



LUMBERMEMO

PENNSYLVANIA LUMBERMENS MUTUAL INSURANCE COMPANY + INDIANA LUMBERMENS MUTUAL INSURANCE COMPANY

COMMENTARY: PLM/ILM OVERVIEW

JOHN K. SMITH, PRESIDENT & CEO



We are almost halfway into the year and are pleased to note an improvement in our results from a number of different angles! First off, premium remains constant when measured from an "in force" viewpoint. We are running a bit behind our production budget (\$4 million) due mainly to the loss of heavy manufacturing business which is running slightly above our original projections. New business on a year-to-date basis is up over last year when measured against premium and the amount of new accounts. Our policy count retention is a little lower than budget but premium retention (how many accounts and how much premium are renewed on a year-over-year basis) is right on target. We are in the process of a great month (June) as I write this and if we are able to finish the month as strongly as it appears, we will cut our premium deficit in half to just under \$2.5 million.

We have sliced our underwriting loss in half on a year-over-year basis, so this is remarkable. Our first quarter has always been our worst quarter. Losses were down dramatically in spite of the severe winter and early spring storms. We have seen the benefits of the affiliation take hold in dramatic fashion during the first five months of the year and we are ahead of our expense target as a result.

From a competitor viewpoint, things seem to have settled down a bit. Approximately 80% of the new submissions we are reviewing today are retail/wholesale lumber dealers and light wood manufacturing. We are quoting about 50% of the accounts in this arena and writing about 50% of what we quote. Interestingly, some of our competitors that wrote this business on a Business Owners Policy are now using a more standard policy format or non-renewing. If there is a problem in this arena it is that competitors are telling prospective accounts that we are not interested in writing accounts with values in excess of \$25 million. That is not the case! We continue to maintain \$100 million of property capacity for retail/wholesale lumber dealers and light wood manufacturing accounts!

We are very aware of the problems at Lumbermen's Underwriting Alliance that may create some opportunity for us. A number of companies that charged into the heavy manufacturing segment just last fall seem to be taking a second look. We are seeing one or two competitors that entered the pallet business over the last couple years dumping these businesses. This of course has made it more difficult for these accounts to find coverage at a price they are willing to pay. From our perspective, we continue to be very interested in these accounts (when they have less than \$25 million of value at anyone location) but are interested only when we can obtain a price that allows us to make a profit. Therein lies the

problem! The market for heavy manufacturers continues to drift upward. While there are all kinds of different approaches that might look good price-wise, we sense that when the claims start occurring, those that bought into the excess and surplus lines market, stop loss or layered programs might find themselves dealing with a case of buyer's remorse! Of course, on larger valued operations right now this might be the only viable approach to placing coverage limits. I have spoken out regarding this problem for years and will not rehash my thoughts on this subject at this time.

While we continue to be concerned about our financial results, we feel we are headed in the right direction and our numbers support that!

I would be remiss if I did not note that Susan Knotts our Vice President of Customer Service left us in early June. We wish her well. For the foreseeable future our Customer Service Center will be run by Traci Barber while our Policy Service Technicians will be managed by Kathleen Dalton. Both will report to me directly.

Don Blackwell, our Senior VP of Investments, has agreed to take on the task of Direct Collections. For those of you that have tended to pay your bill a bit later than we would like, you should be aware that we are working on tightening up

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CLAIM MISSION STATEMENT

J. MICHAEL LENT, VP - CLAIMS

Over many decades, the claim departments at PLM and ILM have each earned admirable reputations for helping businesses in the wood niche recover from losses. Having recently joined forces, it made sense to fully unify the PLM/ILM claim teams and articulate a common mission. The new Claim Mission statement reads as follows:

PLM/ILM's Claim Mission is to consistently deliver positive claim experiences to policyholders and third parties in their times of need. Providing specialized claim expertise and services to wood products and building materials businesses is what separates PLM/ILM from all other insurance companies. Our knowledgeable claim professionals demonstrate superior technical and interpersonal skills and only partner with outside experts who provide best-in-class capabilities. We are guided by sound judgment and the highest ethical standards in managing the company's loss and expense dollars and promptly establishing reserves.

Fulfilling our Claim Mission ensures that superior claim handling will remain a hallmark of PLM/ILM's brand. By providing specialized expertise and personalized service to policyholders, the Claim Department gives the company a considerable competitive advantage. Our mission also acknowledges the Claim Department's critical role in preserving the company's financial strength.

In order to bring our Claim Mission to life, we have reorganized the Claim Department into one integrated team consisting of Property, Casualty and Litigation units. We are also in the midst of adopting a new cutting edge claim processing system that will enable our claim professionals to more effectively manage their caseloads and provide even better claim service. At the same time, we are currently instituting more stringent quality standards and controls to make sure our policyholders experience the highest levels of responsiveness and professionalism every time they suffer a loss.

HOW TO REPORT A CLAIM

PLM CLAIMS

email: claims@plmins.com
 fax: 215-829-1211
 phone: 800-752-1895

ILM CLAIMS

email: custserv@ilmgroup.com
 fax: 317-704-3860
 phone: 800-732-0777

EXTENSION CORD MAINTENANCE

GREGORY PIANKO, VP - LOSS CONTROL

Extension cord usage is quite common in most operations and is easily overlooked in regards to fire hazards. Two recent loss incidents provided a clear reminder that extension cords are a potential ignition source and should not be taken for granted. Extension cords should only be used on a temporary basis with portable tools and equipment. Extension cords should never be used in place of permanent wiring. Cords fastened to the building or worktable, looped over or around a building structure, or run through a hole in the wall all indicate the need for permanent wiring and outlets. Multiple extension cords at any one workstation would also indicate a need for additional permanent outlets.

In addition to regular inspections, the following precautions should be taken regarding extension cord usage:

- Inspect each extension cord daily. Cords should be

removed from service whenever the inspection reveals damage. This includes a damaged plug or cut, frayed, torn or otherwise damaged insulation. **Do not repair a damaged cord; it should be replaced with a new cord.** The minimal cost savings from a repaired cord is not worth the risk of a large fire loss possibly resulting in a complete interruption to your business. Cut the ends off of a damaged cord so that someone does not put it back in service. Dispose of it and buy a new one.

- Extension cords should be the correct gauge to carry the current needed to power the device. An undersized extension cord creates a fire hazard. Simply put, the diameter of the extension cord should be the same or larger than the cord on the device it is providing power to.

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HURRICANES & FLOODS

Now that hurricane season is upon us, we felt it appropriate to remind you of some key tips on protecting your business in the face of hurricanes and floods. Hurricanes are like no other storms on earth. These ferocious weather systems bring torrential rains, flooding, storm surges and devastating winds that damage and destroy businesses and disrupt livelihoods. It's never too early to prepare. You can take several basic steps right now to protect your business from disaster. Preparation is the key to protecting your business and keeping your losses to a minimum.

BEFORE THE STORM

- Inspect roof edging strips, gutters, flashing, roof coverings and drains.
- Inspect sign supports.
- Check for weak door latches, window latches and hardware.
- Move your vehicles to higher ground to avoid high, fast moving water.
- Protect vulnerable windows from flying debris.
- Update important backup records and move them to a location not vulnerable to the same weather-related incident.
- Anchor yard structures that can be easily moved by high winds.
- Inspect all fire protection equipment to be sure it is in service.
- Shut off gas, water and electricity if indicated prior to evacuation.
- Assemble the following supplies at a central, secure location:
 - Emergency lighting
 - Lumber and nails
 - Tape for windows
 - Sandbags (if required)
 - Roofing paper
 - Caulking compound
 - Tarpaulins
 - Power and manual tools
 - Shovels and axes
 - Chainsaws

IF HEAVY RAIN OCCURS

- Keep your battery-operated radio tuned to a local station and follow all instructions. If you are told to evacuate, move out of the building to safe, high ground.
- Be aware that floods are deceptive. Avoid already flooded areas. Floodwaters that are above your knees are dangerous. Turn around and go back to higher ground.
- If you find floodwaters on the road while driving, turn around and find an alternate route. The road could be washed out and rapidly rising water could lift your vehicle and carry it away.

AFTER THE STORM

- Keep listening to NOAA Weather Radio or local radio or TV stations for instructions.
- When it is safe to return, be sure that buildings are not in danger of collapsing.
- Look for live electrical wires. Be sure the electrical current is turned off and do not attempt to turn on any electrically-operated light or appliance until an electrician has checked your system.
- Watch out for rodents and snakes.
- Begin cleanup as soon as possible. Throw out perishable foods; they may be contaminated.

For more information on reducing risks from a hurricane, contact the Loss Control Services Department at PLM/ILM at 800.752.1895 or email us at info@plmins.com. There is also valuable information on the Insurance Institute for Business & Home Safety website, www.disastersafety.org, with comprehensive information on hurricane property protection.

COMMENTARY: PLM/ILM OVERVIEW

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our collections operation, and doing so in dramatic fashion. We are seeing an uptick in nonpayment cancellations as a result. I urge you to pay a bit more attention to the PLM/ILM bills that are coming through because of these changes. ■

Don Blackwell	(317) 875-3710	dblackwell@plmins.com
Traci Barber	(317) 875-3790	tbarber@plmins.com
Kathleen Dalton	(267) 825-9302	kdalton@plmins.com





PENNSYLVANIA LUMBERMENS MUTUAL INSURANCE COMPANY

INDIANA LUMBERMENS MUTUAL INSURANCE COMPANY

ONE COMMERCE SQUARE
2005 MARKET STREET, SUITE 1200
PHILADELPHIA, PA 19103-7008

EXTENSION CORD MAINTENANCE

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- Cords should be rated for the application they are being used. If used outdoors, the cord should be rated for outdoor use. This is designated by the letter “W” on the cord/jacket. All extension cords should be approved by a nationally recognized testing laboratory.
- Cords should not be hidden from view (beneath stock, under carpet, etc.) or arranged in a manner that will cause the cord to be pinched. Cords should not create a trip and fall hazard or run through a doorway.
- An extension cord should not be plugged into another extension cord. Use a longer extension cord or install a permanent outlet in the area where the tool or equipment is needed.



Extension cords are convenient and sometimes a necessary device but we cannot take them for granted. Every effort should be made to minimize extension cord use in your facility and damaged cords should be replaced (not repaired). Care and precautions should not be overlooked with extension cords and should be emphasized similar to other equipment and machinery used in your facility. ■

LUMBERMEMO

PRESIDENT & CEO JOHN K. SMITH
JSMITH@PLMINS.COM

SR. VP - FIELD OPERATIONS & MARKETING STEVE FIRKO
SFIRKO@PLMINS.COM

SR. MARKETING SPECIALIST SUSAN CHO
SCHO@PLMINS.COM

CORPORATE ADDRESS:
ONE COMMERCE SQUARE
2005 MARKET STREET, SUITE 1200
PHILADELPHIA, PA 19103-7008
MAIN: 800.752.1895

INDIANA OFFICE:
8888 KEYSTONE CROSSING
SUITE 250
INDIANAPOLIS, IN 46240
MAIN: 800.732.0777

WWW.PLMILM.COM