

AIG Managers Discuss 1987 Prospects at the January Breakfast Meeting

Article by: Bill Engler, CPCU, Public Relations Committee

The Philadelphia Chapter of CPCU kicked off the new year with a breakfast meeting on January 13 at the Hershey Hotel. The program consisted of seven managers of the American International Group providing their views of the casualty industry today and its prospects for 1987. Earl Paige, Elizabeth Vinyard, Reginald Moore, Joyce Flynn, Louis Grandrino, Gabe Abbinanti, and Lou Belsamo each dusted off their crystal balls and presented their individual views on probable directions of the Casualty Insurance Industry in 1987.

Earl Paige started off by pointing out that, while 1986 was a year in which the industry returned to profitability the return on investment performance was not spectacular compared to other major industries. For example, while our industry projects a 15%-20% ROI when complete 1986 figures are in, IBM will have a 21% ROI and the Pharmaceutical Industry 18.7%. Unless this performance improves, investors will not be inclined to direct their resources toward insurance.

In the opinion of Gabe Abbinanti, 1987 will be a year of rate stability in order to maintain the profitability gained in 1986. There may be some softening of rates as the marketplace becomes more competitive, but companies will probably use other methods to remain competitive. Primary among these will be service, i.e. knowing your individual accounts and meeting their individual needs through flexibility and innovation.

Reginald Moore outlined AIG's strategy of utilizing the claims made form as a method of achieving profitability in the Excess Market. While this conversion was not universally popular, it enabled his company to continue to provide, and even expand, capacity during a very difficult market. Through a strong financial position, AIG intends to continue to provide a market for Excess Coverage in 1987 and beyond, regardless of adverse factors which may develop.

Lou Belsamo and Beth Vinyard voiced similar prospects for rate stability and increased competition in 1987 in their respective disciplines of Directors and Officers Liability and Commerce and Industry. As in other areas of casualty insurance, the key to retaining renewals in a period of rate stability will be service as provided by superior underwriters.

The view of the international scene, as provided by Lou Grandrino, is mixed. The emergence of high-tech industries and the weakening of the U.S. dollar have made the international market very profitable for U.S. companies. However, negative trends are also arising overseas, including the development of strict product liability and propensity of foreign claimants to bring court actions in the U.S. court system, where awards are considerably higher.

A final note of caution was sounded by Joyce Flynn. She reminded us that one profitable year out of the last five does not necessarily denote a trend, and that many investment analysts feel that insurance earnings have already peaked. She sees signs of the push for tort reform losing steam and complacency setting in.

In summary, Earl Paige put the ball square in the audience's court. "Where is the insurance industry headed in 1987? Look in the mirror and ask yourself, since you are the insurance industry."



President Godwin introduces speakers at the January meeting.



January 13th meeting.



More January 13th attendees.

GUEST SPEAKERS AT THE JANUARY 13 MEETING—ALL FROM AIG



Earl Paige



Gabe Abbinanti



Reggie Moore



Lou Balsamo



Liz Vinyard



Joyce Flynn



Lou Grandrino



Pamela H. Godwin
President

The President's Corner

Nineteen eighty-seven. Hard to believe, isn't it? As I write this message in early January to meet the printer's deadline, I'm in the "take stock" sort of mood that is typical of this time of year.

I'm not a football fan, but I certainly watched the '86 Fiesta Bowl along with most other Pennsylvanians (and Penn

State grads). What an impressive game! As one of my colleagues said, it was a triumph of a *team* over a *star*.

Our CPCU team has accomplished quite a lot together so far this year.

Our activities have included our monthly breakfast meetings where we have heard from, among other excellent speakers, Senator Arlen Specter, Don Cook, and Don Nelson.

We conducted our third annual fire essay contest for elementary school children. We hosted a reception for our new designees and Philadelphia area members at the Atlanta seminars in October with over 100 people attending. "Philly I Day" in December was a tremendous success, and we co-sponsored a seminar on the Risk Bearing Phenomenon with the National Society. Our *Chaptergram*, thanks to the much appreciated and significant efforts of Editor Pete Palestina, has been published quarterly, and our Candidate Development Chairperson, Art Hanebury, has been actively implementing the Personal Contact Campaign with his committee. Still to come are many more activities to include the Franklin Award Luncheon, the Spring Social, and Project Graduation (a MADD program designed to discourage high schoolers from drinking).

My thanks to every member of the team who attended or was involved in any of the activities to date. I look forward to and appreciate your ongoing involvement and support.

You know, my colleague's comment about teamwork is indisputable. The other thing that impresses me so about Petero's team is their perseverance and consistent methodology. I think that's what I like most about my involvement with this CPCU Chapter. The Chapter is made up of "nuts and bolts," "not to be fooled," "keep on keeping on" kind of folks who break an issue down to workable pieces and put one foot in front of another until a resolution is clear. In other words—winners. Nice folks to have around when you need help. Nice folks to be around when you want to help.

Here's to Spring! See you at the Franklin Award Luncheon on March 25!

Warm regards,

Pam Godwin

Special Notice to our Members on Dues

As announced in our December Chaptergram, our local chapter dues have increased this year from \$20 to \$30. However, due to an error on our part, we did not notify the National Society of our Chapter's dues increase in time for it to be included in the first mailing of bills. Because the increase is absolutely necessary to meet our obligations this year, it has been necessary to rebill for the additional \$10 to those who had already paid the lower amount. This mistake was corrected on second and subsequent billings.

We sincerely apologize for any inconvenience which this has caused you, and we thank you for your ongoing support.



Phila. Chapter Board of Directors hard at work discussing issues at a recent board meeting.



Don Cook, CPCU, Guest Speaker at the November 13 meeting enjoying a lighter moment.

Don Cook, CPCU discusses Career Planning at the November Meeting

Article contributed by the P.R. Committee

The November breakfast meeting of the Philadelphia Chapter was held at The Hershey Hotel on November 13. One of the featured speakers was Donald W. Cook, CPCU, Operations Manager, State Farm Insurance Company. Don shared with us very enlightening thoughts regarding career planning within the insurance industry.

The insurance industry is mirroring many other American industries in using layoffs and terminations as a solution to improving the weak bottom line. The baby boom generation brings a very large number of workers in the 25-45 year-old category. This has contributed to a surplus of people in the professional and managerial ranks. The insurance cycles and technological improvements have caused a large number of people to feel very insecure in their jobs. This is unusual in an industry where employment security was almost guaranteed.

The solution to the individual is to take more control of his individual career through career path and life planning.

Don described the program that State Farm began in the late 70s. Faced with the problem of not having people ready to take jobs that were available, and having the glut of people in other areas, State Farm implemented a career life planning seminar. This was a two-day conference where people were exposed to the concept of career life planning and supplied with information from top corporate executives on the different career paths in the company. The program did not strictly emphasize promotion as a means of career satisfaction within the company. At the end of the conference, all participants were invited to become involved in a company-structured career planning program. This involved asking individuals to examine their values, abilities and skills, and past successes in order to help them determine what their future should be.

Two years ago, Don went on to explain, State Farm implemented a program to supplement the career planning program. This new program was called The Career Awareness Program. It is a more involved and in-depth planning program, requiring a large amount of outside work and research on the individual's part. This program is supplemented with a job opportunity program which teaches people how to prepare individualized resumes and interview for jobs within the company. The program also includes a job posting program.

Don shared with us that the career and life planning process has been successful for individuals at State Farm as well as for State Farm itself. More people have been placed in the right positions than before, which minimizes the frustrations of these individuals as they are more satisfied with their careers. This in turn lessens the gap between the company's direction and individuals' desires, and places individuals in control of their careers and lives.



Members attending the November 13 meeting.

HIGHLIGHTS OF CHAPTER'S 3RD ANNUAL FIRE SAFETY ESSAY CONTEST

Huge audiences gathered at two public meetings where the awards were presented to this year's winning students by Chapter President Pam Godwin and Coordinator Pete Palestina. Local newspapers covered both presentations, the first being held at the Council Rock School Board meeting of November 17th and the second held before the Northampton Township Board of Supervisors on November 26th. State House Representative Roy Reinard also presented proclamations to the students and also entered the Chapter and the students into the State Registry as an acknowledgement for their fine effort in a worthy undertaking. CPCU will be well remembered for this endeavor. Two of the winning essays are reproduced below. Posters, charts and pictures accompanied the essays but could not be reproduced here in the Chaptergram. All essays were displayed by the Northampton Volunteer Fire Company along with the posters during the Christmas/New Year holiday season.

Winning Entry

By Donna Primrose
3rd Grader, Churchville Elementary School
"Fire Safety in the Home"

I would like to invite you to my house. There are many good fire safety ideas in our house.

Right in our front hallway we have a smoke detector. Sometimes it goes off when we broil in the oven!

In the kitchen next to the stove there is an open box of baking soda. Our stove is electric and sometimes we have a small flame come up from the grease. We sprinkle the baking soda on to smother the flame. We also keep some outside when we grill.

One time we had a fire in our living room. The fireplace damper had broken while the fire was burning. Smoke filled the living room. We all ran outside and luckily the fire was put out quickly. Now we have a fire extinguisher in the corner, just in case.

We always get yelled at to keep the utility room neat, so our coats and schoolbags won't catch on fire by any spark from the heater. I remember last year the heater man came to check and clean the furnace.

I have small brothers and sisters, and we are always told not to play with matches, or go near dangerous things like the stove, electrical sockets and the iron. We just rearranged my bedroom because the bedspread was too close to an outlet. In our bedroom windows we have fire safety stickers to show that children are in the rooms. In case there ever was a fire, the firemen would know where to look first.

Every year around this time my mom takes us to the fire station. We look at the fire engines and get brochures on fire safety. We plan a fire drill at home. On the telephones we have the phone numbers of the fire department. They are in fluorescent orange. Even my little sister was taught to dial!

Before we can leave the house to go out, we have to make sure the dryer and stove are always turned off.

I never realized how many fire safety ideas there were in my house until I wrote this paper. I'm glad my house is a safe house!

AT COUNCIL ROCK NOVEMBER 19TH



President Pam Godwin presents award to Mark Rotolo for First Place finish on his fire safety essay during presentation ceremony at the School Board meeting of November 17.



President Godwin poses with the 9 Council Rock School District students who received awards for their fire safety essays. Also shown (top left) is Patricia Poprik School Board Director and (top right) Northampton Fire Chief Jack Kay.

Winning Entry

By Janelle Everett
2nd Grader Feinstone Elementary School
"No Fire in My House"

Fire is a dangerous thing. In my house we have three smoke detectors and a fire extinguisher. My brother and I are not allowed to play with matches. We do not cook by ourselves because we can get burned or start a fire. We do not use the hairdryer by ourself or anything electric. We do not put toys into the wall socket or play with plugs. I tell my dad to keep his ashtray empty, not to put papers in his ashtray and not to smoke in bed.

In the winter we keep a screen in front of the fireplace. We do not put things close to the fire and we do not sit too close to it. Only my mom and dad put wood in the firer. My mom put a red "tot-finder sticker" on my bedroom window and one on my brother's window.

If my clothes ever got on fire I would drop down and roll. See, when you roll it will put out the fire. Then I would walk out of the house.

At school we have fire drills. We never had one at home yet but I told my mom and dad we should and they said okay we will.

I learned a lot about fire prevention this week and last week and I know how to be safe in a fire and to prevent fire at home.

SEE BACKPAGE FOR THE THIRD WINNING ENTRY

AT NORTHAMPTON NOVEMBER 26TH



Pam Godwin congratulates winning student at Northampton Township Board of Supervisors meeting.



State Representative Roy Reinard speaks to winning students at Northampton Board of Supervisors meeting where awards were presented as Palestina, Godwin and Kay prepare to make presentations.



Final Report On "Philly I-Day 1986"

From Joe Folz, CPCU

The date was new, as was the site. The speaker and the topics were generally regarded as "very good" judging by the preliminary feedback we've received from the evaluation sheets attendees

were asked to complete. Henry Greenburg was not nearly as controversial as some thought he would be; some seminars that we thought would be crowded were not, and some at which we expected small crowds were very well attended. Over 900 people learned, listened, wine and dined, wished each other "Happy Holidays" and promised to do it all again "next year" on October 29, 1987. What was your reaction? What seminar/speakers would you like to attend/hear next I-Day? What didn't you like? Anything you would like to see repeated/eliminated? Are you willing to "help out" next year?

It's our "I-Day"—Contact Pete Raymond (215-854-7200) with your ideas, suggestions, and offers of help. It was fun—onward to 10/29/87.



First Vice President Al Federico explains to new designees during a break at I-Day what it takes to utilize the CPCU designation while former Chapter Presidents Iles Wauhop, Phil Spinelli and Vince Phillips look on.



National Director Don Cook (right) speaks with new designees during break at I-Day.



President Godwin welcomes new designees to the I-Day activities and explains what the Chapter is all about encouraging them to become active members.



New designees ready to receive their diplomas at Philly I-Day left to right: Michael Dion, Anne Marie Crawford, Richard Auchincloss, Jr., and Marie Bower.



More new designees at the I-Day luncheon.

From the Boardroom

The following excerpts were taken from the minutes of the November 13, 1986 Board of Directors meeting.

• PRESIDENT

The President asked board members to call Rick Marthins if they are not receiving meeting notices, *Chaptergrams* or other mailings. There have been numerous complaints that Chapter members are not receiving mailings, and this must be corrected.

• TREASURER'S REPORT

Joe Folz reported that we are spending more money than we are receiving. This should reverse in the second half of our fiscal year, when 1987 dues are paid and we receive them from National (*Editor's Note: See special notice for reference on dues mixup.*)

• PUBLIC RELATIONS

Gloria Forbes reported on the plans for the "Contract for Life" campaign to encourage high school students not to drive while under the influence of alcohol after proms in the Spring of 1987. Gloria requested that Chapter members notify her of speaking engagements so that they can be reported for the Jay Gleason Award.

• RESEARCH AND EDUCATION

Pam Godwin reported that she has received a letter from Richard Rupp, Chairman of the Research Activities Committee, asking the Chapter to allow National to provide a copy of our research project on the Personal Contact Campaign to interested parties for a fee of \$10. The fee will go to the National and not the Chapter. He also requested that we permit them to print it in the *CPCU Journal*. The Board concurred that the permissions requested should be granted.

• CANDIDATE DEVELOPMENT

Art Hanebury reported that personal contact meetings are scheduled for Crum and Forster and the General Accident home office. A personal contact meeting was held at Walsh Company October 31, 1986.

He reported that he has received requests for 25 sponsors for the personal sponsorship campaign. The Chapter has sponsored approximately 130 candidates since inception of this program in Philadelphia.

He is creating a data base of individuals in the Philadelphia area who have dropped out of the formal study program, and sending letters to candidates who have completed to 7-10 parts inviting them to attend future breakfast meetings.



From the Editor

THE MARKET'S NOT COMPETITIVE YOU SAY— THINK AGAIN

Peter Palestina
Editor

It's 4:00PM, January 22nd and I'm stuck in the snow. I've been sitting in my car not moving for a good 15 minutes now and prospects for moving anytime soon look rather bleak. I turned off my engine and decided to wait it out and read the newspaper. Oops, I left it at the office; now what? I know, why not start writing "From the Editor,"—so here goes.

Much of the time I spent at work during the last two months was either on the phone with underwriters trying to get those renewal quotes that are past the deadline or with clients explaining that I do not have their renewal premiums. I also explained to one client—"But don't worry, unlike last year, there is no problem with your current company renewing and that I did not expect much of an increase in premium. In fact, there may be no increase at all or it may even be less than expiring." He answered "Did I dial the right phone number?"

The remainder of my time was spent with company sales reps, managers or underwriters listening to their plans for 1987. Seems like most are saying that the crunch is not over but they are going to try to be competitive. They also want commitments for large volume increases and more submission. We're also back to incentive bonus increases and improved profit sharing agreements as well as free installment plans which I'm sure the finance companies who have been charging interest rates well above prime are just going to love. We are also hearing of large swings in premium on renewals and accounts being lost to other brokers and companies; premiums coming in at one-third to half what it was last year. If the crunch is not over, then why is all of this happening again?

Hopefully there will be some sanity in 1987. What I don't want to see is cut-throat competition and throwing away the underwriting standards again. What I do want to see is commitment by the companies to get quotes out on time and bring back good service...that includes claims handling, prompt issuance of policies and endorsements, as well as prompt response to returning phone calls.

The other unfortunate part about all of this is that the movement toward tort reform could well be dead in the water, and if the insurers go back to the 1980-83 way of doing business, who can blame the legislators for their insensitivity toward the tort reform issue? As for those companies who did not stand by their agents from 1984 to 1986, I think you will appreciate the cartoon in this issue. Remember, people, let sanity prevail in 1987.

Well, traffic is now moving and I finished this article just in time; see you next issue.

P.S. Took me 4 hours to get home, hope you fared better than I did.

THE ON-GOING SAGA OF "SEEPY SEEYOU"



That must be the unknown underwriter, I hear they're using them nowadays to protect their identities...you know, the guy that wrote everything 4 years ago, nothing 2 years ago and now wants more business in 1987!!!



John Jud, CPCU
Philadelphia Chapter
New Designee Rep

A Message To New CPCUs

Last January or June, you studied (or crammed) for your last CPCU exam. You waited impatiently for your grade, exulted when you opened the envelope and found a barely legible "P" under the course number, and an "****" under CPCU. Remember the feeling? Euphoria? Gratitude? Relief? Probably all of the above, and a few more.

If you're like me, you took a well-earned respite from educational pursuits, sat back, and enjoyed the fruits of your labor. Maybe you attended conferment functions at the National Meeting in Atlanta or "Philly I-Day."

You may have thought that your commitment was finished, but is it really? Where do you want to go from here? Do you want to rest on your laurels, or move on to bigger and better things? Take a moment to reflect on what you've accomplished. You worked hard to get your designation, but true professionals continually reaffirm their commitment to their professions. A great way is to join the Society of CPCU, an organization that fosters insurance professionalism and promotes visibility and acceptance of the CPCU designation as the most highly respected certification in the industry.

The benefits are numerous, but are greatly enhanced if you participate. There are monthly breakfast meetings, featuring guest speakers or panel discussions; various standing committees, including Education, Candidate Development, Public Relations, Research, I-Day, and the *Chaptergram*. You'll form lasting personal friendships and business contacts; you'll meet people from other companies and other backgrounds; you'll share and exchange ideas. In short, membership and participation is a great way to continue your education without taking exams.

The influx of new ideas and expertise is necessary for an organization to grow. You can provide these ideas and insights, but first you have to join, then you have to participate. Activity leads to personal growth and visibility; visibility leads to prestige and recognition.

Join your peers in the prestigious Philadelphia Chapter. We eagerly await your participation.

If you have any questions at all, feel free to contact me at (215) 241-3070. As your representative, I am committed to making your membership in the Philadelphia Chapter both provocative and rewarding.

Encourage CPCU Candidates To Attend The April 16th Meeting

If you work with or know a CPCU candidate who has completed at least half of the program, we would like him/her to experience our monthly breakfast meetings and to get to know the CPCUs that form the Philadelphia Chapter. Any candidate who will be attending should contact Mr. Rick Marthins at 215/735-5947 before April 10. Rick will give additional information as to the location and time and also will set up a reservation for the candidate. The cost of the breakfast meeting for the candidates is \$12.00 a person.

Upcoming Events and Program Dates

Mark Your Calendars!

The following is the latest list of tentative dates for Chapter meetings or events. Be sure to always check your monthly flyer/reservation announcement for the exact date, place and time. John Kelly, CPCU is Program Chairman. Any questions call John at 647-8880.

- March 25, 1987 — Franklin Award Luncheon Hershey Hotel
- April 16, 1987 Hershey Hotel
- May 13, 1987 Hershey Hotel
- June 11, 1987 Hershey Hotel

Winning Entry

By Mark Rotolo, 6th Grader
Churchville Elementary School

"Learn Not To Burn"

Children need to know how to prevent fires and how to escape safely from fires. First of all, they should be aware of the things a home should have to prevent fires. Secondly, children should know what to do if a fire occurs. And lastly, they need to be aware and prepared in the case of a fire.

One thing a home should have to prevent fires is a smoke detector to alert the family if a fire begins. One should be at each level of the house. Especially at night, when everyone is asleep, the smoke detector can wake the family. A home should also have a fire extinguisher to use in case of small fires. Kitchen grease fires can not be put out with water, so a fire extinguisher is best. A fire ladder is also important if the family needs to climb out a window, or if there is a fire downstairs and they can not escape from the front door.

An escape plan is extremely important. It is needed so each member of the family will know exactly what to do in case of a fire. First the fire department phone number should be right next to the phone. After the family works out a fire escape plan, they should talk about it and practice it. An example of an escape plan: If a fire occurs at night and the smoke detector goes off; who ever wakes up first, should wake the rest of the family. If fire or smoke prevent escape from downstairs, a fire ladder and an upstairs window escape should be used. All members of the family to meet at the car. Other facts children should know are: (1) If smoke is thick, and you can't see or breathe; crawl on your hands and knees. (2) If your clothes catch fire; drop and roll on the floor. (3) Always alert everyone in the house. (4) If possible, call fire department. If not, get out and call from your next door neighbor's house.

Fire safety must be taught to children, so they can **learn not to burn**.



Al Federico Jr.
First Vice President

Don't Miss This Year's FRANKLIN AWARD

BY: Al Federico, Jr., CPCU
First Vice President

How many think it is easy to identify and select a **deserving person** that meets the qualifications set for the Franklin Award? **IT ISN'T!** "Many are called on but few are chosen." However, this year's

choice was unanimous by the committee and we would like you to mark your calendar so you will not miss this event. In addition, we are fortunate to have an exciting, interesting speaker.

Date: Wednesday, March 25, 1987

Place: Hershey Hotel—Philadelphia

Luncheon Speaker: Caleb Fowler, CFO CIGNA

Cost: \$25.00 per person

For reservations, please contact Rick Marthins 735-5947 or Al Federico 896-0901.



Pat Gilmor of Mather & Co. talks about his new product at our November 13 meeting.

Pat Gilmor, CPCU Discusses Newly Introduced Careerguard Product At The November Meeting

Article contributed by: The P.R. Committee

At the November breakfast meeting, which was held on the 13th, Patrick J. Gilmor, Vice President, Mather and Company, brought us up to date on a little known but very exciting new insurance product known as Careerguard. Careerguard is written to cover loss of income for the individual as a result of involuntary termination from employment.

Pat shared with us some of the reasons why the present unemployment situation is different that it has been in the past cycles. Some of the reasons discussed were foreign competition, the rearranging of competition as a result of deregulation, new technologies and products, and geographical shifts. In the past, these items have primarily affected blue collar workers. Now, however, with new theories on human management, many organizations are streamlining their organizational structure and eliminating entire lines of management. One 1985 survey showed that almost 35% of the firms responding had fewer layers of management than they did five years ago.

Careerguard, which originated in Canada in 1982, is the first insurance product from the private sector that attempts to deal with the problem of unemployment.

Pat discussed with us why he thought the Canadian program would not succeed in the United States. First of all, the policy provided a 24-month benefit period at 100% salary and commisions. The policy included an additional percentage for lost employee benefits. In addition, the benefits were not taxable. This resulted in the insured being in a better financial position unemployed than employed. In addition, the distribution system and underwriting were not tightly controlled. However, the major factor contributing to the demise of the Canadian program was the outplacement services provided in the contract. Originally, it was thought that this would help to reduce the loss, but it was found that outplacement services represented 30% of every lost dollar.

A considerable amount of effort was put into writing a program that addressed the flaws of the Canadian program and would be sellable in the American market. That program has been developed and is now available. Brochures which outlined details of the plan were made available to all of the attendees at the breakfast meeting.



More members at the November 13 meeting.