



The Millers' Penn

PENN MILLERS INSURANCE COMPANY | JANUARY 2011

THE PRESIDENTS MESSAGE

As we kickoff 2011, we are both excited and proud to share Penn Millers' updated Mission Statement with all of our valued stakeholders. While the words are new, the sentiment is really a reaffirmation of where our company has positioned itself in the Agribusiness market, and been heading in the Commercial Business segment. Penn Millers is a specialty niche company, and we are very optimistic about our future in our selected niche markets.

Over the next twelve months, you will see us promoting all our niche market products and services to all of our brokers and agents. Penn Millers offers Agribusiness products in 33 states and our PennEdge Commercial product in 25 states. Target industries include Agribusiness, Manufacturers, Wholesalers, Laundries and Dry Cleaners, Hospitality Providers and Printers. While many of you already know we target these industries, most are unfamiliar with the different classes within these industries. Or just how differentiated Penn Millers' products and Claims and Loss Control services are for these niche customers. Specialized expertise is what provides us -- as well as our agents and brokers -- a competitive advantage. Expect a much more aggressive marketing ef-

fort from Penn Millers beginning early in 2011. In addition to marketing to agents and brokers, we're reaching out to targeted customer groups as well -- not to write direct, but to reinforce and compliment the efforts of our independent agents and brokers. Penn Millers' website is being refreshed and will focus on our target markets. For example, a customer seeking "feed mill insurance" will quickly and easily find Penn Millers and identify a broker in their state that represents us. They will also discover all of the unique coverage and service benefits we provide. To further solidify brand awareness, we will also be ramping up attendance at trade shows attended by our targeted customers.

broker contingent commission plans... they must write new business, retain renewals and generate a profit to earn above average compensation.

Penn Millers still has some non-target business on the books in our Commercial Business segment and we will continue to be a market for this business as long as we can write it profitably. Agents in the 8 states where we offer the Solutions BOP product are aware that we have been re-underwriting this business for the past year. We have not reached profitability, and have concluded rate action is needed and can't wait for the hard market to arrive. We are focusing this rate action as much as we can... it will not be an across the board rate increase. Agents can expect increases on policyholders with weak credit scores, risks classified as offices and on several classes of retail stores. Our Production Underwriters will work together with individual agencies to minimize the impact that our actions will have on their agency.

Finally, we realize it is the value we place on every relationship that makes Penn Millers service unique. Penn Millers' enjoys working with a spirit of partnership and we understand all of us have to be profitable at the end of the day. Of course, it has been a challenge for all of us given the state of the economy and the competitive market, but we anticipate great things ahead -- including strengthening our relationships with you and to a profitable 2011 for all!

*To outperform peers
in building long term
shareholder value by
delivering superior
insurance products and risk
management services to our
targeted niche customers*

Penn Millers Mission Statement

Focusing on target customer groups has also allowed us to move from traditional

marketing representatives to Production Underwriters as our primary link to agents and brokers. We understand that our agents and brokers want to work with decision makers, and our Production Underwriters have the authority to write the business they tell you we are interested in when they visit your office or speak with you on the phone. Their compensation is very closely aligned with our agent and

DOUGLAS A. GAUDET, CPCU
PRESIDENT & CEO

performance





IN THE COMMUNITY



EMPLOYEES SPREAD HOLIDAY CHEER

Santa and his jolly Penn Millers' elves recently visited our friends at Riverside Adult Day Care Center in Plains, PA to deck the halls and offer yuletide greetings!



EMPLOYEES RAISE FUNDS FOR LOCAL UNITED WAY

Friends and neighbors in the Wyoming Valley depend upon Penn Millers as their "Go-To" people when in need... and once again, our Penn Millers team delivered! Employees raised \$30,000 for the 2010-2011 United Way of Wyoming Valley annual campaign. Funds will be distributed to participating non-profit agencies within the Wyoming Valley. Thank you so much to all participating employees for your continued generosity!

Picture: CEO Doug Gaudet presents Scott Glasson, winner of our Employee Campaign Giveway, his prize – an iPod shuffle!



CUSTOMER SATISFACTION IS OUR TOP PRIORITY

For most of us, we greet the New Year by reflecting on our accomplishments of the past year and making at least one resolution for improvement in the future.

In 2010, one of our top goals was to improve upon our customer satisfaction levels. At Penn Millers, customer service has always been a big deal to us, but we recognize that now more than ever in this tough economic environment, superior service and high customer satisfaction levels can make the difference between winning and losing in business. So we asked ourselves...

How are we doing? Is our level of customer service living up to your standards? Could our sales team benefit from additional training? How can we help agencies perform even better? What can we do to improve customer loyalty?

We looked closely at our policies and procedures and listened to all your opinions and suggestions. As a result, we've made several changes over the past few months such as, enhancing our underwriting capabilities through increased training and staff capabilities, improving our marketing communication efforts, providing clearer market definitions for our products and offering easier access to decision makers.

We're pleased with what we've accomplished so far, but we're not done yet. There are more changes ahead in the coming year and as we focus on the future, we will continue to look for new ways to improve our customer service experience in 2011. In fact, this New Year's, our resolution is not a resolution at all, but a promise that we will take every step possible to ensure that we provide first-rate insurance and outstanding customer service consistent with our corporate values.

HAPPY ANNIVERSARY

Congratulations to our agent partners celebrating an anniversary with Penn Millers!

5 YEARS

Insurance Agencies, Inc.
Northfield, NJ

Associated Insurance Agency
of Westchester, Inc.
Armonk, NY

National Penn Insurance, Inc.
Souderton, PA

Bouvier, Beckwith & Lennox, Inc.
West Hartford, CT

Robert O'Brien Agency
West Hartford, CT

ER Champion & Son

Old Lyme, CT

Bourgoin Insurance Agency
East Windsor, CT

Root Insurance Agency
East Haddam, CT

Clarke Insurance Agency, Inc.
Manchester, CT

15 YEARS

Hodge Insurance Agency
Danbury, CT

Century Insurance
Consultants Ltd.
Monroeville, PA

Sweet & Son, Inc.
Pittsburgh, PA

Dadgar Insurance Agency
Woburn, MA

25 YEARS
Boardman-Hamilton Co.
Philadelphia, PA

40 YEARS
Eastern Insurance Group
Wilkes-Barre, PA

PENN

RISK OF THE QUARTER



Risk: **SNAVELY'S MILL, INC.**
Agency: Securus Group
Location: Lititz & Clintondale, PA
Class: Feed/Flour Milling Operation
Coverage: 15.7 Million Property
2.3 Million Stock

Other Coverages:
Commercial General Liability,
Commercial Auto & Umbrella



Risk: **PRESTIGE PACKAGING INC.**
Class: Wholesaler
Locations: West Point, PA
Coverage: Property, GL, Automobile,
Umbrella, Workers Compensation
Agency: Biddle & Company
Newtown Square, PA

Thank you Securus Group, and
Biddle & Company for these
excellent submissions.

January 2011 MILLERS

In Your Corner NEW IN THE NEW YEAR

By Kevin Higgins
Senior Vice President, Claims

As we enter 2011, we are pleased to announce several new features to enhance claims service for the New Year. Our agents, brokers and insured customers can now report a claim electronically via our website. Status reports on active claims are also available electronically by request.

To begin the process, access the Penn Millers website at www.pennmillers.com. Once there, a link will be located at the top of the website entitled "Report a Claim" which will take you to the new Online Claims Center where the user can select one of four options to report a claim for: Workers Compensation, Automobile, General Liability or Property. Once a selection is made, you will need to select a proper 3-letter policy symbol followed by the entry of a 7-digit policy number to proceed with your submission. This will lead you to the loss notice form for completion. Certain minimal fields are required to enable our successful

processing of your claim. We will also provide the capability to attach pertinent documents and photographs to your submission. Once a claim notice is submitted, you will receive a confirmation email immediately, and can expect direct contact from a Penn Millers claim representative within 2 business days.

Status updates on open or closed claims may also be requested from the same link. Entry of a 10-digit claim number will be required to route your request directly to the claims professional assigned to your claim expediting a response and meeting your service needs.

While we are encouraging utilization of these new means of communication, we will continue to accept loss notice and status requests by the usual means of fax, telephone, e-mail or regular mail. It is our hope that these enhancements will increase the ease of doing business with Penn Millers and we wish you all happy and prosperous 2011.

WELCOME ABOARD

Penn Millers is pleased to welcome the following agencies to our family:

Tennessee Insurance Alliance.....Jackson, TN
Thompson & Smith LLCJackson, TN
Hollis & Burns, Inc.Memphis TN
Tigrett & Pennington, Inc. Dyersburg, TN
Dickson Insurance Dickson, TN
CL Butcher Agency Knoxville, TN
Alder & Cox.....Hixson, TN
London & Norfolk, Ltd.....Norfolk, VA
Rupp & Fiore North Huntingdon, PA

Smith-Berclair.....Memphis, TN
Hodge-Hardy InsuranceKingsport, TN
Jenkins Insurance AgencyKingsport, TN
Larry N George AgencyTrafford, PA
John Hackney Agency, Inc..... Wilson, NC
Bradshaw & Co. Insurors..... Dyersburg, TN
Anderson & Green InsuranceSikeston, MO
PIAS Risk Mgmt. & Services, Inc. ..Nashville, TN

PennMillers **ADVISORY COUNCIL**

Let us know what's going on in the marketplace – Please contact your Advisory Council member with your comments or concerns.

AGRIBROKER

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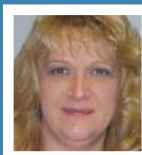
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757-497-1041
rick.beskin@beskin.com

NEW HIRES



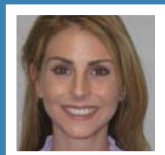
REBECCA MINSTER
Chief Underwriter
Commercial Business



BARBARA SEIRGIEJ
Policy Services
Representative
Underwriting Services



LARRY JEFFERSON
Sr. Underwriter
Commercial Business



ALLISON PUCHYR
Assistant Underwriter
Commercial Business
Underwriting



WILL SMITH
Claims Specialist
Claims

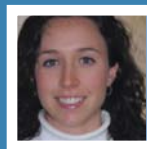


NICHOLE SEIWEL
Policy Processing Rep
Underwriting Services

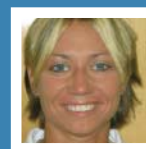


SCOTT SIMMONS
Production Underwriter
Agribusiness

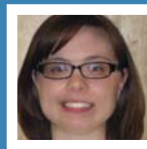
PROMOTIONS



HOLLY DWYER
Agribusiness Underwriter



CHERI MAGDA
Assistant Underwriter
Agribusiness



TONYA DOMBROSKI
Agribusiness Underwriter



KAYLIE PETRO
Assistant Underwriter
Agribusiness

2011 Holiday Schedule

Penn Millers' Home Office will be closed on the following dates:

Monday, May 30, 20
Memorial Day

Monday, July 4, 2011
Independence Day

Monday, September 5, 2011
Labor Day

**Thursday & Friday,
November 24 & 25, 2011**
Thanksgiving

Monday, December 26, 2011
Christmas

The Home Office will close at 3 p.m. on the following days:

**Wednesday,
November 23, 2011**

**Friday,
December 23, 2011**



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