

ADDRESSING THE HEALTHCARE COST CRISIS

Healthcare is at the top of corporate agendas with national costs increasing an average of 9% each year between 1998 and 2006.

Rising costs have frustrated many employers and has left them asking, “Am I doing everything possible to manage my healthcare costs?” For most, the answer is, “I don’t know.” A majority of companies renew their benefits contracts year after year without completely understanding their coverage, reasons for cost increases, or available alternatives. Most employers would not approve increases on any other business expenses without some idea of how to manage costs and control outcomes.

So what is a company to do in the face of this harsh healthcare reality?

The experts from The Graham Company’s Employee Benefits Division have developed the following set of tips to help shed some light on emerging issues and provide a guide for businesses to reduce healthcare costs.

1. PERFORM AN ASSESSMENT OF YOUR EMPLOYEE BENEFITS PROGRAMS

Employers, small and large, must ask themselves the following questions:

- Is our plan design appropriate for our employee population?
- Are we with the best insurance company for our region?
- Are plan eligibility requirements reasonable? (i.e. spouse coverage, student dependents)
- Are our benefits competitive? Are they overly competitive?
- Are we kept aware of the latest innovations?

When it comes to healthcare costs and coverages, knowledge is power. The Graham Company takes this very seriously by performing a comprehensive **Employee Benefits Program Assessment** of all aspects of our clients’ benefit programs. This Assessment prominently displays any areas that can be improved, identifies potential cost saving opportunities and lays the groundwork for developing a long-term benefits strategy.

2. KNOW YOUR MARKET AND THE OPTIONS

Are you constantly hearing the Consumer Driven Healthcare buzz? Should you be implementing a Health Savings Account or Health Reimbursement Arrangement? Your broker should work with you to determine if a Consumer Driven Health Plan is the right fit for your population.

Another topic you may be reading about is changes in the prescription drug market. Over the next five years, blockbuster prescription drugs that represent \$50 billion in drug spending will be coming off patent. As a result, employers are reconsidering their plan designs in order to further drive generic utilization. Another very hot topic in the prescription drug arena is “pass through pricing,” sometimes called transparency. Most transparency models shed light on the various pricing schemes that are inherent in prescription drug programs and allow the employer to receive full discounts, rebates and market share allowance.

3. EDUCATE EMPLOYEES – Do your employees know just how good they have it? Consider developing a “hidden paycheck.” These are designed to inform employees how much


their benefits are worth and not just how much they contribute in each paycheck.

Insurance carriers offer a variety of healthcare plans that can be confusing and cumbersome to employees. Your Benefits Professional should bring to you options and recommendations that are custom-tailored for your company along with communication support that makes the program easy to grasp for your employees.

4. TAKE A RISK MANAGEMENT APPROACH TO EMPLOYEE BENEFITS

By treating healthcare as any other business expense you can start to manage costs and control outcomes over the long term. Taking a Risk Management Approach involves three steps:

- **HEALTH MANAGEMENT:** consider Health Management programs; many are already included in your current programs.
- **INFORMATION MANAGEMENT:** Request and review trend and utilization information in order to make informed healthcare decisions.
- **VENDOR MANAGEMENT:** Read insurance carrier contracts and Summary Plan Descriptions, to ensure that your vendor partners are meeting their obligations from plan design to customer service.

To learn more about The Graham Company’s Risk Management Approach to Employee Benefits and to see if an **Employee Benefits Program Assessment** is right for you, please contact Craig Harper at 215-701-5309 or charper@grahamco.com. 

IN THIS ISSUE

- 1 ■ Addressing the Healthcare Cost Crisis
- 2 ■ Graham’s SCORE Analysis
 - Graham’s 13th PAR Excellence Award
- 3 ■ Graham Bolsters Legal Resources
 - The New PA Mechanics Lien Law
- 4 ■ Graham Gives Power Back to PPL Energy
 - Graham’s Wrap-Up Goes on the Road
- 5 ■ Letter from the President
 - New Account Management Team Leaders
- 6 ■ Scullin Named VP of Sales
 - Kegler Hosts Online Radio Show
 - Upcoming Graham Seminars and Workshops



GRAHAM'S SCORE ANALYSIS HELPS COMPANIES CREATE A CULTURE OF SAFETY

A strong safety program goes a long way toward reducing losses and ultimately lowering insurance costs. But it's not enough to simply develop a safety program and hope it works. The most successful companies infuse safety procedures, practices and awareness into every aspect of their corporate cultures. To that end, The Graham Company has developed a proprietary assessment tool, called a SCORE™ analysis that helps measure employees' knowledge and perception of safety procedures. Graham's assessment process also determines steps necessary to create a culture of safety.

The SCORE analysis measures five key aspects of a company's safety awareness including:

SYSTEMS: The Graham Company will evaluate systems such as employee training programs, incident investigation, preventive maintenance, and hiring practices.

CULTURE: Employees and managers will be asked to comment on management's commitment to safety by being asked questions about goals, management support, and communication.

OBSERVATIONS: The effectiveness of such programs will be evaluated via inspections, audits, and proof of timely corrective action.

RECOGNITION: What are the rewards for innovation and vigilance in safety as well as a progressive discipline system for poor safety choices?

EMPOWERMENT: Employees' authority to make changes, make repairs, or stop operations when there is a risk of injury or illness, even at the expense of production.

The SCORE Analysis consists of a combination of interviews and questionnaires. Once completed, The Graham Company Safety experts use the results

a thorough analysis of an organization's various risk management policies. Together the two tools create the industry's most comprehensive

SCORE™

SYSTEMS • CULTURE • OBSERVATIONS • RECOGNITION • EMPOWERMENT

assessment and road map designed to uncover hidden exposures and identify opportunities to strengthen overall safety and risk management programs.

to quantify and evaluate the level of consistency between company policies and employee perception and implementation.

The SCORE analysis is often used in combination with Graham's Risk Management Assessment (RMA),

As part of Graham's overall risk management services, these tools have also proven to be invaluable in documenting program improvements and making clients more attractive to insurance underwriters – ultimately lowering client insurance costs. **G**

GRAHAM HONORED WITH 13TH PAR EXCELLENCE AWARD

In what is becoming an annual event, The Graham Company was once again recognized for its outstanding Quality Assurance Program in 2006 by being awarded with an unprecedented 13th consecutive PAR Excellence Award.

The award is presented by PAR, Limited, a risk retention group sponsored by Assurex Global. It is given to sophisticated insurance agencies in recognition of their rock-solid stability and pace setting Quality Assurance Program while maintaining exemplary service and insurance solutions for their clients.

"Once again, Graham's track record for quality stands as a great example for all PAR insurers," said a spokesperson from PAR, Limited.

Assurex International is strategically located in more than 65 cities in the U.S. and Canada, and has representation in more than 55 other countries. **G**



GRAHAM BOLSTERS LEGAL RESOURCES FOR IN-HOUSE CLAIMS DEPARTMENT

The manner in which an organization prepares for, reports and manages claims can be a major factor in its ability to control insurance costs and in some cases, the ability to secure coverage at all. Recognizing the impact of claims management on client insurance programs, The Graham Company recently bolstered its in-house claims department by naming seasoned attorney **Sean Brogan** as the organization's Associate General Counsel.

In his new role, Brogan assists the Agency's General Counsel by serving as a technical and legal resource for Clients and Graham Professionals, particularly in claims situations. As a former litigator with one of the Philadelphia region's largest law firms, Brogan adds a unique combination of legal expertise and courtroom experience to compliment Graham's team of legal and risk management experts.

Drawing on his years of legal expertise and his experience in claims situations, Brogan has developed a set of tips to help organizations better navigate the claims process and ensure better outcomes for their businesses.

START WITH COVERAGE – The claims management process is much easier if you have an insurance program custom designed to cover the unique exposures of your business. Don't settle for standardized insurance forms or boiler plate programs. Work with a partner that will effectively negotiate the terms and conditions that are required to meet your specific needs.

ANALYZE AHEAD OF TIME – Waiting for an insurance company to develop a coverage position can be costly in a claims situation. Don't let the carrier set the framework for coverage

discussions. Work with a claims expert immediately to determine what's covered and what's not covered. Then, together, you can develop a plan on how to fight for what's in a gray area.



Sean Brogan

GET REPORTING SUPPORT – The way a claim is reported is critical in determining whether or not it's covered. Don't let reporting inexperience create obstacles that need to be overcome later in the process. Actively involve a claims expert in the process. From the beginning this will ensure claims are submitted properly while providing the necessary documentation for coverage. **E**

THE NEW PA MECHANICS LIEN LAW – HOW WILL THIS CHANGE YOUR RISK MANAGEMENT?

In 2006, the Pennsylvania state legislature passed amendments changing the Mechanics Lien Law of 1963, bringing the Commonwealth's law more in line with most other states. The new legislation, which is known as Act 52, went into effect on January 1st of this year. On private jobs, it makes advance mechanics lien waivers "against public policy, unlawful and void" with some exceptions.

Some experts believe that Act 52 will benefit contractors by outlawing many advance lien waivers. However, some contractors are concerned because it changes their risk exposures and, therefore, changes their business practices.

The Graham Company's analysis of the new law shows that there will likely be



an increase in the bonding of private jobs as owners and lenders seek to avoid the risk of liens on their projects. From an owners' perspective, this risk management technique is advisable because the cost is minor (approximately one percent of the total cost of

construction) and it eliminates the threat of having their building encumbered by a Mechanics' Lien. If an owner wants to avoid this added cost, he may find that his bank or other project funding source will demand this protection.

For the most part, General Contractors don't like Act 52 because they now have the added task of policing payments of multiple tiers of subcontractors and suppliers. The solution for the General Contractor is "joint-checking" (i.e. checks made payable to subcontractors and suppliers) or requiring subcontractors to provide payment bonds.

Most people agree that the new Pennsylvania lien law will result in more uncertainty until it is clarified by the courts. In the meantime, everyone involved with construction will have to make sound decisions to limit the risks they will face with the changes in the law. **E**

GRAHAM GIVES POWER BACK TO PPL ENERGY SERVICES HOLDINGS, LLC

Complex risk can mean different things to different people. To some, it means finding insurance coverage for many different subcontractors working on a single construction job. For others, it means merging five distinct energy companies with separate insurance programs into one. Luckily for PPL Energy Services Holdings, The Graham Company has experience managing both.

Following the deregulation of the power industry in the 1990s, public utilities made a move to acquire mechanical contracting businesses to expand services “beyond the meter.” Joe Burns, a former Graham client and owner of one of these acquired companies, advocated maintaining his relationship with The Graham Company.

With Graham’s help, the company was able to navigate potential problems and develop a comprehensive but streamlined consolidated risk management program. Utilizing its team of in-house safety staff, The Graham Company was also able to work with PPL Energy Services



Holdings’ safety professionals to assist them with their efforts in instituting common safety standards and practices across all companies and divisions to better manage risk and control losses. Through consolidation, PPL Energy Services Holdings, LLC has achieved substantial savings in fixed insurance costs, but even more importantly, have enjoyed consistent reductions to their loss costs and incident rates.

“Managing a large number of operating companies with an average of 2,500 employees in a very competitive

mechanical construction and service business across the North East and Mid Atlantic Regions can be a challenge, and while we recognize the importance of a good insurance program, it’s not our area of expertise and not what we routinely spend our time on,” said the client contact. “The Graham Company took the risk out of developing a risk management program through its expertise, its attention to detail and its willingness to go the extra mile. They are an invaluable partner and we couldn’t have done it without them.”

Today, PPL Energy Services Holdings, LLC continues to experience stable growth with Graham as their Risk Management Partner. Since program consolidation three years ago, PPL Energy Services Holdings, LLC’s Risk Management Program has contributed to the profitability of the company with top line revenues approaching a half billion dollars annually. **G**

GRAHAM’S WRAP-UP GOES ON THE ROAD

The Graham Company’s Construction Wrap-Up Team is recognized throughout the Philadelphia region as having developed one of the most comprehensive and respected construction risk management programs of its kind. Graham has already developed Wrap-Ups for the Pennsylvania Turnpike Commission, The National Constitution Center, the U.S. Airways terminal at the Philadelphia International Airport, the Philadelphia School District and several projects for the Delaware River Port Authority among others. Now capitalizing on the experience and the success of the programs in the Philadelphia region, The Graham Company is taking its Wrap-Up program on the road.



A “Wrap-Up,” also known as an Owner-Controlled Insurance Program (OCIP), is an insurance program that helps owners and general contractors manage



the risks of multiple subcontractors on a large job through a single insurance program. Without a Wrap-Up, contractors and subcontractors each have their own individual insurance programs, resulting in redundant administrative efforts, inconsistent loss control and inflated insurance costs which increase

the overall project budget. A Graham Wrap-Up allows the owner or general contractor to more efficiently manage the entire Risk Management cost of its project. With a focus on safety and loss prevention, and a centralized reporting system that’s accessible any time, an owner or general contractor always has the information to help make important decisions which affect the ultimate risk management costs of the project.

Starting in 2007, Graham’s Wrap-Up will be available in markets throughout the country, beginning with Baltimore, Boston and possibly Las Vegas. **G**



LETTER FROM BILL GRAHAM, CEO

As you're reading the stories in this newsletter, I would hope that three themes would come through loud and clear. And while those themes may not be stated overtly, they drive who we are and what we do. They are: *A Commitment to Excellence, A Drive for Growth* and *A Dedication to Remaining Privately Held*.

As those who have worked for us and with us know, our commitment to excellence is unwavering. You can see it in the detail of our work, you can sense it when you meet someone from our team and I hope you can feel it when you walk into our building.

Our commitment to excellence comes from our dedication to our clients. We only work with world-class businesses, which are considered to be at the top of their industries. Their dedication to being the best challenges us to get better every day. We are grateful to them for that. As a result, we will continue to work our hardest towards excellence to meet and exceed our clients' expectations.

Our most recent initiatives seek to raise that bar of excellence. You'll read about our new SCORE analysis, an innovative

tool that measures and ultimately improves the safety cultures of our clients. You'll read about our growing Employee Benefits Consulting Division and the unique approach we take to drive down health care costs for organizations. You'll also read about how we're taking our industry leading construction Wrap-Up program to a host of new cities. None of these things would be possible without our commitment to excellence and the hard work of our team – and that is what drives our growth.

But you can't talk about our commitment to excellence and our drive for growth without understanding our dedication to remaining private. It's our status as a private company that allows us to operate as we do. Because we are private, we can invest more into developing new programs for our clients; we can spend more time on recruiting great people and training our employees to be the best they can be; and we can dedicate the resources that make up the most extensive service teams in the

industry. If we had to answer to outside shareholders or a parent company, the only measure of our success would be our bottom line, and that's just not how we want to do things.

So as you read, please think about our ongoing commitment to excellence, growth and remaining private. And we promise that we'll keep thinking about how we can make our business better and ultimately make your business more profitable.

Sincerely,



William A. Graham, IV



GRAHAM NAMES ACCOUNT MANAGEMENT TEAM LEADERS

Continually looking for better ways to provide world-class client service, The Graham Company recently implemented a revamped Account Management structure that promotes Jim Bonner, Dina Daniele and Franz Wagner to the newly created position of Team Leaders. Graham's Account Managers play the role of trusted advisor to their clients delivering risk management services, and directing the insurance renewal process. Bonner, Daniele and Wagner are all Vice Presidents with a combined 35+ years at Graham.



Jim Bonner



Dina Daniele

By investing in this new management structure, Graham is laying the groundwork for future growth... especially in supporting the development of its newer Account Managers.

In addition, the team leaders will innovate to offer clients higher levels of service, streamline internal processes and

maintain strong, effective relationships with insurance company partners.

"We're constantly pushing to be better for our clients and our employees and this move helps us achieve that," said Ken Ewell, Vice President at

The Graham Company. "Jim, Dina and Franz are three of the most experienced and successful Account Managers we have and this structure allows clients and team members to benefit from their expertise. We're excited to have them lead the Account Management teams that will lead The Graham Company into the future." 



Franz Wagner

BOB SCULLIN NAMED VICE PRESIDENT OF SALES

The Graham Company recently announced that Robert J. Scullin was promoted to Vice President of Sales for the Property and Casualty Division. Scullin was previously a Vice President and Producer at the company. He will be responsible for business development, mentoring new Producers and managing a team of sales professionals.

“Bob is a top notch professional who has always been a leader on the sales team,” said William A.



Graham IV, CEO of The Graham Company. “He understands the depth of The Graham Company risk management approach and he understands how to recruit and motivate the talent we need to drive that process. We are excited to have him leading the sales team as we seek to expand our business and continue to drive value for our clients.”

Bob joined The Graham Company in 1993, with 13 years of experience in sales and marketing. He received his Bachelor’s degree from The Wharton School of the University of Pennsylvania in 1980, and has pursued graduate studies at Penn’s Liberal Studies Program. Bob also earned an Associate in Risk Management (ARM) designation in 1999. **G**

GRAHAM’S KEGLER HOSTS ONLINE RADIO SHOW

On January 1, 2007, one of The Graham Company’s Producers – Scott Kegler – launched an online radio show on ProWebRadio.com, an Internet radio station for financial professionals. Kegler’s show, **P&C Perspectives**, brings listeners up-close and personal with the people and the issues that shape the Property & Casualty insurance industry. The weekly half-hour show features interviews with insurance company executives, specialty brokers, industry analysts, and business executives in a fast-paced and entertaining format.

Already, Kegler has interviewed AIG Regional Vice President Jeremy Johnson, catastrophe property insurance experts Sam Baig and Tom Woodstock, insurance pioneers in China and Eastern Europe, Directors & Officers liability expert Kevin LaCroix, a product liability attorney, and Dr. L. James Valverde, Jr., vice president of Economics and Risk Management at the Insurance Information Institute (www.iii.org).

You can also read Kegler’s monthly column, **P&C Perspectives**, at www.producersweb.com. **G**



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UPCOMING GRAHAM SEMINARS AND WORKSHOPS

APRIL 26, 2007

NFPA 70E – ELECTRICAL SAFETY IN THE WORKPLACE

AT THE GRAHAM COMPANY, PHILA., PA

MAY 7, 2007

CAPTIVE INSURANCE ALTERNATIVE

AT CITIZENS BANK PARK, PHILA., PA

MAY 10, 2007

REDUCING THE FINANCIAL IMPACT OF WORKERS’ COMPENSATION CLAIMS

PART I – EFFECTIVE PRE-LOSS STRATEGIES
AT THE GRAHAM COMPANY, PHILA., PA

MAY 17, 2007

RISK MANAGEMENT AND INSURANCE EXECUTIVE SERIES FUNDAMENTALS

AT ROYCE BROOK COUNTRY CLUB
HILLSBOROUGH, NJ

JUNE 7, 2007

WORKERS COMPENSATION SEMINAR AND CORPORATE GOVERNANCE AND RISK MANAGEMENT (PRINCIPAL & CO-DIRECTOR) WORKSHOP

AT HEINZ FIELD, PITTSBURGH, PA

JULY 31, 2007

TRENDS IN SETTling WORKERS’ COMPENSATION CLAIMS THROUGHOUT THE U.S.

AT THE GRAHAM COMPANY, PHILA., PA

OCTOBER 4, 2007

RISK MANAGEMENT AND INSURANCE EXECUTIVE SERIES – GENERAL LIABILITY

AT THE GRAHAM COMPANY, PHILA., PA

OCTOBER 25, 2007

MANAGING AN AGING WORKFORCE

AT THE GRAHAM COMPANY, PHILA., PA

NOVEMBER 29, 2007

REDUCING THE FINANCIAL IMPACT OF WORKERS’ COMPENSATION CLAIMS

PART II - EFFECTIVE POST-LOSS STRATEGIES
AT THE GRAHAM COMPANY, PHILA., PA