



PULSE

January-February 2005 Vol. 35, Issue 4

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(ID STATEMENT)

PULSE

January-February 2005
Volume 35, Issue 4
ISSN: 0893-2530
USPS: 094310

PULSE is published bi-monthly by the Pennsylvania Association of Mutual Insurance Companies (PAMIC) located at 1017 Mumma Road, Suite 103, Wormleysburg, PA 17043 for its members and associate members.

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From the President

The Pennsylvania legislature has returned to town as I write this message. This New Year is also the start of a new session. All bills filed in the last two years and not passed are now dead. Senators and representatives will have to reintroduce their favored bills and begin anew. This is also a good time to look ahead, to see what may reasonably be expected for our industry in the coming months.

One factor that insurance companies constantly raise is the sheer cost of compliance with new or proposed laws and regulations. The time seems to be long past when insurance company executives and their government affairs representatives could simply rely on statements that any given bill would be "costly" or "burdensome." I frequently hear legislators ask if the industry could quantify that a little more accurately. Just how much are we talking about in dollars and cents? Surprisingly, there is little valid information available on the actual costs a company incurs to bring itself into compliance with a new governmental mandate. And that is equally true of the costs of keeping a company in compliance on an ongoing basis. Being able to show the true cost would give PAMIC an invaluable tool in representing your interests in Harrisburg. And that tool rests in the hands of each PAMIC member.

Recently all PAMIC regular members received a document called "Cost of Compliance Survey." It is a simple one page survey that, when filled in, captures the major costs that any company must incur when a new government edict comes on line, whether a newly enacted statute or a newly promulgated regulation. This information is pure gold from a lobbying standpoint. Your PAMIC Government Affairs Committee developed it from a model from the life insurance industry. The model was far longer than the version that Government Affairs finally developed. In a single, easily completed page the major cost factors of any law or regulation can be captured. Your committee members worked particularly hard to make sure

that the survey itself would not be unduly burdensome.

I do not need to tell any PAMIC member that new government requirements frequently impact smaller companies much more drastically than their larger brethren. It's only logical that certain fixed costs of regulation will bulk relatively larger for companies with a smaller premium base and policy count over which to spread these costs. That greater per policy cost can impose an unfair burden on a company and on its policyholders. Of course, the benefit of knowing just what costs we are talking about is invaluable for representation of all members, large and small. I simply gave one example that comes readily to mind.

Please join me in thanking your PAMIC Government Affairs Committee for developing this extremely powerful research tool. And please take a few moments to look over the survey again. Any suggestions to improve it will be carefully considered. Just remember that simplicity is important to assure that more companies take the time to complete it. And the more companies that complete it the more reliable and impressive the results become in lobbying. Of course, all company identities will always be kept strictly confidential.

If it sounds like I am sold on this tool, it's because I am. Please help us make it better so PAMIC can better serve you.

Sincerely,

Steven C. Elliott, J. D., CPCU, CLU
President





“PAMIC needs to work to see that when broker disclosure legislation is introduced here, as it surely will be, that it is sharply and narrowly focused on the transactions, and only the transactions, where there is a potential conflict. ”

Randy F. Shaw
President and CEO
Everett Cash Mutual Insurance Company
2004-05 PAMIC Chairman

By now I am sure you have all read Steve Elliott's articles in the Harrisburg Weekly Report on the New York Attorney General's "bid-rigging" investigation. Certain major insurance brokerage houses stand accused of manipulating quotes so as to steer business to carriers giving greater contingent commissions. Of course, such illegal practices should be vigorously investigated and, if found true, sternly punished. But additionally, as when any wrongdoing is alleged, government looks to additional regulation to supposedly assure these things never happen again. And, as you all know from painful experience, the new regulatory burden is usually much broader in its scope than the original evil attacked.

So it is with current proposals to remedy the "bid-rigging" evil. That the alleged activity of a few was wrong no one doubts. But it is important to remember a few important facts. First, the activity involved commercial lines, not personal lines. Second, it involved large national accounts, not the small BOPs that many of our members write. And third, it involved brokerage situations where the producer was paid a fee by the customer and in return was supposed to secure competitive bids for the customer.

Given these facts, what kind of legislative response would directly address the problem identified without imposing more needless burdens on the industry? The answer should be obvious. Disclosure of company compensation in addition to the customer's fee should be disclosed in those cases where it actually exists. This can give the customer a clearer picture of the broker's motivation. That seems appropriate. But in all other situations, what purpose is served by imposing additional disclosure about the way a company compensates its agents? Surely every purchaser of homeowners insurance can be taken to know that his agent is not working for free and that since the

purchaser is not paying the agent, it must be coming out of the premium. No purpose, but much cost, would be incurred if all apps had to be modified to state the obvious, if all underwriting files needed another document to demonstrate the agent's compliance, if companies and producers could be subject to a new potential liability for mislaying the paperwork. PAMIC needs to work to see that when broker disclosure legislation is introduced here, as it surely will be, that it is sharply and narrowly focused on the transactions, and only the transactions, where there is a potential conflict.

Otherwise, PAMIC members and their producers may find themselves once again burdened with regulatory relics of bygone issues. Remember Gramm-Leach-Bliley? Remember all the privacy notices? And remember that PAMIC members were not sharing personal financial information with anyone else? That federal legislation was intended, among other things, to permit cross-marketing between Citicorp and Travelers when they merged. That merger is now a thing of the past, but the paperwork for our companies remains as a memento.

And I could give other examples, but you get the idea. Rest assured that PAMIC will be ready, when producer commission disclosure legislation is introduced, to vigorously protect your legitimate business interests.

Sincerely,

Randy F. Shaw
Chairman

Sliver Named "Entrepreneur of the Year" by Central Pennsylvania Business Publication

Mutual Benefit Group CEO **Steve Sliver** has been named 2004 Entrepreneur of the Year for the large business division by *Pennsylvania Business Central*, an independently owned bi-weekly business-to-business newspaper covering 16 counties in central and western Pennsylvania.

Mutual Benefit Group is a multiline property and casualty insurance company employing more than 200 persons at its headquarters in historic downtown Huntingdon, Pennsylvania.

According to the judging panel, Sliver was selected from among three finalists in the large business category. He was chosen for his "substantial role in guiding Mutual Benefit Group, volunteering in the community, and supporting Huntingdon County's economic growth."

The newspaper makes a \$500 donation in the name of each award winner to the charity of the winner's choice. A former Junior Achievement (JA) classroom instructor and member of the Huntingdon JA advisory board, Sliver selected Junior Achievement (JA) as his charity of choice. JA is a not-for-profit organization whose purpose is to educate and inspire young people to value free enterprise, business, and economics to improve the quality of their lives.

Mutual Benefit Group Personnel Announcements

Lynda H. Dilks joined Mutual Benefit Group's in-house workers' compensation unit as a senior claims representative (workers' compensation) on June 30, 2004.

Lynda is a member of the Harrisburg Claims Association and the Pennsylvania Workers' Compensation Bureau Steering Committee, where she is currently chairperson. She also serves as a panel speaker for Bureau seminars.

Douglas K. "Doug" Reed was promoted to network and operations manager for Mutual Benefit Group on August 2, 2004.

Doug joined MBG in 1998 as network administrator. In this new position, he is responsible for strategic network planning, which includes assessing and upgrading hardware, software, network functionality, and systems security.

Mutual Benefit Group's Commercial Lines Department welcomed George G. Price as large account underwriting specialist on September 15, 2004.

George is active in the Central Pennsylvania Risk Insurance Management Society (RIMS), where he served as a past officer, and the Pennsylvania Dutch Chapter of CPCU Society.

Bonita G. Anderson was promoted to personal lines senior underwriter on September 20, 2004.

Bonita has been a member of Mutual Benefit Group's Personal Lines Underwriting team since February 1999.

Agents Rank Mutual Benefit Among Top Three Insurance Carriers

Mutual Benefit Group has been recognized as one of the top three insurance companies in its territory of operation based on a survey conducted by the Insurance Agents and Brokers Service Group (IA&B).

IA&B is a trade organization made up of more than 1,600 independent insurance agencies in Pennsylvania, Maryland and Delaware. The organization conducted its first Company Satisfaction Index Survey this year to gauge members' opinions regarding the relationships they have with their major carriers. More than 360 members completed the survey, ranking 58 carriers who offer personal insurance (coverage for homes and personal vehicles) and 69 carriers who offer commercial insurance (coverage for businesses). Carriers were rated on products, pricing, and underwriting; policy service and claims; agency/company relationships; and technology.

Mutual Benefit was rated second overall in commercial lines and third overall in personal lines, ranking ahead of such companies as Progressive, The Hartford, and Erie Insurance.

Survey results were released to the public the first week in December, and published in IA&B's magazine, *Primary Agent*. According to the magazine, the survey findings provide a benchmark rating for the major carriers in Pennsylvania, Maryland, and Delaware and serve to "open up a dialogue between agents and carriers about what agents value and what they need."

Recognized as one of the 100 Most Influential Businesses in Central Pennsylvania for 2003 by *Pennsylvania Business Central*, a biweekly business newspaper, Mutual Benefit is a regional property/casualty

insurance carrier licensed in Pennsylvania, Maryland, and Ohio. The company

Peter J. McShea Retires

McShea Associates Inc. announces the retirement of its founder, Peter J. McShea. Succeeding Peter will be co-owners, John P. Kosherzenko, Manager of the Exton, PA office and Glenn M. Ritter, manager of the Cinnaminson, NJ office. Kosherzenko joined the company in 1978, and Ritter in 1980. McShea will remain on staff as a part-time consultant. The company, established in 1976, provides claim adjustment and appraisal services to the insurance industry throughout eastern Pennsylvania and central and southern New Jersey.

Thomas, Thomas & Hafer LLP Personnel Announcements

Thomas, Thomas & Hafer is pleased to announce **Karin M. Romano** is Associated with the firm in the Pittsburgh Office, **Jody A. Mooney** is Associated with the firm in the Lehigh Valley Office, and **Sonya Kivisto** and **Scott D. McCarroll** are Associated with the firm in the Harrisburg Office.

Karin M. Romano, a graduate of the University of Pittsburgh School of Law, focuses her practice in the defense of civil rights, employment, personal injury, and municipal litigation.

Jody A. Mooney, a graduate of Temple University School of Law, focuses her practice in the defense of medical malpractice, general liability and civil litigation.

Sonya Kivisto, a graduate of Dickinson School of Law of the Pennsylvania State University, focuses her practice in the defense of general liability and transportation litigation.

Scott D. McCarroll, a graduate of Dickinson School of Law of the Pennsylvania State University, focuses his practice in the defense of general liability and insurance litigation.

Affiliation Desired. *A small western Pennsylvania non-assessable mutual property and casualty insurance company is seeking an affiliation coupled with a contribution to policyholder surplus. Company has approximately \$2.5 million direct written premium in personal lines (primarily homeowners) 6,500 members and an agency force of 60 located in Central and Western, Pa. Minimum statutory surplus is 950,000. Company is only licensed in Pennsylvania. Objectives: stabilize the company's financial position, perpetuate the company, and continue servicing its existing policyholders. Company will consider reasonable alternatives to affiliation that are structured to achieve its stated objectives. Please mail inquiry to : P.O. Box 821, Harrisburg, PA 17108-0821.*

Calendar of Events

Mutual Insurance Day

February 7 -8, 2005

February 7th - Member Briefing and PAC Reception
Penn National Insurance
Harrisburg, PA

February 8th - Breakfast and Meetings with the Legislators
39E Wing of the Capitol Building
Harrisburg, PA

Human Resources Roundtable

February 17, 2005

Lititz Mutual Insurance Company
This event is geared towards HR Professionals,
Company CEO's, & Executives.
Come discuss hot topics with your peers in an open forum!

Small Company Events & Seminar

March 9-10, 2005

The Nittany Lion Inn
State College, PA

March 9 - Financial Management Roundtable
Small Insurers Caucus Dinner Meeting
Dessert Reception
March 10 - Seminar
Registration Information Coming Soon!!!