

Editor's Note: The views and opinions of the authors of the articles appearing in the Chaptergram are his or her own and not necessarily shared by the officers and members of the CPCU Society and the Philadelphia chapter.

Visit your Chapter website at: <http://www.philadelphiacpcu.com>

CPCU Supplement in the Philadelphia Business Journal

The Philadelphia and Brandywine Chapters, in conjunction with the National Society, issued a supplement to the October 5th Philadelphia Business Journal all about CPCU.

In addition to highlighting the designation and alerting the personal lines and business consumer to the advantages of seeking advice and purchasing insurance policies from a CPCU, we filled the pages with exceptional articles about the designation and consumer information. The supplement was edited by Val Ullman Katz, CPCU, MBA, ARM, AIS, AIM, CBCP, Jon Hensinger, CPCU, President of the Brandywine Chapter and Diane Buben of the National Society.

For those of you who may have missed the first annual CPCU supplement in the Philadelphia Business Journal and would like to receive a copy contact Val Katz at valraykz@erols.com.



BREAKFAST MEETINGS OFTEN FILED FOR CE CREDIT

If you are a dues paying member of the Philadelphia Chapter and have a PA brokers/agents license, please keep in mind that many of our breakfast meetings are filed for one CE credit hour. Normally, we know the status in advance and incorporate it in our flyer/registration form. However, sometimes approval, or rejection status is not known as of the date of the mailing of the flyer. In that case, you will know when the latest status when you arrive at the meeting, or in advance via our website www.philadelphiacpcu.com under the programs section and/or the on-line registration flyer.

The best news is that we will file the credit for you at no cost to paid chapter members as a benefit of your membership. Other organizations charge \$6 and upwards for this filing fee service. If you are not a chapter member, you will be asked to pay \$6 at the roster sign-in.

Anyone who holds an agents or brokers license can check on your own CE status by logging on to www.Sircom.com. Once there you can click on the "Obtaining Continuing Education Information" link and at the next screen, click on "Education Transcript Inquiry". To get your transcript you will need to insert your license number and SSN. Since we do not mail attendees requesting CE from the sign-in sheet the confirmation status (in order to save on expenses), you should check that website about 45 days after the event to make sure you received the appropriate credit.

Left: President Ann Myhr and Past President Val Katz proudly hold the Chapter's supplement that appeared in the October 4 Philadelphia Business Journal. The supplement highlighted what CPCU's are all about as well as Chapter history and articles written by members on various topics.

**First there was the Philadelphia Chapter Mug.
Then we had Philadelphia Chapter Caps.
Now, get ready.**

The Philadelphia Chapter CPCU Tee Shirts are here!

We have white tee shirts with our Chapter logo on sale for \$10 a piece. Proceeds are for our 2003 Scholarship Fund.

For sales information come to our monthly breakfast meeting or e-mail Val Katz at valraykz@erols.com

Don't miss out on an opportunity to support our Scholarship Fund!

October speakers (L-R) Bill Kanehann, Al Federico and Art Hanebury hold the chapter t-shirts they were given as gifts for speaking. The t-shirts were unveiled for the first time and are on sale for \$10 and proceeds go to our scholarship fund.





THE PRESIDENT'S COLUMN

By: Ann Myhr, CPCU, Chapter President

What does your CPCU membership mean to you? As we head toward the end of another year and renew our CPCU memberships, this is a good question to ask. Membership in the local chapter and in the National Society provides many benefits, including opportunities for continued education, networking, and career growth. Our monthly chapter meetings provide timely information and exposure to speakers who can provide insight into emerging industry trends. I urge you to come and join us at the Doubletree Hotel in Philadelphia for one of our monthly Thursday morning meetings during 2003. Other events planned for 2003 include a Spring Mix and Mingle, the Franklin Award Luncheon in March, Ethics Awareness in April, and the Annual Business Meeting in June.

The end of the year also brings resolutions for the upcoming new year. What is your resolution? Do you want to be more informed, get more involved in chapter activities, or make new contacts in the industry? The Philadelphia Chapter can help you to keep these resolutions and to grow in your career. Some people think that becoming more involved with the chapter means giving up a great deal of time. This is not always the case and there are many different ways of participating. Members can start by assisting at the monthly breakfast meetings and gradually assume more responsibility as your time and experience level increase. If you only have a little time to give and are not interested or available to eventually assume a Committee Chair, Director, or Officer position, that is fine. The chapter can tailor your involvement to meet your needs and give you opportunity to interact with some fun and interesting people.

The chapter is also fortunate to have the support of the National CPCU Society, which provides excellent programs, such as the National Leadership Institute. The Society also has an updated website at www.cpcusociety.org, which provides information on membership, career management, and educational events. Take the time to spend a little time there as well as on the chapter website at www.philadelphia-cpcu.com as you formulate your New Year's resolutions. I am sure it will be time well spent and will give you momentum to get a great start on 2003.

Finally, I hope you and your families have a wonderful Holiday season. I look forward to seeing you at chapter events in the New Year.

GOOD WORKS COMMITTEE

THE NOVEMBER BREAKFAST MEETING PROJECT WAS IN MEMORY OF STEPHANIE LADSON, CPCU

In October our Philadelphia chapter lost a valued member, Stephanie Diane Conquest Ladson, CPCU and Certified Claims Adjuster, at 47, to the effects of heart disease. Stephanie was a Philadelphian through and through. She attended our public schools, Leslie Pinckney Hill and Strawberry Mansion Junior High School, and then graduated with honors from Simon Gratz High School, earning a full Academic Scholarship to Temple University, from which she also graduated in 1978 with her Bachelor of Business Administration. Her work life included 24 years in the insurance claims field with Allstate and AAA Mid-Atlantic reaching management level positions. Her zeal to excel in her chosen field led to her pursuing and achieving the CPCU designation, to which she was a credit. A woman of faith, she fellowshipped at the Refuge Evangelical Baptist Church, where she sang in the Adult Choir and founded the Awesome Women of God, a women's singles ministry. In recent years, heart problems sapped her strength, caused her to reduce her activities and ultimately led to her demise in a hospital while awaiting a heart transplant.

At our November breakfast meeting, we received donations for the Philadelphia County American Heart Association to be given in her memory. Thanks to all who gave.

Charlie Butler, CPCU

CPCU MONTHLY CONTEST

Near the beginning of each month the Chapter will post a monthly website contest. A prize will be awarded each month to the first person who solves the question correctly. You may only guess one time for each monthly contest and Chapter Officers & Directors are excluded from entry. You may only win once during a 12 month period. Correct answers will be posted upon completion of each monthly contest and the next contest will also be posted at that time. All Philadelphia Chapter members are eligible to participate. Non Chapter members are also eligible but must be on our CPCU e-mail hotlist to qualify. The hotlist is comprised of those who are on the e-mail list who receive the "Philadelphia Chapter Weekend Website Update". Obviously, those who are on the Hotlist have the advantage of being reminded when each monthly contest is posted. If you are not currently on our hotlist and would like to be placed on it, please e-mail your request to be added to Pete Palestina, CPCU at peteyal@aol.com.

Previous contest winners are shown below - Congratulations to all.

Month & Year	Winner	Month & Year	Winner
Feb. 2001	no winner	Mar. 2001	Larry White
April 2001	Marty Frappolli	May 2001	no winner
June 2001	Linda Mendenhall	July 2001	Scott Solowey
Aug. 2001	Deborah Somers	Sept. 2001	Scott Solowey
Oct. 2001	Debbie Tomlin	Nov. 2001	no winner
Dec. 2001	T.C. McDonnell	Jan. 2002	Dan Hendrickson
Feb. 2002	T.C. McDonnell	March 2002	no winner
April 2002	Angela Grodanz	May 2002	Tina McGarrigle
June 2002	Fran Mazza	July 2002	Al Federico
Sept. 2002	Carl Halter	Oct. 2002	Joshua Porter
Nov. 2002	Marty Purcel	Nov. 2002	Martin Purcel

TOTAL QUALITY SECTION

By Valerie Ullman Katz, MBA, CPCU, ARM, AIM, AIS

Society Section membership offers CPCUs the advantage of field specific information and knowledge. It gives access to separate newsletters dedicated to the selected field.

Any CPCU can join a Section. There is an additional fee required, but the benefits reaped far outweigh the subscription Cost. It gives the reader state of the art information, a forum to express experience and another way to stretch leadership potential.

I am a member of the Total Quality (TQ) Section and serve on the TQ Committee. I chose TQ because the drive for Total Quality – doing it right the first time – overrides every industry field. As an underwriter, claims, or IT insurance person, TQ fits. It spans everything we do, touch, and feel daily.

Our Newsletter articles span topics as "Bounce Back From Failure", "The Relationship between Talent and Total Quality", "Customer Service Tests" to list but a few. If you are interested in perusing a copy of the Newsletter as a precursor to membership in the TQ Section, contact me at valraykz@erols.com and I will happily supply you with a copy.

CPCU Sections:

- Agent and Broker
- Claims
- Consulting, Litigation, & Expert Witness
- Excess/Surplus/Specialty Lines
- Information Technology
- International Insurance
- Los Control
- Personal Lines
- Regulatory & Legislative
- Reinsurance
- Risk Management
- Senior Resource
- Total Quality
- Underwriting

Dues:

- \$30 annually per section
- \$15 per year for regular retired members
- \$90 lifetime retired membership

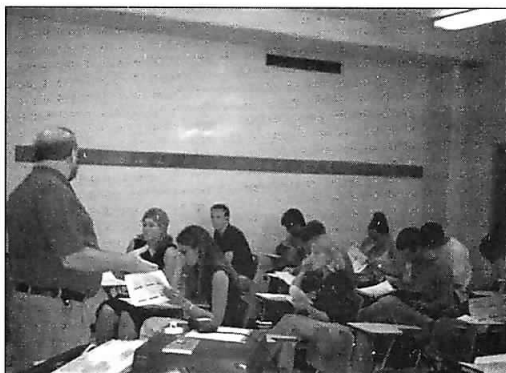
T.C. "Mac" McDonnell, ARM, CPCU, AIS works with the RMI 359 - Corporate Risk Management Class at Temple University

Philadelphia, September 27, 2002: Mac McDonnell recently delivered a session on Accident Prevention & Control to the RMI 359 Corporate Risk Management Students at Temple University. This interactive session was delivered at Curtis Hall on the main Temple University Campus on September 25th. Mac is past president of the Philadelphia Chapter CPCU Society and a member of the Speakers' Bureau for that organization. This group of seniors is preparing to enter the workplace in various risk management roles and had just recently completed a field trip where they were able to interview various people relative to the day-to-day operations of a municipal government.

Participation is encouraged in the form of asking and responding to questions. One of the things that the group discussed was the fact that accidents have a negative impact on production goals, quality goals and profit goals. Also discussed was the fact that all of these variables are interrelated and a significant change in one area is very likely to have an impact on the others.

RMI 359 Corporate Risk Management is considered a capstone course for seniors. The level of participation and the quality of questions and discussion was very high and many of the students have identified personal "take-aways" for improvement. The session was designed to provide practical insight into how accident prevention and control fits into the risk management process. The importance of integrating risk control efforts into the management of the business and the steps needed to change behaviors that are the result of habits were also discussed. The participants should be in a better position to face workplace challenges in application of risk management principles following this session.

Mac is founder and President of MCDONNELL CONSULTING, an organization focusing on accident prevention and control. MCDONNELL CONSULTING is a management consulting organization with two primary product lines. One of these product lines is accident prevention and control consulting for employers and businesses. The other product line is development and delivery of customized training programs to insurance carriers. Additional information about Mac and MCDONNELL CONSULTING can be found by visiting his webpage at www.mcdonnellconsulting.org.



Left: TC McDonnell instructs Temple's Corporate Risk Management students September 27th

KUDOS TO VAL ULLMAN KATZ

Congratulations to Val Katz on her successful efforts in publishing the first CPCU supplement in the Philadelphia Business Journal. Val worked with Diane Buben at the CPCU Society and Jon Hensinger, President of the Brandywine Valley CPCU Chapter in getting articles written and completing the publication. Val relentlessly pursued several firms in an effort to sell the advertising space in the supplement. The supplement included articles by Philadelphia Chapter members Pete Palestina, Ann Myhr, Deborah Somers, as well as Val Katz. Other distinguished article contributors included Joseph Gerber of Cozen O'Connor and Walter Bateman, CEO of the Harleysville Group. In addition, the supplement highlighted the American Institute for CPCU and the Insurance Society of Philadelphia.

The Chapter has received many positive comments on the final product. Thanks again to Val and all those responsible for this terrific accomplishment.

A SPOUSE'S VIEW OF THE ANNUAL MEETING

By: Norman "Rick" Myhr

It is hard to believe that I have attended over ten Annual Meetings since Ann received her designation in Anaheim in 1989. That first meeting was very exciting and I am just as enthusiastic about every Annual Meeting I attend. This year, Orlando was no exception.

Having witnessed the effort it takes to become a CPCU and remembering how proud I was of Ann at her Conferment, it was great to be present at this year's Conferment Ceremony. Although plagued with a head cold from the time I arrived, it was still wonderful to watch the New Designees accepting congratulations and praise for a job well done. From the spouse of a CPCU to all the New Designees and their families, hooray on a job well done, it was worth all the effort.

I did get the chance to attend some of the education sessions during the week. Jeff Knowles, of the Disney Institute, provided some valuable leadership information and insight into the Disney operation and philosophy. I enjoyed exploring the Society Expo and talking to many of the exhibitors. I also caught up with some of the friends I have made over the years at previous Annual Meetings. The Final Night Celebration was, yet again, an event that made you say "Wow!" Lots of good food and entertainment in fabulous Florida surroundings.

Without a doubt, the four days spent at the CPCU Annual Meeting were informative and, yes, entertaining. This is true even though I am not in the insurance business, only related to it by marriage!

We also got a chance to visit several of the Disney theme parks. After an absence of over 25 years, the Magic Kingdom and Epcot were full of surprises and very rejuvenating. The Kennedy Space Center was another destination that proved awesome and invoked a deep sense of patriotism. We would have liked to have more time to spend there and only saw about half of the exhibits in the one day we had available.

I am already looking forward to the Annual Meeting in New Orleans next year, which will be a return trip for us.

Norman "Rick" Myhr



PRESIDENT'S REPORT ON THE ANNUAL MEETING

By: Ann Myhr, CPCU, Chapter President

This year's Annual Meeting in Orlando was a great opportunity to recharge, learn new skills, reconnect with old friends, and catch some Disney magic. Our Chapter was well represented and several local members also served on national Society and Section committees. Philadelphia chapter member Clint Gillespie, CPCU, was also installed as Governor for our region.

The Conferment Ceremony is always a very special time and it is wonderful to observe as the New Designees take their oath for the first time. This year, the class of 2002 was joined by some members of the class of 2001 who were unable to travel to Seattle last year due to the unfortunate events of September 11, 2001. Washington Post reporter Bob Woodward was the Conferment Speaker this year. Mr. Woodward's speech was thought provoking and informative, covering topics from the Bush White House, to global terrorism, and the Washington political scene.

The meeting provided a tremendous educational opportunity with seminars being offered on a P&C Insurance Track as well as on a Leadership and Career Development Track. Seminar topics ranged from "What We Didn't Tell You in CPCU 3 and 4," "Ten Steps to Litigation Management," "Dynamics of Organizational Change," and "Creating a Killer Resume." General sessions during the week provided an additional opportunity to attend three great motivational sessions on leadership and success. These included Sunday's Disney Institute presentation on the Disney Approach to Leadership Excellence and a Leadership Panel on Monday. Tuesday's General session was an unusual and enlightening discussion led by Olympic gymnast Peter Vidmar. Mr. Vidmar not only gave an inspiring talk, he also used the pommel horse to demonstrate his points regarding "Risk, Originality, and Virtuosity." These topics are the subject a recently published book authored by this speaker.

The highlight of the week for me was the reception held on Tuesday evening to honor the Presidents of those Chapters who had earned Circle of Excellence status. I was very proud to be recognized on behalf of the Philadelphia Chapter's achievement of the Gold Circle of Excellence. This award is based on all the hard work of the chapter officers, directors, chairs, and members over the 2001-2002 year.

The week ended with a gala Final Night Celebration which, thanks to Florida's mild climate, was held outside by the lagoon on the "beach" between the Dolphin and Swan Hotels. There was great food, music by Volcano Joe and the Hot Lava Band to dance to, and even a fireworks display to end the evening.

I don't want to suggest that the week was all work and no play. I did get a chance to spend time in Epcot, the Magic Kingdom, and MGM Studios. I was even serenaded by Goofy at dinner one night thanks to a plot hatched by Past Presidents Pete Palestina and Val Ullman-Katz!



President Ann Myhr (bottom right) and Past Presidents Val Katz and Pete Palestina proudly wearing Philly Chapter clothing items at the Society's Orlando convention.



President Ann Myhr gave Chapter t-shirts to our new designees in Orlando. Here she is passing one on to new designee Terry Fox.



Past president Val Katz discussed chapter activities over lunch with Wisconsin chapter president Marlys Maciona (L) and Wisconsin past president Betty Buschmeyer.



Society's John Kelly, CPCU gives hug of affection for wife Lynne as Jeff Lynch looks away.



CPCUs enjoying the welcome reception at the Orlando convention.



NEW DESIGNEES COLUMN WELCOMING ALL 2002 NEW DESIGNEES

FROM: AMY HACKETT, CPCU,
NEW DESIGNEE CHAIRPERSON

Hello and welcome to all of the new designees. Congratulations on your achievement! I am Amy Hackett and I am the New Designee Chairperson for the Philadelphia Chapter of CPCU. I received my designation as part of the class of 2002. Taking CPCU classes and exams was a rewarding experience and I feel that as a CPCU I have had an invaluable exposure to many aspects of the insurance industry. I hope you all had a similar positive experience and maybe some fun along way.

I was personally unable to attend the annual meeting, but rumor has it that a good time was had by all. I encourage you to visit the chapter website, where there are photos from some of the events. I also suggest that you take a "trip" around the website (www.philadelphiacpcu.com) to learn more about our chapter and the great events that we have planned this year.

Our chapter meetings are usually on the third Thursday of every Month, but check the Chapter website for a complete list of dates. Our meetings are an excellent opportunity to meet other members in our area and learn more about our industry.

Welcome again to the Philadelphia Chapter of the CPCU Society. I encourage you to get involved; we are looking for fresh faces and new ideas. I hope to see you at our next chapter meeting!

Amy Hackett, CPCU
New Designee Chairperson
Ahackett@phlyins.com
Phone 610-617-7712



Above: at ACE dinner honoring their new designees in Orlando are clockwise Clint Gillespie, Val Katz and new designee Michael O'Connor.

Below: (clockwise) Terry Fox (ND), Susan Woodward, Paul Higgins (ND), Jarrod Collins (ND), Bob Groff, Harry Rambo, Dottie Gillespie.



CONGRATULATIONS 2002 NEW DESIGNEES

We would like to extend a hearty welcome and congratulations to the following 38 new designees who have successfully completed all of the exam and course requirements in order to receive their diploma in Orlando at the CPCU Society's October 2002 Annual Meeting:

Kathy Bardall	Helene M. Harris
Matthew Baron	Paul R. Higgins
Damon S. Bendesky	Cynthia A. Holt
Carmen A. Bodden	Maryanne Kehoe
John A. Bodden, Jr.	Kevin T. Kerestus
Byeongyong Choi	Kevin A. Long
Jarrod K. Collins	Brad F. McFadden
Megan C. Cosgrove	Cynthia J. McGee
George T. Cox	Dan Nagy
Donna Lynn Crudeli	Marcia N. Nigro
Sharon D. Direso	Michael L. O'Connor
Lawrence V. Dolph	Mariann Palma
John G. Donahue, Jr.	Joshua A. Porter
Thomas M. Flanagan	Karen S. Radcliffe
Theresa M. Fox	Stager Clay Smith, Esq.
Steve Gioia	Andrew M. Tuma
Moirra D. Grabe	Roy C. Tyson, III
Susan T. Graham	George B. Utter, Jr.
Amy Hackett	James A. Valentine

Again, congratulations and all of us here at the Philadelphia Chapter look forward to meeting and working with all of you in the future.



After the ACE dinner, host Val Katz (2nd from right) poses in the Dolphin lobby with ACE new designees Jarrod Collins, Terry Fox, Paul Higgins and Mike O'Connor. Afterwards, bottom photo, the entire dinner crew posed with Pete Palestina (far left).



October Meeting Recap

Agents & Brokers Executive Panel Critique Market

By: Martin Frappolli, CPCU

On October 10, 2002, an Agents & Brokers executive panel was assembled to address the monthly breakfast meeting of the Philadelphia Chapter CPCU Society, on the topic "The Producers Perspective: Insurance in a Hard vs. Soft Market." Panelists included Arthur C. Hanebury, CPCU, ARM, Sr. Vice President, Wharton Group; Bill Kanehann, MBA, ARM, COO, Clair O'Dell Group; and Albert Federico, Jr., CPCU, President, Federico & Associates.

Mr. Hanebury spoke of the changes that he has seen over 35 years in the producer segment, but began with two basic truths that he feels have not changed over that time period: (1) If you invest the time and effort (two years) in the proper training and education, you can compete in this arena, and (2) with an ARM or CPCU designation and CE (continuing education), you assure yourself of the best opportunity to remain competitive.

He described the fundamental nature of the producer market in the 1970's – populated mostly by small, privately owned agencies staffed by five to seven people, each serving a few selected insurers. In the period of 1975-1985, these agencies began to focus on the larger commercial accounts as more profitable. It was felt that small accounts, for lower premiums and commissions, used a disproportionate amount of expensive system resources. In the 1985-1990 period, the producer community became workers compensation-driven, seeking profitable WC accounts and writing the other coverages as an accommodation.

In the 1990's, hard markets led to consolidations; the number of agencies was greatly reduced from 1975 to 1990, although the personalized nature of selling persisted as long as the agencies were privately owned and those owners still knew the executives at the insureds. From 1990 through 2000, Mr. Hanebury saw the producer segment become "boardroom focused" as the financial people replaced the old-boy network. Business became primarily price-driven.

During the last soft market, the clients rarely had any insurance technical expertise, unless there was a risk manager involved. The customer expected that "everything is covered" when comparing pricing from different insurers. The onus fell to the agent to explain coverage gaps and distinctions; still, there was increased litigation due to coverage misunderstandings. The price-driven, boardroom-focused atmosphere made a fundamental change to the once friendly and personal partnership of customer, agent, and insurer. The result is a more professional, but colder relationship.

Today, Mr. Hanebury will sometimes advise the insurance customer who complains of price increases, "Insurers have two options – they can get money from the stock market, or get money from you." In this hard market climate, he closed his remarks with an illustration of current conditions, noting that not long ago a potential account valued at \$50,000 would get the full attention of a "real" underwriter; today, the underwriter is not interested in reviewing an account for less than \$150,000.

Bill Kanehann spoke next, and got directly to the heart of the current market climate: "Profitability is the most commanding word in the lexicon of an insurance company." He reported that agents were once compensated for performance in retention and new business, but that now those considerations are secondary to profitability. Regarding market conditions, Mr. Kanehann noted that with new exclusions for perils like terrorism and mold, coverage is shrinking, a reversal of trends prior to 9/11. He sees insurers avoiding accounts with high concentrations of people or high-profile buildings.

Another key term for our times is *confluence*. Life insurers have experienced big losses at the same time the investment portfolio performance has dipped; big property casualty insurers experienced large losses at the same time the WC market deteriorated. Where the emphasis not long ago was on (low) pricing, today underwriting is the main concern, with a pervasive compulsion to document everything in the process. The lack of competition in segments like health care, transportation, and construction insurance is continuing to drive prices up. Mr. Kanehann advised that homeowners insurance was recently both popular and profitable, as insurers took a "pay any loss" approach to underwriting. Now insurers are withdrawing from targeted market segments, and that high limits for property or liability are expensive and difficult to place with a carrier. Regarding the near-term forecast, he feels that the availability issues will continue to get worse through year-end, especially for surplus lines and umbrella business.

Mr. Kanehann spoke of the underwriter's perspective today: it must be a perfect submission, with no missing pieces, to gain consideration. "Does the risk have any hair on it?" In other words, is this application from a real estate business pure, or is there a homebuilder in there too? Is this homebuilder business local, or does it have operations in South Florida?

He discussed the number of insurer failures, and the agent reaction that "you don't want to have 30% of your book with one insurer because you don't know which will get into financial difficulty." He closed with his outlook on what is necessary to keep the business and markets vital – we need to encourage college-age and young professionals with the opportunities in the insurance industry. He noted that insurance remains a lucrative career: "I see a lot more nice automobiles in the lots of insurers and producers than I do in the lots of many of the insureds."

Al Federico wrapped up the panel's presentation with his outlook on survival in current market conditions. He relayed the story of two hikers in the wood who were fleeing a charging bear – to survive, you don't need to outrun the bear, you need only outrun the other hiker. Mr. Federico reminded us that the world and markets are constantly changing, as evidenced by the rise and fall of Napster, the 99% drop in the cost of web advertising space, and the fact that 17,000 new grocery items were introduced last year even though the average store carries a total of only 30,000 items. The cycle of hard and soft market continues, despite the prevailing sentiment not long ago that "this soft market is here to stay."

He reported some statistics to highlight recent trends: the industry combined ratio in 2001 was 116%; there was \$3.6 billion in adverse reserve development during the first nine months of 2002; surplus is way down; investment return is down or negative; loss costs are rising; the threat and costs of terrorism and mold are still unknown; the effects of chronic underpricing are home to roost. He notes that much of this change in the market would have occurred without the assault on 9/11, but that event made it happen faster and deeper.

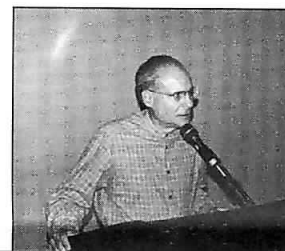
Nonetheless, Mr. Federico compares this market to the 1985-1986 environment, which was far worse. "It was like the last days of Saigon – submissions were being thrown over the fence to be air-lifted out." Regarding the trend for producer consolidation, he states his contrarian view that "bigness is not goodness", as evidenced by Enron, Adelphia, Xerox, and Reliance.

Mr. Federico closed with an argument for one substantial change. He argued that it is time for the states to turn over the regulation to the federal government. "One broker license should work nationally" rather than the state by state requirements now in place.

The members and guests attending gained a broad agent & broker perspective from these three seasoned and flexible veterans who had seen and survived several market cycles. We were all reminded that this market segment, like Nasdaq and the Dow, is constantly subject to change.



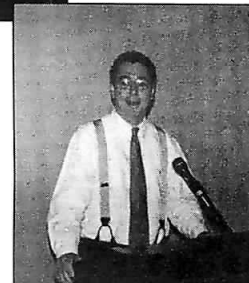
Left: Program Chair Debbie Somers introduces October panelists Al Federico, Art Hanebury and Bill Kanehann.



Right: Al Federico, Jr., CPCU, President Federico & Associates



Above: Art Hanebury, CPCU, ARM, Sr.VP Wharton Group



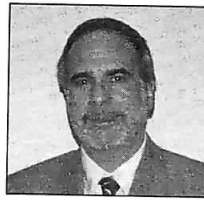
Bill Kanehann, MBA, ARM, CEO Clair Odell Group



Some of the audience at the October meeting.

From the Editor

BY: PETER F. PALESTINA, CPCU



The Australian Bricklayer

For my column this issue I thought everyone would enjoy a humorous story a friend sent me from the internet. This is a bricklayer's accident report, which was printed in the newsletter of the Australian equivalent of the Workers' Compensation board. This is a true story. Had this guy died, he'd have received a Darwin Award for sure.

Dear Sir:

"I am writing in response to your request for additional information in Block 3 of the accident report form. I put "poor planning" as the cause of my accident. You asked for a fuller explanation and I trust the following details will be sufficient. I am a bricklayer by trade. On the day of the accident, I was working alone on the roof of a new six-story building. When I completed my work, I found that I had some bricks left over which, when weighed later were found to be slightly more than 500 lbs. Rather than carry the bricks down by hand, I decided to lower them in a barrel by using a pulley, which was attached to the side of the building on the sixth floor.

Securing the rope at ground level, I went up to the roof, swung the barrel out and loaded the bricks into it. Then I went down and untied the rope, holding it tightly to ensure slow descent of the bricks.

You will note in Block 11 of the accident report form, that I weigh 135 lbs. Due to my surprise of being jerked off the ground so suddenly, I lost my presence of mind and forgot to let go of the rope.

Needless to say, I proceeded at a rapid rate up the side of the building. In the vicinity of the third floor, I met the barrel which was now proceeding downward at an equal, impressive speed.

This explained the fractured skull, minor abrasions and the broken collarbone, as listed in section 3 of the accident report form. Slowed down slightly, I continued my rapid ascent, not stopping until the fingers on my right hand were two knuckles deep into the pulley. Fortunately by this time I had regained my presence of mind and was able to hold tightly to the rope, in spite of beginning to experience a great deal of pain.

At approximately the same time, however, the barrel of bricks hit the ground and the bottom fell out of the barrel. Now devoid of the weight of the bricks, that barrel weighed approximately 50 lbs. I refer you again to my weight. As you can imagine, I began a rapid descent, down the side of the building. In the vicinity of the third floor, I met the barrel coming up. This accounts for the two fractured ankles, broken tooth and several lacerations of my legs and lower body.

Here my luck began to change slightly. The encounter with the barrel seemed to slow me enough to lessen my injuries when I fell into the pile of bricks and fortunately, only three vertebrae were cracked.

I am sorry to report, however, as I lay there on the pile of bricks, in pain, unable to move, I again lost my composure and presence of mind and let go of the rope and I lay there watching the empty barrel beginning its journey back down onto me.

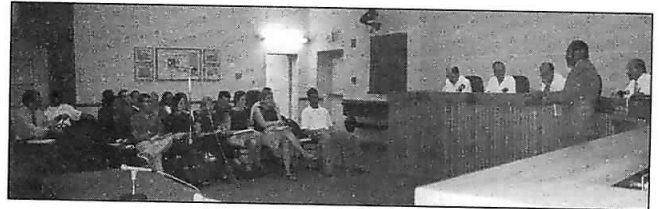
This explains the two broken legs. I hope this answers your inquiry."

So there you go, a little humor to go with this holiday season. Hope all of you and your families have the best of holidays and a great and healthy 2003.

DR. BAGLINI BRINGS TEMPLE STUDENTS TO NORTHAMPTON TOWNSHIP

Dr. Norman Baglini, Ph.D, CPCU brought his Temple University class of 16 Insurance & Risk Management students to Northampton Township, Bucks County, on September 16th. Professor Baglini had contacted chapter member and Northampton Supervisor Pete Palestina to request a visit by his class to do a risk management study as part of their class project. As an associate of Palestina for many years through the Insurance Institutes and the Philadelphia CPCU Chapter, Norm asked if Pete could arrange for a possible visit to one of his commercial insurance clients in order for the class to conduct a risk management case study. In accommodating the request Palestina went one step further and offered Northampton Township for the project.

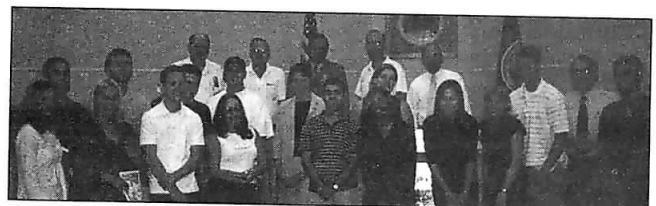
During the two hour presentation, discussion of the township exposures to property and casualty losses were presented by Palestina, Township Manager Bruce Townsend, Police Chief Barry Pilla, Public Works Supt. Pat Giradi and Water & Sewer Authority Executive Director Sam Huffer. The presentations were followed by a Q&A period. The students spent two hours and according to Dr. Baglini "We were very impressed with how the township is run and the professionalism of its staff and elected officials". He was especially thankful of Palestina's involvement over the years as a member and past president of the Philadelphia Chapter of CPCU.



Pete Palestina introduces his Township's administrators to Temple students.



Norm Baglini and class listen and take notes at the Northampton Township building



Baglini and students pose with Palestina and township officials after the session.

September Meeting Recap

View from the Top

By: Rita Hoffstein, CPCU, AIA, AIS

Our first breakfast meeting of the 2002-03 season, is traditionally "A View From the Top". This morning's session, arranged by Deborah Somers, brought us three distinguished speakers from our industry (all CPCU's) to discuss current capacity issues and legislative initiatives.

Our first speaker, Susan Rivera, President & COO of ACE first spoke about capacity. She explained that capacity & new product development go hand in hand. In a soft market new products thrive as capacity is abundant and carriers seek to bring more new products to the market. However, in a hard market, like we are currently experiencing, carriers go back to their core products. Reinsurers go back to basics and support carriers and products they can price. Although premium levels are going up due to rate increases, the capital/reserve ratios aren't, as carriers are forced to keep more net to pay reinsurers. Susan identified 3 new critical issues: (1) 9/11, reinsurers cannot support new products (2) Enron - taught us the quality of earnings and integrity of investments and (3) Asbestos issues, claims are eroding capacity, more suits, more volatility. On the topic of Legislative initiatives, she believes we need Federal & State regulation with Judicial support such as tort reform for asbestos claims and meaningful legislation regarding terrorism. In closing, Susan said it is a tough time in our industry but also a time of great opportunity. Our focus should be on the quality of capital and where it will be spent and allocated.

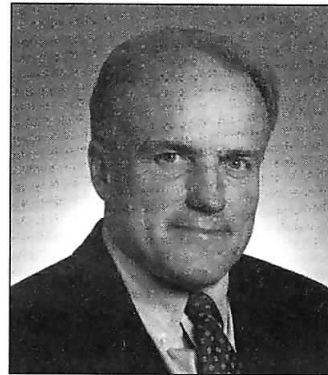
Our next speaker Lee Patkus, President & COO of Harleysville brought us his views of the optimism he senses within the industry. Lee said that although we should have figured out we needed to have a disaster plan, after the events of 9/11, somehow we got through it and to some degree things get worked out - optimism. He also credits our country for that optimism. He also senses a lack of confidence in our senior executives. "Look at the changes in the top 3 positions at various carriers" Lee said, the key is "don't get too fancy" and the goal is "not to walk out in handcuffs!" Product lines should be basic and simple, "back to the basics", carriers are re-underwriting their books of business and getting rid of the non-profitable products that had too much exposure for the premiums charged. Harleysville had to do this with their BOP business, since during the 90's, they got "fancy" and provided a host of new BOP products for convenience stores, garage risks, restaurant and country clubs. They got killed with losses. Now, Harleysville is working on some new product development to get ready for the next market phase and planning further development of their small business delivery system. Lee also agreed that we need regulatory and legislative help.

Our final speaker, Susan Shoval, co-founder and President of Guard Insurance had another interesting perspective to share with us. Guard is a specialized carrier, writ-

ing only Workers Compensation coverage in 27 states for small to medium size accounts. One of the benefits of being small, she said, "was their ability to pull data after 9/11 and analyze exactly where their losses would be by zip code!" Although Workers Compensation is traditionally not considered high risk to reinsurers, Susan and her husband recently found themselves traveling Europe to find reinsurers willing to sell them coverage. They were finally able to find reinsurance, however, with more restrictions, higher retentions and exclusions for terrorism and war including nuclear, biological and chemical warfare. In addition to the challenge of finding reinsurance, Guard also manages and controls their growth. As the rates and premiums go up, so do the medical & indemnity costs, "it's a constant balancing act". She believe critical issues are insolvency's and carrier rating downgrades, surplus levels are being eroded and of course, capacity issues. We need new capital infusions to help and legislation to control rates and provide carrier caps.

Questions and answers from the audience at the end of the presentation brought to light some interesting food for thought, such as why 2:1 premium surplus ratios are not necessary for all risks, since in some cases the premiums have gone up, but the exposures have gone down due to higher deductibles, and additional exclusions. Information that the turn in the market has affected our regulators and economic and financial issues have brought about changes. And, information that there is an initiative, gaining widespread support, by the AIA (an asbestos alliance) to bring legislation to Congress to determine a basis for bringing suits for asbestos damages, i.e.: Address venue (where did loss take place) and require suit to be brought there; establish medical criteria to bring a suit; and non-consolidation of plaintiffs (one by one basis).

As always, the meeting was interesting and informative and this one qualified for 1 CE credit in PA.



Lee Patkus



Susan Rivera

PHILADELPHIA CHAPTER, CPCU

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