

November-December, 2008

PULSE newsletter

Pennsylvania Association of Mutual Insurance Companies

From the President



I write this at the beginning of the Holiday Season and I am sure that, like me, you will all soon be caught up in the wonder of this time of year. But this season also marks a watershed: the end of one political era and the beginning of another, more uncertain period in the life our country and of our industry. It is a good time to reflect on what it all means for PAMIC and its member companies and to think of a few appropriate resolutions for 2009.

This will surely go down in history as a year of financial crisis. The problems began with the banking industry, stemming from unsound mortgage lending practices, but quickly spread to the whole economy. The insurance industry was not directly involved in the mortgage lending trigger point, but unfortunately AIG was one of the first companies to receive a federal bailout. As I pointed out in my last Pulse message, and as bears repeating again and again, the insurance operations of AIG were not part of its problems – far from it. Under state regulation, those insurance companies remained solvent and well able to perform their policyholder obligations. The financial reverses of AIG were centered in guarantees of financial derivatives and swaps that were not subject to state regulation and were indeed under the overall regulation of a federal agency – the OTS. Nevertheless, we can count on a steady and mounting drumbeat for greater federal regulation. We see it already in the daily news.

Although insurance company practices had nothing to do with the financial meltdown, companies are experiencing losses in investment portfolios. But as Chairman Filler points out in his remarks in this issue, our companies are sound and well able to weather the storm. But companies and their management will have to work even harder as they navigate these treacherous economic waters.

Politically, insurance company executives are awaiting the agenda of the new president and the new congress. As Americans we wish them well and pray for their wisdom and guidance. Many new congressmen will be in Washington this year.

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ID STATEMENT

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PHONE: (717) 303-0197

FAX: (717) 303-1501

WEBSITE: www.pamic.org

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Chairman's Corner



As 2008 is coming to a close, it truly has been a historic year for our country, the world and the insurance industry. Each week seems to bring a new challenge, a new revelation or another issue to consider. From the rising and falling of fuel prices to the hurricane activity to the global financial crisis to President-Elect Obama, 2008 has been interesting.

Certainly the global financial crisis is a concern for the entire economy and our industry. Even the brightest and most seasoned financial managers are struggling with the best course of action. It seems that most financial experts are predicting the crisis to continue through 2009 and into 2010. Of course these are only predictions and it appears no one has the answers. We must continue to make prudent decisions in managing our risks.

Each of us has felt the effects of the financial crisis in our investment portfolios, both in our companies and also personally. However, I must say that I am proud that our industry and especially the mutual industry remain strong. Most believe that because insurance carriers are risk managers our industry will emerge largely intact. As you are aware, AIG's problems were not with their core insurance operations. Therefore, I do believe that our members will face challenges; however we will weather this storm and seize the opportunities. It is also anticipated that insurance premiums will begin to "harden" towards the end of 2009. We can only hope there will be stability in the marketplace. We will have to see how this plays out.

I would like to encourage our membership to take part in the Congressional Contact Program (CCP) as we join forces with NAMIC in Washington, DC on April 20 and 21, 2009. With the current events this is an opportune time to voice our concerns to our federal representatives. With continuous discussions on Federal vs. State Regulation and other important issues it is imperative that our members take an active role in this. Please mark these dates on your calendars and join us for this worthy endeavor. Please contact PAMIC's office with any questions concerning CCP.

I would like to thank PAMIC's board members and staff and the management and staff of Philadelphia Contributionship for hosting the reception during the NAMIC Convention. It was truly a nice affair in a historic setting. I would also like to thank the tireless efforts of our committees. They have put in a lot of hours to enhance the association and its membership. The Underwriting and Loss Prevention Seminar was a great success. I wish to thank the committee members and participants for their fine efforts. I also want to thank the Government Affairs committee for their work on various issues.

Once again, I consider it a privilege and an 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 black ink, appearing to read 'K. Filler'.

Kevin R. Filler, CIC, AU
PAMIC Chairman

Maryland's Highest Court Flips Condo Coverage on its Head

On April 15, 2008, the Court of Appeals of Maryland issued an opinion in *Anderson v. Council of Unit Owners of the Gables on Tuckerman Condominium*, 404 Md. 560, 948 A.2d 11 (2008), in which it held that the Maryland Condominium Act (the Act) does not require a condominium council of owners to repair an individual condominium unit following a casualty loss.

At issue was whether two condominium councils properly declined to pay for the repair of individual units that had suffered damage from a water leak and a fire. After examining the Act, the Court concluded the master insurance provision was only intended to cover damage to the common elements or structure of a condominium.

Prior to the decision, a condominium association's master policy would provide primary coverage for property losses to a condominium's structure, common elements and those portions of individual condominium units that do not include improvements made by the unit owners. The HO-6 Condominium Unit Owner Policy would provide coverage for the unit owner's personal property and improvements to the condominium unit, and also would provide secondary coverage for property losses to the condominium unit excluded by the condominium association's master policy.

Although industry practice had dictated, for example, that a master policy would cover fire damage to an individual unit's original wood flooring, ceiling, and walls, an individual unit owner now may be responsible for such loss. The unit owner could turn to his HO-6 policy to provide coverage, but most HO-6 policies provide only minimal Part A coverage.

The conundrum resulting from the decision is disturbingly clear. The Court focused on the Act and the condominium association's by-laws, but failed to consider whether the HO-6 policy and a condominium association's by-laws and master policy are in synch with each other, and with the Act. Unfortunately, this often is not the case, creating uncertainty and leaving unit owners with potentially inadequate coverage.

The need for clarity has fueled the formation of several coalitions of insurers, agents, and condominium associations, intent on reforming the Act in the 2009 legislative session. Their goal is to return things to the way they were, a task that may prove as challenging as it is necessary.

A special thank you to **Fred Santiago**, Regulatory Affairs Analyst, and **Chris Poverman, Esq.**, of Funk & Bolton, P.A. for their submission of this article.

Fred Santiago
Funk & Bolton, P.A.
36 South Charles Street, 12th Floor
Baltimore, MD 21201-3111
Telephone: (410) 659-7769
Fax: (410) 659-7630
E-mail: fsantiago@fblaw.com

Christopher Poverman, Esq.
Funk & Bolton, P.A.
36 South Charles Street, 12th Floor
Baltimore, MD 21201-3111
Telephone: (410) 659-7763
Fax: (410) 659-7630
E-mail: cpoverman@fblaw.com



Featured News

PAMIC Welcomes New Associate

RestoreCore Joins PAMIC



RestoreCore recently joined the ranks of PAMIC.

RestoreCore is a premier full service contractor responsive to residential, commercial, and industrial clients providing fast emergency response, professional remediation and skilled restoration. In 1979, Mike Goldberg started a small, high end commercial and residential remodeling firm specializing in working in historic homes. As a Master Electrician, Master Plumber and a Master Carpenter, Mike worked hands on for many years growing the business. This company was the foundation for the RestoreCore we know today. Mike has over 48 years of experience in the restoration and construction industry and has an unparalleled knowledge of repairing damaged buildings.

RestoreCore is a true family affair with CEO, Mike Goldberg along with his son Andrew as President. Mike brings a vision for creating a company that values service and quality, above all else, in order to build his clients trust. Andrew has spearheaded the current growth of RestoreCore. He started in 1991 in the Central Pennsylvania office first as a project manager, then from 1995 till 2000 as the General Manager. Andrew then opened the Lehigh Valley office in 2000 and the Philadelphia (King of Prussia) office in 2003. A fourth office in State College was opened in 2007 and most recently the RestoreCore was again experienced growth with the opening of a New Jersey office, located in Edison.

With five offices covering Pennsylvania, New Jersey, and Delaware, RestoreCore is committed to providing 24 hour, 7 days a week emergency service specializing in fire, water, smoke, soot, sewage, contents cleaning, mold, biohazard, crime scene cleanup and full structural rebuilding.

From the President

(Continued from page 1)

Most of them come from moderate to conservative districts and the new representatives reflect this. Certainly both Pennsylvania and Maryland have important US representatives in leadership positions. Many of these are moderates open to our message. Similarly the US Senate will have to be moderate. And the need for moderation creates opportunities for meaningful, measured impact from informed constituents such as we all are.

Here in Pennsylvania the General Assembly has witnessed more change in the past three years than in the previous generation. Starting with the highly unpopular (and quickly repealed) 2005 midnight pay raises, more than eighty state lawmakers have been defeated or retired – almost a third of the entire legislature. That means a lot of new faces in Harrisburg. That means a lot of educating on insurance issues needs to be done.

So when you think about your 2009 New Years resolutions, think about how PAMIC can help you fulfill some important ones – those that can have an impact on this uncertain world. Here are a few.

First, make an effort to send some of your key people to some of PAMIC's well regarded seminars and workshops. They will help you successfully navigate the uncharted waters ahead.

Second, as Chairman Filler says in his message, strongly consider attending the NAMIC/PAMIC Congressional Contact Program on April 20 – 21. Help educate the new federal lawmakers.

Third, make plans to impact our state legislators by attending PAMIC's Mutual Insurance Day in Harrisburg, February 2 –3. And please carefully consider making a personal political contribution to PAMIC PAC. Together they are key to making an impact on the states, where we are regulated.

I wish you all a blessed Holiday Season and a successful 2009.

Sincerely,

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

About PAMIC Members

Juniata Mutual Insurance Company



On August 11, 1879, the Juniata Farmer's Mutual Fire Insurance Company of McAlisterville started providing fire damage insurance. Since that day almost 130 years ago, the Juniata Mutual Insurance Company has grown to write insurance throughout the state of Pennsylvania.

In the beginning, the company operated from the secretary's home until 1966 when the business was moved into a building on Main Street. In May of 1983, Juniata Mutual relocated to its present building on Church Avenue in McAlisterville.

The number of independent agents for Juniata Mutual has grown throughout the state, from 48 in 1983 to 80 today. In addition, the company's coverage area has expanded from Juniata, Mifflin, and Huntingdon counties to include areas across the state.

Juniata Mutual is proud of its dedicated employees. Together, their seven employees have 107 total years of service. Slowly but surely, Juniata is entering the technology age by having a website, www.juniatamutual.com and by upgrading their computer system to use document imaging.

The board of directors meet on the third Wednesday of every month and the Annual Meeting on the second Monday in January.

Today, Juniata Mutual is primarily a personal lines insurer with more than 13,700 policy holders and a direct written premium of about \$4.7 million.



Member News

Beard Miller Company LLP (bmc)

Reading, PA—

Beard Miller Company LLP (bmc) ranked as the 39th largest accounting, tax and business consulting firm in the United States. This ranking appears in the *Inside Public Accounting* 2008 Top 100 Firms list in its August 2008 issue and is based on U.S. net revenue. The *IPA* annual report is the longest-running analysis of the Top 100 accounting firms.

With 16.5% revenue growth in 2007, bmc rose one place from last year's list from 40th to 39th.

"We are very proud to have moved up in our *Inside Public Accounting* Annual top firms report ranking," said Lamar Stoltzfus, chairman and CEO of bmc. "bmc's ongoing growth attests to the strong commitment and energy level brought to our clients by bmc's skilled professionals. Our success is directly related to this daily focus on moving our clients' vision forward."

bmc is a regional certified public accounting and consulting firm with over 600 employees serving middle market and small business clients throughout the Mid-Atlantic region. The 84 partner firm has 15 offices located in PA, NJ, NY, and MD.

MMG Insurance Company

Presque Isle, ME—

MMG Insurance Company announced the promotion of **Keith Sperrey**, API, to Personal Lines Assistant Manager.

Keith began his career as an Associate Underwriter in 1999, and has also held the positions of Personal Lines Underwriter and

Margolis Edelstein

Hollidaysburg, PA—

Margolis Edelstein is pleased to announce the addition of Attorney **Mary Lou Maierhofer** as a lateral partner. Attorney Maierhofer joins Attorney **Stephen L. Dugas** in the Central Pennsylvania branch office, providing legal services to insurers in the counties of Blair, Bedford, Cambria, Clearfield, Centre, Somerset, Fulton, Huntingdon, Mifflin, Clinton, Cameron, Jefferson, Elk, McKean and Potter.

Attorney Maierhofer will add her fifteen years of experience and service to the insurance industry to the thirty years of similar experience and service of Attorney Dugas.

Additional information about Attorney Maierhofer, as well as the other offices and attorneys in the firm, is available at the Margolis Edelstein website,

www.margolisedelstein.com

Tuscarora-Wayne Mutual Insurance Company and Washington Mutual Fire and Storm Insurance Company

Wyalusing, PA—

Tuscarora-Wayne Mutual Insurance Company and Washington Mutual Fire and Storm Insurance Company unveil mutual holding company conversion plan. They plan to reorganize into a mutual holding company structure. The Companies are currently organized as mutual insurance companies and share a common Board of Directors and management team. The mutual holding company structure creates the flexibility to access the capital markets in the future; this will facilitate growth important to remaining competitive. While there are no plans for an initial public offering,

the reorganization will allow for the sale of stock in the future.

The reorganization plan has been filed with the Commonwealth of Pennsylvania Insurance Department for approval. The plan calls for the conversion of Tuscarora Wayne Mutual and Washington Mutual Fire and Storm to the stock form of organization and the issuance of all their common stock to an intermediate stock holding company named Tuscarora Wayne Group, Inc. Tuscarora Wayne Group, Inc. will, in turn, issue all its capital stock to a mutual holding company named Tuscarora Wayne Mutual Group, Inc. Under Pennsylvania law, the mutual holding company must always maintain majority control of the operating insurance companies. Policyholders of both former companies will become members of Tuscarora Wayne Mutual Group, Inc. Upon completion of the reorganization, Tuscarora-Wayne Mutual Insurance Company and Washington Mutual Fire and Storm Insurance Company will be renamed Tuscarora Wayne Insurance Company and Washington Fire and Storm Insurance Company, respectively.

Incorporated in 1874, Tuscarora Wayne Mutual is a property and casualty insurance company licensed in the Commonwealth of Pennsylvania and Ohio. The Company is rated A+ (Superior), Financial Size Category VI, by A.M. Best Company, the leading provider of ratings, news, and financial data for the insurance industry worldwide. Washington Mutual Fire and Storm is a property and casualty insurance company rated B++ (Good), Financial Size Category II, by A.M. Best Company.

Information Systems Seminar & Roundtable

Wednesday, December 3, 2008

Donegal Mutual Insurance Company, Marietta, PA

8:00 am - 1:00 pm

8:00 am Registration and Coffee

8:55 am Greetings and Introduction, **Britta Schatz**, *Director of Information Technology, Penn National Insurance, PAMIC IS Committee Chair*

9:00– 10 am Predictive Analytics, **Mark B. Gorman**, *Strategic Research Advisor*

10:00– 11 am Future of Cobol Staffing

Moderator: **Chuck Ferraro**, *Senior Vice President and CIO, Donegal Mutual Insurance Company*

Panelists: **Phil Hippensteel**, Ph.D., *Assistant Professor of Information Systems, Penn State University*

Denise Leete, *Professor, Computer Science, PA College of Technology*

Loren K. Rhodes, Ph. D., *Professor, Department of Information Technology, Juniata College*

11:15 am – 12:15 pm Roundtable Discussions, Moderator **Britta Schatz**

Human Resources Roundtable

Wednesday, January 28, 2009

West Shore Country Club, Camp Hill, PA

9:00 a.m. - 1:00 p.m.

Moderator: Steven H. Horner, CPCU, CLU, ARM, SPHR, Principal, Horner & Associates, LLC

*Do you have HR questions or challenges?
Plan to attend the HR Roundtable and find out how other companies are
solving the same questions and challenges.*

These are just a few of the topics at previous roundtable discussions:

- Suggestions for inexpensive employee rewards
 - Examples of Code of Conduct policies
 - Long Term Care Insurance
 - Service Recognition ideas
 - Telecommuting policies
 - Incentive pay programs
- Policies concerning personal cell phone use in the office
 - Types of pension plans offered
 - Types of skills testing used for candidates
- Practices for employees who do not meet CE requirements
 - PTO and sick time policies
- Disciplinary actions concerning unexcused absences



PAMIC Calendar

Information Systems Roundtable/Seminar

December 3, 2008

Donegal Group, Marietta, PA

Human Resources Roundtable

January 28, 2009

West shore Country Club, Camp Hill, PA

Mutual Insurance Day

February 3, 2009

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

**Register online at www.pamic.org
or call PAMIC at 717-303-0197 for registration information.**