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Gun Maker Wants No Gun Shows Sales

DENVER (AP) - The nation's largest gun manufacturer has begun instructing distributors not to sell its firearms at gun shows, apparently the first policy of its kind, The Denver Post reported Saturday.

In contracts with distributors this year, Sturm, Ruger & Co. states that its shotguns, rifles and handguns be supplied only ``to federally licensed firearms dealers selling exclusively from their regular place of business," the newspaper said.

Millions of guns are sold or traded every year at an estimated 4,400 gun shows nationwide. Federally licensed gun dealers must conduct background checks on gun-show customers, but unlicensed private dealers are not required to conduct the checks.

``This is a new policy that no other manufacturer has made. I think what they're doing is remarkable," said Tony DiChario, a Ruger distributor in Rochester, N.Y.

In a notice to about 5,000 retailers, his company, AmChar Wholesale, has asked them to adhere to the new policy.

``Please do not display or sell any Ruger firearms at any gun shows. Ruger firearms must only be sold from licensed retail dealer establishments," the notice says.

Unregulated sales at gun shows became a target of criticism after weapons sold without background checks at the shows were used in the Columbine High School massacre. Fifteen people, including the two gunmen, died in the attack last spring.

But Colorado's largest firearms dealer questioned why customers who pass background checks should be treated differently at gun shows than at stores.

``I think it's absolutely ludicrous," said Dave Anver, owner of Dave's Guns in the Denver suburb of Aurora. ``We're talking about federally licensed entities that do background checks."

Sturm, Ruger, based in Fairfield, Conn., has made and sold more than 13 million guns since it was founded 50 years ago. It ranked as the top

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- Handgun Control and The Center to Prevent Handgun Violence - organization working for stricter gun controls. Review selected editorials, read about kids and guns, and get updates on gun industry lawsuits.
- Outgunned: How the Network News Media Are Spinning the Gun Control Debate - report that alleges a pro-gun control bias in the media. From the Media Research Center, a conservative media watchdog organization, January 5, 2000.
- America's Weapons of Choice - statistical data on guns and

13 million guns since it was founded 50 years ago. It ranked as the top gun manufacturer in the United States last year.

Company officials declined to comment on their reasons for the new policy.

Sturm, Ruger remains a defendant in lawsuits filed by 28 cities and counties seeking to recover the costs of gun-related violence, according to the Post.

Other gunmakers, including California-based Davis Industries, have taken steps to limit their liability. Davis, a company that specialized in cheap handguns, filed for bankruptcy protection in May. And Colt's Manufacturing Co. announced last fall that it was curtailing its production of handguns.

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As a stocking dealer of Smith & Wesson products, I recognize that the sale and distribution of firearms is a significant and important undertaking for both my business and the community. I accept, as a Smith & Wesson stocking dealer, the responsibilities and obligations delineated by law and by virtue of my relationship with Smith & Wesson. I pledge and agree to the following:

- **I will maintain a store premise which will serve as a principal place of business for all the time that I am a Smith & Wesson Stocking Dealer.**
- **I will provide to Smith & Wesson as part of this application the following:**
  - **a. verification by photograph or other similar means of a storefront premises;**
  - **b. a yellow page listing;**
  - **c. Retail Tax Certificate (or equivalent);**
  - **d. a valid signed Federal Firearm License;**
  - **e. a signed application and Code of Responsible Business Practices.**
- **The retail sale and distribution of firearms is regulated by numerous federal, state and local laws and regulations. As a responsible retailer of firearms, I will be familiar and comply with these laws.**
- **I will employ trained and competent personnel who will adhere to the laws and requirements which relate to the sale and distribution of firearms.**
- **I will not sell or advertise new Smith & Wesson products through {Shotgun News, Gun List} or other similar publications.**
- **All new Smith & Wesson firearms will be sold with a locking device such as currently provided by Smith & Wesson and all applicable safety and instruction manuals that accompany the product.**
- **I will not make a sale of a firearm without completing all required federal, state and local applications and forms, satisfying all legal requirements.**

- **I will verify as required by law all information required for the completion of the sale. I will not knowingly sell a firearm to anyone who cannot produce proof of identity, age and residence.**
- **I will not knowingly sell a firearm to an individual not authorized by law to own one.**
- **I will not make any sale in which I have reason to believe false or misleading statements have been made with respect to the actual purchaser of the firearm. I will not knowingly sell firearms to "straw purchasers;" i.e., persons who illegally purchase a firearm for another.**
- **I will not knowingly buy or sell stolen firearms.**
- **I will not knowingly sell a firearm to any person if the person's purchase or possession would be in violation of any law or regulation applicable at the place of sale or delivery.**
- **I will maintain all records required by the Bureau of Alcohol, Tobacco and Firearms, as well as all other records required under applicable federal, state and local laws which relate to the sale and distribution of firearms, and I will cooperate with law enforcement officials when requested to provide information relating to those records.**
- **Smith & Wesson may, at its sole discretion, suspend or terminate my Stocking Dealer rights for any reason, with or without notice, including in the event a claim is brought by a government or law enforcement agency in which the business or distribution practices of the Stocking Dealer are called into question.**

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Company or Store Name

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Signature *(Owner or Manager)*

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Handgun Makers Recoil as Industry Shakes Out

By Paul M. Barrett
And Alexei Barrionuevo
Staff Reporters of The Wall Street Journal

A group of California handgun manufacturers, whose small, inexpensive weapons police often associate with crime, are retreating from the cheap-gun market.

GUNS

The little-noticed development began several years ago and could be the first stage of a substanial shakeout in the gun business. A wave of municipal lawsuits against the entire handgun industry appears to be accelerating the restructuring.

People in both the pro- and antigun camp predict that the process could result in the disappearance of some smaller gun makers, an increase in overall prices, and greater stability for the larger players. What's more, the restructuring could encourage the remaining big companies to accept greater regulation, which could be the basis for settling the municipal suits.

The California handgun makers are in the spotlight following the church rampage last week in Fort Worth, Texas. One of the pistols carried by gunman Larry Gene Ashbrook was made by Arcadia Machine & Tool Inc., a small manufacturer typically included among the so-called Ring of Fire companies, named for their location ringing Los Angeles.

Mr. Ashbrook, a 47-year-old loner, killed seven people and injured seven more, and killed himself at Wedgwood Baptist Church. He appears to have done most of his bloodletting with a 9mm pistol, made by the largest U.S. gun company, **Sturm, Ruger** & Co., of Southport, Conn. But he also carried a small .380 semiautomatic from Arcadia, one of the company's Backup line, which it pitches as a concealed backup weapon for police officers or civilians.

The other half-dozen companies in the Ring of Fire all have ties to the extended Jennings family, a legendary clan of firearm entrepreneurs; Arcadia, now owned by **Galena Industries** Inc. of Irwindale, Calif., doesn't. Arcadia's weapons aren't linked to crime as frequently as those of some other Ring of Fire manufacturers. But like the Jennings-related companies, such as **Lorcin Engineering** Co., **Bryco Arms** Inc. and **Davis Industries** Inc., Arcadia in the early 1990s stepped up production of smaller models such as the .380.

The gun industry as a whole enjoyed a boom in 1993 and 1994, when people stocked up on firearms in reaction to industry-fanned fears that passage of the Brady background-check law foreshadowed even stiffer gun restrictions. But the Ring of Fire companies particularly thrived.

Arcadia was "part of that whole move to produce a lot of smaller personal-protection pistols at a reasonable price," says Robert Ricker, a veteran industry lobbyist in Sacramento, Calif. Law-enforcement investigators say that Mr. Ashbrook paid about $175 for his Arcadia Backup, a model with a reputation for durability. A comparable Lorcin retails for $100 or less and is known as a "junk gun" because of a tendency to jam. Top-quality handguns typically retail for $350 to $550.

A predictable slump followed the fat times of 1993-94. The southern California companies making smaller guns were hardest hit. As gun foes began focusing critical attention on the Ring of Fire companies, those manufacturers were actually cutting production sharply.

Other factors exacerbated the difficulties Ring of Fire companies faced. Some larger companies, such as Smith & Wesson Corp., a unit of Britain's Tomkins PLC, stepped up marketing of small personal-protection guns. Also, the decline in violent- crime rates is thought to have dented consumer demand for such guns. "That end of the market has been in trouble for a while," says Mr. Ricker, the lobbyist.

Last month, the Ring of Fire suffered another blow when California enacted a law intended to ban "junk guns" that fail tough new safety standards. Most of the larger gun companies, which didn't aggressively oppose the law, can probably meet its tougher standards and would benefit if their low-price competitors are hurt.

Meanwhile, lawsuits filed by cities and counties around the country are taking yet another toll. The suits, filed by 27 municipalities so far, seek reimbursement of public gun-violence costs and reform of industry marketing and distribution practices.

Faced with potentially crippling legal expenses, two of the southern California companies, Davis Industries of Chino, and Sundance Industries Inc. of Valencia, have sought bankruptcy-court protection. Lorcin Engineering of Mira Loma has ceased operation, citing management problems as well as the litigation.

The owners of some of these gun makers may resurface in new guises. James Waldorf, Lorcin Engineering's co-founder and former president, for example, says he plans to start producing higher-end guns in Nevada. Arcadia, which is named in only some of the suits, this year has promoted a limited-edition high-end model, in an apparent continuing move away from mass-production of lower-priced handguns.

Like most gun companies, Arcadia is privately held and doesn't release financial information. Officials at its parent didn't return telephone messages seeking comment. An industry person familiar with the situation said Galena Industries was in the process of moving the Arcadia gun-making operations to South Dakota.

Gun-industry veterans, as well as critics, believe that a significant restructuring of the gun business could be underway.

"This could be the first stage of a very rational shakeout in a business under tremendous pressure," says Tom Diaz, a senior analyst with the antigun Violence Policy Center in Washington and author of "Making a Killing," a 1999 book on the gun business. He predicts "some cleaning out of bottom-feeders," leaving a more consolidated industry of larger companies that will seek to nudge prices up and possibly move away from production of smaller, cheaper handguns.

Mainstream industry officials contest much of Mr. Diaz's book and publicly tend to avoid criticism of the low-end companies. But privately, some executives with major manufacturers say that they wouldn't mourn the Ring of Fire's fading.

In fact, in the face of the municipal lawsuits, some of the larger firearm manufacturers are taking steps they hope will be seen as distinguishing themselves from the Ring of Fire. Although modest, these steps are significant because in the past, gun makers have responded to demands for reform by arguing that there is little they can do to control what happens to guns once they leave the factory.

Colt's Manufacturing Co. of West Hartford, Conn., for example, has discussed with the New York state attorney general's office ways that the company might be willing to supervise sales of its guns more closely. New York Attorney General Eliot Spitzer has threatened to be the first state official to join the antigun litigation unless major manufacturers agree to a more restrictive industry "code of conduct." Colt's independently has begun using federal law-enforcement data to examine criminal trends in the use of its guns-a step that until now gun makers have strongly resisted.

It isn't clear how far this trend will go. The industry says it plans to fight the lawsuits in court. In Washington, the National Rifle Association, which represents gun-owner interests, is resisting any substantial increases in federal gun control.

THE WALL STREET JOURNAL
MONDAY, SEPTEMBER 20, 199

Property Insurers Slash Loss Estimates From Hurricane Floyd to $800 Million

By Deborah Lohse

Staff Reporter of The Wall Street Journal

The nation's property insurers, which early last week feared that Hurricane Floyd could cause as much as $4 billion in insured losses, now expect to pay significantly less, perhaps $800 million or more.

Most of the damage is expected to stem from relatively minor structural damage to homes in North Carolina and more than a dozen other states.

"The numbers are not as high as initially anticipated, because the storm veered further off the East Coast, didn't hit any major urban area [at its full strength] and much of the damage on the East Coast was flooding," said Steven Goldstein, a spokesman for the Insurance Information Institute, a trade group in New York.

Early last week, the insurance industry predicted insured losses of $4 billion. And even after the storm largely bypassed Florida, some research companies that predict insurance losses based on insurance-company exposure models estimated that insured losses could top $2 billion. But the Insurance Information Institute said Friday that, until homeowners and adjusters in many flooded states could get in to assess damage, current estimates as of Friday were more like $800 million.

Still, such estimates have been a moving target since Floyd first started threatening the Florida coast. Many homeowners and insurance claims adjusters were just being granted access in recent days to areas rendered impassable due to hurricane-driven flooding. Insurance executives say the highest concentration of claims so far have come from hard-hit North Carolina, where Floyd first made landfall, but that a steady stream of claims had come in from more than a dozen affected states from Florida to New England.

Adding to the uncertainty, much of the damage wreaked by Floyd has been in the form of flooding, a loss that won't be borne directly by the nation's private homeowners' insurers, but rather by the federal government's flood-insurance program—provided homeowners had purchased such coverage. Typical private homeowners' policies don't cover flooding, which is deemed too risky and expensive for insurance carriers, and only a small percentage of homeowners in flood-plains areas purchase the relatively expensive federal coverage.

Moreover, unlike with past disastrous hurricanes like Andrew in 1992, those homes with structural damage by and large don't appear to be total losses, insurance-company executives say. "A lot of it has been in the form of trees smashing into homes," said Orysia Meyers, property officer for Nationwide Insurance, a subsidiary of **Nationwide Mutual Insurance** Co. of Columbus, Ohio.

No matter how extensive the damage, insurers expect that their overall exposure will be reduced due to the industry's imposition in recent years of so-called hurricane deductibles on many coastal homeowners' policies. Such deductibles are payments representing a percentage of an insured home's value—say 2% to 5%—that homeowners must pay before receiving insurance reimbursement. Someone with a $300,000 home and a 5% deductible would have to pay $15,000 before insurance payments kick in.

Another expected source of losses for insurers is due to the cars damaged by the hurricane and resultant flooding. Car owners covered by comprehensive auto insurance policies will be reimbursed for such damage, said Steven Goldstein, a spokeman for the New York-based trade group Insurance Information Institute. "We're expecting a lot of auto claims," said Mr. Goldstein, who said such claims have not hit insurers by and large yet.

State Farm Mutual Automobile Insurance Co., of Bloomington, Ill., Friday projected it will process about 26,000 homeowners policyholder claims in states from Delaware south to Florida, paying an estimated $55 million in the process. It had not projected losses from damages north of Delaware. State Farm projected it would receive 5,000 auto claims costing $12 million.

Allstate Corp., another large property insurer based in Northbrook, Ill., said by Friday it had received 11,000 claims from 15 states, with the highest volume of claims, 2,400 coming from North Carolina.

Similarly, Nationwide said that as of about midday Friday, it had received fewer than 10,000 claims, but that many people in areas of the Northeast hadn't been able to assess damages in order to make claims. "There are still a lot of people who need to get back to their homes, see the damage, and others who are without power" said Ms. Meyers of Nationwide. "I don't think we've peaked yet, not even close."

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