



Globalization

... During the 1970s ... international development was by no means ignored. ... The search continued for ways to acquire a London broker. Historically, a number of U.K. brokerages differed from their American counterparts. Either they did not initially broker insurance or insurance played a minor role in their business. This anomaly was present in the development of the three largest firms — C. T. Bowring and its competitors, Willis Faber & Company, Limited, and Sedgwick, Collins & Company (Sedgwick).

...By the end of 1973 ... the London insurance market, particularly Lloyd's, had become increasingly significant (to U.S. brokers). ... Most Lloyd's placements were for marine and aviation risks, a mix that changed radically as clients' liability exposures escalated.

... To provide optimum client service, brokers had to control the ultimate source of their insurance placements — yet only a Lloyd's broker could place Lloyd's business. Although these brokers were eminently qualified, a non-Lloyd's broker ... could never be certain about the information given to the underwriters. This lack of control became an increasing source of frustration for "foreign brokerages."

... In December 1973, ...(A&A) initiated merger discussions with Matthews Wrightson Group Ltd. (MWG) and with Alexander Howden Swann (Howden) in London. ... Although neither MWG nor Howden matched the overall appeal of Sedgwick, Howden's disadvantages seemed more manageable.

... In 1974, serious acquisition negotiations began ... Detailed information was exchanged and a pro forma analysis providing financial figures for a combined organization was prepared. Major hurdles were identified in accounting, exchange control, and legal and tax issues. ... A profit sharing arrangement was considered. However it was discarded when ownership percentages could not be agreed upon. Finally, (the) only agreement was to establish a small Bermuda joint venture that would facilitate reinsurance business with clients with captive insurance companies.

... One of the many issues (that needed to be resolved) was the U.K. law precluding foreign brokers from taking more than a 20 percent equity interest in a Lloyd's broker. By 1977, this regulation appeared destined for revision...

...Early in 1978, F. B. Hall bid for London broker Leslie & Godwin Limited. Undaunted by Lloyd's threats and restrictions, ... Hall purchased Leslie & Godwin in August and placed its Lloyd's broking segment into an independent trust. After F. B. Hall's action, Lloyd's finally acquiesced and other combinations of U.S. and U.K. brokers appeared on the

horizon.

...(In September, A&A) participated in several intense meetings with Sedgwick... Another was with all the senior officers of Howden. Yet another was at an elaborate dinner hosted by eight of C.T. Bowring's most senior executives and wives. This gracious affair was pulled off without a hint of the following day's announcement that C. T. Bowring and Marsh & McLennan intended to enter into a profit-pooling arrangement.

... (A November 1978 meeting outside of London between A&A and the top officers of Sedgwick Forbes and Bland Payne resulted in an announcement) that talks were in progress. ... (The) announcement stunned the insurance world, which was still absorbing the disclosure of M&M's pursuit of C. T. Bowring. ... Endless speculation circulated about the intentions of the world's major insurance brokerages.

...Unfortunately, ... legal and tax obstacles eventually proved impossible to overcome. ...Merger talks (between A&A, Sedgwick and Bland Payne) were terminated in 1981. ...No remaining prospects met the criteria previously established However, Howden came closest.

... At the time that A&A acquired Howden (in 1982), seven employees held key positions. Ian Posgate was the most highly visible, albeit controversial, underwriter at Lloyd's. Michael Glover, an aviation brokerage specialist, had been appointed Howden's CEO the previous September, although he had little of a CEO's conventional authority. Ron Iles chaired the brokerage operations and was a top reinsurance specialist. The real management of Howden resided in four men who constituted an informal executive committee. Ken Grob was chairman; he and Ron Comery called all the shots. Their instructions were implemented by Allan Page, as chief financial officer, and Jack Carpenter, overseer of the in-house insurance companies. ... As (A&A) and the rest of the world would eventually learn, this team played by a private set of rules and in a league of their own. ...These four men would shortly become known in the media as "the Gang of Four," or just "The Four."