



January Meeting Recap

John A. Cantrill Speaks on the Agent as Broker

By: Peter F. Palestina, CPCU, Editor

John A. Cantrill, Vice President of Leonard & Cantrill, Inc. was the keynote speaker at our January 14th meeting. The topic was "Forward to the Past-The Agent as Broker". One of John's opening remarks was to state that, "Anyone who predicts the future is Stabbing in the Wind."

Early on, in his remarks, Mr. Cantrill posed a question or two to the audience in order to drive home a point. John called for everyone who owned a home to raise their hand, then asked that you leave your hand up if you do not own a car. Only one person had her hand still raised and John then said, "She is the only one he can write insurance for because he can't write automobile insurance."

Having taken care of the personal lines side of the equation, Mr. Cantrill asked for those who owned a business, or knew a friend or relative that owned a business, to raise their hand then proceeded to ask for hands to be put down if that business had any employees. In this a case, no hands remained up, but that was just as well John added, because he's not able to write workers' comp. These examples were used to show the problems faced by many agents who are trying to prospect for new business.

On the subject of niche marketing, John doesn't have much faith in them stating, "Looking for niche's is like snipe hunting." There is also a danger in putting too many eggs in only a couple of baskets...no underwriter can be trusted to stay in the market long term for a niche program. As an agent, you could be working on a program while the underwriter is thinking of dropping the program.

John then noted the trend lately to use buzz words citing examples such as downsizing, prioritize, focus reduction, involuntary methodologies, force adjustment program and release of resources which is another name for the pink slip. Instead of cluster, now it's huddling, which according to an article in the December 7, 1992 National Underwriter written by William Hartnett, means "Two or more agencies sharing their markets with each other and compensating each other for the business written." John believes this is really making the agent more akin to brokers and only time will tell whether or not the concept has merit but added that "This could be good for niche business development."

John admits to not being a true salesman who is someone who handles rejection well. A true salesman says John, "Is born and rejection doesn't bother him or her. The salesman works under the 100/10/2 concept which means if 100 calls gets 10 appointments which gets 2 sales you are doing fine."

Toward the end of his presentation John discussed two issues to resolve if brokers are to be successful in PA and they are:

1. The problem with the assigned risk program being able to legally take away business from the broker.
2. Fees. In PA it's a grey area and not clear whether you can charge a fee and a commission.

During the question and answer period John was asked his opinion of the future of the E&S facilities and of direct writers in personal lines. He indicated that he liked dealing with E&S Brokers saying, "They work hard and get a lot done over the phone." On the future of the direct writer in personal lines John believes, "They'll continue to grow and may

even look to agents for getting business in the future." He used Metropolitan as an example of one company already working with agents for business.



John A. Cantrill, Vice President, Leonard & Cantrill, Inc. discusses the agent/broker syndrome at our January meeting.



Some of Chapter members at the January meeting listened to remarks made by keynote speaker John A. Cantrill.



George Whitford, CPCU (left) gives a lending ear to Chapter President Larry Klein (standing) as John Gibbons, CPCU looks on. George was a former president of the National Society of CPCU and has been a regular attendant at our breakfast meetings.

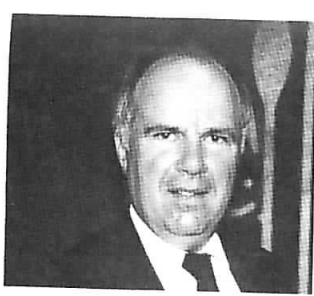
Dr. H. Wayne Snider selected as 1993 Franklin Award Recipient

The Philadelphia Chapter has selected Dr. H. Wayne Snider to be the recipient of its prestigious Franklin Award. Dr. Snider will accept the award at a luncheon presentation at the Hilton & Towers Hotel located at Broad & Locust Streets, Philadelphia on Tuesday, March 23, 1993.

The reception will begin at 11:15 am with the luncheon scheduled for 12:00 noon.

Announcement flyers and reservation forms were to be mailed in the beginning of February and you should have received yours by now. If not, contact Denise Marchione 627-5306 for information and ticket orders.

We encourage all our members and friends of Dr. Snider to come out and honor him at this noteworthy event.



The President's Corner

by: Larry L. Klein, CPCU
President

Fulfilling the Promise II, the Sequel

You may recall in the last Chaptergram I wrote that after many years I have received a non-renewal notice from my automobile insurer. Well, fortunately I was able to obtain coverage from another insurer through the voluntary insurance market. In fact, the premium charged by my new insurer is less than the expiring premium. For the purists, I factored in the effect of change in vehicle age. "Thanks, but no thanks," to those who sent me assigned risk plan applications.

I asked Chaptergram readers if insurers have any implicit duty to loyal longstanding policyholders to continue to sell a product below its cost. Some told me that most people shop their insurance regularly and take the lowest price; some were more blunt and said I was a fool for not shopping my insurance. I've been called a fool for a lot of things I've done, but I never expected that!

These responses came from agents, underwriters, claims professionals and consumers. Nevertheless, based on this completely biased and unscientific approach, I have concluded that price is the only thing that counts, even among insurance professionals. The hype that service, good looks and charm is worth 10% is an illusion.

The only substantive qualification expressed by anyone was security. There was a general agreement of caution regarding the insurer's financial solvency. Everyone resolved that it is better to pay a higher premium than risk buying insurance from the "Shaky Casualty." Particularly surprising was the relatively low significance placed on service.

While the setting for this exercise was private passenger automobile insurance, there was a consensus of opinion that price is the key determinant among commercial insurance buyers, too. In an industry troubled by reports of huge losses, customers flock to low cost providers. Can we conclude this modification of an old adage "Only the cheap will survive...but not for long."

Now, a bit about your chapter. The nominating committee is chaired by past president Art Hanebury. During the next few weeks his committee members will contact members who have expressed an interest in taking an active role in chapter management. Nominations will be submitted to the chapter membership at our annual election meeting in April.

We will be supporting the Special Olympics again this year. The events will be on a Saturday morning in May. The date has not been set, but will most likely be either May 1 or May 8. We will ask for volunteers at the April Chapter meeting.

There are several projects the chapter has undertaken in the past that have not been included in the calendar. We have a traditional golf competition against the Valley Forge Chapter and we have sponsored member-guest social events in past years. Chairmen are needed to coordinate both events.

National Director's Corner

by: Philip N. Spinelli, CPCU



While the Chapter's fiscal year is more than half over, the National Society will only be, by the time you receive this Chaptergram, about four months into its term. In keeping with this year's theme, "Lead the Way", the first session of the management series focusing on leadership will have been held in Denver, Colorado. The second session is scheduled on February 24, in Columbus, Ohio. Depending on the mailing cycle, that segment, as we speak, may also have been concluded. The third session is scheduled for April 15, 1993, in Atlanta. These management focused seminars are intended to reinforce the educational preeminence of the CPCU designation within our industry and to establish the Society's leadership role in shaping the course of change which indeed impacts everyone of us. Other activities scheduled for the near future is the Society's mid-year meeting. This is part of the governance process of the Society and includes the various committee meetings, and the executive committee and board of directors meetings. This year the mid-year site is Houston, Texas, and the dates are March 11 thru 13. Some other very important dates for National activity are April 29 and 30. This is the date of the Chapter Officers Leadership Conference and it will be held this year in Orlando. Last year, the site was Philadelphia. This annual conference is designed to support the local chapter officers in their work as chapter administrators. It is a very worthwhile experience for those who attend and the program gets better every year. As a National Director, I am committed to attending and having a very active part in both the mid-year and the COLC.

Personally, I find it extremely rewarding to be active within the Society of CPCU. Society membership offers one the opportunity to get to know so many nice people and to expand ones networking base. Just like the Marine Corps, we are always looking for few good folks.

Chapter President Larry Klein, CPCU has made the following committee chair appointments for 1992/93.

- Candidate Development Committee Chair-Shirley Funkhouser, CPCU
 - Careers in Insurance Chair-Bob Hedges, CPCU
 - Chaptergram Chair-Pete Palestina, CPCU
 - Continuing Professional Development Chair-Bruce Tuttle, CPCU
 - Directory Chair-Karen Willimann, CPCU
 - Fire Essay Contest Chair-Pete Palestina, CPCU
 - Franklin Award Committee Chair- Jo Battisti, CPCU
 - Audit Committee Chair-Ray Lindsey, CPCU
 - I-Day Committee Co-Chairs-Bruce Tuttle, CPCU & Shirley Funkhouser, CPCU
 - Joint Professional Activities-Barbara Dapolito, CPCU
 - New Designee Committee Chair-Tony Ramirez, CPCU
 - New Designee Representative- Geoffrey Pratt, CPCU
 - Programs Committee-Frank Mason, CPCU
 - Public Relations Chair-Karen Willimann, CPCU
 - Research Committee Chair-Anne Kopanski, CPCU
 - Seminars and Workshops Chair-Bruce Tuttle, CPCU
 - Speaker's Bureau-Karen Willimann, CPCU
 - Special Olympics Chair-Joe McNasby, CPCU
 - Article Coordinator-Breakfast Meetings-Virginia Cameron, CPCU
 - Administrative Support - Denise Marchione - ISOP
 - Nominations Committee-Art Hanebury, CPCU
- If anyone is interested in serving on any of the Chapter committees contact any of the above individuals or Chapter President Larry Klein, CPCU at 575-5701.

December Meeting Recap: Insurance Fraud Prevention and Video Surveillance

by: Karen E. Willimann, CPCU
First Vice President



Video Surveillance was the subject of the December breakfast meeting. Our speaker was long time investigator, Garrett A. Wilson, whose twenty-three years experience in federal law enforcement included seven years with a surveillance unit and having been a leader of a SWAT and anti-terrorist team. The jovial Mr. Wilson entertained us with a video tape of surveillance techniques, an incredibly small video camera that he had pinned to a T-Shirt, and examples of fraud in action.

As shocking as it seems to the insurance industry, Wilson said, "Four out of five people see nothing wrong with insurance fraud." The public has a false image of the big, rich, impersonal insurance company with unlimited supplies of cash; this is a chance to win the lottery! He went on to show us a video of a claimant collecting workers compensation for a bad back who also works as a go-go dancer and a victim confined to a wheel chair who was caught on tape placing his wheel chair in the trunk of his car.

How should you select a competent surveillance specialist? Garrett Wilson suggests that you have the consultant provide you with a pre-surveillance report which should include blow up maps of the suspects residential area, a review of equipment to be used, and key indicators such as the day trash is collected, when police patrol, and if any vehicles are registered or used.

Wilson enjoys his work and encourages anyone interested to improve noting that "The harder I work, the luckier I get!" One of his most unusual techniques is the use of biorhythms, making sure to be on the case on the day the suspect has a very low curve when Wilson has a peak day projected because patience pays off.



December speaker Garrett Wilson discussed insurance fraud and showed tapes of some video surveillance used in cracking cases.

PROJECT INVEST NEWS

by: Anne Kopanski, CPCU

Barbara McCreery, MS, is the Coordinator of Project Invest for Germantown High School. "One result of the Pilot is greatly increased attendance....more than any other program at Germantown." Ms. McCreery says, "Students are practicing, even typing drills because they see how keyboard skills are used with computers. We are planning telephone skills and other projects to prepare students for the business world." Germantown's program has many students "at risk." Ms. McCreery is pleased that the students feel ownership with the Program and are developing pride in their work efforts. School officials approved extension of Invest for the 1993-94 school year.

How can we help...Can you donate used calculators, telephones or obsolete office equipment? An easy way to encourage a student is through a Pen Pal Mentoring System. This will help the student develop their written communication skills and help you to make a difference in a young person's life. Call Anne Kopanski, 884-2525.



Table of members at our December meeting.



Iles Wauhop, CPCU (r) enjoying light conversation at our December meeting where the topic was consumer fraud.

Special Noteworthy Items from Karen D. Willimann, CPCU, First Vice President

ETHICS

You won't want to miss our Ethics Program scheduled for April 8, 1993. We will have focal groups interacting on moral dilemma issues. Also, we will hand out the 1993 Ethics Booklet created by The Society of CPCU which includes four articles related to the topic of ethics.

CAREERS IN INSURANCE

Please contact Karen Willimann, (215) 251-2773 if you would like to be a speaker or establish a career day contact at a local high school or college on the subject of insurance industry jobs. Only 1% of college seniors have ever heard of insurance as a career path. If we could reach out to young people today they would bring fresh ideas, innovative computer skills, and the sharp business educations needed to lead our industry into the next century. You will find it enriching to touch young lives.

SPECIAL THANKS

I would like to express my thanks to Elayne Markey, CPCU and Cynthia Gantz, CPCU for their work in contacting local school boards to set up speaking opportunities. Also, Virginia Cameron, CPCU and new designee, was wonderful with the students of Wissahickon High School when she and I spoke on December 2, 1992 at the invitation of the Business Education departments instructor, Mr. Robert Ambler who indicated that many high school students will be entering the job market and will benefit from our interest and experience.

Chapter "Fire Safety in the Home" Essay Contest Concludes 9th year

Editor's Note: This was the ninth year that I have been involved with running our Chapter's Fire Safety in the Home Essay Contest which we have been co-sponsoring in conjunction with Council Rock School District. Although a lot of work goes into it I can honestly say that it is most gratify-

ing and well worth the effort. To see the smiling faces of the children and their proud parents as they receive their awards and recognition warms the heart. But more importantly, the fact that so many children enter the contest and write and learn about fire safety, many lives can be saved

Fire Safety Essay Winners Receive Their Awards



Holding their awards are the Council Rock School District winners of the ninth annual Fire Safety in the Home Essay Contest sponsored by the Philadelphia Chapter of Property and Casualty Underwriters (CPCU) are from left, 1st and 2nd grade level: Bonnie Rock (1st place), David Steinberg (2nd place), Michael Kelly (3rd place). Second row, 3rd and 4th grade level: Jody Sutton (1st place), Jenny Post (2nd place), Billy Primrose (3rd place). Third row, 5th and 6th grade level: Laura Feeney (1st place), Daniel Rock (2nd place), Mary Primrose (3rd place). Adults, left to right: Peter Palestina, CPCU, Northampton Supervisor and Contest co-ordinator, and Larry Klein, CPCU, President of the Philadelphia Chapter of CPCU.

Thank You Letter From Council Rock

The letter below attests to the Benefits of our Chapter's Annual Fire Safety Essay Contest.

COUNCIL ROCK SCHOOL DISTRICT

ADMINISTRATION & BUSINESS OFFICES
TWINING FORD ROAD • RICHBORO, BUCKS CO., PA 18954-1897
TELEPHONE: AREA CODE 215-355-9901

November 18, 1992

Dear Peter,

A special thank you for again providing an opportunity for our students to participate in the CPCU "Fire Safety In The Home" Essay Contest. This program has become a tradition in Council Rock, one that truly benefits our students. For those of us watching the youngsters receive their awards; with their hair slicked back, half smiles and sense of pride, it is a special moment indeed.

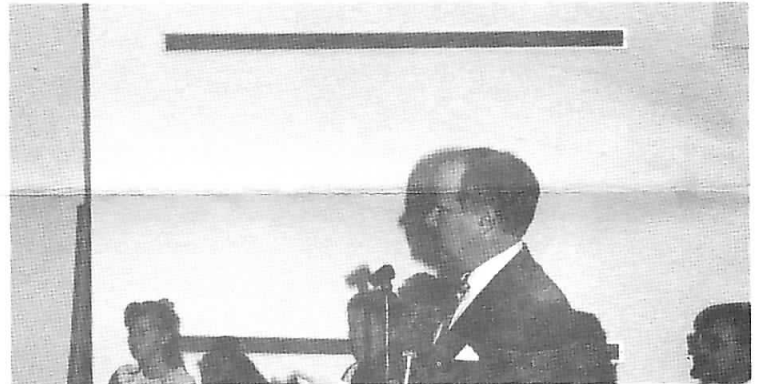
Again, a sincere thank you for making it all possible.

Respectfully, David P. Blatt, Superintendent of Schools

and after all, isn't that what it's all about? Please enjoy the photos on these two pages of the Chaptergram. They were taken at the Council Rock School Boards Public Meeting of November 16th and the Northampton Township Board of Supervisors Public Meeting of November 25th which was

televised over cable TV. My special thanks go to the Council Rock School Board, Superintendent of Schools, teachers, parents and especially the great students who participated.

Pete Palestina, CPCU



Chapter President Larry Klein, CPCU telling the Northampton Supervisors and public, what a CPCU is all about prior to presenting the Awards for our Fire Safety Essay Contest.



Pete Palestina presents Northampton Township Citation to Michael Kelly during townships recognition of the winners of our Fire Safety Essay Contest.



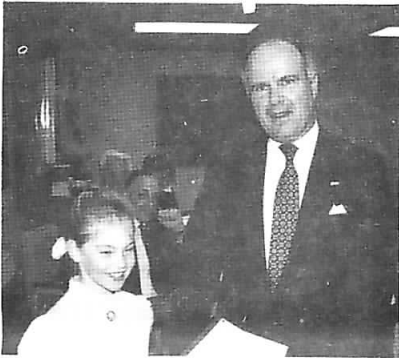
Acting on behalf of the Northampton Township Board of Supervisors, Chapter Contest Chairman Pete Palestina called for audience applause after presenting citations to the winners of the Chapter's Fire Safety Essay Contest. The children are holding their township awards while standing in front of their winning projects.

Here Are the 1992 "Fire Safety in the Home" Essay Contest Winners from Council Rock School District

1st & 2nd Grade Categories

3rd & 4th Grade Categories

5th & 6th Grade Categories



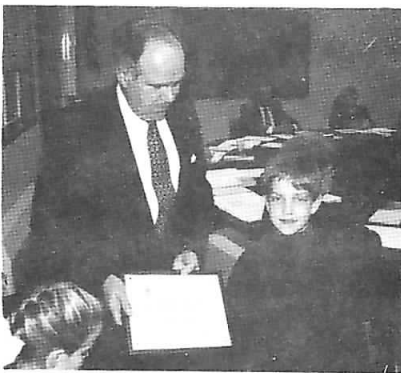
1st Place Winner:
Bonnie Rock, Rolling Hills Elementary



1st Place Winner:
Jody Sutton, Hillcrest Elementary



1st Place Winner:
Laura Feeney, Churchville Elementary



2nd Place Winner:
David Steinberg, Churchville Elementary



2nd Place Winner:
Jenny Post, Richboro Elementary



2nd Place Winner:
Daniel Rock, Rolling Hills Elementary



3rd Place Winner:
Michael Kelly, Hillcrest Elementary



3rd Place Winner:
Billy Primrose, Churchville Elementary



3rd Place Winner:
Mary Primrose, Churchville Elementary

So Just How Much Does That "Little Medical Bill" Affect Your Company's Workers' Comp Costs?

by: William D. Knepper, CPCU

Editor's Note: This article was written by Mr. Knepper more than a year ago and is reprinted here with his blessing. Although it is a dated article, I felt it was well written and makes a valid point to drive home to employers. Our thanks to Bill for his insight.

That "little medical bill" that you just submitted to your Workers' Compensation insurance company has a direct financial impact on at least two different portions of your company's insurance costs and an indirect financial impact on a third area. What's more, the combined financial impact of those three areas will still be affecting your company's costs two, three, four and five years from now.

Before we do the math, let's make some assumptions. The first assumption is that your company's Workers' Compensation program has been effectively "marketed" by your insurance agent or broker and that you are on a "good" program. We can define "good" as a program that rewards you -- through dividends or return premium -- for having low losses. Your "good" program may also penalize you if you have high losses, but we are going to assume that your losses never get quite that high.

Another reason that we have assumed a "good" program for you is because a "bad" program will have an even greater impact on the ultimate cost of that "little medical bill."

The first area that has a direct financial impact on your company's Workers' Compensation costs is the "adjustment" that is done to your policy after expiration. Whether your policy is written on a retention program, a dividend program or a retrospectively rated program, an adjustment will be made after your policy expires. That adjustment will be based on total losses - including that "little medical bill."

As an example of this first adjustment, let's assume that your policy is written on a "good" retrospectively rated basis - commonly referred to as a "retro" - and that you have submitted a \$100 medical bill for payment. That \$100 will be adjusted by a "loss conversion factor" (a "good" loss conversion factor might be 1.15) and by a tax multiplier (which in Pennsylvania will be approximately 1.06). That "little medical bill" has just grown to \$121.90 -- an increase of nearly 22%!

Stated another way, for each dollar of medical bills submitted, your up front cost is nearly \$1.22. And don't forget-- you are on a "good" program!

The second area that has a direct financial impact on your company's Workers' Compensation costs is the effect that "little medical bill" has on your company's experience modification factor. Your experience modification factor - usually called a "mod" - is a three year rolling average of your company's actual losses, compared with expected losses.

Your company's 1992 mod is based on information from the years 1990, 1989 and 1988. Your 1993 mod will be based on information from 1991, 1990 and 1989 and your 1994 mod will be based on information from 1992, 1991 and 1990. In each case, note that the most recent year is not used in mod calculations - the rationale is that losses are too "green" to be credible.

Stated another way, that "little medical bill" that occurred and was submitted for payment in 1990, will affect three different mods: the ones for 1992, 1993 and 1994.

How much will it affect each of these mods? That depends on how "big" your company is - the impact of a \$100 loss on the mod of a small policyholder is much greater than on a larger policyholder. To calculate the impact, we need to make some more assumptions.

Let's assume that your company's unmodified annual premium was \$500,000 back in 1988 (why 1988? - because that's the first year that will be used in the calculation of your 1992 mod). Let's say that your losses have consistently been a little better than the "industry average" loss ratio. The industry average loss ratio is approximately 65% so let's put your "better than average" losses at 60%. This means that we have assumed that your 1988 total losses were \$300,000.

As we said a little earlier, your mod is based on three year's actual losses compared to expected losses. In order to accurately calculate your mod we need to assume two more years worth of data.

Let's assume the second year that goes into the mod uses information based on a combination of new rates and new payrolls that total 5% for that year. In other words, if 1988's premium was \$500,000, then 1989's premium is \$525,000. In a similar manner, the third year (1990) premium is assumed to be \$551,250 (another 5% increase).

Incidentally, if you take a look at the actual growth of your premiums over the last three years, you will probably agree that we are being extremely conservative in our assumptions.

Now here is where it gets very interesting. Inserting all of our assumed numbers into the published formula for

the calculation of a mod, your 1992 mod comes out to be 1.304. What happens if we now change our assumptions regarding losses and add in some of those additional "little medical bills"?

Let's add in \$100,000 in additional medical costs that occurred in 1990 and see what happens to your mod. (The reason that we are using \$100,000 instead of the \$100 we used earlier, is because modification calculation are only done to three significant decimal places and we would "lose" a portion of our calculation when we rounded off. Don't worry though, we will make the appropriate adjustments later.) We could also "take out" the \$100,000 in additional medical costs - the ultimate impact would be the same. Keeping all of our other assumptions correct, your 1992 mod will jump from 1.304 to 1.412.

Are we done with the mod calculations yet? Not by a long shot - those additional losses that we put in your mod calculations stay in for three years! And remember those assumptions we made about payrolls and rates? Even at those conservative estimates, the actual dollar impact to your company - just from the mod - over a three year period comes out to be \$199,009.

Stated another way, for each dollar of medical bills in our example that ends up in your mod calculation, your "mod costs" tack on another \$1.99. Don't forget - this is in addition to the \$1.22 initial adjustment that we reviewed earlier.

Keeping track? So far, that \$100 "little medical bill" has now cost you at least \$321 - and that was with some rather conservative assumptions. If we assume that your payroll and your rates are going to increase at a combined rate of more than 5% annually, then that \$321 is much too low.

Guess what...we're not done yet! In addition to the two direct financial impacts - the initial adjustment and the mod impact - there is an indirect financial impact that we haven't yet taken into account.

Just for a minute, put yourself in the shoes of the insurance company underwriter. Imagine that you have to "design" or "price" an insurance program for two different policyholders. One of them has \$100,000 more reported medical costs than the other - are you going to give them both the same insurance program? Very unlikely, but just how much of an impact will those additional losses have on the program offered?

It is reasonable to assume that the underwriter will try to protect his company by building a "comfort factor" into the program with higher losses. That factor may take a number of different forms - the underwriter may raise some or all of the component of the program leaving you with a higher basic, a higher minimum, a higher maximum - or even

worse, he may refuse to offer a program at all.

Although there are no "absolutes" in underwriting, the underwriter would probably look at the loss ratios of the two different policyholders. We have previously assumed a 60% loss ratio so if we add in another \$100,000 in medical bills the new loss ratio - assuming a \$500,000 premium - will be 80%. A logical course of action for the underwriter would be to raise the maximum premium factor and to raise the basic premium factor. Since we have assumed that your losses never get high enough for the "max" to come into play, the major impact will be on the basic.

Although the underwriter may want to increase the basic factor substantially, in keeping with our conservative estimates, let's assume some good news - that the underwriter decides to only increase your basic premium factor from a factor of say, .200 to .250.

The bad news is that almost all underwriters insist on looking at losses for a five year time period. This means that, in all likelihood, the underwriter will be using that "increased basic" for the next five years. If you agree with the underwriter's logic, then the calculation of your additional "underwriter comfort costs" for those \$100,000 in medical costs are simple - just multiply 5% times your premium for each of the next five years. Remember, we have conservatively estimated that your premiums will be increasing at a 5% annual rate (for all rate increases and payroll increases). If the first year premium is \$500,000, then the "underwriter comfort costs" total over \$138,142. (Incidentally, if rates increase the same in the next five years as they did in the last five years and your payroll costs increased by just the average wage inflation rate, that "underwriter comfort cost" will be well in excess of \$250,000)

Let's recap. First there was the "adjustment" that is done to your policy after expiration. Those assumed \$100,000 in "little medical bills" very quickly became \$121,900. The next thing that happened was those "little medical bills" impacted your experience modification factor to the tune of another \$199,009. Again, remember that we are being particularly conservative in our estimates for future rate increases and future increases in your employees' wages. The third impact is the "underwriter comfort cost" which we conservatively calculated to be an additional \$138,142.

The total? Those "little medical bills" have generated a total of at least \$459,051 in actual additional costs - well over four times the original amount of our assumed losses.



From the Editor

by: Peter Palestina, CPCU

It's been two years since publication of my last **Oldies But Goodies** List and since I can't think of a good topic to write about I thought I would go with the **Oldies But Goodies Part 3**. So here goes, with the title first followed by the artist.

KIND OF A DRAG - Passive Smokers
WHAT'S GOING ON? - PA Work Comp.
YOU BELONG TO ME - Leasehold Interests
TAKE ME AS I AM - Certificates of Insurance
JUST THE TWO OF US - Following Forms
HIGHER AND HIGHER - Workers Comp Benefits
NO NOT MUCH - Workers Comp Rates
THIS OLD HEART OF MINE - The Transplants
NEVER GONNA GIVE YOU UP - The Perpetual Policies
I'LL NEVER LOVE THIS WAY AGAIN - Loss of Consortiums
SINCE I DON'T HAVE YOU - Bankrupt Insurer Policyholders
WITH OR WITHOUT YOU - Joint and Severals
SHARING - The Pro-Rata Reinsurers
YOU GOT IT ALL - Agreed Amounts
LOVE LETTERS IN THE SAND - Valuable Papers
GO TO HIM - The Referrals
THE AIR THAT I BREATHE - Second Hand Smokers
FIRE AND RAIN - Very Basic Perils
HONESTY - The Fidelity Bonds
I'M SO EXCITED - The Civil Commotions
THE NEXT TIME I FALL - Suithappy Claimants
BREAKING UP IS HARD TO DO - The Single Limits
OVER THE LIMIT - The Aggregates
DON'T BLAME ME - The Defendants
TOGETHER FOREVER - The Common Elements
TEQUILA - The Host Liquors
TRAINS & BOATS & PLANES - The Transits
FOOTLOOSE - The Trip and Falls
LET'S GET PHYSICAL - Comp and Collisions
MISTER IN BETWEEN - Agents

Upcoming Events

Mark Your Calendar!

All events are at the Hilton & Towers Hotel, Broad & Locust Streets, Philadelphia

- March 2nd** Professional E & O Seminar
8 am - 11 am
- March 23rd** Franklin Award, Hilton & Towers
11:15 Reception 12 noon Luncheon
- March 30th** "Insurer Solvency Regulation - State vs. Federal" video conference - 75 locations
12 noon - 4 pm • Cost for CPCUs \$125
- April 8th** Ethics Awareness (Walter O. Smith, speaker)
Also Chapter election of Officers & Directors
8 am - 9:30 am
- May 13th** AM Best Ratings - Carrier Solvency
8 am - 9:30 am
- June 10th** Education (Moshe Porate, speaker)
Also Chapter Annual Business Meeting
8 am - 9:30 am

Questions or further information may be directed to Denise Marchione 627-5306 or Frank Mason 687-8580.

Philadelphia Chapter CPCU Financial Statement

7/1/92 thru 12/31/92

Including Budget Performance

by: Terry Carlin, CPCU, Chapter Treasurer

CATEGORY DESCRIPTION	ACTUAL	BUDGET	VARIANCE
INCOME/EXPENSE			
INCOME			
DIRECTORY INC	0.00	0.00	0.00
DUES	616.00	22,000.00	(21,384.00)
FRANKLIN AWARD	0.00	4,800.00	(4,800.00)
I-DAY	0.00	2,000.00	(2,000.00)
INTEREST INC	177.98	750.00	(572.02)
BKFST. MEETING INC.	7,968.00	12,000.00	(4,032.00)
SEMINAR INC.	5,136.00	2,000.00	3,136.00
SP SOCIAL INC	0.00	2,000.00	(2,000.00)
TOTAL INCOME	13,897.98	45,555.00	(31,652.02)
EXPENSES			
ADMINISTRATION	2,154.38	8,200.00	(6,045.62)
ANN'L MEETING	1,216.28	2,500.00	(1,283.72)
CANDIDATE DEV	0.00	200.00	(200.00)
CAREERS INC	9.00	200.00	(191.00)
CHAP OFF LC	0.00	1,000.00	(1,000.00)
CHAPTERGRAM	5,750.07	9,750.00	(3,999.93)
DIRECTORY EXP	0.00	0.00	0.00
FIRE ESSAY	339.60	400.00	(60.40)
FRANKLIN AWARD	528.68	4,150.00	(3,621.32)
H.J. LOMAN FOUND	550.00	550.00	0.00
I-DAY EXP	613.99	500.00	113.99
ISOP	110.00	600.00	(490.00)
MEETING EXP	6,009.76	10,500.00	(4,490.24)
MEMBERSHIP COMM	0.00	200.00	(200.00)
MISCELLANEOUS	0.00	250.00	(250.00)
NEW DESIGNEE	503.50	750.00	(246.50)
PUBLIC REL COMM	500.00	500.00	0.00
RESEARCH PROJ	0.00	250.00	(250.00)
SP SOCIAL EXP	0.00	2,000.00	(2,000.00)
ANDREW DONATION	250.00	0.00	250.00
TOTAL EXPENSES	18,535.26	42,500.00	(23,964.74)
SURPLUS/(DEFICIT)	(4,637.28)	3,050.00	(7,687.28)

BANK BALANCES: \$27,741.18

Two Fill Vacancies on Chapter's Board of Directors

At it's December 10, 1992 Board Meeting, the Board elected the following individuals to fill vacancies created by the resignation of Tom Callanan, CPCU and Elayne Markey, CPCU who were unable to complete their terms of office.

Antonio Ramirez, CPCU & Anne Kopanski, CPCU

Both terms will run through June 30, 1993.

The On-Going Saga of "Seepy Seeyou"



Well that's the claim under the ADA incident. The Workers' Comp claim went to appeals and we lost, and the endorsement for the new mod of 3.65 is on its way!!

November

MEETING RECAP

Workers' Compensation Issues



by: Anne Kopanski, CPCU

November's timely topic was presented by Timothy L. Wisecarver, President and Charles D. Suitch, Senior Vice President of the PA Compensation Rating Bureau. The major topic was the newly issued Order of Cynthia M. Maleski, Acting Insurance Commissioner, of the Commonwealth of PA. The order approved a rate increase of 24.25%. "This is the largest rate increase approved this year, by the Insurance Department," said Mr. Wisecarver. The order was signed over a year later than the initial filing and was considerable less than the 51.82% rate increase requested.

Charles Suitch provided an overview of the services provided by the PA Compensation Rating Bureau. Their responsibilities include: provide service and information to the Public, conduct appeals, provide problem solving assistance, conduct test audits for insurance companies, secure filings and approval, for their client members. There are approximately 315 insurance companies that are members of the PA Compensation Bureau.

Mr. Wisecarver provided extensive testimony at the hearings in favor of the proposed increase levels. During the hearings, the Commissioner's office challenged various actuarial methods used to project data needed for the increase. The Insurance Department disputed the methods used for Class Rate Making, the method of calculating return on investment and trending methods. The burden of proof is on the Bureau, while the alternatives provided by the insurance department are not subject to the same requirements.

The Bureau presented Loss Development data that was hotly disputed. Based on the Bureau's analysis, it appears that Case Reserve practices may have been underestimated by member companies. The actual payments when compared to the estimates, indicate that claims are open longer, closed claims have been reopened, actual medical and indemnity payments are larger. There is also growing litigation obstacles to control medical costs. The Commissioner developed and used their own data, at a lower level, than the Bureau believed to be appropriate.

"New rates would be available for 12/1/92 implementation," Mr. Wisecarver. He further advised that the Bureau was uncertain when the next filing would be made due to new filing order requirements of the Insurance Department.

In the Question and Answer session, Mr. Wisecarver said that new Experience Modification factors will be available in January-February, 1993. In response to a question on use of deductible, Wisecarver advised that insurers using deductibles currently file directly with the Insurance Commissioner and the Bureau would like to know the numbers so that data can be edited. There was discussion of the potential effects Workers' Compensation reform, pending before the Pennsylvania legislature. The general opinion that rate reform will be a part of the final reform package.



Chapter members listen attentively at our November meeting where they heard the latest word on Workers' Comp Ratings and Issues.

New Designees Column



by: Geoffrey N. Pratt, CPCU, New Designee Rep

I am very pleased to report that the New Designee Committee is making progress. Several new designees have completed tasks picked from the "job jar", and others have expressed an interest in joining the New Designee Committee.

Two of the busiest New Designees have been Paul Hertel, CPCU, and Virginia Cameron, CPCU. Paul attended I-Day in October and picked a job from the jar. His job involved visiting a school and speaking at a "Careers in Insurance" program at the school. He participated in a panel discussion at the University of Pennsylvania, where various Insurance and Actuarial careers were discussed. Students asked questions of the panel, which also included Tony Ramirez, CPCU, the co-chairman of the New Designee Committee. Paul has also joined the New Designee Committee.

Virginia Cameron, CPCU, also picked a job which asked her to speak at a school "Careers in Insurance" program. Virginia spoke to two classes at Wissahickon High School in Montgomery County. She then attended the December Board of Directors meeting, and described a positive experience to the Board. Virginia also plans to write articles for future Chaptergrams, and has joined the New Designee Committee.

The New Designee Committee has various plans for 1993, including a Spring Social, the New Designee Newsletter, and the organization of the November, 1993 breakfast meeting. Even with the addition of Paul and Virginia, we will need your help. If you would like to get involved with the Committee, please call Tony Ramirez or me at 981-7000.



Charles Suitch (left), Senior Vice President and Tim Wisecarver (right), President of The PA Compensation Rating Bureau were the speakers at our November meeting.

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