

January-February, 2009

# PULSE

newsletter

Pennsylvania Association of Mutual Insurance Companies

## From the President



I am writing this message at the conclusion of the PA Farm Show Week. Farm Show is traditionally marred by bad weather. And that certainly was the case this week. Although snowfall was light, Harrisburg has experienced Arctic cold. In the same way, Mutual Insurance Day is historically linked with bitterly cold weather. I wish I could predict that this year's Mutual Insurance Day will be blessed with a springlike climate. I can't.

But I can make four predictions with complete confidence.

First, the 2009-2010 legislative session will prove to be one of the most important in decades for the property-casualty industry. I can predict this because Pennsylvania state government, like most states, is running deeply in the red. Harrisburg politicians will be looking for all possible revenue raisers and they will prefer to look for them where they won't be noticed by the general taxpayer. Last year, we successfully fought off two serious attempts to raise premium taxes and we can be absolutely certain we will have to fight this all over again. And with the mounting deficit, the pressure will be even greater.

Second, the February 2-3 Mutual Insurance Day has a lineup of important presenters. Those of you who attend on Monday, February 2, will not regret it. You will hear a blue ribbon panel discuss how you can meet and interact with your state senator and representative. You will learn from experienced professionals, including a member of the House Insurance Committee, a state Senate staffer, a professional Harrisburg lobbyist, and the CEO of one of your fellow member companies. What works; what doesn't? After this panel, you will feel assured you can approach your legislator confidently and effectively. That is the heart and soul of grassroots lobbying, which is PAMIC's strength. So I don't need to emphasize to you how important your presence really is. There is no better way than a good turnout to demonstrate grassroots strength in a very tangible way. I will also provide an in depth explanation of our current PAMIC issues papers. You will become knowledgeable about all hot-button items.

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# Chairman's Corner



As we enter 2009, I would like to wish the membership of PAMIC a very Happy and Prosperous New Year. I trust that everyone had a joyous Holiday Season and it is now time to be back at our posts planning and executing for a successful 2009.

The Pennsylvania General Assembly has met to formally organize the legislative leadership. Our Government Affairs Committee and the PAMIC leadership have been working to prepare for the 2009 session. This includes the development of issues papers on a wide range of topics of importance to our membership. Should you have any legislative concerns please contact President Elliott, Chairman Bookhamer or any member of the committee to express your concerns. I wish to thank our Government

Affairs Committee and the PAMIC Leadership for their diligent efforts in this very important function.

Concerning legislative issues, I strongly encourage all members to participate in the Mutual Insurance Day activities scheduled for February 2 – 3 in Harrisburg. This is an event that you do not want to miss. Speakers at the session include Insurance Commissioner Ario and NAMIC CEO Chuck Chamness along with Insurance Department General Counsel McNulty and State Representative Glen Grell. You will have opportunities to meet with legislators at breakfast and individually. Grassroots lobbying is one of the most important functions of PAMIC. With all of the important issues our industry is facing it is imperative that our membership respond and take an active role in this worthy endeavor. Please contact PAMIC's office to register or if you have any questions.

PAMIC's board has begun efforts to develop a 5 year strategic plan for the association. You will shortly receive information in the mail regarding this. The input from our membership is vitally important. Each member will have the opportunity to provide their input during a series of conference calls that will be facilitated with the intent to gather information and feedback to assist in developing the strategic plan. As chairman, I feel that it is of utmost importance to formulate a strategic plan and then ensure its execution. I want to thank Vice Chairman John Smith for his leadership in these efforts.

On behalf of the board and membership I want to welcome MaryEllen Parmer to PAMIC. MaryEllen started on January 2 as Director of Educational Programs and Conventions. She has an extensive background in association work and we certainly look forward to her bringing this expertise to serve the members of PAMIC. Welcome aboard MaryEllen, we look forward to working with you.

As most of you are aware Marri Lamoureux has left PAMIC to pursue an opportunity in Oregon. Marri performed admirably for PAMIC and we wish her much success in her new endeavor.

As always, I consider it a privilege and honor to serve as your chairman. Please feel free to contact me at any time with your questions or concerns.

Very truly yours,

A handwritten signature in dark ink, appearing to read 'Kevin R. Filler'.

Kevin R. Filler  
President and CEO of Frederick Mutual  
PAMIC Chair

# Featured Article

## Understanding Our Behavioral Blind Spots: Making the Difficult Choices

**Article by: Richard J. DiMarzo of Pelican Bay Group at Smith Barney Citigroup**

Investment decisions are among the most important life choices a person can make. They may determine where your children will be able to go to college, when you'll be able to retire, or what kind of lifestyle you'll enjoy after you retire.

Unfortunately, these are also some of the most difficult choices a person can make. In order to make sound decisions, we need to be aware of our own psychological blind spots. These can lead us to make persistently poor financial choices—errors that over time can do significant damage to our portfolios.

### Chains of Thought

Traditional financial theory assumes all investment decisions are made rationally, based on the best available information. In theory, the result is an efficient market—one in which prices accurately reflect fundamentals, such as earnings and interest rates.

However, it's not always easy to reconcile financial theory with financial reality. Investors often appear determined to ignore the fundamentals, both in bidding stock prices up and slamming them back down again.

"In many important ways, real financial markets do not resemble the ones we would imagine if we only read finance textbooks," notes Richard Thaler, a professor at the University of Chicago and a leading behavioral finance researcher.

It's not that investors are totally irrational, Thaler and other researchers argue, but rather that their thinking can be influenced by mental biases. These quirks can lead them to make choices that appear intuitively correct, but produce poor performance:

- **Overconfidence.** Investors generally assume they know more than they actually do. They also tend to remember previous investment decisions in ways that exaggerate their own foresight. This can lead to overly aggressive trading and a reluctance to admit—and correct—mistakes.
- **Mental Accounting.** Financial experts often advise investors to take their entire portfolio into account when making investment decisions. Yet, many investors unconsciously divide their wealth into separate pots. If they have a big gain, for example, they may think of it as essentially "free" money and take greater risks with it than they would with their "own" money.
- **Anchoring.** Logically, investors should always base their decisions on current prices and expectations. Instead, they often become fixed on past events, such as the price they paid for a particular stock. Investors will often refuse to sell at a price lower than that—even when it makes more sense to accept their loss and invest their remaining money elsewhere.
- **Framing.** How people view a decision often depends on how their choices are presented. For example, in one study researchers asked participants how much they would be willing to pay to avoid a one-in-a-thousand chance of being killed. The average answer was \$1,000. Participants were then asked how much they would demand to accept the same risk. This time, the answers ranged as high as \$200,000. From an economic point of view, the two questions were identical, but subjects saw them very differently.
- **Loss Aversion.** In a completely rational market, the risk of loss and the possibility of gain should carry equal weight. However, on average investors place twice as much importance on avoiding a loss as they do on making a gain. In other words, to accept a 50% chance of losing \$100, most people will demand at least a 50% chance of earning \$200.

# This and That

## Welcome MaryEllen Parmer New Education & Meeting Planner

PAMIC has employed MaryEllen Parmer as Director of Educational Programs/Conventions, succeeding Marri Lamoureux. MaryEllen's first full day with us was January 2. She was able to meet with Marri and a seamless transition is expected. MaryEllen was formerly with a leading Harrisburg association management company. She has been involved in association work for over 10 years. Her areas of expertise are event/conference planning, educational planning, and graphic design. She was recently awarded the Certified Meeting Planner (CMP) designation, the leading professional certification in her field.

MaryEllen is an active member of the Pennsylvania Society of Association Executives and is involved as a volunteer within her community. As the opportunity arises, join us in welcoming her.

## Featured Article *(Cont. from Page 3)*

### The Value of Advice

Are investors doomed to repeat these mistakes? Maybe not. Some studies have shown that the more investors know about the investment process, the less likely they are to be misled by behavioral biases.

This is one reason we encourage investors to develop prudent, long-term investment strategies that take into account their goals and tolerance for risk. While this doesn't guarantee investment success, it can at least reduce the risk of being led astray by behavioral blind spots. That's something even the smartest investor might want to keep in mind.

**Richard J. DiMarzo** is a Financial Advisor with Smith Barney located in Pittsford, NY and may be reached at (585) 264-5812. Citigroup Inc., its affiliates and its employees are not in the business of providing tax or legal advice. These materials and any tax-related statements are not intended or written to be used, and cannot be used or relied upon, by any such taxpayer for the purpose of avoiding tax penalties. Tax-related statements, if any, may have been written in connection with the "promotion or marketing" of the transaction(s) or matter(s) addressed by these materials, to the extent allowed by applicable law. Any such taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

## From the President

*(Continued from Page 1)*

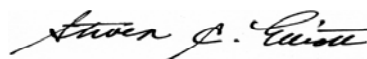
Additionally, Pennsylvania Insurance Commissioner Joel Ario will greet our attendees and the General Counsel of the Insurance Department will update us on the department's legislative agenda. And we will learn more about the all important Federal side of the governmental equation for NAMIC's Jimi Grande, Vice President, Federal and Policy Affairs. Our luncheon speaker will be NAMIC's president, Chuck Chamness. So I can predict that you will find Mutual Insurance Day informative, with ample opportunity to learn more about the issues that affect your business every day.

Third, I can predict that our legislative breakfast on February 3, will be the best attended ever. And I mean attendance by both legislators and you the membership. How can I say that? Because attendance levels for both have increased each year for the past five years. That's true for the individual appointments we set up for you as well.

And finally, I can predict that if you have once attended Mutual Insurance Day, you will be back; you will recognize the value of building solid relationships with senators and representatives.

Now, don't prove me a false prophet. If you have not already signed up for Mutual Insurance Day, please do it now - today. Tell us you want an individual appointment with your senator and representative. This is our most important legislative event of the year and I know I'll see you in Harrisburg.

Sincerely,



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

# About PAMIC Members

Millers Mutual Group



## MILLERS MUTUAL GROUP

Millers Mutual, Harrisburg, PA, was planned as a specialty company that would restrict its coverage to flour mills and grain elevators. While specializing in insurance for these inherently high-risk facilities, the Company carefully inspected all properties and helped owners reduce their dangers.

The founders convened a formal organizational meeting on December 31, 1889. Pennsylvania Governor James A. Beaver approved their charter on March 26, 1890. The Company's first home was a rented one-room office at No. 1 South Third Street in Harrisburg. At the height of its involvement in agri-business, the Company was licensed in 38 states. In 1920, the Company entered the general business arena and wrote its first general business policy.

Today our mission is to profitably underwrite commercial insurance lines and provide related services to responsible customers in areas that we can effectively serve. Our operating territory is the mid-Atlantic region, specifically focusing on Pennsylvania, Maryland, Virginia and Delaware.

The Company operates as a mutual holding company with Millers Mutual Group as the parent and Millers Capital Insurance Company as a downstream stock underwriting company. Through approximately 250 key agents, the Company serves about 7,500 policyholders and generates about \$60 million in premium. We also take great pride in our community and industry involvement, sponsoring such events as The Millers Mutual Harrisburg Mile to benefit the YMCA, The Tour de Belt for the Harrisburg Green Belt Association and Bowl for Kids Sake to benefit Big Brothers Big Sisters.

Though the nature of the risks that we underwrite has changed through the years, our approach has not. We seek to provide unrivaled service to responsible customers, while providing a stable market through superior underwriting. It is a philosophy that has served us well, tracing back to our roots almost 120 years ago.



Robert L. Lyon, a former PAMIC Chairman, is Millers President and CEO.



Millers Mutual Group is located along the beautiful Susquehanna River at 805 North Front Street in Harrisburg.

# Member News

## Marshall, Dennehey, Warner, Coleman & Goggin Announces New Board Members and Senior Officers

Philadelphia, PA- **Thomas A. Brophy**, Esq., President and CEO of the regional defense litigation firm, **Marshall, Dennehey, Warner, Coleman & Goggin (MDWC&G)**, is pleased to announce that the following attorneys were re-elected to their current administrative posts in the firm: **Thomas A. Brophy**, Esq. (President & CEO), **Peter S. Miller**, Esq. (Chairman of the Board & COO), and **Philip B. Toran**, Esq. (Chairman of the Executive Committee & Treasurer).

The following attorneys were re-elected and will continue to act as Senior Officers of MDWC&G, as of January 1: **Kathleen S. McGrath**, Esq., Sr. Vice President & Secretary; **Thomas C. DeLorenzo**, Esq., Sr. Vice President & Assistant Treasurer; **Scott G. Dunlop**, Esq., Sr. Vice President; and **Niki T. Ingram**, Esq., Sr. Vice President.

**Wendy J. Bracaglia**, Esq. and **G. Mark Thompson**, Esq. were both elected to serve on the firm's Board of Directors. Bracaglia was elected Sr. Vice President & Assistant Secretary of the firm and Thompson was elected as a Sr. Vice President of the firm.

**Theodore J. Kobus**, Esq., spoke at the HalfMoon LLC Seminar, entitled "Minimizing Engineering Liability Exposure" on December 19, 2008, in Fort Washington, PA. Mr. Kobus' presentation was titled, "Adopting Strategies to Minimize Professional Liability".

**David J. Shannon**, Esq., spoke at a National Business Institute seminar entitled *Construction Law Fundamentals: Managing Project Risk*. His topics were *Basics of Construction*

**6** *Risk Management and Reducing Project Risk.*

Attorneys **Niki T. Ingram** and **James E. Pocius**, spoke at the Annual National Workers' Compensation and Disability Conference. In the Las Vegas Convention Center in November, Ms. Ingram, spoke on *Independent Contractors and Traveling Employees: How to Support Them and Keep Your Costs Down*, while Mr. Pocius spoke on the topic: *Medicare Setasides: What are Your Questions and How to Avoid 10 Costly Litigation Errors*.

**William K. Conkin**, Esq., spoke on the topic: *Scope of Attorney-Client Privilege in First Party Bad Faith Cases: Experts in Bad Faith Cases; Ethical Considerations for Retained Defense Counsel in Context of a Bad Faith Case and Bad Faith and Excess Verdicts: Is the Excess Verdict a Floor or a Ceiling?*

**Michael L. Turner**, Esq. topics included: *The Correct Way to Find and Secure the Right Experts and Breakout D: The Expert Deposition and Preparation* in Las Vegas on November 6-7, 2008.

## Changes at Castle Claims Service

Blackburn Claims Service, Inc. d.b.a. **CASTLE CLAIMS SERVICE** is pleased to announce the recent hiring of **Shane McCoy**, who will be working in our New Castle Office. Shane previously worked as a Multi-line Adjuster at Auto-Owners Insurance Company and Cincinnati Insurance Co. Most recently Shane worked at GPX Inc. as an Estimator and Project Manager.

In addition, Castle Claims Service wishes **Bob Mizwa** good luck. Bob will be retiring at the end of April 2009. Bob is a Multi-line Adjuster who has worked for Castle Claims Service, Inc. and Castle Claims Service for over 17 years servicing the Pittsburgh and New Castle Offices.

Finally, the Greensburg Office is being consolidated into the Pittsburgh office with **Don Schleicher** continuing to handle claims out of the Pittsburgh office. This will take effect in January 2009. Castle Claims services 29 counties in Western Pennsylvania as well as several counties in the state of Ohio.

## Eastern Group Meeting

**Wednesday April 29, 2009 at the Danville Elks  
1240 Montour Blvd., US Route 11, Danville, PA**

Coffee will be served at 9:30 am. The meeting will commence at 10:00 am with the following agenda:

**Steve Elliott:** Legislative Update

**Robert Allen:** Outdoor Woodburners, Wood & Pellet Stoves

**Robert Fitzsimmons:** Moderator of Questions and Answers

Deluxe Luncheon Buffet at 12:30 pm

**Fee: \$10.00 (includes the buffet)**

Special thanks to Guy Carpenter of PA LLC for subsidizing the cost of the meeting.

# PAMIC Education

## Mutual Insurance Day on Capital Hill

February 2 & 3, 2009

### Monday Educational Sessions at the Harrisburg Hilton:

10:00 - 10:15 Welcome

Insurance Commissioner, Joel Ario

10:15 - 11:00 Legislative Update Session

Steven C. Elliott, J.D., CPCU, *President*, PAMIC

11:00- 11:15 Break

11:15 - 12:30 Panel Discussion - "Making Your Point"

- Representative Glen Grell, Member House Insurance Committee
- Jeffrey D. Sharp, *Senior Associate*, CHH Partners, LLC
- Robert L. Lyon, *Chairman, President & CEO*, Millers Mutual Group
- Erik Arneson, *Communications & Policy Director*, Senate Majority Leader Dominic Pileggi (tentative)

12:30 - 2:00 Lunch Speaker: Charles Chamness, *President/CEO*, NAMIC

2:00 - 2:45 Federal Issues Update - Jimi Grande, *VP - Federal & Political Affairs*, NAMIC

2:45 - 3:00 Break

3:00 - 3:45 PA Insurance Department - 2009 Legislative Agenda

Art McNulty, *General Counsel*, PA Insurance Department

5:00 - 7:00 PAC Legislative  
Cocktail Reception

### Tuesday Legislative Visits

7:30 a.m. Meet at the Harrisburg Hilton lobby to walk to the State Capital Building

8:00 a.m. Breakfast Buffet with State Legislators

9:30-noon Scheduled Meetings with Legislators

## Annual Spring Conference

March 5, 2009

*The Nittany Lion Inn, State College, PA*

### Wednesday, March 4

5:30 pm – 6:30 pm

Come early and join our  
Conference Reception!

*Sponsored by PuroClean of  
Central PA*

### Thursday, March 5

8:00 AM – 9:00 AM

Registration/Breakfast

*Sponsored by Town & Country  
Computer Services, LLC*

8:55 AM Welcome

Byron K. Long, *PA Regional  
Manager*, MMG  
*PAMIC Education Committee  
Chair*

9:00 – 10:00 AM

John Park, PHD, *Professor*, Penn  
State University

CHANGE MANAGEMENT

*Sponsored by MSO, Inc.*

10:00 - 11:00 AM

Mark R. Cummins, *Executive  
Vice President, CIO & Treasurer*  
Harleysville Group Inc.

THE FINANCIAL CRISIS AND THE  
IMPACT ON THE INSURANCE  
INDUSTRY

11:00 – 11:30 AM Break

11:30 – 12:30 PM

Christopher Poverman, *Attorney*,  
Funk & Bolton, P.A.  
Ren Tundermann, *Attorney*, Funk  
& Bolton, P.A.

NEW MEDICAID/MEDICARE  
REPORTING REQUIREMENTS

12:30 – 1:30 PM Lunch

*Sponsored by Guy Carpenter  
& Company, Inc.*

1:30 PM – 3:00 PM

TECHNOLOGY BEST PRACTICES  
PANEL

*Moderator:*

Larry Fortin, *Chief Information  
Officer*, Millers Mutual Group

*Panelists:*

Stephen Fabian, *Director of IT*,  
Harford Mutual Insurance Co.  
Stacy Shaw, *Assistant VP, IS  
Manager*, MMG  
Tom Trezise, *President*, Conver-  
gent Insurance Services

3:00 PM Adjourn

5 CE  
Credits!

Register for these PAMIC events online at [www.pamic.org](http://www.pamic.org).



## PAMIC Calendar

### **Human Resources Roundtable**

January 28, 2009

West shore Country Club, Camp Hill, PA

### **Mutual Insurance Day**

February 2 & 3, 2009

Harrisburg Hilton & State Capital, Harrisburg, PA

### **Annual Spring Conference**

March 5, 2009

Nittany Lion Inn, State College, PA

### **Claims Summit**

April 1 & 2, 2009

Eden Resort, Lancaster, PA

### **Congressional Contact Program**

April 20 & 21, 2009

Washington, DC

### **PAMIC Convention 2009**

August 2-4, 2009

Bedford Springs, PA

**Register online at [www.pamic.org](http://www.pamic.org)  
or call PAMIC at 717-303-0197 for registration information.**