interested in the profitability of the entire agency, delegate servicing tasks to other employees, and seek new business, he said.

Client servicing should not suffer, because a 20% renewal commission will still be enough to ensure that producers will take an interest in overseeing client servicing, Mr. Wepler said. Also, if the agency becomes more profitable as a result of making the best use of its producers, it will be able to afford to take on high-quality account management staff, he said.

Agencies can maintain a good account management staff by introducing a team-based compensation package that rewards a producer and the producer's team for the overall book of business, said Mark S. Lefenfeld, a managing director at Russell Miller Inc. in Austin, Texas.

Members of the team will see that new business attracts a higher commission than renewal business and will more readily help a producer service existing business in the hope that the producer will have more time to win new accounts, he said.

Agencies seeking to increase new business should also structure their compensation plans to encourage producers to concentrate on larger, more profitable accounts, said Carol A. Hammes, president of the Middleton Group in Lisle, Ill., an agency management consultant.

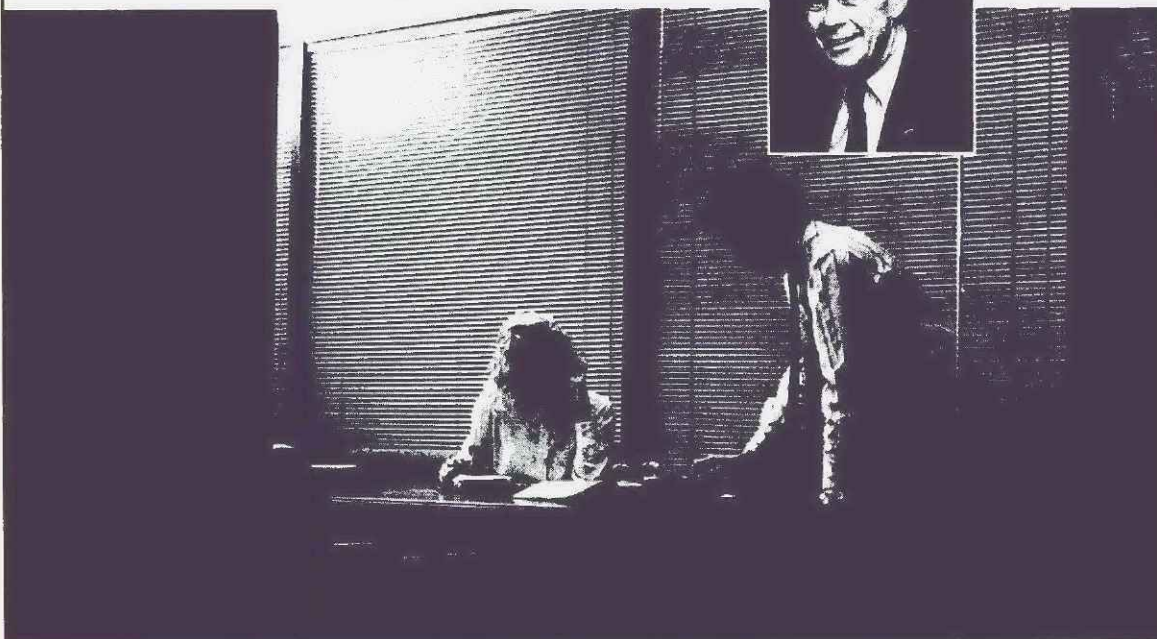
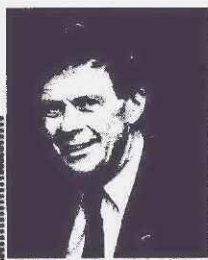
Several of the more profitable agencies now only pay the initial commission for small account

See **Producers** on next page

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## Producers

Continued from page 38D  
business and pay nothing on renewal, she said.

"Obviously, that encourages them to go out and get larger accounts and in the process make more money for the agency," Ms. Hammes said.

Initially, when renewal commissions are cut, there is a "culture shock," but within a year producers see the benefits for themselves, she said.

"They realize that instead of spending their time on something that brings in \$200 in commission, they can spend their time working on business that brings in \$20,000," Ms. Hammes said.

Small accounts and personal lines business can be referred to other departments within an agency that are geared to handling that type of business, said Mr. Lefenfeld of Russell Miller.

By setting up a referral system with a commission paid to the referring producer, agencies can again structure their compensation package to make themselves more profitable, he said.

"For years and years, people have been talking about the money left on the table by property/casualty people who don't know much about benefits," Mr. Lefenfeld said.

By compensating producers with either a dollar amount or a percentage of the commission for each successful referral, agencies can establish an effective cross-selling system, he said.

Agencies also can encourage their producers to concentrate on larger accounts by annually removing the bottom 10% of accounts from a producer's book each year, said Mr. Wepler of Marsh Berry.

Again, this frees the producer to concentrate on more profitable business.

"It doesn't take them long to realize that if they write one or two accounts at the higher end it will more than replace the commission they lost," he said.

When all the accounts become so large that an agency cannot reasonably take any of them away from a producer, the producer is making enough money to buy stock in the agency, Mr. Wepler said.

"You help them on a career path by making them focus on larger and larger accounts," he said.

Agencies also can encourage business production by giving other incentives to grow the total size of their books, said Ms. Hammes.

For example, once a producer achieves a certain size of book, an agency might give the producer a larger car allowance or an office or a title, she said.

"It's really amazing how the title of vice president can turn someone on, and if it gets producers excited, then it's good for everyone," she said. **BI**

## Mizel turns dream into growing broker

USI's success as integrated distribution system the result of vision, hard work

By JOANNE WOJCIK

**H**ow does a new insurance broker grow to become the 11th largest in the world in just four years—especially during a soft market?

It takes vision, hard work and focus, said Bernard H. Mizel, president and chief executive officer of San Francisco-based USI Insurance Services Inc.

He sees what he does as a vocation more than a career.

"This is an evangelistic company and we are evangelists. We go out and talk to people about turning dreams into reality. That's what USI is about."

"This is not about just making money; this is about creating a model," he said. "That's the only way that we could get where we are today."

But USI's success also is largely attributable to Mr. Mizel's expe-

rience and energy.



Mr. Mizel

"His enthusiasm is contagious," said Jay Cohen, a New York-based vp at Merrill Lynch & Co. "He has the experience and has built

some pretty good companies in the past."

Mr. Mizel said: "Everybody I acquired, I learned from them. So all this was cumulative. The only thing I feel badly about is, it took me a long time to clear my vision, to get something that really made sense. And not 'til five years ago did I really, really understand how to do this."

Since its formation in 1994 with funding from private ven-

See **USI** on next page



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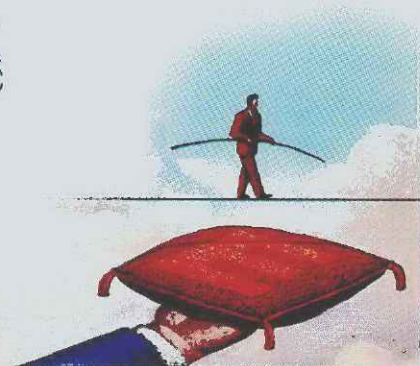
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## USI

Continued from previous page  
 ture capital sources, USI has grown into the 11th-largest broker in the world, with 1997 revenues of \$236.2 million.

Mr. Mizel's company is so successful, in fact, that a consortium of insurers and one major bank has decided to buy out some of those initial shareholders and take a majority stake in USI (BI, July 27).

Not bad for a guy who never went to business school.

Mr. Mizel, 62, earned a bachelor's degrees in English and history from the University of California at Berkeley, and, after that, "I went to law school, but I hated it."

Mr. Mizel began his insurance career in 1959 as an account executive with Levin, Knox & Co., a San Francisco brokerage. Four years later he purchased broker Albert M. Bender & Co., which had annual revenue of about \$200,000.

With a team of aggressive pro-

ducers that he assembled, Mr. Mizel built the company into a firm with \$7 million in revenues, which he sold in 1978 to Bache Halsey Stuart. Remaining on as chairman and chief executive officer, Mr. Mizel took the company, renamed Bache Insurance Services, to \$100 million in revenues, making it by 1982 the 10th-largest commercial insurance brokerage in the United States.

At that time, Prudential Insurance Co. of America purchased Bache and spun off the brokerage to Jardine Insurance Brokers Inc., where Mr. Mizel stayed on as president and consolidated the U.S. operations with Jardine's London and Hong Kong businesses.

Mr. Mizel left Jardine in 1984 to form American Business Insurance, which grew under his leadership to more than \$100 million in revenues in 1993 through acquisitions of more than 50 agencies and books of business. Just prior to its 10th anniversary, ABI had grown into one of the country's 10 largest

brokerages and was purchased by Acordia Inc.

Then Mr. Mizel took some time off—about a year—to decide what to do next.

"Five years ago, I sat back and studied the distribution of financial services in every aspect: bank distribution, securities distribution, life insurance, property and casualty, the pension business, everything," Mr. Mizel said.

"I hired two investment bankers to actually help me do this," he added. "The reason I wanted to do that is I needed to determine whether in fact there was a need for the creation of another insurance brokerage firm as we have known them in the past," he explained.

"What we found was there was incredible need for a distribution system that was multifaceted, that could cross-sell, that was fully integrated and could offer a multiplicity of financial services to the middle-market customers," which he defines as those with 100 to 2,000 employees.

While many of the large retail brokers have divisions or subsidiaries that provide many different types of financial services, none was fully integrated in a way Mr. Mizel thought was necessary to adequately serve the needs of middle-market clients.

"One of the things that just hit us was (that) these companies were financial service distributors, but they weren't fully integrated, and they didn't talk to each other internally. They had their financial services piece, but did they all integrate together? No. Did they all talk to each other? No. Did they all cross-sell their customers? No."

He also found that many insurance companies with both life and property/casualty operations "didn't even talk to each other effectively," he said.

"So we said, 'Wow, that's an opportunity,' because clearly in the middle market are people who needed to find a better solution to purchasing the products that they need," he said.

"What we determined was that that menu was gigantic, and

that if you could penetrate that menu effectively, that your margins would be substantially better than a traditional brokerage operation," Mr. Mizel said.

He also determined that emphasizing cross-selling would enable a broker to grow organically, not just through acquisitions.

Still, much of USI's growth to date has come through acquisitions. In fact, eight acquisitions were completed in just the past two months:

- J.M. Kolisch Insurance, a risk management and property casualty brokerage firm in Coral Gables, Fla.

- Cummings & Associates Inc., an employee benefits brokerage in Seattle.

- Technical Risk of Louisiana, a property/casualty brokerage serving the marine and energy industries based in New Orleans.

- deMontluzin-Spatz & Associates, a life insurance and employee benefits brokerage in Metairie, La.

- J.J. Newman & Co., a third-party administrator in Garden City, N.Y.

- Holtemann, Ord & Smith, a property/casualty brokerage in Petaluma, Calif.

- Colburn Insurance Service Inc., a property/casualty and affinity marketing broker in Media, Pa.

- InLine Financial, a financial services and employee benefits firm in Boca Raton, Fla.

Altogether, USI has completed 77 acquisitions since it was created June 1, 1994. It completed 17 in 1997 and 16 so far in 1998.

All of the purchases "fit in with our strategy of doing fully integrated financial services and insurance distribution," said Rebecca Cardamone, USI's vp-marketing, planning and communications.

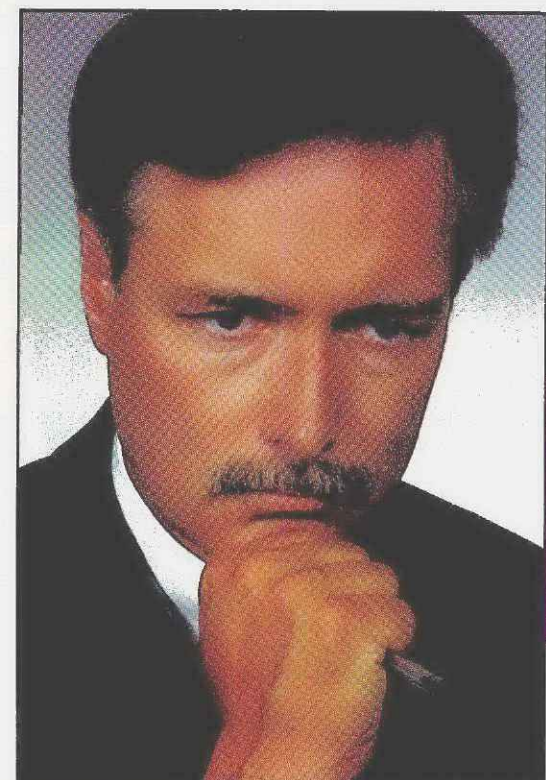
"And John Adeo did them virtually all himself," Mr. Mizel added, referring to USI's president, who formerly was an executive with Frank B. Hall.

David Eslick, a specialist in cross-selling from ABI, heads the training program for new people added as a result of the acquisition binge.

"We have gone through and retrained all of our sales people. Every one of our sales people has been retrained to think in a totally different way than any other broker in the United States," Mr. Mizel said.

"They're trained to think that if they do not offer a wide menu of products and services to their client, that not only are they leaving all the profit on the table, but basically they're not serving the needs of their client efficiently and effectively," said Mr. Mizel. What property/casualty insurance "has become is nothing more than a commoditized product that everybody can sell at a cheap price. So there's no added value that any broker truly can offer that somebody else doesn't say that they can do

Continued on next page



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Continued from previous page  
the same," he said.

In addition, "when you're selling a commoditized product, each year you're facing the possibility of someone else coming in and offering it 5 cents lower."

By contrast, "we want to offer a service so people don't view us as somebody out there just trying to sell a price," he said.

For example, besides only selling insurance to clients, USI offers many other services, including third-party claims administration, payroll and personal lines products.

In selecting acquisition targets, Mr. Mizel spoke only with those brokers and financial service industry specialists who shared his vision.

In pre-merger discussions, Mr. Mizel offered: "if you come and join hands with us, we will provide you capital to grow your business. . . . What we want to do is help you to do something that you can't do on your own. We're going to make you a fully integrated financial services distributor. We're going to help you to acquire other firms that will help you to participate and grow. And so we become partners together," he recounted.

"Everybody had to be a shareholder in USI, because I was interested in partners, not employees," Mr. Mizel stressed.

As a result, Mr. Mizel has assembled a brokerage that covers a wide spectrum of the industry. USI includes some of the oldest firms in the United States and some of the youngest executives, many of whom are under 45.

"We always looked for youth, aggressiveness, passion, desire to grow and somebody who would buy into our vision," Mr. Mizel said.

"We want people to get a great sense of personal achievement, a sense of fulfillment, and that's just as important as the monetary benefit, because when they come to work, they want to get a sense that they've got something out of their life," Mr. Mizel said.

Mr. Mizel asks senior management two questions every month: "Are you happy? and, 'Are you challenged?'"

"The last guy I asked said, 'I am happy and I am so challenged I don't sleep at night.'"

When USI was launched in 1994, it expected to generate \$150 million in revenues within five years.

Yet USI surpassed that goal in just three years, generating \$163.2 million in revenues in 1996. Last year, revenues climbed another 45% to \$236.2 million, making it the 11th-largest insurance broker in the world.

Now Mr. Mizel has set his sights even higher.

"We feel this year for sure we'll break \$300 million; we think that within two years we'll be \$500 million; we feel that within five years we'll be \$1 billion," he predicts.

But, as USI grows, its challenge will be to retain the culture Mr. Mizel has nurtured.

"I talk to all of my senior management and I tell them that the real test of leadership is to be able to put your arms around these people and give them a sense that if they work hard, they will have an opportunity that they're going to be acknowledged for their achievements," he said.

As a means to this end, USI has assembled a team of 10 young executives from its acquired companies to be trained to take over USI, with Mr. Mizel, Mr. Adeo and Mr. Eslick serving pri-

marily as consultants to the team.

"This is how you build conti-

*We always looked for youth,  
aggressiveness, passion,  
desire to grow and somebody  
who would buy into our vision.'*

— Bernard H. Mizel

nity and perpetuation," he explained.

"We are turning over the management of this company to those 10 people. In order to give

them true empowerment, they've got to have a say in what's going on."

To prepare them for this role, these young leaders were trained over the past year and a half in conducting acquisitions and consolidating those purchases into the brokerage; cross-selling; creating strategic alliances; and financial models, Mr. Mizel explained.

To show its commitment to management training, USI even has on staff a psychologist-consultant who evaluates executives' leadership skills.

Every region is represented on the executive board, which

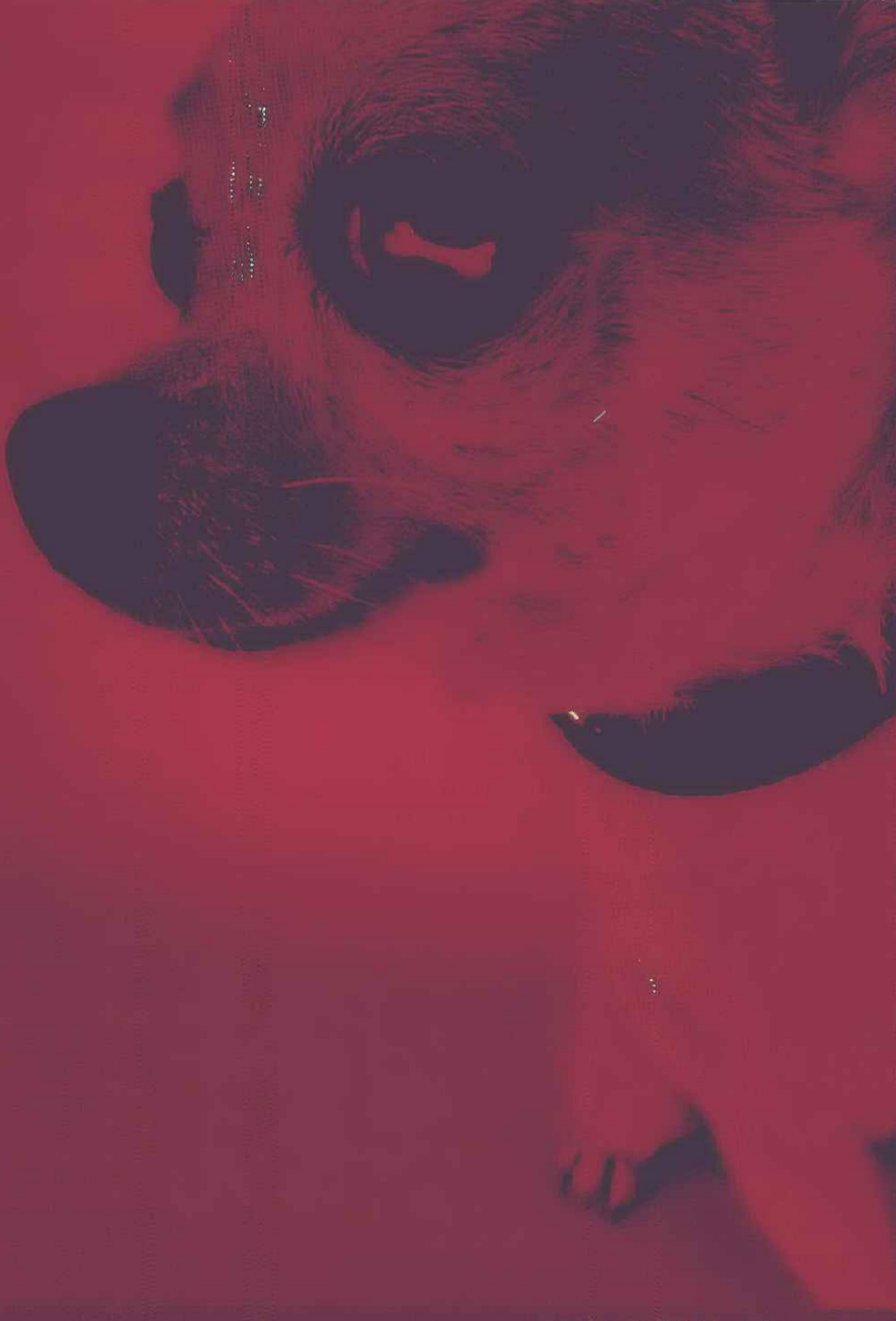
meets quarterly.

The next tier of 10 executives already has been selected, and training at "USI University" begins this month in Chicago.

"What I have found in institutions is they tend to erode after a period of time. You get this visionary and you get this leader who comes in and he creates a great company, then when he passes on or he leaves, the momentum stops. We're scared of that," Mr. Mizel said.

"So I felt that if we did it the way I've just described, that we could keep this momentum, keep this excitement, keep things happening." **BI**

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# Personality drives 'Red' Cashion's versatile career

## Peers admire agency principal and former football referee

By GEORG SZALAI

Insurance agency principal Mason Lee "Red" Cashion is leading a double life. During the week, he serves as chairman emeritus of Anco Insurance Managers Inc., a Bryan, Texas-based agency. On weekends, however, he travels the country to watch and critique football referees in action as a National Football League observer and referee talent scout.

In addition to a 40-year career in the insurance industry, Mr. Cashion also officiated at professional football games for more than 25 years, including Super Bowls XX and XXX.

Mr. Cashion, 67, got into both careers by chance. Along the way, he has earned admiration not only for his work in insurance and officiating but also for

his community involvement.

Keys to his success are a mix of friendliness and ambition that have served him well both on and off the field, friends and business colleagues say.

"Red has never met a stranger," said his longtime business partner, Anco Insurance Managers Chairman Dick Haddox. "He knows people everywhere, and people have a tendency to remember him." With his red hair, freckles and the trademark "First downwwnnn" call that made him famous as a referee, Mr. Cashion "has always been sort of a character," said Mr. Haddox.

"He has tremendous people skills. It's like a God-given talent," said Jerry Seeman, senior director of officiating at the NFL's headquarters in New York. He said Mr. Cashion "can be firm when he has to at times, but he gets along with people." Mr. Se-

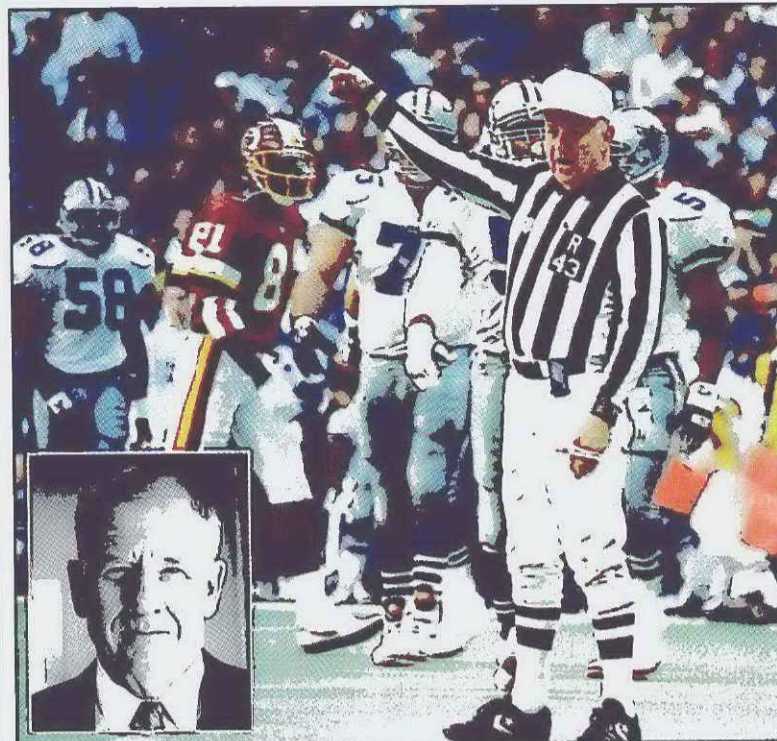
man said he had known Mr. Cashion for 24 years.

At the start of Super Bowl XX in January 1986, which pitted the Chicago Bears against the New England Patriots, Mr. Cashion started on the wrong end of the field at the packed Louisiana Superdome.

Realizing that he was not standing behind the receiving team, as he was supposed to, Mr. Cashion cleverly found a way to cross the field without embarrassing himself.

"I saw that the kicker (Tony Franklin of the New England team) was a fellow I knew quite well," Mr. Cashion said. "So, I said 'Tony, I'm at the wrong end of the field, but if I talk to you long enough, they'll think it's something special.'" After a little chat, Mr. Cashion calmly crossed the field.

*Continued on next page*



PHOTOS: COURTESY OF MR. CASHION

During his 25 years as an NFL official, Mason Lee 'Red' Cashion was named the top referee twice by his peers.

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*Continued from previous page*

His distinct personality helped him not only as a referee but also with the business, Mr. Haddox said. "In the insurance business, you have so many people selling insurance that to have an outstanding personality is an advantage," he said.

Mr. Cashion believes that being a referee can also help. "I never sold a policy because of that, but it helped me get into doors," he said. "People want to talk to officials. They want to talk about the game they saw last weekend."

While his NFL fame usually did not hurt, it sometimes caused confusion among unknowing insurance officials. Once, "I was at Lloyd's of London when I suddenly heard someone howl 'First downwwnn' across the room," he recalled. "The broker there asked me if I knew what that meant, and I said I was afraid I did. The broker just said, 'Here, we don't hear that sort of thing that often.'"

While many insurance clients knew of his second career on the gridiron, the football players usually did not know what he did for a living during the week, Mr. Cashion said. "That did not have a place out in the field," he said.

Mr. Cashion has been involved in football since he played quarterback on his high school team. He went on to attend Texas A&M University in College Station, just south of Bryan, and that's where Red Cashion took up refereeing.

Mr. Cashion went into officiating because "I was in college and looking for something to do. Someone suggested refereeing, and I just tried it." He said he liked officiating because "it's fun being out in the middle of the field and working with all those people."

Mr. Haddox added that "Red is a competitor. Growing up and seeing people succeed makes you want to be that type of person, too. He always wanted to accomplish things."

And accomplish he did—as a referee, an insurance agent and a civic leader.

Mr. Cashion has been with Anco for over 40 years and helped it grow "very large for a town this size," said Robert Worley, president of the non-profit Economic Development Corp. in Bryan, Texas. EDC is a non-profit organization that promotes business development in the Bryan-College Station area. Bryan and College Station have a combined population of between 120,000 and 130,000, according to Mr. Worley.

Anco is the 87th largest broker of U.S. business, based on 1997 brokerage revenues of more than \$11.2 million. The agency employs about 170, all of whom are shareholders in the company. "We think that people that have an interest in the business are better employees," Mr. Cashion explained.

Mr. Cashion served as Anco chairman for about 10 years before stepping down in 1996.

Since then, he has held the title

of chairman emeritus but still goes into work every day. "For years, he was the chairman and I was the president," Mr. Haddox recalled. "I said, 'How about me being the chairman for some time?' and he said, 'Fine.' So, we came up with a new title" for him.

Over the decades, Mr. Cashion has remained popular with employees, Mr. Haddox said. And even though he had to split his time between football and insurance, Mr. Cashion always contributed to the development of business, especially by means of his vision, Mr. Haddox said. "He has always been very progressive, willing to lead change," he said.

"He is aggressive, innovative and thinks of new products," said Mr. Worley. "He doesn't rest on his laurels."

About 20 years ago, for example, Mr. Cashion came up with the idea to have the agency do personal lines and small commercial lines business as a managing general agency. The idea was a success, Mr. Haddox said.

It was while running Anco that Mr. Cashion served as an NFL official for more than 25 years, during which his peers named him the top referee twice. Before some NFL referee talent scouts asked him to try his hand at professional games, Mr. Cashion had officiated

at the high school and college level for 21 years.

Mr. Cashion is a past president of the Professional Football Referees Assn. and has refereed almost 500 professional games. He said that Mr. Haddox has been "a good partner," who ran the business while Mr. Cashion was officiating.

Besides being fun and a good way to get away from everyday work and life, refereeing also taught him important lessons for the business world, Mr. Cashion said. "You've got to take care of your people in both roles," he said. On the gridiron, he said, he also learned the importance of organization.

One quality that has served him well on the football field but that Mr. Cashion does not apply to business is fast decision-making, Mr. Haddox said.

"I think it's ironic that he really doesn't like to make quick decisions in business," Mr. Haddox said. "He prefers to have other people make them."

Mr. Cashion said he retired from refereeing in 1996, while he was ranked the best NFL referee, "because I thought it was time. I didn't want anybody to tell me I'm too old. I didn't want to go down in my ability to officiate. I wanted to go out on top."

See **Official** on next page

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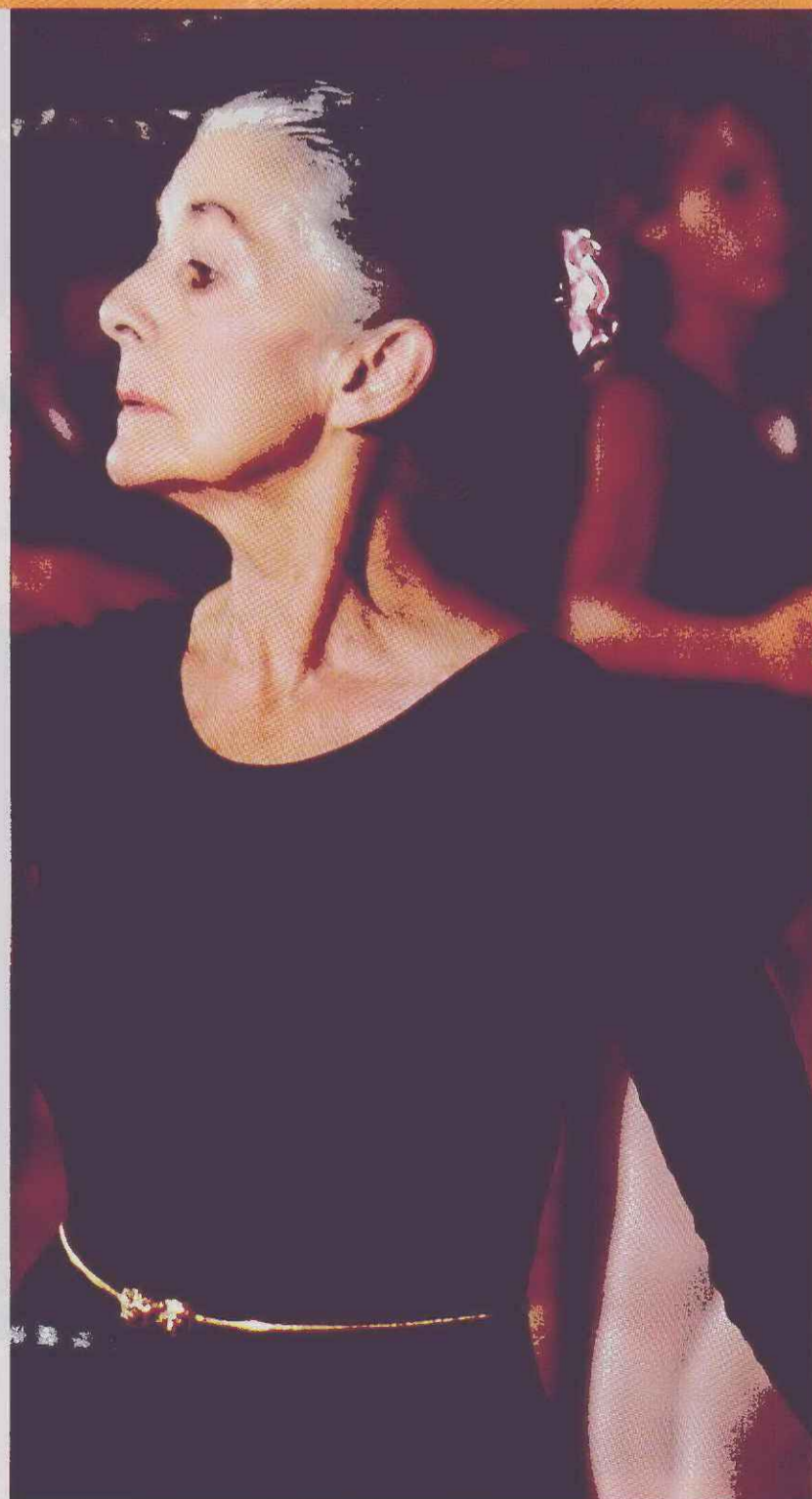
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## Official

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His drive to excel also made Mr. Cashion a civic leader. In the late 1980s, when his home region tried to expand economic development, "he was one of the first who bought into the idea" of having Bryan and College Station cooperate, said Mr. Worley. "He agreed to serve on the board (of the then newly created Economic Development Corp.) that helped create thousands of jobs and brought dozens of companies" to the area. The cooperation has proven to be very successful, local business leaders said. Among other leadership roles, Mr. Cashion also served as president of the Bryan-College Station Chamber of Commerce.

In 1994, his local civic involvement earned him the "Citizen of the Year" award from the Chamber of Commerce. "I suppose they didn't have anyone else to elect," Mr. Cashion joked. And then, more seriously, he said: "When you do business in a community, you've got to give back to the community."

Mr. Worley said that though Mr. Cashion was not formally involved in civic efforts any more, "he is (still) one of those very influential leaders behind the scenes."

Mr. Cashion was born in 1931 in College Station, at Texas A&M. His father, the general secretary of the school's YMCA, lived on campus, and "my mother had me there," Mr. Cashion explained.

As a boy, he got his nickname

"Red" because of the color of his hair, Mr. Cashion said. The name has stuck ever since, even though his hair has turned mostly gray over the years.

Mr. Cashion has stayed loyal not only to his nickname but also to his home state and Texas A&M, from which he graduated with a degree in business administration in 1953.

Only when he entered active duty in the Army as an administrative officer, according to Mr. Cashion, did he leave his home state for two years. But "the Army was good for me," he said. "It taught me about organization and that sort of thing. I think everybody ought to do a little of that."

After finishing his tour of duty, Mr. Cashion opened a small charcoal manufacturing business, but "I couldn't make any money in it," he said. At that time, his father-in-law co-owned a small insurance agency. When his business partner left the company, Mr. Cashion's father-in-law asked him if he wanted to take his partner's position, Mr. Cashion recalled. So, "I bought half of the interest" in the agency, he said. Asked whether he had planned or always wanted to go into the insurance business, Mr. Cashion replied with yet another one-liner: "I was just looking for a job, I guess."

The job turned into a career. Mr. Cashion persuaded Mr. Haddox, against whom he competed in high school sports, to join the company, and in 1966, Burgess, Cashion & Haddox merged with another agency, Mitchell-Vincent Insurance

Agency in Bryan, Texas. They called the new agency "The Anderson Co.," or "Anco" in its shortened form, in honor of the man who in 1873 founded the company that was Anco's predecessor.

In the currently soft insurance market, Anco tries to stay successful by doing "anything we can do to do business and finding new pieces of business," Mr. Cashion said.

"We have developed some (new) programs to attract business, programs for new industries," such as logging, Mr. Haddox said. In addition, Anco is "in a growth mode," he said. The agency is "interested in buying businesses" and "trying to find new ways of making people interested in coming with us," said Mr. Haddox.

Anco has discovered that one way to attract people is to acquire agencies while permitting them to remain autonomous. Under this arrangement, Anco has a controlling interest in the company but the original management continues to run the agency, said Mr. Cashion.

Anco already has several such partnerships in Texas and more on the drawing board, Mr. Haddox said. "It is one way to grow in the future," he said.

Mr. Cashion is, of course, involved in developing such new strategies. At age 67, he says he is still trying to make things happen. What kind of legacy does he want to leave behind? "I don't think about that a lot," he said. "I just hope that the world is a little better because I came along." **BI**

## Achieving higher productivity starts with agency culture

By Emily Huling

How do I motivate my producers to sell more? What programs will create sales from my customer service agents? What can I do to increase the revenues handled by each employee? How can my agency staff work more closely as a team to cross-sell property/casualty and life/health products?

These questions are on the mind of every agency owner or manager, no matter the size of the business or where it is located. Management must, in today's fast-paced, competitive environment, take on these challenges. Every business today strives to get to the next level, not just in productivity but also in customer service, sales and profits. All four of these areas are so interconnected that if one is lagging behind in performance, the other three come tumbling down.

Managers look to their employees for improved productivity, asking them to work faster, smarter and harder. But this isn't enough. This

### A/BT Perspective

advice may be good, but it doesn't work unless the culture of an agency supports a higher level of productivity. And it is the leaders and managers at the top of the organization who determine that culture.

The following three key areas create this environment. When they are in place and in practice, not only does productivity improve but so does morale, customer service, sales and, ultimately, profits:

#### 1. Be a role model.

Are you positive in every action, word and thought, and are you supportive of your employees and customers? Is your own office organized? Do you show yourself to be sensitive to the jobs your staff have to do, minimizing their interruptions and not asking them to make procedural exceptions for your business? Be aware at all times that employees mirror and follow those in charge.


One of my clients who runs a small agency in a big city walks

his talk. One evening, I called my client after hours, at 5:45 p.m. An employee answered the phone courteously and professionally. While I was on hold for the owner, who was on another line, two other employees picked up the line to be sure I was being helped. I asked each person I spoke with why she was working late; each cheerfully said she had work to do to stay ahead of her commitments to her customers. The culture is clear in this firm, and both quantitative and qualitative results prove it. Good leaders set the standards and tone of an organization.

#### 2. Communicate clearly and consistently on three levels.

People can be productive only when they know what is expected of them and how they are doing. And it's the leadership of the organization that makes that possible. Communication must occur on three levels: throughout the office, throughout the department, and with individuals.

See **Productivity** on next page



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# Productivity

Continued from page 38I

On the office level, practice open-book management. This style of management clearly explains to the staff the company goals, where the company dollars are spent, what production agreements are in place, what in the marketplace affects their jobs in the areas of customer service and the placement of business, and so on.

Employees can then see how their work is meaningful to the organization. Quarterly state-of-the-office meetings should be held with some fanfare to keep employees abreast of dynamic changes that occur and results that are being produced. Post the results in the break room or conference room to keep the staff focused.

On the department level, don't let e-mail and voice mail replace all-important face-to-face communication. Schedule department meetings, set agendas, involve everyone on the team, and allow time for creative thinking about how to improve customer relations and individual and team performance.

Here are two tips to involve staff in meetings. First, on a rotating basis, assign each person 15 minutes on the agenda to present a topic of his or her choice, such as sales success strategies, automation tips to save time, or coverage topics. The second tip is quite simple. After employees return from a continuing education or professional development class, have them share, at the next scheduled meeting, three things that they learned.

Be sure there is clear communication among department team members. Bimonthly account renewal meetings should be held with the producer and customer service representative to review strategy, to assess changes with the account and in the marketplace, and to define who will do what in the renewal process.

On an individual basis, conduct performance reviews twice a year. People need feedback. Be sure your appraisal form addresses teamwork, problem solving, initiative, and judgment; do not limit the form to quantitative issues. In addition, management needs to give ongoing verbal feedback, hopefully praising a job well

done by each employee, at least once a week.

### 3. Give your staff a challenge, then get out of the way.

Let's go back to a few of the challenges noted earlier. If your goal is to cross-pollinate business between departments, offer that challenge to your staff at the next state-of-the-office meeting. Let your employees know what rewards are in it for them, such as a monetary or non-monetary incentive program, and what results must be produced.

Form an ad hoc committee, with a representative from each department. Explain that the committee's mission is to design the program, decide how to monitor it, plan the incentives for success, and so on. Allow the creative juices of committee members to flow. Give the committee target dates to meet for feedback to management and for the completion and kickoff of the final program.

To meet the challenge of increasing revenues per employee, you will have to change processes, work flow and, most likely, job responsibilities. When presenting the challenge to team members, ask them, "What don't you need to be doing?" Not surprisingly, the team may have been doing extra, unnecessary work if processes are outdated.

Change is difficult. Even if results are what they should be, we all have a tendency to be more comfortable with familiar ways of doing things. Be sure to be open to the ideas offered by your staff members. Overcome your resistance to their challenges, and accept change with enthusiasm and diligence.

The culture of an organization must change to improve employee productivity. Allow for creative alternative processes to achieve results—there is no one right way. Know that making mistakes are necessary for an organization to move forward—staff members learn

from mistakes and changes. Remember that constant, consistent two-way communication and feedback are crucial for success.

So, before you point the finger at your unproductive staff, remember the three fingers that point back at you. Now, what will you do to create a productive, positive environment? **BI**



Emily Huling is president of Selling Strategies Inc. in Terrell, N.C. Ms. Huling provides consulting services and instruction in sales and customer service techniques.

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| 46  | 47  | 48  | 49  | 50  | 51  | 52  | 53  | 54  | 55  | 56  | 57  | 58  | 59  | 60  |
| 61  | 62  | 63  | 64  | 65  | 66  | 67  | 68  | 69  | 70  | 71  | 72  | 73  | 74  | 75  |
| 76  | 77  | 78  | 79  | 80  | 81  | 82  | 83  | 84  | 85  | 86  | 87  | 88  | 89  | 90  |
| 91  | 92  | 93  | 94  | 95  | 96  | 97  | 98  | 99  | 100 | 101 | 102 | 103 | 104 | 105 |
| 106 | 107 | 108 | 109 | 110 | 111 | 112 | 113 | 114 | 115 | 116 | 117 | 118 | 119 | 120 |
| 121 | 122 | 123 | 124 | 125 | 126 | 127 | 128 | 129 | 130 | 131 | 132 | 133 | 134 | 135 |
| 136 | 137 | 138 | 139 | 140 | 141 | 142 | 143 | 144 | 145 | 146 | 147 | 148 | 149 | 150 |

Please print clearly

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Company \_\_\_\_\_

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Continued from page 38

tary; Jeffrey P. Leman, vp-operations/treasurer; Theresa L. Ryan, assistant vp/administrative assistant.

Contact: Theresa L. Ryan, 312-336-3405.

**Investors Insurance Co. of America**

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

|                      | 1997         | 1996          |
|----------------------|--------------|---------------|
| Gross premiums       | \$44,176,011 | \$47,444,768  |
| Non-admitted         | \$25,008,445 | \$25,148,339  |
| Commercial risks     | 57%          | 64%           |
| Net premiums         | \$26,777,506 | \$27,781,335  |
| Paid-in capital      | \$4,200,000  | \$4,200,000   |
| Policyholder surplus | \$34,339,067 | \$28,713,391  |
| Employees            | 51           | 45            |
| Combined ratio 1     | 105.6%       | 158.7%        |
| Combined ratio 2     | 105.6%       | 158.7%        |
| Net income           | \$3,790,790  | \$(7,091,697) |
| Best's rating        | A-           | A-            |
| S&P's rating         | A            | NA            |

Figures reported on a pooling basis.

**Founded:** 1961.  
**Parent:** Markel Corp.  
**Specialties:** General liability, product lia-

bility.

**Subsidiaries:** Carlisle Insurance Co.  
**Approved non-admitted in:** All states, excluding New Jersey, New York and Vermont.

**Admitted in:** New Jersey, New York.  
**Officers:** Jeremy D. Cooke, president/CEO; Rodney Ayer, senior vp; Raymond J. Steer Jr., vp/controller/treasurer; Peter DeJesso, vp/manager; Joseph Savarese, vp.  
**Contact:** Raymond J. Steer Jr.



**Lexington Insurance Co.**

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

|                      | 1997            | 1996            |
|----------------------|-----------------|-----------------|
| Gross premiums       | \$1,308,433,539 | \$1,351,925,234 |
| Non-admitted         | \$1,029,734,783 | \$1,112,070,783 |
| Commercial risks     | 97.2%           | 98.2%           |
| Net premiums         | \$461,839,259   | \$626,671,071   |
| Paid-in capital      | \$5,000,000     | \$5,000,000     |
| Policyholder surplus | \$1,224,755,421 | \$1,062,445,931 |

|                  | 260           | 260           |
|------------------|---------------|---------------|
| Employees        | 260           | 260           |
| Combined ratio 1 | 98.6%         | 99.9%         |
| Combined ratio 2 | NA            | 99.8%         |
| Net income       | \$172,994,444 | \$131,555,192 |
| Best's rating    | A++           | A++           |
| S&P's rating     | AAA           | AAA           |

**Founded:** 1965.  
**Parent:** American International Group Inc.  
**Specialties:** Energy, health care, construction, transportation, financial institutions, professional services.  
**Approved non-admitted in:** All states, excluding Delaware.  
**Admitted in:** Delaware.  
**Officers:** Kevin H. Kelley, chairman; Richard Bucilla, Richard Jodoin, executive vps; Nicholas Anselmo, Michael Castelli, senior vps.  
**Contact:** Kimberly Metta, 617-330-8443.



**Monticello Insurance Co.**

Newport Tower, 525 Washington Blvd., Jersey City, N.J. 07310-1693;  
201-222-8666; fax: 201-222-9161  
www.jeffgroup.com

|                      | 1997         | 1996         |
|----------------------|--------------|--------------|
| Gross premiums       | \$94,310,231 | \$92,491,701 |
| Non-admitted         | \$71,488,255 | \$73,764,153 |
| Commercial risks     | 75.8%        | 79.8%        |
| Net premiums         | \$22,821,976 | \$18,727,548 |
| Paid-in capital      | \$4,100,000  | \$4,100,000  |
| Policyholder surplus | \$31,502,900 | \$29,818,368 |
| Employees            | 140          | 139          |
| Combined ratio 1     | 105.3%       | 106.7%       |
| Combined ratio 2     | 103.8%       | 106.9%       |
| Net income           | \$2,109,603  | \$2,336,957  |
| Best's rating        | A            | A            |
| S&P's rating         | BBBpl        | BBq          |

Figures reported on a pooling basis.

**Founded:** 1973.  
**Parent:** Jefferson Insurance Co. of New York.  
**Specialties:** Small mercantile and business risks; professional liability classes, including non-profit D&O and public officials' liability.  
**Approved non-admitted in:** Jefferson Insurance Co. of New York; Hawaii and Louisiana; Monticello Insurance Co: all states, excluding Delaware, and New York.  
**Admitted in:** Jefferson Insurance Co. of New York: all states, excluding Hawaii and Louisiana; Monticello Insurance Co: Delaware, New York.  
**Officers:** Claus Cardinal, president/CEO;

Edwin Ghigliotti, senior vp/treasurer; Vincent Celano, senior vp/secretary; Kenneth Bolen, senior vp-underwriting; Atanas Nikow, senior vp-claims.

Contact: John Ritter, assistant vp/controller, 201-420-3457.

**Mt. Hawley Insurance Co.**

9025 N. Lindbergh Drive,  
Peoria, Ill. 61615;  
309-692-1000; fax: 309-689-2043  
www.rlicorp.com

|                      | 1997          | 1996         |
|----------------------|---------------|--------------|
| Gross premiums       | \$72,621,935  | \$97,163,475 |
| Non-admitted         | \$72,318,524  | \$96,845,702 |
| Commercial risks     | 99.6%         | 99.7%        |
| Net premiums         | \$40,669,599  | \$53,325,822 |
| Paid-in capital      | \$10,000,000  | \$10,000,000 |
| Policyholder surplus | \$121,751,390 | \$91,175,521 |
| Employees            | 285           | 260          |
| Combined ratio 1     | 101.9%        | 101.7%       |
| Combined ratio 2     | NA            | 101.7%       |
| Net income           | \$10,381,379  | \$7,224,410  |
| Best's rating        | A             | A            |
| S&P's rating         | NA            | Aq           |

**Founded:** 1979.  
**Parent:** RLI Corp.  
**Specialties:** Surplus lines and excess property; surplus lines general liability; excess liability; product manufacturers; D&O liability; E&O/professional liability, employers indemnity-Texas (primary & excess).  
**Approved non-admitted in:** All states, excluding Kansas.  
**Admitted in:** Kansas.  
**Officers:** Jonathan E. Michael, president/COO; Terry L. Younghanz, senior vp-underwriting; Michael J. Stone, senior vp-claims; Gregory J. Tiemeier, senior vp-operations; Joseph E. Dondanville, vp-finance/CFO.  
**Contact:** Terry Younghanz.



**National Fire & Marine Insurance Co.**

3024 Hamey St.,  
Omaha, Neb. 68131-3580;  
402-536-3000; fax: 402-536-3030  
www.nationalindemnity.com

|                      | 1997            | 1996            |
|----------------------|-----------------|-----------------|
| Gross premiums       | \$11,176,294    | \$59,054,207    |
| Non-admitted         | \$11,160,443    | \$29,544,448    |
| Commercial risks     | 99.9%           | 50%             |
| Net premiums         | \$11,150,002    | \$58,143,657    |
| Paid-in capital      | \$3,500,000     | \$3,500,000     |
| Policyholder surplus | \$2,408,648,046 | \$1,659,267,238 |
| Employees            | 277             | 235             |
| Combined ratio 1     | 63%             | 35.1%           |
| Combined ratio 2     | 63%             | 34.2%           |
| Net income           | \$147,168,366   | \$184,066,767   |
| Best's rating        | A++             | A++             |
| S&P's rating         | AAA             | AAA             |

**Founded:** 1949.  
**Parent:** Berkshire Hathaway Inc.  
**Specialties:** Large property-catastrophe risks, professional liability, general liability, prize indemnification, commercial automobile physical damage on all classes, commercial automobile liability, commercial/specialty automobile risks, garage liability.  
**Subsidiaries:** Redwood Fire & Casualty Insurance Co., Omaha, Neb.  
**Approved non-admitted in:** All states, excluding Massachusetts, Nebraska, New Jersey and New York.  
**Admitted in:** Nebraska.  
**Officers:** Donald F. Wurster, president; Philip M. Wolf, senior vp; Forrest N. Krutter, senior vp/secretary; Leslie J. Baller, vp; Marc D. Hamburg, treasurer.  
**Contact:** John P. Giandinoto, assistant vp-marketing.

**Nautilus Insurance Co.**

7273 E. Butherus Drive,  
Scottsdale, Ariz. 85260;  
602-951-0905; fax: 602-951-9730  
www.nautilusgroup.com

|                      | 1997         | 1996         |
|----------------------|--------------|--------------|
| Gross premiums       | \$83,761,054 | \$78,353,100 |
| Non-admitted         | \$53,858,026 | \$53,176,767 |
| Commercial risks     | 64.1%        | 67.7%        |
| Net premiums         | \$39,052,230 | \$36,081,045 |
| Paid-in capital      | \$7,350,088  | \$7,350,088  |
| Policyholder surplus | \$68,091,915 | \$56,538,076 |
| Employees            | 121          | 117          |
| Combined ratio 1     | 90.7%        | 95.8%        |
| Combined ratio 2     | 90.9%        | 96%          |
| Net income           | \$10,607,191 | \$7,546,655  |
| Best's rating        | A            | A            |
| S&P's rating         | AA-          | AA-          |

**Founded:** 1985.  
**Parent:** W.R. Berkley Corp.  
**Subsidiaries:** Great Divide Insurance Co., Scottsdale, Ariz.  
**Approved non-admitted in:** All states,

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**Hannover Re Advanced Solutions** offers no off-the-shelf products. It offers solutions - customized solutions. Whether clients refer to them as funding, financial, finite, blended, or simply non-traditional reinsurance, they all have one thing in common: By going beyond conventional wisdom, they become advanced solutions.

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**Hannover Re Advanced Solutions** was elevated to a strategic division within the Hannover Re Group in 1996. It concentrates the Group's expertise in structuring and underwriting transactions to protect values, earnings, and surplus of insurance companies around the world in the most comprehensive way. Operating out of the International Financial Services Centre in Dublin, **Hannover Re Advanced Solutions** is embedded in the worldwide pool of resources of the world's fifth-largest professional reinsurer.

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**Hannover Re Advanced Solutions Ltd.**  
2 Custom House Plaza, Dublin 1, Ireland  
Telephone: +353 1 612-5700  
Telefax: +353 1 829-1400  
E-mail: [advanced.solutions@hannover-re.com](mailto:advanced.solutions@hannover-re.com)

**hannover re**  
Advanced Solutions

Continued from page 40

excluding Arizona, North Carolina and Virginia.

**Admitted in:** Arizona, North Carolina, Virginia.  
**Officers:** Thomas Kuzma, president; John M. Runberg, senior vp/treasurer; Jan L. She-manske, vp/secretary; Steve Franke, vp-underwriting; Robert M. Kogan, vp-MIS.  
**Contact:** Dennis Parish, vp-marketing.

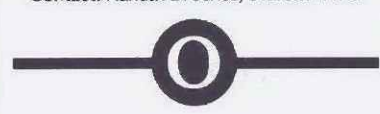
**Northfield Insurance Co.**

1295 Northland Drive,  
 St. Paul, Minn. 55120-1146;  
 612-688-4100; fax: 612-688-4280  
 www.northlandins.com

|                      | 1997         | 1996         |
|----------------------|--------------|--------------|
| Gross premiums       | \$75,758,661 | \$79,147,197 |
| Non-admitted         | \$74,894,700 | \$78,451,13E |
| Commercial risks     | 98.9%        | 99.1%        |
| Net premiums         | \$75,443,486 | \$84,116,294 |
| Paid-in capital      | \$3,500,000  | \$3,500,00C  |
| Policyholder surplus | \$75,024,454 | \$66,737,75E |
| Employees            | 393          | 367          |
| Combined ratio 1     | 100.1%       | 97.5%        |
| Combined ratio 2     | 99.9%        | 97.8%        |
| Net income           | \$8,329,492  | \$7,751,14E  |
| Best's rating        | A+           | A-           |
| S&P's rating         | Aq           | BBBc         |

Figures reported on a pooling basis.

**Parent:** The Northland Co.  
**Specialties:** Garage physical damage and liability, general/professional liability, excess automobile liability, commercial fire, umbrella liability, inland marine.  
**Approved non-admitted in:** All states, excluding Massachusetts, Missouri, New Hampshire and New Jersey.  
**Admitted in:** Missouri.  
**Officers:** Gene G. Goon, chairman; Randall D. Jones, president/CEO; Daniel J. Zaborsky, executive vp; Allen J. Stendahl, Gregory K. Erickson, Harley J. Franken, senior vps.  
**Contact:** Randall D. Jones, 612-688-4470.

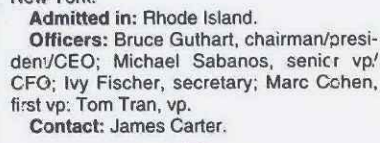


**Old Lyme Insurance Co. of Rhode Island Inc.**

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

|                  | 1997         | 1996         |
|------------------|--------------|--------------|
| Gross premiums   | \$20,863,092 | \$20,904,190 |
| Non-admitted     | \$11,051,025 | \$9,983,556  |
| Commercial risks | 95.5%        | 94.9%        |
| Net premiums     | \$20,331,009 | \$20,483,643 |

**Paid-in capital** \$3,000,000 \$3,000,000  
**Policyholder surplus** \$23,662,387 \$24,034,226  
**Employees** 29 27  
**Combined ratio 1** 78.8% 85.8%  
**Combined ratio 2** 78.8% 85.8%  
**Net income** \$5,178,932 \$2,458,91E  
**Best's rating** A- A-  
**Founded:** 1985.  
**Parent:** Kaye Group Inc.  
**Specialties:** Property and casualty for affinity groups.  
**Approved non-admitted in:** New Jersey, New York.  
**Admitted in:** Rhode Island.  
**Officers:** Bruce Guthart, chairman/president/CEO; Michael Sabanos, senior vp/CFO; Ivy Fischer, secretary; Marc Chen, first vp; Tom Tran, vp.  
**Contact:** James Carter.



**Pacific Insurance Co. Ltd.**

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

**Gross premiums** \$290,994,413 \$296,042,074  
**Non-admitted** \$193,078,990 \$196,632,048  
**Commercial risks** 95% 95%  
**Net premiums** \$98,070,026 \$97,553,420  
**Paid-in capital** \$7,200,000 \$7,200,000  
**Policyholder surplus** \$318,770,009 \$292,054,079  
**Employees** 225 227  
**Combined ratio 1** 101.8% 117.3%  
**Combined ratio 2** NA 118.1%  
**Net income** \$23,233,900 \$10,162,425  
**Best's rating** A+ A+  
**S&P's rating** AA AA

Figures reported on a pooling basis.

**Founded:** 1928.  
**Parent:** The Hartford Financial Services Group Inc..  
**Specialties:** Property, including difference-in-conditions for flood and earthquake; excess casualty; primary general liability; professional liability and programs.  
**Approved non-admitted in:** All states, excluding Connecticut, Hawaii and New Hampshire.  
**Admitted in:** Connecticut, Hawaii.  
**Officers:** Ralph Palmieri, president; Ramani Ayer, chairman; Joseph Gareau, executive vp/chief investment officer; Peter Coghlan, senior vp; Michael O'Halloran, vp/secretary.  
**Contact:** John MacFarland, 617-526-7650.

**Paradigm Insurance Co.**

9000 Wessex Place, Suite 300,  
 Louisville, Ky. 40222;  
 502-429-5585; fax: 502-423-0941

|                      | 1997          | 1996         |
|----------------------|---------------|--------------|
| Gross premiums       | \$22,229,534  | \$30,015,404 |
| Non-admitted         | \$22,072,409  | \$29,904,795 |
| Commercial risks     | 100%          | 100%         |
| Net premiums         | \$14,588,064  | \$24,995,464 |
| Paid-in capital      | \$1,900,000   | \$1,900,000  |
| Policyholder surplus | \$26,205,917  | \$15,036,032 |
| Employees            | 39            | 30           |
| Combined ratio 1     | 151.7%        | 100.2%       |
| Combined ratio 2     | 87.1%         | 92.5%        |
| Net income           | (\$3,893,996) | (\$592,815)  |
| Best's rating        | B++           | B++          |

**Founded:** 1969.  
**Parent:** Queensway Financial Holdings Ltd.  
**Specialties:** Hospitality/retail; medical professional liability; artisan contractors; taxi cab; maritime, including brown water, charter excursion boat and marina programs.  
**Subsidiaries:** Houston Special Risk.  
**Approved non-admitted in:** Alabama, Arizona, Arkansas, District of Columbia, Florida, Georgia, Hawaii, Idaho, Illinois, Iowa, Kansas, Kentucky, Louisiana, Maryland, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, North Carolina, Ohio, Oregon, Pennsylvania, South Dakota, Tennessee, Texas, Utah, Virginia, Washington, West Virginia, Wisconsin, Wyoming. Also approved in the U.S. Virgin Islands.  
**Admitted in:** Indiana.  
**Officers:** Davinder Sahni, president; Linda R. Dawson, secretary; Francis John Arkfeld, treasurer; Michael A. Rava, Gregory J. Bubalo, vps.  
**Contact:** Michael A. Rava.

**Penn-America Insurance Co.**

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

|                      | 1997          | 1996         |
|----------------------|---------------|--------------|
| Gross premiums       | \$104,693,521 | \$80,496,366 |
| Non-admitted         | \$39,893,243  | \$40,771,589 |
| Commercial risks     | 38%           | 51%          |
| Net premiums         | \$70,170,527  | \$73,469,788 |
| Paid-in capital      | \$3,000,000   | \$3,000,000  |
| Policyholder surplus | \$83,458,577  | \$41,664,761 |
| Employees            | NA            | 99           |
| Combined ratio 1     | 93.3%         | 94.3%        |
| Combined ratio 2     | 93.3%         | 94.3%        |
| Net income           | \$9,530,695   | \$6,262,025  |
| Best's rating        | A             | A            |

**Founded:** 1976.  
**Parent:** Penn-America Group Inc.  
**Specialties:** Roofers; day care centers; apartments/hotels/motels; restaurants, bars and taverns; special events; artisan contractors; builders risk; health clubs; business auto\*; garage dealers\*.  
**Approved non-admitted in:** Arkansas, Connecticut, District of Columbia, Florida, Georgia, Louisiana, Maine, Maryland, Massachusetts, Mississippi, New Hampshire, New Jersey, New Mexico, North Carolina, Oklahoma, Rhode Island, South Carolina, Tennessee, Texas, Vermont, Virginia, West Virginia, Wyoming.  
**Admitted in:** Alabama, Alaska, Arizona, California, Colorado, Delaware, Hawaii, Idaho, Illinois, Iowa, Kansas, Kentucky, Michigan, Minnesota, Missouri, Montana, Nebraska, Nevada, New York, North Dakota, Ohio, Oregon, Pennsylvania, South Dakota, Washington, Wisconsin.  
**Officers:** Jon S. Saltzman, president; John M. DiBiasi, executive vp; Rosemary Ferrero, vp/CFO; Ransley Lennon, vp-MIS; Linda Spaide, vp-claims.  
**Contact:** John M. DiBiasi, 215-443-3652.  
 \* In admitted states.

**Preferred National Insurance Co.**

210 University Drive, Suite 900,  
 Coral Springs, Fla. 33071;  
 954-752-1222; fax: 954-344-7961

|                      | 1997          | 1996         |
|----------------------|---------------|--------------|
| Gross premiums       | \$46,133,052  | \$12,855,771 |
| Non-admitted         | \$17,123,136  | \$5,540,527  |
| Commercial risks     | 37.1%         | 43.1%        |
| Net premiums         | \$40,449,026  | \$10,947,300 |
| Paid-in capital      | \$3,500,000   | \$3,500,000  |
| Policyholder surplus | \$26,751,558  | \$26,083,558 |
| Employees            | 75            | 20           |
| Combined ratio 1     | 98.7%         | 81.7%        |
| Combined ratio 2     | 98.7%         | 81.8%        |
| Net income           | (\$2,464,172) | (\$333,826)  |
| Best's rating        | B++           | B++          |

**Founded:** 1989.  
**Parent:** Front Royal Inc.  
**Specialties:** Restaurants, bars and taverns; liquor liability; artisan contractors; mercantile packages; beauty/barber shops; inland marine; employment practices liability; wholesale distribution; product liability; professional liability.  
**Approved non-admitted in:** All states, excluding Alaska, Connecticut, Delaware,

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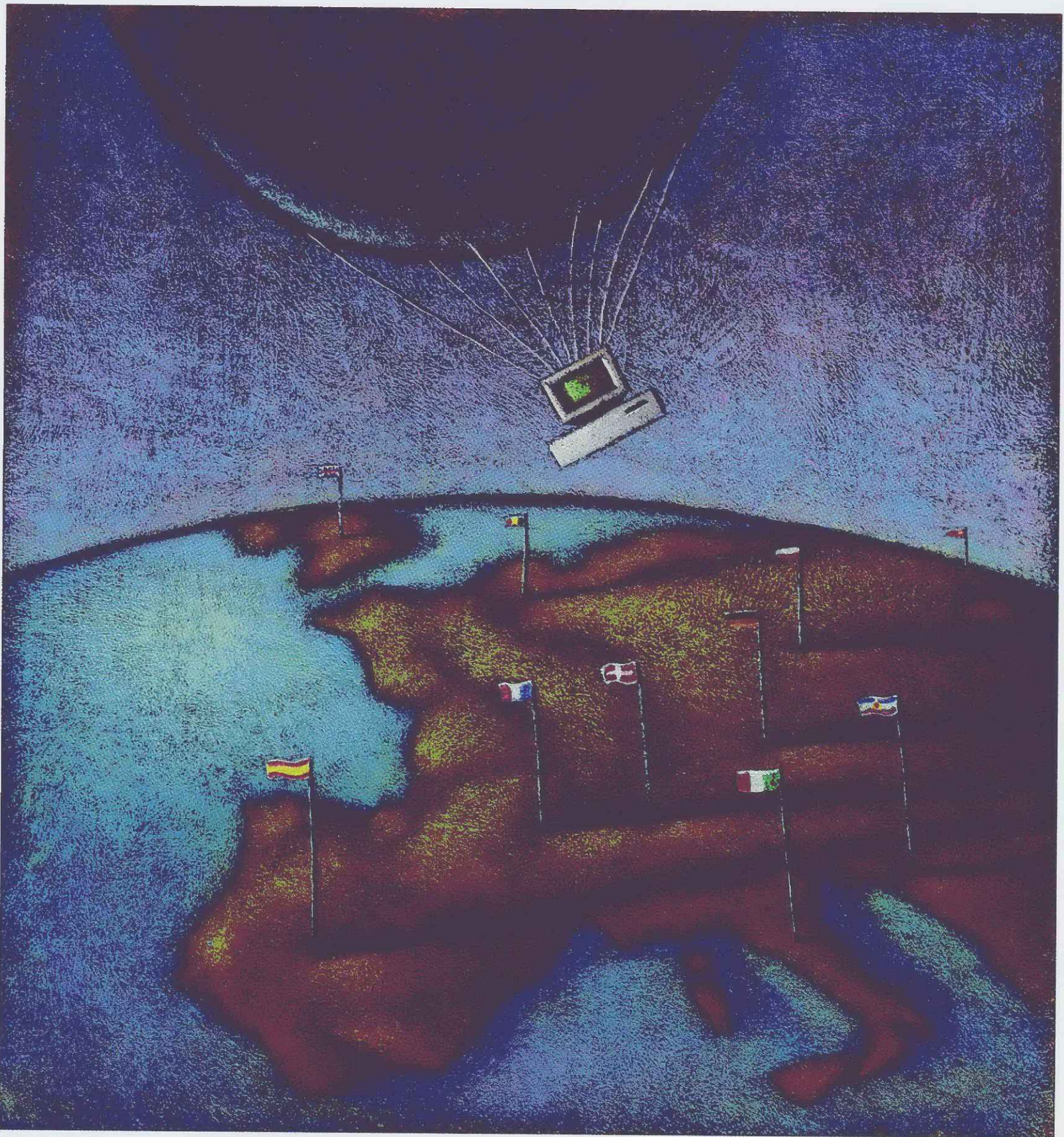
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Continued from page 42

Florida, Illinois, Maine, Massachusetts, Michigan, New Hampshire, New Mexico, New York, Oklahoma, Rhode Island and Vermont.

**Admitted in:** Florida, Illinois.  
**Officers:** John K. Latham, president; Robert Briggs, Keith Reynolds, assistant vps; Scott Weicholz, secretary.



**Reliance Insurance Co. of Illinois**

311 S. Wacker Drive, Suite 3700, Chicago, Ill. 60606;  
 312-554-3200; fax: 312-554-3223  
 www.reliance-national.com

|                      | 1997          | 1996          |
|----------------------|---------------|---------------|
| Gross premiums       | \$356,811,524 | \$296,765,781 |
| Non-admitted         | \$305,604,293 | \$259,948,439 |
| Commercial risks     | 85.6%         | 87.6%         |
| Net premiums         | \$19,651,979  | \$17,195,237  |
| Paid-in capital      | \$4,100,000   | \$4,100,000   |
| Policyholder surplus | \$42,955,502  | \$36,248,196  |

|                  | 102.3%      | 110%        |
|------------------|-------------|-------------|
| Combined ratio 1 | 102.3%      | 110%        |
| Combined ratio 2 | 102.5%      | 110.2%      |
| Net income       | \$3,259,375 | \$1,777,675 |
| Best's rating    | A-p         | A-p         |
| S&P's rating     | A           | A           |

Figures reported on a pooling basis.  
**Founded:** 1972.  
**Parent:** Reliance Insurance Co.  
**Approved non-admitted in:** All states, excluding Illinois.  
**Admitted in:** Illinois.  
**Officers:** Robert Olsman, chairman/president; Jerome Carr, senior vp/treasurer/CFO; Kenneth Frohlich, senior vp/chief actuary; Linda Kaiser, senior vp/general counsel/secretary; Robert Krisowaty, senior vp/controller.



**Safety National Casualty Corp.**

2043 Woodland Parkway, Suite 200, St. Louis, Mo. 63146;  
 314-995-5300; fax: 314-995-6847

|                  | 1997         | 1996         |
|------------------|--------------|--------------|
| Gross premiums   | \$71,069,840 | \$69,308,812 |
| Excess liability | 97%          | 97%          |

|                      | 99.9%         | 99.9%         |
|----------------------|---------------|---------------|
| Admitted             | 99.9%         | 99.9%         |
| Net premiums         | \$60,777,599  | \$66,309,111  |
| Paid-in capital      | \$5,000,000   | \$5,000,000   |
| Policyholder surplus | \$168,922,811 | \$139,835,615 |
| Employees            | 89            | 78            |
| Excess liability     | 14            | 13            |
| Combined ratio 1     | 102.7%        | 103.5%        |
| Combined ratio 2     | 96.1%         | 96.1%         |
| Net income           | \$34,796,461  | \$23,451,132  |
| Best's rating        | A             | A             |
| S&P's rating         | A             | A             |

**Founded:** 1942.  
**Parent:** Delphi Financial Group.  
**Specialties:** Municipalities, school districts, hospitals, nursing homes, light manufacturing, government entities, group self-insurers.  
**Admitted in:** All states.  
**Officers:** Terrence T. Schoeninger, president; C. Donald Aindsorth, executive vp; Duane A. Hercules, treasurer; Jeffrey W. Otto, secretary; Mark A. Wilhelm, senior vp-underwriting.  
**Contact:** Donald L. Wilson, government relations manager.

**St. Paul Surplus Lines Insurance Co.**

385 Washington St., St. Paul, Minn. 55102;  
 651-310-7911; fax: 651-310-8951

|                      | 1997          | 1996          |
|----------------------|---------------|---------------|
| Gross premiums       | \$147,281,987 | \$166,586,172 |
| Non-admitted         | \$112,083,290 | \$131,349,802 |
| Commercial risks     | 100%          | 100%          |
| Net premiums         | \$35,025,592  | \$35,236,369  |
| Paid-in capital      | \$4,100,000   | \$4,100,000   |
| Policyholder surplus | \$83,229,253  | \$73,401,548  |
| Combined ratio 1     | 105.8%        | 101.9%        |
| Combined ratio 2     | 105.8%        | 101.9%        |
| Net income           | \$10,092,151  | \$9,266,611   |
| Best's rating        | A+            | A+            |
| S&P's rating         | AA            | AAA           |

Figures reported on a pooling basis.  
**Founded:** 1974.  
**Parent:** St. Paul Fire & Marine Insurance Co.  
**Approved non-admitted in:** All states, excluding Delaware. Also approved in Puerto Rico and the U.S. Virgin Islands.  
**Admitted in:** Delaware.  
**Officers:** Douglas Leatherdale, chairman/CEO; Janet R. Nelson, president/COO; Patrick A. Thiele, executive vp/CFO; Edward M. Gerber, assistant corporate secretary; Donald J. Swanson, vp/treasurer.  
**Contact:** Dave Baughman.

**Scottsdale Insurance Co.**

8877 N. Gainey Center Drive, Scottsdale, Ariz. 85258;  
 602-948-0505; fax: 602-483-6752

|                      | 1997            | 1996            |
|----------------------|-----------------|-----------------|
| Gross premiums       | \$1,114,198,849 | \$1,146,643,486 |
| Non-admitted         | \$491,060,055   | \$522,109,042   |
| Commercial risks     | 88.3%           | 88.9%           |
| Net premiums         | \$327,032,443   | \$323,980,100   |
| Paid-in capital      | \$6,027,200     | \$6,027,200     |
| Policyholder surplus | \$211,078,908   | \$192,819,964   |
| Employees            | 1,087           | 1,066           |
| Combined ratio 1     | 104.3%          | 111.8%          |
| Combined ratio 2     | 105%            | 112.3%          |
| Net income           | \$17,528,408    | \$8,517,936     |
| Best's rating        | A+              | A+              |
| S&P's rating         | AA              | AA              |

Figures reported on a pooling basis.  
**Founded:** 1982.  
**Parent:** Nationwide Mutual Insurance Co.  
**Specialties:** Property/casualty.  
**Subsidiaries:** National Premium & Benefit Administration Co., Scottsdale Surplus Lines Insurance Co.  
**Approved non-admitted in:** All states, excluding Arizona, Delaware and Ohio.  
**Admitted in:** Arizona, Delaware, Ohio.  
**Officers:** Roger Max Williamson, president; Dennis William Click, secretary; Michael Dean Miller, treasurer.  
**Contact:** Arlan G. Oliva.

**Star Insurance Co. (Combined)**

26600 Telegraph Road, Southfield, Mich. 48034;  
 248-358-1100; fax: 248-358-5792  
 www.meadowbrookinsgrp.com

|                      | 1997          | 1996          |
|----------------------|---------------|---------------|
| Gross premiums       | \$143,002,397 | \$115,490,926 |
| Non-admitted         | \$12,870,414  | \$6,525,312   |
| Commercial risks     | 9%            | 5.6%          |
| Net premiums         | \$71,228,065  | \$72,668,585  |
| Paid-in capital      | \$5,040,000   | \$5,040,000   |
| Policyholder surplus | \$70,050,890  | \$64,642,417  |
| Combined ratio 1     | 91.3%         | 97.4%         |
| Combined ratio 2     | 91.3%         | 97.4%         |
| Net income           | \$10,449,420  | \$11,423,819  |
| Best's rating        | A-            | A-            |
| S&P's rating         | A+            | A+            |

**Founded:** 1985.  
**Parent:** Meadowbrook Insurance Group Inc.  
**Specialties:** Commercial; property/casualty; professional liability; inland marine; workers comp.  
**Approved non-admitted in:** Illinois, Kansas, Maine, Massachusetts, Missouri.  
**Admitted in:** All states.  
**Officers:** Joseph C. Henry, president; Karl Wyatt Koch, president-Savers Property & Casualty Insurance Co.; Michael Gerard Costello, vp/general counsel; Robert Samuel Cubbin, Joseph Christopher Henry, James Robert Parry Sr., executive vps.  
**Contact:** Karen M. Spaun, director-investor relations, 248-204-8178.

**Steadfast Insurance Co.**

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

|                      | 1997          | 1996          |
|----------------------|---------------|---------------|
| Gross premiums       | \$351,319,459 | \$360,091,511 |
| Non-admitted         | \$317,272,143 | \$328,396,607 |
| Commercial risks     | 100%          | 100%          |
| Net premiums         | \$30,990,196  | \$32,537,225  |
| Paid-in capital      | \$4,100,000   | \$4,100,000   |
| Policyholder surplus | \$95,725,290  | \$75,680,250  |
| Combined ratio 1     | 111.7%        | 120.8%        |
| Combined ratio 2     | NA            | 121.1%        |
| Net income           | \$4,059,974   | \$250,862     |
| Best's rating        | A+            | A+            |
| S&P's rating         | AA+           | AA+           |

Figures reported on a pooling basis.  
**Founded:** 1988.  
**Parent:** Zurich Insurance Co.  
**Specialties:** Health care; primary casualty; excess and umbrella; professional liability; D&O; architects and engineers; employment practices liability; environmental; railroads.  
**Approved non-admitted in:** All states. Also approved in Puerto Rico.  
**Admitted in:** Delaware.  
**Officers:** Constantine Philippos Iordanou, president/CEO; Loren Jay Alter, vp/treasurer; Ronald Arne Anderson, David Alan Bowers, Barry John Gilway, vps.

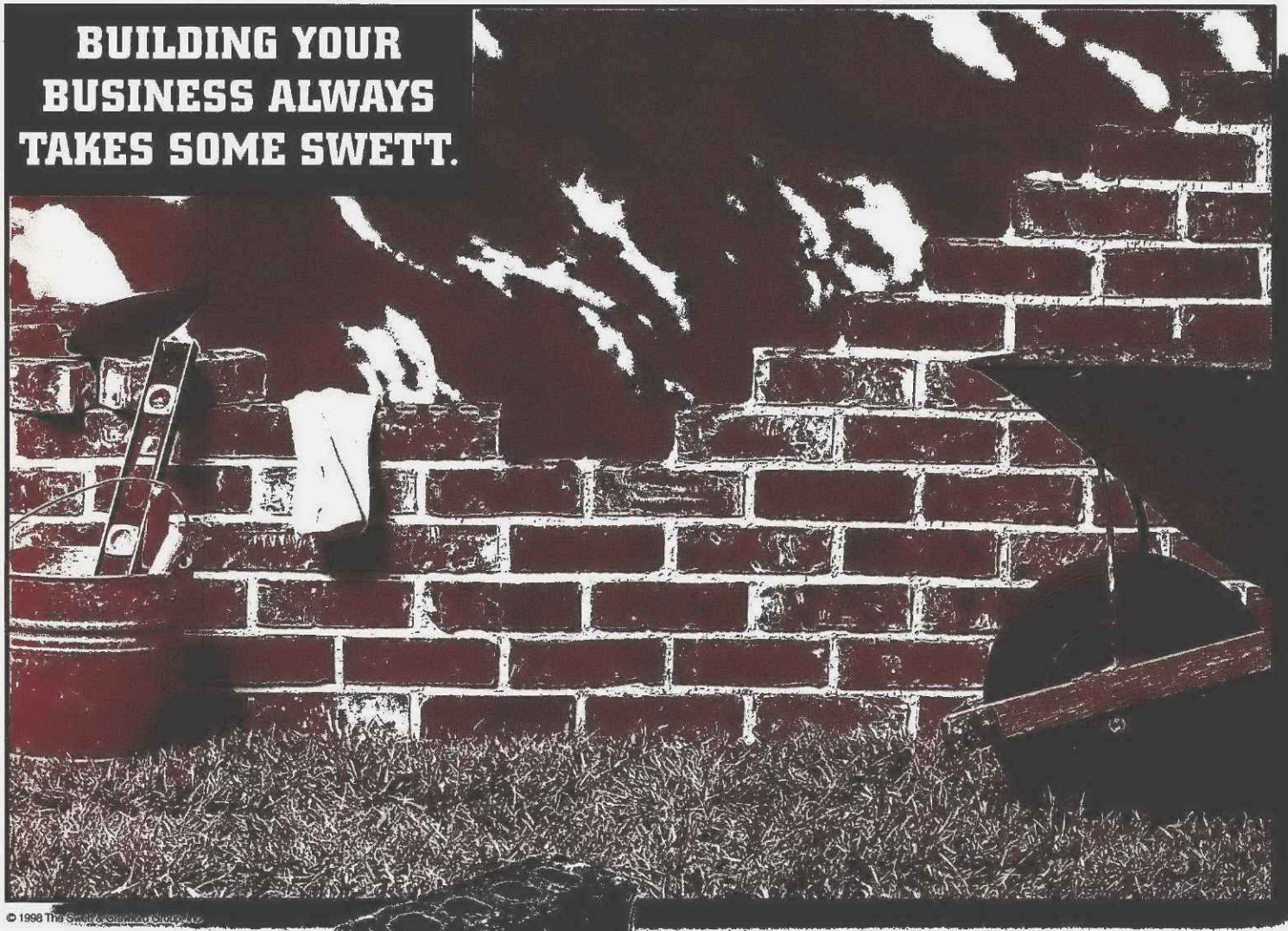


**Tudor Insurance Co.**

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

|                      | 1997         | 1996         |
|----------------------|--------------|--------------|
| Gross premiums       | \$37,754,049 | \$26,340,162 |
| Non-admitted         | \$32,753,731 | \$20,888,175 |
| Commercial risks     | 98%          | 98.4%        |
| Net premiums         | \$9,114,840  | \$8,594,886  |
| Paid-in capital      | \$4,200,000  | \$4,200,000  |
| Policyholder surplus | \$33,561,078 | \$29,143,202 |
| Employees*           | 186          | 18           |
| Combined ratio 1     | 119.2%       | 119.8%       |

Continued on next page



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Building your business demands expanding your horizons. Searching for new ways to get the job done; developing resources and alliances that expand your expertise. That's why independent agents and brokers partner with Swett & Crawford Group to insure against large and unusual or small and highly specialized risks. They not only rely on our leadership and clout as brokers of wholesale property and casualty coverages, but on our underwriting authorities and specialized programs, as well. That makes Swett & Crawford the one source you need to both secure your business and make it grow. Our in-house binding authorities include national or regional protection for basic industries such as transportation, agriculture, construction and energy as well as essential business coverages such as umbrellas and excess liability. We also provide products for more unusual enterprises such as water parks, child care centers and diagnostic labs. There's even a product that insures against the rain. Each of these programs, and many more we offer, represent new sales opportunities for you. Call us to explore them. It's a good way to cement relationships.

**Swett & Crawford Swift Insurance Managers**

Atlanta • Bellingham • Boise • Boston • Clearwater • Dallas • Denver • Detroit • Fresno • Greensboro • Los Angeles • Minneapolis • New York  
 Philadelphia • Phoenix • Portland, ME • Richmond • Salt Lake City • Seattle • St. Louis

Continued from previous page

|                  |             |             |
|------------------|-------------|-------------|
|                  | 1997        | 1996        |
| Combined ratio 2 | 102.7%      | 103.4%      |
| Net income       | \$4,349,260 | \$3,861,392 |
| Best's rating    | A+          | A+          |
| S&P's rating     | Aq          | Aq          |

Figures reported on a pooling basis.

Founded: 1979.

Parent: Western World Insurance Co.

Specialties: D&O liability; architects and engineers liability; public officials liability; professional liability, including hard-to-place accounts; E&O for school boards, electronic data processing and employment practices.

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

Admitted in: New Hampshire.

Officers: Andrew Frazier, president; Robert Livingston, executive vp-operations; Thomas Mulligan, Stephen Gerstman, Gary Resman, senior vps; Terrye Rumsey, Lynn Rupp, Kenneth Labar, vps.

Contact: Nick Hudson.

\* Reflects total employees of Western World Insurance Group.

The annual directory of insurance wholesalers and surplus lines insurance brokers begins on page 57.



**United Capitol Insurance Co.**

400 Perimeter Center Terrace,  
Suite 345, Atlanta, Ga. 30346;  
800-355-9429; fax: 770-399-6547  
www.unitedcapitolins.com

|                      |              |              |
|----------------------|--------------|--------------|
|                      | 1997         | 1996         |
| Gross premiums       | \$70,952,567 | \$45,103,264 |
| Non-admitted         | \$69,736,465 | \$44,048,952 |
| Commercial risks     | 100%         | 100%         |
| Net premiums         | \$40,792,823 | \$25,930,813 |
| Paid-in capital      | \$4,100,000  | \$4,100,000  |
| Policyholder surplus | \$60,122,181 | \$53,355,929 |
| Employees            | 64           | 43           |
| Combined ratio 1     | 62.1%        | 65.8%        |
| Combined ratio 2     | 62.7%        | 65.9%        |
| Net income           | \$12,219,948 | \$4,856,903  |
| Best's rating        | A-           | A-           |
| S&P's rating         | A+           | BBq          |

Founded: 1986.

Parent: Frontier Insurance Group Inc.

Specialties: Environmental coverages for contractors and consultants, pollution liability for specific sites, product liability for difficult

classes, property, surety for environmental risk.

Subsidiaries: Olympic Underwriting Managers, Columbia, Md.; United Capitol Environmental, Columbus, Ohio and Columbia, Md.

Approved non-admitted in: All states, excluding Arizona, Illinois and Wisconsin.

Admitted in: Arizona, Illinois, Wisconsin.

Officers: James W. Satterfield, president; Steven S. Zeitman, executive vp; Thomas Schruben, senior vp; John Malejko, Glen Plagmann, vps.

Contact: Carl Abramson.

**United National Insurance Co.**

3 Bala Plaza E., Suite 300,  
Bala Cynwyd, Pa. 19004;  
610-664-1500; fax: 610-660-8882

|                      |               |               |
|----------------------|---------------|---------------|
|                      | 1997          | 1996          |
| Gross premiums       | \$264,568,836 | \$270,148,508 |
| Non-admitted         | \$191,534,066 | \$195,765,451 |
| Commercial risks     | 99%           | 97%           |
| Net premiums         | \$76,582,113  | \$77,807,064  |
| Paid-in capital      | \$5,000,000   | \$5,000,000   |
| Policyholder surplus | \$233,411,241 | \$196,175,542 |
| Employees            | 142           | 148           |
| Combined ratio 1     | 85.9%         | 98.4%         |
| Combined ratio 2     | 85.9%         | 98.8%         |
| Net income           | \$32,274,190  | \$19,826,361  |
| Best's rating        | A+            | A+            |

Founded: 1960.

Specialties: General liability, special multiperil, fire, jeweler's block, umbrella, professional liability, personal lines, liquor law liability, specific excess liability.

Subsidiaries: Diamond State Insurance Co. and Hallmark Insurance Co. Inc., Bala Cynwyd, Pa.

Approved non-admitted in: All states, excluding Pennsylvania.

Admitted in: Pennsylvania.

Officers: Raymond L. Freudberg, chairman; Seth D. Freudberg, president/CEO; Kevin L. Tate, Robert Cohen, Richard March, senior vps.

Contact: Timothy J. Dwyer, vp/controller.

\* Restated.



**Western World Insurance Co.**

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

|                |              |              |
|----------------|--------------|--------------|
|                | 1997         | 1996         |
| Gross premiums | \$67,669,294 | \$70,229,303 |

|                      |               |               |
|----------------------|---------------|---------------|
| Non-admitted         | \$42,821,926  | \$51,758,682  |
| Commercial risks     | 96.4%         | 97%           |
| Net premiums         | \$52,481,491  | \$52,353,528  |
| Paid-in capital      | \$8,200,000   | \$8,200,000   |
| Policyholder surplus | \$145,738,813 | \$134,066,697 |
| Employees*           | 186           | 181           |
| Combined ratio 1     | 100.3%        | 100.9%        |
| Combined ratio 2     | 102.7%        | 103.4%        |
| Net income           | \$13,058,716  | \$11,109,052  |
| Best's rating        | A+            | A+            |
| S&P's rating         | AAq           | AAq           |

Figures reported on a pooling basis.

Founded: 1964.

Parent: Western World Insurance Group.

Specialties: General liability, professional liability, malpractice.

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

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

Admitted in: New Hampshire, New York.

Officers: Andrew Frazier, president; Robert Livingston, executive vp-operations; Thomas Mulligan, Stephen Gerstman, Gary Resman, senior vps; Terrye Rumsey, Lynn Rupp, Kenneth Labar, vps.

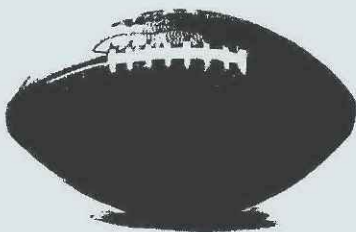
Contact: Thomas Mulligan, senior vp.  
\* Reflects total employees of Western World Insurance Group.

# PROFESSIONAL CHAMPIONS

## GREEN BAY PACKERS

1965-1967

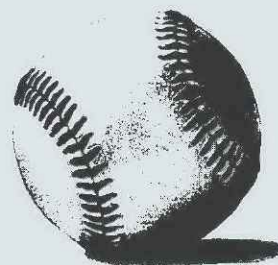
3 Consecutive NFL Titles



## NEW YORK YANKEES

1949-1953

5 Consecutive World Championships



## MONTREAL CANADIENS

1956-1960

5 Consecutive NHL Titles



## BOSTON CELTICS

1959-1966

8 Consecutive NBA Titles

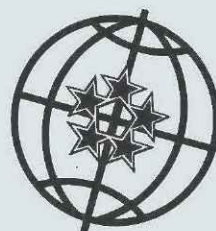


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1975-1998

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Carolyn Grob - Professional Liability  
Jim Wright - Property

### Atlanta, Georgia

Mark Brown - Casualty  
William Watts - Professional Liability  
Joe Stanton - Property

### Austin, Texas

Blake Dotson - Casualty  
Sharon Murray - Professional Liability  
Mark Watkins - Property

### Seattle, Washington

Greg Dunn - Casualty  
Melanie Stevenson - Professional Liability  
J.W. Wright - Property

\*\*\*\*\*

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**ADMIRAL INSURANCE COMPANY**

# Swett & Crawford still top wholesaler in tough market

## Swett & Crawford Group

21650 Oxnard St., Suite 1600,  
Woodland Hills, Calif. 91367;  
818-348-7026; fax: 818-227-3400

|                   | 1997          | 1996          |
|-------------------|---------------|---------------|
| Premium volume    | \$569,500,000 | \$607,500,000 |
| Gross revenues    | \$52,500,000  | \$59,100,000  |
| Employees         | 376           | 576           |
| Commercial lines  | 100%          | 100%          |
| Admitted business | 55%           | 50%           |
| Non-admitted      | 45%           | 50%           |

1996 figures reflect 12 months ending Sept. 30, 1996; 1997 figures reflect 12 months ending Dec. 31, 1997.

Staying ahead of the pack in a soft market requires a nimble com-

petitor that can quickly innovate and jump on new opportunities.

That appears to be the strategy that No. 1-ranked surplus lines broker and wholesaler Swett & Crawford Group is following.

Just this spring, the Woodland Hills, Calif.-based wholesaler launched a facultative reinsurance facility for energy-related risks, such as utility companies and oil drilling operations, said David R. Hartoch, Swett & Crawford's president and chief executive officer.

"We are getting into areas where we have never been before," he explained. "We are willing to look at those kinds of opportunities and act. I mean, we put (the reinsur-

ance facility) together in 30 days."

With more admitted insurers hungry for business and more retail brokers owning wholesale units, Swett & Crawford is becoming more a creator and distributor of specialty products and not just a broker of deals with surplus lines underwriters, Mr. Hartoch said.

"I don't think that, as a wholesaler, you can offer retailers just general brokering services any more," Mr. Hartoch said. "You have to have expertise in certain areas, and you have to have exclusive products in certain areas."

Tough-to-place portions of risk management accounts continue to receive priority attention, and coverages such as employment prac-

tices liability continue to evolve.

Swett & Crawford recently introduced a new EPL form that covers third-party punitive damages and contains favorable jurisdiction wording for punitive judgment awards, said Rachel McKinney, assistant vp, underwriting manager and program administrator in Los Angeles for Swett & Crawford's EPL Exclusive Advantage program. In other words, the form promises full coverage even when some state laws prohibit punitive damages from being insured.

In order to provide that coverage, the insurer will typically appeal a judgment.

"What normally happens is it is settled along the way, and it isn't

against the law to insure a settlement," Ms. McKinney said. "But if it isn't settled and if we should have to, we could pay you out of a jurisdiction where it is insurable."

Coverage limits up to \$25 million are available under the program for all types of businesses. Swett & Crawford places the risk with Lloyd's and CNA Re in London, Ms. McKinney said. The wholesaler currently has about \$10 million of premium in place.

"We also promise, once we expend expenses, we will not ask for them back under any other, and I don't know of any other insurance company out there that says that," she noted. "We have very broad coverage."

Despite the soft market, Swett & Crawford remains competitive in placing EPL coverage. That's because of its expertise and its broad access to many markets, Ms. McKinney said.

Swett & Crawford also remains a big seller of directors and officers liability coverage. The wholesaler currently offers a "duty to defend" D&O form that provides more assurances the underwriter will pick up defense costs by eliminating areas of potential dispute contained in earlier-generation D&O forms.

Typical limits for the D&O product range from \$5 million to \$10 million, underwritten by Swett & Crawford on Lloyd's of London paper.

The wholesaler also has moved into new areas, such creating a new facultative reinsurance facility for energy-related risks.

Dallas-based International Technical Risks, Swett & Crawford's new reinsurance unit, can provide up to \$25 million in coverage, Mr. Hartoch said.

The wholesaler formed the reinsurance unit when it learned that employees with expertise had become available for hire.

"In this business, people are the driver more than anything," Mr. Hartoch said. "You can have a growth area, but if you don't have the right people, it doesn't mean anything."

The creation of International Technical Risks comes at a time when Swett & Crawford is putting the finishing touches on its integration into the Aon Corp. family. In April 1997, Aon purchased Swett & Crawford's former parent, Minet Group. That made 1997 a year of transition from the old ownership to the new, Mr. Hartoch said.

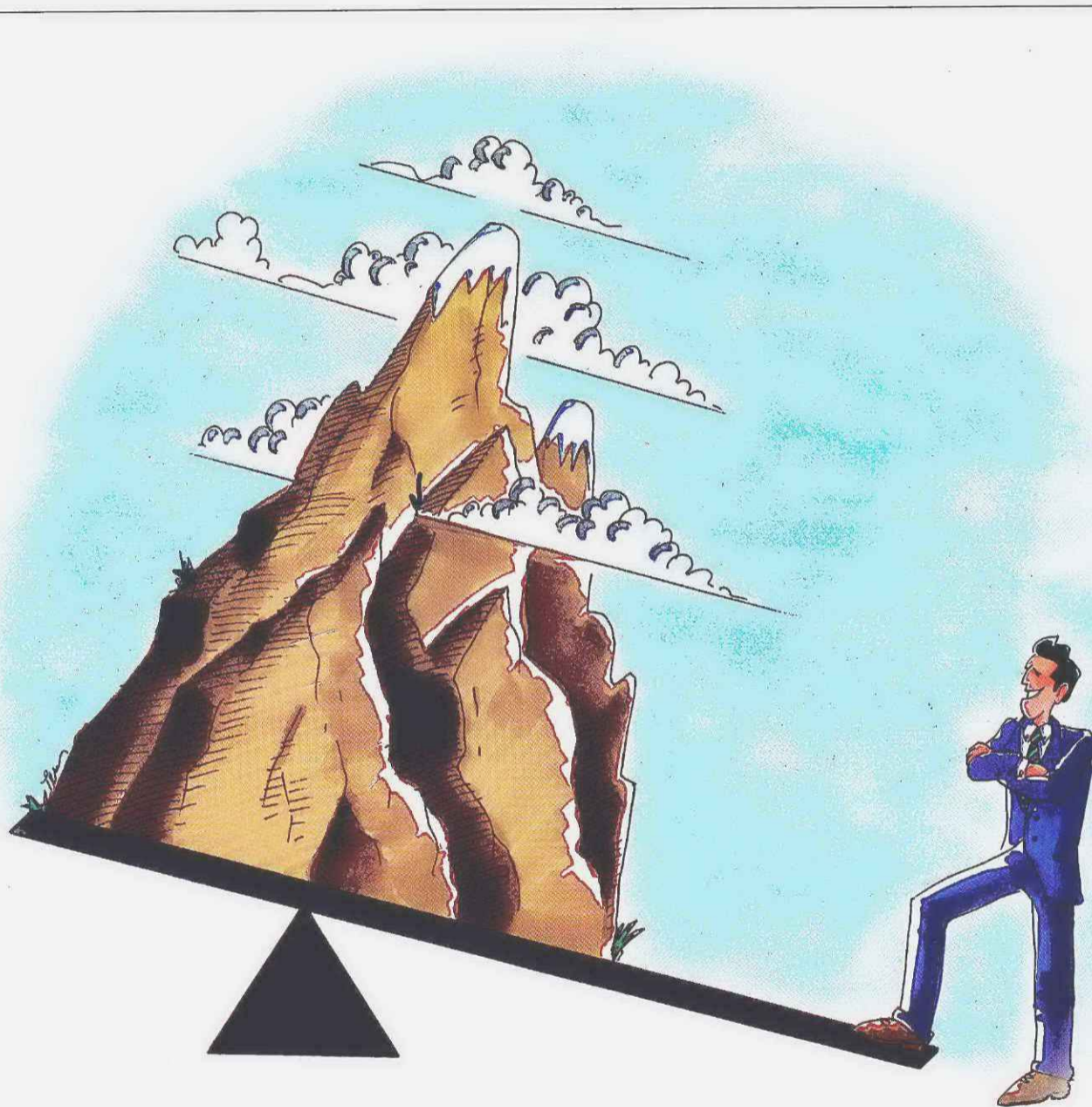
Swett & Crawford's 1997 premium volume of \$570 million was 6.3% lower than 1996 premiums. It also was below the 1995 premium level of \$590 million.

In spite of the decline, Swett & Crawford maintains its ranking as the No. 1 wholesaler in the nation. And the reporting of lower premiums was anticipated, executives say, in part because some of its offices were merged into other Aon wholesale units (*BI*, Sept. 15, 1997).

While the transition distracted management and preoccupied employees, Swett & Crawford has remained agile enough to seize new opportunities.

It recently began developing products for nationwide franchise and distributor operations of larger corporations. It markets and sells the liability and property products to independent retail brokers, which then service those franchise and distributor operations. In some cases, Swett & Crawford provides the underwriting. In other in-

Continued on next page



**Fulcrum** \ˈfʊl-krəm\ n. **a: the support about which a lever turns**  
**b: one that supplies capability for action**

Our name says it all. Fulcrum Insurance Company provides you with the capability for action. Today's changing and challenging marketplace requires action: innovative, flexible and responsive action. Fulcrum writes specialized property and general liability risks and programs. Our products are available only through licensed Surplus Lines Brokers who may contact our Marketing Director Deborah L. Brady at 212-248-1886.

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Continued from previous page  
stances, it brokers the coverages to a variety of markets. Coverage limits vary, depending on the industry and on client needs.

"We see it as an opportunity, because what we bring to the table is a national sales force that not too many companies can bring," Mr. Hartoch said.

Generally, corporations turned to Swett & Crawford after experiencing problems with other insurance programs for their franchisees and distributors. Yet these corporations do not necessarily want to disturb the relationships between the franchise units and their existing retail brokers.

A beer manufacturer with about 1,000 distributors and a pizza restaurant chain are among clients that use the products.

Such products are also available for managed care companies that manage hospitals nationwide, said Thomas M. Comer, Swett & Crawford executive vp and chief operating officer in Woodland Hills.

Diversifying into other frontiers also has proved profitable.

Swett & Crawford in 1997 launched an earthquake insurance program for homes valued at \$1 million and above. "That has done very, very well," Mr. Hartoch said. "In this market, you have to look at broader areas."

Even the California market for residential construction contractors, which used to be a very difficult market, has softened considerably, Mr. Hartoch said.

As for Swett & Crawford becoming a part of Aon, the integration is expected to be complete this year with the introduction of new computer technology. This has proved to be one of the biggest challenges of the takeover.

The new technology has caused some anxiety within Swett & Crawford. But the changes will help producers communicate with each other, and they will be transparent to purchasers.

"1997 and part of this year are more about transition and positioning this company for what we want it to be in the future," Mr. Hartoch said. "It's a lot of change, and people don't always accept change readily."

But profitability is up, as evidenced by the more than fifteen-fold jump in earnings, and so is employee enthusiasm, especially compared to last year, Mr. Comer said.

"Swett & Crawford is a going-forward company; there is no concern about that," he said. "There was a concern this time last year."

Business from Aon still accounts for about 5% of Swett & Crawford's book. The wholesaler operates as a stand-alone company, competing against other Aon wholesalers, Mr. Hartoch said.

Swett & Crawford's specialties remain the same as last year. They include transportation; property and difference-in-conditions insurance; construction contractors general liability; D&O, E&O and professional liability; and programs for energy-related companies, such as pipeline contractors, drillers and service contractors, and for contractors working in petrochemical companies.

The wholesaler's top markets, which are not expected to change, include: American International Group Inc., Chubb Corp., CNA Insurance Cos., Lloyd's of London, Reliance Group and The St. Paul Cos. Inc.

Swett & Crawford is a member of the AAMGA and NAPSLO.

—By Roberto Cenicerros

### Crump Insurance Services Inc.

7557 Rambler Road, Suite 350,  
Dallas, Texas 75231;  
214-265-2660; fax: 214-266-2661  
www.crumpins.com

|                   | 1997          | 1996          |
|-------------------|---------------|---------------|
| Premium volume    | \$558,650,000 | \$522,550,000 |
| Gross revenues    | \$41,340,000  | \$38,669,000  |
| Employees         | 337           | 339           |
| Commercial lines  | 100%          | 100%          |
| Admitted business | 40%           | 40%           |
| Non-admitted      | 60%           | 60%           |

The soft market is a hot market for Crump Insurance Services Inc.

Not that a little firming of prices wouldn't be welcome, but the Dallas-based wholesaler has learned to make the best of difficult market conditions.

"We had a record-setting year, the

best in our history," said Marcus Payne, president and chief operating officer at Crump.

Premium volume, gross revenues and profits all saw healthy increases, despite soft-market pressures, he said. This growth was fueled partly by new business generated by a growing staff of producers.

A half-dozen Crump producers had "an outstanding year," Mr. Payne noted.

That's the key to Crump's success: an aggressive push to add talented producers who generate new business. That business is needed to offset premium declines that are common when existing accounts are renewed in the current soft market.

While Crump routinely retains 65% to 70% of its accounts from year to year, retentions contribute fewer and fewer dollars during the prolonged soft market. The whole-

saler's retention rate was slightly lower in 1997 than 1996.

The broker has added 16 producers since October, part of its "continuing strategy to invest in new people and bring new people on board," Mr. Payne said. There's no single source for Crump's new producers, he said. "We're continuing on our aggressive posture we've had for a number of years to try and find the best people available in the marketplace. We try to find people who fit the Crump culture and we go out in the marketplace and look for those kind of people," he said.

"Our established brokers are certainly contributing too, but they have their hands full just renewing their business. And every time they renew an account, they renew it for 20% less" than the year before, he said.

Crump, owned by Sedgwick

Group P.L.C., recorded 1997 premium volume of \$558.7 million, a 6.9% jump from the year before. The increase comes after a slight rise of 0.5% in 1996 premiums and a 3.9% drop in 1995.

Crump's gross revenues increased by the same amount, rising to \$41.3 million in 1997. The 1996 revenues were a fraction lower than in 1995.

Profits in 1997 showed a "substantial increase," Mr. Payne said, without revealing specific numbers.

Based on its 1997 premium volume, Crump retains the No. 2 position both among surplus lines brokers and wholesalers overall.

Marsh & McLennan Cos. Inc.'s recently announced plan to acquire Sedgwick means new ownership for Crump (BI, Aug. 31), a change that Mr. Payne says the broker believes "will affect us in a very positive

Continued on next page

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INTERNATIONAL ADJUSTERS AND SURVEYORS

## Spotlight report

Continued from previous page way."

Mr. Payne said the deal allows Crump to "maintain our relationships and continue to build our business from our current agency base."

He said that with a "larger capital base" that the acquisition creates, Crump will be able to "invest aggressively in new programs, new skills and technology applications" to expand its business. "We don't foresee any changes in the way Crump will be run."

All premiums are recorded under the Crump Insurance Services banner, a change from past years, when figures were broken out for Crump and its smaller units. Crump Insurance Services was known until last year as Price Forbes North America. The name change came when Sedgwick

Group sold the Price Forbes name and agreed to give up its use in the United States.

One Crump unit, Southern Marine & Aviation Inc., is seeing sharply lower premiums. While it remains profitable, the Houston-based energy unit's premiums fell by \$30 million to \$35 million in 1997 from \$43.4 million the year before. Exact 1997 figures are not available because SMAI is making billing changes that will affect amounts attributed to that year.

Crump remains positive about SMAI, even though the energy unit's premium volume has declined in recent years. SMAI's cargo writings make up 3.9% of Crump's total book of business.

SMAI still has "a large book of ocean marine cargo," said Orville D. Jones, chairman and chief executive officer of Crump. "Be-

cause most of that is bulk cargo and because the price of oil is slipping, the rates and the premium are less because the value of the cargo is less. But it's still a very profitable operation for us."

SMAI offers up to \$40 million in coverage for a single loss incurred aboard a single vessel. The coverage is written through an underwriting management agreement with Gulf Insurance Co. in Dallas, which shares the risk with London insurers.

For the same reasons as a year ago, "we're not doing a tremendous amount of energy business," Mr. Jones added. Many brokers are bypassing wholesalers by establishing their own energy departments, and competition for the business remains stiff.

Despite SMAI's reduced volume, Crump is on track to have

another record year, with premium volume through June exceeding last year's mark of around \$250 million, said Mr. Jones. "Our second half is usually stronger than our first half," he added.

Crump hasn't tracked first-half volume, but Mr. Jones estimated the total at around \$270 million to \$300 million.

New casualty business is helping Crump continue its strong run this year.

"We had a good year last year with our (directors and officers liability) business," said Mr. Payne. "It continues to do well."

D&O writings account for 12.2% of Crump's premium volume. General liability makes up 22.6% of the premiums, and umbrella liability is 9.8%. Professional liability coverages add 5.5%, and workers compensation

risks amount to 2.3% of total writings.

New offices were established in Iselin, N.J., and Dallas to handle workers compensation business. The offices primarily place small workers comp risks, Mr. Payne pointed out.

Property insurance makes up the largest single chunk of Crump's premium volume, at 31.3%. Prices for those accounts are heading south, however, according to Messrs. Payne and Jones. Even earthquake and windstorm rates—traditionally among the last to soften—are falling, they said.

"Earthquake and windstorm had been hanging in pretty well," Mr. Jones remarked. "But this year we noticed a big (price) decrease."

Crump is seeing growth in Crump Underwriting Services, a Dallas-based managing general agency it established three years ago to provide binding authority for its offices throughout the county. "We've been building it, and it's begun to prove our decision in putting it together was right," said Mr. Payne. "It's a facility; it's not a profit center that exists on its own. It's to serve the rest of our offices."

The facility is expected to be expanded to market new programs as Crump develops that strategy, Mr. Payne said.

Crump's Alternative Risk Division had a slow year, "but it is picking up and is getting better as we go," according to Mr. Jones. "As with any new project, it has started off slow, but we have high expectations of it."

The division, created in 1996, is the exclusive marketer for a Bermuda-based rent-a-captive. Three programs, called COMPASS I, II and III, are available through the facility. One is written for individual risks, another for groups and associations, and a third for agents, brokers and managing general agencies.

The division offers all lines of coverage, underwritten by Star Insurance Co. or Savers Property & Casualty Co., admitted and non-admitted units, respectively, of Meadowbrook Insurance Group in Southfield, Mich. Transglobal Insurance Ltd. in Bermuda reinsures the coverage.

The program for agents, brokers and MGAs has been the most successful of the COMPASS offerings, Mr. Jones noted. It lets them provide coverage for existing clients while realizing a greater return from participating in the rent-a-captive than generally is available from commissions.

Crump is looking to put together more new insurance programs, a popular way to garner new accounts. Toward that end, a program director was hired in a newly created position. Bruce Slapper, previously a vp and Western marketing manager at Hilb, Rogal & Hamilton Co. in Phoenix, is responsible for Crump's efforts in crafting new programs. He reports to Mr. Payne.

"All of our markets seem to want programs and seem to think the way to grow in this business is through putting together different types of programs," Mr. Payne said.

In addition to Messrs. Payne and Jones, another top executive at Crump is Patrick R. O'Brien, executive vp and chief financial officer.

Crump is a member of NAPSLO and the AAMGA. Mr. Jones is incoming president of NAPSLO.

—By Michael Bradford



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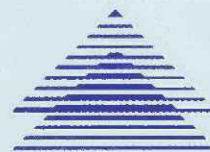
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|                   | 1997          | 1996          |
|-------------------|---------------|---------------|
| Premium volume    | \$435,000,000 | \$454,850,811 |
| Gross revenues*   | \$31,200,000  | \$31,200,000  |
| Employees         | 173           | 186           |
| Commercial lines  | 100%          | 100%          |
| Admitted business | 80%           | 80%           |
| Non-admitted      | 20%           | 20%           |

\* BI estimate

Tri-City has got new capital to grow with and a new equity partner, but it remains the largest, and one of the few remaining independent national wholesalers.

In July, Bermuda-based EXEL Ltd. said it was acquiring 25% of Tri-City's common stock for \$8 million in cash. The deal was intended to help Lloyd's managing agency The Brockbank Group develop a U.S. midmarket distribution strategy. Brockbank is a unit of Bermuda-based Mid Ocean Reinsurance Co., Ltd., which has merged with EXEL.

"All the money is going to go into the company," said Tri-City President and Chief Executive Officer John G. Hahn. "We're going to use it to grow the company." It will support the strategies Tri-City has followed the past four years and will be used to continue to build new business in the program and managing general agency area, and, possibly, to make acquisitions, he said.

"We think the timing's good in our field" to look at acquiring firms that offer specialized or unique capabilities whose owners are attracted by a privately held firm that will still allow them to do their "own thing," Mr. Hahn said.

He anticipates Tri-City also will benefit from its Brockbank tie. "We're going to be looking to develop business with the London marketplace, and, hopefully, into Bermuda as well," he said. Mr. Hahn said he'd like to see the relationship bring Tri-City more MGA, program or brokerage business involving the London market.

Mr. Hahn contends that Tri-City's position as the largest and one of the only independent national wholesalers remains intact despite the EXEL investment; EXEL is an insurer, not a retail broker, he said. At the same time, Mr. Hahn said, "I think we can help develop new business together better than we could apart."

Meanwhile, Tri-City continues to focus on its three basic strategies: to continue to support the brokerage side of the business, working with about 2,000 agents and brokers; to offer unique capabilities or expertise to its retail broker customers; and to underwrite, which includes MGA and program business.

Tri-City reported \$435 million in premium volume in 1997, down 4.4% from \$454.9 million in 1996. *Business Insurance* estimates its gross revenues remained stable, though, at about \$31.2 million. For 1998, Tri-City anticipates a 5% decline in premium volume and a commensurate decline in its gross revenues, said Mr. Hahn.

Meanwhile, the sources of its business are shifting. In 1997, casualty accounted for \$161 million in premiums, or 37% of its business, down from 44% in 1996; property generated \$102 million in premiums, or 23% of the total, down slightly from 25% in 1996; professional liability accounted for \$93 million in premiums, or 21.5%, up from 16% in 1996; program business generated \$36 million in premiums, or 8%, up from 6.5%; and MGA business generated \$17 million, or nearly 3.8% of the total, up from less than 2%.

Tri-City's two remaining businesses—benefits, with \$18 million in pre-

miums, or about 4%; and marine and energy, with \$7 million, or 1.5% of the total—had generated virtually no business in 1996, said Mr. Hahn, who observed that until two or three years ago, casualty, property and professional liability were Tri-City's core businesses.

"I think that casualty may come down some more, and property will probably come down and professional liability will continue to grow," said Mr. Hahn.

One new area of specialized expertise is Global Risk Strategies, a Dublin, Ireland-based startup risk management consulting firm in which Tri-City has a minority interest.

The company specializes in offering risk management services to lenders and banks, owners and developers and large engineering and construction companies that participate in building and operating project-fi-

nanced infrastructure jobs in the United States and overseas.

Global Risk has developed risk transfer and risk financing models that allow these companies to manage their business risk; it represents "pretty significant" opportunities for Tri-City, said Mr. Hahn. The company uses Tri-City's San Francisco office.

Also new is Tri-City Partners, which offers structured finance solutions that enable corporations, real estate investment trusts and other real estate owners to better manage balance sheet and cash liquidity problems associated with their real estate assets, according to Mr. Hahn.

It also represents an opportunity for another Tri-City operation, Tri-City Capital Markets, the wholesaler's joint venture with privately held investment bank Castlebridge Partners in Chicago, which provides blended insurance and financial market solu-

tions for balance sheet risks.

Another particularly promising opportunity for Tri-City lies with brokers who leave the alphabet houses to form their own retail brokerages, said Mr. Hahn. Tri-City is seeking ways to help these operations as they outsource various functions. This could involve providing servicing capabilities or marketing or underwriting expertise in areas including directors and officers and errors and omissions liability insurance, said Mr. Hahn.

It is a somewhat similar approach to Integrated Risk Services, a joint venture with the Hobbs Group, where Tri-City provides its wholesale capabilities to the retail broker, although no company is formed. Integrated Risk Services has been "a tremendous success," said Mr. Hahn.

Benefit plans continue to be a promising area for Tri-City as well. Its Long Island office operates Tri-City

Benefits L.L.C., which develops plans for small to midsize companies.

Tri-City remains optimistic about this business, said Mr. Hahn. "It's an area that we want to be in for the long term," in conjunction with Tri-City's ONtrak voluntary benefits program, a benefits communication program and tracking system. The expertise provided by these programs can help brokers that do not have specialized services in these areas, said Mr. Hahn.

Marine and energy are still promising as well, said Mr. Hahn. The brokerage facility deals with a variety of marine businesses, including blue water, brown water, hull and cargo lines.

In light of Tri-City's new relationship with Brockbank, "we're hoping to sometime next year possibly have underwriting authority" for some of this business, said Mr. Hahn. There are a "significant amount of national

*Continued on next page*


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**Spotlight report**

Continued from previous page opportunities in this area," he said.

Jersey, City, N.J.-based Five Star Managers, Tri-City's underwriting facility, which has D&O, E&O and intellectual property liability programs, also remains a mainstay of Tri-City's business.

Tri-City has put an "enormous" amount of time and money into technology, Mr. Hahn added. "We are making tremendous leaps and bounds as far as getting the product into customers' hands" and making the process from quoting to binding the business more efficient.

Last year, Tri-City consolidated its Edison, N.J., operations into its New York office. Any new offices would be the result of an acquisition, said Mr. Hahn.

Some of Tri-City's leading insurance company markets are: Acceptance Insurance Co., ACE USA; Ad-

miral Insurance Co., American International Group Inc.; Associated International; Berkshire Hathaway; Chubb Group; CNA Insurance Cos.; Essex Insurance Co.; Evanston Insurance Co., the Executive Risk Group; Fireman's Fund Group; First State Insurance Co.; General Star Indemnity Co.; Great American Cos.; Gulf/Travelers Specialty; Lloyd's of London; Reliance National Insurance Co.; RLI Insurance Co.; Royal & Sun Alliance Group; St. Paul Fire Cos.; United Capitol; and Zurich Insurance Group.

Besides Mr. Hahn, other principal officers are: Executive Vps Scott W. Gunnison, George P. Hilditch, Alexander M. Kullman, Daniel S. Real, Michael P. Tilton and Edward W. Ulshafer. Robert B. Dillon is chief operating officer, and Leo P. O'Reilly is chief financial officer.

Tri-City is a member of NAPSLO.

—By Judy Greenwald

**Sherwood Insurance Services**

201 California St., Suite 1000,  
San Francisco, Calif. 94111;  
415-956-3236; fax 415-956-1204

|                   | 1997          | 1996          |
|-------------------|---------------|---------------|
| Premium volume    | \$335,060,000 | \$265,000,000 |
| Gross revenues    | \$32,000,000  | \$25,800,000  |
| Employees         | 245           | 147           |
| Commercial lines  | 100%          | 100%          |
| Admitted business | 75%           | 75%           |
| Non-admitted      | 25%           | 25%           |

It's been a hectic year at Sherwood Insurance Services, where employees have been busy absorbing segments of two acquisitions by its parent company, Aon Corp.

But with that integration now virtually complete, the wholesaler is a

stronger company, said James W. Barnes, Sherwood's chairman and chief executive officer.

Aon's purchase of Alexander & Alexander Services Inc. in January 1997 brought with it A&A's wholesale unit, Alexander Howden North America, with Sherwood taking Howden's Western business and the rest of the business shared by other Aon wholesale units.

In May 1997 Aon bought the Minet Group, whose operations included wholesaler Swett & Crawford. Although Swett & Crawford remains an independent operating unit, Sherwood absorbed Swett's San Francisco, Woodland Hills and Irvine, Calif., offices.

"I would say 95%-98% of the work has been done," said now the company, staff and its business plans can move forward, according to Mr. Barnes. "It has been an in-

credibly busy year."

He likened the experience to "changing a flat tire on the highway at 65 mph."

The integration of the Aon acquisitions has required a 19-month retooling of staff, systems and programs, but the end result is that where Sherwood once had three offices, it now has five full offices and two satellite operations. Two of the full offices and two satellite offices have managing general agency operations as well, said Mr. Barnes, who said Sherwood has no further plans right now to either open or close any more offices.

Mr. Barnes said name tags were needed for the first time in the company's history when it held its annual meeting in October. "We won't need name tags this year," he added. "We've come to work very well together as a team."

At the same time, "I don't think it was that disruptive at all" to Sherwood's retail broker clients, said Mr. Barnes.

And now, Sherwood is back to its "original core business plan," said Mr. Barnes, which is to focus on property, casualty, construction and professional liability business. As a result of the acquisitions, "We have enhanced all four of these core businesses," he said. The wholesaler also continues to focus on program business, which cuts across all four segments.

The acquisitions helped boost premium volume 27.4% to \$335 million in 1997, ranking Sherwood as the fourth-largest surplus lines broker and sixth-largest wholesaler overall. Gross revenues increased 34.5% to \$32 million.

While Sherwood grew in 1997 because of the acquisitions, now its growth will have to come from its programs, he said. For this year, "We're on pace to do \$350 million to \$360 million" in premiums, or about a 4.5% to 7.5% increase, said Mr. Barnes. Revenues will total about \$35 million, a 9.4% increase, he said.

However, he cautioned, "I'm not sure how valid these numbers are because a lot of the final restructuring was done the first half of this year. Next year will be the year we'll really have good, solid numbers," he said. "This whole merger is really a two-year process."

Between 1996 and 1997, Sherwood's staff also increased to 245 employees from 147. Sherwood's approach was to take everyone in, then look across the board for staff redundancies in functions, including systems, accounting and claims, said Mr. Barnes, who added Sherwood is now down to about 200 employees, and the process is complete.

For the remainder of this year and beyond, Sherwood will be what it has always been, albeit a stronger, bigger company that has acquired some talented people and established good, new relationships, said Mr. Barnes. "We'll continue to build on these."

Pointing to Sherwood's 20-year history of sustained growth, Mr. Barnes said the wholesaler will continue to seek out new sources of business, develop new products, use the best available people and "continue to be a very strong force."


Sherwood still takes pride in its independent stance, despite its Aon ownership. The company was founded by Don Sherwood in 1978 as a joint venture with Frank B. Hall & Co., which took over total ownership in 1989. Aon acquired the operation in 1992, when it bought Hall.

"Since Day One we have had a majority ownership position" by a retail broker, said Mr. Barnes. "We grew up in that system, and the owning brokerage has always ac-

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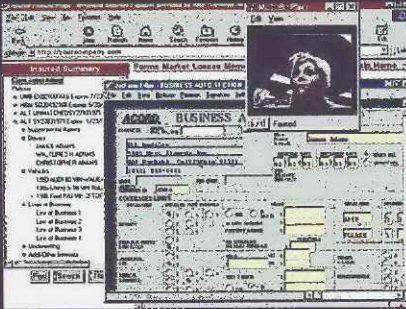
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Continued from previous page counted for just 25% to 30% of (Sherwood's) business, with the rest of the brokerage community accounting for the remainder," said Mr. Barnes. Last year, Aon accounted for about 28% of Sherwood's business, he said.

"We have always had a unique blend of independence and entrepreneurship, with the stability and financial resources of a major partner. We've never been a captive wholesaler," said Mr. Barnes, who joined the company 11 months after its founding 20 years ago. "It's been a unique blend, a very successful one and one which Aon is continuing."

One change occurring, though, is that with all the consolidation taking place in the industry, Sherwood is seeing relatively less business from other major alphabet brokers, who tend to favor their own operations, he said. Whereas alphabet-house business had previously accounted for about 15% to 20% of Sherwood's business, that will be down to about 5% by the end of the year, Mr. Barnes estimated.

"They're using their own wholesalers for delivery of their products, which is to be expected with this type of consolidation, and many of their own facilities," he said.

As a result, Sherwood's business is now more focused on the mid-range, local and regional accounts from independent local and regional retailers, with much of its national business coming from Aon.

"We will continue to see the large, national accounts, but only from Aon," said Mr. Barnes. He added, though, that "Nothing is forever."

Meanwhile, Sherwood continues to focus on property accounts, with a heavy emphasis on earthquake exposure. A total of 75% to 80% of its business includes earthquake peril coverage on difference-in-conditions or an all-risk basis, including flood coverage. Depending on how it is structured and how Sherwood is needed, business from these regional accounts could generate premiums ranging from \$250,000 to \$4 million.

Sherwood also is approaching its goal of a 50-50 split between its property and casualty business and already may be at about the 55-45 point, he said.

Despite the soft market, "Our retention rate is pretty good" at the "mid-60s," said Mr. Barnes, though he added this is hard to quantify because of Sherwood's absorption of the acquisitions.

Sherwood's Loxley Insurance Services subsidiary focuses on smaller commercial business and functions as an internal resource for Sherwood's brokerage operations, out of which it operates. A second subsidiary is Sherwood Construction Program Managers, which focuses primarily on wrap-ups and large construction projects out of Sherwood's Pasadena office and acts as an MGA for TIG Insurance Co.

Other Sherwood program business includes an earthquake program for small commercial risks for members of the Insurance Brokers Assn. of the West that provides up to \$2.5 million in coverage. A national airport program offers up to \$100 million in property coverage, up to \$25 million in general liability coverage and up to \$5 million in directors and officers liability coverage.

Still in the final stages of completion are programs for non-emergency medical transport and driving ranges, said Mr. Barnes.

Underwriting accounts for about 22% of Sherwood's revenues, which is "about where we want to stay," said Mr. Barnes.

Sherwood's top markets are: Scottsdale Insurance Co.; Associated International Insurance Co.; CNA Insurance Co.; First State Insurance Co.; Gulf Insurance Co.; RLI Insurance Co.; Western Risk Specialists; Royal Insurance Co.; Westchester Group; and Insurance Co. of the West.

It has underwriting authority for CNA; Gulf; National Casualty Co.; Scottsdale Insurance Co.; TIG; Twin City Fire Insurance Co.; Lexington Insurance Co.; and Connecticut Specialty Insurance Co. It also acts as a Lloyd's of London coverholder.

In addition to Mr. Barnes, other Sherwood officers are President Curt Biersch; Chief Financial Officer Kevin Schrage; Executive Vps Phillip Mazur and Sarah Corvin; and Vp Marion Woodbury.

Sherwood is a NAPSLO member.

—By Judy Greenwald

### Stewart Smith Group Inc.

26 Century Blvd., Nashville, Tenn.  
37214; 615-872-3030;  
fax: 615-872-4408

|                   | 1997          | 1996          |
|-------------------|---------------|---------------|
| Premium volume    | \$302,866,000 | \$366,169,000 |
| Gross revenues    | \$28,590,000  | \$28,728,000  |
| Employees         | 216           | 216           |
| Commercial lines  | 100%          | 100%          |
| Admitted business | 40%           | 40%           |
| Non-admitted      | 60%           | 60%           |

Stewart Smith Group Inc. is taking several steps to combat conditions that led to the broker's 17.3% drop in premium volume last year.

Gary H. Cooper, chairman and chief executive officer, attributes the premium decline to the soft market and the amount of business being taken by admitted insurers.

To counter those factors, the Nashville, Tenn.-based wholesaler is vying for more business from its parent company, Willis Corroon Group P.L.C.; fostering teamwork; and developing new products.

Stewart Smith dropped one spot to fifth place in *Business Insurance's* ranking of the largest U.S.-based surplus lines brokers, based on premium volume of \$302.9 million.

Gross revenues edged down 0.5% to \$28.6 million.

The market has not changed this year, Mr. Cooper said. "We still have the same marketplace if not even softer than 1997," he said. "The surplus lines industry is still facing a shrinking opportunity base."

For the first half of 1998, Stewart Smith reached more than \$180 million in premium volume, about 2.9% above last year's first half, and about \$13 million in gross revenues,

about 5% above the same period last year. For the full year, Mr. Cooper estimates greater than \$310 million in premium volume and about \$29.5 million in gross revenues.

Stewart Smith is looking hardest for growth at its parent company, Willis Corroon Group P.L.C. In fact, Mr. Cooper lists expanding that relationship as a priority for the wholesaler. "We have to earn business there just like with the rest of our clients," he said.

Willis has never mandated that its retail operation use its sister wholesaler for surplus lines coverage, Mr. Cooper said. "If we can't offer the best service and pricing, we shouldn't get the business."

About 22.5% of the surplus lines broker's revenue came from Willis Corroon last year, representing about \$94 million in premium

Continued on next page

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**CNA RISK MANAGEMENT**

Continued from previous page  
 volume, Mr. Cooper said. That percentage has climbed since 1990, when the broker did almost no business with its parent, he said. He estimates that this year, about 28% of revenue will come from the parent company.

Willis is "a logical place to look for additional business" in a tough market, Mr. Cooper said. Secondly, "it certainly brings more potential profit into Willis as a group."

Willis Corroon may help Stewart Smith in another way if a July proposal by Trinity Acquisition P.L.C. to acquire a majority stake in the world's fourth-largest brokerage becomes reality. Trinity is a consortium led by U.S. private equity firm Kohlberg Kravis Roberts & Co. L.P. The consortium includes insurers and Willis Corroon management.

Mr. Cooper said Stewart Smith is excited about the potential opportu-

nity to obtain capital for growth and to take a long-term view of business. The broker is open to opportunities to acquire other brokerages and hire teams that may be looking for new positions as a result of consolidation.

Teamwork is another approach the surplus lines broker is taking to succeed in a tough market. It now rewards group efforts across geographic borders rather than just the efforts of specific offices or individual brokers. Stewart Smith previously did not have a structure to credit team efforts that overlapped its 14 offices.

The philosophy Mr. Cooper wants to impart to the broker's 216 employees is "Let's all succeed together."

Stewart Smith last year began to assemble teams of employees across the company that have expertise in a certain line of business. The teams enable a client dealing with the wholesaler in any area of the country to tap

specialists throughout the wholesale brokerage. Teams were formed in construction, executive risk and property. An environmental practice team is being formed. The teams are under the direction of Chief Operating Officer Mark Smith, who also is president and CEO of Stewart Smith East.

Mr. Cooper said the wholesaler also hopes to launch new programs by year end, but he wouldn't give details.

Late last year, Stewart Smith launched an employment practices liability program centered in the Farmington, Conn., office for the fast-food industry. Executive Risk Insurance Co. underwrites the coverage.

A contractors' general liability program written by Philadelphia-based Legion Insurance Co. and backed by London market reinsurers is expected to generate between \$14 million and \$15 million in premium this year, mainly from home builders, Mr.

Cooper said. 1997 was the first full year of the program.

The success of the contractors program, centered in the Glendale, Calif., office, is spurring the broker to expand its offerings in the construction area and delve into new casualty areas, he said. Last year, 45% of Stewart Smith's premium volume was generated by casualty coverage, including primary general liability, automobile liability, excess liability and umbrella liability; 28% by D&O and E&O; 25% from property; and 2% from aviation liability and medical stop-loss.

D&O grew last year, but Mr. Cooper said the percentage of D&O business likely will drop this year due to competition from the admitted market. "I think D&O is getting hit hardest by the soft market," he said. "Pricing is going way downhill."

Stewart Smith's D&O team is "well recognized," he said, adding that staff expertise is the reason for clients to choose the wholesaler in that line.

Property, which also grew last year and could represent more than 25% of 1998 business, is another line with which clients readily associate Stewart Smith.

Mr. Cooper wants to generate more business beyond D&O and property. "Were not growing in the casualty area like we could or should," he said.

The wholesaler retained about 70% of its business last year, which is standard for the broker in this soft market, Mr. Cooper said.

Stewart Smith generates 95% of its premium volume as a wholesale broker, 3% as an MGA and 2% as a Lloyd's of London coverholder.

Large independent retail brokers in major metropolitan areas continue to be Stewart Smith's client base.

Last year, the wholesaler placed about 60% of its premiums with non-admitted insurers and 40% with admitted insurers, the same mix as in 1996. Among those insurers it has increased its business with recently are CIGNA Corp., ACE USA, Executive Risk and Royal Specialty Underwriting Inc. Stewart Smith's other markets include General Star Management Co.; American International Group Inc. units, including National Union Fire Insurance Co. of Pittsburgh, Pa.; RLI Insurance Co.; Zurich American Insurance Co.; Reliance Group Holdings Inc.; and HSBC Gibbs Ltd.

To keep clients aware of its activities, Stewart Smith has begun distributing a newsletter in print and electronic versions.

Stewart Smith subsidiaries are: Stewart Smith East, which is based in New York and has offices in Bernardville, N.J., Philadelphia, and Farmington; Stewart Smith Mid America Inc., based in Chicago; Stewart Smith Southeast, based in Nashville with an office in Tampa, Fla.; Stewart Smith Southwest, based in Dallas; Stewart Smith West, based in Glendale, Calif. with offices in Phoenix and San Francisco; Stewart Smith Specialty Risks Inc., based in Southfield, Mich.; and McAlear Associates Inc., based in Grand Rapids with an office in Cleveland. The environmental practice is centered in McAlear Associates.

The individuals holding the president and chief executive officer position at subsidiaries, in addition to Mr. Smith, are: David Martin, McAlear Associates; James Compton, Stewart Smith Southeast; Elliott Jones, Stewart Smith Mid America; and Fred Anderson, Stewart Smith West. Fred Curatolo is chief operating officer of Stewart Smith East; and George Clarke is executive vp of Stewart Smith Specialty Risks. Connie Steinmetz is chief financial officer of Stewart Smith Group.

Stewart Smith is a member of NAPSLO.

—By Roseanne White

## The Schinnerer Group Inc.

2 Wisconsin Circle, Chevy Chase, Md. 20815; 301-961-9800; fax: 301-951-5444; www.schinnerer.com

|                   | 1997          | 1996          |
|-------------------|---------------|---------------|
| Premium volume    | \$445,000,000 | \$444,000,000 |
| Gross revenues*   | \$37,100,000  | \$37,100,000  |
| Employees         | 298           | 305           |
| Commercial lines  | 100%          | 100%          |
| Admitted business | 95%           | 95%           |
| Non-admitted      | 5%            | 5%            |

\*BI estimate.

Efficiency, innovation and easy access are how The Schinnerer Group seeks to enhance customer service in an ever more competitive market.

And, despite continued rate erosion and the loss of some accounts, the strategy appears to be paying off for the Chevy Chase, Md.-based underwriting manager, which has been able to wrest double-digit rate increases in two of its core programs.

Schinnerer's goal is to "develop products and services that relate to emerging risks," said Homer M. Sandridge, executive vp of Schinnerer, which is a unit of J&H Marsh & McLennan's Seabury & Smith. That has meant both enhancing existing programs and adding new ones, including a new kidnap and ransom program.

Schinnerer maintained its long-time position as the top underwriting manager and moved up one position to rank third overall on *Business Insurance's* list of top wholesalers.

Schinnerer experienced a year of nearly flat premium growth, registering \$445 million in 1997, an increase of only \$1 million from 1996. As evidence of the continuing soft market, premium volume for the first six months of 1998 dropped nearly 5.9% to \$225 million from the \$239 million generated during the same period in 1997.

BI estimates that Schinnerer's gross revenues remained flat in 1997 at about \$37.1 million.

"We're finding the market continues to soften even though we try not to dwell on it," said Mr. Sandridge.

"Our focus is customer service, both to the brokers that we serve and to the policyholders that they serve. Our goal is efficiency, because the more efficient we are as a company, the more money we can make, both for us and our customers," said Lorna Parsons, senior vp. "Our goal is to be innovative and to be very easy to access. We're focusing on services that help make their bottom lines grow."

"We continue to be heavily admitted lines. We always have been, but the change over the past two years is that we are very capable and use E&S lines in appropriate situations," said Mr. Sandridge. Schinnerer acts as an underwriting manager for CNA Insurance Cos., Gulf Insurance Co., Zurich-American Insurance Group, Employers Reinsurance Corp. and United Educators Risk Retention Group, a Vermont-domiciled captive.

Schinnerer launched several new programs to meet the demands of its customers in the difficult market. One of the biggest breaks from Schinnerer's traditional business is a new kidnap and ransom program, with limits of up to \$60 million. The program demonstrates the underwriting manager's desire to keep up with the demands of its increasingly global customers, said Mr. Sandridge. It is being offered by Schinnerer and Travelers Corp.'s Gulf Insurance Co. unit in partnership with Lloyd's of London's Hiscox syndicate and international security consultant Control Risks Group.

Continued on next page

# REACHING NEW HEIGHTS



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Continued from previous page

A new miscellaneous professional errors and omissions program—the Smart Source—is designed to “provide coverage for brokers who are seeking markets for professional liability for things that we have not historically done,” said Mr. Sandridge. Smart Source is “basically a wholesale facility” because “no single market could cover enough of the emerging risks,” he said. Some of the professionals covered by the facility include computer software, health care and human resources. Limits vary according to what risk is being underwritten.

Schinnerer enhanced some of its core programs as well last year to provide better service. For example, United Educators added a new foreign accident and evacuation coverage for its members, reflecting the popularity—and potential risks—of overseas student programs, said Mr. Sandridge.

United Educators “is continuing to grow, but in a competitive environment,” he said. The program, which encompasses about 1,100 institutions, including some private high schools as well as two- and four-year colleges and universities, doubled the excess liability limits it offers to \$50 million. Capacity for educators legal liability remains at \$25 million.

United Educators also offers a new property insurance program in conjunction with the general liability program in partnership with General Re unit Genesis and the Wausau Insurance Cos. The policy provides blanket coverage for total insured values of up to \$400 million.

Mr. Sandridge said United Educators has been able to get rate increases in the 10% range for United Educators legal liability, increases he credited to a “very loyal and educated customer base.”

Schinnerer’s flagship architects and engineers program, now in its fifth decade, underwent several enhancements. Perhaps the most notable was the creation of the Premier program for midsize companies with annual billings of \$500,000 to \$5 million. The program, underwritten by CNA, offers limits of up to \$30 million.

Capacity for Schinnerer’s long-running architects and engineers liability program was increased to \$30 million, said Ms. Parsons. “CNA keeps saying, ‘Sure, we can do that.’ Frankly, we can do almost any limit our customers want.”

The program has undergone other enhancements as well, she said.

“We’ve removed pretty much the asbestos and pollution exclusions that went in in the mid-1980s. We’re back to 1984 coverage—it’s progress.” In addition, “one of the advantages right now of our architects and engineers program is that it doesn’t have any Y2K exclusions, and we’re not planning on putting any in there, because the engineers especially have done a lot of work with traffic lights, medical facilities, airports and a hundred other things that potentially could be affected.”

She noted, however, that while the program has more customers than ever before, the average premium is dropping.

To enhance another core program—real estate—Schinnerer recently launched an E&O commercial real estate program for large commercial firms, said Richard Walk, senior vp. This E&S program, written by CNA, offers limits of up to \$10 million.

“Until now, everybody who was in this arena used just their miscellaneous E&O form. They didn’t have a specific real estate product. As far as we know, this is the first

one intended to target the real estate industry specifically and the property transfer mechanism that is inherent in large commercial and large residential firms,” he said.

Limits have remained at \$2 million for Schinnerer’s real estate professional liability program, which is underwritten by CNA, he said. “Our volume has dropped in real estate” because of “tremendous consolidation” in the industry, Mr. Walk said.

Nevertheless, Schinnerer has been able to get double-digit rate increases in “what traditionally has not been what I’d call a loyal customer base,” he said.

The fourth mainstay of Schinnerer’s book of business, non-profit D&O, “has been essentially flat over the past year.” The program, also underwritten by CNA, offers limits of up to \$10 million.

Schinnerer launched a new service called Quick Quote last year to speed up the quote/order process, said Mr. Walk. He called it a form of self-rater designed to help small associations.

“Competition is fierce, and premiums are so small in that arena that it makes it very difficult to grow. It’s generally profitable business, so everybody’s in that arena,” he said.

Houston-based AMGRIP, which came under the Schinnerer umbrella when its parent, Johnson & Higgins, merged with M&M in 1997, has become increasingly integrated with Schinnerer, though it maintains a separate identity, said Mr. Sandridge. AMGRIP offers two basic products—a range of municipal coverages and a school leaders liability program, he said.

Mr. Walk said Schinnerer has re-

sponded to customer desires by making increased use of interactive technology to get information and applications. “In surveys to our customers, we found they want to access us in this fashion; they’re not that interested necessarily in talking to a person on the phone every time. They like to use the Web.”

Schinnerer also has established distribution teams that visit broker customers, said Mr. Walk, who serves on a team. Schinnerer has more than 8,000 broker customers, he said.

“We see what makes them tick and what their desires are. It’s really eye-opening to find out what they really want, as opposed to what we think they want.”

Mr. Walk said the only program Schinnerer has recently dropped was a financial planners liability program for which demand did not

meet expectations. He added, though, that a relatively new program for security professionals underwritten by Zurich-American has grown steadily since its inception.

The Schinnerer Group consists of Victor O. Schinnerer & Co. and ENCON Underwriting Agency Inc., both in Chevy Chase; AMGRIP in Houston; ENCON Insurance Managers Inc. in Ottawa, Ontario; and Schinnerer & Co. Ltd. in London. It also has offices in Chicago, San Francisco and Toronto.

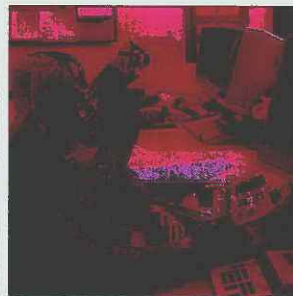
In addition to Ms. Parsons and Messrs. Sandridge and Walk, Schinnerer’s top managers include: Vincent C. Santorelli, president; Richard W. Horner, senior vp; James Smith, president-AMGRIP; Denis Shillington, president-ENCON; Campbell Scoones, managing director-Schinnerer U.K.

—By Mark A. Hofmann

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|                        | 1997          | 1996          |
|------------------------|---------------|---------------|
| Premium volume.....    | \$361,513,554 | \$354,000,781 |
| Gross revenues.....    | NM            | NM            |
| Employees.....         | 247           | 262           |
| Commercial lines.....  | 99%           | 99%           |
| Admitted business..... | 10.8%         | 15.5%         |
| Non-admitted.....      | 89.2%         | 84.5%         |

General Star Management Co. is following the fortunes of its primary market, General Star Indemnity Co., as soft market conditions take a toll on the volume of business.

Premium growth slowed to 2.1% in 1997, rising to \$361.5 million in premiums, compared with 17.4%

growth in 1996.

The underwriting manager is the exclusive management arm of two subsidiaries of General Reinsurance Corp.: General Star Indemnity Co., a non-admitted insurer, and General Star National Insurance Co., an admitted insurer.

All General Star Management's premiums are written for these insurers. It derives no revenues from underwriting services to other companies.

The company was hit by growing capacity and dropping prices for Southeast windstorm property coverage, which once was a leading component of its growth.

The combination has hurt this once thriving area by reducing rates on existing accounts while driving others to seek lower prices elsewhere.

General Star had entered the

field when many admitted insurers pulled out after Hurricane Andrew in 1992. But in 1997, many admitted and non-admitted insurers returned, adding to overcapacity.

"I think the pricing suddenly started to tail off, making that business just slightly less attractive than it had been," said Kevin Brooks, chairman and president of the underwriting manager.

For example, the company lost one Southeastern account when a competitor undercut General Star's price by 30% while doubling the policy limit to \$50 million.

"From an underwriter's standpoint, it's a very easy decision," Senior Vp Patricia Roberts said of the decision to walk away from an underpriced account. "You don't agonize over those."

Another factor slowing growth was the decision to withdraw from

the long-haul trucking business. This was predominantly written by General Star National. As a result, the percentage of General Star Management's premiums written for the admitted insurer dropped to 10.8% last year from 15.5% in 1996.

To pull itself out of the soft market, General Star looks to new products where there is less competition and expanding existing products to satisfy policyholders' needs.

Earlier this year, General Star launched a new general liability and professional liability policy for nursing home operators. It covers home care providers, assisted living facilities and full nursing homes, Ms. Roberts said.

As part of the program, General Star will provide a risk management inspection of the insured facility when writing the policy. The policy, currently available only in Florida and Louisiana, offers primary limits of \$2 million with excess limits up to \$25 million.

A new product for municipalities is designed to cover losses that fall within their large self-insured retentions, as well as providing high excess coverage. The policy covers general liability, professional liability and auto liability for police, fire, school and other public officials.

Launched last year, General Star has written \$2 million to \$3 million in premiums under the program to date. Limits are \$25 million, and up to \$30 million can be provided with reinsurance.

General Star also expanded an existing product for storage tank contractors by adding the option of an occurrence-based policy, in addition to its existing claims-made coverage. The manager hopes the new policy will stem the loss of policyholders moving to insurers that already offer an occurrence-based policy.

The coverage is designed for firms that install or remove underground storage tanks and offers primary limits of \$10 million with no excess coverage, while the claims-made policy also has a \$10 million excess option.

This year General Star formed a partnership with Swett & Crawford to market an employment practices product for midsize companies. It is a claims-made policy with primary limits up to \$1 million and excess limits up to \$25 million.

A London-based sister company started operations Jan. 1, providing General Star an avenue into Europe. For the first half of this year, the company, General Star International Indemnity Ltd., wrote \$5.9 million in premiums while posting an underwriting loss of \$557,000. It is staffed by four underwriters.

Mr. Brooks said he is satisfied with the London operation's results to date and expects the insurer to grow.

"By and large, there are a lot more opportunities on the unusual side there," he said.

General Star National, which is admitted in all 50 states, reported a 30.9% reduction in gross premium volume in 1997 to \$38.8 million.

The staff of General Star management 262 dropped the prior year.

In addition to Mr. Brooks and Ms. Roberts, the principal officers are Senior Vp Sam Anderson; and Vps William Murray, Craig Ott and Adin Tooker.

General Star Management is a member of AAMGA and NAPSLO.

—By Michael Prince

**Burns & Wilcox Ltd.**

30833 Northwestern Highway, Suite 220, Farmington Hill, Mich. 48334; 248-932-9000; fax: 248-932-9050

|                        | 1997          | 1996          |
|------------------------|---------------|---------------|
| Premium volume.....    | \$269,895,836 | \$271,650,000 |
| Gross revenues.....    | \$39,046,750  | \$37,896,000  |
| Employees.....         | 567           | 531           |
| Commercial lines.....  | 91%           | 92%           |
| Admitted business..... | 21%           | 19%           |
| Non-admitted.....      | 79%           | 81%           |

After years of consistent premium growth increases, the soft property/casualty pricing market caught up to Burns & Wilcox Ltd. in 1997.

The company's premium volume slipped by less than 1% to \$269.9 million for the year. Gross revenues increased, though, rising 3% to \$39 million, a reflection of stronger contingency fees from surplus lines insurers.

"We're actually issuing more policies, but we can't catch up to the dollar amount," said Herbert W. Kaufman, president and chief executive officer of Farmington Hill, Mich.-based Burns & Wilcox Ltd.

Despite the slight decline in premium volume, Burns & Wilcox remains the third-largest managing general agency, though it slipped a notch to eighth place among wholesalers, according to *Business Insurance's* rankings.

To combat the difficult pricing environment, Burns & Wilcox cleaned house throughout 1997 and into 1998, closing several offices, merging others and acquiring other successful books of business.

Burns & Wilcox introduced more than a dozen new products in the past year to help bring in more business.

Mr. Kaufman hopes the one-two punch of greater efficiency and a broader array of products will help offset the soft pricing conditions.

And being one of the remaining independent wholesalers among the ranks of the largest in the United States also has potential advantages for Burns & Wilcox, according to Mr. Kaufman.

"Being an independent managing general agency wholesaler, we're far more flexible, and the opportunity to pick up new business is greater," Mr. Kaufman contends. "Many retail producers do not want to deal with wholesalers," he added.

For the first six months of 1998, premium volume at Burns & Wilcox remains flat at \$135 million, but Mr. Kaufman said he expects premium volume to be up between 3% and 4% for the year.

As part of Burns & Wilcox's housecleaning efforts over the past 12 months, it sold its Seattle; Burlington, N.J.; and Boston offices, which Mr. Kaufman said "had for many, many years" not been profitable. The wholesaler also combined its Columbus, Ohio, and Cleveland offices; and its Farmington Hills and Grand Rapids, Mich., offices. Also, its Floyd West & Co. Inc. branch in Dallas was merged into its Arlington, Texas, branch.

At the same time, Burns & Wilcox opened a new office in Little Rock, Ark., and took over the San Jose, Calif., office of Hull & Co. and combined it with an existing Burns & Wilcox office in San Francisco. It also purchased the San Francisco and Jacksonville, Fla., offices of U.S. Risk Insurance Group Inc.

Burns & Wilcox now has 32 branch offices across the United States, down from 38 at the end of 1996.

Continued on next page

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Continued from previous page

"We're in good shape now," Mr. Kaufman said of the housecleaning.

Still, when asked if more new offices might be added in the near future, Mr. Kaufman said that "we're still looking at a couple of new ones."

At the same time it was scaling back its number of offices, the wholesaler was expanding its product offerings.

Burns & Wilcox recently introduced several products for which it has binding authority of between \$500,000 and \$1 million on each.

Burns & Wilcox now has binding authority on an array of new marine policies, including coverage for hull, personal injury, cargo, liability, and a package policy. It also is offering a new high-value homeowners policy and a tenants homeowner policy for "certain sizes in certain areas," Mr. Kaufman said.

Burns & Wilcox also has binding authority on coverages for wind exposure in New Jersey; pollution extra expense; earthquake and difference-in-conditions; miscellaneous errors and omissions; small employment practices liability; commercial general liability package; wind deductible buy-back; and new non-profit directors and officers liability coverage offered by Legion Insurance Co.

Among more specialty lines, Burns & Wilcox is offering a new specialty craft beer brewing program; a builders risk program for builders of log homes; and a program for large prize indemnity.

The wholesaler for example, recently put together a \$5 million program for a largemouth bass fishing contest in Florida that will pay \$5 million if a person catches a largemouth bass that breaks the existing world record.

Burns & Wilcox targets middle-market accounts, placing \$1,000 to \$2,500 premium accounts for midsize regional agencies with \$5 million to \$25 million in annual premium volume.

The wholesaler, however, has the capability to place larger risks—those generating \$50,000 in premium and higher, Mr. Kaufman said, adding that one of the Midwest offices recently placed a \$1 million account.

While most of Burns & Wilcox's business stems from placing property/casualty coverage in the surplus lines market for commercial risks, its greatest growth right now is coming from its personal lines business, Mr. Kaufman said.

"There's a definite need all over the country," he said of personal lines coverage.

Burns & Wilcox is answering that need by increasing the number of branch offices with personal lines departments; it calls the departments Service General. Twenty-two branch offices now have Service General departments, compared with only 12 a few years ago.

Service General specializes in homeowners and boat programs with \$1 million in limits and personal umbrella programs with up to \$5 million in limits. The wholesaler's new high-value homeowners and tenants homeowner policies fall under Service General.

Burns & Wilcox placed 57% of its 1997 premium volume as a managing general agent and has binding authority with 25 insurers. The wholesaler placed 11% of

its premium volume as a Lloyd's of London coverholder and has binding authority to issue documentation on behalf of Lloyd's underwriters.

The remaining 32% of its 1997 premium volume was generated as a broker placing coverage with 26 non-admitted markets.

Burns & Wilcox is owned by H.W. Kaufman Financial Group Inc., a private holding company.

In addition to Mr. Kaufman, other top Burns & Wilcox officers include: Gerald W. Horton, executive vp; Steve Allen and David Price, executive vps; Brooke Bothe, corporate secretary; and Gerald Wesolowski, chief financial officer.

Burns & Wilcox is a member of AAMGA and NAPSLO.

—By Sally Roberts

## First State Management Group Inc.

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

|                         | 1997          | 1996          |
|-------------------------|---------------|---------------|
| Premium volume.....     | \$238,310,000 | \$245,483,000 |
| Gross revenues .....    | NM            | NM            |
| Employees .....         | 225           | 234           |
| Commercial lines .....  | 100%          | 100%          |
| Admitted business ..... | 18%           | 18%           |
| Non-admitted .....      | 82%           | 82%           |

NM: Not meaningful.

First State Management Group Inc. continues to pare unwanted lines of business as the ongoing soft market leads it to focus on profitable special-

ty casualty and property catastrophe risks.

Weakening rates contributed to a 2.9% slide in premium volume at First State to \$238.3 million in 1997. Based on that volume, First State ranked as the fourth-largest underwriting manager and ninth-largest wholesaler.

Despite the lower premiums, the news is far from bleak, according to Ralph J. Palmieri, president of the underwriting management unit of The Hartford Financial Services Group Inc. First State has seen tremendous growth in an array of professional liability lines it has sought to expand in the last few years, including employment practices liability, real estate agents errors and omissions, and architects and engineers liability, he said.

While rates for property cat business are still weakening, they haven't fallen as much as First State feared,

and the business still is profitable, he added.

Favorable catastrophe experience in the last year has allowed First State to keep its combined ratio "very comfortably under 100%," according to Mr. Palmieri.

"1997 was an excellent year from the standpoint of operating profitability for First State," he said.

First State is the exclusive underwriting manager for Hartford's Pacific Insurance Co. Ltd., a surplus lines insurer, and Trumbull Insurance Co., Pacific's admitted market counterpart. It derives no revenues from underwriting management services to non-Hartford companies.

The manager also produces business for Hartford's Twin City Fire Insurance Co. unit, but only in states where Trumbull has not yet been licensed and received rate and form

Continued on next page

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Continued from previous page approvals. Trumbull is now licensed in 43 states and the District of Columbia but still needs licenses in seven states, including California, Florida and Louisiana, "very important states for us," Mr. Palmieri said.

When that process is completed—in another two to three years—Trumbull will become First State's exclusive admitted market.

As it emphasizes property cat and specialty casualty business that is less prone to rate-cutting, First State has also eliminated lines it considered marginal.

In January, it completed the sale of its Burlington, N.C.-based truck insurance operation to Lancer Insurance Group of Long Beach, N.Y. The operation, which generated about \$14 million in annual premiums in 35 states, provided bodily injury liability coverage on an admitted basis and physical damage coverage on a non-admitted basis.

First State entered the trucking physical damage market in 1993, expecting a turn in the market, Mr. Palmieri said. Five years later, while

satisfied with the quality of the operation, First State decided that "the profits we were making were just not sufficient to encourage our making more of an investment," he explained.

Meanwhile, First State also stopped writing liability coverage for residential construction contractors on the West Coast, a potentially loss-prone line. The manager is still writing commercial contractors on a risk-by-risk basis, he said.

Overall, 82% of First State's business is written on a non-admitted basis, while 12% is written on an admitted basis.

In addition to its Boston head office, First State maintains offices in Atlanta, Chicago, Los Angeles, New York and San Francisco.

First State's staff declined slightly to 225 employees last year from 234 in 1996.

The company's top management, in addition to Mr. Palmieri, includes Peter Coghlan, executive vp.

First State is a member of AAMGA, NAPSLO and PLUS.

—By Douglas McLeod

## K&K Insurance Group Inc.

1712 Magnavox Way, Fort Wayne, Ind. 46804; 219-459-5000; fax: 219-459-5866  
www.kandkinsurance.com

|                         | 1997          | 1996          |
|-------------------------|---------------|---------------|
| Premium volume.....     | \$229,142,000 | \$209,028,539 |
| Gross revenues* .....   | \$48,430,900  | \$45,777,250  |
| Employees.....          | 277           | 260           |
| Commercial lines .....  | 100%          | 100%          |
| Admitted business ..... | 98%           | 98%           |
| Non-admitted .....      | 2%            | 2%            |

\* BI estimate.

A competitive insurance market may be slowing its growth, but growth does continue for K&K Insurance Group Inc. as the company continues expanding its program offerings in its sports, entertainment and leisure business niches.

Fort Wayne, Ind.-based K&K's motto is "Insuring the World's Fun," and while competition may be tough, "we're still having fun," said Stephen Lunsford, the company's president and chief executive officer.

In general, this year's story at K&K is very much like last year's, Mr. Lunsford said. "Fortunately, things were going well for us last year and continue to do so," he said.

Formed in 1952 and focusing almost exclusively on motor sports, K&K has since branched out into more than 80 programs, covering a wide variety of recreation and leisure industries.

"We're still a dominant player in the motor sports business. It was the business on which K&K was founded, and we remain pre-eminent in that area," Mr. Lunsford said.

In addition, the company is very much involved in covering professional team sports. "We're involved in the major portion of the programs of roughly two-thirds of the professional baseball and football teams," Mr. Lunsford said.

K&K provides disability coverage for nearly all NASCAR drivers, the coverage for all the Coca-Cola Co.'s special events, and most of the coverages for New Orleans' Mardi Gras celebrations.

It also provides coverage for everything from Super Bowls to bingo halls and from papal visits to the Woodstock '94 music festival. Overall, the MGA provides coverages for more than 250,000 events and associations annually.

"I noticed the other day that we had an inquiry; I think there's going to be a papal visit to St. Louis," Mr. Lunsford said. "I think we're going to be involved in that one as well."

The company's brewpub business is doing well, the CEO said, and K&K recently added a martial arts program to its list of offerings. The company also has enhanced its tanning salon program to include full-service salons.

While virtually all of K&K's business is done as a managing general agent, the tanning salon program is done on a wholesale basis, Mr. Lunsford said.

K&K also introduced a new concession program in 1997, Mr. Lunsford said, geared to providing coverages to vending services at major sports stadiums.

"We're also increasing our writing in the amusement park area," he said.

While K&K has carved out a rather specific niche, it continues to be an area to which other companies are attracted, and new competition constantly is entering the market, Mr. Lunsford said.

"In '97 we did have some new people in the business, and we suspect that three or four years from now they very well may not be here," he said.

K&K meets the challenge that competition raises through the industry-specific expertise it has developed over the decades serving its niche markets, Mr. Lunsford said. Among other things, the company cites its full-service, in-house claims staff—specializing in the investigation, analysis and disposition of spectator and participant liability claims—as an advantage competitors can't offer.

As another means of serving its niche, K&K boasts an incident report form it designed specifically for sports, leisure and entertainment risks.

K&K's premium volume reached \$229.1 million in 1997, up 9.6% over 1996. That premium figure ranked K&K 10th on the *Business Insurance* list of the largest U.S.-based wholesalers.

The company had 277 employees in 1997, up from 260 a year earlier. All of its business was commercial lines in 1997, as in 1996, with 98% placed with admitted insurers and 2% in the non-admitted market, again the same as the prior year.

In 1997, the company added CNA Insurance Cos. and Great American Insurance Co. to TIG Insurance Co.

and John Deere Co. as those for which it has underwriting authority.

The agreement with CNA involves writing basic and catastrophic medical malpractice business K&K used to write with TIG, Mr. Lunsford said. The arrangement with Great American involves a camp program that provides all property and liability coverages for campgrounds.

The John Deere business, done through a subsidiary operation in Greensboro, N.C., provides coverage for tow truck operators. K&K acquired that Greensboro operation in the early 1990s. The company also has a small sales office in Orlando, Fla.

K&K, whose parent company is Aon Corp., is an affiliate of SLE Worldwide Inc., which provides accounting, data processing and corporate support staff functions.

K&K is the operating entity for SLE, doing business under the K&K name in the United States and out of a Canadian office in Toronto.

K&K is licensed to do business as an excess/surplus lines broker in Indiana, North Carolina, Virginia and Florida.

Overseas, the company does business in London and Sydney, Australia, under the SLE Worldwide name.

In terms of the brokers with whom it does business, Mr. Lunsford said: "We're still doing business with the same people. We still do business with a large number of subproducers, everyone from the large alphabet houses down to the local shops."

Consolidation in the brokerage industry has not had an impact on K&K's business so far, the president and CEO said, though the company is monitoring where its business is being produced to see whether any change develops.

Limits vary across the company's different programs, with capacity consistent in recent years, Mr. Lunsford said.

Among K&K's specific programs, in the area of events and attractions it has crafted programs geared to such areas as amusement parks, aquariums, camps, drum and bugle corps, miniature golf, paintball sites, ski resorts, water parks and zoos.

Leisure and recreation programs include coverages for billiard parlors, bowling centers, gymnastics clubs, motorcycle dealerships, sports coaches and officials organizations, weather insurance, and youth and adult sports leagues.

In addition to K&K's offerings for all the major professional sports, the MGA's sports programs also include coverages for college athletics and college football bowl games, high school athletic programs, intercollegiate and interscholastic liability/medical programs, and sports permanent and temporary disability and accidental death and dismemberment.

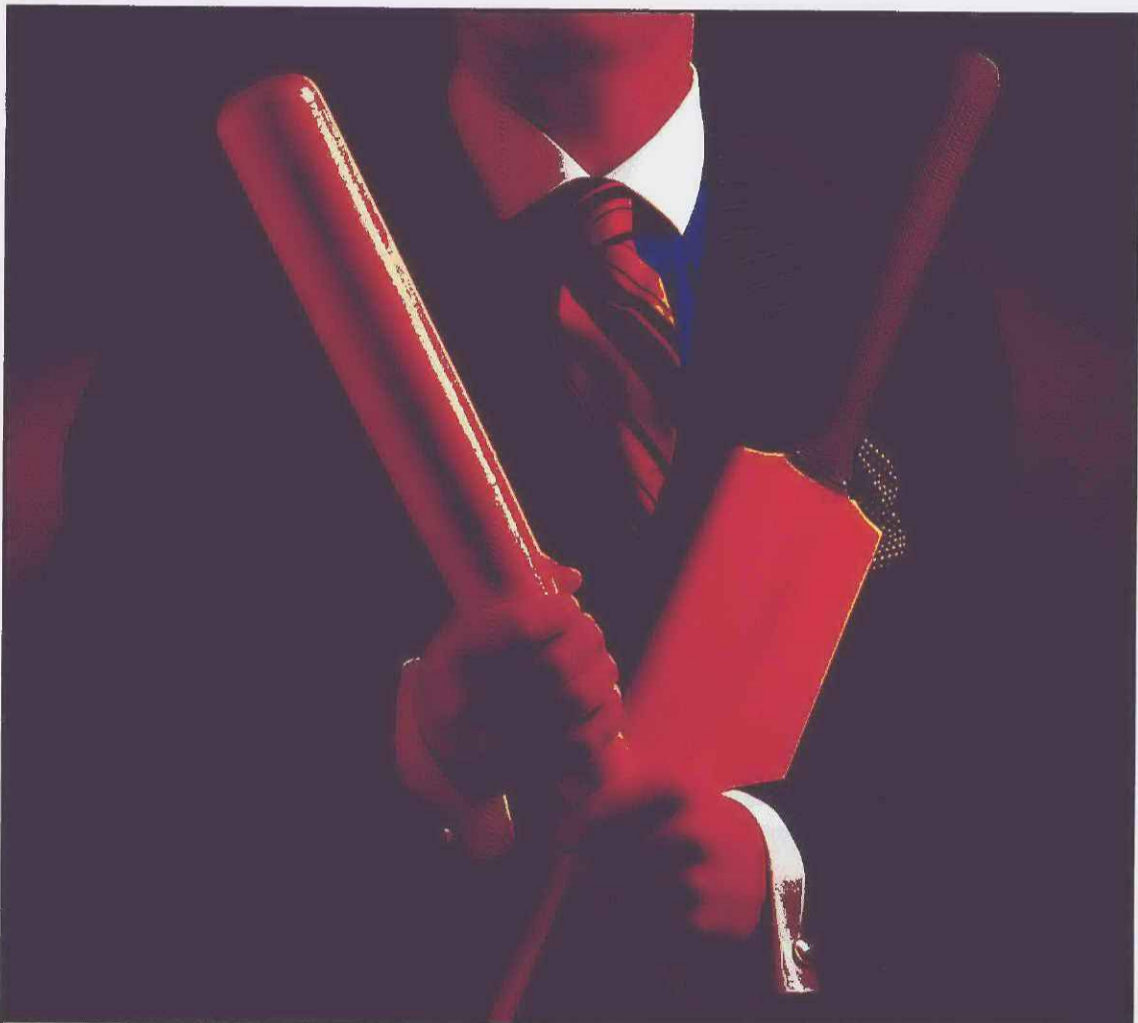
Motor sports programs cover everything from formula racing to truck and tractor pulls. There also are such programs as high-limit disability income, independent club event liability, and coverages for owners and sponsors and sanctioning bodies.

Venue and gaming programs run a similarly wide gamut, covering everything from amphitheaters, arenas and stadiums to community centers, country clubs and polo clubs.

K&K's World Wide Web site is proving an effective tool for helping generate new business. "We're seeing a great deal of activity there in terms of potential producer inquiries," Mr. Lunsford said. "Amazingly, we've been having inquiries (on the Web site) from all over the world."

K&K's principal officers include Mr. Lunsford; Jerry Tegan, chief marketing officer; and Todd Bixler, chief operating officer.

—By Rodd Zolkos



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## Agency Marketing Services Inc.

7024 Central Ave.,  
St. Petersburg, Fla. 33707;  
813-384-1036; fax: 813-343-4123

|                   | 1997         | 1996         |
|-------------------|--------------|--------------|
| Premium volume    | \$19,400,000 | \$18,500,000 |
| Employees         | 20           | 19           |
| Commercial lines  | 98%          | 100%         |
| Admitted business | 50%          | 50%          |
| Non-admitted      | 50%          | 50%          |

**Founded:** 1982.  
**Business:** 50% managing general agent, 5% Lloyd's of London coverholder, 45% broker.

**MGA for:** CNA Re, Hermitage Insurance Co., Mount Vernon Fire Insurance Co., Nautilus Insurance Co., TIG Insurance Co., Terra Nova Insurance Co., Zurich Insurance Group.

**Broker for:** Admiral Insurance Group, Evanston Insurance Co., Executive Risk Group, Fireman's Fund Insurance Co., Great American Insurance Co., Interstate Fire Co., RLI Insurance Co., Reliance Insurance Co., Royal Surplus Insurance Co., Travelers Group, Tudor Insurance Co.

**Subsidiaries:** Allsouth Professional Liability Inc., Tampa, Fla.; Raincross Insurance Inc., St. Petersburg, Fla.

**Specialties:** Lawyer's professional liability, medical malpractice, E&O.

**Licensed in:** Alabama, Florida, Georgia, Mississippi, Ohio, Tennessee, Texas.

**Membership:** NAPSLO.

**Officers:** Kevin Schuck, president; Tim Hoelle, executive vp; Bryon Chenell, Ken O'Neill, vps.

**Contact:** Kevin Schuck.

## All American Agency Facilities Inc.

3033 S. Parker Road, Suite 506,  
Aurora, Colo. 80014;  
303-337-4355; fax: 303-337-4534

|                   | 1997         | 1996         |
|-------------------|--------------|--------------|
| Premium volume    | \$50,206,666 | \$49,017,483 |
| Gross revenues    | \$5,242,192  | \$4,912,511  |
| Employees         | 83           | 75           |
| Commercial lines  | 81%          | 81%          |
| Admitted business | 72%          | 72%          |
| Non-admitted      | 28%          | 28%          |

**Founded:** 1981.  
**Parent:** W.R. Berkley Corp.  
**Business:** 60% managing general agent, 5% Lloyd's of London coverholder, 35% broker.

**MGA for:** Acceptance Insurance Co., American Reliable Insurance Co., Capitol Indemnity Corp., Carolina Casualty Insurance Co., Colony Insurance Co., Continental Western Co., Essex Insurance Co., Great Divide Insurance Co., Guaranty National Insurance Co., Jefferson Insurance Co., Redland Insurance Co., Scottsdale Insurance Co.

**Broker for:** Admiral Insurance Co., Chubb Custom Insurance Co., Colorado Western Insurance Co., General Star Management Co., Great American Insurance Co., Lexington Insurance Co., Reliance National Insurance Co., Risk Specialists, RLI Insurance Co., Shand Morahan, Zurich Insurance Group.

**Branches:** Denver; Jacksonville and Lake Mary, Fla.; Portland, Maine; Minneapolis; Great Falls, Mont.; Lincoln, Neb.; Charlotte, N.C.; Beaverton, Ore.; Redmond, Wash.

**Subsidiaries:** Acadia Excess Underwriters, Diversified X/S Underwriters.

**Specialties:** Commercial auto; sports and entertainment.

**Licensed in:** Colorado, Florida, Maine, Minnesota, Montana, Nebraska, North Carolina, Oregon, Washington.

**Membership:** AAMGA, NAPSLO.

**Officers:** Robert L. McGrew, president; Ken Baker, senior vp; Joseph Benkelman, Leo Dobner, Dave Bise, vps.

**Contact:** Judy Carrithers, administrative manager.

## All Risks Ltd.

1020 Cromwell Bridge Road,  
Towson, Mo. 21286-3396;  
410-828-5810; fax: 410-828-8179

|                   | 1997         | 1996         |
|-------------------|--------------|--------------|
| Premium volume    | \$68,000,000 | \$52,500,000 |
| Employees         | 85           | 78           |
| Commercial lines  | 98%          | 97%          |
| Admitted business | 60%          | 60%          |
| Non-admitted      | 40%          | 40%          |

**Founded:** 1964.  
**Business:** 78% managing general agent, 2% Lloyd's of London coverholder, 20% broker.

**MGA for:** Acceptance Insurance Co., Canal Insurance Co., CIGNA Group, Colony Insurance Co., Copenhagen RE, Essex Insurance Co., GAINSCO County Mutual Insurance Co., National Indemnity Group, Northland Insurance Co., Odyssey Reinsurance Corp., Scottsdale Insurance Co., St. Paul Re, TIG Holdings Group, Union American Insurance Co., United National Insurance Co., U.S. Liability Group, Western Heritage Insurance Co.

**Broker for:** Admiral Insurance Co., American International Group, Caliber One, Chubb Corp., CIGNA Group, Evanston Insurance Co., Fireman's Fund Insurance Co., First State Insurance Co., General Star Indemnity Co., Kemper Insurance Cos., Northland Insurance Co., RLI Insurance Co., Reliance National Insurance Co., Shand Morahan, Tudor Insurance Co.

**Branches:** Phoenix; Charlotte, N.C.; York, Pa.; Richmond, Va.

**Subsidiaries:** Skipjack Finance Co., Baltimore, Md.

**Specialties:** Commercial auto; security

guard/alarm monitoring and installation.  
**Licensed in:** Arizona, District of Columbia, Maryland, North Carolina, Ohio, Pennsylvania, Virginia.  
**Membership:** AAMGA, NAPSLO.  
**Officers:** William Salladin, CEO; Mari Dickinson, president; Nick Cortezi, executive vp; Rex Regan, vp-Virginia operations.  
**Contact:** Nick Cortezi.

## Alternative Risk & Insurance Concepts Agency Inc.

2360 Fifth Ave.,  
Mandeville, Calif. 70471;  
800-447-7475; fax: 504-624-3971

|                   | 1997         | 1996        |
|-------------------|--------------|-------------|
| Premium volume    | \$15,000,000 | \$7,000,000 |
| Gross revenues    | \$6,000,000  | \$7,000,000 |
| Employees         | 20           | 12          |
| Commercial lines  | 100%         | 100%        |
| Admitted business | 50%          | 50%         |
| Non-admitted      | 50%          | 50%         |

**Founded:** 1991.  
**Business:** 70% managing general agent,

30% broker.  
**MGA for:** Louisiana Employers Mutual Insurance Co., Royal Surplus Lines Insurance Co., TIG Insurance Co.  
**Broker for:** American International Group, Frontier Insurance Co., Gulf Insurance Co., Reliance Insurance Co., Safety National Insurance Co.  
**Specialties:** Primary/excess workers compensation, excess maritime.  
**Licensed in:** Louisiana, Mississippi.  
**Membership:** NAPSLO.  
**Officers:** Donald E. Casse, president/CEO; Julie Bland, vp.  
**Contact:** Julie Bland.

## American E&S

101 California St.,  
San Francisco, Calif. 94111;  
415-398-7475; fax: 415-291-1002

|                  | 1997         | 1996         |
|------------------|--------------|--------------|
| Premium volume   | \$96,000,000 | \$96,000,000 |
| Employees        | 48           | 58           |
| Commercial lines | 100%         | 100%         |

|                   |     |     |
|-------------------|-----|-----|
| Admitted business | 65% | 55% |
| Non-admitted      | 35% | 35% |

**Founded:** 1980.  
**Parent:** Acordia Inc.  
**Business:** 30% managing general agent, 2% Lloyd's of London coverholder, 68% broker.

**Broker for:** American International Group, Fireman's Fund Insurance Co., Frontier Insurance Co., Hartford Insurance Group, Markel Group, RLI Insurance Co., Reliance Insurance Co., Travelers Group.

**Branches:** Irvine, Calif.; New York.

**Specialties:** Property and difference-in-conditions, casualty, D&O, employment practices liability.

**Licensed in:** California, Florida, New Jersey, New York.

**Membership:** AAMGA, NAPSLO.

**Officers:** Denis Brady, president/CEO; Rose Lord, Vivien Duering, senior vps.

**Contact:** Denis Brady.

*Continued on next page*



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**American Insurance Marketing Services Inc.**

18550 W. Capitol Drive,  
Brookfield, Wis. 53045;  
414-783-5789; fax: 414-783-6091  
www.aegis-wi.com

|                   | 1997         | 1996         |
|-------------------|--------------|--------------|
| Premium volume    | \$12,220,000 | \$10,000,000 |
| Gross revenues    | \$612,000    | \$500,000    |
| Employees         | 4            | 4            |
| Commercial lines  | 100%         | 100%         |
| Admitted business | 50%          | 50%          |
| Non-admitted      | 50%          | 50%          |

**Founded:** 1986.  
**Parent:** Aegis Corp.  
**Business:** 10% underwriting manager, 60% managing general agent, 30% broker.  
**Underwriting manager for:** Wisconsin County Mutual Insurance Co.  
**MGA for:** Reliance National Insurance Co., Westport Indemnity.  
**Broker for:** ACE USA, Coregis Group, Evanston Insurance Co., Lloyd's of London, Reliance Insurance Co., Royal Indemnity Co., SCOR Re, Westport Indemnity, Zurich Insurance Co.  
**Specialties:** Public entities, product liability, E&O, employment practices liability.  
**Licensed in:** Illinois, Mississippi, Oklahoma, Wisconsin.  
**Membership:** NAPSLO.  
**Officers:** Bob Wurtz, president; John Dirkse, John P. Middleton, executive vp; Paul Gurtler, vp/general counsel.  
**Contact:** John P. Middleton.  
*Support services provided by parent company.*

**American Marketing Center & Affiliates**

111 John St., 27th Floor,  
New York, N.Y. 10038;  
212-285-2160; fax: 212-964-6465  
www.amc-1.com

|                   | 1997*        | 1996*        |
|-------------------|--------------|--------------|
| Premium volume    | \$66,000,000 | \$54,500,000 |
| Gross revenues    | \$5,125,000  | \$4,300,000  |
| Employees         | 38           | 31           |
| Commercial lines  | 100%         | 100%         |
| Admitted business | 75%          | 85%          |
| Non-admitted      | 25%          | 15%          |

\* Fiscal years ending 5/31/98 and 5/31/97.  
**Founded:** 1980.  
**Business:** 18% managing general agent, 85% broker.  
**MGA for:** Colony Insurance Co., General Star Indemnity Co., USF Insurance Co., United States Liability Insurance Co.  
**Broker for:** Carlisle Insurance Co., Colony Insurance Co., Chubb Custom Insurance Co., First State Insurance Co., General Star Indemnity Co., Lexington Insurance Co., Pacific Insurance Co., Scottsdale Insurance Co.  
**Branches:** Lake Success, N.Y.; Bunnell, Fla.; American Specialty Insurance, Livingston, N.J.  
**Specialties:** Commercial real estate, liability, health care.  
**Licensed in:** California, Florida, New Jersey, New York.

sey, New York.  
**Membership:** AAMGA, NAPSLO.  
**Officers:** Edwin Levine, president; Jim Frey, Neil Ecker, Marc Rothschild, Vince Polese.

**APPLE—A Preferred Professional Liability Enterprise Inc.**

132 Nassau St.,  
New York, N.Y. 10038;  
212-608-4505; fax: 212-608-4540

|                   | 1997         | 1996         |
|-------------------|--------------|--------------|
| Premium volume    | \$23,720,000 | \$21,960,000 |
| Employees         | 11           | 10           |
| Commercial lines  | 100%         | 100%         |
| Admitted business | 75%          | 65%          |
| Non-admitted      | 25%          | 35%          |

**Founded:** 1990.  
**Business:** 20% managing general agent, 80% broker.  
**MGA for:** BCS Insurance Co., CNA Re London, Zurich Re U.K. Ltd.  
**Broker for:** American International Group, AXA Global Risks U.S. Group, BCS Insurance Co., CNA Re, Lloyd's of London, Reliance National Insurance Co., Zurich Re U.K. Ltd.  
**Specialties:** Lawyers professional liability, employment practices liability, non-profit D&O liability.  
**Licensed in:** New Jersey, New York.  
**Officers:** Mark F. Diette, chairman; Deborah Galco DiMarco, president.  
**Contact:** Julie Pellegrino or Dennis Kantor.

**ARC Excess & Surplus L.L.C.**

30 Old Country Road,  
Mineola, N.Y. 11501;  
516-747-4100; fax: 516-747-3633

|                   | 1997          | 1996          |
|-------------------|---------------|---------------|
| Premium volume    | \$170,000,000 | \$170,000,000 |
| Employees         | 45            | 41            |
| Commercial lines  | 100%          | 100%          |
| Admitted business | 85%           | 85%           |
| Non-admitted      | 15%           | 15%           |

**Founded:** 1986.  
**Business:** 5% managing general agent, 95% broker.  
**MGA for:** CNA Insurance Cos., Connecticut Indemnity Co., John Deere Insurance Group, Everest National Insurance Group, Gulf Insurance Co.  
**Broker for:** Admiral Insurance Co., Aetna Casualty & Surety Co., Agricultural Excess & Surplus, American Alliance Insurance Co., CNA Insurance Cos., Connecticut Indemnity Co., Evanston Insurance Co., Executive Risk Group, Federal Insurance Co., Fireman's Fund Cos., General Star Indemnity Co., Great American Insurance Co., Gulf Insurance Co., John Deere Insurance Group, Lexington Insurance Co.  
**Branches:** Houston.  
**Subsidiaries:** Professional Risk Intermediaries, Preferred Risk Facilities Inc., Mineola, N.Y.  
**Specialties:** D&O liability, lawyers professional liability, union fiduciary, fidelity.  
**Licensed in:** Connecticut, New Jersey,

New York, Pennsylvania, Texas.  
**Membership:** NAPSLO.  
**Officers:** Albert L. Salvatico, Richard A. Fierstein, Christopher J. Cavallaro, John Semeraro, Robert H. Goodman, Vikki Robinson, Michael Cavallaro, Mark N. Campson, Robert B. Drew, Joseph Gravier, Jeffrey Karcz, Theresa Hart, Noelle Orlando.  
**Contact:** Albert L. Salvatico.

**Aris Insurance Services**

P.O. Box 8865,  
Calabasas, Calif. 91372-8865;  
800-894-2747; fax: 818-591-1422

|                   | 1997         | 1996         |
|-------------------|--------------|--------------|
| Premium volume    | \$19,400,000 | \$17,400,000 |
| Gross revenues    | \$2,100,000  | \$1,900,000  |
| Employees         | 28           | 23           |
| Commercial lines  | 100%         | 100%         |
| Admitted business | 5%           | 5%           |
| Non-admitted      | 95%          | 95%          |

**Founded:** 1992.  
**Business:** 55% managing general agent, 5% Lloyd's of London coverholder, 40% broker.  
**MGA for:** Odyssey Reinsurance Corp., Union American Insurance Co. Ltd.  
**Branches:** Concord, Irvine, San Diego and San Jose, Calif.  
**Specialties:** Contractors, artisans, remodelers.  
**Licensed in:** California.  
**Membership:** NAPSLO.  
**Officers:** Joseph F. Weckerle, Joyce Weckerle, Laura Weckerle, Joseph F. Weckerle Jr.  
**Contact:** Joseph F. Weckerle.

**Arlington/Roe & Co. Inc.**

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

|                   | 1997         | 1996         |
|-------------------|--------------|--------------|
| Premium volume    | \$21,611,825 | \$19,098,946 |
| Gross revenues    | \$2,381,729  | \$2,167,032  |
| Employees         | 38.5         | 32.5         |
| Commercial lines  | 60%          | 68%          |
| Admitted business | 65%          | 65%          |
| Non-admitted      | 35%          | 35%          |

**Founded:** 1964.  
**Business:** 58% managing general agent, 1% Lloyd's of London coverholder, 41% broker.  
**MGA for:** American Modern Home Insurance Co., Capitol Indemnity Corp., Century Surety Co., Empire Fire & Marine Insurance Co., Fidelity & Deposit of Maryland, Foremost Insurance Co., Guaranty National Insurance Co., Landmark American Insurance Co., Market Insurance Co., Midwest Mutual Insurance Co., National Fire & Marine Insurance Co., National Indemnity Co., Northfield Insurance Co., Northland Western Insurance Co., Redland Insurance Co., Western Heritage Insurance Co., Western World Insurance Co.  
**Broker for:** Admiral Insurance Co., American International Group, Associated Aviation Underwriters, Chubb Custom Insurance Co., Employers Reinsurance Group, Evanston Insurance Co., Executive Risk Indemnity Inc., Fireman's Fund Insurance Co.,

First State Insurance Co., General Star Indemnity Co., Great American Insurance Co., Lexington Insurance Co., Reliance National Insurance Co., United States Aircraft Insurance Group.  
**Branches:** Louisville, Ky.  
**Specialties:** Non-profit D&O liability.  
**Licensed in:** Indiana, Kentucky.  
**Membership:** AAMGA.  
**Officers:** Teri Reynolds, executive vp-commercial lines; Al Grau, executive vp-brokerage; Kurt Behrman, executive vp-standard lines; Connie French, vp-aviation; Janet Phillips, vp-personal lines.  
**Contact:** James A. Roe, president.

**Atlantic Specialty Lines Inc.**

9201 Forest Hill Ave., Suite 202,  
Richmond, Va. 23235;  
804-320-9500; fax: 804-320-7280  
www.atlanticspecial.com

|                   | 1997        | 1996 |
|-------------------|-------------|------|
| Premium volume    | \$8,500,000 | NA   |
| Gross revenues    | \$680,000   | NA   |
| Employees         | 12          | NA   |
| Commercial lines  | 99%         | NA   |
| Admitted business | 10%         | NA   |
| Non-admitted      | 90%         | NA   |

**Founded:** 1996.  
**Business:** 40% managing general agent, 5% Lloyd's of London coverholder, 55% broker.  
**MGA for:** Acceptance Casualty Insurance Co., American Reliable Insurance Co., Essex Insurance Co., Scottsdale Insurance Co.  
**Broker for:** Acceptance Casualty Insurance Co., Essex Insurance Co., General Star Indemnity Co., Scottsdale Insurance Co.  
**Licensed in:** Connecticut, District of Columbia, Florida, Maryland, New York, North Carolina, Pennsylvania, Virginia.  
**Membership:** NAPSLO.  
**Contact:** Robert M. Bryant.

**Atlantic Star Intermediaries Inc.**

390 N. Broadway,  
Jericho, N.Y. 11753;  
516-733-7407; fax: 516-681-7488

|                   | 1997*        | 1996*        |
|-------------------|--------------|--------------|
| Premium volume    | \$25,000,000 | \$18,000,000 |
| Employees         | 18           | 16           |
| Commercial lines  | 100%         | 100%         |
| Admitted business | 80%          | NA           |
| Non-admitted      | 20%          | NA           |

\* Fiscal years ending 10/31/97 and 10/31/96.  
**Founded:** 1990.  
**Business:** 100% broker.  
**Broker for:** American International Group, Chubb Corp., CIGNA Group, CNA Insurance Cos., Commercial Underwriters Insurance Co., General Accident Insurance of America, Gerling America Insurance Co., Great American Insurance Co., New Market Insurance Co., Reliance Insurance Co., St. Paul Fire & Marine Insurance Co.  
**Specialties:** Construction industry.  
**Licensed in:** New York.  
**Officers:** David Stevenson, president; David Marino, executive vp; William Marino, Henry Lombardi, vps.  
**Contact:** David Marino.

**Bliss & Glennon Inc.**

435 N. Pacific Coast Highway, Suite 200,  
Redondo Beach, Calif. 90277;  
310-372-9115; fax: 310-372-1903

|                   | 1997         | 1996         |
|-------------------|--------------|--------------|
| Premium volume    | \$29,296,618 | \$28,967,085 |
| Gross revenues    | \$4,520,050  | \$4,430,633  |
| Employees         | 49           | 47           |
| Commercial lines  | 90%          | 90%          |
| Admitted business | 70%          | 70%          |
| Non-admitted      | 30%          | 30%          |

**Founded:** 1966.  
**Business:** 70% managing general agent, 10% Lloyd's of London coverholder, 20% broker.  
**MGA for:** American Equity Insurance Co., First State Insurance Group, Great Divide Insurance Co., Nautilus Insurance Co., Penn-America Insurance Co., Western World Insurance Co.  
**Broker for:** Century Surety Co., Commercial Underwriters Insurance Co., TOPA Insurance Co.  
**Branches:** Morgan Hill and San Diego, Calif.  
**Licensed in:** California.  
**Membership:** AAMGA, NAPSLO.  
**Officers:** Robert P. Abramson, president; Corinne M. Jones, executive vp; Patrick Martin, CFO; Marguerite Shatzer, assistant vp/branch manager; Thomas Dean, vp/branch manager.  
**Contact:** Robert P. Abramson.

**Bohrer-Croxdale & McAdoo Inc.**

601 South Ave., P.O. Box 2760,  
Springfield, Mo. 65801-2760;  
417-869-2550; fax: 417-869-5102

|                   | 1997         | 1996         |
|-------------------|--------------|--------------|
| Premium volume    | \$12,000,000 | \$11,434,633 |
| Gross revenues    | \$1,080,000  | \$1,029,116  |
| Employees         | 30           | 30           |
| Commercial lines  | 100%         | 100%         |
| Admitted business | 50%          | 50%          |
| Non-admitted      | 50%          | 50%          |

**Founded:** 1977.  
**Business:** 60% managing general agent, 10% Lloyd's of London coverholder, 30% broker.  
**MGA for:** Capitol Indemnity Corp., Empire Fire & Marine Insurance Co., General Agents Insurance Co., National Casualty Co., National Indemnity Co., Northland Insurance Cos., Scottsdale Insurance Co.  
**Branches:** Conway, Ark.  
**Specialties:** Commercial auto, public auto, D&O liability, employment practices liability.  
**Licensed in:** Arkansas, Illinois, Iowa, Kansas, Missouri, Nebraska, Oklahoma.  
**Membership:** AAMGA, NAPSLO.  
**Officers:** Yvonne S. Bohrer, president; Sydney T. Croxdale, vp/secretary/treasurer.  
**Contact:** Yvonne S. Bohrer.

**Russell Bond & Co. Inc.**

866 Ellicott Square Building, 295  
Main St., Buffalo, N.Y. 14203-2395;  
800-333-7226 or 716-856-8220;  
fax: 716-856-0403

|                   | 1997         | 1996         |
|-------------------|--------------|--------------|
| Premium volume    | \$19,000,000 | \$18,000,000 |
| Gross revenues    | \$1,950,000  | \$1,700,000  |
| Employees         | 22           | 22           |
| Commercial lines  | 100%         | 100%         |
| Admitted business | 70%          | 70%          |
| Non-admitted      | 30%          | 30%          |

**Founded:** 1950.  
**Business:** 31% managing general agent, 2% Lloyd's of London coverholder, 67% broker.  
**MGA for:** Coregis Insurance Co., First Financial Insurance Co., National Casualty Co., United States Liability Insurance Co.  
**Broker for:** American International Group, Chubb Corp., Evanston Insurance Co., General Star Management, Gulf Insurance Co., Lexington Insurance Co., Lloyd's of London, Reliance National Insurance Co.  
**Licensed in:** Colorado, Delaware, Florida, Georgia, Massachusetts, Nebraska, New Hampshire, New Jersey, New York, Ohio, Pennsylvania, Washington.  
**Membership:** AAMGA, NAPSLO.  
**Officers:** Kurt C. Bingeman, president; Gary A. Hollender, vp/general manager; Mark A. Palmisano, vp-administration/liability.  
**Contact:** Kurt C. Bingeman, ext. 225.

**Bristol Management Group Ltd.**

366 Veterans Memorial Highway,  
Commack, N.Y. 11725;  
516-543-5010; fax: 516-543-5138

|                | 1997        | 1996        |
|----------------|-------------|-------------|
| Premium volume | \$7,500,000 | \$8,000,000 |

Continued on next page

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**Explanation of terms in this directory**

The annual *Business Insurance* directory of wholesale marketers lists underwriting managers, managing general agents and surplus lines brokers that responded to a BI questionnaire.

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

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

Companies were required to report information on premium volume to be included, and this information is provided in the listings. Also included are: gross revenues (defined as commissions and fees after commissions to producers, including investment income and contingent commissions), number of employees and the percentage of premium volume related to commercial lines. A percentage breakout of premium volume placed with admitted vs. non-admitted insurers is also listed.

The business section provides a breakout of the percentage of business conducted as each of these categories: underwriting manager, MGA, Lloyd's of London coverholder and wholesale broker. Listings also include lists of the companies for whom these services are provided.

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

A managing general agent is defined as having underwriting authority for an insur-

er, which includes the ability to determine rates on individual risks. It can bind and issue policies on behalf of the insurer. The managing general agent may or may not have reinsurance and claims supervision authority related to the insurance it has written.

Companies listed as a coverholder for Lloyd's of London hold the authority to bind and/or issue insurance documentation on behalf of a Lloyd's underwriter.

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

The year founded and parent company (if any) are noted next. Locations of branch offices, subsidiaries and specialties are also listed.

A list of states in which the company is licensed to do business as an excess/surplus lines broker is included, as well as membership in either of the two national surplus lines organizations—the American Assn. of Managing General Agents (AAMGA) and the National Assn. of Professional Surplus Lines Offices (NAPSLO).

Principal officers and a contact name complete each listing.

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

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

Continued from previous page

|                  | 1997        | 1996        |
|------------------|-------------|-------------|
| Gross revenues   | \$1,200,000 | \$1,100,000 |
| Employees        | 11          | 11          |
| Commercial lines | 100%        | 100%        |
| Non-admitted     | 100%        | 100%        |

**Founded:** 1985.  
**Business:** 90% managing general agent, 10% Lloyd's of London coverholder.  
**Branches:** Closter, N.J.  
**Specialties:** Municipalities, products.  
**Licensed in:** New Jersey, New York.  
**Membership:** NAPSLO.  
**Officers:** Arthur E. Torrington, president; Patricia Guercia, Janet M. Wesche, executive vps; Martin Cholewa, senior vp; Michael Mendonza, Arthur Torrington Jr., vps.  
**Contact:** Martin Cholewa or Michael Mendonza, 201-750-8700.

### W. Brown & Associates

4675 MacArthur Court, Suite 770,  
 Newport Beach, Calif. 92660;  
 949-851-2060; fax: 949-851-2155

|                   | 1997         | 1996         |
|-------------------|--------------|--------------|
| Premium volume    | \$39,759,123 | \$34,827,542 |
| Employees         | 33           | 27           |
| Commercial lines  | 100%         | 100%         |
| Admitted business | 60%          | 55%          |
| Non-admitted      | 40%          | 45%          |

**Founded:** 1987.  
**Business:** 75% managing general agent, 25% broker.  
**Branches:** Memphis, Tenn.  
**Specialties:** Aviation, contractors, mobile home parks.  
**Licensed in:** California.  
**Membership:** AAMGA, NAPSLO.  
**Officers:** William Brown, CEO; Scott Brown, president-aviation; John Krebs, president-P&C; Brian English, Vince Zimmerman, executive vps.  
**Contact:** John Krebs.

### Brown & Riding Insurance Services Inc.

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

|                   | 1997         | 1996         |
|-------------------|--------------|--------------|
| Premium volume    | \$33,000,000 | \$30,000,000 |
| Employees         | 22           | 21           |
| Commercial lines  | 100%         | 100%         |
| Admitted business | 60%          | NA           |
| Non-admitted      | 40%          | NA           |

**Founded:** 1980.  
**Business:** 100% broker.  
**Branches:** San Mateo, Calif.; Las Vegas.  
**Subsidiaries:** Brown & Riding Insurance Services of Nevada Inc., Brown & Riding Insurance Services of Southern California Inc.  
**Specialties:** Construction risks, D&O liability, commercial earthquake, property.  
**Licensed in:** California, Nevada.  
**Membership:** NAPSLO.  
**Officers:** Chris A. Brown, president; B. Peter Brown, chairman; Ravi Chopra, Ramon Howing, vps.  
**Contact:** Chris Brown.

### Bryson Associates Inc.

100 West Ave., Beaver Hill S., P.O.  
 Box 545, Jenkintown, Pa. 19046;  
 215-576-1500; fax: 215-884-2869

|                   | 1997          | 1996          |
|-------------------|---------------|---------------|
| Premium volume    | \$188,000,000 | \$135,000,000 |
| Employees         | 83            | 55            |
| Commercial lines  | 100%          | 100%          |
| Admitted business | 75%           | 68%           |
| Non-admitted      | 25%           | 32%           |

**Founded:** 1977.  
**Parent:** Aon Corp.  
**Business:** 5% managing general agent, 95% broker.  
**Branches:** Atlanta, New York, Cincinnati.  
**Specialties:** Commercial property, casualty, D&O liability, E&O liability.  
**Licensed in:** District of Columbia, Florida, Georgia, New Jersey, New York, Pennsylvania, Virginia.  
**Membership:** NAPSLO.  
**Officers:** Daniel P. McDonnell, president; Maureen C. Caviston, Gary E. Frohn, William D. Trumbower, J. Neal Abernathy, executive vps.  
**Contact:** Daniel P. McDonnell.

### Burns & Wilcox Ltd.

30833 Northwestern Highway, Suite  
 220, Farmington Hills, Mich. 48334;  
 248-932-9000; fax: 248-932-9050

|                   | 1997          | 1996          |
|-------------------|---------------|---------------|
| Premium volume    | \$269,895,836 | \$271,650,000 |
| Gross revenues    | \$39,046,750  | \$37,896,000  |
| Employees         | 567           | 531           |
| Commercial lines  | 91%           | 92%           |
| Admitted business | 21%           | 19%           |
| Non-admitted      | 79%           | 81%           |

**Founded:** 1969.  
**Parent:** H.W. Kaufman Financial Group Inc.  
**Business:** 57% managing general agent, 11% Lloyd's of London coverholder, 32% broker.

**MGA for:** Acceptance Insurance Co., American Empire Surplus Lines Insurance Co., American Modern Home Insurance Co., Canal Insurance Co., Carolina Casualty Insurance Co., Century Surety Insurance Co., Colony Insurance Co., Colorado Western Insurance Co., Commercial Casualty Insurance Co., Culvert Insurance Co., Essex Insurance Co., Empire Fire & Marine Insurance Co., First Financial Insurance Co., First State Insurance Co., GAINSCO County Mutual Insurance Co., General Star National Insurance Co., Guaranty National Co., Interstate Insurance Co., Jefferson Insurance Co., Landmark Insurance Co., Legion Insurance Co., National Indemnity Insurance Co., Odyssey Reinsurance Group, Scottsdale Insurance Co., U.S. Liability Insurance Co., Western World Insurance Group.

**Broker for:** Admiral Insurance Co., Agricultural Excess & Surplus Lines Insurance Co., Alliance General Insurance Co., American International Group, CNA Insurance Cos., Chubb Corp., Colorado Western Insurance Co., Commercial Underwriters Insurance Co., Coregis Insurance Co., Evanston Insurance Co., Fireman's Fund Insurance Co., First State Management Co., Great American Insurance Co., Interstate National Group, Marine Office of America Corp.  
**Branches:** 34 locations nationwide.  
**Subsidiaries:** Casualty Underwriters Inc.; Cravens, Dargan & Co.; Floyd West & Co.; G-A Insurance Services; Howard-James/Burns & Wilcox Insurance Services; Illinois R.B. Jones; Rathbone, King & Seeley Insurance Services; Royal Premium Budget Inc.; Service General.

**Licensed in:** All states, excluding Alaska, Hawaii and New York.  
**Membership:** AAMGA, NAPSLO.  
**Officers:** Herbert W. Kaufman, president; Gerald W. Horton, executive vp; Steve Allen, David Price, senior vps; Brooke Bothe, corporate secretary; Gerald Wesolowski, CFO.  
**Contact:** Brooke Bothe.



### Cambridge General Agency

P.O. Box 7340,  
 San Francisco, Calif. 94120;  
 415-955-8555; fax: 415-394-6305  
 www.valleyins.com/valleyins/cga.htm

|                   | 1997         | 1996         |
|-------------------|--------------|--------------|
| Premium volume    | \$40,000,000 | \$38,000,000 |
| Gross revenues    | \$4,500,000  | \$4,200,000  |
| Employees         | 50           | 50           |
| Commercial lines  | 95%          | 95%          |
| Admitted business | 10%          | 10%          |
| Non-admitted      | 90%          | 90%          |

**Founded:** 1960.  
**Business:** 70% managing general agent, 5% Lloyd's of London coverholder, 25% broker.  
**MGA for:** Acceptance Insurance Co., Colony Insurance Co., Essex Insurance Co., Scottsdale Insurance Co.

**Broker for:** Alliance General Insurance Co., Clarendon Insurance Co., Commercial Union Insurance Co., First State Insurance Co., Interstate Insurance Co., Lexington Insurance Co., Navigators Insurance Co., RLI Insurance Co., Reliance Insurance Co., TOPA Insurance Co., United Coastal Insurance Co.  
**Branches:** Los Angeles, Rancho Cordova, San Francisco and Stockton, Calif.  
**Subsidiaries:** Plymouth Adjusters, San Francisco; A. Mason Blodgett & Associates Inc., San Francisco.  
**Specialties:** Finance companies and banking institutions; construction industries.  
**Licensed in:** California.  
**Membership:** AAMGA, NAPSLO.  
**Officers:** A. Mason Blodgett, president; Paul Janofsky, vp; Julie Uang, vp; Howard Mitchel, branch manager.  
**Contact:** A. Mason Blodgett.

### Carpenter Moore Insurance Services Inc.

530 Washington St.,  
 San Francisco, Calif. 94111;  
 415-433-1001; fax: 415-433-5148  
 www.cmins.com

|                   | 1997         | 1996         |
|-------------------|--------------|--------------|
| Premium volume    | \$50,000,000 | \$40,200,000 |
| Gross revenues    | \$5,100,000  | \$3,950,000  |
| Employees         | 30           | 18           |
| Commercial lines  | 100%         | 100%         |
| Admitted business | 35%          | 35%          |
| Non-admitted      | 65%          | 65%          |

**Founded:** 1986.  
**Business:** 5% Lloyd's of London coverholder, 95% broker.  
**Broker for:** Admiral Insurance Group, American International Group, Executive Risk Group, Genesis Insurance Co., Great American Insurance Co., Reliance Insurance Co., Zurich American Insurance Co.  
**Branches:** Avon, Conn.; Cambridge, Mass.; London.  
**Specialties:** D&O, professional liability.

**Licensed in:** California, Connecticut, Massachusetts, Utah.

**Officers:** Kinsey L. Carpenter, president; Brian P. Marsh, chairman; Susan M. Miner, executive vp; Eileen Winter, secretary.  
**Contact:** Eileen Winter.

### Chicago Underwriting Group Inc.

211 W. Walker Drive, Suite 300,  
 Chicago, Ill. 60606;  
 312-750-8800; fax: 312-750-8965

|                   | 1997         | 1996         |
|-------------------|--------------|--------------|
| Premium volume*   | \$30,000,000 | \$30,000,000 |
| Employees         | 16           | 18           |
| Commercial lines  | 100%         | 100%         |
| Admitted business | 95%          | 95%          |
| Non-admitted      | 5%           | 5%           |

**Founded:** 1983.  
**Parent:** Old Republic International Corp.  
**Business:** 100% underwriting manager.  
**Underwriting manager for:** Old Republic Insurance Co.

**Subsidiaries:** Chicago Underwriting Group Insurance Brokers Inc., Chicago; Chicago Underwriting Group Services Inc., Chicago; Chicago Underwriting Group Services (Bermuda) Ltd., Bermuda; Upper Peninsula Insurance Co., Jackson, Miss.  
**Specialties:** D&O, non-medical professional liability.

**Officers:** Martin J. Perry, president; William J. Schwass, senior vp; Diane Vasti, James Crockett, assistant vps; Vivian Yamaguchi, general counsel.

**Contact:** Martin J. Perry.  
 \* Estimate.

### Commercial Insurance Underwriter Inc.

1200 E. Woodhurst,  
 Suite M-400, P.O. Box 9005,  
 Springfield, Mo. 65808-9005;  
 417-883-3277; fax: 417-883-3393  
 www.ciusgf.com

|                   | 1997         | 1996         |
|-------------------|--------------|--------------|
| Premium volume    | \$11,226,402 | \$14,080,180 |
| Gross revenues    | \$1,285,585  | \$1,612,408  |
| Employees         | 15           | 17           |
| Commercial lines  | 100%         | 100%         |
| Admitted business | 50%          | 40%          |
| Non-admitted      | 50%          | 60%          |

**Founded:** 1984.  
**Business:** 49% managing general agent, 1% Lloyd's of London coverholder, 50% broker.  
**Specialties:** Traditional specialty insurance business.

**Licensed in:** Arkansas, Kansas, Missouri.  
**Membership:** AAMGA, NAPSLO.  
**Officers:** Davis W. Hinrichs, president; Cal Rogers, executive vp; Shelley McKeen, treasurer; Marcia Hinrichs, secretary.  
**Contact:** Davis W. Hinrichs, ext. 200.

### Connecticut Underwriters Inc.

329 Main St.,  
 Portland, Conn. 06480;  
 860-342-0713; fax: 860-342-4392

|                   | 1997         | 1996         |
|-------------------|--------------|--------------|
| Premium volume    | \$22,000,000 | \$21,500,000 |
| Employees         | 38           | 37           |
| Commercial lines  | 90%          | 90%          |
| Admitted business | 90%          | 90%          |
| Non-admitted      | 10%          | 10%          |

**Founded:** 1964.  
**Business:** 75% managing general agent, 15% Lloyd's of London coverholder, 10% broker.  
**MGA for:** American Empire Surplus Lines Insurance Co., First Financial Insurance Co., Heritage Insurance Co., Penn-America Insurance Co., Scottsdale Insurance Co., United States Liability Insurance Co., Western World Insurance Co.

**Broker for:** Great American Insurance Co., Media Professional, RLI Special Risk Insurance Co., Reliance Insurance Co., United Coastal Insurance Co., United National Insurance Co.  
**Branches:** CONEXCO, Southborough, Mass.; Maine Underwriters Insurance Agency Inc., Kittery, Maine; New Hampshire Underwriters Insurance Agency Inc., Portsmouth, N.H.; Professional Agents Associates of New York Inc., Brewster, N.Y.  
**Specialties:** Contractors, products, umbrella, restaurants.

**Licensed in:** Connecticut, Maine, Massachusetts, New Hampshire, New York, Rhode Island, Vermont.  
**Membership:** AAMGA, NAPSLO.  
**Officers:** Henry J. Stone Jr., president/treasurer; M. Merriam March, vp/secretary.  
**Contact:** William D. Kiley.

### Cooney, Rikard & Curtin Inc.

P.O. Box 59689,  
 Birmingham, Ala. 35259-9689;  
 205-870-7790; fax: 205-879-3739

|                  | 1997          | 1996          |
|------------------|---------------|---------------|
| Premium volume   | \$157,600,000 | \$157,700,000 |
| Gross revenues   | \$12,192,000  | \$12,200,000  |
| Employees        | 112           | 86            |
| Commercial lines | 100%          | 100%          |

|                   | 60% | 60% |
|-------------------|-----|-----|
| Admitted business | 60% | 60% |
| Non-admitted      | 40% | 40% |

**Founded:** 1982.  
**Business:** 5% managing general agent, 95% broker.

**MGA for:** American Equity Insurance Co., Burlington Insurance Co., Colony Insurance Co., Empire Fire & Marine Insurance Co., Essex Insurance Co., First Financial Insurance Co., General Star National Insurance Co., Guaranty National Insurance Co., Interstate Fire & Casualty Co., National Fire & Marine Insurance Co., Sphere Drake Insurance Co. P.L.C.

**Branches:** Fort Lauderdale, Fla.  
**Subsidiaries:** CRC of Louisiana Inc., Metairie, La.

**Specialties:** Property, professional liability, excess and primary casualty.  
**Licensed in:** All states. Also licensed in Puerto Rico.  
**Membership:** NAPSLO.  
**Officers:** Tom Curtin, chairman; John P. Cooney, president; Ronald C. Halveston, executive vp.  
**Contact:** Sharon Smith.

### Crump Insurance Services Inc.

7557 Rambler Road, Suite 350,  
 Dallas, Texas 75231;  
 214-265-2660; fax: 214-266-2661  
 www.crumpins.com

|                   | 1997          | 1996          |
|-------------------|---------------|---------------|
| Premium volume    | \$558,650,000 | \$522,550,000 |
| Gross revenues    | \$41,340,000  | \$38,669,000  |
| Employees         | 337           | 339           |
| Commercial lines  | 100%          | 100%          |
| Admitted business | 40%           | 40%           |
| Non-admitted      | 60%           | 60%           |

**Founded:** 1955.  
**Parent:** Sedgwick Group P.L.C.  
**Business:** 20% managing general agent, 80% broker.

**MGA for:** American Empire Surplus Lines Insurance Co., American Equity Insurance Co., American International Group, Canal Insurance Co., CIGNA Group, First State Management Corp., General Star Indemnity Co., Gulf Insurance Co., Interstate Fire & Casualty Co., Jefferson Insurance Group, National Indemnity Co., Nautilus Insurance Co., Navigators Insurance Co., Northland Insurance Co., Scottsdale Insurance Co., United National Group, Western World Insurance Co.

**Broker for:** ACE USA, American Financial Insurance Group, American International Group, W.R. Berkeley Group, Canal Insurance Co., Chubb Corp., General Reinsurance Group, Hartford Insurance Group, Markel Group, RLI Group, Reliance Insurance Group, Royal Insurance Group, Scottsdale Insurance Co., Travelers Group, Zurich Insurance Group.

**Branches:** Glendale, Irvine and San Francisco, Calif.; Casselberry, Fla.; Atlanta; Chicago; Boston; Iselin, N.J.; New York; Portland, Ore.; Memphis and Nashville, Tenn.; Houston; Bellevue, Wash.

**Licensed in:** California, Florida, Georgia, Idaho, Illinois, Louisiana, Massachusetts, Nevada, New Jersey, New York, Oregon, Pennsylvania, South Carolina, Tennessee, Texas, Washington.  
**Membership:** AAMGA, NAPSLO.  
**Officers:** Orville D. Jones, chairman/CEO; Marcus Payne, president/COO; Patrick R. O'Brien, executive vp/CFO.  
**Contact:** Orville Jones or Marcus Payne.



### ECS Underwriting Inc.

520 Eagleview Blvd., P.O. Box 636,  
 Exton, Pa. 19341;  
 800-327-1414; fax: 610-458-8667  
 www.ecsunderwriting.com

|                   | 1997*         | 1996*         |
|-------------------|---------------|---------------|
| Premium volume    | \$225,000,000 | \$196,000,000 |
| Employees         | 435           | 350           |
| Commercial lines  | 100%          | 100%          |
| Admitted business | 100%          | 100%          |

\* Fiscal years ending 6/30/97 and 6/30/96.  
**Founded:** 1979.  
**Parent:** ECS Inc.  
**Business:** 100% underwriting manager.  
**Underwriting manager for:** Reliance National Insurance Co.

**Branches:** Los Angeles, Atlanta, Chicago, Houston.  
**Subsidiaries:** ECS Claims Administrators Inc.; ECS Risk Control Inc.; ECS Underwriting, London.  
**Specialties:** Environmental liability, general liability, auto liability, property.  
**Officers:** William Kronenberg, CEO/president; Frank Piliro, executive vp/CFO; David Rosenberg, Mark Vuono, executive vps.

### Eastern America Insurance Agency Inc.

Metro Office Park,  
 Marginal Kennedy Ave.,  
 Caparra Heights, P.O. Box 193900,  
 San Juan, Puerto Rico 00919-3900;  
 787-273-1288; fax: 787-782-8233

|                   | 1997          | 1996          |
|-------------------|---------------|---------------|
| Premium volume    | \$152,775,000 | \$147,903,000 |
| Gross revenues    | \$6,019,000   | \$5,946,000   |
| Employees         | 80            | 75            |
| Commercial lines  | 69%           | 70%           |
| Admitted business | 98%           | 98%           |
| Non-admitted      | 2%            | 2%            |

**Founded:** 1981.  
**Parent:** Eastern America Insurance Group.

**Business:** 60% underwriting manager, 40% managing general agent.  
**MGA for:** American International Insurance Co. of Puerto Rico, CIGNA Insurance Co. of Puerto Rico, Federal Insurance Co., Reliance Insurance Co., Royal Insurance Co. of Puerto Rico, Seguros Triple S Inc., Universal Insurance Co.

**Specialties:** Commercial accounts.  
**Licensed in:** Puerto Rico.  
**Membership:** NAPSLO.  
**Officers:** Luis Miranda Casanas, president; Jorge J. Amadeo, Rafael A. Rodriguez, executive vps; Guillermo A. Fernandez, vp.  
**Contact:** Jorge J. Amadeo.

### Equity Underwriting Group Inc.

P.O. Box 14032,  
 Lexington, Ky. 40512-4032;  
 606-245-2500; fax: 606-245-2550  
 www.equityins.com

|                   | 1997         | 1996         |
|-------------------|--------------|--------------|
| Premium volume    | \$44,105,000 | \$30,963,000 |
| Gross revenues    | \$6,191,000  | \$4,881,000  |
| Employees         | 89           | 65           |
| Commercial lines  | 68%          | 59%          |
| Admitted business | 82%          | 80%          |
| Non-admitted      | 18%          | 20%          |

**Founded:** 1976.  
**Business:** 28% underwriting manager, 49% managing general agent, 4% Lloyd's of London coverholder, 19% broker.

**Branches:** Chicago, Indianapolis.  
**Subsidiaries:** Commonwealth Premium Finance Co.; Equity Insurance Administrators Inc., Equity Insurance Managers Inc., Ireland & Rogers Insurance Co., Chicago; 21st Century Claims Service Inc., Lexington, Ky.

**Specialties:** Commercial/private passenger auto.  
**Licensed in:** Illinois, Indiana, Kentucky, Ohio, Tennessee, West Virginia.  
**Membership:** AAMGA, NAPSLO.  
**Officers:** William W. Davis Jr., chairman; J. Robert Owens, president; D. Richard Meyer, executive vp; Todd Densmore, vp-personal lines.  
**Contact:** J. Robert Owens.

### Excess & Surplus Lines Insurance Brokers Inc.

13848 Ventura Blvd., Suite A,  
 Sherman Oaks, Calif. 91423;  
 818-990-8860; fax: 818-990-4530

|                   | 1997         | 1996         |
|-------------------|--------------|--------------|
| Premium volume    | \$13,928,700 | \$13,216,000 |
| Employees         | 20.5         | 17           |
| Commercial lines  | 99%          | 98%          |
| Admitted business | 75%          | 60%          |
| Non-admitted      | 25%          | 40%          |

**Founded:** 1975.  
**Business:** 59% managing general agent, 1% Lloyd's of London coverholder, 40% broker.

**MGA for:** Burlington Insurance Group Inc., First Financial Insurance Co., Topa Insurance, United National Group.  
**Branches:** Rancho Mirage, Calif.; Maui, Hawaii.  
**Specialties:** Contractors, restaurants, hotel and motel packages, mobile home parks.  
**Licensed in:** California, Hawaii.  
**Membership:** NAPSLO.  
**Officers:** Jerry C. Boyer, president; Melba J. Alenzar, Matt Merkel, Debra L. Messina, vps.  
**Contact:** Jerry C. Boyer.



### First Capital Group\*

185 Great Neck Road,  
 Great Neck, N.Y. 11

# READER REPLY SERVICE

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[www.businessinsurance.com/magazine](http://www.businessinsurance.com/magazine)

## PRODUCTS & SERVICES LISTING

Issue of September 7

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| 1                | AIG Corporate                 | 76     | 18               | Liberty Mutual                  | 21     |
| 2                | American Custom Insurance Co. | 48     | 19               | Markel Insurance Company        | 54     |
| 3                | AMS Services Inc.             | 50     | —                | Mastercare                      | 43R    |
| —                | Arkwright Mutual Insurance    | 58     | 20               | McLarens-Toplis                 | 47     |
| —                | Beacon Hill Associates        | 62     | 21               | Metropolitan Life Ins. Co.      | 9      |
| 4                | Burnham Systems               | 68     | 22               | New Century Global Inc.         | 25     |
| —                | Burns & Wilcox Ltd.           | 32     | 23               | Oakley Underwriters Agency      | 16     |
| —                | Business Insurance            | 43,66  | 24               | Old Republic Risk Management    | 33     |
| 5                | Carvill America, Inc.         | 65     | —                | Outdoorsman Agency              | 69     |
| 6                | Chubb Group of Insurance Co's | 49     | 25               | PMA Reinsurance Corp.           | 18-19  |
| 7                | CNA/E & S                     | 30     | —                | PXRE Reinsurance Company        | 34-35  |
| 8                | CNA/Risk Management           | 51     | 26               | Pyramid Services Inc.           | 68     |
| —                | Conseco, Inc.                 | 22-23  | 27               | R S A                           | 42     |
| 9                | Constitution Reinsurance      | 28-29  | —                | Scottsdale Insurance Company    | 52     |
| 10               | Employers Reinsurance Corp.   | 14     | —                | Sedgwick Re - Instrat           | 72     |
| —                | First State Management Group  | 57     | —                | Sherwood Insurance Services     | 20     |
| —                | Fulcrum Insurance             | 46     | —                | Signet Star Reinsurance         | 37     |
| 11               | GAB Robins                    | 7      | —                | S. K. Goodrich & Company        | 68     |
| —                | GE Financial Assurance        | 36     | —                | State Comp. Ins. Fund           | 43R    |
| 12               | General Star Management       | 13     | 29               | Swett & Crawford Group          | 44     |
| 13               | Gulf Insurance Company        | 24     | —                | Swiss Re Int'l                  | 31     |
| 14               | Gulf Insurance Company        | 55     | 30               | TIG Insurance                   | 39     |
| —                | Hannover Reinsurance          | 41     | —                | UnionAmerica Insurance Co. Ltd. | 56     |
| 15               | Hertz Claim Management        | 15     | —                | United National Group           | 38     |
| —                | Illinois State University     | 69     | —                | Wausau Insurance Company        | 5      |
| 16               | INEX                          | 53     | 31               | Westport Insurance              | 6      |
| —                | Jefferson Insurance Group     | 63     | 32               | Westrope & Associates, Inc.     | 40     |
| —                | Kemper Excess Casualty        | 4      | 33               | Zurich Reinsurance (NA) Inc.    | 26-27  |

Continued from previous page

Doylestown, Penn.; Dallas.  
**Subsidiaries:** First Capital Insurance Services Inc., First Capital of Pennsylvania Inc., First Capital Risk Services Inc., First Capital of Texas Inc., SRS Group.  
**Specialties:** Property/casualty, specialized carriers and riggers, international energy.  
**Licensed in:** New York, Pennsylvania.  
**Membership:** NAPSLO.  
**Officers:** Alvin B. Moss, president/CEO; Robert Lynch, Frank Guerriero, Ken Cody, executive vps; Darrell Comis, Dennis Reilly, senior vps; Michael Young, vp-operations; Tim Demetres, CFO/senior vp.  
**Contact:** Alvin B. Moss.  
*\* Formerly First Capital Agency.*

### First State Management Group Inc.

150 Federal St.,  
 Boston, Mass. 02110;  
 617-526-7600; fax: 617-526-0600  
[www.firststateins.com](http://www.firststateins.com)

|                   | 1997          | 1996          |
|-------------------|---------------|---------------|
| Premium volume    | \$238,310,000 | \$245,483,000 |
| Employees         | 225           | 234           |
| Commercial lines  | 100%          | 100%          |
| Admitted business | 18%           | 18%           |
| Non-admitted      | 82%           | 82%           |

**Founded:** 1989.  
**Parent:** The Hartford Financial Services Group.  
**Business:** 100% underwriting manager.  
**Underwriting manager for:** Pacific Insurance Co. Ltd., Trumbull Insurance Co., Twin City Fire Insurance Co, Hartford Group Cos.  
**Branches:** Los Angeles, San Francisco, Atlanta, Chicago, Boston, New York.  
**Membership:** AAMGA, NAPSLO.  
**Officers:** Ralph J. Palmieri, president/COO; Peter P. Coghlan, executive vp.  
**Contact:** John A. MacFarland, 617-526-7650.  
*Support services provided by parent company.*

### Fischer Underwriting Group

The Atrium, E. 80 Route 4,  
 Paramus, N.J. 07652;  
 201-843-5678; fax: 201-843-2323  
[www.frontierins.com](http://www.frontierins.com)

|                   | 1997        | 1996        |
|-------------------|-------------|-------------|
| Premium volume    | \$6,000,000 | \$5,000,000 |
| Employees         | 6           | 6           |
| Commercial lines  | 100%        | 100%        |
| Admitted business | 60%         | 10%         |
| Non-admitted      | 40%         | 90%         |

**Founded:** 1981.  
**Parent:** Frontier Underwriting Group, Inc.  
**Business:** 55% underwriting manager, 40% managing general agent, 5% Lloyd's of London coverholder.  
**Underwriting manager for:** Frontier Insurance Co., Frontier Pacific Insurance Co., United Capital Insurance Co.  
**MGA for:** Westport Insurance Corp.  
**Specialties:** Non-standard D&O liability; standard large corporation D&O liability; non-medical professional liability, including lawyers.  
**Licensed in:** All states.  
**Membership:** AAMGA, NAPSLO.  
**Officers:** Donald R. Fischer, president; Paul Bunone, assistant vp; Joseph Loughlin, secretary.  
**Contact:** Donald R. Fischer or Paul Bunone.  
*Support services provided by parent company.*

### Freberg Environmental Insurance

1675 Broadway, Suite 2210,  
 Denver, Colo. 80202;  
 800-377-4152 or 303-571-4235;  
 fax: 303-623-8101  
[www.feinsurance.com](http://www.feinsurance.com)

|                   | 1997*        | 1996*        |
|-------------------|--------------|--------------|
| Premium volume    | \$15,000,000 | \$15,000,000 |
| Employees         | 10           | 10           |
| Commercial lines  | 100%         | 100%         |
| Admitted business | 20%          | 20%          |
| Non-admitted      | 80%          | 80%          |

*\* Fiscal years ending 3/31/98 and 3/31/97.*  
**Founded:** 1991.  
**Parent:** Freberg & Co. of Wyoming Inc.  
**Business:** 100% managing general agent.  
**MGA for:** Gulf Insurance Group, United National Insurance Group.  
**Specialties:** Environmental service firms, analytical testing laboratories, hazardous waste and hazardous material haulers.  
**Licensed in:** All states.  
**Membership:** AAMGA, NAPSLO.  
**Officers:** Michael J. Hill, president; Danelle R. Nielsen, vp.  
**Contact:** Danelle R. Nielsen.  
*Support services provided by parent company.*

### Frontier General Insurance Agency Inc.

6801 Calmont Ave.,  
 Fort Worth, Texas 76116;  
 817-732-2111; fax: 817-732-7226  
[www.frontiergeneral.com](http://www.frontiergeneral.com)

|                   | 1997         | 1996         |
|-------------------|--------------|--------------|
| Premium volume    | \$55,455,000 | \$40,558,000 |
| Gross revenues    | \$5,898,619  | \$4,604,965  |
| Employees         | 123          | 102          |
| Commercial lines  | 32%          | 36%          |
| Admitted business | 98%          | 99%          |
| Non-admitted      | 2%           | 1%           |

**Founded:** 1988.  
**Parent:** Frontier Consolidated Corp.  
**Business:** 90% underwriting manager; 10% managing general agent.  
**Underwriting manager for:** Apex Lloyds Insurance Co., Gemini Insurance Co., State & County Mutual Fire Insurance Co., State National Insurance Co. Inc.  
**MGA for:** American Equity Insurance Co., General Star National Insurance Co.  
**Licensed in:** Texas.  
**Membership:** NAPSLO.  
**Officers:** William E. Geer, president; Alvin M. Johnston Jr., executive vp; Robert P. Robinson, senior vp; William G. Stasey, secretary/treasurer; Steven C. Ferguson, vp.  
**Contact:** Alvin Johnston or Gayla Benton.



### Donald Gaddis Co. Inc.

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

|                   | 1997        | 1996        |
|-------------------|-------------|-------------|
| Premium volume    | \$9,200,000 | \$9,600,000 |
| Employees         | 8           | 9           |
| Commercial lines  | 98%         | 98%         |
| Admitted business | 40%         | 40%         |
| Non-admitted      | 60%         | 60%         |

**Founded:** 1982.  
**Business:** 45% managing general agent, 5% Lloyd's of London coverholder, 50% broker.  
**MGA for:** The Burlington Insurance Co., First Financial Insurance Co., Nautilus Insurance Co., Scottsdale Insurance Co..  
**Broker for:** Admiral Insurance Co., American Empire Surplus Lines Insurance Co., Colony Insurance Co., Coregis Group, Evanston Insurance Co., Executive Risk Group, First Re of Hartford, First State Insurance Co., General Star National Insurance Co., Lexington Insurance Co., Lloyd's of London, Reliance Insurance Co., Royal Excess & Surplus Lines Insurance Co.  
**Licensed in:** Illinois.  
**Membership:** NAPSLO.  
**Officers:** Christopher Gaddis, president; Sean Eric Gaddis, John Mette, vps.  
**Contact:** Christopher Gaddis.

### General Star Management Co.

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

|                   | 1997          | 1996          |
|-------------------|---------------|---------------|
| Premium volume    | \$361,513,554 | \$354,000,731 |
| Employees         | 247           | 252           |
| Commercial lines  | 99%           | 99%           |
| Admitted business | 10.8%         | 15.5%         |
| Non-admitted      | 89.2%         | 84.5%         |

**Founded:** 1979.  
**Parent:** General Reinsurance Corp.  
**Business:** 100% underwriting manager.  
**Underwriting manager for:** General Star Indemnity Co., General Star National Insurance Co.  
**Branches:** Los Angeles; Atlanta; Chicago; New York; Dallas.  
**Membership:** AAMGA, NAPSLO.  
**Officers:** Kevin P. Brooks, chairman/president; Sam Anderson, Patricia H. Roberts, senior vps; William F. Murray, Craig Olt, Adin Tooker, vps.  
**Contact:** David W. Micik.  
*Support services provided by parent company.*

### Genesis Professional Liability Underwriters

25550 Chagrin Blvd., Suite 300,  
 Beachwood, Ohio 44122;  
 216-766-5416; fax: 216-591-0906  
[www.gplu.com](http://www.gplu.com)

|                   | 1997         | 1996         |
|-------------------|--------------|--------------|
| Premium volume    | \$70,000,000 | \$75,000,000 |
| Commercial lines  | 100%         | 100%         |
| Admitted business | 100%         | 100%         |

**Business:** 100% underwriting manager.  
**Branches:** San Francisco; Chicago; White Plains, N.Y.  
**Specialties:** D&O, employment practices liability.  
**Officers:** Kevin M. LaCroix, president; Martin G. Hacala, vp.  
**Contact:** Joe G. Aber III.

To obtain free information on the products and services advertised:

- go online to [www.businessinsurance.com](http://www.businessinsurance.com) and click on **MAGAZINE** then select "ACCESS CURRENT ADVERTISERS"
- fax this coupon to BI's Reader Service Center at 312-922-3165
- mail this coupon to:  
**BUSINESS INSURANCE, Reader Service Center**  
 650 S. Clark St., 6th Fl., Chicago, IL 60605-1702



## Business Insurance

FREE LITERATURE FOR READERS

Issue Date: SEPTEMBER 7, 1998

Card Expiration: NOVEMBER 2, 1998

All questions must be answered to process inquiries.

PLEASE CHECK ONE ITEM FOR EACH CATEGORY:

1. My organization is best described as:

- |   |   |                                      |
|---|---|--------------------------------------|
| <input type="checkbox"/> Mfg/Svcs         | <input type="checkbox"/> Ins Agent      | <input type="checkbox"/> Adj/Apprs   |
| <input type="checkbox"/> Association      | <input type="checkbox"/> Ins Broker     | <input type="checkbox"/> TPA         |
| <input type="checkbox"/> Union            | <input type="checkbox"/> Ins/Reins Co   | <input type="checkbox"/> Health care |
| <input type="checkbox"/> Government       | <input type="checkbox"/> Consultant     | <input type="checkbox"/> Inst        |
| <input type="checkbox"/> Educational Inst | <input type="checkbox"/> Actry/Attorney | <input type="checkbox"/> Other       |

2. Number of employees:

- |  |  |                                    |
|--|--|------------------------------------|
| <input type="checkbox"/> 150 or less   | <input type="checkbox"/> 151 - 499     | <input type="checkbox"/> 500 - 999 |
| <input type="checkbox"/> 1,000 - 4,999 | <input type="checkbox"/> 5,000 or more | <input type="checkbox"/> Unknown   |

3. My title is best defined as:

- |   |  |
|---|--|
| <input type="checkbox"/> Administrative Mgt | <input type="checkbox"/> Benefits Mgt        |
| <input type="checkbox"/> Financial Mgt      | <input type="checkbox"/> Loss Prevention Mgt |
| <input type="checkbox"/> Risk Mgt           | <input type="checkbox"/> Other               |

4. My purchasing involvement for the requested products is to:

- |   |                                  |                                  |
|---|----------------------------------|----------------------------------|
| <input type="checkbox"/> recommend only | <input type="checkbox"/> specify | <input type="checkbox"/> approve |
|---|----------------------------------|----------------------------------|

5. Do you now receive a personally addressed copy of Business Insurance?

- |                              |   |
|------------------------------|---|
| <input type="checkbox"/> Yes | <input type="checkbox"/> No, so please send subscription info |
|------------------------------|---|

Circle the numbers below that correspond to the companies listed on our Advertiser Index for the September 7, 1998 issue. Cards with more than 20 items circled will not be processed. This card expires November 2, 1998.

|     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 1   | 2   | 3   | 4   | 5   | 6   | 7   | 8   | 9   | 10  | 11  | 12  | 13  | 14  | 15  |
| 16  | 17  | 18  | 19  | 20  | 21  | 22  | 23  | 24  | 25  | 26  | 27  | 28  | 29  | 30  |
| 31  | 32  | 33  | 34  | 35  | 36  | 37  | 38  | 39  | 40  | 41  | 42  | 43  | 44  | 45  |
| 46  | 47  | 48  | 49  | 50  | 51  | 52  | 53  | 54  | 55  | 56  | 57  | 58  | 59  | 60  |
| 61  | 62  | 63  | 64  | 65  | 66  | 67  | 68  | 69  | 70  | 71  | 72  | 73  | 74  | 75  |
| 76  | 77  | 78  | 79  | 80  | 81  | 82  | 83  | 84  | 85  | 86  | 87  | 88  | 89  | 90  |
| 91  | 92  | 93  | 94  | 95  | 96  | 97  | 98  | 99  | 100 | 101 | 102 | 103 | 104 | 105 |
| 106 | 107 | 108 | 109 | 110 | 111 | 112 | 113 | 114 | 115 | 116 | 117 | 118 | 119 | 120 |
| 121 | 122 | 123 | 124 | 125 | 126 | 127 | 128 | 129 | 130 | 131 | 132 | 133 | 134 | 135 |
| 136 | 137 | 138 | 139 | 140 | 141 | 142 | 143 | 144 | 145 | 146 | 147 | 148 | 149 | 150 |

Please print clearly

Name \_\_\_\_\_

Title \_\_\_\_\_

Company \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Phone ( ) \_\_\_\_\_ Fax ( ) \_\_\_\_\_

Continued on next page

Continued from previous page

**Global Facilities Inc.**

146 Merrick Road, P.O. Box 743,  
Lynbrook, N.Y. 11563;  
516-599-3800; fax: 516-599-3930

|                   |             |             |
|-------------------|-------------|-------------|
|                   | 1997        | 1996        |
| Premium volume    | \$7,105,000 | \$6,685,095 |
| Employees         | 5           | 5           |
| Commercial lines  | 95%         | 95%         |
| Admitted business | 93%         | 95%         |
| Non-admitted      | 7%          | 5%          |

**Founded:** 1977.  
**Specialties:** Packages, property/casualty, trucking, umbrella transportation.  
**Licensed in:** Connecticut, New Jersey, New York.  
**Membership:** NAPSLO.  
**Contact:** Robert Shapiro, president.

**Good Weather Insurance Agency Inc.**

76 Lafayette St.,  
Salem, Mass. 01970;  
800-324-7759; fax: 978-741-8786  
www.goodweather.net

|                   |             |             |
|-------------------|-------------|-------------|
|                   | 1997        | 1996        |
| Premium volume    | \$2,750,000 | \$2,500,000 |
| Employees         | 6           | 6           |
| Commercial lines  | 100%        | 100%        |
| Admitted business | 75%         | 75%         |
| Non-admitted      | 25%         | 25%         |

**Founded:** 1993.  
**Business:** 75% underwriting manager, 25% Lloyd's of London coverholder.  
**Underwriting manager for:** Reliance National Insurance Co.  
**Specialties:** Weather insurance.  
**Licensed in:** All states.  
**Contact:** Lauralee Tillman, president.

**Gracechurch Associates Inc.**

83 Big Oak Road,  
Morrisville, Pa. 19067;  
215-295-0725; fax: 215-295-1780

|                   |              |              |
|-------------------|--------------|--------------|
|                   | 1997         | 1996         |
| Premium volume    | \$12,000,000 | \$12,500,000 |
| Employees         | 10           | 11           |
| Commercial lines  | 100%         | 100%         |
| Admitted business | 35%          | 35%          |
| Non-admitted      | 65%          | 65%          |

**Founded:** 1965.  
**Business:** 100% broker.  
**Broker for:** Acceptance Insurance Co., Admiral Insurance Co., Chubb Custom Insurance Co., Fireman's Fund Insurance Co., First State Management, Investors Insurance Co. of America, Mt. Hawley Insurance Co., RLI Insurance Co., Reliance Insurance Co., USF Insurance Co.  
**Licensed in:** New Jersey, Pennsylvania.  
**Membership:** NAPSLO.  
**Officers:** Philip J. Corso, president; Ronald Kellelt, executive vp.  
**Contact:** Philip Corso.

**Gresham & Associates Inc.**

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

|                   |              |              |
|-------------------|--------------|--------------|
|                   | 1997         | 1996         |
| Premium volume    | \$80,979,087 | \$76,622,633 |
| Employees         | 150          | 100          |
| Commercial lines  | 100%         | 100%         |
| Admitted business | 50%          | 50%          |
| Non-admitted      | 50%          | 50%          |

**Founded:** 1979.  
**Business:** 40% managing general agent, 60% broker.  
**MGA for:** Acceptance Insurance Co., American Equity Insurance Co., Carolina Casualty Insurance Co., Colonia Insurance Co., Essex Insurance Co., GAINSCO Cos., John Deere Insurance Co., Pacific Insurance Co., Penn-America Insurance Co., Scottsdale Insurance Co., Stratford Insurance Co.  
**Broker for:** General Star National Insurance Co., Pacific Insurance Co., Penn-America Insurance Co., Scottsdale Insurance Co., Westchester Surplus Lines Insurance Co.  
**Branches:** Birmingham, Ala.; Jacksonville and Palm Beach Gardens, Fla.; Stockbridge, Ga.; Indianapolis; Baton Rouge, La.; Charlotte, N.C.; Franklin, Tenn.  
**Licensed in:** Alabama, California, Colorado, Florida, Georgia, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maryland, Michigan, Missouri, Mississippi, Nebraska, New Mexico, New York, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, Tennessee, Texas, Virginia, Washington, West Virginia, Wisconsin.  
**Membership:** AAMGA, NAPSLO.  
**Officers:** James V. Gresham, CEO/chairman; George L. Abernathy, president; James A. Gresham, senior vp; Gail Gresham, secretary/treasurer.  
**Contact:** James V. Gresham.

**Branches:** Birmingham, Ala.; Jacksonville and Palm Beach Gardens, Fla.; Stockbridge, Ga.; Indianapolis; Baton Rouge, La.; Charlotte, N.C.; Franklin, Tenn.  
**Licensed in:** Alabama, California, Colorado, Florida, Georgia, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maryland, Michigan, Missouri, Mississippi, Nebraska, New Mexico, New York, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, Tennessee, Texas, Virginia, Washington, West Virginia, Wisconsin.  
**Membership:** AAMGA, NAPSLO.  
**Officers:** James V. Gresham, CEO/chairman; George L. Abernathy, president; James A. Gresham, senior vp; Gail Gresham, secretary/treasurer.  
**Contact:** James V. Gresham.



**H&W Underwriters (Agency) Inc.**

4300 Shawnee Mission Parkway,  
Shawnee Mission, Kan. 66205;  
913-676-9305; fax: 913-432-1706

|                   |             |             |
|-------------------|-------------|-------------|
|                   | 1997        | 1996        |
| Premium volume    | \$7,894,860 | \$8,000,000 |
| Gross revenues    | \$1,773,500 | \$1,872,751 |
| Employees         | 15          | 15          |
| Commercial lines  | 100%        | 100%        |
| Admitted business | 95%         | 95%         |
| Non-admitted      | 5%          | 5%          |

**Founded:** 1958.  
**Business:** 98% managing general agent, 2% broker.  
**MGA for:** Century Surety Group, Dodson Insurance Group, SAFECO Insurance Cos., ULICO Group.

**Broker for:** Clarendon Insurance Group, Essex Insurance Co., Great American Insurance Co.  
**Specialties:** Professional liability for non-profit associations, labor union D&O/E&O, taxicab liability.  
**Licensed in:** Kansas, Missouri.  
**Membership:** AAMGA, NAPSLO.  
**Officers:** Neil Poupirt, chairman; Bernard Geis, president/CEO; Bruce Poupirt, executive vp.  
**Contact:** Professional liability: Bruce Poupirt; labor union D&O/E&O: Gloria Darr; taxicab liability: Bernard Geis.

**Harbour Pacific Underwriting Management**

9 Castlereagh St., Sydney, N.S.W.  
2000, Australia; 61-2-9223-5466;  
fax: 61-2-9223-5477  
www.harbourpacific.com.au

|                   |              |              |
|-------------------|--------------|--------------|
|                   | 1997         | 1996         |
| Premium volume    | \$32,453,591 | \$23,786,417 |
| Gross revenues    | \$5,296,856  | \$3,773,577  |
| Employees         | 34           | 31           |
| Commercial lines  | 70%          | 70%          |
| Admitted business | 99%          | 99%          |
| Non-admitted      | 1%           | 1%           |

\* Fiscal years ending 6/30/97 and 6/30/96.  
**Founded:** 1988.  
**Parent:** Aon Corp.  
**Business:** 80% managing general agent, 20% Lloyd's of London coverholder.  
**MGA for:** Commercial Union Insurance Co., Royal Sun Alliance.  
**Specialties:** Accident/health, general liability, professional indemnity, heavy motor.  
**Licensed in:** Australia.  
**Officers:** Peter O'Shea, non-executive chairman; Robert Mauldon, managing director; Nick Murphy, Maxine McDowell, executive directors.  
**Contact:** Robert Mauldon.

**Hanover Excess & Surplus Inc.**

228 N. Front St., Suite 200, P.O.  
Box 1411, Wilmington, N.C. 28402;  
800-672-9006; fax: 910-762-6426

|                   |              |              |
|-------------------|--------------|--------------|
|                   | 1997         | 1996         |
| Premium volume    | \$13,645,635 | \$12,151,588 |
| Gross revenues    | \$1,728,543  | \$1,553,547  |
| Employees         | 23           | 25           |
| Commercial lines  | 82%          | 86%          |
| Admitted business | 50%          | 50%          |
| Non-admitted      | 50%          | 50%          |

**Founded:** 1970.  
**Business:** 93% managing general agent, 6% Lloyd's of London coverholder, 1% broker.  
**MGA for:** Acceptance Insurance Co., Colonia Insurance Co., Jefferson Insurance Co., Scottsdale Insurance Co.  
**Broker for:** American International Group, Coregis Group, Seaboard Surety Co.  
**Specialties:** Commercial transportation.  
**Licensed in:** Georgia, North Carolina, South Carolina, Virginia.  
**Membership:** AAMGA, NAPSLO.  
**Officers:** Glasgow Hicks Jr., president; David L. Parker, vp.  
**Contact:** David L. Parker.

**L.E. Harris Agency Inc.**

P.O. Box 8330,  
Langley Park, Md. 20787-8330;  
301-439-4700; fax: 301-439-5800

|                   |             |             |
|-------------------|-------------|-------------|
|                   | 1997        | 1996        |
| Premium volume    | \$9,419,000 | \$9,393,000 |
| Gross revenues    | \$1,229,745 | \$1,194,472 |
| Employees         | 12          | 13          |
| Commercial lines  | 99%         | 99%         |
| Admitted business | 40%         | 38%         |
| Non-admitted      | 60%         | 62%         |

**Founded:** 1922.  
**Business:** 58% managing general agent, 5% Lloyd's of London coverholder, 37% broker.  
**MGA for:** Burlington Insurance Co., Empire Fire & Marine Insurance Co., First Financial Insurance Co., Jefferson Insurance Co. of New York, Monticello Insurance Co.,

Mount Vernon Fire Insurance Co., National Indemnity Cos., Penn-American Insurance Co., St. Paul Reinsurance Co. Ltd., United States Liability Insurance Co.

**Broker for:** Admiral Insurance Group, Coregis Group, Chubb Corp., Evanston Insurance Co., Employers Reinsurance Corp., Executive Risk Indemnity, Lexington Insurance Co., Media/Professional Insurance Co., National Union Fire Insurance Co., Reliance National Insurance Co., Royal Surplus Lines Insurance Co., Seneca Insurance Co., United National Group.  
**Specialties:** Commercial property/liability, wrongful act coverages, public, garage, trucking.  
**Licensed in:** District of Columbia, Maryland, Virginia.  
**Membership:** AAMGA, NAPSLO.  
**Officers:** David A. Riffert, president; Mark J. Baldwin, vp; Cindy Milburn, secretary.  
**Contact:** David A. Riffert or Cindy Milburn.

**Healthcare Professional Services**

3000 Langford Road, Building 2400,  
Norcross, Ga. 30071;  
770-300-0025; fax: 770-248-1244

|                   |             |             |
|-------------------|-------------|-------------|
|                   | 1997        | 1996        |
| Premium volume    | \$7,285,732 | \$5,631,100 |
| Gross revenues    | \$633,673   | \$501,129   |
| Employees         | 3           | 3           |
| Commercial lines  | 100%        | 100%        |
| Admitted business | 31%         | 24%         |
| Non-admitted      | 69%         | 76%         |

**Founded:** 1990.  
**Business:** 100% broker.  
**Broker for:** American International Group, CNA Insurance Cos., Evanston Insurance Co., Frontier Pacific Insurance Co., Lloyd's of London, Mutual Assurance Group, Paradigm Insurance Co., Professional Underwriters Liability Insurance Co., Scottsdale Insurance Co., Southern California Physicians Insurance Exchange.  
**Branches:** Washington; Margate, Fla.; Cleveland; Brentwood, Tenn.; San Antonio.  
**Subsidiaries:** Professional Insurance Services.  
**Specialties:** Medical malpractice.  
**Licensed in:** Georgia.  
**Membership:** NAPSLO.  
**Contact:** Parker Harvey.

**HEATH Holdings USA Inc.**

3100 Monticello, Suite 900,  
Dallas, Texas 75205-3450;  
214-528-3999; fax: 214-528-9101

|                   |               |               |
|-------------------|---------------|---------------|
|                   | 1997          | 1996          |
| Premium volume    | \$167,000,000 | \$130,000,000 |
| Gross revenues    | \$12,500,000  | \$9,100,000   |
| Employees         | 110           | 100           |
| Commercial lines  | 100%          | 100%          |
| Admitted business | 50%           | 40%           |
| Non-admitted      | 50%           | 60%           |

**Founded:** 1992.  
**Parent:** C.E. Heath P.L.C.  
**Business:** 6% managing general agent, 1% Lloyd's of London coverholder, 93% broker.  
**MGA for:** American Empire Insurance Co., American Equity Insurance Co., Audubon Indemnity Co., Burlington Insurance Co., Century Surety Co., General Star Indemnity Co., Republic-Vanguard Insurance Co., Western World Insurance Co.  
**Broker for:** Acceptance Cos., ACE Ltd. Group, Allianz/Fireman's Fund Insurance Group, American Financial Group, American International Group, W.R. Berkley Group., Chubb Corp., CNA Insurance Cos., Executive Risk Group, General Reinsurance Group, Markel Group, RLI Group, Reliance Insurance Group, Royal Insurance Group, The St. Paul Cos.  
**Branches:** Irvine, San Francisco and Woodland Hills, Calif.; Atlanta; Pocatello, Idaho; Chicago; Dallas, Houston and Lubbock, Texas.  
**Subsidiaries:** HEATH Insurance Brokers Inc.  
**Specialties:** Primary/lead/excess general liability, primary/lead/excess property, D&O, E&O.  
**Licensed in:** Alabama, Alaska, California, Connecticut, District of Columbia, Florida, Georgia, Illinois, Indiana, Iowa, Kentucky, Louisiana, Maryland, Massachusetts, Mississippi, Missouri, Nevada, New Jersey, New Mexico, New York, North Carolina, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, Tennessee, Texas, Virginia, Washington, Wisconsin.  
**Membership:** AAMGA, NAPSLO.  
**Officers:** Gene Eisenmann, chairman; Marshall Kath, CEO; Tom Sieks, senior vp; Cynthia Hemdon, CFO.  
**Contact:** Marshall Kath.

**International Placement Services Inc.**

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

|                   |              |              |
|-------------------|--------------|--------------|
|                   | 1997         | 1996         |
| Premium volume*   | \$17,000,000 | \$15,800,000 |
| Gross revenues    | \$1,616,022  | \$1,431,936  |
| Employees         | 15           | 13           |
| Commercial lines  | 100%         | 100%         |
| Admitted business | 65%          | 65%          |
| Non-admitted      | 35%          | 35%          |

\* Estimate  
**Founded:** 1981.  
**Business:** 4% Lloyd's of London coverholder, 96% broker.  
**Broker for:** Acstar Insurance Co., Admiral Insurance Co., Affiliated FM Insurance Co., American International Group, Chubb Corp., Clarendon Insurance Group, Colony Insurance Co., Coregis Group, Commercial Underwriters Insurance Co., Essex, Evanston, Executive RE Indemnity Inc., Fidelity & Deposit Group, Fireman's Fund Insurance Co., First Specialty Insurance Corp.  
**Branches:** Clearwater, Fla.  
**Licensed in:** Alabama, Arizona, Arkansas, California, Colorado, Connecticut, Georgia, Florida, Illinois, Indiana, Iowa,

|                  |             |             |
|------------------|-------------|-------------|
|                  | 1997        | 1996        |
| Premium volume   | \$8,000,000 | \$7,000,000 |
| Employees        | 3           | 3           |
| Commercial lines | 100%        | 100%        |

**Founded:** 1991.  
**Business:** 100% managing general agent.  
**Specialties:** Umbrella, excess.  
**Membership:** NAPSLO.  
**Contact:** Jeff Heath, president.



**Insurance Intermediaries Inc.**

6460 Busch Blvd.,  
Columbus, Ohio 43229;  
800-444-1744; fax: 614-846-2111

|                   |              |              |
|-------------------|--------------|--------------|
|                   | 1997         | 1996         |
| Premium volume    | \$56,000,000 | \$42,000,000 |
| Employees         | 35           | 33           |
| Commercial lines  | 45%          | 45%          |
| Admitted business | 40%          | 40%          |
| Non-admitted      | 60%          | 60%          |

**Founded:** 1975.  
**Parent:** Nationwide Insurance Enterprise.  
**Business:** 57% managing general agent, 1% Lloyd's of London coverholder, 48% broker.  
**MGA for:** Fireman's Fund Insurance Co., Foremost Insurance Co., Scottsdale Insurance Co.  
**Broker for:** American International Group, Chubb Corp., Evanston Insurance Co., Fireman's Fund Insurance Co., Foremost Insurance Co., General Star Indemnity Co., Great American Insurance Co.  
**Specialties:** E&O, D&O.  
**Licensed in:** Arkansas, Connecticut, Florida, Georgia, Illinois, Indiana, Kentucky, Maryland, Michigan, Missouri, New York, Pennsylvania, Ohio, South Carolina, West Virginia, Wisconsin, Virginia.  
**Membership:** NAPSLO.  
**Officers:** R. Lee Syotte, president; Larry C. Bobb, vp; Robert Dunlap, assistant vp.  
**Contact:** Larry C. Bobb, ext. 811.

**Insurisk Excess & Surplus Lines**

1500 Riverfront Drive, P.O. Box  
3198, Little Rock, Ark. 72227;  
800-482-5914 or 501-661-1417;  
fax: 501-663-5861

|                   |              |              |
|-------------------|--------------|--------------|
|                   | 1997         | 1996         |
| Premium volume    | \$23,000,000 | \$26,000,000 |
| Employees         | 8            | 8            |
| Commercial lines  | 99.9%        | 99.9%        |
| Admitted business | 40%          | 40%          |
| Non-admitted      | 60%          | 60%          |

**Founded:** 1980.  
**Parent:** Rebsamen Insurance Co.  
**Business:** 18% managing general agent, 15% Lloyd's of London coverholder, 67% broker.  
**MGA for:** Gulf Insurance Co., Scottsdale Insurance Co.  
**Broker for:** Affiliated FM Insurance Co., Albany Insurance Co., Alliance General Insurance Co., The Calvert Insurance Co., Chubb Custom Markets, CIGNA Group, Clarendon Insurance Co., Evanston Insurance Co., Fireman's Fund Insurance Co., First Specialty Insurance Co., General Star Indemnity, Great American Insurance Co., Gulf Insurance Co., Hartford Specialty Co., Hartford Steam Boiler Group.  
**Specialties:** Property, including earthquake and coastal; property with wind included; umbrella; heavy casualty.  
**Licensed in:** Arkansas.  
**Membership:** NAPSLO.  
**Officers:** Al McDowell, president; Steve Hoffmann, senior vp; Dianna Farish, vp.  
**Contact:** Steve Jenkins, marketing manager.  
*Support services provided by parent company.*

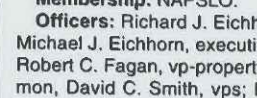
**International Placement Services Inc.**

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

|                   |              |              |
|-------------------|--------------|--------------|
|                   | 1997         | 1996         |
| Premium volume*   | \$17,000,000 | \$15,800,000 |
| Gross revenues    | \$1,616,022  | \$1,431,936  |
| Employees         | 15           | 13           |
| Commercial lines  | 100%         | 100%         |
| Admitted business | 65%          | 65%          |
| Non-admitted      | 35%          | 35%          |

\* Estimate  
**Founded:** 1981.  
**Business:** 4% Lloyd's of London coverholder, 96% broker.  
**Broker for:** Acstar Insurance Co., Admiral Insurance Co., Affiliated FM Insurance Co., American International Group, Chubb Corp., Clarendon Insurance Group, Colony Insurance Co., Coregis Group, Commercial Underwriters Insurance Co., Essex, Evanston, Executive RE Indemnity Inc., Fidelity & Deposit Group, Fireman's Fund Insurance Co., First Specialty Insurance Corp.  
**Branches:** Clearwater, Fla.  
**Licensed in:** Alabama, Arizona, Arkansas, California, Colorado, Connecticut, Georgia, Florida, Illinois, Indiana, Iowa,

Kansas, Kentucky, Louisiana, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Nebraska, Nevada, New Jersey, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, Tennessee, Texas, Utah, Virginia, Wisconsin.  
**Membership:** NAPSLO.  
**Officers:** Richard J. Eichhorn, president; Michael J. Eichhorn, executive vp-casualty; Robert C. Fagan, vp-property; John N. Harmon, David C. Smith, vps; Dan H. Brimer, assistant vp-property.  
**Contact:** Richard J. Eichhorn.



P.O. Box 1623, 4268 Gabel Drive,  
Fayetteville, Ark. 72702;  
501-521-2551; fax: 501-521-3195

|                   |              |              |
|-------------------|--------------|--------------|
|                   | 1997         | 1996         |
| Premium volume    | \$16,000,000 | \$14,500,000 |
| Employees         | 45           | 44           |
| Commercial lines  | 85%          | 80%          |
| Admitted business | 40%          | 40%          |
| Non-admitted      | 60%          | 60%          |

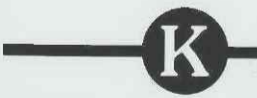
**Founded:** 1976.  
**Business:** 60% managing general agent, 30% Lloyd's of London coverholder, 10% broker.  
**Specialties:** Commercial auto, property, general liability, inland marine.  
**Licensed in:** Arkansas, Missouri, Oklahoma, Tennessee.  
**Membership:** AAMGA, NAPSLO.  
**Officers:** Larry Haines, chairman; Mike Johnson, president; Alan Mitchell, senior vp; Carey Holmes, vp-commercial auto; Kim Johnson, vp-casualty.  
**Contact:** Mike Johnson.

**Jimcor Agencies**

15 Vervalen St., Closter, N.J. 07624;  
201-784-8900; fax: 201-784-790  
www.jimcor.com

|                   |              |              |
|-------------------|--------------|--------------|
|                   | 1997         | 1996         |
| Premium volume    | \$21,665,000 | \$18,600,000 |
| Gross revenues    | \$2,990,000  | \$2,200,000  |
| Employees         | 45           | 38           |
| Commercial lines  | 88%          | 90%          |
| Admitted business | 20%          | 20%          |
| Non-admitted      | 80%          | 80%          |

**Founded:** 1986.  
**Business:** 59% managing general agent, 15% Lloyd's of London coverholder, 26% broker.  
**MGA for:** American Equity Insurance Co., The Burlington Insurance Co., Essex Insurance Co., Fireman's Fund Insurance Co., Jefferson Insurance Co. of N.Y., Nautilus Insurance Co., Penn-America Insurance Co., Scottsdale Insurance Co., U.S.L.I. Companies, Western World Insurance Co.  
**Broker for:** Admiral Insurance Co., Agricultural Excess & Surplus Insurance Co., Commercial Underwriters Insurance Co., First State Insurance Co., Fulcrum Insurance Co., Investors Insurance Co. of America, Lexington Insurance Co., Markel Insurance Co., Reliance National Insurance Co., United Capital Insurance Co., United National Group.  
**Branches:** Mt. Laurel, N.J.; Glens Falls, N.Y.; Lafayette Hill, Penn.  
**Specialties:** Habitational risks, professional liability, E&O.  
**Licensed in:** New Jersey, New York, Pennsylvania.  
**Membership:** AAMGA, NAPSLO.  
**Officers:** Francis J. Mastowski, president; Coryn F. Mastowski, vp/regional manager; Raymond McDowell, Jon Hill, John George, regional managers.  
**Contact:** Francis J. Mastowski, ext. 123.



1712 Magnavox Way,  
Fort Wayne, Ind. 46804;  
219-459-5000; fax: 219-459-5866  
www.kandkinsurance.com

|                   |               |               |
|-------------------|---------------|---------------|
|                   | 1997          | 1996          |
| Premium volume    | \$229,142,000 | \$209,028,539 |
| Gross revenues*   | \$48,430,900  | \$45,777,250  |
| Employees         | 277           | 260           |
| Commercial lines  | 100%          | 100%          |
| Admitted business | 98%           | 98%           |
| Non-admitted      | 2%            | 2%            |

**Founded:** 1952.  
**Parent:** Aon Corp.  
**Business:** 100% managing general agent.  
**MGA for:** CNA Insurance Cos., Great American Insurance Co., John Deere Insurance Co., TIG Insurance Co.  
**Branches:** Orlando, Fla.; Greensboro, N.C.

Continued from previous page

**Specialties:** Sports, leisure, entertainment.  
**Licensed in:** Florida, Indiana, North Carolina, Virginia.  
**Officers:** Stephen Lunsford, CEO/president; Jerry Tegan, chief marketing officer; Todd Bixler, COO.  
**Contact:** Angie Poulos, 219-459-5967.  
 \*BI estimate.  
 Support services provided by SLE Worldwide Inc.



**Le Fevre International Inc.**

P.O. Box 40998,  
 Houston, Texas 77240-0998;  
 713-462-6223; fax: 713-462-5447

|                   | 1997*       | 1996*       |
|-------------------|-------------|-------------|
| Premium volume    | \$4,154,934 | \$5,196,230 |
| Gross revenues    | \$474,142   | \$508,638   |
| Employees         | 12          | 18          |
| Commercial lines  | 100%        | 100%        |
| Admitted business | 12.5%       | 2.3%        |
| Non-admitted      | 87.5%       | 97.7%       |

\*Fiscal years ending 5/31/98 and 5/31/97.  
**Founded:** 1982.

**Business:** 50% managing general agent, 5% Lloyd's of London coverholder, 45% broker.

**MGA for:** General Security Indemnity Co., Lexington Insurance Co.

**Subsidiaries:** Le Fevre Insurance Services Inc., Los Angeles.

**Specialties:** Oil and gas property/casualty, control of well, inland marine, commercial auto.

**Licensed in:** Texas.  
**Membership:** NAPSLO.  
**Contact:** M. Doris Le Fevre, president/CEO.

**Leadenhall Insurance Brokers Inc.**

15 Constitution Drive,  
 Bedford, N.H. 03110;  
 603-472-9122; fax: 603-472-9730

|                   | 1997*       | 1996 |
|-------------------|-------------|------|
| Premium volume    | \$7,500,000 | NA   |
| Employees         | 6           | NA   |
| Commercial lines  | 90%         | NA   |
| Admitted business | 25%         | NA   |
| Non-admitted      | 75%         | NA   |

\*Business initiated in 1997; figures reflect results as of 8/1/98.

**Founded:** 1997.

**Parent:** Cooper Gay Holdings Ltd.  
**Business:** 15% Lloyd's of London coverholder, 85% broker.

**Broker for:** Ace Insurance Co., American International Group, CIGNA Group, Chubb Corp., Fulcrum Insurance Co., Frontier Insurance Co., First State Management, General Star Management, Legion Insurance Co., Lloyd's of London, RLI Insurance Co., Reliance Insurance Group, TIG Holdings Group, Travelers Insurance Co., Zurich Insurance Group.

**Branches:** New York.  
**Specialties:** Catastrophic property, global property accounts, energy/technical lines.

**Licensed in:** New Hampshire, New York.  
**Membership:** NAPSLO.

**Officers:** Erik P. Nikodem, president; Peter Gorman, vp/secretary; Eunice Adler,

Emma Freedman, Robert MacGowan, assistant vps.  
**Contact:** Erik P. Nikodem.

**Leverett Insurance Group Inc.**

875 Old Roswell Road, Suite G-100,  
 Roswell, Ga. 30076;  
 770-993-0645; fax: 770-993-1077

|                   | 1997*        | 1996*        |
|-------------------|--------------|--------------|
| Premium volume    | \$10,993,746 | \$13,373,300 |
| Gross revenues    | \$1,094,541  | \$1,083,070  |
| Employees         | 9            | 9            |
| Commercial lines  | 100%         | 100%         |
| Admitted business | 35%          | 40%          |
| Non-admitted      | 65%          | 60%          |

\*Fiscal years ending 9/30/98 and 9/30/97.  
**Founded:** 1985.

**Business:** 7% managing general agent, 93% broker.

**MGA for:** Colony Insurance Co., Pacific Insurance Co.

**Broker for:** Alliance General Insurance Co., American International Group, Colony Insurance Co., General Star Indemnity, Hartford Insurance Group, Lloyd's of London, Mt. Hawley Insurance Co., Pacific Insurance Co.

**Specialties:** D&O, E&O, employment practices liability, environmental.

**Licensed in:** Georgia.  
**Membership:** NAPSLO.  
**Contact:** Jerry J. Leverett, president.

**London International Group Inc.**

9600 Koger Blvd., Suite 225,  
 St. Petersburg, Fla. 33702;  
 813-578-2800; fax: 813-578-9977

|                   | 1997        | 1996        |
|-------------------|-------------|-------------|
| Premium volume    | \$6,500,000 | \$6,000,000 |
| Employees         | 6           | 6           |
| Commercial lines  | 100%        | 98%         |
| Admitted business | 80%         | 75%         |
| Non-admitted      | 20%         | 25%         |

**Founded:** 1983.

**Business:** 20% managing general agent, 80% broker.

**Broker for:** American Home Assurance Co. of N.Y., American Interstate Insurance Co., Commercial Union Insurance Co., Institute of London Underwriters, Navigators Insurance Co., New York Marine & General, Reliance Insurance Co.

**Specialties:** Commercial marine insurance; longshore and harbor workers act; maritime employers liability.

**Licensed in:** Florida.  
**Contact:** Ian R. Greenway, president, ext. 319; Ginger Hayes, vp, ext 312.

**LoVullo Associates Inc.**

689 Main St., Buffalo, N.Y. 14203;  
 716-856-3065; fax: 716-856-8057

|                   | 1997         | 1996         |
|-------------------|--------------|--------------|
| Premium volume    | \$20,939,269 | \$20,034,182 |
| Gross revenues    | \$2,745,176  | \$2,633,920  |
| Employees         | 32           | 31           |
| Commercial lines  | 63%          | 65%          |
| Admitted business | 66.67%       | 66.67%       |
| Non-admitted      | 33.33%       | 33.33%       |

**Founded:** 1949.

**Business:** 67% managing general agent, 3% Lloyd's of London coverholder, 30% broker.

**MGA for:** American Modern Home Insurance Co., Jefferson Insurance Co., Midwest Mutual Insurance Co., National Casualty In-

surance Co., National Indemnity Co., Northland Insurance Co., Penn-America Insurance Co., United States Liability Insurance Co.

**Broker for:** Acceptance Insurance Co., Essex Insurance Co., Scottsdale Insurance Co., U.S. Underwriters Insurance Co.

**Licensed in:** New York.  
**Membership:** AAMGA, NAPSLO.  
**Officers:** Leonard T. LoVullo, president; Paul W. LoVullo, senior vp; David W. Pietruwski, vp.  
**Contact:** Paul W. LoVullo.



**M.T.S. Insurance Services L.L.C.**

19867 Prairie St., Suite 250,  
 Chatsworth, Calif. 91311;  
 818-722-1774; fax: 818-772-2796

|                   | 1997         | 1996         |
|-------------------|--------------|--------------|
| Premium volume    | \$86,000,000 | \$78,000,000 |
| Gross revenues    | \$5,100,000  | \$4,600,000  |
| Employees         | 31           | 27           |
| Commercial lines  | 100%         | 100%         |
| Admitted business | 65%          | 65%          |
| Non-admitted      | 35%          | 35%          |

**Founded:** 1980.

**Business:** 2% managing general agent, 2% Lloyd's of London coverholder, 86% broker.

**MGA for:** Reliance Insurance Co.

**Broker for:** Allianz Underwriters Insurance Co., American Custom Insurance Co., American International Group, Commercial Underwriters Insurance Co., Essex Insurance Co., First State Insurance Co., General Star Indemnity Co., Lloyd's of London, RLI Insurance Co., Reliance National Insurance Co., Royal Excess & Surplus Lines Insurance Co.

**Branches:** Santa Ana, Calif.  
**Specialties:** Public entity, transportation, hospitals.

**Licensed in:** California.  
**Membership:** NAPSLO.

**Officers:** Ernie Telford, Ron Benigno, Charlie Adams, George Maggay, partners; Celia McDonnell, casualty manager.

**MacDuff Underwriters Inc., dba Roehrig & MacDuff**

220 S. Ridgewood Ave., P.O. Box  
 2427, Daytona Beach, Fla. 32114;  
 904-252-6545; fax: 904-257-5799

|                   | 1997         | 1996         |
|-------------------|--------------|--------------|
| Premium volume    | \$26,750,000 | \$27,500,000 |
| Gross revenues    | \$2,634,000  | \$2,800,000  |
| Employees         | 29           | 29           |
| Commercial lines  | 99%          | 99%          |
| Admitted business | 15%          | 16%          |
| Non-admitted      | 85%          | 84%          |

**Founded:** 1980.

**Parent:** Poe & Brown Inc.

**Business:** 50% managing general agent, 20% Lloyd's of London coverholder, 30% broker.

**Branches:** St. Petersburg, Fla.

**Licensed in:** Florida.  
**Membership:** AAMGA, NAPSLO.

**Officers:** W.L. Rambo, president; Glen Epley, executive vp; Tina Johnson, associate vp.  
**Contact:** W.L. Rambo.

**Managed Care USA Inc.**

4401 Barclay Downs Drive,  
 Charlotte, N.C. 28209;  
 704-945-2600; fax: 704-945-2634

|                   | 1997         | 1996         |
|-------------------|--------------|--------------|
| Premium volume    | \$49,000,000 | \$22,000,000 |
| Employees         | 135          | 62           |
| Commercial lines  | 100%         | 100%         |
| Admitted business | 100%         | 100%         |

**Founded:** 1994.

**Business:** 100% managing general agent.

**MGA for:** American Re (American Alternative Insurance Corp.); Mutual Risk Management (Legion Insurance Co.); Reliance Group.

**Branches:** Maitland, Fla.; Laurel Springs, N.J.  
**Subsidiaries:** OccuCare Partners Inc., OccuCare Re, OccuCare USA Inc., Managed Care USA Health Plans Inc., Managed Care USA Services Inc.

**Specialties:** Workers compensation.  
**Officers:** Steven M. Mariano, chairman/CEO; G. Kevin Saba, president; Robert W. Granow, CFO; John C. Scarborough, president-OccuCare Partners; David H. Dunn, president-Managed Care USA Health Plans.  
**Contact:** Kevin M. McCarthy, director-corporate communications, 704-945-2706.

**Gary Markel Surplus Lines Brokerage Inc.**

9700 Ninth St. N., Suite 400,  
 St. Petersburg, Fla. 33702;  
 813-577-5980; fax: 813-577-5804

|                   | 1997        | 1996        |
|-------------------|-------------|-------------|
| Premium volume    | \$9,450,000 | \$9,000,000 |
| Gross revenues    | \$728,000   | \$685,000   |
| Employees         | 7           | 7           |
| Commercial lines  | 100%        | 100%        |
| Admitted business | 5%          | 5%          |
| Non-admitted      | 95%         | 95%         |

**Founded:** 1993.

**Business:** 24% managing general agent, 1% Lloyd's of London coverholder, 75% broker.

**MGA for:** Essex Insurance Co., Preferred National Insurance Co.

**Broker for:** Acceptance Insurance Co.; Admiral Insurance Co.; American International Surplus Lines Insurance Co.; American National Fire Insurance Co.; Coregis Insurance Co.; Evanston Insurance Co.; Executive Risk Group; Investors Insurance Co. of America; Mt. Hawley Insurance Co.; National Union Fire Insurance Co. of Pittsburgh, Pa.; RLI Insurance Co.; Royal Surplus Lines Insurance Co.; Scottsdale Insurance Co.; United Capitol Insurance Co.

**Specialties:** Restaurants, habitational, general contractors, real estate owners/managers.

**Licensed in:** Florida.  
**Membership:** NAPSLO.

**Officers:** Gary Markel, president; Paula Wachholz, executive vp; Barbara Er-matinger, assistant vp.  
**Contact:** Paula Wachholz.

**Market Finders Insurance Corp.**

P.O. Box 6549,  
 Louisville, Ky. 40206;  
 502-423-1800; fax: 502-426-7970  
 www.mfic.com

|                   | 1997         | 1996         |
|-------------------|--------------|--------------|
| Premium volume    | \$40,000,000 | \$40,000,000 |
| Employees         | 50           | 50           |
| Commercial lines  | 85%          | 85%          |
| Admitted business | 40%          | 40%          |
| Non-admitted      | 60%          | 60%          |

**Founded:** 1972.

**Business:** 70% managing general agent, 5% Lloyd's of London coverholder, 25% broker.

**MGA for:** American Equity Insurance Co., Burlington Insurance Co., Century Surety Insurance Co., Colony Insurance Co., Empire Fire & Marine Insurance Co., Essex Insurance Co., Evergreen National Indemnity Co., Nautilus Insurance Co., Stratford Insurance Co., Western World Insurance Co.

**Broker for:** Admiral Insurance Co., American Equity Insurance Co., Century Surety Insurance Co., Clarendon America Insurance Co., Colony Insurance Co., Empire Fire & Marine Insurance Co., Essex Insurance Co., First Financial Insurance Co., Mt. Hawley Insurance Co., Preferred National Insurance Co., Scottsdale Insurance Co., United States Liability Insurance Co., Western World Insurance Co.

**Branches:** Dayton, Ohio; Pittsburgh; Greenville, S.C.

**Specialties:** Commercial trucking, aviation, medical malpractice, flood.

**Licensed in:** Indiana, Kentucky, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee, West Virginia.

**Membership:** AAMGA, NAPSLO.  
**Officers:** Jim Ryan, president; Jerry Boyette, secretary/treasurer; Dennis Wats, vp-professional liability division.  
**Contact:** Jerry Ennenbach, marketing manager.

**G.A. Mavon & Co.**

10 W. Chicago Ave.,  
 Hinsdale, Ill. 60521;  
 630-655-2400; fax: 630-654-4447

|                   | 1997         | 1996         |
|-------------------|--------------|--------------|
| Premium volume    | \$17,000,000 | \$16,000,000 |
| Employees         | 24           | 22           |
| Commercial lines  | 48%          | 50%          |
| Admitted business | 85%          | 82%          |
| Non-admitted      | 15%          | 18%          |

**Founded:** 1916.

**Business:** 50% managing general agent, 5% Lloyd's of London coverholder, 45% broker.

**Broker for:** CNA Insurance Group, Chubb Corp., Lloyd's of London, Northland Insurance Co., Scottsdale Insurance Co., Standard Mutual Insurance Co.

**Licensed in:** Illinois.  
**Membership:** AAMGA, NAPSLO.

**Officers:** Jerry Mavon, president; Phil Mavon, executive vp; James Davis, vp; Bill Wilson, underwriting manager; Ken Cuprisin, marketing manager.  
**Contact:** Tony Jasinski, field representative.

**McClelland & Hine Inc.**

P.O. Box 792710,  
 San Antonio, Texas 78279;  
 210-366-2500; fax: 210-366-9691  
 www.mhi-tx.com

|                | 1997         | 1996         |
|----------------|--------------|--------------|
| Premium volume | \$24,000,000 | \$20,500,000 |

**Founded:** 1982.

**Business:** 11.2% underwriting manager, 57.5% managing general agent, 6.9% Lloyd's of London coverholder, 24.4% broker.

**Underwriting manager for:** Home State County Mutual Insurance Co.

**MGA for:** Burlington Insurance Co., General Agents Insurance Co., Penn-America Insurance Co., St. Paul Reinsurance Co. Ltd.

**Broker for:** Highlands Insurance Co., Texas Builders Insurance Co., TIG Insurance Co.

**Branches:** Dallas, Houston.

**Licensed in:** Texas.  
**Membership:** AAMGA, NAPSLO.

**Officers:** Gilbert C. Hine Jr., Harold F. Smith Jr., Michelle Hine.  
**Contact:** Gilbert C. Hine Jr.

**McSweeney Agency**

505 High St., Burlington, N.J. 08016;  
 609-387-0101; fax: 609-387-7171

|                   | 1997        | 1996 |
|-------------------|-------------|------|
| Premium volume    | \$3,000,000 | NA   |
| Gross revenues    | \$268,000   | NA   |
| Employees         | 7           | NA   |
| Commercial lines  | 99%         | NA   |
| Admitted business | 10%         | NA   |
| Non-admitted      | 90%         | NA   |

**Founded:** 1998.

**Business:** 35% managing general agent, 65% broker.

**MGA for:** Burlington Insurance Co., First Financial Insurance Co., Scottsdale Insurance Co.

**Broker for:** Agricultural Excess Insurance Co., American Custom Insurance Services, American International Group, Frontier Insurance Co., Great American Insurance Co., Hartford Insurance Group, Illinois R.B. Jones, Interstate Insurance Group, Landmark Insurance Co., Legion Indemnity Co., Lloyd's of London, Reliance Insurance Co., Seneca Insurance Co, TIG Insurance Co., Union American Insurance Co.

**Branches:** Bristol, Pa.

**Licensed in:** New Jersey, Pennsylvania.

**Officers:** Richard McSweeney, Mary Beth McSweeney.

**Contact:** Richard McSweeney.

**Media/Professional Insurance**

2300 Main St., Suite 800,  
 Kansas City, Mo. 64108;  
 816-471-6118; fax: 816-471-6119  
 www.mediaprof.com

|                   | 1997         | 1996         |
|-------------------|--------------|--------------|
| Premium volume    | \$84,600,000 | \$85,100,000 |
| Employees         | 120          | 120          |
| Commercial lines  | 100%         | 100%         |
| Admitted business | 70%          | 70%          |
| Non-admitted      | 30%          | 30%          |

**Founded:** 1979.

**Parent:** Aon Corp.

**Business:** 100% underwriting manager.

**Underwriting manager for:** Gulf Insurance Group, National Casualty Co., affiliated members of Nationwide Insurance Enterprise.

**Branches:** London.

**Specialties:** Media liability, miscellaneous professional liability.

**Licensed in:** Kansas, Missouri.

**Membership:** AAMGA, NAPSLO.

**Officers:** John Pfannenstiel, president/CEO; Dennis Brenton, Mark Hutchins, senior vps-underwriting.

**Contact:** Marcia Jensen, marketing coordinator.

**Meindl Insurance Agency Inc.**

Continued from previous page

|                   | 1997      | 1996      |
|-------------------|-----------|-----------|
| Gross revenues    | \$730,698 | \$686,459 |
| Employees         | 10        | 10        |
| Commercial lines  | 99%       | 99%       |
| Admitted business | 75%       | 85%       |
| Non-admitted      | 25%       | 15%       |

**Founded:** 1985.  
**Business:** 90% managing general agent, 10% broker.

**MGA for:** Burlington Insurance Group, Century Surety Co., Colony Insurance Group, Empire Fire & Marine Insurance Co., Zurich Reinsurance Co. of America.

**Broker for:** Clarendon Insurance Group, Lloyd's of London, United National Insurance Co.

**Branches:** Lexington, Ky.; Fairmont, W.Va.

**Licensed in:** Kentucky, Ohio, Virginia, West Virginia.

**Membership:** AAMGA.  
**Officers:** Fred C. Wootan, president; Barbara A. Wootan, Lester L. Long, vps; Greg Seibel, assistant vp.

**Contact:** Fred C. Wootan.

**Midlands Management Corp.**

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

|                   | 1997         | 1996         |
|-------------------|--------------|--------------|
| Premium volume    | \$44,500,000 | \$24,100,000 |
| Gross revenues    | \$3,652,779  | \$2,157,000  |
| Employees         | 16           | 14           |
| Commercial lines  | 100%         | 100%         |
| Admitted business | 50%          | 20%          |
| Non-admitted      | 50%          | 80%          |

**Founded:** 1990.  
**Parent:** Midlands Holding Corp.

**Business:** 31% managing general agent, 3% Lloyd's of London coverholder, 66% broker.

**Underwriting manager for:** Associated International Insurance Co., Clarendon National Insurance Co., Realm National Insurance Co.

**MGA for:** Chubb Custom Insurance Co., Clarendon America Insurance Co., Doran Excess Underwriters, Eden Park Insurance Co.

**Branches:** Irving, Texas.  
**Subsidiaries:** American Agency System Inc., Midlands Claim Administrators, Midlands Injury Management Inc., Oklahoma City.

**Specialties:** Excess workers compensation, reinsurance of workers comp, workers comp.

**Licensed in:** Oklahoma.  
**Membership:** AAMGA, NAPSLO.

**Officers:** Charles C. Caldwell, CEO; Wayne Keith, executive vp; Mark Davis, Richard Gerrond, vps; Dennis Otis, treasurer.

**Contact:** Charles Caldwell.  
*Support services provided by Midlands Claims Administrators.*

**N**

**Nason Associates Inc.**

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

|                   | 1997*       | 1996*       |
|-------------------|-------------|-------------|
| Premium volume    | \$8,000,000 | \$6,800,000 |
| Gross revenues    | \$548,842   | \$408,000   |
| Employees         | 8           | 8           |
| Admitted business | 95%         | 95%         |
| Non-admitted      | 5%          | 5%          |

*\* Fiscal years ending 7/1/98 and 7/1/97.*

**Founded:** 1980.  
**Business:** 100% broker.

**Broker for:** AIG Aviation, Associated Aviation Underwriters, CIGNA Insurance Co., Great American Insurance Co., Old Republic Insurance Co., Reliance Insurance Group, United States Aircraft Insurance Group.

**Licensed in:** Kansas, Missouri.  
**Officers:** C.H. Nason, chairman; Linda Joy, president; Lorri Shuey, vp; Cindy Peck, Carolyn Glanville, assistant vps.

**National Insurance Professionals Corp.**

1040 N.E. Hostmark St., Suite 200, Poulsbo, Wash. 98370-8720; 360-697-3611; fax: 360-697-3688 www.nipc.com

|                   | 1997         | 1996         |
|-------------------|--------------|--------------|
| Premium volume    | \$14,229,000 | \$14,489,000 |
| Employees         | 18           | 20           |
| Commercial lines  | 100%         | 100%         |
| Admitted business | 30%          | 31%          |
| Non-admitted      | 70%          | 69%          |

**Founded:** 1976.  
**Business:** 92% managing general agent,

8% broker; Lloyd's of London coverholder.

**Specialties:** Professional and industry associations and affinity groups, including social service agencies and the bicycle industry.

**Licensed in:** Alaska, California, Washington.

**Membership:** AAMGA, NAPSLO.  
**Officers:** Thomas C. Downs, chairman; William J. Reese, president; William L. Johnson, executive vp; Barry C. Clipsham, senior vp.

**Contact:** Thomas C. Downs.

**National Specialty Underwriters Inc.**

155 108th Ave. N.E., Suite 501, Bellevue, Wash. 98004; 425-450-1090; fax: 425-450-1026 www.NSUI.com

|                   | 1997         | 1996         |
|-------------------|--------------|--------------|
| Premium volume    | \$25,000,000 | \$21,000,000 |
| Employees         | 11           | 10           |
| Commercial lines  | 100%         | 100%         |
| Admitted business | 100%         | 100%         |

**Founded:** 1995.  
**Business:** 100% broker.

**Broker for:** St. Paul Fire & Marine Insurance Co., TIG Insurance Co.

**Specialties:** Hospitality, medical malpractice.

**Licensed in:** Washington.

**Officers:** Chris Randall, president; Dudley Rowland III, Karla Robinson, senior vps.

**Contact:** Robert L. Cavallero.

**New Century Global Inc. & Affiliates**

140 Broadway, 46th Floor, New York, N.Y. 10005; 212-208-1429; fax: 212-208-1409

|                   | 1997*         | 1996 |
|-------------------|---------------|------|
| Premium volume    | \$211,000,000 | NA   |
| Gross revenues    | \$16,800,000  | NA   |
| Employees         | 45            | NA   |
| Commercial lines  | 100%          | NA   |
| Admitted business | 80%           | NA   |
| Non-admitted      | 20%           | NA   |

*\* Figures reflect 12 months ending 3/31/98.*

**Founded:** 1997.  
**Business:** 25% managing general agent, 75% broker.

**MGA for:** Orion Insurance Co. P.L.C., Reliance National Insurance Co.

**Broker for:** American International Group, First State Management Group, Gulf Insurance Co., Lloyd's of London, Reliance National Insurance Co.

**Branches:** Chatsworth, San Francisco and Santa Ana, Calif.; Parsippany, N.J.; Dallas and Houston; McGaheysville, Va.

**Specialties:** Entertainment, recreation and leisure; surety bond and financial products; captive management wholesale brokerage.

**Licensed in:** California, New Jersey, New York, Texas.

**Officers:** Lee A. Orabona, president/COO; Eugene A. White, John J. Frawley, Steven C. Nordstrom, Kevin J. O'Connor, executive vps, Philip S. Pierson, president-Dallas office; Bruce Wohlwend, president-Houston office.

**Contact:** Michael T. Bruzzi, marketing manager, 212-858-9878.

**North Island Group Inc.**

30 Park Ave., Manhasset, N.Y. 11030; 516-365-7440; fax: 516-365-7392

|                   | 1997*        | 1996*        |
|-------------------|--------------|--------------|
| Premium volume    | \$77,000,000 | \$76,000,000 |
| Employees         | 74           | 70           |
| Commercial lines  | 96%          | 96%          |
| Admitted business | 92%          | 92%          |
| Non-admitted      | 8%           | 8%           |

*\* Fiscal years ending 3/31/98 and 3/31/97.*

**Founded:** 1976.  
**Business:** 65% managing general agent, 3% Lloyd's of London coverholder, 32% broker.

**MGA for:** General Star Indemnity Co., Hermitage Insurance Co., National Casualty Co., National Union Insurance Co., Royal Insurance Group, SAFECO Insurance Cos., Scottsdale Insurance Co., TIG Insurance Co., United States Liability Insurance Co.

**Broker for:** Admiral Insurance Co., Chubb Corp., Evanston Insurance Co., Executive Risk Group, Fireman's Fund Insurance Co., First Financial Insurance Co., First State Insurance Co., General Star Indemnity Co., Interstate Insurance Group, Investors Insurance Co. of America, Lexington Insurance Co., Reliance Insurance Co., Reinsurance Corp. of New York, SAFECO Insurance Cos., Travelers Group.

**Branches:** Montvale, N.J.; Glen Falls, Manhasset and New York, N.Y.; Bala Cynwyd, Pa.; Warwick, R.I.

**Specialties:** Social services institutional program, including professional liability; health spas; real estate investment trusts.

**Licensed in:** Connecticut, District of Columbia, New Jersey, New York, Pennsylvania, Rhode Island, Virginia.

**Membership:** AAMGA, NAPSLO.

**Officers:** Michael A. Orlando, president; John G. Orlando, executive vp; Dennis Loggie, William Battistini, vps.

**Contact:** Daphne Alvarado.

**O**

**Oakley Underwriting Agency Inc.**

55 W. Monroe St., Chicago, Ill. 60603; 312-357-3500; fax: 312-357-3525

|                   | 1997         | 1996         |
|-------------------|--------------|--------------|
| Premium volume    | \$22,591,000 | \$20,423,000 |
| Commercial lines  | 100%         | 100%         |
| Admitted business | 100%         | 100%         |

**Founded:** 1993.  
**Parent:** Gryphon Holdings Inc.

**Business:** 100% underwriting manager.

**Underwriting manager for:** Associated International Insurance Co., Calvert Insurance Co., First Reinsurance Co. of Hartford, Virginia Surety Co.

**Specialties:** Corporate/non-profit D&O; lawyers professional liability.

**Membership:** AAMGA, NAPSLO.

**Officers:** John A. Dore, president; Edward H. Daly Jr., Robert E. Wendt, senior vps; Renee M. Engman, Vernon W. Suckerman, vps.

**Contact:** Edward H. Daly Jr.

**J.R. Olsen Bonds & Insurance Brokers Inc.**

7407 Topanga Blvd., Canoga Park, Calif. 91303; 818-224-4855; fax: 818-224-4857

|                   | 1997        | 1996        |
|-------------------|-------------|-------------|
| Premium volume    | \$4,000,000 | \$5,000,000 |
| Gross revenues    | \$1,000,000 | \$1,120,000 |
| Employees         | 13          | 12          |
| Commercial lines  | 100%        | 100%        |
| Admitted business | 100%        | 100%        |

**Founded:** 1984.  
**Business:** 85% managing general agent, 15% broker.

**MGA for:** CIGNA Group, Frontier Insurance Co., Star Insurance Co..

**Specialties:** Surety bonds, fidelity bonds, D&O, E&O.

**Licensed in:** Alaska, Arizona, California, Colorado, District of Columbia, Florida, Ida-

ho, Illinois, Indiana, Kansas, Maryland, Missouri, Michigan, Minnesota, Montana, North Dakota, New Mexico, Nevada, New York, Ohio, Oregon, South Dakota, Texas, Utah, Virginia, Washington, West Virginia, Wyoming.

**Officers:** James R. Olsen, Hope Olsen, Rosita Ciccolini.

**Contact:** James R. Olsen.

**P**

**P.S. & Associates Underwriting Agency Inc.**

1755 Park St., Suite 300, Naperville, Ill. 60563; 630-416-0004; fax: 630-416-2246

|                   | 1997*        | 1996*       |
|-------------------|--------------|-------------|
| Premium volume    | \$11,000,000 | \$9,500,000 |
| Employees         | 12           | 12          |
| Commercial lines  | 100%         | 100%        |
| Admitted business | 15%          | 15%         |
| Non-admitted      | 85%          | 85%         |

*\* Fiscal years ending 9/30/97 and 9/30/96.*

**Founded:** 1995.  
**Business:** 98% managing general agent, 1% Lloyd's of London coverholder, 1% broker.

**MGA for:** Diamond State Insurance Co., North American Capacity Insurance Co., North American Specialty Insurance Co., United National Insurance Co.

**Broker for:** First Specialty Insurance Corp.

**Branches:** Cincinnati.

**Specialties:** Garage liability, product liability, primary general liability, excess liability.

**Licensed in:** Illinois, Ohio.

**Officers:** Chuck Podczerwinski, president; Neil Shaffer, senior vp; John Hilligoss, Barbara McDermott, vps.

**Contact:** Chuck Podczerwinski.

**Professional Indemnity Agency Inc.**

P.O. Box 130, 409 Marville Road, Pleasantville, N.Y. 10570; 914-747-1818; fax: 914-747-3737

|                   | 1997         | 1996         |
|-------------------|--------------|--------------|
| Premium volume    | \$72,000,000 | \$86,000,000 |
| Employees         | 54           | 46           |
| Commercial lines  | 100%         | 100%         |
| Admitted business | 56%          | 65%          |
| Non-admitted      | 44%          | 35%          |

**Founded:** 1978.  
**Parent:** Marshall Rattner Inc.

**Business:** 59% managing general agent, 41% Lloyd's of London coverholder.

**MGA for:** Legion Indemnity Co., Legion Insurance Co., Reliance National.

**Branches:** Upper Saddle River, N.J.

**Specialties:** Union fiduciary liability, corporate fiduciary liability, corporate coverage insurance for-profit D&O.

**Licensed in:** New Jersey.

**Membership:** AAMGA, NAPSLO.  
**Officers:** Mark E. Rattner, president; David F. Rattner, vp/secretary; Gerald Axel, senior vp/treasurer; Albert Van Wagenen, Nick Xanders, senior vps.

**Contact:** David F. Rattner.

**Professional Indemnity Management Co.**

4225 Naperville Road, Suite 265, Lisle, Ill. 60532; 800-447-4626 or 630-505-0808; fax: 630-505-1221 www.pimco.net

|                   | 1997         | 1996        |
|-------------------|--------------|-------------|
| Premium volume    | \$12,000,000 | \$9,000,000 |
| Employees         | 9            | 7           |
| Commercial lines  | 100%         | 100%        |
| Admitted business | 98%          | 98%         |
| Non-admitted      | 2%           | 2%          |

**Founded:** 1987.  
**Business:** 99% managing general agent, 1% broker.

**Specialties:** Non-medical professional liability.

**Licensed in:** Illinois.

**Contact:** Jim Romano or Michelle Duffett.

**ProSurance Group Inc.**

1101 San Antonio Road, Suite 204, Mountain View, Calif. 94043; 650-428-0818; fax: 650-428-0860

|                   | 1997         | 1996        |
|-------------------|--------------|-------------|
| Premium volume    | \$15,000,000 | \$8,000,000 |
| Employees         | 10           | 5           |
| Commercial lines  | 100%         | 100%        |
| Admitted business | 40%          | 40%         |
| Non-admitted      | 60%          | 60%         |

**Founded:** 1993.  
**Business:** 50% managing general agent, 50% broker.

**MGA for:** Atlantic Employers Insurance Co., CIGNA Group, INA Surplus Insurance Co., Illinois Union Insurance Co.


**Broker for:** American International Group, CNA Insurance Group, Norcal Mutual Insurance Co., Professional Liability Insurance Co., Reliance National Insurance Co., Southern California Physicians Insurance Exchange.

**Specialties:** Professional liability insurance; bonds for the financial services industry.

**Licensed in:** California.

*Continued on next page*

# JEFFERSON INSURANCE GROUP



Newport Tower  
525 Washington Boulevard  
Jersey City, New Jersey 07310



Tel: (800) 207-9847  
(201) 222-8666  
Fax: (201) 222-9161

Website: www.jeffgroup.com

**MEMBER COMPANIES**

JEFFERSON INSURANCE COMPANY OF NEW YORK  
MONTICELLO INSURANCE COMPANY  
JEFFCO MANAGEMENT COMPANY, INC.

A (Excellent) Class VII A.M. Best Rating

Continued from previous page

Officers: John V. Wagner, chairman/CEO; Donald W. Satterlee, president/COO; Susan Canlis, Dorothy Kent, vps.



The Redwoods Group

2200 Gateway Blvd., Suite 205, Morrisville, N.C. 27560; 919-469-9795; fax: 919-481-6914

Table with 3 columns: Category, 1997, 1996. Rows include Premium volume, Employees, Commercial lines, Admitted business, Non-admitted.

Parent: Front Royal Inc. Business: 20% underwriting manager, 70% managing general agent, 8% Lloyd's of London coverholder, 2% broker.

Underwriting manager for: Reliance Insurance Co., Westport/Coregis Insurance Co.

MGA for: Connecticut Indemnity Insurance Co., Preferred National Insurance Co. Broker for: Lexington Insurance Co.

Branches: Unamark/Redwoods Underwriters, Coral Springs, Fla. and Highstown, N.J.

Specialties: YMCA packages, dental professional liability, logging trucks, commercial packages.

Licensed in: Florida, Illinois, New Jersey, North Carolina.

Membership: NAPSLO.

Officers: Kevin A. Trapani, president/CEO; Darren A. Marsh, senior vp/COO; Stuart A. Rutenberg, vp.

Contact: Darren Marsh, Unamark/Redwoods Underwriters; 210 University Drive, Ninth Floor, Coral Springs, Fla. 33071; 954-753-1502 ext. 1024.

Support services provided by parent company.

Repath Group

4301 Hillsboro Road, Suite 314, Nashville, Tenn. 37215; 615-297-1739; fax: 615-297-3796

Table with 3 columns: Category, 1997, 1996. Rows include Premium volume, Gross revenues, Employees, Commercial lines, Admitted business, Non-admitted.

Founded: 1984. Business: 10% managing general agent, 1% Lloyd's of London coverholder, 89% broker.

Branches: Boca Raton, Fla.; Atlanta; Indianapolis; Grand Rapids, Mich.; Columbus, Ohio.

Licensed in: Florida, Georgia, Indiana, Michigan, North Carolina, Ohio, Tennessee, Washington.

Membership: NAPSLO.

Officers: Derek Repath, president; Sandra Breedlove, Dan Powell, May Bell, senior vps; Elise Repath, president-Florida.

Contact: Derek Repath; 2101 Corporate Blvd. N.W., Boca Raton, Fla. 33431; 561-241-3434.

RISC Inc.

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

Table with 3 columns: Category, 1997, 1996. Rows include Premium volume, Gross revenues, Employees, Commercial lines, Admitted business, Non-admitted.

Founded: 1966. Parent: The Rigg Group Inc. Business: 37% managing general agent, 3% Lloyd's of London coverholder, 60% broker.

MGA for: American Empire Surplus Lines Insurance Co., Century Surety Co., Empire Fire & Marine Insurance Co., Essex Insurance Co., Fireman's Fund County Mutual Insurance, General Star Indemnity Co., Independence Casualty & Surety, Monticello Insurance Co., New Hampshire Insurance Co., Republic-Vanguard Insurance Co., Southern County Mutual Insurance Co.

Broker for: Essex Insurance Co., General Star National Insurance Co., Interstate Fire & Casualty Co., Hartford Pacific Group, Lexington Insurance Co., Pacific Insurance Co., Zurich American Insurance Co.

Specialties: Energy, transportation. Licensed in: Texas.

Membership: AAMGA, NAPSLO.

Officers: Robin A. Stough, president; Daniel E. Whitt, senior vp; Jere Freel, Jim Parker, vps.

Contact: Mary Ann Johnson, office manager. Support services provided by parent company.



W.A. Schickedanz Agency Inc.

300 W. Main St., Belleville, Ill. 62220; 618-233-0644; 618-233-0672

Table with 3 columns: Category, 1997, 1996. Rows include Premium volume, Employees, Commercial lines, Admitted business, Non-admitted.

Founded: 1931. Business: 70% managing general agent, 15% Lloyd's of London coverholder, 15% broker.

MGA for: Burlington Insurance Co., Empire Fire & Marine Insurance Co., First Financial Insurance Co., Guaranty National Insurance Co., Landmark American Insurance Co., Northfield Insurance Co., Northland Insurance Co.

Broker for: Bituminous Casualty Corp., Bituminous Fire & Marine Insurance, Fidelity & Deposit Co. of Maryland, Hartford Insurance Co., Metropolitan Property & Casualty, United National Insurance Co.

Subsidiaries: Agency Network American Inc. and Gateway Premium Budget Inc., Belleville, Ill.

Specialties: Illinois liquor liability and related package coverages; truck liability and physical damage.

Licensed in: Illinois.

Membership: AAMGA.

Officers: C. Jack Miller, president/CEO; Steven C. Miller, executive vp.

The Schinnerer Group Inc.

2 Wisconsin Circle, Chevy Chase, Md. 20815; 301-961-9800; fax: 301-951-5444 www.schinnerer.com

Table with 3 columns: Category, 1997, 1996. Rows include Premium volume, Gross revenues, Employees, Commercial lines, Admitted business, Non-admitted.

Founded: 1938. Parent: Marsh & McLennan Cos. Inc. Business: 99% underwriting manager, 1% broker.

Underwriting manager for: CNA Insurance Cos., Employers Reinsurance Corp., Gulf Insurance Group, United Educators Insurance RRG Inc., Zurich-American Insurance Pool.

Broker for: Executive Risk Group.

Branches: San Francisco, Chicago, Houston, Ottawa, Toronto, London.

Subsidiaries: AMGRIP, Houston; ENCON Insurance Managers Inc., Ottawa; ENCON Underwriting Agency Inc., Chevy Chase, Md.; Victor O. Schinnerer & Co. Inc., Chevy Chase, Md.; Schinnerer & Co. Ltd., London.

Specialties: Architects and engineers professional liability; real estate E&O; schools and colleges liability; non-profit D&O.

Licensed in: California, Maryland.

Officers: Vincent C. Santorelli, president; Homer M. Sandridge, executive vp; Richard J. Walk, Lorna M. Parsons, Richard W. Horner, senior vps.

Contact: Richard J. Walk.

Sherwood Insurance Services

201 California St., Suite 1000, San Francisco, Calif. 94111-5086; 415-956-3236; fax: 415-956-1204

Table with 3 columns: Category, 1997, 1996. Rows include Premium volume, Gross revenues, Employees, Commercial lines, Admitted business, Non-admitted.

Founded: 1978. Parent: Aon Corp. Business: 85% managing general agent, 1% Lloyd's of London coverholder, 79% broker.

MGA for: CNA Insurance Cos., Connecticut Specialty Insurance Co., Gulf Insurance Co., Lexington Insurance Co., National Casualty Co., Scottsdale Insurance Co., TIG Insurance Co., Twin City Fire Insurance Co.

Broker for: Associated International Insurance Co., CNA Insurance Cos., First State Insurance Co., Gulf Insurance Co., Insurance Co. of the West, RLI Insurance Co.,

Royal Insurance Co., Scottsdale Insurance Co., Westchester Group, Western Risk Specialists.

Branches: Irvine, Pasadena and Woodland Hills, Calif.; Chicago; New York; Seattle.

Subsidiaries: Loxley Insurance Services: Woodland Hills, Calif. Sherwood Construction Program Managers: Pasadena, Calif.; Chicago; New York.

Specialties: Catastrophe property covers, including earthquake, flood and wind; commercial umbrellas; primary and excess general liability; professional liability for E&O/D&O.

Licensed in: All states.

Membership: NAPSLO.

Officers: James W. Barnes, chairman/CEO; Curt Biersch, president; Kevin Schrage, CFO; Phillip Mazur, Sarah Corvin, executive vps; Marion Woodbury, vp.

Contact: Phillip Mazur; Sarah Corvin, 818-593-2008; Marion Woodbury, 949-477-2050.

Stewart Smith Group Inc.

26 Century Blvd., Nashville, Tenn. 37214; 615-872-3030; fax: 615-872-4408

Table with 3 columns: Category, 1997, 1996. Rows include Premium volume, Gross revenues, Employees, Commercial lines, Admitted business, Non-admitted.

Founded: 1936.

Parent: Willis Corroon P.L.C.

Business: 3% managing general agent, 2% Lloyd's of London coverholder, 95% broker.

Broker for: American International Group, Executive Risk Group, General Star Management Co., HSBC Gibbs Holdings Ltd., National Union Fire Insurance Co., RLI Insurance Co., Reliance Group, Royal Specialty Underwriting, Westchester Specialty Group, Zurich-American Insurance Pool.

Subsidiaries: McAlear Associates Inc.: Grand Rapids, Mich.; Cleveland. Stewart Smith East Inc.: Farmington, Conn.; Bernardville, N.J.; New York; Philadelphia. Stewart Smith Mid America Inc., Chicago. Stewart Smith Southeast: Tampa, Fla.; Nashville, Tenn. Stewart Smith Southwest, Dallas. Stewart Smith Specialty Risks, Southfield, Mich. Stewart Smith West Inc.: Phoenix; Glendale and San Francisco, Calif.

Specialties: Casualty; D&O/E&O; property; aviation liability and medical stop-loss.

Licensed in: Alaska, Arizona, California, Connecticut, Florida, Illinois, Michigan, New Jersey, New York, Ohio, Oregon, Pennsylvania, Texas.

Membership: NAPSLO.

Underwriting manager: Gary H. Cooper, chairman/CEO; Mark Smith, COO; Connie Steinmetz, CFO; Dave Martin, McAlear Associates; Jim Compton, Stewart Smith Southeast; Elliott Jones, Stewart Smith Mid-America; Cathi Griffin, Stewart Smith Environmental Specialists; Fred Anderson, Stewart Smith West; Fred Curatolo, Stewart Smith East; George Clarke, Stewart Smith Specialty Risks.

Support services provided by parent company.

Sovereign Group International Inc.

517 Route 1 S., Suite 3100, Iselin, N.J. 08830; 732-750-2300; fax: 732-750-1650

Table with 3 columns: Category, 1997, 1996. Rows include Premium volume, Gross revenues, Employees, Commercial lines, Admitted business, Non-admitted.

Founded: 1976.

MGA for: Burlington Insurance Co., First Financial Insurance Co., Frontier Insurance Co., General Star Insurance Co., Hermitage Insurance Co., Mount Vernon Insurance Co., National Casualty Co., Scottsdale Insurance Co., United States Liability Insurance Co., United States Underwriters Insurance Co., Western Heritage Insurance Co.

Broker for: Acceptance Insurance Co., Admiral Insurance Co., American International Group, Chubb Custom Insurance Co., CIGNA Insurance Co., General Accident Insurance Co., Gerling America Insurance Co., Investors Insurance Co., Reliance National Insurance Co., Westchester Fire Insurance Co., Zurich Insurance Co.

Branches: Marco Island, Fla.; Cape Cod, Mass.; Staten Island, N.Y.; Philadelphia.

Subsidiaries: Sovereign Express Inc., Mass.; Sovereign Facilities Inc., N.Y.; Sovereign General Agency, Pa.; Sovereign Insurance Services Inc., New Jersey.

Specialties: Contractors, apartments.

Licensed in: Massachusetts, New Jersey, New York, Pennsylvania.

Membership: AAMGA, NAPSLO.

Officers: William F. Lynch, president; Daniel J. Lynch, executive vp.

Contact: Bill Lynch.

Special Program Management Inc.

525 Washington Blvd., Jersey City, N.J. 07310; 201-798-5100; fax: 201-798-9064

Table with 3 columns: Category, 1997, 1996. Rows include Premium volume, Employees, Commercial lines, Non-admitted.

Founded: 1987.

Parent: Willis Corroon P.L.C.

Business: 100% Lloyd's of London coverholder.

Specialties: D&O, general partners liability, fiduciary/trustees liability.

Licensed in: New Jersey.

Membership: AAMGA.

Officers: James R. Martocci, president/CEO; Marjorie B. Feit, vp; Roy S. Huelsebusch, assistant vp.

Contact: James R. Martocci.

Support services provided by parent company.

Myron F. Steves & Co.

3131 Eastside, Suite 600, Houston, Texas 77098; 713-522-1100; fax: 713-639-6340 www.mfsc.com

Table with 3 columns: Category, 1997, 1996. Rows include Premium volume, Gross revenues, Employees, Commercial lines, Admitted business, Non-admitted.

Founded: 1955.

Business: 38% managing general agent, 12% Lloyd's of London coverholder, 50% broker.

MGA for: Acceptance Insurance Co., Century Surety Insurance Co., Essex Insurance Co., General Agents Insurance Co. of America, Guaranty National Insurance Co., Hartford Fire Insurance Co., National Fire & Marine Insurance Co., National Security Insurance Co., Odyssey Reinsurance Co., Republic Lloyds Insurance Co., Republic-Vanguard Insurance Co., SAFECO Surplus Lines Insurance Co., Scottsdale Insurance Co., Travelers Indemnity Co., Westport Insurance Co.

Broker for: American International Insurance Co., First Specialty Insurance Co., Lloyd's of London syndicates, Reliance Insurance Co., United National Insurance Co.

Branches: San Antonio.

Specialties: Health care professional liability, surplus lines commercial business, non-standard homeowners.

Licensed in: Texas.

Membership: AAMGA, NAPSLO.

Officers: Buddy Steves, executive director-health care; Fred Steves, executive director-property/casualty division; Larry Willoughby, managing director-insurance operations; Ron Balcar, director-production property/casualty division; Tim Farrar, associate director-financial services.

Contact: Tim Farrar or Larry Willoughby.

G.J. Sullivan Co., Excess & Surplus Lines Brokers

1240 S. State College Blvd., Suite 100, Anaheim, Calif. 92806; 714-239-1375; fax: 800-697-9852 www.gjs.com

Table with 3 columns: Category, 1997, 1996. Rows include Premium volume, Gross revenues, Employees, Commercial lines, Admitted business, Non-admitted.

Founded: 1981.

Parent: The Sullivan Group.

Business: 62% managing general agent, 31% Lloyd's of London coverholder, 7% broker.

MGA for: GAINSCO, Golden Bear Insurance Co., Royal Special Risks Insurance Co., Scottsdale Insurance Co., Travelers Property Casualty Corp., United National Group.

Broker for: Associated International Insurance, Golden Bear Insurance Co., Investors Insurance Co., RLI Insurance Co.

Branches: Tempe, Ariz.; Pasadena, Calif.

Specialties: Auto dismantlers, D&O, trucking.

Licensed in: Alabama, Arizona, Arkansas, California, Colorado, Connecticut, Illinois, Indiana, Iowa, Kansas, Maryland, Missouri, Montana, Nebraska, Nevada, North Carolina, Ohio, Oregon, Pennsylvania, Tennessee, Utah, Virginia, Washington, Wisconsin, Wyoming.

Membership: AAMGA, NAPSLO.

Officers: R. Daniel DePalma, president/CEO; Gerald J. Sullivan, chairman; Diane Moen, vp/controller; Dawn D'Onofrio, Paul Bubnis, vps.

Contact: R. Daniel DePalma.

Sunbelt Special Risks Inc.

P.O. Box 80319, Baton Rouge, La. 70898; 800-737-7862 or 504-928-7700; fax: 504-928-7333

Table with 3 columns: Category, 1997, 1996. Rows include Premium volume, Non-admitted.

Founded: 1983.

Business: 90% managing general agent, 10% Lloyd's of London coverholder.

Licensed in: Louisiana.

Membership: NAPSLO.

Contact: Michael J. Ardoin, president.

Swett & Crawford Group

21650 Oxnard St., Suite 1600, Woodland Hills, Calif. 91367; 818-348-7026; fax: 818-227-3400

Table with 3 columns: Category, 1997, 1996. Rows include Premium volume, Gross revenues, Employees, Commercial lines, Admitted business, Non-admitted.

\* 1996 figures reflect 12 months ending 9/30/96; 1997 figures reflect 12 months ending 12/31/97.

Founded: 1914.

Parent: Aon Corp.

Business: 32% managing general agent, 3% Lloyd's of London coverholder, 65% broker.

MGA for: American Empire Surplus Lines Insurance Co., American Equity Insurance Co., Canal Insurance Co., General Star Indemnity Co., Guaranty National Insurance Co., Jefferson Insurance Co., National Indemnity Co./National Fire & Marine Insurance Co., Nautilus Insurance Co., Northland Insurance Co., Scottsdale Insurance Co., St. Paul Surplus Lines Insurance Co., United States Liability Insurance Co., Western Heritage Insurance Co., Western World Insurance Co.

Broker for: Admiral Insurance Co., American International Group, CNA Insurance Cos., Chubb Corp., Coregis Group, Executive Risk Management, First State/The Hartford Insurance Group, General Star Indemnity Co., Great American Insurance Co., RLI Group, Reliance National Insurance Co., Royal Specialty, The St. Paul Cos., Sand Morahan/Markel, Westchester Group.

Branches: 25 locations nationwide.

Subsidiaries: J.H. Blades, Houston; Pine Street Management, New York; Star EPL Insurance Services, Los Angeles.

Specialties: Commercial auto.

Licensed in: Alaska, Arizona, Arkansas, California, Colorado, Connecticut, District of Columbia, Florida, Georgia, Idaho, Iowa, Maine, Maryland, Massachusetts, Michigan, Minnesota, Missouri, Montana, Nevada, New Hampshire, New Jersey, New Mexico, New York, North Carolina, Oregon, Pennsylvania, Texas, Utah, Vermont, Virginia, Washington.

Membership: AAMGA, NAPSLO.

Officers: David Hartho, president/CEO; Thomas Comer, executive vp/COO; Ronald Wartick, Dan Colacurcio, Herb Moulton, executive vps.

Contact: Thomas Comer, 818-227-3490.

Continued on next page

Upcoming directories

International Insurers & Benefit Networks

Companies must conduct property/casualty or benefit network management business in countries other than that in which they are headquartered.

Published Oct. 5

Safety Consultants & Rehabilitation Services

Safety consultants must generate at least \$200,000 in revenues from direct, unbundled safety services such as safety evaluations, employee training classes and ergonomic consulting. Rehabilitation management providers must generate at least \$200,000 in revenue from direct medical management or vocational rehabilitation services for workers comp or liability cases. Revenues must be reported for both directories.

Published Oct. 26

Continued from previous page



**Texas General Agency Inc.**

P.O. Box 40600,  
San Antonio, Texas 78229;  
210-949-9100; fax: 210-949-9121

|                   |              |              |
|-------------------|--------------|--------------|
|                   | 1997         | 1996         |
| Premium volume    | \$33,000,000 | \$28,000,000 |
| Employees         | 40           | 40           |
| Commercial lines  | 80%          | 75%          |
| Admitted business | 75%          | 75%          |
| Non-admitted      | 25%          | 25%          |

**Founded:** 1981.  
**Business:** 99% underwriting manager, 1% managing general agent.

**Underwriting manager for:** Republic Lloyd's, Republic Vanguard Insurance Co., Southern County Mutual Insurance Co., Southern Insurance Co.

**Subsidiaries:** Great Plains Special Risks, St. Louis; Gulf States Insurance Co., Oklahoma City; TGA Special Risks, San Antonio.

**Specialties:** Commercial auto, general liability.

**Licensed in:** Missouri, Texas.  
**Membership:** AAMGA

**Officers:** Sam Cangelosi, president; Don E. Meyer, vp; Don A. Cangelosi, secretary/treasurer.

**Contact:** Sam Cangelosi, ext. 139.

**Tower Underwriters**

7501 Boulders View Drive,  
Suite 120, P.O. Box 35656,  
Richmond, Va. 23235;  
804-330-0543; fax: 804-330-3430

|                   |             |             |
|-------------------|-------------|-------------|
|                   | 1997        | 1996        |
| Premium volume    | \$4,070,000 | \$4,745,700 |
| Gross revenues    | \$369,875   | \$412,100   |
| Employees         | 5           | 5           |
| Commercial lines  | 100%        | 100%        |
| Admitted business | 95%         | 94%         |
| Non-admitted      | 5%          | 6%          |

**Founded:** 1981.  
**Business:** 100% managing general agent.

**MGA for:** Canal Indemnity Co., Canal Insurance Co., Great American Insurance Co., Marine Office of America Corp., National Fire & Marine Insurance Co., National Indemnity Co., Western Heritage Insurance Co.

**Specialties:** Commercial automobile, general liability, trucker's liability, garage keepers legal liability, property.

**Licensed in:** Delaware, Virginia.  
**Membership:** NAPSLO

**Officers:** Frederick W. Black, president; Joan S. Dunkley, treasurer.

**Contact:** Frederick W. Black.

**Tri-Arc Financial Services Inc.**

983 Old Eagle School Road,  
Suite 616, Wayne, Pa. 18087; 610-254-9890; fax: 610-254-9893

|                   |             |             |
|-------------------|-------------|-------------|
|                   | 1997        | 1996        |
| Premium volume    | \$4,911,099 | \$5,039,041 |
| Gross revenues    | \$975,954   | \$933,202   |
| Employees         | 8           | 6           |
| Commercial lines  | 100%        | 100%        |
| Admitted business | 100%        | 100%        |

**Business:** 97% managing general agent, 3% broker.

**Branches:** Baltimore; San Antonio.  
**Specialties:** Insurance coverages for auto and truck leasing operations: contingent/excess, residual value and guaranteed auto protection.

**Licensed in:** Pennsylvania.  
**Officers:** Jon W. Yoskin, CEO; Richard C. Maida, president; Glenn Fischer, EVP; Kathleen Everhart, vp.

**Contact:** Kathleen Everhart.

**Tri-City Brokerage Inc.**

50 California St., Suite 2000,  
San Francisco, Calif. 94111;  
415-986-5050; fax: 415-986-5004  
www.tricityins.com

|                   |               |               |
|-------------------|---------------|---------------|
|                   | 1997          | 1996          |
| Premium volume    | \$435,000,000 | \$454,850,811 |
| Gross revenues*   | \$31,200,000  | \$31,200,000  |
| Employees         | 173           | 186           |
| Commercial lines  | 100%          | 100%          |
| Admitted business | 80%           | 80%           |
| Non-admitted      | 20%           | 20%           |

\* BI estimate.  
**Founded:** 1985.  
**Business:** 3% managing general agent, 1% Lloyd's of London coverholder, 96% broker.

**MGA for:** Connecticut Specialty Insurance Group, General Star Management Co.

**Broker for:** Acceptance Insurance Co., ACE USA, Admiral Insurance Co., American International Group, Associated International Insurance Co., Berkshire Hathaway Group, Chubb Group, CNA Insurance Cos., Essex Insurance Co., Evanston Insurance Co., Executive Risk Group, Fireman's Fund Group, First State Insurance Co., General Star Indemnity Co., Great American Cos.

**Branches:** Universal City, Calif.; West Palm Beach, Fla.; Chicago; Hauppauge and New York, N.Y.

**Subsidiaries:** Five Star Managers L.L.C.: Chicago and Jersey City, N.J.; Tri-City Benefits L.L.C., Hauppauge, N.Y.

**Licensed in:** California, Florida, Illinois, New Jersey, New York.

**Membership:** NAPSLO.

**Officers:** John G. Hahn, president/CEO; Scott W. Gunnison, George P. Hilditch, Alexander M. Kullman, Daniel S. Real, Edward W. Ulshafer, executive vps; Robert E. Dillon, COO; Leo P. O'Reilly, CFO.

**Contact:** John G. Hahn.



**U.S. Risk Insurance Group Inc.**

10210 N. Central Expressway,  
Suite 500, Dallas, Texas 75231;  
214-265-7090; fax: 214-265-2454  
www.usrisk.com

|                   |               |               |
|-------------------|---------------|---------------|
|                   | 1997          | 1996          |
| Premium volume    | \$120,770,000 | \$121,000,000 |
| Gross revenues    | \$14,178,000  | \$12,320,000  |
| Employees         | 139           | 129           |
| Commercial lines  | 100%          | 100%          |
| Admitted business | 7%            | 5%            |
| Non-admitted      | 93%           | 95%           |

**Founded:** 1977.  
**Business:** 38% managing general agent, 10% Lloyd's of London coverholder, 52% broker.

**MGA for:** American Equity Insurance Co., Associated Insurance Co., Associated International Insurance Co., GAINSCO Cos., Northland Insurance Cos., Old American County Mutual Insurance Co., Safeco Select Markets, Scottsdale Insurance Co.

**Broker for:** Acceptance Insurance Co., Admiral Insurance Co., Alliance General Insurance Co., American Equity Insurance Co., Commercial Underwriters Insurance Co., General Star Indemnity Co., Legion Indemnity Co., Lloyd's of London, Scottsdale Insurance Co., Travelers Insurance Co., United National Insurance Co.

**Branches:** Scottsdale, Ariz.; Lafayette, La.; Nashville, Tenn.; Austin, Houston and San Antonio, Texas.

**Subsidiaries:** Jean Deal & Associates, Dallas. Jarrett Insurance Brokers Inc.: Lafayette, La.; Nashville, Tenn.; Austin, Dallas and Houston, Texas. U.S. Risk Underwriters Inc.: Scottsdale, Ariz.; Dallas, Houston and San Antonio, Texas.

**Specialties:** Professional liability, public entity coverages, umbrella, excess liability.

**Licensed in:** Louisiana, Tennessee, Texas.

**Membership:** AAMGA, NAPSLO.

**Officers:** Randall G. Goss, chairman/CEO; L.M. (Mac) Wesson Jr., president/COO; Brett Woods, Caren K. Patton, James W. Chapman, executive vps; Richard Schwartz, general counsel.

**Contact:** L.M. (Mac) Wesson Jr.



**Van-American Insurance Services**

2 Riverchase Office Plaza,  
Suite 208, Birmingham, Ala. 35244;  
205-985-7511; fax: 205-403-0761  
www.vanamerican.com

|                   |              |              |
|-------------------|--------------|--------------|
|                   | 1997         | 1996         |
| Premium volume    | \$10,500,000 | \$10,600,000 |
| Employees         | 18           | 15           |
| Commercial lines  | 100%         | 100%         |
| Admitted business | 5%           | 5%           |
| Non-admitted      | 95%          | 95%          |

**Founded:** 1980.  
**Parent:** Van American Cos. Inc.

**Business:** 10% underwriting manager, 30% managing general agent, 60% broker.

**Underwriting manager for:** Equipco Insurance Co., United National Insurance Co.  
**MGA for:** Colony Insurance Co., Jefferson Insurance Co., Scottsdale Insurance Co., United National Insurance Co.

**Broker for:** Admiral Insurance Co.,

Colony Insurance Co., Commercial Underwriters, Essex Insurance Co., Evanston Insurance Co., Reliance General Insurance Co., Royal Insurance Co., Scottsdale Insurance Co., United National Insurance Co.

**Branches:** Jacksonville, Fla.  
**Subsidiaries:** Budget Payment Plan.  
**Specialties:** Product and employment practices liability.

**Licensed in:** Alabama, Florida.  
**Membership:** AAMGA, NAPSLO.

**Officers:** James H. Godfrey, CFO; Dave Barringer, president; Lamar Andrews, Randall Wright, Barbara Mitchell, vps.

**Contact:** Lamar Andrews, 800-755-7647.  
*Support services provided by parent company.*



**WKF&C Agency Inc.**

1 Huntington Quadrangle,  
Suite 2018, Melville, N.Y. 11747;  
516-756-3000; fax: 516-756-2500

|                   |              |              |
|-------------------|--------------|--------------|
|                   | 1997         | 1996         |
| Premium volume    | \$19,250,000 | \$19,250,000 |
| Employees         | 12           | 12           |
| Commercial lines  | 100%         | 100%         |
| Admitted business | 60%          | 60%          |
| Non-admitted      | 40%          | 30%          |

**Founded:** 1995.  
**Business:** 95% managing general agent, 5% Lloyd's of London coverholder.

**MGA for:** Gulf Underwriters Insurance Co., Indian Harbor Insurance Co., TIG Insurance Cos., Travelers Insurance Co.

**Subsidiaries:** WKF&C Agency Inc. of New Jersey.

**Specialties:** Excess and surplus property, inland marine, special events, weather insurance.

**Licensed in:** New Jersey, New York.  
**Membership:** NAPSLO.

**Officers:** Thomas J. Kennedy, chairman/CEO; Thomas Wilson, president/COO; Theresa Heyburn, senior vp; Anthony Simone, Richard Rooney, vps.

**Contact:** Thomas Wilson.

**Bernard Warschaw Insurance Sales**

11150 Olympic Blvd., Suite 1150,  
Los Angeles, Calif. 90064;  
310-966-9406; fax: 310-966-9416

|                |              |              |
|----------------|--------------|--------------|
|                | 1997         | 1996         |
| Premium volume | \$12,000,000 | \$13,900,000 |
| Employees      | 11           | 11           |

**Founded:** 1984.

|                   |      |      |
|-------------------|------|------|
| Commercial lines  | 100% | 100% |
| Admitted business | 2%   | 2%   |
| Non-admitted      | 98%  | 98%  |

**Founded:** 1989.

**Parent:** The Doctors' Co.

**Business:** 100% managing general agent.

**Specialties:** Non-standard medical malpractice.

**Officers:** Manula S. Puebla, chairman; Charles A. O'Brien, secretary; Michael Yacob, treasurer.

**Contact:** Stephen Freedman.  
*Support services provided by parent company.*

**Westrope & Associates**

920 Baltimore Ave.,  
Kansas City, Mo. 64105;  
816-842-8222; fax: 816-842-3081

|                   |              |              |
|-------------------|--------------|--------------|
|                   | 1997*        | 1996*        |
| Premium volume    | \$62,000,000 | \$52,000,000 |
| Employees         | 38           | 32           |
| Commercial lines  | 100%         | 100%         |
| Admitted business | 25%          | 20%          |
| Non-admitted      | 75%          | 80%          |

\* Fiscal years ending 5/31/98 and 5/31/97.

**Founded:** 1992.  
**Business:** 10% managing general agent, 90% broker.

**MGA for:** Essex Insurance Co., Pacific Insurance Co., TIG Insurance Co.

**Broker for:** ACE USA, American International Group, Allianz Insurance Co., CNA Excess & Select, General Star Insurance Co., Gulf Insurance Co, Hartford Insurance Group, Mt. Hawley Insurance Co., Markel Corp., Northland Cos., RLI Insurance Co., Reliance Insurance Co., Royal Specialty Underwriting, The St. Paul Cos., TIG Insurance Co.

**Specialties:** Property, casualty, umbrella, agricultural business.

**Licensed in:** Kansas, Missouri.  
**Membership:** NAPSLO.

**Officers:** Kevin T. Westrope, president/CEO; W. Kay Singleton, executive vp/secretary; Mark Patterson, executive vp; Mark English, senior vp; Joseph Timmons, chairman.

**Contact:** W. Kay Singleton.

**Wood & Co. Inc.**

5445 Triangle Parkway, Suite 200,  
Norcross, Ga. 30092-2569;  
770-448-7148; fax: 770-448-7105

|                   |              |              |
|-------------------|--------------|--------------|
|                   | 1997         | 1996         |
| Premium volume    | \$57,000,000 | \$57,500,000 |
| Gross revenues    | \$4,160,000  | \$3,853,000  |
| Employees         | 33           | 38           |
| Commercial lines  | 100%         | 100%         |
| Admitted business | 60%          | 60%          |
| Non-admitted      | 40%          | 40%          |

**Founded:** 1984.

**Parent:** McGriff, Seibels & Williams Inc.

**Business:** 100% broker.

**Broker for:** Allianz Underwriters Insurance Co.; Chubb Custom Insurance Co.; Executive Risk Management; General Star Indemnity Co.; Interstate National Insurance Group; Markel Insurance Co.; Monitor Liability; National Union Fire Insurance Co. of Pittsburgh, Pa.; Northland Insurance Co.; RLI Insurance Co.; Royal Special Risks Insurance Co.; St. Paul Surplus Lines Insurance Co.; Zurich American Insurance Co.

**Specialties:** Manufacturing, contracting, processing, industrial.

**Licensed in:** All states, excepting Alaska, Florida, Hawaii, Massachusetts and Wyoming. Also licensed in the U.S. Virgin Islands.

**Membership:** NAPSLO.

**Officers:** Bruce A. Wood, president; George Showalter, Mike Rimbey, Don Swift, senior vps; Fred Buck, vp.

**Contact:** Bruce A. Wood.

**Worldwide Weather**

1615 Northern Blvd.,  
Manhasset, N.Y. 11030;  
800-500-5801; fax: 516-365-7474  
www.weatherins.com

|                   |              |              |
|-------------------|--------------|--------------|
|                   | 1997         | 1996         |
| Premium volume    | \$20,000,000 | \$10,000,000 |
| Gross revenues    | \$3,000,000  | \$1,500,000  |
| Employees         | 10           | 7            |
| Commercial lines  | 100%         | 100%         |
| Admitted business | 60%          | NA           |
| Non-admitted      | 40%          | NA           |

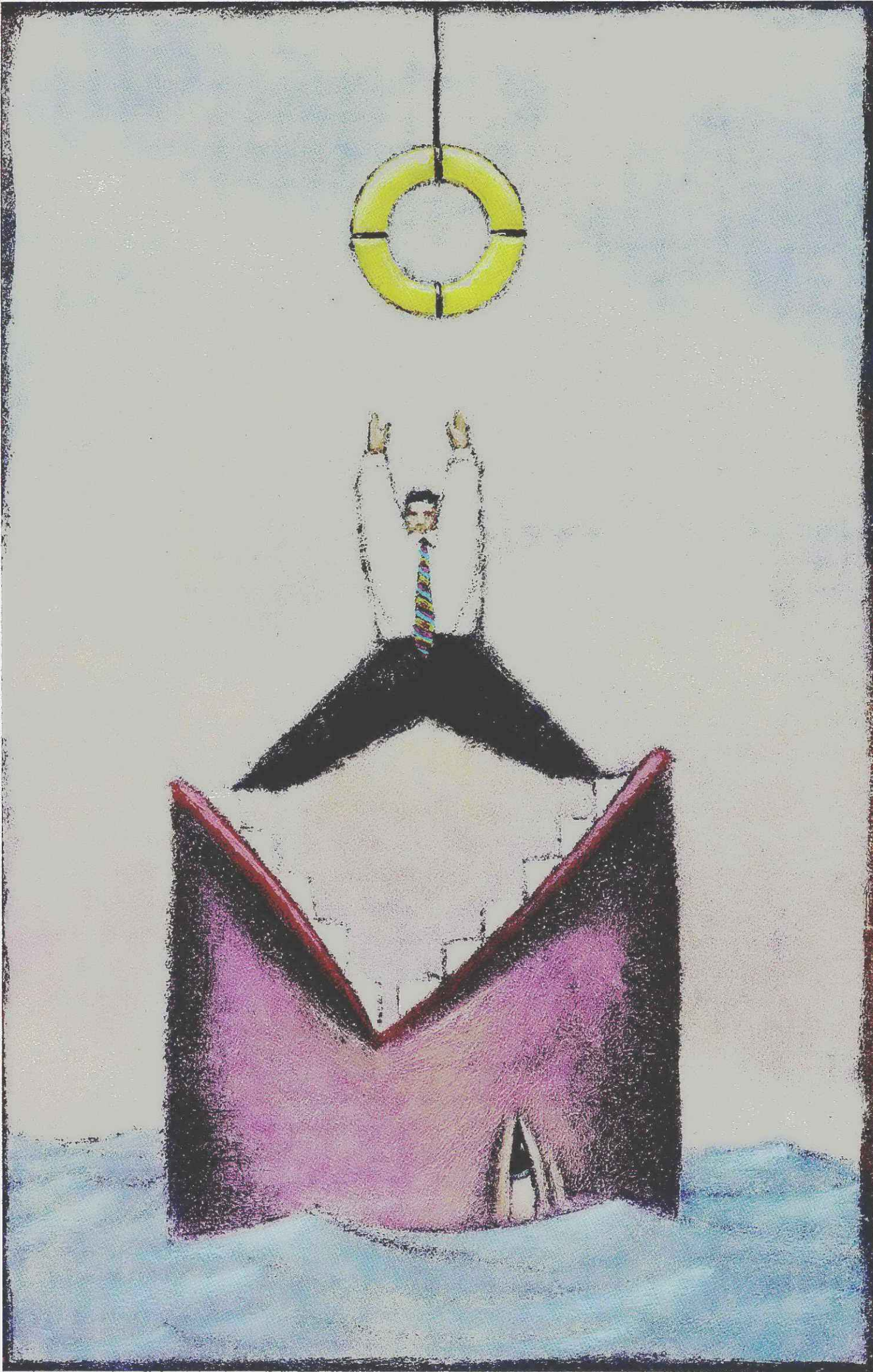
**Founded:** 1988.  
**Business:** 100% managing general agent.

**Specialties:** Weather.  
**Licensed in:** All states.

**Officers:** Harold Mollin, CEO.  
**Contact:** Patricia Sleicher, special events; Ann Amenta, promotions; Frank Parkhurst, liability/promotions; Rich Kushner.

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A Spotlight on  
MARINE MARKET REPORT

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## INTERNATIONAL

## Global Briefs

The creation of **Zurich Financial Services** cleared its final regulatory and legal hurdle last week, when the U.K. High Court approved the demerger of U.K.-based tobacco and financial services company B.A.T Industries P.L.C. Under U.K. law, B.A.T required legal approval from the High Court to split its financial services and tobacco businesses. B.A.T's financial services business will now merge with Swiss insurer Zurich Group to create ZFS, effective Sept. 8. . . . **The London Processing Centre** has begun the trial phase of a new fully electronic service that tracks all premiums by providing a daily status of each premium item. The service, which will allow brokers and insurers to see what premiums are being paid for what risks, is being tested by a small group of companies. The LPC expects a full launch of the service in November. . . . The Channel Island of Guernsey says it now has 22 **Protected Cell Companies** operating since it became the first captive domicile to permit PCCs in February 1997. A PCC allows the creation of an umbrella company, or core cell, around which subsidiary cells operate, each with legal protection against the liabilities of another. Of the 22 PCCs, 13 have been established as vehicles for collective investment programs with umbrella structures, and nine have been created to carry out various kinds of insurance business, according to the Guernsey Financial Services Commission. . . . Peter Foreman is leaving his post as chief executive of **Royal & Sun Alliance Insurance Group P.L.C.** after just 10 months. A spokesman said Mr. Foreman will leave Oct. 1 to take early retirement. Mr. Foreman will be replaced by Paul Spencer, now group finance director. . . . An **International Group of P&I Clubs** proposal may end the group's long dispute with the European Union's Competition Directorate. The directorate had objected to the International Group Agreement, which prevents the protection and indemnity clubs from undercutting one another. The International Group said club boards of directors have agreed that while they will continue to operate the IGA in relation to retained claims, pooling arrangements and reinsurance costs, they will allow clubs to vary their rates by factoring internal costs into rating calculations. IG Chairman George Green said club approval of the proposal could resolve the dispute with the Competition Directorate. . . . **Odyssey Re** has named Jan Wangard to succeed Michael Watson as chief executive officer of Odyssey Re London as of Jan. 1, 1999. Mr. Watson has been promoted to chief operating officer of Odyssey Re Group. Mr. Wangard currently is president and CEO of Skandia International Insurance Corp., recently acquired by Fairfax Financial Holdings Ltd., owners of Odyssey Re. . . . **Ernst & Young** has made Peter Brady a partner in its expanding London-based Business Risk Consulting practice. Mr. Brady joined Ernst & Young in 1987 and currently heads the Business Risk Consulting practice's specialist technology communications and entertainment group. . . . **Guardian Royal Exchange P.L.C.** has completed the acquisition of the U.S. property/casualty insurance operations of Dutch financial institution ING Group and the sale of its Canadian property/casualty operations to ING. GRE Chief Executive John Robins said the transaction shows GRE's determination to focus on "those markets and sectors where we can exert significant influence and derive long-term profitable growth." . . . **Hardy Underwriting Group P.L.C.** has closed its offer to acquire capacity in Lloyd's of London syndicate 382, having received acceptances in respect of £20.1 million (\$33.7 million) of the syndicate's capacity, representing 53.5% of the capacity subject to the offer. In addition, Hardy has acquired £750,000 (\$1.3 million) of syndicate 382's capacity via the 1998 Lloyd's capacity auctions.

# Y2K product seeks interest among financial institutions

By EDWIN UNSWORTH

LONDON—What may be the first insurance policy designed to cover financial institutions' Year 2000-related losses is available from a syndicate at Lloyd's of London.

Steven Bensinger, chairman and chief executive of Archer Group Holdings P.L.C., which launched the product, said in a statement that he expects "significant interest and uptake of this particular cover, since the issue of millennium compliance is one which no business can ignore."

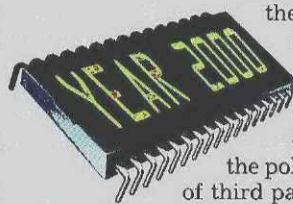
The Year 2000 problem, or "millennium bug," results from an inability of many computers to recognize the date change from 1999 to 2000 because a programming shortcut allows them to read only the last two digits of a year, meaning computers will think 00 means 1900.

The new coverage is written by syndicate 839, which Archer manages. Key risks covered under the policy, all of which can be tailored to the policyholder's needs, include:

- The costs of getting computer systems up and running again if they crash as a conse-

quence of failure to achieve Year 2000 compliance.

- The cost of redoing work that is flawed because Year 2000 computer systems went undetected. For example, if systems appear to be working normally when they are not, customer statements may contain errors that need to be corrected and resent.



- Losses incurred by the policyholder as a result of third parties whose systems are not Year 2000-compliant.

- Legal costs of pursuing claims against such third parties.

The coverage provides limits of up to £10 million (\$16 million) and applies to the period Dec. 30, 1999, to March 15, 2000, in countries with sophisticated financial institutions and advanced information technology systems, such as the United States, European nations and Australia, the syndicate said. The premium for a standard indemnity period policy likely would be about 7.5% of limits but can

vary based on policy design, according to a piece of promotional material for prospective clients.

The policy would not provide liability coverage for losses to a third party's system caused by failure of the policyholder's computer system to be Year 2000-compliant or coverage for loss of income or profits.

"This product is an attempt to provide our clients with the coverage that they need, rather than ignoring the problem and hoping existing traditional policies will respond," said William Knapman, financial institutions underwriter for syndicate 839.

He said discussions with financial institutions before marketing the coverage had produced "considerable interest."

Mr. Knapman believes the new policy will be of particular interest to banks, as they have a higher exposure to Year 2000 problems than many other financial institutions because they are so heavily dependent on their computer systems.

Interest in the coverage is likely to come mainly from medium-sized to large banks and

See **Year 2000** on next page

## Expansion in Baltics

By GERARD O'DWYER

HELSINKI, Finland—Nordic insurers are increasingly establishing operations in the Baltic Rim countries.

In the most recent such development, Finnish insurer Sampo Insurance Co. Ltd. has founded AAS Sampo Latvija, a new non-life insurance company based in Riga, Latvia. The development is the latest of Sampo's expansions in the region.

AAS Sampo Latvija will initially focus on insuring the commercial property and liability insurance, as well as cargo coverage and motor vehicle insurance.

"Sampo Latvija will apply Sampo's product and risk management know-how in its insurance services, creating operating models that are competitive and relevant to local conditions," said Janis Tereris, Sampo Latvija's managing director.

There are nine life and 19 non-life insurance companies operating in the Latvian market. Most of the larger companies are owned by Western insurers. Sampo was the first foreign insurer to enter the Baltic market in 1992, when it opened a representative office in Tallinn, Estonia.

Swedish insurer Skandia Life Assurance Co. Ltd. established a strategic collaboration in Latvia with local insurers Balta and Latva, two companies that are active, respectively, in general and life insurance. The agreement covers life, health, disability and property/casualty insurance.

Stockholm-based Baltic Brokers A.B., a company wholly owned by Swedish financiers Owe Berg and Bert-Ake Olsson, has acquired a 50% stake in Estonian health insurer Uhisindlustus AS.

The buy-in includes a three-year management agreement with Bert-Ake Olsson taking over as the new chief executive officer in Uhisindlustus. Meanwhile, Owe Berg has taken a seat on the Estonian insurer's board.

Uhisindlustus mainly writes health insurance but recently began offering non-health insurance products.

"We have been observing the Estonian insurance market for several years, and through our Estonian partner Infrainvest, we placed a bid on Eesti Kindlustus, an offer which at the end of the day failed to succeed. That honor went to Eesti Hoiupank," said Mr. Olsson.

In Poland, meanwhile, Swedish insurer Trygg-Hansa A.B. has applied for a license to establish a joint venture with Garda Life S.A. that will write group life insurance. Garda Life was formed in 1996 in alliance with the Communist trade union OPZZ and has 4 million members.

Trygg-Hansa would become the first Scandinavian insurance company to enter the Polish market, though many other foreign insurers have operations in Poland. Garda Life's main competitor will be the state-owned insurer Powszechny Zaklad Ubezpieczenia. **BI**



PHOTO: ATLANTIC STORM BRITISH ISLES, NOAA

## U.K. windstorm risks focus of new models and analysis efforts

By MATTHEW MacDERMOTT

LONDON—New initiatives are emerging to provide more advanced analysis and prediction of U.K. windstorm risks.

U.K.-based reinsurance broker Willis Faber Re and the U.K. Meteorological Office recently launched a new, joint venture computerized windstorm model.

It is the first time the U.K. Meteorological Office has joined forces with a company within the U.K. insurance and reinsurance industry to analyze windstorm risks, according to Oliver Peterken, executive director of research and development at Willis Faber Re.

Aon Group (UK) Ltd. also is looking to improve its current windstorm modeling techniques and plans to launch a new, more detailed model by the end of the year, said Matthew Eagle, associate director of research and development for Aon's U.K. non-marine reinsurance division.

Mr. Eagle said there is a general move within the United Kingdom to refine current windstorm modeling techniques.

"There is a recognition that the early models need to be updated, and we are moving to upgrade to a new generation," he said.

Mr. Peterken said Willis Faber Re, the worldwide reinsurance division

of London-based Willis Corroon Group P.L.C., initiated the new project with the Meteorological Office because of Willis Faber Re's dissatisfaction with existing U.K. windstorm models.

Windstorm modeling is widely used throughout the U.K. insurance and reinsurance industry, and Willis Faber Re has previously used a number of models, Mr. Peterken said.

But, he said, existing models used by U.K. brokers, including Willis Faber Re, and insurers, reinsurers and catastrophe modeling companies have a scientific weakness because of their reliance on observations of windspeeds at ground level.

Such observations are severely impacted by hills and buildings and do not provide accurate modeling data, according to Mr. Peterken.

He said Willis Faber Re decided to access the scientific experience and expertise of the Meteorological Office to develop a new approach based on modeling windspeeds in the upper atmosphere.

Windspeeds at such levels are calculated by a detailed, mathematical technique developed by the Office. The new model can transfer the upper atmosphere windspeeds of past windstorms to ground level to estimate their potential impact on current properties.

The new windstorm model is the See **Windstorm** on next page

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# Year 2000

Continued from previous page  
lending institutions.

Less likely as clients are huge "blue chip" banking companies, not only because they already have spent hundreds of millions of dollars ensuring they are Year 2000-compliant, but also because the coverage limits would be too low for them.

However, Mr. Knapman said the product would be sold only to "well-managed" companies that have done their utmost to deal with the date change problem and that have highly centralized computer departments. Applicants must have successfully completed and imple-

# INTERNATIONAL

mented a Year 2000 compliance plan prior to the policy's inception date and must have "done everything they can reasonably do to correct their Year 2000 compliance problems," according to a piece of promotional material.

Before an applicant is accepted, its Year 2000 compliance efforts must undergo examination by specialized consultants, which the syndicate says could help minimize directors and officers liability exposures.

Also, the number of policies sold would be strictly limited. Mr. Knapman said syndicate 839 probably would review its exposure after about 15 policies have been sold to determine if it should underwrite additional policies.

The policy was drafted with the assistance of London law firm Reynolds Porter Chamberlain, which specializes in insurance and professional liability law.

It is being launched at a time when most U.K. insurers are expected to introduce exclusions when commercial policies are next renewed. The Assn. of British Insurers had drafted model exclusion clauses covering business interruption, property damage, professional indemnity and product liability.

This month the ABI issued a memorandum to the House of Commons committee on Millennium Compliance repeating its view that it would be "commercial suicide" for insurers to offer blanket cover for Year 2000 risks. **BI**

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# Model

Continued from previous page

result of 18 months of research and development by Willis Faber Re and the Meteorological Office. Neither would reveal its monetary investment in the project.

Aon's Mr. Eagle said Aon recognizes Willis Faber Re's criticism that current U.K. windstorm modeling techniques are not entirely accurate. But he said any windstorm modeling technique always will require some estimation.

Aon's current windstorm model is based on data from weather stations across the United Kingdom.

The new model will use digital terrain analysis to more accurately "fill in the gaps" between the weather stations, Mr. Eagle said.

He said the analysis will take into account factors such as ground elevation, distance from the coast and wind direction, and it will allow Aon to produce average windspeed grids of 1 square meter across the United Kingdom.

The new Aon model is being developed with advice from spatial statisticians from Oxford University.

Willis Faber Re's Mr. Peterken said another advantage of the new Meteorological Office model is it can be very geographically focused.

The Office has computer data on all extreme wind events in the United Kingdom dating back to the early 1970s.

Under the new model, that data is put into specially designed statistical analysis software supplied by U.K. computer company SPSS (UK) Ltd. of Surrey, England.

The software analyzes the past windstorm descriptions to create profiles of future windstorms in particular geographic areas. For example, the model can produce estimates of the maximum gust speeds likely to be experienced in individual postal code sectors throughout the United Kingdom.

By combining the Meteorological Office estimates with its own property damage and insurance records from past windstorms, Willis Faber Re aims to estimate the potential value of insurance claims arising from windstorms in specific areas of the United Kingdom.

Mr. Peterken said the estimates will enhance Willis Faber Re's consulting advice to its reinsurance clients.

He said the analysis produced by the new model also will be marketed to other companies within the U.K. insurance and reinsurance industry.

There also has been interest in the model from outside the insurance industry, such as utility companies,

Mr. Peterken said.

Winter is the peak season for windstorms in the United Kingdom. The most recent catastrophic U.K. windstorm loss was an October 1987 storm that caused insured damage of about £1 billion (\$1.68 billion). A series of severe windstorms in the United Kingdom last winter caused insured damage of about £650 million (\$1.08 billion) (BI, Jan 19).

Aon's Mr. Eagle said there is some evidence there has been an increase in windstorm activity in the United Kingdom over the past 20 years.

"But I think it is too early to say whether it is a permanent increase or just a natural variation," he said.

Dan Hollis, an applied climatologist at the Meteorological Office, agreed it is difficult to say if there has been an increase or decrease in U.K. windstorm occurrence, as such trends are most accurately charted over a period of about 50 years.

"We don't have computerized data for that long, so it is difficult to compare," he said. "But what we can say is there has been a move towards greater variation and more extremes."

Willis Faber Re and the Meteorological Office eventually plan to expand their new model so it can produce estimates of the probability of future storm and gale occurrence in the United Kingdom. **BI**

# PBT

Continued from page 2

United Independent Life, which was owned by Blue Cross & Blue Shield of Missouri but not activated, holds licenses in five states—Illinois, Indiana, Iowa, Missouri and Wisconsin. As a result the new health insurance program could be expanded in the future beyond Illinois.

"This will give the program the flexibility of future expansion," Mr. Mathews said. There are no current plans, though, to expand the program beyond Illinois, he added.

United Independent Life, which PBT bought for about \$3.6 million, was a "perfect purchase" because it has no liabilities and about \$3.4 million in assets, he said.

PBT, which actually is composed of several trusts, now provides health care coverage to about 10,000 individuals. The largest trust—which legally is a voluntary employee beneficiary association, or 501(c)(9) trust—provides coverage to medical groups with at least two employees and has an annual premium flow of \$12.3 million. After Jan. 1, policyholders with PBT will be issued new policies in the name of Physicians' Benefits Trust Life In-

urance.

Many of the groups now insured by PBT consist of two to five physicians, but some policyholders include large group practices, with as many as a couple dozen physicians as well as their employees.

PBT purchases specific stop-loss insurance from Lloyd's of London syndicates to cover individual claims exceeding \$70,000. Aggregate stop-loss coverage also is purchased, which kicks in at 110% of expected claims.

Mr. Mathews says PBT has the largest share—about 25%—of the health care market for Illinois physicians who are in small group practices. The number of physicians covered has been growing at roughly 5% to 10% annually.

Mr. Mathews says PBT offers competitive rates, a factor behind its growth. For example, the monthly family premium for indemnity plan coverage with a \$1,000 deductible for Chicago-area physicians age 35 through 39 would be \$381.

PBT only offers indemnity plan coverage, giving policyholders the ability to choose their provider, which Mr. Mathews says, is what physicians want. No pre-certification of any type is required before treatment and policyholders can go to any provider for treatment.

Generally, PBT pays 80% of reasonable and customary charges. Deductibles range from \$150 to \$3,000 per person. Each person in a group plan can choose a different deductible level. Policies have a \$3 million annual and lifetime limit.

Typically, claims are paid within five to seven days. "Policyholders who call deal with staff personally. There is no mechanized phone answering or voice mail system. This is a personalized operation," he said.

Policies written through PBT provide coverage to dependents up until age 25, which is longer than policies available from many other insurers, he said. In addition, dependents who are attending colleges, universities or professional schools can be covered without an upper age limit.

Part-time physicians as well as student members of the Chicago Medical Society and the Illinois State Medical Society, also can purchase coverage from PBT.

PBT is directed by a nine-member board of directors, six whom are appointed by the Chicago Medical Society and three of whom are appointed by the Illinois State Medical Society. Dr. Arthur R. Peterson, a Chicago family practitioner, is the chairman of the board.

# Stocks

Continued from page 1

when an average of 15 people move money between investment options, that still is a tiny percentage compared to total plan participants, said Sally Bullen, Kemper's vp of human resources in Long Grove, Ill.

A spokesman for UNUM Corp., a disability insurer in Portland, Maine, said: "Our employees don't seem to have jumped one way or another. There was no real change in activity."

"The vast majority of our participants are riding this out, just as they did last October," said a spokeswoman for New York-based TIAA-CREF, the largest provider of 403(b) plans, which are non-profit organizations' equivalent of 401(k) plans.

Calls and transactions peaked Monday afternoon and then began to settle down.

At Principal's benefit administration centers, call volume Monday was more than 60% over normal, while on Tuesday call volume was 35% higher than normal.

By Wednesday, though, call volume was pretty close to normal.

"Whatever excitement there was died down quickly," Mr. Sager said.

At Hewitt Associates L.L.C.'s benefit administration centers, calls going to voice response systems were 35% higher than normal on Monday and Tuesday and by Wednesday settled back to normal levels.

The relative low level of transaction activity, administration center executives say, is due in large part to employee understanding that 401(k) plan investments are long term and that they shouldn't try to outguess the market by constantly moving funds from one investment to another.

"The majority of participants understand that the best strategy is to ride out market swings," said George Tracy, director of savings plan operations with Wellspring Resources L.L.C., a Jacksonville, Fla.-based benefits outsourcing venture of State Street Bank.

"On average, plan participants are a lot smarter than a few years ago. They panic much less frequently, though there will be some of that," said Cindy Dybas, director of benefit administration services operations at Towers Perrin's benefit outsourcing center in Philadelphia.

Philadelphia.

For some plan participants, though, investment education may have a ways to go. One plan participant said to a call center representative: "How could I lose mon-

**'On average, plan participants are a lot smarter than a few years ago,' says Cindy Dybas.**

ey? This is my 401(k) plan.' Clearly more needs to be done so participants understand that their investments are connected to the market," said Tom Flint, head of participant services at Hewitt Associates in Lincolnshire, Ill.

Plan participant behavior in one way, though, did parallel what investors overall were doing, some administration center executives said. On Monday, when the Dow Jones skidded 512 points, those 401(k) plan participants that moved money typically shifted those funds out of equities and into fixed-income investment ve-

hicles. On Tuesday, when the Dow Jones climbed 288 points, the movement was back into equities, and on Wednesday, when the Dow fell 45 points, there was a slight movement back into fixed-income funds.

"Definitely, more money flowed into fixed-income funds," Hewitt's Mr. Flint said.

Others, though, said that toward the end of the week, about as much flowed into equities as flowed out.

"It was very much of a wash," said Buck's Mr. McGlone, adding, though, that there was a clear trend of participants moving mon-

ey out of international equities funds, an investment behavior that may have started before last week's extraordinary market volatility.

The big market swing once again showed how automation has changed the face of benefit transactions. Roughly 75% to 80% of 401(k) plan transactions now are handled through voice response systems, which have become a near universal part of 401(k) plans.

"Participants have become very comfortable with that technology and know what information they can get through it," Mr. McGlone said. **BI**

## Defined benefits remain safe harbor

Because defined benefit plans generally are so well-funded, the volatility in the stock market last week was expected to have little impact on the pension plans.

The long-running bull market has left most defined benefit plans with a comfortable surplus. Indeed, as of the end of 1997, pension plans sponsored by major industrial companies were on average 111% funded, up from 108% at the end of 1996, while plans sponsored by large service companies were 114% funded, up from 113%, according to benefit consultant Watson Wyatt Worldwide.

Even if stock market values do fall sharply and the U.S. economy heads into a recession, the Pension Benefit Guaranty Corp. is in its best-ever financial shape to assume the liabilities of plans terminated by companies that cannot meet their obligations.

The PBGC, funded by premiums paid by employers with defined benefit plans, enjoyed a surplus of \$3.5 billion in 1997 in its single-employer insurance program, up from an \$869 million surplus in 1996 and a \$1.9 billion deficit in 1990.

—By Jerry Geisel

## Acquisition activity may slow with Dow's volatility: analysts

By SALLY ROBERTS

NEW YORK—Despite posting one of the largest single-day point drops in history early last week, the stock market's volatility does not pose a significant risk to the property/casualty insurance industry.

Not only is the insurance industry overcapitalized, making losses from declines in industry stocks seem small in comparison, but the industry also has only a small equity exposure. Fixed securities account for the majority of the industry's invested assets.

Analysts say that while a drop in the stock market may not affect the solvency of property/casualty insurers or cause them to raise prices, it could cause insurers and brokers to re-think making or completing acquisitions.

On Monday, Aug. 31, the Dow Jones Industrial Average fell 512.61 points, or 6.36%, which was the second-largest point drop after a record 554.26 point drop last October (BI Nov. 3, 1997).

The Dow rebounded Tuesday, regaining more than half of its loss the previous day and closing up 288.36 points. The Dow continued to decline through the end of the week, however, closing on Friday at 7640.25, for a total loss for the week of 411.43 points.

Analysts say that while last Monday's correction was a big day for Wall Street, it was a non-event for the property/casualty industry.

"The good news is, I don't think any company's solvency was threatened due to the decline in the stock market," said Alan M. Levin, managing director of insurance ratings at Standard & Poors Corp. in New York.

S&P analyzes the percentage of industry capital exposed to equities.

Even at 122%, the largest equity exposure risk posted by an insurer, a 10% drop in the stock market would only lower that company's capital base by 12.2%, Mr. Levin said.

At the end of 1997, 43% of the property/casualty industry's total capital was exposed to equities, according to S&P.

"The bottom line is, there is a

modest amount of risk to the industry from the stock market, but it's not a driving risk," said John L. Ward, chairman of Cincinnati-based Ward Financial Group, an insurer management consulting and investment banking firm.

According to the 1998 Ward's Results (BI, Aug. 24), the property/casualty industry's total preferred and common stock holdings as a percentage of invested assets was 25.4%, Mr. Ward said, noting that only a portion of that

percentage is made up of common stock, which is more volatile than preferred stock.

transactions would take the biggest hit, due to the stock values decreasing, cash deals also could slow due to a big drop in the market, he contends.

"If a company has lots of assets in the stock market, a drop in the market would lower surplus," he explained. A company, therefore, might be "less interested in making a cash deal for an acquisition."

S&P's Mr. Levin agreed. "Insurers have been using stock to make acquisitions in recent months. If the market stays depressed, they may be less inclined to make those deals," he said.

Timothy J. Cunningham, a principal with Insight Management Group in Chicago, which puts together brokerage deals, said that a falling stock market also could have a negative impact on acquisitions activity in the brokerage market, but only in "very isolated, specific" incidents.

For example, if a big drop in the stock market occurs sometime between the letter of intent and the closing of a deal, and it negatively impacts the value of the transaction, "the seller party might get cold feet," he said. **BI**

**'It's hard to imagine this market having much of an effect on pricing and appetite for business,' says Barbara Stewart.**

percentage is made up of common stock, which is more volatile than preferred stock.

"It's a big chunk, but the whole industry is not invested in equities," he said. Bonds and fixed income securities represent 66.1% of the industry's total invested assets. "That shows you where the real weight is."

Barbara Stewart, president of Stewart Economics Inc. in Atlanta, added that because the industry has so much capital and so much surplus relative to what it is writing, even if a company has 60% of its surplus exposed to equities and there was a 50% decline in stock value, that still only represents a 30% decline in surplus.

"It's hard to imagine this market having much of an effect on pricing and appetite for business," Ms. Stewart said. "Unrealized capital gains have represented more than half of the gross (increase) in surplus for the past three years. There's a lot to give back."

Analysts do say, however, that a declining stock market potentially could halt some merger and acquisition activity within the industry.

"I do see a potential where a drop could slow acquisition activity," Mr. Ward said. While stock swap



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and  
IN THE MATTER OF  
STRADBROOK REINSURANCE LTD  
(formerly CP NATIONAL REINSURANCE LTD)  
(In Members' Voluntary Liquidation)

NOTICE IS HEREBY GIVEN that the Creditors of the above named Company are required on or before September 22, 1998 to submit their names and address and particulars of their debts or claims to the undersigned, the Liquidator of the said Company, at Deloitte & Touche, the Corner House, Church & Parliament Streets, Hamilton, Bermuda and if so required by Notice in writing from the said Liquidator, to come in and prove their said debts or claims at such time and place as shall be specified in such Notice or in default of any of the above requirements, they will be excluded from the benefit of any distribution made before such debts are proved.

Dated this 7th of September, 1998.

MARK W.R. SMITH, C.A.  
LIQUIDATOR

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EDITORIAL CALENDAR  
CALL 312-649-5340

### LEGAL NOTICE

#### UNITED STATES BANKRUPTCY COURT - THE DISTRICT OF NEW JERSEY

|                             |                        |
|-----------------------------|------------------------|
| In the Matter of:           | Chapter 11             |
| HOME STATE HOLDINGS, INC.,  |                        |
| A Delaware Corporation, and | Case Nos. 98-35720/WHG |
| HSIM, L.L.C., A New Jersey  | and 98-35723/WHG       |
| Limited Liability Company,  |                        |
| Debtors.                    |                        |

#### NOTICE OF MOTION FOR ENTRY OF AN ORDER AUTHORIZING THE DEBTORS (1) TO SELL PROPERTY PURSUANT TO §363 OF THE BANKRUPTCY CODE (2) TO ASSUME AND ASSIGN EXECUTORY CONTRACTS PURSUANT TO §365 OF THE BANKRUPTCY CODE, AND (3) OTHER JUST RELIEF

TO: ALL PARTIES IN INTEREST

PLEASE TAKE NOTICE, that the above captioned Debtors/Debtors-in-Possession (collectively the "Debtors") will move before the Honorable William H. Gindin at the United States Bankruptcy Court, U.S. Court House, 402 East State Street, Trenton, New Jersey 07102, at 10:00 a.m. in the forenoon or as soon thereafter as counsel may be heard on September 28, 1998, for the entry of an Order Authorizing the Debtors (1) to Sell Property Pursuant to §363 of the Bankruptcy Code, (2) to Assume and Assign Executory Contracts Pursuant to §365 of the Bankruptcy Code, and (3) Other Just Relief (the "Application").

#### The assets being conveyed are as follows:

AASI Holdings, Inc. has offered \$201,500 to purchase substantially all of the assets of Home State Holdings, Inc. and HSIM, L.L.C., including but not limited to any and all intellectual property utilized by the Debtors in connection with their data processing operations for all contractual relationships, as well as data processing equipment, furniture, fixtures and other items as well as the assumption of the Debtors' rights under that certain assignment by and between the Debtors, Security Indemnity Insurance Company ("Security") and The Wheatly Group, Ltd. ("Wheatley") as it pertains to the software license agreement with Wheatly, the Debtors' service contracts with Security and Home State Insurance Company in Liquidation, as more particularly set forth in the Offer.

#### Higher or better offers will be received, either in bulk or on an individual basis.

Request for information about the property to be sold, the prospective purchaser, the price to be paid and other matters should be directed to:

Morris S. Bauer, Esq. • Ravin, Greenberg & Marks, P.A.  
101 Eisenhower Parkway • Roseland, New Jersey 07068

PLEASE TAKE FURTHER NOTICE, that a copy of the Debtors' supporting Application filed herein may be inspected in the Office of the Clerk of the United States Bankruptcy Court at U.S. Court House, 402 East State Street, Trenton, New Jersey 07102 during regular business hours or may be obtained by contacting counsel for the Debtors as set forth herein above.

PLEASE TAKE FURTHER NOTICE, that objections if any to the sale must be in writing, must conform to the requirements of the Federal Rules of Bankruptcy Procedure and the Local Bankruptcy Rules for the District of New Jersey, must set forth the name of the objector, the basis for the objection, and the specific grounds therefore, and must be filed with the Clerk of the United States Court and served on Ravin, Greenberg & Marks, P.A., 101 Eisenhower Parkway, Roseland, New Jersey 07068 (Attn: Morris S. Bauer, Esq.), so as to be received on or before September 24, 1998.

PLEASE TAKE FURTHER NOTICE, that the failure of any person or entity receiving notice of the Application to file objections thereto on a timely basis shall constitute a bar to the assertion of an objection to the entry by the Court of the proposed Order and the consummation by the Debtors of the contemplated transaction.

RAVIN, GREENBERG & MARKS, P.A.  
Attorneys for Debtors/Debtors-in-Possession  
DATED: August 31, 1998

By: /s/ MORRIS S. BAUER

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## Business Insurance

### Circulation Breakdown

#### Commercial Consumers

#### Administrative:

CEO's, Presidents, and Owners, ..... 2,710  
Vice Presidents, General Managers and  
Other Administrative Personnel ..... 5,122

#### Financial:

Chief Financial Officers and Vice Presidents  
of Finance ..... 5,429  
Secretaries, Treasurers, controllers and  
other Financial Personnel ..... 4,145

#### Risk/Employee Benefits:

Vice Presidents, Directors, Managers, and other  
related department personnel of: insurance, risk,  
employee benefits, personnel, compensation,  
pension, safety, security, industrial relations,  
human resources and employee/  
labor relations ..... 14,748

Sub-total ..... 32,154

Associations ..... 286

Government, Unions and

Educational Institutions ..... 1,019

#### Commercial Consumers

Sub-total ..... 33,459

Insurance Agents and Brokers ..... 8,083

Insurance Companies ..... 6,933

Accountants, Actuaries,

Attorneys & Consultants ..... 2,705

Adjusters, Appraisers, TPA's, Captive Managers  
& Health Care Providers ..... 1,578

Others Allied to the Field ..... 757

Total Qualified ..... 53,525

Non-qualified/Paid Subscriptions ..... 14

Single Copy Sales ..... 27

TOTAL CIRCULATION ..... 53,556

★ Source Business/Occupational  
breakdown of qualified circulation,  
November 24, 1997 Issue, as  
submitted to BPA for December 1997  
BPA Publisher's Statement

# Results

Continued from page 2  
frequency, low-severity event."

"I think we've seen it since '92," William J. Adamson, chief executive officer of CNA Re, a unit of CNA Financial Corp. in Chicago, said of that situation. Despite the soft market, he added, "Reinsurers have generally distanced themselves from cat losses below a certain threshold, so smaller losses just aren't going to affect the reinsurers to the same degree it did prior to Hurricane Andrew."

The soft market, however, still is reflected in reinsurer's first-half results.

The 40 reinsurers that participate in the Reinsurance Assn. of America's six-month survey posted \$9.91 billion in premiums written, up just 1.1% over the first-half of 1997.

The top 20 reinsurers based on net premiums written, however, reported \$9.23 billion in net premiums, a 1.9% decline from 1997. *Business Insurance* includes in the top 20 the results of the Berkshire Hathaway Group, which does not report its results to the RAA.

The RAA reinsurers reported a 101.3% combined ratio for the first six months of the year, compared with 101.5% for the comparable period in 1997. The top 20 reinsurers reported a 101.2% combined ratio, compared with 101.5% for the 1997 period.

"These aren't terrific results, but

there's nothing there that represents a significant change from what we've been seeing recently, and there's nothing here that's especially distressful," said Mr. Smith.

"I guess the combined is still trending positively because of modest reinsurance losses from catastrophes and continued favorable trends in liability lines," said Alan Murray, senior vp at rating agency Moody's Investors Service Inc. in New York. Even so, he added, reinsurance prices at best are stable and at worst are deteriorating.

The combined ratio "still seems awfully low considering the pricing in the marketplace, and I think the prospects in that regard aren't particularly bright, because it would appear they aren't pricing their business within an acceptable risk/return range," said CNA Re's Mr. Adamson.

"I think we are headed for some pretty dire consequences," particularly in light of the Year 2000 issue and the continued possibility of a major weather-related catastrophe this year, Mr. Adamson added.

"I've seen a few very preliminary signs that people are being a little more prudent in their pricing, but not that many signs," said David B. Proteus, vp-corporate strategy and marketing for Stamford, Conn.-based NAC Re Corp.

Kaj Ahlmann, chairman, president and CEO of Overland Park, Kan.-based Employers Reinsurance Corp.,

said, "I think in general in the marketplace we see more of the same."

"The property prices are not getting any harder despite the fact there has been quite a series of smaller catastrophes, particularly for regional clients," while other lines remain "more or less the same," said Mr. Ahlmann.

"It's very clear that demand for reinsurance is plummeting," said Sanford Bernstein's Mr. Hicks. Pri-

**'These aren't terrific results, but...there's nothing that's especially distressful here,' says Michael Smith.**

mary insurers "have substantial excess capacity and have less need for true risk transfer reinsurance. I think the premium volume statistics for the industry are being held up by primary business masquerading as reinsurance," said Mr. Hicks, pointing to program business written by reinsurers.

Meanwhile, Mr. Smith of Bear, Stearns said he sees signs of a move toward more quota-share business among smaller reinsurers as a way to boost premium volume. "I think it's cynical demand meeting naive capac-

ity," he said.

"Smaller reinsurance companies are becoming somewhat desperate to show some premium and are willing to write business that otherwise wouldn't be acceptable in the reinsurance market," said Mr. Smith.

John L. Ward, chairman of Cincinnati-based Ward financial Group, is more optimistic about the reinsurance industry's long-term prospects.

"It's a segment that has some very creative and innovative leadership in the industry, and I fully expect that as the segment matures a bit globally that their results and the outlook will in the long run be very positive," he said.

More immediately, though, Mr. Ward said: "I would say the rest of the year would continue about like the first half, and perhaps be a little more negative. There's no end in sight in the pricing declines."

Moody's Mr. Murray added: "For profitability, the outlook is negative going forward because of the deterioration of prices."

Pricing pressure on reinsurers will continue, while a return to a more normal catastrophe year can be expected, with a major catastrophe possibly adding another three points to the combined ratio, forecast Don Watson, director at rating agency Standard & Poor's Corp. in New York.

He predicted that 1997 will turn out

to be reinsurers' peak year in terms of financial performance. "We would expect earnings will decline" over the next few years, he said.

Revenues both from premiums and investment income are declining, said Mr. Watson, who added, "Equity returns are not going to help them with any cushion the remainder of the year."

Mr. Hicks of Sanford Bernstein also sees the outlook for reinsurers as bleak. "I think there's very little growth on the horizon. I think you're going to see companies showing declining premium volume, and I think the returns that they generate in the business will deteriorate," he said.

That in turn will "put more pressure on companies to think about consolidation further, as we continue to see, one by one, companies choosing to affiliate or merge," Mr. Hicks said.

Additional merger and acquisition activity is likely to follow last week's announcement of the Partner Re Ltd.-Winterthur Group deal, other observers say.

"It seems like every day someone is consolidating, or someone is acquiring somebody, so I think that will continue over time," said Adrienne W. Reid, senior vp and chief treaty underwriting officer for Zurich Reinsurance Centre in New York. With premium growth very small, "I think people are looking to increase their volume through acquisitions." **BI**

## Largest U.S. reinsurers' first-half 1998 results

Ranked by net reinsurance premiums written. All amounts in thousands of dollars.

| Reinsurers              | Net reinsurance premiums written 1998 | Net reinsurance premiums written 1997 | Policyholders surplus (reinsurers only) | Net income 1998 | Losses & loss adjustment expenses | Loss ratio | Underwriting expenses | Expense ratio | Combined ratio 1998 | Combined ratio 1997 |
|-------------------------|---------------------------------------|---------------------------------------|---|-----------------|-----------------------------------|------------|-----------------------|---------------|---------------------|---------------------|
| 1. General Re           | 1,283,635                             | 1,522,083                             | 6,637,063                               | 376,473         | 851,418                           | 65.7       | 439,617               | 34.2          | 99.9                | 99.5                |
| 2. Employers Re         | 1,254,001                             | 863,434                               | 5,006,582                               | 243,542         | 780,589                           | 68.4       | 406,269               | 32.4          | 100.8               | 104.5               |
| 3. American Re          | 1,216,124                             | 1,467,576                             | 2,463,703                               | 184,475         | 764,026                           | 67.0       | 407,913               | 33.5          | 100.5               | 101.1               |
| 4. Berkshire Hathaway   | 642,000                               | 721,000                               | N/A                                     | N/A             | 432,000                           | 81.8       | 109,000               | 20.6          | 102.5               | 93.1                |
| 5. St. Paul Re          | 594,312                               | 679,417                               | N/A                                     | N/A             | 353,525                           | 62.7       | 197,452               | 33.2          | 95.9                | 102.7               |
| 6. Transatlantic/Putnam | 591,171                               | 517,749                               | 1,282,706                               | 95,677          | 428,944                           | 73.1       | 158,604               | 26.8          | 99.9                | 99.7                |
| 7. Everest Re           | 491,055                               | 482,417                               | 990,664                                 | 72,622          | 370,266                           | 73.7       | 145,124               | 29.6          | 103.3               | 102.5               |
| 8. Zurich Reins. (N.A.) | 476,446                               | 535,165                               | 849,069                                 | 51,548          | 316,091                           | 76.5       | 152,593               | 32.0          | 108.6               | 107.2               |
| 9. Swiss Re America     | 339,777                               | 338,832                               | 1,827,773                               | 215,326         | 218,571                           | 65.1       | 134,473               | 39.6          | 104.7               | 104.2               |
| 10. SCOR U.S. Group     | 327,819                               | 283,468                               | 424,796                                 | 22,133          | 216,459                           | 64.3       | 124,401               | 37.9          | 102.2               | 105.1               |
| 11. Hartford Re Co.     | 325,368                               | 349,032                               | N/A                                     | N/A             | 231,674                           | 74.2       | 101,118               | 31.1          | 105.3               | 105.4               |
| 12. Kemper Re           | 274,835                               | 273,108                               | 546,370                                 | 28,779          | 196,953                           | 73.6       | 94,159                | 34.3          | 107.9               | 108.5               |
| 13. NAC Re              | 247,841                               | 257,212                               | 715,432                                 | 45,316          | 161,290                           | 66.0       | 90,923                | 36.7          | 102.7               | 102.7               |
| 14. TIG Re Co.          | 224,651                               | 285,083                               | 552,970                                 | 41,540          | 169,832                           | 66.7       | 89,131                | 39.7          | 106.4               | 102.6               |
| 15. Constitution Re     | 224,409                               | 231,393                               | 396,882                                 | 25,576          | 162,910                           | 72.2       | 75,762                | 33.8          | 105.9               | 104.6               |
| 16. Underwriters Re     | 209,863                               | 194,356                               | 674,520                                 | 10,643          | 125,930                           | 72.2       | 62,768                | 29.9          | 102.1               | 102.2               |
| 17. Signet Star Re      | 165,735                               | 140,377                               | 260,091                                 | 11,167          | 107,803                           | 70.7       | 53,134                | 32.1          | 102.7               | 103.5               |
| 18. PMA Re              | 115,624                               | 96,307                                | 279,088                                 | 13,423          | 67,516                            | 68.4       | 41,718                | 36.1          | 104.5               | 103.5               |
| 19. Capital Re          | 114,636                               | 86,786                                | 445,569                                 | 37,783          | 12,557                            | 17.7       | 49,519                | 43.2          | 60.9                | 49.7                |
| 20. Folksam Re          | 114,082                               | 87,736                                | 307,792                                 | 20,896          | 86,538                            | 69.9       | 39,983                | 35.0          | 104.9               | 107.9               |
| Totals for Top 20       | 9,233,384                             | 9,412,531                             | 23,661,070                              | 1,496,919       | 6,054,892                         | 69.0       | 2,973,661             | 32.2          | 101.2               | 101.5               |
| Total for all companies | 9,910,591                             | 9,802,161                             | 28,047,714                              | 1,703,241       | 6,479,105                         | 68.1       | 3,282,686             | 33.1          | 101.3               | 101.5               |

Sources: Reinsurance Assn. of America and *Business Insurance*

## Partner Re's Winterthur bid shows companies' differences

By GAVIN SOUTER

WINTERTHUR, Switzerland—Partner Re Ltd.'s proposed \$750 million acquisition of Winterthur Group's reinsurance operations illustrates the two companies' diverse strategies in the international insurance and reinsurance markets.

On the one hand, Winterthur Group is exiting the capital-intensive reinsurance market to concentrate on primary insurance, while on the other hand, Partner Re is continuing its expansion beyond property catastrophe reinsurance.

The deal will give Partner Re a significant presence in the European reinsurance market with the pur-

chase of a successful reinsurer, said Rafael Villarreal, an analyst at Moody's Investors Service in London.

And the decision by CS Group, the parent of Winterthur, to sell the reinsurance operations signals an intensification of the consolidation pressure among reinsurers, he said.

"Winterthur was not struggling, and it was an important group in reinsurance, so for them to pull out is a sign that consolidation is taking more of a toll than most of us expected," Mr. Villarreal said.

Winterthur last month also sold its majority stake in HIH Winterthur International Holdings Ltd. in Australia, which wrote a significant amount of liability business. The two

sales seem to indicate that CS Group has decided to withdraw from capital-intensive areas of the insurance market, Mr. Villarreal said.

By contrast, Partner Re is increasingly looking to make use of its excess capital in a competitive market, said Susan Spivak, vp at Donaldson, Lufkin & Jenrette Inc. in New York.

"When the company was formed with its monoline approach, it didn't know that for the next five years there wouldn't be any major catastrophes of the size of Hurricane Andrew, so it built up excess capital and now it has to satisfy its shareholders," she said.

Partner Re, which was one of the last of the Bermuda catastrophe rein-

surers to diversify, began that process last year with the purchase of Societe Anonyme Francaise de Reassurances which gave it about \$700 million in gross premiums in mainstream proportional reinsurance business.

Winterthur Re will bring Partner Re \$837 million in gross premiums, which would rank the company among the world's largest reinsurers (*BI*, Aug. 31).

Winterthur Re's "specialty orientation in the non-life and life business ideally complements our underwriting teams and book of business, both geographically and in highly specialized areas such as agricultural risks, credit/surety, engineering, aviation and marine," Herbert N. Haag, presi-

dent and chief executive officer of Partner Re, said in a statement.

Winterthur Re's premiums consist of \$582 million in property and casualty reinsurance and \$255 million in life reinsurance. It has operations in Switzerland, the United States, Canada and Singapore.

With the purchase, Partner Re will compete more with Swiss Reinsurance Co., which owns more than 20% of Partner Re. However, the deal is unlikely to have gone through without the approval of Swiss Re, as the reinsurer has close links with CS Group. Lukas Muhlemann, CEO of CS Group, previously was CEO of Swiss Re and CS Group has a minority share holding in Swiss Re. **BI**

# Holocaust

*Continued from page 2*

labor was deferred by the London Debt Agreement of 1953 until German courts essentially lifted the moratorium in November 1997.

One slave-labor lawsuit was filed by 16 Holocaust survivors late last month in the U.S. District Court for the Eastern District of New York. The suit names at least 10 companies with recognizable product names, including BMW, Daimler-Benz, Audi, Volkswagen and Krupp.

The other suit, filed by two Holocaust survivors late last month in U.S. District Court in New Jersey, names only Volkswagen A.G. and Volkswagen of America Inc., the automaker's U.S. subsidiary in Auburn Hills, Mich.

While plaintiffs contend that some manufacturers' actions were

voluntary, spokesmen for BMW, Mercedes-Benz and Volkswagen say the Nazis required most German companies to use forced labor during the war.

While manufacturers regret the inhumanity of that era, they have funded research, programs and humanitarian relief efforts to cope with it, spokesmen say. For example, Volkswagen recently announced it will be the first German company to establish a private fund to benefit people forced to work at the factory during 1944 and 1945.

A spokesman for BMW of North America adds, "We have always maintained that the German government should take responsibility for this." The German government has paid out about \$16 billion in war-related compensation thus far, he added. If the government refuses to address this issue, then German industry should establish a

centralized fund to compensate forced workers, he said.

In related action, four concentration camp survivors late last month filed suit in U.S. District Court in Newark, N.J., charging that Degussa A.G. of Frankfurt, Germany, and Degussa Corp., its Ridgefield, N.J., subsidiary, should be held accountable for their wartime activities. The lawsuit alleges that the company smelted looted gold—including dental fillings—manufactured gas used in gas chambers, supplied bomb technology and bought Jewish-owned businesses forced on the market at artificially low prices, according to the suit.

A Degussa representative said it is awaiting a copy of the complaint but otherwise declined comment.

Should the manufacturers be found liable for using slave labor, it is unlikely any defendant would have insurance for such action.

"I can't imagine that there would

be insurance coverage for this," said Allyn Z. Lite, a plaintiff's attorney in the New Jersey slave-labor case. Insurance policies are not written to protect companies against an intentional tort, such as slavery, which is formally condemned by several international groups, including the United Nations.

However, discovery has not yet been conducted to determine whether insurance exists, said Mr. Lite, an attorney at Goldstein Lite & DePalma in Newark, N.J.

However, another observer is less certain about the coverage issue. "The situation is unprecedented, and the availability of coverage is unknown," said Arthur Flitner, assistant vp and senior director of curriculum for the American Institute for CPCU and the Insurance Institute of America in Malvern, Pa. "There are no easy answers to this." **BI**

# Higher-risk cat bond issued

MORRISTOWN, N.J.—A recent catastrophe bond issued to finance reinsurance protection for F&G Re Inc. transfers higher-risk exposures into the capital markets than most prior deals.

The \$54 million deal, completed earlier this summer, also allows The St. Paul Cos. Inc., the parent of F&G Re, to make another foray into the capital markets while expanding its book of reinsurance business.

As with several other cat bond deals, this transaction uses a Cayman Islands-domiciled special-purpose reinsurer, Mosaic Re, to issue the bonds, with the proceeds funding a reinsurance contract for Morristown, N.J.-based F&G Re.

Goldman, Sachs & Co. and E.W. Blanch Capital Markets led the underwriting on the one-year securities, whose return to investors varies with F&G Re's underwriting experience on a defined portfolio of reinsurance contracts that are covered by the aggregate excess-of-loss retrocessional policy written by Mosaic Re. The coverage period of the one-year Mosaic Re policy ends July 1, 1999.

Dwight Evans, executive vp at St. Paul Re in New York, noted that F&G Re began looking into doing a capital markets deal last year, before its parent, USF&G Corp., was acquired by St. Paul and the reinsurer was subsequently combined with St. Paul Re.

"We wanted the capability to access the capital markets to leverage our underwriting capabilities," he said. The company also wanted to use the capital markets financing to write new business, not simply as a vehicle for transferring existing exposures. "We didn't want to cannibalize our book and give away business that we already had in one way or another."

The company began talking with intermediary E.W. Blanch at the end of 1997. "It was a good partnership because this defined portfolio that Mosaic Re protects was really new business to F&G Re," Mr. Evans said.

The risk transferred to investors was slightly higher than in previous cat bond deals because the layer of risk involved was lower than in those earlier transactions.

"What we wanted investors to do was participate in the business in the same way we did," Mr. Evans said. At high-level excess coverage, "it's effectively earthquake and wind only," he said. "This coverage was essentially all perils that we provide our clients."

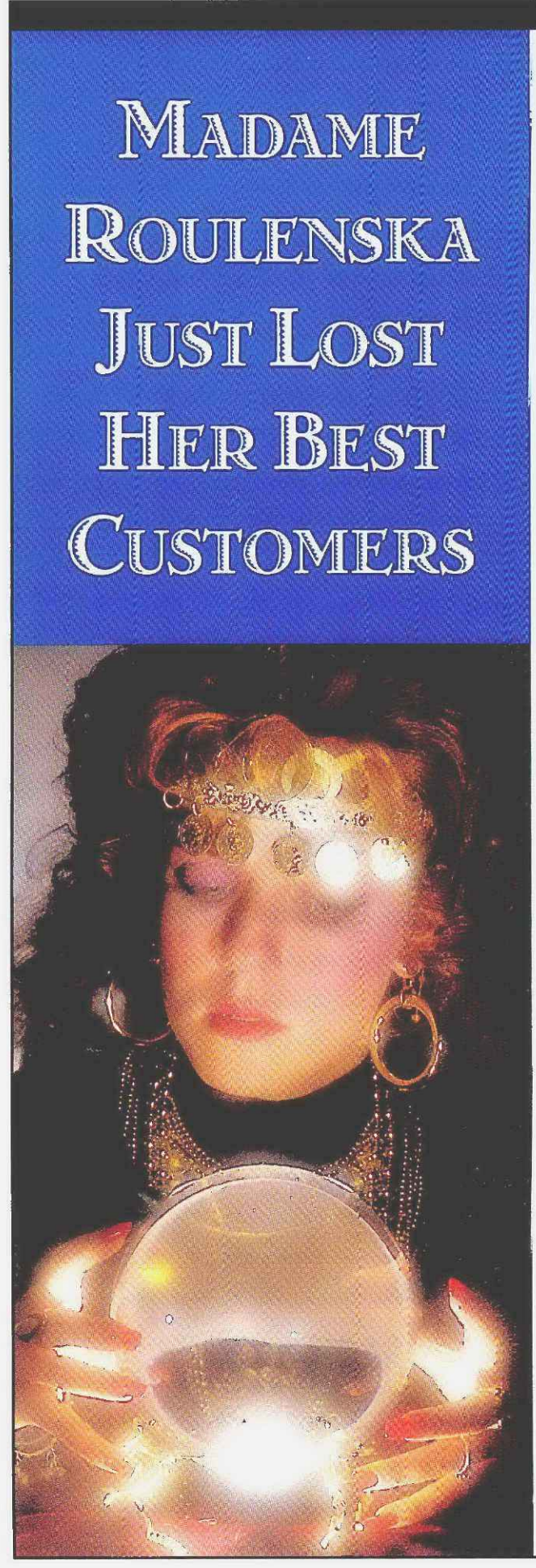
"Most of the other deals have been where the probability of a first-dollar loss was in sort of the 1% range," agreed Keith M. Buckley, senior vp in the insurance ratings division of Duff & Phelps Credit Rating Co. in Chicago, which rated the transaction. "With this deal, the probability of first-dollar loss was closer to the 5% range."

Mr. Buckley noted that two different tranches of notes in the deal exposed investors to different levels of risk. One that carries a 5% probability of first-dollar loss got a B rating from Duff & Phelps, while a second tranche, with a loss probability closer to the 1% typical on other cat bond deals, got a BB rating.

Investors in the riskier tranche will earn the London Interbank Offered Rate plus 827 basis points, while the lower-risk tranche will pay LIBOR plus 444 basis points.

St. Paul Re was one of the first reinsurers to venture into the capital markets, with a December 1996 deal that provided it with \$68.5 million in property excess-of-loss and property catastrophe protection.

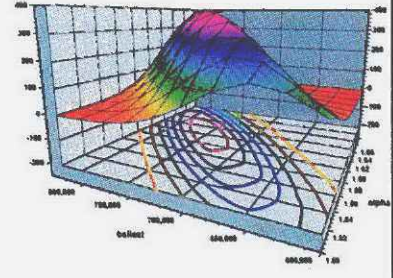
—By Rodd Zolkos



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# Just say no to drug dealer bill

Some insurers hungry for premiums might take heart that legislation has been introduced in Congress that would create a new product liability exposure.

New liability exposures, as we have seen time and again, mean new opportunities to develop specialized insurance policies to minimize those risks. Of course, new exposures also mean claims that must be paid, but that's another issue.

Consider the growth in demand for employment practices liability insurance in the wake of the Americans with Disabilities Act, or environmental liability policies designed to address pollution laws.

Despite such precedents, somehow I don't think insurers will rush to market with a product to address this new exposure.

The bill, H.R. 4204, was introduced in the House of Representatives by Rep. Thomas Latham, R-Iowa, on July 14, and quickly gained six co-sponsors.

Colorfully named the "Drug Dealer Liability Act of 1998," the proposal aims to shift the cost of damages caused by illegal drugs to those who profit from their sale. The bill would "provide civil liability for illegal manufacturers and distributors of controlled substances for the harm caused by the use of those controlled substances."

In layman's terms, drug dealers could be sued by people directly or indirectly harmed by the use of drugs and held strictly liable.

Before you imagine a rush of junkies flooding the courts to try and win a jackpot that would finance their next fix, the proposal generally excludes drug users from being claimants. A drug user would sue only in cases where the individual complies with all of the following: discloses information on all his or her sources for illegal drugs; has not used an illegal drug for 30 days before filing suit; and remains free of illegal drugs

for the duration of the lawsuit.

The bill's intent is understandable: creating another weapon to stamp out illegal drugs and the harm they cause society.

However, I see several problems with the measure.

First of all, this effort to expand product liability comes at a time when businesses and insurers are struggling to limit the excesses of the civil justice system for legal activities.

Selling "controlled substances" is illegal in this country. Therefore, there already are legal remedies for shutting down drug dealers. If law enforcement efforts are inadequate to the task, do we really think hordes of plaintiffs lawyers can do it?

It also is unlikely that plaintiffs harmed by a drug dealer stand to collect much in the way of monetary damages.

Picture a scenario where a dealer plying his trade is arrested and jailed on criminal charges. Imagine an individual, say someone injured by a car driven by a drug abuser, decides to sue the dealer to pursue compensatory and punitive damages.

Who's going to pay for the dealer's defense? And how will damages be paid? Assuming all his drug profits and assets have not already been seized by law enforcement officers under ill-gotten-gains statutes, what's left is probably not sitting in a bank awaiting a lien. It's unlikely the dealer would pay tens of thousands of dollars to mount a vigorous legal defense, or to make good on court-ordered damages. What kind of victory would that be for the plaintiff?

The biggest problem with the proposal is using the civil justice system as a tool to try to stamp out social problems.

Creating new targeted liabilities to address a specific problem is like trying to squash an ant with an atom bomb: It's overkill; it's liable to get out of control; and it can create additional problems for years to come.

There is no guarantee that the liability will be contained to the uses its framers intended. The precedent set by holding drug dealers strictly liable could be expanded in unforeseen directions until manufacturers and dealers of perfectly legal, though perhaps politically incorrect, products find themselves being hauled into court when a customer misused the product and caused harm to another person without the manufacturer's knowledge or intent.

Of course, that's what happens all too often under the current product liability regime.

This well-intended but misguided attempt to expand liability will only make an already bad situation worse.

Editor Paul D. Winston and Publisher and Editorial Director Kathryn J McIntyre publish columns on alternate weeks.



Paul D. Winston

## PacifiCare

Continued from page 1  
disenrollment rates and member complaints.

PacifiCare's Quality Index was made available to consumers and employer groups last week. In addition, "best practice" designations will be included in PacifiCare's provider directory, which is updated three times a year.

Fred Steinmetz, chief of the Health Benefit Services Division for the Sacramento, Calif.-based California Public Employees Retirement System, the state's largest health care purchaser, applauded the move.

"This is exactly the kind of information that our members have been asking for. We have been providing input to PacifiCare from the employer perspective and believe the Quality Index will give our mem-

bers an information tool that will enable them to make informed decisions and ensure that they are receiving quality health care," he said.

Bruce Noda, a principal at benefit consultant William M. Mercer Inc. in San Francisco, observed: "Patients will be very interested in how their doctors score. They'll either use the information to pressure them to do better or they'll use their feet to give them a message. Doctors need to realize that their patients are also their clients."

Suzanne Mercure, the former health insurance programs manager for Rosemead, Calif.-based Edison International, also applauded PacifiCare's move.

"It's almost like we've moved from focusing on health care to focusing on health service and information because we're enabling the consumer to maintain his or her own health status," said Ms. Mercure, who had participated in a focus group to which PacifiCare introduced the initiative two years ago.

"PacifiCare went to the Edison Retirees Consumer Committee to get their opinions, and what they found was that there was a great deal of consumer interest in this level of data," recounted Ms. Mercure, now a principal in Falls Church, Va., with the health care consulting firm Barrington & Chappell.

The scope of PacifiCare's Quali-

ty Index is greater than other quality initiatives launched to date nationwide, acknowledged industry observers.

"Our own quality measures are moving down to that level, but for now it's still at the plan level," said a spokesman for the Washington-based NCQA.

For example, NCQA's recently launched Physician Organization Certification Program reviews medical groups so that managed care organizations seeking accreditation know ahead of time which are likely to meet the NCQA's criteria, the spokesman explained.

Woodland Hills, Calif.-based Blue Cross of California has collected information on provider

edged.

Among them: "We didn't include complaints or transfers or congestive heart failure admissions," she said.

By contrast, PacifiCare did include such information in what it is providing participants.

While PacifiCare may not have had the original idea to publish such data, Ms. Damberg said the HMO still should receive credit for doing it.

"I do think PacifiCare is doing something that we've been encouraging," she said. Arming health care consumers with relevant information will, hopefully, "steer patients to medical groups who are good performers. This is a step in the right direction."

Dr. Sam Ho, corporate medical director for PacifiCare Health Systems Inc., the HMO's parent company, said, "The Quality Index is the logical evolution of the market research and consumer focus groups that

we've been doing for years."

"We're trying to provide credible and relevant information to consumers and at the same time raise the level of accountability of providers to improve their performance," he said.

In fact, PacifiCare, which gathered the information continuously over the past 12 months, shared the findings with the medical groups along the way to give them a chance to improve their scores before the information was released to the public, according to Dr. Ho.

This is not the first time PacifiCare has employed an innovative strategy as it competes for a larger share of the health care market.

Last year the HMO agreed to tie a share of its senior executives' compensation to an employer group's satisfaction.

In an agreement with CalPERS that also capped rate hikes for 1998 through the year 2000, 10% of the bonus paid to as many as eight of PacifiCare's top executives will be withheld unless at least 80% of CalPERS members enrolled in the plan say they are satisfied with the HMO and its contracting physicians (BI, April 21, 1997).

While the two initiatives are unrelated, there is a connection, pointed out PacifiCare's Dr. Ho. "Health plan satisfaction is, in large part, affected by member satisfaction at the provider level," he said. **BI**

**'Patients will be very interested in how their doctors score. They'll either use the information to pressure them to do better, or they'll use their feet to give them a message,' says Bruce Noda.**

performance like that which PacifiCare is publishing, but that information is never made public; rather, it is used to coach plan physicians, a spokeswoman said. On occasion, the information is released to employers who request it but it never is released to individual plan participants.

Health Net, also in Woodland Hills and the HMO subsidiary of Foundation Health Systems Inc. last March published a member satisfaction survey on medical groups that didn't include any clinical outcomes data.

So far, the only initiative that has come close to that of PacifiCare was one instituted two years ago by the Pacific Business Group on Health, a 34-member employer coalition based in San Francisco.

Last year the PBGH published a report comparing medical groups based on a random survey covering patient satisfaction, perceptions of quality, whether certain preventive services were administered, and whether patients with high blood pressure or cholesterol were referred for treatment (BI, Sept. 22, 1997).

"We surveyed patients and medical groups in 1996 and put the results on our Web site last year," said Cheryl Damberg, director of research and quality for the PBGH.

But even though many components of the PBGH's survey are similar to PacifiCare's, "there are some differences," she acknowl-

## Losing bidder fighting decision PBGH picked to manage California small employer plan

SACRAMENTO, Calif.—The planned privatization of California's small group health insurance purchasing pool is being held up by a losing bidder on the management contract.

The board overseeing the Health Insurance Plan of California awarded the pool's first private-sector management contract to the Pacific Business Group of Health. The PBGH is one of the largest employer coalitions in the country, negotiating health care coverage for 34 employers in California.

However, the contract award is being challenged by Provider Choice Inc., a Sacramento, Calif.-

based non-profit organization co-incidentally headed by John Ramey, the first executive director of the HIPC.

A total of three non-profit organizations responded to the request for proposal the state Managed Risk Medical Insurance Board issued in May, according to Dennis Gilliam, contracts administrator for the MRMIB in Sacramento. The MRMIB oversees the HIPC.

Also responding to the RFP was the Foundation for HealthCare Advancement based in Roseville, Calif.

The RFP process was prescribed under the 1993 legislation that created the purchasing pool, Mr.

Gilliam explained.

"The HIPC law provided for the eventual privatization of management," he said.

A Sept. 21 hearing date has been set by the State Department of General Services, which oversees the MRMIB, to review the Provider Choice challenge. The department will issue its ruling on the contract award within 30 days after that.

The HIPC offers California employers with two to 50 employees a choice of 24 health plans and seven dental plans. Currently, about 140,000 people receive coverage through the HIPC.

—By Joanne Wojcik

Continued from page 2

failed and because J. Baker is unreasonably demanding reimbursement for a system they used successfully for nearly a decade. We felt there was no choice left but to ask the court to help resolve the matter."

In its statement, Andersen said it had "worked side-by-side with J. Baker's senior management" on the computer merchandising system from 1989 until 1991. Andersen said that, at the time, there were only two mainframe software packages available that met J. Baker's requirements, but neither was Year 2000-compliant. Andersen said J. Baker's argument that it would have insisted on Year 2000 compliance in 1989 had it known the software wasn't compliant "is groundless, because they approved design documents that explicitly set out a two-year dating format."

The Andersen spokesman declined to speculate on any overarching issues at stake in the suit.

"Our actions were not driven by any other intended outcome other than to resolve this matter as efficiently as possible," he said.

Legal and insurance industry observers do, however, see much more involved in the case than merely settling a single commercial dispute.

"It's a different class of case. It's the first one that really involves system design issues, as opposed to products. The other thing that's significant is that this is going to be the first one that involves professional services. This may go to something that would be in the errors and omissions realm potentially," said Christopher McGuire, senior associate at Crowell & Moring, a Washington law firm.

"It'll also be the first case to raise what I will term a state-of-the-art defense. Andersen is claiming that to meet the requirements that J. Baker set out at the time that it wanted the system to fulfill, there were only two systems and neither of them were Y2K-compliant. That is the first time the courts will be facing that issue," Mr. McGuire said.

"This is a test case. If it goes to verdict it will clarify the extent of a

## Legal and insurance industry observers see far more in the case than merely settling a single commercial dispute.

consultant's professional responsibility for Y2K problems. This case could draw bright lines providing much-needed guidance to the computer consulting profession and its clients," said Lori Nugent, a partner who heads the Y2K practice area regarding third-party claims for Chicago law firm Blatt, Hammesfahr & Eaton.

She noted that clients often work with programmers to a certain extent on projects.

"This is probably more troubling for the consulting and accounting firms that have large consulting arms or divisions, which is just about all of the big accounting firms," said Josh Gold, a partner in the New York office of Anderson Kill & Olick P.C.

"It's the vendor that has basically taken a pre-emptive strike here, and I think that's what makes this unusual. It does seem to potentially raise on the radar screen the issue of

coverage for these year 2000 issues and what companies should be doing in regard to liability," said Lorelie S. Masters, partner in charge of the Washington office of Anderson, Kill.

Mr. Gold said he and others at the firm have been recommending that policyholders look at existing insurance policies, because many policies do not contain any express exclusion for Year 2000 problems, he said. But there is "serious discussion" that insurers will be "very keen" on imposing Year 2000 exclusions in upcoming renewals, he added.

The fact there are a number of lawsuits "testing the waters" is an added reason companies should be assessing their insurance policies for coverage, he added.

A broker specializing in technology accounts said the Andersen consulting case should refocus risk managers' and insurers' attention on the true cost of dealing with Year 2000 problems.

"There's been a lot focused on the estimated \$1 trillion in losses and litigation projected by Lloyd's and others. What both risk managers and insurance companies have failed to recognize is that there will likely be significant cost recovery efforts for the estimated \$600 billion in system remediation expenses. What you're looking at is both before and after costs. You're looking at \$1.6 trillion as potential total loss that both risk managers and insurers need to consider," said David L. Schaefer, vp and principal at Armfield, Harrison & Thomas Inc., a Leesburg, Va., insurance brokerage.

"The Andersen case is kind of a beginning point. We've already seen 14 or 15 Y2K class actions. It's really just the beginning. The plaintiffs bar has begun experimenting with various courses of action," he said. **BI**

# Swissair

Continued from page 1

The plane was on an eastbound flight, Flight 111, from New York to Geneva, Switzerland, when it crashed into the Atlantic Ocean as it attempted to make an emergency landing at Halifax, Nova Scotia, after reporting smoke in the cockpit about one hour after takeoff.

While the cause of the crash is still being investigated, Georges Schorderet, chief financial officer of Swissair's parent company, SAirGroup, said there was no indication of a terrorist attack.

Philippe Bruggisser, SAirGroup chief executive officer, said in a statement after the crash that in March 1997 minor modifications had been made to cockpit wiring in the aircraft that crashed. The modifications were carried out at the airline's initiative three months before Boeing Corp., owner of McDonnell Douglas, issued an Airworthiness Directive instructing operators to make such modifications on their MD-11 fleets.

Among the passengers and crew were 53 passengers of Delta Air Lines and one Delta crew member, who were on the flight because of a cooperative agreement between Delta and Swissair.

Also among the passengers was Albert J. Tahmoush, former chairman of broker Frank B. Hall & Co.

The direct hull and liability insurance for Swissair is shared 50/50 by two Guernsey-based captive insurance companies, Polygon Insurance Co. Ltd. and Pentagram Insurance Co. Ltd. The captives are owned by the KSSAF group of airlines, which includes KLM Royal Dutch Airlines, Scandinavian Airlines System, Swissair, Austrian Airlines and Finnair.

In addition to insuring the five founding airlines' risks, the captives also write third-party coverage for about 30 other, mainly European, airlines.

Malcolm Nevitt, chief underwriter for Polygon in St. Peter's Port, Guernsey, confirmed that the Swiss-air MD-11's hull was insured for \$126.5 million.

Although he declined to specify the limits of Swissair's liability coverage, Mr. Nevitt said it was "more than adequate, and in line with the largest airline limits."

Major airlines typically carry \$1.25 billion to \$1.5 billion in liability limits.

The hull and liability coverage provided by the captives was rein-

## A Swissair statement says it will compensate relatives of Flight 111 passengers 'under applicable law.'

insured in major markets worldwide.

J&H Marsh & McLennan and Aon Corp. are the joint brokers, and coverage at Lloyd's was led by ACE London Aviation.

Swissair issued a statement saying it will compensate relatives of the passengers "under applicable law."

Swissair said relatives in immediate financial need would be given interim payments "as soon as possible" of \$20,000 per passenger.

This was the first fatal accident involving Swissair since October 1979, when a DC-8 overran the runway on landing at Athens, Greece, and 14 passengers were killed in the ensuing fire.

Earlier this year, SAirGroup outsourced all risk management functions to its London broker and assigned responsibility for risk management decisions to its corporate treasury department (BI, April 27).

SAirGroup Corporate Insurances was disbanded in March. All risk management functions, including the purchase of conventional insurance and the management of alternative risk financing programs, were taken over by SAirLink, a newly formed unit of broker J&H Marsh & McLennan Inc. in London.

While insurers should end up paying the full insured value of the aircraft, brokers said Friday it was too early to comment on the anticipated level of liability claims.

The MD-11 is manufactured by McDonnell Douglas Corp., and the first plane went into commercial service at the end of 1990. The plane that crashed last week entered service for Swissair in August 1991.

Prior to last week's disaster, this model of airplane had experienced only one other total loss. That was in July 1997, when an MD-11 cargo aircraft operated by Federal Express Corp. was destroyed by fire after an apparent hard landing at Newark International Airport in New Jersey. All five people on board escaped without injury.

In 1993, two passengers were killed onboard a China Eastern Airlines MD-11 when it temporarily went out of control.

Airclaims Ltd., a U.K.-based company that compiles airline safety statistics, reports that in the 12 months to Sept. 2 there have been 33 jet aircraft losses, including the Swissair MD-11, involving more than 1,400 fatalities.

Airclaims has no estimate of insured or total financial losses. **BI**

# Updates

## Aetna to cut Medicare offerings

Continued from page 2

ifornia, Connecticut and New Jersey, and PacificCare Health Systems Inc. is getting out of the Medicare risk market in Utah, southern Oregon and parts of Washington state.

Despite these pullouts, the number of retirees signing up for Medicare HMOs has climbed along with the number of plans in the market (BI, Aug. 24).

## ERISA pre-empts law: Court

ST. LOUIS—The Employee Retirement Income Security Act pre-empts an Arkansas law that requires insurers, health maintenance organizations and other health care plans to accept within their networks any provider willing to accept plan terms, a U.S. appellate court ruled last week, upholding an earlier ruling.

While ERISA does not pre-empt state regulation of the insurance industry, the Arkansas Patient Protection Act went far beyond insurer regulation, according to the 8th U.S. Circuit Court of Appeals.

"An act that purports to regulate 'health benefit plans' defined so broadly as to include employers and administrators of self-insured plans, as well as traditional insurance, simply does not fit with a common sense view of a law directly specifically toward the insurance industry," the appeals court ruled.

The 1995 Arkansas law, which a federal judge earlier permanently enjoined the state from enforcing (BI, Feb. 10, 1997), also barred health care plans from imposing different copayment or deductible features that would influence participants' choice of providers.

## Earl estimate below \$50 million

NEW YORK—Insurers will pay less than \$50 million in claims related to Hurricane Earl, according to estimates released Friday by the Insurance Information Institute.

The hurricane destroyed fewer than a dozen houses, though hundreds more suffered some damage—mostly water damage—as did approximately 50 businesses, according to preliminary statistics released Friday by the Florida Department of Community Affairs.

Earl, which battered parts of Florida's Panhandle last week before moving on to Georgia and South Carolina, does not appear likely to come even close to setting any records for insured property damage.

"Mostly, we will be dealing with people who have experienced flooding problems," Craig Fugate, chief of the Florida Division of Emergency Management's Bureau of Preparedness and Response, said in a statement released Friday.

Fears that Earl might prove as destructive as 1995's Hurricane Opal soon evaporated as Earl's winds slowed as it struck land. Opal caused an estimated \$1.8 billion in insured property damage along the Gulf Coast (BI, Oct. 9, 1995).

Meanwhile, the Property Claim Services unit of the Insurance Services Office Inc. estimated last week that insured property damage from late August's Hurricane Bonnie will total about \$360 million in three Southeastern states (BI, Aug. 31). North Carolina sustained most of the damage, registering estimated insured property damage of \$240 million.

## Briefly noted

Trinity Acquisition P.L.C., the consortium led by U.S. private equity firm Kohlberg Kravis Roberts & Co. L.P., last week declared unconditional its bid for Willis Corroon Group P.L.C. As of Sept. 1, Trinity owned or had received valid acceptances of its bid representing 64.05% of the London-based broker's shares. The announcement effectively puts an end to speculation that Aon Corp. would step in with a rival offer for Willis Corroon. . . . The California Supreme Court ruled last week in a wrongful termination case, *Richard Green vs. Ralee-Engineering Co.*, that employers' right to discharge employees can be limited by fundamental public policy that is embodied in administrative regulations. Employers previously were limited only by public policy found in constitutional or statutory provisions. Defense attorneys say the decision could lead to increased litigation against employers. . . . A Senate subcommittee rejected appeals from employer groups late last week and voted against funding for a "thorough and comprehensive study on ergonomics by the National Academy of Sciences." The businesses wanted a study completed before the Occupational Safety and Health Administration issues any ergonomic standard. OSHA has been considering promulgating such a standard—which is opposed by employers—for years, but has been repeatedly prohibited from doing so by Congress. . . . Proposed Labor Department regulations would require health care plans to decide within 72 hours claims involving urgent care and within 15 days for claims involving non-urgent care. Current regulations now give health plans 90 days to respond to claims by paying them, denying them, or seeking more information from participants. . . . The National Committee for Quality Assurance has downgraded its accreditation of Oxford Health Plans Inc. two steps to provisional accreditation from a full accreditation. The rating means Oxford meets some NCQA standards and has adequate programs for quality improvement. The downgrade, which is to be reviewed in a year, came after the NCQA conducted a discretionary review in May because of the health plan's ongoing financial problems. . . . The ERISA Industry Committee is asking the Pension Benefit Guaranty Corp. to adopt "more consistent and realistic assumptions" in valuing employers' pension plan liabilities and in measuring its own financial condition. . . . Aon Re Worldwide Inc. has formed Aon Re Europe to integrate its reinsurance brokerage operations throughout Europe. Jurgen Grupe, head of Aon Jauch & Huebener reinsurance operation in Germany, will serve as chairman of the new operation, effective immediately. . . . The Senate gave its final approval last Thursday to a Treasury Department appropriations bill that expands prescription drug benefits for federal employees by requiring that their health plans cover contraceptive drugs or devices (BI, Aug. 3).

# Hopewell

Continued from page 1  
a lawyer for Gold Medal, said in a January letter to Hopewell's lawyers.

The reinsurer is trying to force a Bermuda arbitration, General Mills charges, because under Bermuda law Hopewell would not automatically be bound to indemnify Gold Medal for any payment to General Mills.

General Mills also has attacked the runoff scheme itself, charging that Gold Medal—potentially Hopewell's largest creditor—was unfairly deprived of a vote on the plan. While the scheme required approval of captive ceding companies representing 75% of Hopewell's claims, Hopewell valued the General Mills pesticide claim at zero for voting purposes.

Gold Medal has not yet filed a formal claim with Hopewell, though it notified the reinsurer of the loss early on.

The captive and its parent company were scheduled last month to arbitrate a dispute between themselves over the exact amount of the loss. That arbitration was postponed, though, when Hopewell filed its bankruptcy petition.

A hearing on Hopewell's petition for protection under section 304 of the U.S. Bankruptcy Code is scheduled for Sept. 17.

Minnesota-domiciled Gold Medal was one of more than two dozen captives that ceded business to Hopewell, a property reinsurance facility operated by International Risk Management Group Ltd. exclusively for captive management clients of IRM and its affiliates.

Under the program, General Mills insured its property, business interruption and stock risks with Gold Medal with a \$20,000-per-claim deductible. Gold Medal then ceded 100% of the risk excess of a \$200,000 self-insured retention to Hopewell, which in turn kept 4.9% of the risk and retroceded the rest to dozens of other treaty reinsurers worldwide.

In 1995, "unfavorable market conditions" and low capitalization prompted Hopewell to cease underwriting. While still solvent, the reinsurer entered voluntary runoff under a scheme of arrangement approved by its creditors and later ratified by a Bermuda court.

The General Mills dispute began in 1994, when the Minneapolis-based cereal maker discovered that an independent contractor handling its stores of raw oat grain had been spraying them with a pesticide not approved by the U.S. Food and Drug Administration.

The spraying had occurred in 18 separate shipments of grain over a two-year period, court records say. General Mills later destroyed raw grain and 50 million unsold boxes of cereal after selling and shipping 110 million additional boxes made with the treated grain. The FDA an-

nounced that the pesticide was not a health threat, and General Mills did not recall the cereal it had already sold.

The contractor, which had used the unapproved pesticide while billing General Mills for a more expensive FDA-approved chemical, was convicted on fraud and other charges in 1994 and sentenced to five years in prison.

General Mills—which initially pegged its losses as high as \$226.3 million but later agreed to a "compensable loss" figure of \$168.8 million—filed a claim with Gold Medal. Gold Medal, however, denied coverage, arguing that there was no physical damage to property and citing policy exclusions for contamination and faulty materials, according to court records and a lawyer involved in the case.

This led General Mills in 1996 to take the unusual step of suing its own captive in a Minnesota court. The cereal maker separately pursued a claim in New York federal court against National Union Fire Insurance Co. of Pittsburgh, Pa., a unit of American International Group Inc. that wrote a malicious tampering policy for General Mills.

National Union settled the \$114.8 million tampering claim for \$17.5 million, court records show.

Meanwhile, General Mills and Gold Medal in April agreed to settle their dispute in a "baseball arbitration," in which each side would submit a settlement figure and an arbitrator would decide which was the more reasonable.

Gold Medal also warned Hopewell that it planned to file a reinsurance claim after the arbitration and if necessary sue Hopewell in Minnesota state court to compel it to arbitrate the reinsurance dispute in the United States.

Shortly before the scheduled arbitration, though, Hopewell obtained a Bermuda court order barring Gold Medal from suing it in the United States. The next day, July 30, Hopewell filed its bankruptcy petition in New York, seeking a similar injunction.

In its petition, Hopewell says Gold Medal's threatened lawsuit is a violation of the reinsurer's court-approved runoff scheme, which requires all disputes to be arbitrated in Bermuda.

Gold Medal can't argue that it is not bound by the runoff scheme, as Hopewell's creditors and the Bermuda court approved it, Hopewell says.

In addition, any judgment Gold Medal wins against Hopewell in the United States could scuttle the Hopewell runoff plan, because the captive would likely try to collect directly from Hopewell's dozens of U.S. retrocessionaires. This would deplete Hopewell's assets and encourage other captive clients of Hopewell to follow suit, the reinsurer charges.

"Hopewell thought it needed to protect its assets in the U.S.—particularly reinsurance receivables—against the possibility that Gold Medal

would seek to commence actions against the retrocessionaires," explained Jonathan Bank, a lawyer with Chadbourne & Parke, which is representing the Bermuda reinsurer.

General Mills and Gold Medal, though, charge that the bankruptcy filing is part of a pattern of bad faith conduct by Hopewell.

Gold Medal repeatedly invited Hopewell to participate in the defense of the pesticide claim, but Hopewell has refused and has declined to say how it would respond to a reinsurance claim. Hopewell also informed Gold Medal that its reinsurance agreement did not contain a "follow the fortunes" provision and that Hopewell would not be bound by any settlement or U.S. court judgment.

"Hopewell has already had a chance to associate with Gold Medal in the defense of the General Mills claim," the captive argues. "Hopewell deliberately chose not to do so as part of a scheme designed to compel General Mills to litigate its insurance claim not once, but twice—the second time in Hopewell's home court."

General Mills also charges that its captive was unfairly deprived of the voting power it should have had when Hopewell submitted its runoff scheme for creditor approval. Gold Medal got voting credit only for a small claim it had already settled, and there was no provision for it to contest the voting power assigned to it, according to General Mills.

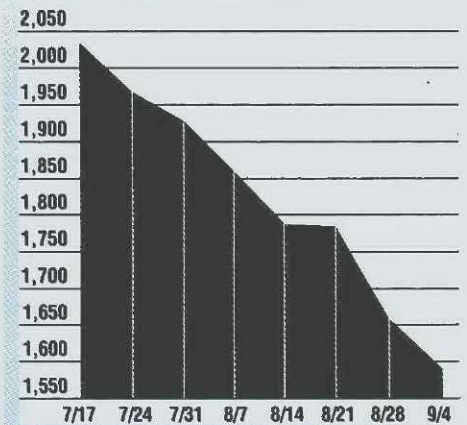
The runoff scheme improperly altered the provisions of the captive's contract with Hopewell—including a clause calling for arbitration of disputes in Minneapolis—and does not bar Gold Medal from taking legal action against Hopewell in the United States, General Mills and Gold Medal claim.

The captive insurer also denies that such action would threaten Hopewell's assets or the runoff scheme itself. Among other things, Gold Medal notes that Hopewell under the scheme collects from its retrocessionaires on a given claim and immediately pays that money to the captive insurer claimant rather than pooling all of its recoveries for a pro-rata distribution, as would happen in an insolvent liquidation. This means that Hopewell is merely acting as a "pass-through" for money that Gold Medal could collect directly, the captive argues.

General Mills and Gold Medal argue that Hopewell's bankruptcy filing should be thrown out for a number of reasons, including that the runoff scheme is a private contract and not the kind of court- or government-supervised proceeding that would qualify for ancillary bankruptcy protection in the United States.

While the two sides await a bankruptcy judge's ruling on the petition, they have agreed that General Mills and Gold Medal will not try to sue Hopewell and that Hopewell will stay its demand for a Bermuda arbitration. **BI**

## BI Insurance Index



Base=100 on Dec. 29, 1978  
Source: Nordby International Inc. (nordby.com) Boulder, Colo.

## PCS catastrophe options

| As of Sept. 4               | Call spread                 | Price bid/ask | Call spread            | Price bid/ask |       |
|-----------------------------|-----------------------------|---------------|------------------------|---------------|-------|
| National Annual 1998        | 60/80                       | 3.0/—         | California Annual 1998 | 150C          | 0.5/— |
| 100/120                     | —/6.0                       |               |                        |               |       |
| 120/140                     | NA                          |               |                        |               |       |
| Southeastern September 1998 | 40/60                       | 1.1/—         | Western Annual 1998    | 40/60         | 1.4/— |
|                             |                             |               | 80/100                 | 1.0/2.0       |       |
|                             |                             |               | 150C                   | 0.3/—         |       |
|                             |                             |               | Eastern September 1998 | 20/40         | 1.5/— |
|                             |                             |               | 40/60                  | 1.3/—         |       |
| Northeastern September 1998 | 100/150                     | —/1.6         |                        |               |       |
| Florida September 1998      | 40/60                       | NA            |                        |               |       |
| Total volume: 0             | Total open interest: 19,608 |               |                        |               |       |

For information on PCS cat options, call the Chicago Board of Trade at 312-435-3674.  
Source: Chicago Board of Trade

## British Issues

| Companies      | Price pence | P/E  | Div. pence | Yield % | 52-week high-low |
|----------------|-------------|------|------------|---------|------------------|
| Gdn Royal Exch | 255         | 4.0  | 13.4       | 5.2     | 495-253          |
| Legal & Gen    | 672         | 19.5 | 13.3       | 2.5     | 796-400          |
| Royal & Sun    | 508         | 13.0 | 23.6       | 4.6     | 825-472          |

| Brokers         | Price | P/E  | Div. pence | Yield % | 52-week high-low |
|-----------------|-------|------|------------|---------|------------------|
| Lmbrt Fenchurch | 111   | 8.6  | 5.7        | 6.4     | 138-100          |
| Lloyd Thompson  | 181   | 12.1 | 10.0       | 6.9     | 203-151          |
| Sedgwick Grp    | 208   | —    | 7.0        | 3.4     | 220-118          |
| Willis Corroon  | 199   | 23.3 | 6.9        | 4.2     | 210-116          |

Note: Prices are Sept. 4 closings; other numbers from Sept. 3.

Source: Nordby International Inc. (nordby.com) Boulder, Colo.

# BI Industry Stock Report AUG. 31, 1998, THROUGH SEPT. 4, 1998

### BROKERS

|                           | Price   | Weekly % change | Year to date % change | 52-week High | Low   | Vol.(000) |      |
|---------------------------|---------|-----------------|-----------------------|--------------|-------|-----------|------|
| Aon Corp.                 | NYS     | 60.88           | -6.26                 | 3.84         | 75.56 | 50.00     | 2480 |
| E.W. Blanch Holdings Inc. | NYS     | 37.38           | 3.28                  | 8.53         | 38.75 | 28.69     | 122  |
| Gallagher Arthur J. & Co. | NYS     | 38.44           | 3.36                  | 11.62        | 46.56 | 33.56     | 253  |
| Hilt, Rogal & Hamilton    | NYS     | 18.19           | 2.83                  | -5.83        | 19.63 | 15.38     | 45   |
| Kaye Group Inc.           | NDO     | 7.00            | 5.66                  | 5.66         | 9.00  | 6.13      | 27   |
| Marsh & McLennan          | NYS     | 48.88           | -4.87                 | -1.88        | 64.31 | 44.00     | 3886 |
| Poe & Brown               | NYS     | 35.00           | -5.72                 | 17.65        | 42.50 | 23.88     | 41   |
| Sedgwick Group PLC        | NYS     | 17.13           | 0.74                  | 39.09        | 17.75 | 9.63      | 225  |
| Willis Corroon Corp.      | NYS     | 16.25           | 1.56                  | 31.98        | 16.88 | 9.75      | 440  |
| BROKERS                   | AVERAGE |                 | 0.85                  | 13.38        |       |           |      |

### INSURERS/REINSURERS

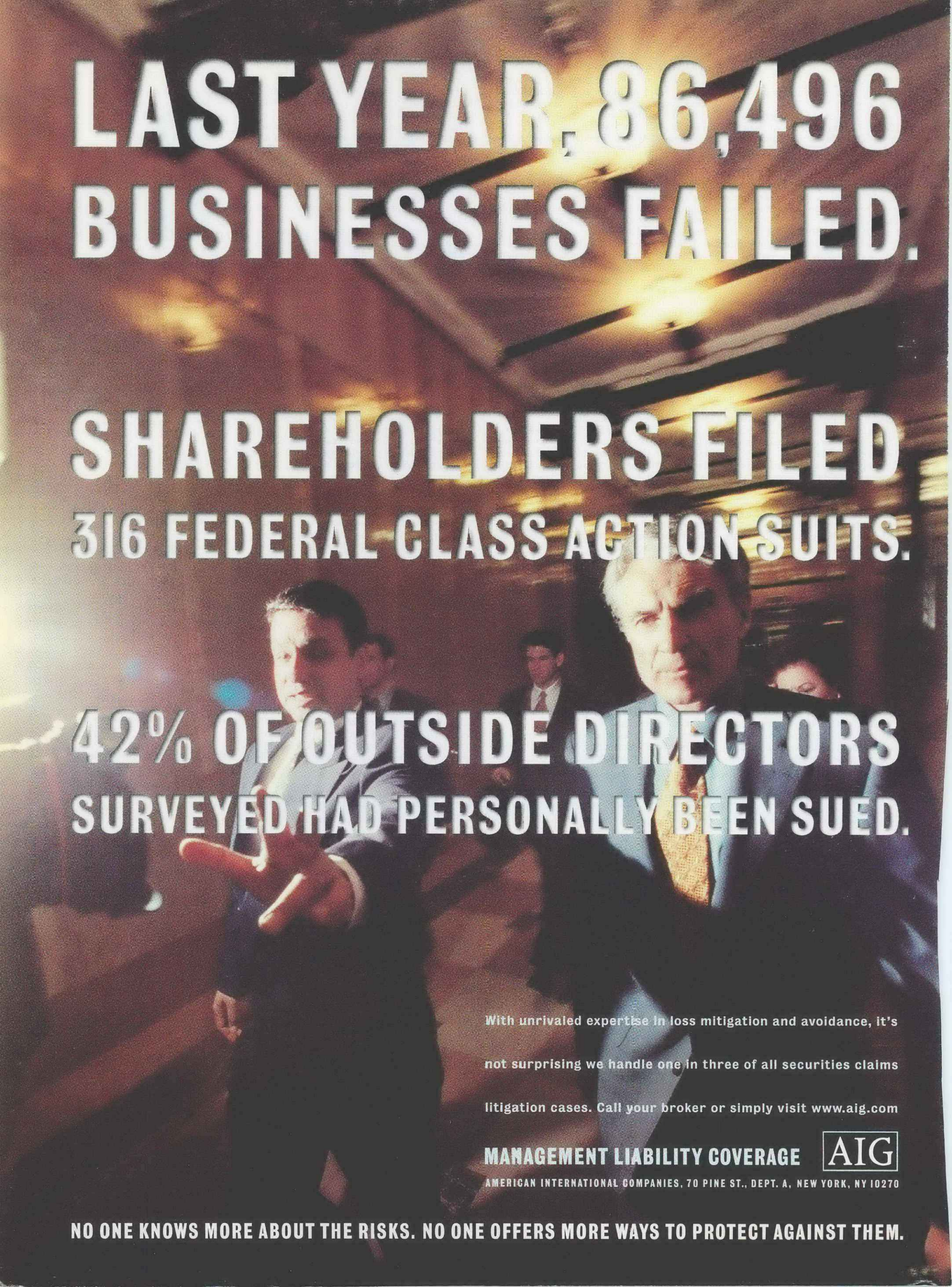
|                             | Price | Weekly % change | Year to date % change | 52-week High | Low      | Vol.(000) |       |
|-----------------------------|-------|-----------------|-----------------------|--------------|----------|-----------|-------|
| ACE Ltd.                    | NYS   | 27.88           | -11.68                | -13.34       | 43.00    | 27.88     | 2535  |
| Acceptance Insurance Cos.   | NYS   | 18.56           | -12.13                | -23.26       | 28.63    | 18.56     | 114   |
| AEGON N.V.                  | NYS   | 92.88           | 1.99                  | 10.25        | 111.31   | 36.63     | 695   |
| Aetna Life & Casualty       | NYS   | 65.06           | 3.27                  | -7.79        | 106.94   | 60.19     | 3237  |
| AFLAC Inc.                  | NYS   | 28.25           | -2.38                 | 10.51        | 38.25    | 22.13     | 3568  |
| Allied Group Inc.           | NYS   | 47.50           | 0.26                  | 65.94        | 47.56    | 25.00     | 588   |
| Allstate Corp.              | NYS   | 37.69           | -3.37                 | -16.71       | 52.38    | 35.44     | 13016 |
| AMBAC Indemnity Corp.       | NYS   | 48.94           | -2.61                 | 6.39         | 65.94    | 38.94     | 2541  |
| American Bankers Ins.       | NDO   | 52.56           | -1.75                 | 14.42        | 66.06    | 32.38     | 1859  |
| American Financial Group    | NYS   | 33.50           | -1.47                 | -16.90       | 46.75    | 32.88     | 295   |
| American General            | NYS   | 62.13           | -6.67                 | 14.91        | 75.69    | 46.56     | 3143  |
| American Heritage Life Ins. | NYS   | 19.13           | -5.26                 | 6.25         | 26.06    | 17.06     | 72    |
| American Indemnity/Fin'l    | NDO   | 12.13           | -3.96                 | -12.61       | 15.50    | 9.50      | 4     |
| American International      | NYS   | 76.25           | -6.87                 | 5.17         | 102.38   | 64.75     | 18261 |
| American Safety Insurance   | NDO   | 9.75            | 2.63                  | -20.81       | 15.06    | 8.69      | 51    |
| Argonaut Group              | NDO   | 26.00           | 1.71                  | -23.25       | 38.13    | 24.38     | 55    |
| AXA-UAP Group               | NYS   | 48.88           | -15.37                | 25.32        | 71.25    | 31.81     | 560   |
| Baldwin & Lyons Inc.        | NDO   | 22.56           | 5.25                  | -6.48        | 28.75    | 18.63     | 6     |
| Berkley W.R. Corp.          | NDO   | 31.13           | -6.04                 | -29.06       | 49.88    | 30.00     | 742   |
| Berkshire Hathaway Inc.     | NYS   | 60000.00        | -6.69                 | 30.43        | 84000.00 | 41800.00  | 5     |
| Capital RE Corporation      | NYS   | 24.75           | -11.41                | -20.24       | 38.69    | 24.25     | 635   |
| Capitol Transamerica Corp.  | NAS   | 17.06           | -10.20                | -19.94       | 28.13    | 16.75     | 40    |
| Centris Group Inc.          | NYS   | 10.38           | 6.41                  | -7.00        | 14.81    | 8.88      | 78    |
| Chartwell Re                | NYS   | 25.63           | -2.84                 | -24.07       | 36.25    | 25.19     | 58    |
| Chubb Corp.                 | NYS   | 63.38           | -3.34                 | -16.20       | 88.81    | 62.13     | 3811  |
| CIGNA Corp.                 | NYS   | 61.56           | -1.10                 | 7.14         | 74.50    | 45.63     | 4270  |
| CNA Financial Corp.         | NYS   | 37.38           | -0.33                 | -12.23       | 53.25    | 35.13     | 805   |
| CNA Surety                  | NYS   | 12.88           | -6.36                 | -16.60       | 16.75    | 12.56     | 137   |

|                                | Price | Weekly % change | Year to date % change | 52-week High | Low    | Vol.(000) |      |
|--------------------------------|-------|-----------------|-----------------------|--------------|--------|-----------|------|
| EMC Insurance Group Inc.       | NDO   | 11.75           | -6.93                 | -11.32       | 15.88  | 11.75     | 20   |
| ESG Re Limited                 | NDO   | 15.63           | -13.19                | -33.51       | 28.88  | 15.63     | 430  |
| Enhance Financial Services     | NYS   | 26.94           | 2.38                  | -9.45        | 37.56  | 23.31     | 309  |
| Everest Reinsurance            | NYS   | 36.44           | -3.00                 | -11.67       | 45.25  | 33.00     | 1244 |
| Executive Risk Inc.            | NYS   | 37.00           | -7.50                 | -47.00       | 75.75  | 35.50     | 824  |
| EXEL Ltd.                      | NYS   | 63.25           | -8.08                 | -0.20        | 83.25  | 63.25     | 1905 |
| Fremont General Corp.          | NYS   | 42.75           | -5.52                 | -21.92       | 62.13  | 40.75     | 605  |
| Frontier Insurance Group       | NYS   | 13.75           | -7.17                 | -39.89       | 35.69  | 13.25     | 1056 |
| Gainsco Inc.                   | NYS   | 7.63            | 16.19                 | -10.29       | 10.19  | 5.75      | 233  |
| General RE Corp.               | NYS   | 203.00          | -8.82                 | -4.25        | 275.00 | 191.00    | 2719 |
| Gryphon Holdings               | NDO   | 14.50           | 17.17                 | -13.43       | 19.38  | 11.38     | 199  |
| Harleysville Group             | NDO   | 22.00           | 2.33                  | -8.33        | 28.50  | 19.25     | 112  |
| Hartford Steam Boiler          | NYS   | 43.56           | -0.71                 | 18.40        | 59.56  | 33.25     | 324  |
| HCC Insurance Holdings         | NYS   | 18.75           | -4.46                 | -11.76       | 29.38  | 15.63     | 389  |
| ING Groep N.V.                 | NYS   | 56.75           | -1.94                 | 34.12        | 76.75  | 38.88     | 862  |
| IPC Holdings Ltd.              | NDO   | 23.25           | -10.36                | -27.77       | 33.25  | 21.19     | 92   |
| Hartford Financial Services    | NYS   | 44.94           | -3.75                 | -3.94        | 60.00  | 39.25     | 2626 |
| LaSalle Re Holdings Ltd.       | NYS   | 27.00           | -9.81                 | -23.67       | 42.94  | 27.00     | 151  |
| Life Re Corp.                  | NYS   | 90.19           | -0.07                 | 38.35        | 92.94  | 49.75     | 610  |
| Lincoln National               | NYS   | 84.81           | -4.50                 | 8.56         | 98.88  | 64.63     | 1462 |
| MAIC Holdings Inc.             | NYS   | 25.69           | 3.01                  | -4.10        | 30.38  | 23.94     | 77   |
| Market Corp.                   | NYS   | 150.06          | 2.39                  | -3.88        | 187.00 | 138.00    | 21   |
| MBIA Insurance Group           | NYS   | 56.50           | -6.61                 | -15.43       | 80.94  | 55.50     | 1918 |
| Meadowbrook Insur. Group       | NYS   | 25.06           | -0.99                 | -3.84        | 35.00  | 21.88     | 28   |
| MMI Cos. Inc.                  | NYS   | 15.63           | -7.06                 | -37.81       | 27.06  | 15.25     | 105  |
| Mutual Risk Mgmt. Ltd.         | NYS   | 31.81           | 1.80                  | 6.26         | 39.94  | 23.56     | 440  |
| NAC Re Corp.                   | NYS   | 47.69           | 0.79                  | -2.30        | 55.88  | 43.50     | 272  |
| Navigator Group                | NDO   | 16.38           | -5.76                 | -12.81       | 22.50  | 16.25     | 20   |
| Nobel Insurance Ltd.           | NDO   | 0.75            | 0.00                  | -94.29       | 1.00   | 0.40      | 12   |
| NYMagic Inc.                   | NYS   | 22.94           | 5.46                  | -16.78       | 34.25  | 21.75     | 11   |
| Ohio Casualty Corp.            | NDO   | 37.00           | -2.47                 | -17.09       | 51.75  | 37.00     | 430  |
| Old Republic Int'l             | NYS   | 22.63           | -1.09                 | -8.74        | 32.25  | 22.00     | 1146 |
| Orion Capital Corp.            | NYS   | 36.88           | -4.07                 | -20.59       | 59.25  | 35.13     | 888  |
| Partner Re Ltd.                | NYS   | 41.56           | 0.76                  | -10.38       | 52.50  | 39.56     | 275  |
| Penn-America Group Inc.        | NYS   | 9.88            | -11.73                | -51.83       | 23.00  | 9.88      | 141  |
| Pennsylvania Manufacturer's Co | NDO   | 19.00           | -1.30                 | 13.43        | 23.75  | 16.25     | 181  |
| Philadelphia Cons. Holding     | NDO   | 19.06           | -1.93                 | 7.39         | 24.38  | 15.50     | 123  |
| PXRE Corp.                     | NYS   | 27.19           | -3.33                 | -18.08       | 35.25  | 26.44     | 136  |
| Reliance Group Holdings        | NYS   | 13.06           | 0.48                  | -7.52        | 19.81  | 12.06     | 1414 |
| Reliastar Financial Corp.      | NYS   | 37.44           | -12.94                | -9.10        | 52.44  | 33.63     | 1846 |

### HEALTH MAINTENANCE ORGANIZATIONS

|                                | Price   | Weekly % change | Year to date % change | 52-week High | Low   | Vol.(000) |      |
|--------------------------------|---------|-----------------|-----------------------|--------------|-------|-----------|------|
| Foundation Health Systems Inc. | NYS     | 12.31           | 7.65                  | -44.66       | 33.94 | 9.94      | 3182 |
| Humana Inc.                    | NYS     | 15.25           | 17.31                 | -26.51       | 32.13 | 12.25     | 6315 |
| Oxford Health Plans            | NDO     | 6.94            | 14.43                 | -55.42       | 79.63 | 5.81      | 6321 |
| Pacificare Health Sys.         | NDO     | 58.25           | -5.28                 | 15.92        | 88.88 | 46.75     | 250  |
| Salguard Health Enter.         | NDO     | 5.00            | -6.98                 | -62.96       | 14.88 | 5.00      | 50   |
| Sierra Health Services         | NYS     | 16.94           | 3.83                  | -24.44       | 27.75 | 15.88     | 473  |
| United Healthcare Corp.        | NYS     | 36.00           | 0.88                  | -27.55       | 73.94 | 29.56     | 9275 |
| Wellpoint Health Networks      | NYS     | 54.06           | -1.70                 | 27.96        | 75.00 | 38.63     | 2550 |
| HMOs                           | AVERAGE |                 | 3.77                  | -24.71       |       |           |      |
| ALL COMPANIES                  | AVERAGE |                 | 0.68                  | -6.78        |       |           |      |

Top advancing issues: Humana Inc., Gryphon Holdings, Gainsco Inc. Leading decliners: Travelers Corp., AXA-UAP Group, ESG Re Ltd. Most active issue: Travelers Corp. The BI Index declined 4.3%; the Dow Jones 30 Industrials fell 5.1%; the S&P



**LAST YEAR, 86,496  
BUSINESSES FAILED.**

**SHAREHOLDERS FILED  
316 FEDERAL CLASS ACTION SUITS.**

**42% OF OUTSIDE DIRECTORS  
SURVEYED HAD PERSONALLY BEEN SUED.**

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