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Dominic Frederico receives Franklin Award from Val Katz.

Dominic J. Frederico Twenty-first Recipient of the Franklin Award Governor Edward Rendell Keynote Speaker

Our Chapter proudly awarded Dominic J. Frederico, President and Chief Operating Officer, ACE Limited, Chairman ACE INA Holdings, Chairman, ACE USA and Chairman; ACE Financial Services the Franklin Award on Thursday, March 13, 2003.

With an audience of two hundred industry professionals, Mr. Frederico expressed his gratitude to "an organization that so passionately and effectively promotes excellence." Mr. Frederico continued by stating, "The CPCU designation is the gold standard ... When we (ACE) fill positions, we seek out and favor candidates who have taken the time to receive specialized qualifications relevant to their particular field."

Our keynote speaker, Governor Edward Rendell spoke to the need for greater partnerships between corporations and the government to promote education. This partnership would help create the skilled labor force necessary to attract industry to the state, promoting job growth and economic expansion. Mr. Rendell, thanked Mr. Frederico and ACE for their excellent corporate citizenship in Philadelphia. ACE sponsors various initiatives with organizations such as the Philadelphia School District, Philadelphia Academies, Inc, Temple University Fox School of Business and Management for its Risk Insurance and Healthcare Management Department, United Way of Southeastern Pennsylvania and the Police Memorial PAL Center.

Philadelphia Chapter President, Ann Myhr, gave the annual ethics presentation in accordance with Society of CPCU March Annual Ethic Awareness Month. Ms. Myhr described the conundrum faced by individuals when the line between right and wrong is very blurred.

The Chapter was very pleased to recognize past recipients of the Franklin Award in attendance: Peter Palestina (1996), Roy Reinard III (1999), Dr. Norman Baglini (1995), Robert Seltzer (2000), H. Gordon Heile (1990), Dr. Edwin Overman (1983), and Dr. George Head (1986).

•MORE FRANKLIN AWARDS PHOTOS ON LAST PAGE•



Left: Dominic Frederico addresses luncheon audience.

Right: Governor Rendell addresses audience.



Left: Chapter President Ann Myhr speaks on Ethics at the ceremony.

Below: Past recipients of the Franklin Award in attendance: (L-R) Peter Palestina (1996), Roy Reinard III (1999), Dr. Norman Baglini (1995), Robert Seltzer (2000), H. Gordon Heile (1990), Dr. Edwin Overman (1983), and Dr. George Head (1986).





THE PRESIDENT'S COLUMN


By: Ann Myhr, CPCU, Chapter President

It is hard to believe that another Chapter year will soon come to a close. The 2002-2003 year has been a very busy one with many accomplishments. Your Chapter officers have worked hard to meet goals established over the summer of 2002. These include 1st Vice President Bruce Osgood, 2nd Vice President Debbie Somers who arranged for some great speakers at our monthly meetings this year, and Secretary Rita Hoffstein who kept us all straight with the monthly Meeting Minutes. Dave Shepherd not only kept the books and paid the bills as Treasurer, but also was instrumental in starting and continuing the Mix and Mingle tradition under the auspices of the Membership Committee. Our Directors included Marty Frappolli and Charlie Butler, as well as Mayleen Gallagher, Eric Fitzgerald, Rina Williams, and Cindy Wolkiewicz. These individuals all supported Chapter activities and held Committee positions. Matt O'Malley, a New Designee from 2001, dived right in with Membership Committee responsibilities. Amy Hackett, a 2002 New Designee chaired the New Designee Committee and handled the 2002 Local Conferment at I-Day in December 2002. Clint Gillespie, Philadelphia Chapter member, also began his duties as our National Governor this year and we are glad to have his support.

I am grateful to also have the support of several Past Presidents, particularly Val Ullman-Katz who produced the Philadelphia Business Journal CPCU Supplement, and chaired the Franklin Award Luncheon Committee and the Nominating Committee. Pete Palestina, another Past President, handled the Chaptergram, Website, and Fire Essay Contest, in addition to general drill sergeant duties.

The Chapter and I are fortunate that most of these committed professionals will continue as Officers, Directors, or Committee Chairs for the 2003-2004 year. We also have several terrific new Board Members coming in for the next year to add vitality and new ideas. I will be completing a Circle of Excellence Award submission for the Society soon and hope that the efforts of all these members will be recognized in New Orleans next October.

As Chapter President, I invite all of our members to get involved and share in the fun of the Philadelphia Chapter. As always, please let me know if you have questions, concerns, or suggestions about the Chapter or its activities.



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Congratulations Newly Elected Chapter Officers and Directors

During the April 24th meeting the following slate of candidates were elected as your Chapter Officers and Directors for the upcoming year beginning July 1, 2003. They will be sworn in at the June Chapter business meeting.

Officers:

President: Ann Myhr, CPCU
1st VP: Martin Frappolli, CPCU
2nd VP: Deborah Somers, CPCU
Secretary: Rita Hoffstein, CPCU
Treasurer: David Shepherd, CPCU

Directors (2 year terms):

Jarrold Collins, CPCU, Robert Keane, CPCU and John D. Curry, CPCU

N.B. We have 3 Directors who have one year remaining on their terms: Cindy Wolkiewicz, CPCU, Mayleen Gallagher, CPCU and Rina Williams, CPCU
Ex-Officio member is immediate past president Val Ullman-Katz, CPCU.

CONGRATULATIONS 2003 NEW DESIGNEEES

We would like to extend a hearty welcome and congratulations to the following 32 new designees who have successfully completed all of the exam and course requirements in order to receive their diploma in New Orleans at the CPCU Society's October 2003 Annual Meeting. The list is complete for only the exams through January 2003 and therefore we expect many more before July 2003.

Patricia A. Albright
Adrienne C. Alexander
John Cashwell
Russ Dalrymple
Susan M Danielski
Joann D. DeStefano
Lisa H. Drakeley
Erin Duffy
Julie K. Faber
Corrine N. Feyas
Kimberly Miller Finlay
Edward C. Fort
Adam M. Gandler
Alexa M. Guthrie
Livia A. Hillmyer
Daniel G. Jackson

Cathy L. James
Frances Anne Kilcullen
Gregory A. Lund
Susan E. Mahanor
Carol A. Massare
Georgia S. Masterson
Patricia A. McDermott
Leigh Anne Moriarty
Patricia A. Murray
Peter A. Pantalone
Jeffrey B. Smith
Samuel Smulyan
Deborah A. Sutton
Brandon S. Walker
Dennis J. Wechsler
Storm Wilkins

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



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February, 2003 Meeting Recap – Terrorism Insurance

By: Ann Myhr, CPCU & Rita Hoffstein, CPCU

Our February Meeting was on Terrorism Insurance. Our speakers, John D. Curry, CPCU, ARe, VP/Marketing/Underwriting at Penn-America Group, Ronald D. Tursovsky, Manager of Product Development at Penn-America Group and Elit R. Felix, II, Esq. From Margolis Edelstein all shared with us their knowledge of this “hot” topic and how the insurance industry is responding.

Our speakers from Penn-America Group started with some background information. The terrorism issue began subsequent to the events of 9/11/01, the attacks on the World Trade Center and the Pentagon. Many reactions within our industry “is terrorism covered or not covered”?

The Bush Administration was concerned that the lack of terrorism coverage would hinder commerce in the US. This led to the creation of the Terrorism Risk Act (TRIA) of 2002. The Act establishes a program administered by the Secretary of the Treasury and is in effect from 11/26/02-03. TRIA defines companies as licensed carriers, excess & surplus carriers and alternative markets such as Lloyd’s. **NOT** considered companies are captives, self-insurers, and those who sell only personal lines, group life, private mortgage insurance, flood, medical malpractice and others.

The definition of an “official act of terrorism” includes the following elements: it must occur within the US and the act must be committed by foreigners attempting to overthrow the government (no domestic terrorism). War, Property & Casualty losses less than \$5,000,000 and domestic terrorism are **NOT** covered under the Act.

TRIA specifies that as of 11/26/02 all insurance companies must make terrorism coverage available. It also specifies that Terrorism coverage cannot be materially different from the other coverages provided in the policy i.e. have different deductibles, or be provided as a sub-limit, etc.

Although insurers must provide this coverage, they may reinstate the terrorism exclusion if the customer/insured elects to exclude the coverage or fails to pay the additional premium billed by the carrier for the terrorism coverage. There is no endorsement required to reinstate the exclusion - if either of the above exist, terrorism exclusion is reinstated.

For the period 11/26/02-12/31/02 a 1% deductible applies for insurers. This deductible increases to 7% in 2003; 10% for 2004; 15% for 2005. The Federal Government then pays 90% of the losses over the deductible and the insurance companies will retain 10% over the deductible. The retention is capped at \$100 billion.

With regard to premiums, TRIA states that the surcharge for terrorism cannot exceed 3% of the policy premium. TRIA also pre-empts state jurisdiction over filings until 11/03. This effectively creates a massive “file and use” approach by the carriers. There are currently 22 forms for coverage under the General Liability insuring agreement and ISO will establish loss costs. The States will retain authority over the monitoring of excessive, inadequate or discriminatory rates.

Insurance companies must provide notice, “clear and conspicuous disclosure” to all policyholders regarding the limitations of the Act. For coverage in effect as of 11/26/02, companies must notify policyholders by 2/24/03. After 11/26/02, notice must be provided at the time policies are issued. NAIC and ISO have developed “Notice” form wording. There are civil penalties stipulated within TRIA for failure to comply with notification requirements. This would be a Federal cause of action and one or more Federal courts have been designated to hear any cases that develop.

Penn-America’s approach:

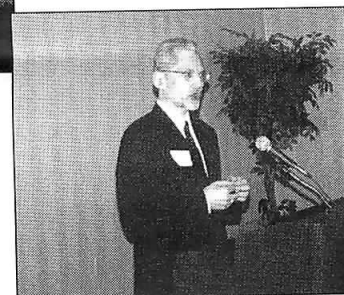
The first issue was how to establish premiums going forward. Penn-America decided to use 5% of the policy premium, subject to \$100. minimum premium. The next decision involved what to do with policies that were already in force. Existing policies in NY, CA and FL had no exclu-



Above: Some of the educated members on hand at the February meeting on terrorism.



Left: John Curry, CPCU speaks on terrorism insurance at the February meeting.



Right Elit Felix, II, Esq. also speaks about terrorism insurance at the February meeting.

sions and they decided to waive any additional premium charges for terrorism coverage on policies in these states. For policies that did carry an exclusion, the company notified the policyholders that it was waiving the additional premiums until policy renewal. However, they needed the written response from the policyholder accepting or rejecting the coverage and if no response was received, the exclusion would remain. The policies without current exclusion wording would be charged 5% terrorism premium for all renewals after 4/1/03.

Some additional concern regarding TRIA included the overall questions of State vs. Federal regulation of insurance. Mr. Curry believes this Act may lead to further discussions around Federal charters for at least the larger carriers. Then, let the states regulate personal lines coverages. Also, TRIA falls under the Treasury Dept., which has not previously administered any insurance related programs. There is no existing structure or expertise within the Treasury for this type of program, nor does it appear that the Treasury had much lead time prior to the passing of TRIA. They seem to be playing “catch-up” that forces the companies to make decisions without much information or administrative support from the Treasury Department.

Our next speaker, Elit Felix II, Esq. Spoke about the odd interplay of the Feds vs. the State regarding the regulation of the Act. Although McCarran Ferguson Act gave control of insurance to the States (the “business of insurance” is a State issue), the Feds believe they can trump the States anytime and regulate. TRIA addresses the “business of insurance” however the Feds say “we’re the big guys and you’re not”.

Since the Treasury Dept. is in charge of the regulation, but are not in the insurance business, they tread lightly and provide limited guidance to the States. They are relying on the NAIC. Other government agencies such as the EPA says, “the States can regulate pollution, etc. as long as it doesn’t conflict with the Federal regulations”. TRIA gives time to the States to decide how they will handle the Act. In some States, Federal statute wording is changed just a little by the States and then become the State’s wording.

(CONTINUED ON PAGE 5)

...FEBRUARY RECAP CONTINUED FROM PAGE 4

The purpose of TRIA was to create a *temporary solution* to the peril of terrorism. Over the next 2 years the Treasury should conduct a 2 year study to determine if the insurers are developing an action plan to handle terrorism coverage.

Some concerns are: What happens when the States decide that the rates filed are not adequate or further action is needed? And then, the Feds expand their influence and there is possibly "one" set of regulations? State law at the State level is one thing, but State law at the Federal level is a whole other story. Federal judges will interpret regulations and at some point probably create common law.

Elit left us with some food for thought. What is not at all clear from the Act is the interpretation of intent, remedies and coverage questions (1) Is there a covered loss? In order to be covered it must meet the definition for "certified act of terrorism". The intent is not to create coverage if it didn't already exist. (2) Did the terrorism loss result from multiple causes or was it the proximate cause? Pollution issues are not cause related, so even if a bomb hit a tank (terrorist act) the pollution damage to the land would still be excluded. (3) What is "clear and conspicuous"? The insurers are bound by the representations of their agents/brokers. Fraud would have to occur in order for the "reasonable expectation" defense to be used.

One thing for sure, the terrorism issue is still evolving and after an hour and a half discussion, if we learned nothing else, we learned that!

Professional Networking in the 21st Century

Thursday, April 03, 2003 – Tir Na Nog, an Irish Pub in downtown Philadelphia, was host to the site of the latest semi-annual Insurance Professional networking event - Mix N' Mingle. The event was sponsored by several leading insurance professional organizations in the Greater Philadelphia region including the Philadelphia Chapter of the CPCU Society, Casualty Underwriters Club of Philadelphia and Mariners Club of Philadelphia. The co-sponsored Mix N' Mingle concept was developed to foster an environment of open, relaxed communication among insurance professionals in the Greater Philly region. Based on the attendance and the buzz going around at the event, this Mix N' Mingle was another success. Approximately 50-60 professionals attended the 2-hour event representing various aspects of the insurance industry including agents, brokers, risk managers as well as Claims and Underwriting professionals from primary carriers and reinsurers alike. Look for future Chapter communications for the announcement of the next Mix N' Mingle in the Fall of 2003.



APRIL MEETING RECAP

By: Rita Hoffstein, CPCU



April's topic was Ethics and our speaker, Norman A. Baglini, CPCU currently Professor of Risk, Insurance & Healthcare Management at Temple University and probably more commonly known as President & CEO Emeritus of the American Institute for CPCU spoke to us about "Earnings, Enron, Ethics & Enterprise Risk Management".

Earnings – there is a tremendous pressure these days to “make the #'s” Enron – showed us creative accounting & financial fantasy at its finest Ethics – what CPCU is all about Enterprise Risk Management – the business world is short-term oriented

Norm talked about why earnings are so important right now. Not that they haven't always been important, but the volatility in the stock market, .com bubble, the “back to fundamentals” mentality and price to earnings ratio are some of the reasons. Why have there been so many restatements of earnings? There is more careful scrutiny and awareness of the #'s, the influence of stock analysis, “tweaking” the #'s & pressure to make the #'s for the next quarter, stock options, bonuses, unfortunately the tyranny of the bottom line system often forces managers to subordinate personal morals.

Enron...what happened? It began with the deregulation of energy

and the intense pressure to grow. Then, the injection of \$115 million capital from a Canadian bank took it to the 7th largest company in terms of revenue. As stock rose, earnings rose, but it was just a ruse, a financial fantasy.

Ethical & legal issues...What is the intent? Were there any laws violated? Were there any “conflicts of interest”? *Conflict of Interest is described as the conflict between private interest and the official responsibility of a person in a position of trust.* The risks of “Conflict of Interest” must be managed and some ways to do this is by raising awareness, communicate widely & often, correct misaligned reward systems, conduct audits & issue and monitor corrective actions. Company's need to establish their own “Code of Ethics” as it helps to foster ethical values throughout the company.

Enterprise Risk Management issues include strategic risks, hazard risks and operational risks all with their own set of ethical challenges to today's business world. Norm's information gave us much to think about not only during today's program, but for our future day-to-day decisions in our personal and business dealings. Thank you, Norm!

PS To all those who provided donations for the Career Wardrobe, our April Good Works project, a great big Thank you! I'm sure glad I got a SUV with plenty of cargo space this year, next year I may need to rent a panel truck! If any of you need a receipt for the value of your donation for income tax purposes, please call me 484-530-6544 and I will be happy to mail you one.

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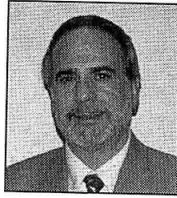
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For more information, please visit our website at www.margolisedelstein.com,
or contact Elit R. Felix, II, in our Philadelphia office at 215-931-5870.

From the Editor

BY: PETER F. PALESTINA, CPCU



FROM THE EDITOR

Peter F. Palestina, CPCU

The insurance market appears to be gearing toward another competitive cycle. All of a sudden some companies are looking for new business and even trying to keep what they have on the books if the risk has been a good one for them. Rate increases attributed to 911 and the prior hardening market have been used as a basis for the large increases of the last three years. Now it appears that many insureds are no longer in an understanding mood and will not accept increases without question. This will spur more marketing activity on renewals and underwriters will have to again use a sharp pencil if they expect to increase, or retain, market share.

This should be an incentive for most CPCU's to stay abreast of the market and get involved with continuing education. The NLI offers an excellent opportunity to sharpen skills. If you missed the NLI course offerings held in Tampa a week or so ago, visit the Society's website www.cpcusociety.org to learn more about the NLI and where the courses will be offered in the future. You can also visit our chapter website www.philadelphiacpcu.com for upcoming seminars that we will be co-sponsoring with the Society. Additionally, the monthly breakfast meetings also provide an excellent way to stay ahead and also earn CE credits. And don't forget to encourage you associates who are not CPCU's to enroll in the program. What better way to broaden horizons in our business than earning the CPCU designation?

Lastly, you will notice that we have some advertisers in this issue of the Chaptergram. This is the first time that we have done this and we are trying to build our Scholarship Fund and the expenses involved with the hosting of the 2008 Society Convention to be held in Philadelphia. We thank those few sponsors who have purchased ads for a one year period, but we need more. We are hoping to expand this Chaptergram to 12 issues beginning with the September issue. The annual rate will get you an ad that will appear in 4 quarterly issues (we publish in June, September, December & March). The annual rates are:

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We cannot accept art submitted in PowerPoint or Publisher.

Do not E-mail art over 5 megabits - send disc.

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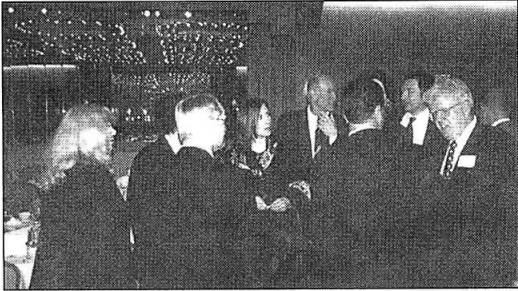
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MORE FRANKLIN AWARD PHOTOS



Reception well wishers for Dominic just prior to the luncheon.



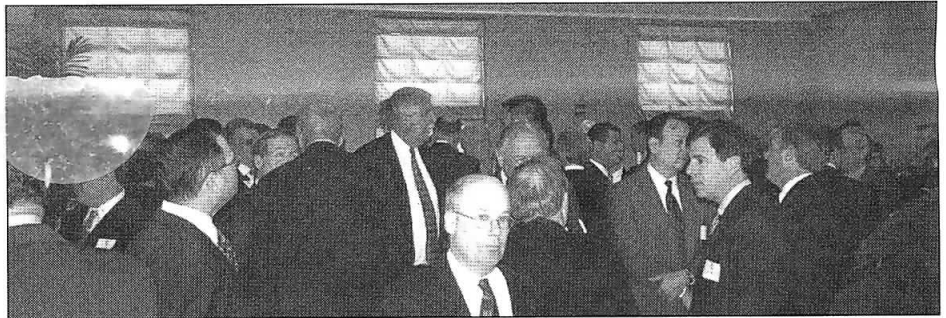
Susan Rivera, Gov. Rendell, Val Katz, Dom Frederico, Ann Myhr and Debbie Somers.



Dom and head table party await the Governor's arrival at the luncheon.



Val Katz, Dominic Frederico and Governor Rendell.



Some of the 200 in attendance listen to the Governor speak.



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Another photo of the well wishers during the reception.

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