EMERSON, REID'S

INSURANCE OBSERVER

Volume 3, No. 1 | 10 Columbus Circle, New York, New York 10019 (212) 765-2103 | March, 1991

Gala Depression Issue

For those who have already forgotten, the 1980s gave us a lollapalooza of a financial boom. It was an era when it was considered smart to hock yourself to the eyeballs to accumulate New York City real estate, Japanese stocks, department stores, and Van Goghs. In his best-selling opus, Donald Trump elevated his style of commerce to the metaphysical level—he didn't do it for the money, he did it because that's his *art form*.

Undoubtedly, it will be debated for some time whether the 1980s boom was the real thing or just a false prosperity fueled by massive deficits, easy credit, and optimistic accounting. But the zeitgeist of the era was a simple one: Buy now and pay later.

The insurance industry took part in the party. Property-casualty premiums more than doubled; policyholders' surplus almost tripled. The true growth in surplus was even greater because many companies went into the decade with large unrealized losses in their bond portfolios. For example, CNA (a fine company that we admire and do a lot of business with) had a net worth of $1.14 billion in 1981. Had its stock and bond portfolios been marked-to-market the company's net worth would have been a mere $51 million. Today its marked-to-market net worth is well over $4 billion.

The 1980s were doubly kind to the insurance industry. Not only did insurance company stock and bond portfolios enjoy extraordinary returns, but insureds enjoyed extraordinary growth, which created demand for more insurance. But good times never last forever. To some extent, the health of the insurance business follows that of the economy, but it is less affected than many industries, since insurance tends to be a necessity, while a new Cadillac, for example, isn't. Still, it's worth pondering whether the fat years will be followed by as many lean years, and how the insurance industry might fare in such a situation. Since we have a fondness for financial history, we've boned up on the Great Depression, with the thought that the past might give us some clues to the future.

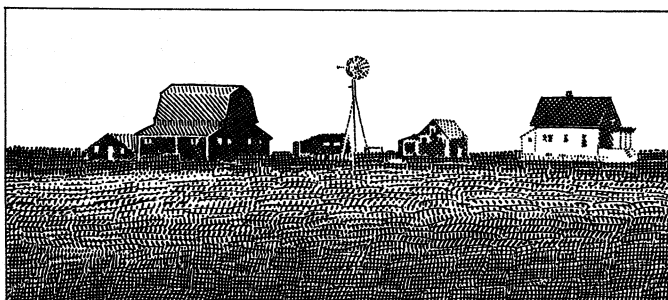
The 1920s is often remembered as an era of giddy prosperity. Compared to what had come before, it certainly was. The United States ran a budget surplus from 1920 to 1930 and actually *retired* about $450 million of debt annually. The railroad business was America's largest industry, and railroad bonds, considered the bluest of blue chip securities, were owned in large quantities by America's insurance companies.

> ***Keep On Truckin'***
> Life insurers typically devote 20% of their investment portfolios to mortgages, and currently hold about $230 billion of long-term commercial mortgages.

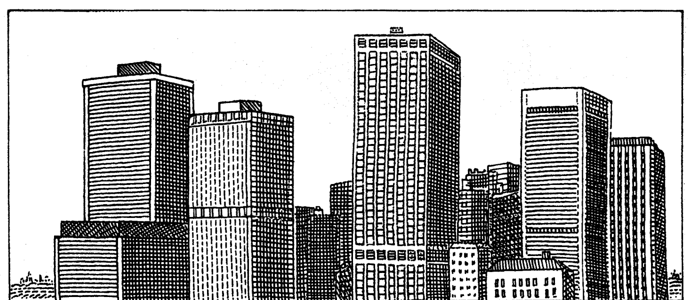
On the Friday before the stock market crash, Herbert Hoover stated confidently: "The fundamental business of the country, that is the production and distribution of commodities, is on a sound and prosperous basis." As we all know, that was a bad call. Although the market crash didn't cause the Depression—business conditions had been declining for months—it is certainly a convenient historical marker.

The gravity of the situation was not immediately recognized. Bankers and business leaders responded by forming investment pools to prop up falling stocks. In his fine study of securities markets from 1929-1933, *The Crash and Its Aftermath*, Barrie Wigmore writes that Albert Conway, New York's superintendent of insurance, urged "casualty companies to buy common stocks, and met with the presidents of Prudential Life, Mutual Life, New York Life, and Equitable Insurance to discuss

A HISTORY OF BAD LIFE INSURANCE COMPANY INVESTMENTS



1935



1990

what support they could give to the stock market." Conway also looked into changing the New York law that prohibited life insurance companies from buying common stocks.

On November 21, 1929, a week after Treasury Secretary Andrew Mellon had announced a 1% cut in individual and corporate taxes to stimulate the economy, Hugh D. Hart, vice president of The Penn Mutual Life Insurance Company, delivered an address before the Boston Life Underwriters Association Luncheon. He said that one of the "marvelous stabilizing factors" of the current financial situation was that Americans were carrying "a financial reserve of $100 billion of non-shrinkable, non-declinable, non-panicable life insurance." His words were greeted with applause, but there would soon come a time when the life insurance companies, like the banks, would temporarily shut their doors.

The stock market crash didn't have an immediate effect on life insurance sales—they continued to rise during the first four months of the new decade, before beginning a five-year decline —but it did increase the demand for policy loans. Farmers were hit particularly hard due to declining commodity prices, and in early 1930, Secretary of Agriculture Arthur M. Hyde implored the life insurance companies to not tighten their farm loan standards. This request, not unlike President Bush's recent exhortation for banks to make more loans, ignored the fact that insurance companies and banks are essentially custodians of other people's money, not pawns of public policy. Charles W. Gold, vice president of Jefferson Standard Life Insurance Company and president of the American Life Convention, made no bones about his feelings. He wrote that the farmer had been plied with cheap money, which "in many instances had not gone to farm betterment but for purchasing luxuries which might have been left unpurchased." Life insurance companies sharply curtailed new farm loans in the 1930s.

EMERSON, REID'S
INSURANCE OBSERVER

David Schiff, Editor
Emerson, Reid's Insurance Observer is published periodically by Emerson, Reid & Company, Inc., the leading General Agent, Intermediary and Specialist in New York DBL. Subscriptions available upon request. Editorial and executive offices at 10 Columbus Circle, New York, N.Y. 10019. Telephone: (212) 765-2103.
Copyright © 1991 by David Schiff. All rights reserved.

Well-run insurance companies tend to be countercyclical businesses. Since they invest in fixed-income securities, a recession or depression should enhance the value of their bond portfolios because interest rates would tend to fall. During the Great Depression, however, issuers and mortgagors defaulted in record numbers, and there was a profound lack of liquidity in corporate bond markets for several years. Still, insurance companies were sheltered from the worst of the Depression. In 1930, Continental Insurance, which was coming off a good year, voted salary increases for all its officers. Hawthorne Daniel, in his history of The Hartford Fire Insurance Company, *The Hartford of Hartford*, writes that many soundly managed insurance companies didn't find conditions all that bad. Early on The Hartford had decided not to lay off employees, *"except for a handful of married women whose pay was not vital to the welfare of their families* [emphasis added]." The company did institute a 10% reduction in salaries, but that was more than offset by the reduced standard of living. In 1933, salaries of Equitable Life's home office employees were reduced by 6% to 10%, but restored the next year.

According to David Holt Winton's *Recollections of Johnson & Higgins*, the venerable brokerage house was "swept into the maelstrom, but persevered." Winton recalls two across-the-board pay cuts for the staff, one of 10% and another of 20%. These cuts were revoked in 1934 and 1935, and no employees were let go. Winton asserts that J & H's partners bore the firm's losses, but we're skeptical as to whether there really were any "losses." Most likely there were smaller profits. Indeed, one fellow who remembers those days told us that it was common for brokers to make a 25% commission, and that because there were no risk managers there was little competition. In other words, it was a much easier environment than that of today.

At The Hartford's home office men wore green celluloid eyeshades and gray cotton jackets. At J & H they wore beige alpaca jackets that were issued by the firm. Shirtsleeves were forbidden during business hours, but no gentleman would have wanted to be seen in suspenders, anyway.

During the Depression the total number of fires declined and arson was less frequent, especially during the Bank Holiday. ("Holiday" is such a cheerful euphemism.)

In 1932, America's largest fire insurance company was The Home, whose net written premiums of $40.5 million were almost $9 million lower than 1929's figure. During the 1920s fire and casualty companies had invested heavily in common stocks, and The Home was no exception. Their portfolio was massacred during the market's decline, and The Home's own stock fared poorly, falling from a high of 77 1/2 in 1929 to a 1932 low of 6 7/8. Had The Home been forced to mark its investments to market in 1932 it would have been, on paper, insolvent. Many other insurers were in a similar bind, but the National Convention of Insurance Commissioners came to their rescue by approving a resolution that allowed insurance companies to value their securities at June 30, 1931 prices, which were significantly higher. There were precedents for this move, as similar actions had been taken in 1907 and in 1917 through 1921. One could argue that playing fast and loose with accounting standards is a dangerous game. One could also argue that in 1931 such a game was called for and that it worked. There's no question that the fire and casualty business was a much better business then than it is now. It operated in a stable, cartel-like fashion, and long-tail liability business barely existed.

Despite The Home's problems, corporate dividends were still paid, although at reduced levels. In fact, by the summer of 1932, insurance stocks (and most other stocks) were screaming buys. The Wall Street firm of F. L. Brokaw & Co. took out an ad in *The American Agency Bulletin* to pound the table. "Insurance stock prices [have] been forced down so far below anything justified by the condition of the companies that it appears

certain the upward movement in sound issues will be correspondingly swift when it comes," the ad stated, prescient-ly. In an article two weeks later, one of Brokaw's employees, E. C. Wilkinson, pointed out that insurance stocks were "selling for about fifty cents on the dollar of *liquidating portfolio*." (It isn't uncommon for the stocks of sound, well-managed insurance companies occasionally to trade at bargain basement prices. Such a situation occurred recently. In November 1990 we purchased shares of CNA for a shade over 54. Book value was approximately 70, and the balance sheet rock solid and well reserved. We sold our shares in late January for 77.)

By 1932, railroad bonds had collapsed and utility bonds became the favored corporate bond investment. Commodity prices touched lows that hadn't been seen since the 1870s. When the Dow Jones Industrial Average touched bottom at 41 in 1932, it had declined almost 90% from its peak of 381 just three years earlier. Non-farm unemployment averaged 36.3%. Franklin D. Roosevelt, then New York's governor, signed a bill raising state taxes by $76 million. At the national level there was widespread business and bipartisan support for a balanced budget. "Our currency rests predominantly upon the credit of the United States," said Treasury Secretary Ogden Mills. "Impair that credit and every dollar you handle will be treated with suspicion."

The credit socialization process had already begun. Hoover signed the Reconstruction Finance Corporation (RFC) into law in January 1932. The RFC is the granddaddy of all sorts of government financing programs, including today's Resolution Trust Corporation, whose job it is to bail out the S & L industry. Railroads, banks, and insurance companies requested RFC loans to assist them when they couldn't meet maturities or had liquidity problems. By May, the RFC's lending authority was increased to $3 billion.

New York City experienced a major financial crisis in 1932, and most major hotels, including the Pierre, the Waldorf-Astoria, the Carlyle, and the Plaza were in default, bankruptcy, or reorganization. Just as they are today, big time real estate wheeler-dealers were squeezed. Henry Mandel, who had over $400 million in assets, declared bankruptcy. The Metropolitan Life Insurance Company had to restructure its $27.5 million mortgage on the Empire State Building, which was only one quarter full by 1933. The city of Newark couldn't roll over its debt and would have defaulted had not Prudential Life, Mutual Benefit Life, and others come through in a pinch with $6 million. Still, the city had to defer wages that were owed to firemen and policemen.

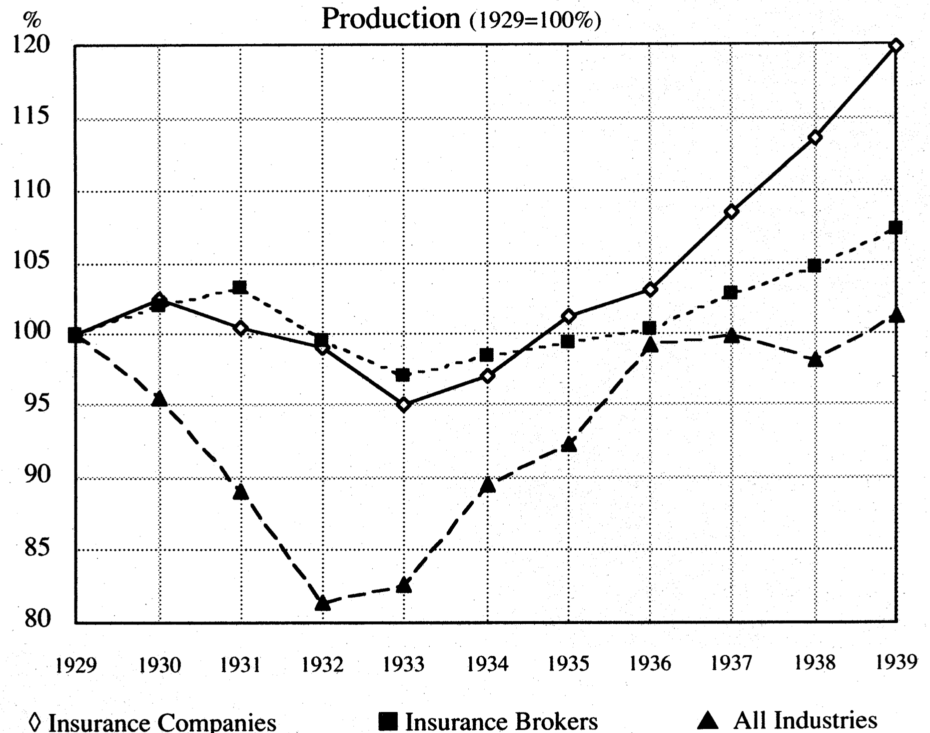
Between February 14 and March 4, 1933 (Roosevelt's inauguration day), all banks in the nation closed. Stock and commodity exchanges also closed, and the RFC became the lender of last resort for the financial system. By year end, it had made loans to 5,582 banks, 877 savings banks, and 101 insurance companies.

Major changes were made during Roosevelt's first hundred days. The gold standard was abolished, thereby devaluing the dollar and reversing the trend of declining prices, and contracts payable in gold were abrogated. The federal government guaranteed all bank deposits up to $2,500, despite Roosevelt's strong objection. (The President felt that federal guarantees would undermine market discipline.) Commodity prices soared, and wages increased.

New York City banks, then the strongest in the nation, reopened a week after the Bank Holiday was declared, and by March 29, 70% of the nation's 18,000 banks had reopened.

How did life insurance companies fare during this time? It isn't mentioned often, but the answer is . . . not particularly well. On March 9, 1933, in order to prevent a run on life insurance companies, the insurance commissioners of most states, including New York, ordered a "moratorium" on both policy loans and payments of surrender values. A brochure put out a little later by the Insurance R & R Service entitled "You Can't Turn the United States Into Cash" explained that the moratorium was declared, *not to save the companies, but to save the country!*

"Sinister and malignant forces were at work in the United States," the brochure declared in florid prose. "Like a smothering octopus the hoarding evil spread itself about . . . It was economic suicide . . . The people had to be saved from themselves . . . [Life insurance companies] became the victims of a financial situation in which they had had no part. They were guilty of no sin except



that of being able to stand where others fell . . ." Well, that's one way of looking at it. Bankers could have made the same argument.

According to R. Carlyle Buley's history of the Equitable Life Assurance Society, disability claims doubled in the four years following the Crash, but delinquencies and defaults weren't as bad as one might have expected. Despite Buley's assertion, the statistics look gruesome to us. Only 79% of the mortgage interest due Equitable in 1932 was paid, and just 83% of the principal payments due were made. The Society received 89% of rents due on foreclosed properties, and 99% of interest owed on its bond investments. Many life insurance companies were under pressure to liquidate assets and weren't prepared for the Bank Holiday, but "Equitable was not too hard pressed, for it had foreseen this contingency [policyholders drawing down their reserves] and had set aside some $78 million for this purpose."

Buley notes that devaluing the gold content of the dollar, which had the effect of creating inflation, caused great concern within the life industry. "Insurance agents noted an increasing tendency on the part of prospects and policyholders to question the desirability of purchasing life insurance, the benefits of which would be paid in dollars of uncertain value."

Clearly it was rough going. By the end of 1933, 25.5% of Equitable's residential mortgages were in default, and by 1934, 9% were in foreclosure. By 1933, 49% of their farm loans were in "serious default." During the 1930s the Society foreclosed on 14,500 city properties and 8,000 farms. Equitable's foreclosed farms totaled more than 1.1 million acres, most of which weren't unloaded until after the start of WWII, when food prices ticked up.

The Society also experienced numerous defaults on its railroad bonds—one-third of the railroad plant in the U.S. was in bankruptcy—and became involved in twenty-five rail receiverships.

In 1935, Equitable's president, Thomas I. Parkinson, spoke critically of the New Deal and "the error that was made in teaching the people to believe that the Government could do for them something they couldn't do for themselves." He blasted deficit financing, low interest rates, inflation, and unsound currency: "There can be no greater threat to the character and economic future of this country than the ceaseless pursuit of fiscal policies which so operate to discourage thrift." According to Buley, Parkinson, a lifelong Democrat, was upset that the Reconstruction Finance Corporation competed with life insurance companies for good loans.

Equitable's individual policies declined from 221,000 in 1930 to 129,000 in 1933. Annuities became quite popular, though, due to the low interest rates and uncertain investment climate, and their sales almost tripled during the same period.

According to Marquis James' *The Metropolitan Life—A Study in Business Growth*, thirty-nine life insurance companies failed between 1929 and 1936, with some loss to policyholders in each case. Not surprisingly, the principal cause of failure was "flagrantly bad investment policies." None of the failed companies was domiciled in New York and only one had been permitted to do business there.

The Metropolitan had invested heavily in city mortgages, which totaled

Call the Leader in DBL

Emerson, Reid & Company is recognized as the leading general agency specializing in DBL.

Since no insurance company comes through for you all the time, you can't afford to limit yourself to a handful of carriers. That's why you need Emerson, Reid. We place business with over 19 major carriers, including 9 that have an A+ Best's rating.

If you want the best deal, it's simple. Call us. Our professional staff can handle your DBL needs quickly over the telephone.

EMERSON, REID & COMPANY, INC.

GENERAL AGENTS • INTERMEDIARIES • SPECIALISTS IN DBL

TEN COLUMBUS CIRCLE
NEW YORK, NY 10019
(212) 765 2103

38.9% of assets in 1929. Although James says that the Met's "financial position was so secure that at no time during the depression was it obliged to sell or to contemplate the sale of a security to meet current needs for cash," by 1932 its investments were ragged-looking. At year end 1929 its bond portfolio had been worth 99.9% of book value, but two years later it was down to 81.4% of book. Given that life insurance companies are highly leveraged, one could argue that the Met was, on paper, just about worthless. By 1933 the portfolio was up to 85.9% of book and by 1935 it was back to 98%.

The Met, which was the largest holder of railroad securities in the country, became, by the end of the decade, the largest farmer in the country, due to foreclosures. To manage their two-million-plus farm acres, the company formed a "department of agriculture."

The insurance industry did have some vocal critics. A September 20, 1933 article in *The Nation* by James P. Sullivan and David D. Stansbury lambasted the life insurance industry. Asserting that it employed a "cloak of mystery" to hide the intricacies of its operations, the authors said that life insurance companies had been "perverted into an unsound species of banking concern."

One of their big complaints was that no "conservative and decent" insurance operation would be able to pay such high first-year life insurance commissions. They faulted the industry for selling "life insurance as an investment" and said that the claims of safety, liquidity, and high rate of return to policyholders were "fake."

Furthermore, "the measures taken [to solve the insurance industry's problems in 1933] . . . were purely palliative. Securities were given fictitious valuations . . . which gave [the insurance companies] the appearance of solvency." All in all, "it was nothing more or less than the old Ponzi racket on a giant scale."

But "the day of reckoning came at long-delayed last" once the life insurance moratorium was declared. In most states the moratorium lasted long after the Bank Holiday ended.

Yet the industry muddled through, and prospered . . . sort of.

By 1937, Carroll B. Merriman, a Kansas banker who was also a director of the RFC, told a gathering that "no business on earth so important to mankind [had come through the Depression] with such clean hands" as had the life insurance business. "My faith in the soundness and safety of life insurance has been so great," he explained, "that I have bought it for myself." It's worth adding that he was addressing a gathering of six hundred New York and New Jersey insurance executives.

A 1939 RFC report to the President and Congress noted that $104 million had been lent to insurance companies and that 95% of this had been repaid. While this figure sounds quite satisfactory, it's fascinating to note (in light of the S & L industry's current problems) that $118 million had been lent to Building & Loan Associations and 98% of that had been repaid.

So ends our report. We should remind ourselves that now, without a depression, many of the largest insurance companies are doing poorly. They are withdrawing from lines of business, restructuring, closing offices, and laying off employees. The old goal of being a financial supermarket, of being all things to all people, seems . . . old. The new goal, therefore, is to retrench, to operate within niches, to stick to one's knitting.

Of course, there is no panacea. Jumping on the bandwagon of retrenchment won't solve what ails the insurance industry. For some it will work, and for some it won't. It's that simple.

Goodbye New Jersey, Hello Iowa

In 1990, the mean automobile insurance premium in New Jersey was $1,444. It was only $466 in Iowa,

Goodbye Iowa, Hello Poland

In 1988, per capita insurance premiums in Poland were just $16.50.

DBL Leader Offers Many Markets

We hate to brag, but we just had to get this off our chest. Emerson, Reid, well-known as the leading general agency specializing in New York DBL, has more than nineteen DBL markets available, twelve of which have Best's ratings of A or better. Since no insurance company can come through for you all the time, you can't afford to limit yourself to a handful of carriers. That's where we come in. No one else even comes close.

Will Your Insurance Company Go Bust?

You know things are changing if you received in the mail, as we did recently, an invitation to spend $895 (not including airfare and hotel) to attend a two-day seminar on insurance company insolvency. The ugly situation within the nation's financial institutions has scared the dickens out of depositors, regulators, investors, and just about everyone else who reads the papers—and with good reason. But the big question that remains to be answered is a toughie: Will insurance companies start falling like dominoes?

Before we proceed, a little background information is in order. The insurance business is an old one; it dates back to the Phoenicians, or so they teach us in Insurance 101. It's a mature industry selling generic products, and is peopled by regular Joes.

After a rash of insolvencies in the nineteenth century, the property-casualty industry settled into the comfortable ways of a cartel. Risk information was shared and filed rates were, for the most part, adhered to by most companies; contracts were the same or similar. Nonetheless, the industry had its cyclical peaks and valleys, but these were wave-like and predictable. This pleasant pattern began to change during the 1970s with the advent of higher interest rates and the shift to long-tail casualty business. In 1975 liability premiums accounted for 47% of all premiums. By 1988 the figure was 57%. This type of business generates greater float, but is difficult to price and harder to reserve for.

Although the insurance industry is more concentrated today than it was in the past, it is still highly fragmented. There are 3,800 property-casualty companies and 2,300 life-health companies in America. Despite being highly competitive, the industry isn't highly effi-

cient. Indeed, *The Economist* writes, "For longer than anyone dreamed possible, insurers competed by cutting prices rather than cutting costs, and this has put many companies' profits into a long-term tailspin."

While the property-casualty companies were stumbling all over themselves underpricing long tail business, the life companies suddenly realized that they were "financial institutions" and began to compete by designing products that offered high yields. Universal life and variable life, which barely existed a decade ago, accounted for about 40% of all life insurance by the mid-1980s, and still account for more than 30%. Since these products and others, such as guaranteed investment contracts (GICs) and annuities, had to compete against high-yield bonds, money market funds and a surging stock market, insurance companies began to stretch for yield on their own investments. The results have not been attractive.

Does that mean insurance companies are poised on the precipice of insolvency? Congressman John Dingell, who worries about such things, has been investigating this matter. *Failed Promises*, his House Subcommittee's report, warns of parallels between the S&L business and the insurance business, and makes for entertaining reading.

Many others are worried about the life industry's investments in real estate and junk bonds, but not Richard Jenrette, Chairman of the eventually-to-be-demutualized Equitable Life. He told *The Economist* last year that "the concern about solvency and asset quality of the major life insurance companies is very much misplaced."

We don't think so. Although the banking industry is in worse shape than the life insurance industry, bank deposits are guaranteed by the federal government. Life insurance policyholders are only protected by state guarantee funds. There should be no question in anyone's mind that it is preferable to be guaranteed by the federal government, which can print all the money it needs, than by a state government (like New York) that's in the throes of a fiscal crisis. Furthermore, there is no money in New York's Life Insurance Guarantee Fund. Not a cent. In the event of an insolvency—assuming a company couldn't be found to absorb the failed insurer—the necessary money would have to come from assessing the remaining insurance companies. If times got bad and several large insurance companies failed, trying to squeeze funds out of the surviving companies would prove difficult, if not impossible.

Let's assume you agree that there is reason for concern; the bigger question is: Just how concerned should we be? *Rating the Risks—Assessing the Solvency Threat in the Financial Services Industry*, a report written by Orin Kramer and published by the Insurance Information Institute, concludes that "it is almost inconceivable that the banking or insurance regulatory systems, or the industries themselves, would permit a major bank or insurer to fail." That assertion has been bandied about the insurance press lately, perhaps as proof of the industry's soundness. But a perusal of the 127-page report is revealing.

Kramer points out that the financial services business ain't what it used to be. Competition, risk, and leverage have increased, and profitability has decreased. There are too many players chasing too few dollars of good business. As a result, the industry will continue to consolidate through mergers and acquisitions. "The greatest strains placed on the property and casualty insurance industry," Kramer writes, "are the demands that have been placed by society," i.e., private passenger auto and workers' compensation insurance. These account for 49% of the industry's premiums and a disproportionate percentage of its losses. Over the longer term, opines Kramer, the industry's greatest exposure "lies in the risk of judicially-imposed liability for the cost of cleaning up toxic waste sites." After all, someone's got to foot the bill.

In a brief chat, Kramer said *sure, it's possible* that a major insurance company could fail, but he didn't think there was a "systemic solvency crisis" in the industry. Although his report states that "a large property and casualty insurance insolvency in the foreseeable future is extremely unlikely," there was a major caveat, and that was *as long as there isn't a major earthquake*. Well, the bad news is that there will be a major earthquake. We just don't know when it will happen. If it happens soon, or if nothing is done to prepare for it in the future, the result will be disastrous.

The gist of the insurance industry's problems is one that isn't going to change: insurance is a lowdown, no-good business. A recent ISO study concluded that the property-casualty insurance industry's return on equity was lower than that of most other industries, even though it had to take at least as much risk. The industry's return on equity during the 1974-1989 period was 10.8%, which the report concluded "was not excessive." Perhaps only cynics (or curmudgeons such as ourselves) would suggest that the insurance industry might want to publicize its second-rate profitability so as to deflect criticism that it is charging customers too much.

Although there may not be a "solvency problem" right now, at the very least there is the potential for one. Which brings us to Joseph Belth's *Insurance Forum*. (Last year we recommended this newsletter to you, and we'll do it again right now. If you're interested in the intricacies of the life insurance business, don't be a cheapskate, shell out the fifty bucks for a sub-

An Insurance Underwriter — 1991

scription.) Belth recently concluded that A.M. Best eased its standards in 1976, thereby substantially increasing the number of life insurance companies that received the highest ratings. For example, out of a group of 100 companies that were rated by both Best and Standard & Poor's, 53 received a higher rating from Best. Of the 1,448 property-casualty companies that received a letter rating from Best as of July 30, 1990, 83.1% (1,230 companies) received a rating of A- or better. Only 16 companies garnered a rating lower than B-.

If it could be argued that Best's standards are too lenient, one might say that Weiss Research's ratings are the polar opposite. Of the 232 life companies rated A+ by Best, only 4 were rated A+ by Weiss. The question to ask regarding Weiss's ratings is whether they're too conservative. Our feeling is that they're worth considering.

Weiss's ratings differ from Best's in many respects. For example, Best has no categories indicating "poor" or "weak," and all companies with more that $10 billion in assets received an A+ Best's rating. Furthermore, Best will not issue a rating if the insurance company asks it not to. Weiss contends that its system helps "flag potential problems in such a way that the average consumer will be adequately informed in a timely fashion."

Weiss's ratings will probably surprise you. Some of America's biggest household name insurance companies receive a rating of C (fair). We were particularly intrigued to note that one of the largest DBL insurers in New York was rated E+ (very weak). This company also made the "Ten Lowest-rated Companies with over $1 Billion in Assets" list. (By the way, we don't do business with this carrier.)

Naturally, there are those who will say that Weiss's standards are far too stringent and that those of us who worry about solvency, debt, and credit are nothing more than die-hard doom-and-gloomers who worry that the sky is falling.

Maybe they're right. But then again, maybe they aren't.

♦

They Said It

"Everything is set for another hard turn in the market, whenever it comes. I dread the thought of our people having to face clients with increases [as high as 700%] as they did in the last market."

—Richard M. Miller, Chief Executive of Willis Corroon, 1991

We have yet to meet a broker who wouldn't love to see premiums surge 700%.

The Great American Novel

The Hallie Lawrence Story (St. Martin's Press, $18.95), a new novel by Joyce Walter, is a must read, and we're not saying that just because she happens to be married to Emerson, Reid's president, David Schiff.

Funny, outrageous, bittersweet, and compelling, these are words that come to mind while reading this wonderful book. Although Hollywood Pictures (a division of Disney) has bought the film rights, don't wait for the movie. Buy the book.

New Jersey TDB—Kiss the State Fund Goodbye

Unlike New York, where most of the DBL is written with private insurance carriers, in New Jersey most of the TDB (Temporary Disability Benefits Law) is written through the State Fund, which (obviously) doesn't pay any commissions. That's crazy! Emerson, Reid has a number of very competitive markets that are actively seeking TDB.

In case you need a refresher in TDB, here it is: the law requires employers in New Jersey to provide short term disability benefits to their eligible employees who are unable to work because of an off-the-job injury or sickness.

The benefit is 66²/₃% of the average weekly wage to a maximum of $272 per week. Rates are a percentage of the first $14,000 of annual wages per person.

Benefits begin on the eighth day of disability and there is a twenty-six week duration. If an employee is disabled for three consecutive weeks following the waiting period, benefits are retroactive to the first day of disability.

A significant lead time is generally needed to write TDB because there's a decent amount of paperwork involved, so it's important to get started as soon as possible.

Long Term Disability for Small Groups —Finally

Emerson, Reid has an excellent LTD program available for groups with two to nine employees. Give Natalie Ross or Steve Austin a call right away to learn more about this.

Travel Accident

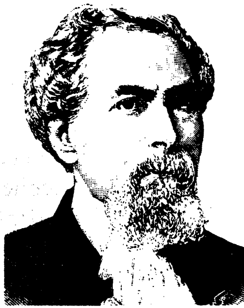
We do so much DBL business that our clients sometimes forget that we do a great job with Travel Accident. That's too bad—for us and for them. So from now on, think of Emerson, Reid for all your Travel Accident accounts. Give us a call and we'll take care of you.

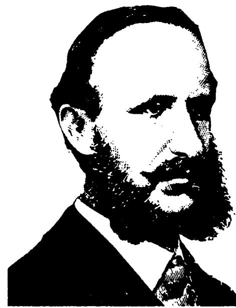
Enriched DBL for Small Groups—You Asked for It

Many of you have asked about enriched DBL for groups with less than fifty lives. That's not surprising, since there's an increased demand from insureds for programs with higher-than-statutory limits.

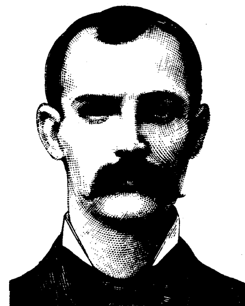
We want you to know that we've got several markets available, and that the programs are quite attractive.

CAN YOU SPOT THE GREAT NAMES IN DBL?





SEARS | ROEBUCK | BARNUM | BAILEY



SMITH | WESSON | EMERSON | REID

EMERSON, REID & COMPANY, INC.

GENERAL AGENTS ♦ INTERMEDIARIES ♦ SPECIALISTS IN DBL

TEN COLUMBUS CIRCLE
NEW YORK, NY 10019
FAX (212) 246 0876
(212) 765 2103