



EXECUTIVE ANNOUNCEMENTS

GRAHAM ADVISOR

Insurance Society of Philadelphia Honors CEO of The Graham Company with Distinguished Leadership Award



Bill Graham, Chairman and CEO of The Graham Company and Russell Shaner, President of The Insurance Society of Philadelphia

William "Bill" Graham, chairman and CEO of The Graham Company, was awarded the Insurance Society of Philadelphia's 2013 Distinguished Leadership Award. The award, presented at the Independence Gala on November 20, recognized Graham's leadership and management excellence, commitment to the Philadelphia community and, most importantly, a history of advancing the local insurance industry.

Over the past 50 years, Graham brought his vision of creating one of the best companies to work for in Philadelphia to life through pioneering a comprehensive employee training and professional development program that has raised the bar in the insurance industry. He has executed a non-traditional strategy of recruiting the most talented professionals from diverse industries and then formally training them in insurance. Under Graham's guidance, The Graham Company was the first brokerage firm in the country to develop a formal Technical Development Department, which today employs an unprecedented ten employees dedicated solely to providing training, continuing education and quality assurance to the firm.

The Insurance Society of Philadelphia also recognized Graham's dedication to upholding client education as a central focus of the company. Through an ongoing mission to simplify complex insurance policy wording, he created

standardized and copyrighted language to be used in insurance surveys and proposals. He was also selected for the award for his unwavering support of numerous charitable and social efforts in the region, including the William Penn Charter School and Bucknell University.

COMMENTS FROM THE CEO

We hear from you often that our employees' do-it-right attitude is a tangible difference-maker for your business. But no matter how many times we hear it, we never take it for granted, and it always makes me grateful for the culture we have built.

What's ironic is that we never set out to "build" a culture – it built itself over time as a result of our forward-thinking leadership team, employee-wide executional excellence, and our commitment to elevating the insurance profession – both within our office halls and also in the Philadelphia region. Now, these cornerstones, which have anchored our firm for 50 years, have earned me the most humbling personal recognition: The Insurance Society of Philadelphia's Distinguished Leadership Award.

Receiving recognition from your peers is an honor, but I am equally grateful for the wealth of other achievements our firm has recently received, including the *Philadelphia Business Journal's* annual Best Places to Work list, in which we've been recognized as a "Hall of Fame" winner four times since 2008.

We share these honors with you because it's largely recognition that you helped us achieve – because your business' viability has always been, and continues to be, the inspiration behind our leadership, employees and culture.

We'd love to hear from you; contact us at feedback@grahamco.com.

Best Regards,

WILLIAM A. GRAHAM, IV
CPCU, CLU, CEO



OUTLOOK ON 2014

What the realities in the insurance industry mean for your business

The insurance market is in a state of transition. Years of declining prices without a corresponding reduction in losses – and in fact, increased losses for some lines of coverage like Workers Compensation, Property and Executive Liability – have led to a firming insurance market. In an effort to improve underwriting results, insurance carriers are seeking premium increases at renewal time and at times are attempting to restrict coverage. Insurance carriers' risk appetites are changing, and underwriters are requiring more detailed information for the renewal process, including information on claims history and loss control measures. The following summarizes what The Graham Company foresees across the major lines of coverage in the year ahead and what this means for your business.

are further questioning the adequacy of reported property values.

WORKERS COMPENSATION

Although Workers Compensation loss ratios have improved for carriers, we continue to see state rating bureaus increasing rates. We all know that healthcare costs are rising more quickly than inflation. What we now are seeing are medical costs outweighing indemnity costs with respect to Workers Compensation losses. Today, approximately 60% of a Workers Compensation claim is for medical expenses. The good news for insureds? New carriers have entered the marketplace and are writing mono-line Workers Compensation.

EMPLOYEE BENEFITS

Healthcare reform will remain a major focus for employers. For 2014, employers will need to continue to navigate the new law and combat rising healthcare costs while still trying to offer meaningful employee benefits. We recommend working closely with your broker to determine the best strategy and insurance solutions for your business. A broker will help determine whether

PROPERTY & CASUALTY (P&C)

While the industry continues to respond to catastrophic losses – Hurricane Sandy in 2012 and now the 2013 flooding in Colorado – we expect the property rates to remain stable for insureds with favorable loss experience. However, for larger risks, we see carriers requiring pre-inspection loss control visits. Underwriters

CONTINUED ON INSIDE

The
Graham
Building
One
Penn Square
West
Philadelphia
PA 19102



Workers Compensation Renewals

- Medical and prescription drug costs surpassing wage costs
- Increased lost-time claims
- An aging workforce
- Increased premiums
- Increasing loss costs by state WC bureaus

Property Renewals

Carriers challenging Total Insured Values (requiring increases, thus increasing premium), imposing restrictions if values are not updated, and requiring loss control visits.

Cyber Liability

Cyber crime is at an all-time high, and few businesses are immune to the risk of data breaches. Premiums are competitive and coverage is easier to obtain.

Executive Liability Renewals

- DIRECTORS & OFFICERS**
- EMPLOYMENT PRACTICES LIABILITY**
- FIDUCIARY LIABILITY**

- Pricing Up
- Retentions Up
- Restrictions in Coverage

ASK THE EXPERT



Kevin Smith on group captive insurance structures

Q. What are the primary reasons to consider a group captive?

A. Group captives give companies with stable loss experience the ability to pool their risk together and gain access to the reinsurance market. Rather than trading dollars with an insurance company, group captive members take on risk to get stability and control over their insurance program. With risk there is also reward, so captive members can benefit financially from their safety and loss control efforts.

Q. What are the benefits of captives?

A. Under a group captive, members take control over their claims handling, loss control and service providers to stabilize the cost of risk, with the expectation of ultimately reaping underwriting profits and investment income. Under a captive, members have the potential to achieve long-term savings because premiums are based on members' claims histories and not on industry averages and aggregate books of business.

Business owners assume a portion of the risk by taking on a large retention, as much as \$300,000 per occurrence. Unlike traditional insurance where business owners pay a premium and let the carrier pay for the claim, members of a group captive are shareholders and are required to fund a large portion of a claim. That is why it is critical that organizations be fully committed to operating as safely as possible in order to reap the rewards of the program. Captive members see the benefits of good loss performance, but also feel the pain when it is not so good. The captive forces businesses to put the emphasis into safety and loss control programs. Most business owners are under the misconception that captives are an instant money-saver; the reality for nearly all captive members is that an organization's safety culture and commitment to upholding world-class safety standards are the key factors when it comes to captive insurance and cost savings.

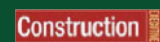
To learn more about alternative risk financing structures such as group captives, please contact Kevin Smith, Vice President at The Graham Company, at ksmith@grahamco.com or 215.701.5323.

GRAHAM SIGHTINGS

Experts in the News



Lisa Talley on avoiding slip and fall claims
NJAA's AIM magazine, November Issue



Carl Bloomfield and Jim Marquet on managing risk of JV projects
Construction Executive, December Issue

Regional and National Rankings



Insurance Journal's list of Top 100 Privately Held P&C Agencies ranked The Graham Company #30.



Philadelphia Business Journal named The Graham Company a Best Place to Work for the fifth year in a row.

Recognition & Appointments



Chris Keith and Craig Harper appointed to vice president



Vice President Chris Keith selected as honoree for Business Insurance magazine's 40 Under 40 Regional Broker Leaders Award program in the Northeast Region category



The Graham Company's Pete Prinsen selected as Philadelphia Business Journal's 2013 Corporate Counsel Award Finalist



The Graham Company's client American Infrastructure named Risk & Insurance magazine's Teddy Award winner for its superior workers compensation risk

CLAIMS CORNER

Appropriate Incident Protocols Set Your Claims Team Up for Success

Organizations are often faced with the inconvenience of paying for frivolous and/or exaggerated claims due to a lack of internal investigation and related documentation on incidents that result in third-party injury or damages. If liability is clear, a claims team may decide to pursue a settlement. If liability is questionable, the possibility of defense exists – however, without the appropriate information, the claims team is at an inherent disadvantage. By designing and implementing incident protocols, you'll position your claims team to better be able to defend you.

Incident protocols should be customized to your organization's operations. Ask yourself the following questions to determine whether your organization is adequately prepared to respond to an incident or claim:

1. Has a point person been assigned to lead investigations?
2. Do employees have step-by-step instructions on how to respond to an incident (i.e., obtain care for the injured, secure the scene, etc.)?
3. Do employees know whom to notify when an incident occurs?
4. Does your company have an incident report form?
5. Do employees know not to admit liability to anyone at the scene of an incident (i.e. injured parties or first responders)?
6. Have employees been instructed to not respond to media inquiries unless they are authorized?

If you answered "no" to any of these questions, The Graham Company recommends consulting with a claims expert who can ensure you are properly positioned to handle an incident and defend a potential claim.

The Graham Company's Claims Division has resources to help you design and manage a comprehensive claims management program. Contact Lisa L. Talley, ARM, Claims Consultant, at LTalley@grahamco.com or 215.701.5417.

OUTLOOK ON 2014 CONTINUED

The good news is that it is possible to take control and write a new history if you work closely with your broker on loss control and claims management, which will insulate your business from volatility in the marketplace.

strategies such as self-insuring this coverage, shifting costs to employees, implementing wellness programs, and offering consumer-directed plans make sense for your business.

CYBER RISK

Cyber crime is at an all-time high, with criminals becoming more sophisticated every day. Few businesses are immune to the risk of data breaches; therefore, Cyber Liability insurance should be an element of any solid risk management program. Costs for Cyber Liability insurance remain very competitive, and it is now easier to secure a quotation.

DIRECTORS & OFFICERS LIABILITY

We are seeing rate increases for both public and private Directors & Officers Liability (D&O) renewals. Previously, insurance carriers offset the losses from public D&O policies with profitable private D&O business. In the past 3 years, private D&O coverage has become unprofitable for carriers. As a result, carriers are changing their underwriting guidelines, including both rate increases and restrictions in coverage. As a D&O policy is not standard, it is important that your broker understand the terms and conditions, especially what triggers a claim and how to report it.

WHAT THIS MEANS FOR YOUR BUSINESS

It is more important than ever that you begin the insurance renewal process for your business with your broker early. At The Graham Company, we like to meet with our clients at least 120 days in advance of renewal time to review their existing insurance programs and develop an action plan. As mentioned, carriers are getting tougher and requiring more information from insureds. This can lengthen the time it takes to renew your insurance program. A good broker understands your business

and works on your behalf to obtain the most competitive and comprehensive program for you.

Today, insureds have more tools in their risk management toolbox. One option for businesses to consider is if alternative risk financing structures such as group captives makes sense for their organization. Financially solid organizations with a deep commitment to safety and loss prevention that desire more control over their insurance program may be good candidates for this type of structure. In this issue's 'Ask the Expert' column on page 2, we take a closer look at the primary reasons to consider a group captive and the benefits.

We suggest meeting with your broker 120 days in advance of renewal time to review your existing insurance programs and develop an action plan.

Insurance costs are based on your business' history and what carriers expect in the future. The good news is that it is possible to take control and write a new history if you work closely with your broker on loss control and claims management. A complete risk management approach not only

will insulate your business from volatility in the marketplace, but it will promote a safer and more profitable business.

To learn more about how changes in the industry could impact your insurance program, contact Dina Daniele, Vice President-Marketing at The Graham Company, at ddaniele@grahamco.com or 215.701.5314.