



The Millers' Penn

PENN MILLERS INSURANCE COMPANY | AUGUST 2010

THE PRESIDENT'S MESSAGE

BP's disaster in the Gulf of Mexico is one of the best examples ever of a failure in risk management. It's remarkable to think that one accident could conceivably lead to a loss well in excess of \$20 billion for one of the world's largest corporations. Not only did BP find itself in the position of having inadequate insurance protection, but it failed to develop appropriate safeguards to prevent a loss and a meaningful plan to contain the damage if an accident occurred.

When our agents and brokers sell our insurance products, our policyholders transfer their risk of loss to Penn Millers. We often think our role as property/casualty insurance professionals is to simply perform this one function for our customers. The problem is that our customers are never made whole after a loss, because we only respond to the financial aspects of a loss. However, there are many non-financial impacts after a loss that insurance doesn't cover:

the loss of a key employee following a work-related injury; the damaged reputation of a business when its product fails; the customers lost forever when they go elsewhere following a fire; or the loss of a customer who was injured on our insured's property are just a few examples.

Penn Millers prides itself on our claims service, but non-covered aspects of a loss are inevitable. The best ways to address these problems is to prevent the loss from happening in the first place and, if it does happen, to have a plan to deal with all

Paying claims is only half of our job as insurance professionals... preventing losses and reducing the impact of losses on policyholders and the public is the second half.

aspects of the loss. This is why Penn Millers continues to maintain a dedicated staff of loss prevention specialists when so many other companies have either outsourced or discontinued providing loss control services altogether. We believe this is one more reason why you should recommend Penn Millers to your customers in the middle-market segments that Penn Millers targets.

Penn Millers is a leading insurer of Agribusiness operations in the country and our loss control and claims staff is experienced in providing services in this specialized segment. We also have expertise in Manufacturing, Wholesaling, Commercial Laundries, and Commercial Printing operations. All of these businesses have unique exposures to loss that require specialized expertise, in addition to the customized products we have tailored to their insurance needs. We are expanding these capabilities further, by developing an approach

to Workers Compensation that will include partnering with our policyholders to not only improve our Workers Compensation experience but to drive down their experience modification and reduce their long-term cost of coverage.

Since 1887, when Penn Millers was founded by 57 grist mill owners, the Company has focused on policyholders who appreciate that a focus on risk management can keep insurance costs low. We understand that paying claims is only half of our job as insurance professionals... preventing losses and reducing the impact of losses on policyholders and the public is the second half. It is a principle we still believe in today and we are eager to partner with agents and brokers who share the view that our role is to do more than simply provide insurance to our customers.

DOUGLAS A. GAUDET, CPCU
PRESIDENT & CEO

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www.pennmillers.com
800 233 8347

Veterinary & Animal Services Program

Penn Millers is pleased to announce that we have expanded our capabilities and product line by adding professional liability coverage for Veterinary and Animal Service Providers to our product portfolio. This new program, underwritten under the Solutions program using the ISO BOP 2010 form, will offer you new opportunities to strengthen your competitive advantage and grow your business. This effort is just one example of Penn Millers continued commitment to expanding our product offerings and improving our services to be the best possible partner for our independent agents.



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HAPPY ANNIVERSARY

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

5 YEARS

Chisholm Insurance Agency, Inc.
Wayland, MA

Coyne Insurance Agency Inc.
Orchard Park, NY

American Insurance Managers, LLC
Cleveland, TN

10 YEARS

Little, Crompton & Rooney, Inc.
Warminster, PA

WELCOME ABOARD

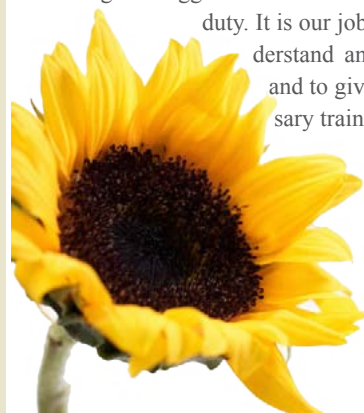
Penn Millers is pleased to welcome the following agencies to our family:

Orange Insurance Center, Inc.
Orange, CT

The Securus Group Inc., LLC
Lancaster, PA

Reliance Partners, Inc
Chattanooga, TN

BB&T Insurance Services
Richmond, VA



Workers' Compensation RETOOLING FOR PROFIT & GROWTH

It's no secret that workers' compensation has become a difficult line for insurers. The soft market has continued for most of the decade, resulting in artificially low rates in most states. The economic recession has produced lower payrolls, which in turn have reduced premiums even further. While national trends indicate that workers are getting injured less frequently, the severity of injuries that do occur has reached alarming proportions. Combined ratios for workers' compensation are trending upward. Is it time, then, to abandon this long established line of insurance?

Penn Millers is fully committed to workers' compensation. Despite the challenges, we see an opportunity to grow this line safely, but we also recognize the need to enhance our current program to meet some formidable challenges.

Penn Millers has excellent fundamentals in workers' compensation: we are proud of our underwriting, loss control and claims service professionals. If there is one area where we could do a better job, it lies in educating and training our insureds to the key role they play in keeping losses to a minimum. We need their full cooperation in the timely reporting of claims, in managing initial and follow up medical treatment, and in speeding recovery through the aggressive use of temporary modified duty. It is our job to help them understand and appreciate this and to give them the necessary training and tools.

How do you motivate business owners to take control of workers' compensation? How do you convince employers that they – and not the insurance company alone – play a central role in minimizing losses?

At Penn Millers, we are now deeply involved in building an enhanced workers' compensation program that will provide timely and effective education to our insureds. We will use a variety of training venues, including podcasts, live on-line seminars and user-friendly materials. We will ask that our insureds complete an introductory training module that will explain the basics of experience rating, how to work with doctors and how to create successful modified duty (yes, there will be a quiz!). The training program will be organized by premium size: we will deliver an abbreviated and simplified version to our smaller insureds, while our largest insureds (over \$150,000 in premium) will be offered a customized approach.

In the coming months we will unveil the details of this exciting new program to our agent network. In addition to total access to all the materials and training offered to insureds, Penn Millers will also provide agents with the specific tools, resources and training needed to present the program to new as well as existing accounts. We believe you will find our new program a highly valuable marketing tool for Penn Millers' products.

We do not underestimate the challenges presented by workers' compensation in today's workplace. But we are confident that our enhanced approach will be equal to these challenges and that Penn Millers will become the preferred option for workers' compensation in the months and years ahead.

Workers' Compensation WORKING FOR SERVICE AND SAVINGS

Our focus on workers' compensation should come as no surprise given that Conning Research & Consulting is projecting an industry-wide combined ratio of 116% this year. In the preceding article, we highlighted our plans to build an enhanced workers' compensation business program to minimize loss and improve outcomes through strong partnerships with our customer business owners and agents before a claim occurs. But what about after the claim occurs? What are we doing to service this challenging line of business?

An early claims triage process begins immediately once the claim is received. Our goal is to make same day contact with the involved parties for information and collaboration purposes. This early contact is made by a Penn Millers' claims specialist partnered with a nurse case manager and is often supported by an independent adjuster retained for local representation. The triage process seeks to understand how the injury occurred, the best course of treatment and whether modified work is appropriate and available. A business partnership enabling us some predictive modeling capability helps to identify those claims which may require specific resources to ensure a timely and favorable recovery.

Cost control processes are in place to balance the effect of workers compensation medical cost inflation which is rising at twice the rate of the national medical Consumer Price Index. Partnership programs ensure that all medical invoices are electronically reviewed to ensure compliance with 'usual, reasonable and customary' standards and/or state mandated fee schedules. We maintain partnerships providing network programs for physical therapy and prescription drug services and engage on-site nurse case management services as needed to ensure treatment options and utilization rates are

appropriate for the injured employee. Preferred provider panels are now in place in New Jersey and we plan expansion into Pennsylvania in the near future to further control cost and provide immediate access for injured employees to the appropriate medical specialist.

Return to work options are explored fully from the onset of each claim, often partnering with our policyholders to ensure continued employment on a modified basis and/or securing commitments to a full work return at the conclusion of treatment. Our business partners work hard to develop return to work strategies and options from the onset of the claim. When a return to employment with the insured is no longer an option, vocation rehabilitation services are engaged to train and assist in the re-employment process and market surveys may be conducted to identify employment opportunities.

Suspicious claims or questionable treatments often prompt utilization reviews, peer reviews and independent medical exams. More aggressive efforts such as surveillance and litigation to combat abuse and comply with the anti-fraud expectations of the states in which we do business may be implemented when warranted.

Long term care may be the only option in the most unfortunate of workplace injuries. Where injuries are permanently disabling, we have worked closely with the injured employee and their representatives to develop long term, individualized care plans specific to the medical care and life quality needs of such individuals.

Our commitment as your Claims "Go-To" people ensures that we will always look for new ways to work together with all parties to ensure a positive claims experience and mutual long term success.

RISK OF THE QUARTER



COMMERCIAL BUSINESS

Risk: **NORTHEAST PRODUCE INC.**
Agency: CDR Insurance Agency
Location: Plainville, CT
Class: Fruit and Vegetable Wholesaler
Coverage: Property, Liability, Equipment Breakdown, Auto, Umbrella, EPLI and Workers Compensation.



AGRIBUSINESS

Risk: **TALOMA FARMERS GRAIN COMPANY**
Locations: Delevan, San Jose, New Holland and Brownwood, IL
Coverage: Property, Commercial Liability, Commercial Auto & Umbrella
Approx. Values: \$28.5 Million Building and Personal Property & \$45 Million Stock Coverage over all locations
Broker: Arthur J. Gallagher Risk Mgt Brentwood, TN Office

Thank you Arthur J Gallagher & Co., and CDR Insurance Agency for these excellent submissions.



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Karen Davis
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John Skovronski
Programmer, CISG

NEW HIRES



ADVISORY COUNCIL

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



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PROMOTIONS

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PMIC EMPLOYEES CELEBRATE

Day of Caring

An enthusiastic team of Penn Millers' employees recently spent a very rewarding day at Wyoming Valley Children's Association, as part of the United Way of Wyoming Valley's Day of Caring.



Day of Caring provides companies and United Way participating organizations the opportunity to make a positive impact in the community through direct interaction, and allows volunteers the chance to learn first-hand how their United Way contributions benefit our community.

Wyoming Valley Children's Association (WVCA) provides early childhood education and therapeutic services to local children residing in Luzerne County, Pennsylvania. WVCA specializes in the development of children, age five or younger, some of whom have special needs and demonstrate developmental delays and disabilities.

Our Penn Millers' team took time from their hectic schedules to assist WVCA teachers in the classroom, later trekking outside to plant flowers and (yay!) play with the children. "I think we enjoyed spending time with the children even more than they did with us. WVCA does such a great job that at the end of the day, I didn't want to leave!" noted Property Claims Examiner Amber Evans. To learn more about Wyoming Valley Children's Association: www.wvcakids.org



Excellence IN THE WORKPLACE

What better way to show your appreciation for the extraordinary efforts of our team than through the "Excellence at Work" program. We invite you to share those exceptional experiences where our staff has gone above and beyond in support of our commitment to provide quality service. This is a quarterly award program recognizing outstanding contributions and accomplishments. Recipients choose from a variety of exciting gifts. To nominate a Penn Millers employee for our Excellence at Work program: Log on to www.Pennmillers.com > Click on "Employee Recognition Program" > Enter Nomination > Submit on-line.

If you have any questions on the program please contact Pat Staples, Assistant Vice President, Human Resources at ph: 570.200.1302 or pstaples@pennmillers.com

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