

Thomas J. Finley, Jr. Receives Franklin Award

The Chapter's 3rd Annual Franklin Award was presented to Thomas J. Finley, Jr. at a special luncheon in honor of the occasion at the Hershey Hotel in Philadelphia on March 20th.

Some 80 plus CPCUs and friends of Mr. Finley came out to honor the outgoing President of the Insurance Federation of Pennsylvania. The keynote speaker was Henry Hager, former Secretary Pro Tempore of the Pennsylvania Senate and the next President of the Federation. Hager recalled his early days and in a lighter moment told the audience how he called upon Finley years ago to get information on getting an agent's license and the fact that he has never sold a policy. He praised Finley's work as Federation President and briefly discussed the new financial responsibility law, reminding the audience that those complaining should keep in mind that there were 110 attempts to amend the law and that the rate increases we see now really had nothing to do with the new law.

Honored guests at the head table with Mr. Finley and Mr. Hager were Tom Hagen, Chairman of the Insurance Federation of Pennsylvania; James W. Hamilton, CPCU, CLU, Executive Vice President of the Society of CPCU; Edwin S. Overman, Ph.D., CPCU, President of the American Institute for Property and Liability Underwriters and the first recipient of the Franklin Award; Mariellen Whelan, Ph.D., Executive Vice President of the Insurance Society of Philadelphia and the second recipient of the Franklin Award; and Philip N. Spinelli, CPCU, President of the Philadelphia Chapter of CPCU, who presented the award.



A proud Tom Finley holds award presented by President Phil Spinelli

New Officers and Directors Elected at the April 19 Business Meeting

During the April 19 meeting the following officers and directors were unanimously elected for the term beginning July 1, 1985.

President	Vincent D. Phillips, CPCU
First Vice President	Pamela H. Godwin, CPCU
Second Vice President	Albert P. Federico, Jr., CPCU
Secretary	John J. Kelly, CPCU
Treasurer	Raymond E. Lindsey, CPA, CPCU
Director Two Years	Joseph L. Folz, CPCU
Director Two Years	Frederick Roe, CPCU

Two other directors, Joseph McNasby and Anne Kopanski, are also part of the 1985/86 Board and have one more year of their term to serve.



Franklin Award 1985 recipient Tom Finley flanked on right by last year's recipient, Mariellen Whelan, and on left by 1983 and first recipient Ed Overman.



Franklin Award keynote speaker Henry Hager addresses crowd



A jovial Tom Finley laughs with Ed Overman and President Elect Vince Phillips.



Finley reflects the past as he addresses the audience.



Tom Finley (left) is greeted by Dick Neiley at the award luncheon.

The President's Corner



*Philip N. Spinelli,
CPCU President*

As we wind down to the end of another fiscal year and for me, the end of my term as Chapter President, my first inclination is to review and summarize the events of the past two years. As a Chapter, we have taken great strides forward in meeting the challenges of continuing education, CPCU visibility, and community service; all those attributes which are inherent in a professional organization.

But the past is prologue, as the great soothsayer once said, and rather than look back, I prefer to look forward with great anticipation. I am extremely elated with the quality of the people who constitute

the officers and directors of this Chapter. I see a Board full of enthusiasm and desire to continue the forward moving momentum which distinguishes the Philadelphia Chapter in terms of accomplishments. I know the Chapter officers and directors will have the continued fine support from the membership, for without that support, success will be elusive.

And so, as I face the final curtain, I would like to say thank you to all the fine people who make up this organization. Thanks for your help, thanks for the accomplishments, and thanks for the honor of having me serve as your president during the past two years. I will now join that prestigious group, the fraternity of past-presidents. Have a fun-filled summer; see you in September. CAIO!



Alan J. Turner, CPCU (right) was in attendance at the Franklin Award luncheon. Alan, a Los Angeles Chapter member, was in Philadelphia on business and works for Transamerica.



Chapter member Mike McCarthy receives Personal Sponsorship Award presented by Candidate Development Chairman Joe McNasby at the April 19 meeting. Other recipient, Bill Arnold, could not make the meeting.



Some of the audience at the April 19 meeting

April Meeting Update Mikolis Analysis of Current Tight Market and Future Trends

At the Chapter's April 19 meeting, keynote speaker Robert Mikolis presented his views on how the current tight market came about and what we can expect in the future.

"Underwriting losses are still coming and the surplus of the industry is still too high," said Mikolis. Giving a brief history of the current cycle, Mikolis offered the following:

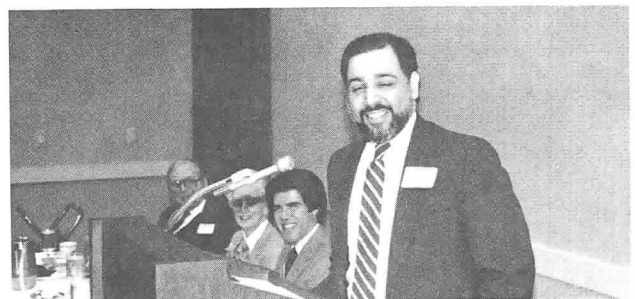
- 1974-75 is when we had the last soft market
- 1978-79 is when the turnaround came
- 1979-84 we had a 5-year slide
- 1985 the market tightened.

Failure to recognize economic principles has resulted in poor financial operating decisions of the companies. As an industry we seem to fail to recognize the external factors such as inflation, interest rates, strength of the dollar, foreign investment, expansion of the financial services industry and general economic conditions, and react to them too late.

Insurance is a people-intensive industry as distinct from a labor-intensive industry like manufacturing. As premiums go down, the premium to surplus ratio goes down and that doesn't necessarily make sense. On the asset side, bonds being valued at book or amortized value tend to have a loosening effect on surplus, which also reduces the premium to surplus ratio.

Mikolis discussed the various ways in which premium to surplus is affected and the problems it entails.

"In looking at the future, in the short term we are still going to have reserving problems," said Mikolis, and "we'll still have underpricing for a while as rates have not yet really caught up." Also there is still a tendency to overreact. In order to correct the situation, surplus will have to be increased and the only way that is going to happen is cutting underwriting losses. Many companies will be in financial difficulties during 1985 and 1986, but the industry will come back. In conclusion, Mikolis hopes that the industry will learn something from the prolonged loose market and will be better prepared the next time and take the proper steps to minimize the damage. "Believe the actuary next time and build an organization that wants to hear the right answer and use the profits wisely."



Speaker Robert Mikolis at the April 19 meeting



President Elect Vince Phillips about to put something other than his foot in his mouth at the social as his wife Sandy looks on

April 27 Social Small But Fun

The Chapter CPCUs, their spouses and guests had their usual good time at the annual social which was held this year on April 27 at the Eagle Lodge. From an attendance standpoint the social was a disappointment, with less than 50 people attending. This year the social was held on a Saturday and in April vs. the Friday night May socials of past years. The committee felt that Fridays in May often conflicted with graduations, weddings, grading, vacations, work weeknights, etc., so that the Saturday in April would afford our members a better opportunity to attend. Perhaps we were wrong, and the committee will work harder to make the 1986 social more successful.

The small attendance didn't stop anyone from having a good time, however, as Al and Vi Federico did their usual floor show and Insurnac the Magnificent, back by unpopular demand it seems, did his thing on predictions. A taped mock of the "History of the Insurance Industry" was also available for listening entertainment. Anyone having ideas on the 1986 social are asked to contact 1986 program director Al Federico at 896-0901.



Table of socialites at the social



President Spinelli sitting with his wife, Mary, at the spring social

AND . . .

Dancing with someone else later



Mr. and Mrs. Homer White at the April 27 social



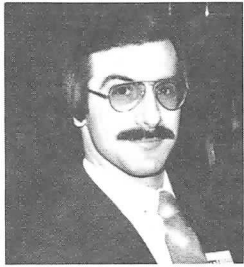
Tom McLaughlin Recognized for Service

The Chapter would like to acknowledge the ten years of service Tom McLaughlin of PMA has given to Philadelphia "I" Day. Tom is the longest standing member of the "I" Day Committee, whose main thrust has been hotel arrangements. People like Tom often go unrecognized because of his low profile, but anyone who has ever served on the "I" Day Committee can attest that Tom is a dedicated person who does his job extremely well and is an integral part of "I" Day. Thanks Tom, and continued success.



"Insurnac The Magnificent" (Pete Palestina) and Chapter President Phil Spinelli do their Carson and McMahon act at the April social

1985 / 86 Philadelphia Chapter Board of Directors



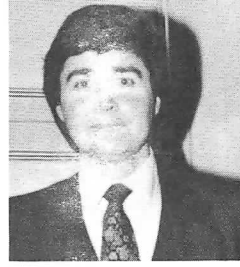
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President



Pamela H. Godwin
1st Vice President



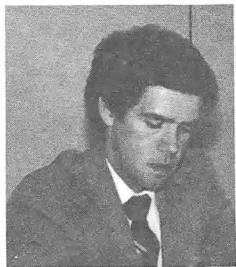
Al Federico, Jr.
2nd Vice President



John J. Kelly
Secretary



Raymond Lindsey
Treasurer



Joseph McNasby
Director



Anne Sechler-Kopanski
Director



Frederick Roe
Director



Joseph L. Folz
Director



Philip N. Spinelli
Past President
Ex-officio Member

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Treasurer's Report as of 5/1/85

By: John Kelly, Treasurer

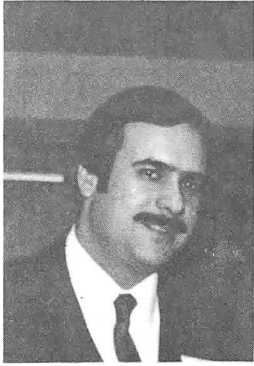
	Budgeted	Actual
Income	\$19,650	\$15,617
Disbursements	23,650	17,002
Deficit	\$(4,000)	\$(1,385)
Cash Balance:		
Checking	\$ 250	
Money Market	12,325	
TOTAL	\$12,575	



ANNUAL MEETING AND SEMINARS
OCTOBER 13-16 ST. LOUIS

Meet us in St. Louis...

From the Editor



Peter Palestina

Cheer up folks, the summer will soon be upon us. Most of us will take a week or two of a well needed and deserved vacation. I don't know about you, but I've never worked harder in my life than I have in the last six months. I'm working longer hours, take abuse during the day from my company underwriters and clients, then go home and take more abuse from my wife and kids. And if that's not enough, as an elected public official (Township Supervisor) I get abuse from my constituents. I'm also on a solid waste disposal study committee and you know what I'll be in for when it comes time to select a site for a trash to steam plant or a landfill. In addition, I have just completed grading IIA exams for the Insurance Institutes and am now ready to grade CPCU exams. By the time I finish I will be ready for my annual two week vacation, and let me tell you I enjoy and need that two weeks. Oh yes, I'm also editor of your *Chaptergram* so I must get this edition over to the printer so that you'll have it on time for June.

As busy as I have led you to believe I am, you no doubt have your own lifestyle and that is just as time consuming and important to you as mine is to me. Why do we do it? Well, in my case, for the most part, I enjoy it. But we all reach a point where we must take a break before we burn ourselves out. So make sure you take that well needed vacation, keep in good health, enjoy the summer and I'll see you in September.

Donald W. Cook, CPCU New Chairman of Insurance Placement Facility

Congratulations are in order to Chapter member and Past President Don Cook who was recently elected Chairman of the Board of the Pennsylvania and Delaware Insurance Placement Facility. Don had been vice chairman the previous two years. Don's regular job is with State Farm. Those of us who know Don realize the facility is in good hands and we wish him continued success.

Special Thanks to Mariellen Whelan, Ph.D.

The Chapter would like to pay special thanks to Mariellen Whelan, Executive Vice President of the Insurance Society of Philadelphia and editor of its newsletter, for the continued publication of the Philadelphia Chapter of CPCU's newsworthy events.

Dr. Whelan has worked closely with the Chapter in the area of continued education and is a major force in the Delaware Valley area for insurance people improving their expertise by the varied courses offered by the Society. Thanks, Mariellen, for a job well done.

News from the Candidate Development Committee

By: Joseph M. McNasby, CPCU
Candidate Development Committee Coordinator

As the Coordinator for the Candidate Development Committee, I have the pleasure once again to present Personal Sponsorship Awards to two individuals who were nominated by 1984 designees. These awards recognize individuals who have provided support and encouragement to a CPCU candidate during the course of their studies for the CPCU designation. The designees who nominated individuals for a Personal Sponsorship Award felt that the support and encouragement was instrumental to their obtaining their CPCU designation.

The awards were presented at our April 19th breakfast meeting at the Hershey Hotel and were awarded to Mr. William G. Arnold, CPCU (nominated by Mr. Edward Gibbons, CPCU) and to Mr. Michael J. McCarthy, CPCU (nominated by Ms. Maureen C. Caviston). Once again we would like to congratulate them and to thank them for being willing to be there when needed.

The Candidate Development Committee also runs a formal Personal Sponsorship Program for any CPCU candidate who requests a sponsor. I would like to thank the following people who during the past year generously offered their time under the formal Sponsorship Program: Richard Raup, Colonial Penn; Lucy Smith, CIGNA; Eileen Hinnegan of Rollins, Burdick & Hunter; Russel Rado, CIGNA; Ted Henke, CIGNA; Ann Sechler-Kopanski, CIGNA; John Kelly, Baly, Martin & Faye; Bob Bleiler, Home Insurance; Sally McNeil, Reliance Insurance Company; Bruce Kelly, Tom Kelly Agency; Bill Mayo, Frank B. Hall; and Terry Macko of C & F Underwriters.

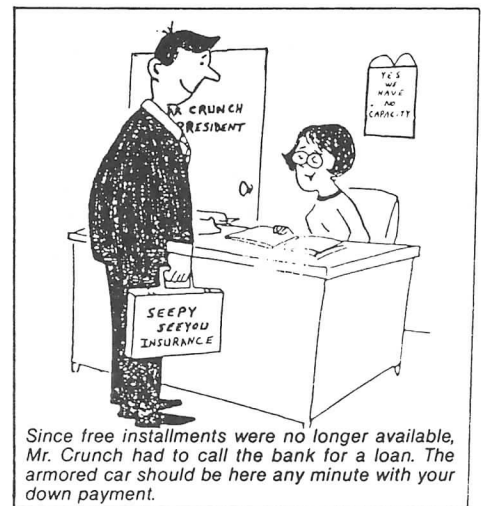
Again, our sincere thanks to these people since it is their generosity that makes the Sponsorship Program work.

Last but not least the April 19th breakfast meeting was attended by eighteen CPCU candidates who were recognized at the breakfast meeting and encouraged to continue on to their CPCU designation. The Philadelphia Chapter hopes that this will become an annual event at the April meetings so that we may offer the candidates an opportunity to see the quality of our breakfast meetings and to become involved in the chapter even before receiving the actual designation. We would again like to thank the candidates who attended this breakfast and wish them well in their future studies.

Some of these candidates along with new CPCUs and not so new CPCUs will all have an opportunity to become involved in a very worthwhile effort of the Philadelphia Chapter in the near future. As I am sure you are aware, there is a tremendous push to make everyone aware of the need for continuing education in our business. We are presently looking into a program to spread this message and as soon as we define our objectives and methods to achieve them, we will be looking to our Chapter members for their usual support and participation.

If anyone would like additional information on the Personal Sponsorship Program, please do not hesitate to give me a call at The Graham Company (215/567-6300).

The On-Going Saga of "Seepy Seeyou"



Answers to March Puzzle

	C	A	T		J	U	A	
C		C				U	N	I
A	D	O			R		R	O
S		U	R	E	T			R
H	E	D	G	E				T
F			Y	A	C	H	T	
L			P	C			H	M
O			T	H	R	E	E	R
W	A	R			D		F	H
	P	P			A	C	E	T
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Philadelphia "I" Day 1985 An Update

By: Joseph L. Folz, Co-Chairman



Believe it or not, while the spring flowers are still blooming the "I" Day Committee is busily planning for our Fall insurance spectacular, Philly "I" Day—the highlight of which is the confirmation of the CPCU designation on those candidates who have completed all the necessary requirements.

The date selected for this year is Thursday, October 31st, and the site remains the same as last year—the Bellevue. The ticket price had to be raised slightly this year (What does not cost more this year in the insurance industry?), but in return we have been promised a much better

lunch than we had in the past (Come on—there must be *someone* out there who thought last year's *lunch* was actually the *salad*), and in addition, this year we are going to a commercial printer rather than relying on "free" printing that almost did not get done on time last year.

The format will be the same as last year—coffee and danish, followed by a general session with welcoming remarks for all you out-of-town guests by the Mayor. There will then be one main presentation (we are lining up some *big name* speakers for this one), followed by 12 smaller sessions throughout the morning and afternoon.

Our confirmation luncheon will take place around 12:30, as usual, and while we do not know how many "completers" we will have yet, we are sure the Chapter will be well represented.

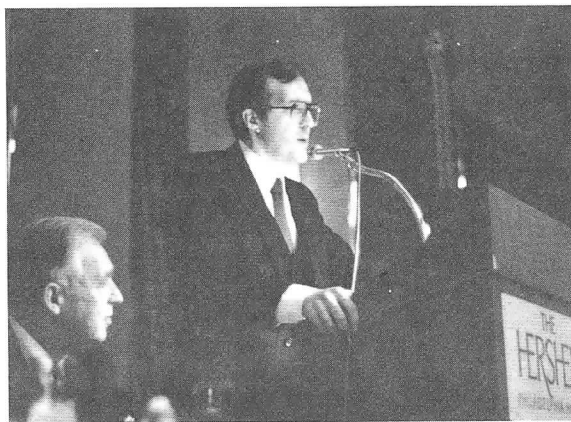
The seminars themselves are still in the planning stage, but will all revolve around a general theme selected for this year, "Rising to the Challenge." Some *preliminary* ideas (subject to change) involve "Computer Fraud," "The New ISO/CGL Policy," "Claims Made Vs. Occurrence," "Environmental Impairment Liability," "The New ISO Property Form," "The Cost of Stress," "Computer Interface," and last but not least, "Underwriting Profit—Myth or Reality?" (*That one should be well attended!*)

So mark your calendar, reserve your time, and get ready for the event that is as much a part of Fall in Philadelphia as the Flower Show is a part of Spring—our own Halloween treat (no trick), the one, the only, Philly "I" Day.

"I" Day is sponsored by the Philadelphia Chapter, Society of Chartered Property and Casualty Underwriters (CPCU), Independent Insurance Agents & Brokers Association of Philadelphia and Suburbs (Big I), Delaware Valley Chapter of Philadelphia Risk Insurance Management Society (RIMS), and the Insurance Society of Philadelphia (ISOP).



President Spinelli displays award he is about to present to John Topoleski for his ten years of teaching CPCU and IIA courses. The presentation was made at the February 13 joint CPCU/RIMS meeting



Keynote speaker Dr. Harry L. Shuford addresses audience at the February 13 joint CPCU/RIMS meeting.

Feb. 13 Joint CPCU/RIMS Meeting Recap

"P&C Management Practices: Were the Executives Right or Wrong"

By: Vince Phillips, CPCU

At a recent CPCU/RIMS meeting, Mr. Harry Shuford, Sr., Vice President, James & Co., NY, addressed the CPCU gathering on the past and present insurance company operating practices.

Insolvency has been a random event, said Shuford. Lately, though, it appears that companies are ready to fling themselves over the edge. The individual firm's performance has been determined by what is going on in the industry. Management practices have tried to dictate market direction unsuccessfully. "Competition assured that," noted Shuford. Referring to his upcoming article in the *Journal of Insurance*, "Emergence of Resurgence," Shuford said, that in a study of the AIA, he found that only 10% of cases studied seemed to have a loss ratio or trend different than the industry.

"Were corporate executives in charge of their corporation?" asked Shuford. For over 15 years, the industry financial performance was excellent, realizing a 15% R.O.E. pre-tax. This, Shuford stated, led to cut-throat pricing (cash flow underwriting). However, he pointed out, that cash flow underwriting was nothing new and had been going on for over 40 years. What then happened to cause such radical underwriting practices and insolvencies lately emerging? "Yes! Company executives were in charge," Shuford advised. Further, he noted that high rising interest rates prompted companies to switch to short-term investments. This was both rational and highly predictable—a sound practice. R.O.I. was up; investments relative to premium was really going up; and the relationship between reserves and premium reserves was rising. What then happened???

Losses!!! Losses increased unpredictably. Losses versus interest rate graphs changed. For the first time, companies realized that in their zest for more and more cash flow, their risk selection underwriting, or more appropriately their lack of it, had them in a very vulnerable position, much more so than in previous cycles. Basically a 180 degree turn; they were now unaware of the potential loss exposures now on the books and as such will have great problems predicting levels of future losses. "Couple this with the future problem of conversion of stock portfolios to lower interest pay backs, and you readily see the dilemma faced," said Shuford.

Shuford gave a few pointers on how to avoid putting people with insolvent insurers:

Early warning Signals:

- (1) Heavy investments in affiliates
- (2) Heavy reliance on MGAs to produce business
- (3) Schedule F (who the reinsurers are)
- (4) Dynamic change in surplus
- (5) Significant change in management on business strategy.

In a final note, Shuford said that brokers must be careful as they could become involved in causing/adding to the insolvency problems.