



# PRODUCERUPDATE

PENNSYLVANIA LUMBERMENS MUTUAL INSURANCE COMPANY | INDIANA LUMBERMENS MUTUAL INSURANCE COMPANY

## THE ANNUAL GROWTH REVIEW

**A**t our January board meeting, we announced exciting news to our Board of Directors that we'd like to share with you, as well. In 2016, PLM achieved strong underwriting performance, turning a profit for the first time in a number of years as economic conditions have worked against us.



John K. Smith, *President & CEO*

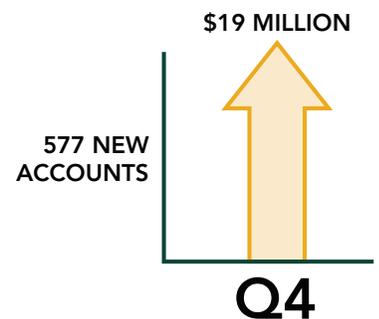
When combined with strong investment income, this fueled a surge in our policyholder surplus, which increased by over 9% to approximately \$135 million. Our total admitted assets finished the year comfortably north of \$500 million. Perhaps just as importantly, our independent actuaries verified that we continue to maintain a comfortable claims reserve position. We ended 2016 with a loss ratio of approximately 64% and an expense ratio of around 32%, giving us a combined ratio just over 96%.

Our investment income was solid in spite of PLM reducing investment risk early in 2016. We made the decision to change the balance of our investment portfolio to a more conservative approach by increasing the mix of fixed income instruments and reducing our marked-to-market holding while rebalancing our Master Limited Partnership portfolio to a more long-term view. This was the right decision because we were unsure of where the US economy, the presidential election and our underwriting result might end up. We also took steps to slow our ever-shortening bond portfolio by buying longer term bonds. These actions reduced the overall risk of our investment portfolio.

Policyholder "retention" in the retail/wholesale and light manufacturing classes approached 90% while heavy manufacturing was below 80%. Yet even with the slide in production for this class, we continue to be one of the largest underwriters of sawmill,

pallet and other heavy wood manufacturing accounts in the United States today! New business surged in the final quarter of the year as we wrote 577 new accounts that generated around \$19 million in new business.

With that said about last year, let's now look toward the future. We renewed our reinsurance program this past January 1, and are pleased that we continue to have a strong set of reinsurers standing behind our promise to our policyholders. January was a strong production month for PLM and we fully expect to be over target for February as well.



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We are off and running at trade shows and busy visiting current and potential clients in an effort to support our desire to grow the organization this coming year. We look forward to seeing many of you at agent & broker shows. We have seen an increase in submission activity in the heavy manufacturing segment (sawmills, pallets, et al.) as some of the companies that jumped into the marketplace are repricing business or getting out. The new claims system we implemented on November 1 is running well. Over time this system will assist us in providing more detailed loss information for both our underwriting and loss control teams.

In addition, we are putting the final touches on a data breach coverage that we hope to roll out by the second quarter. At the

same time, we are finalizing a number of changes to improve our ability to track loss control recommendations. We signed a deal to put the last piece of our systems overhaul in place. control teams as well as to your brokers and you.

All of this means we have another busy year ahead in our ongoing effort to make PLM the company of choice for insureds that operate in the wood and building material niche, as well as their brokers.

**I continue to seek your feedback, as you are valuable partners to us, so if you have comments please either give me a call at 267-825-9246 or email me at [jsmith@plmilm.com](mailto:jsmith@plmilm.com).**



# THE DOVETAIL: JOINING SAFETY WITH OPERATIONS

## BREAKROOM APPLIANCES: HIDDEN FIRE HAZARDS



Have you considered the use and types of appliances your client may have in their break room as being a fire hazard to their operation? Many break rooms have non-commercial low-end appliances that most of us wouldn't consider having in our homes. To complicate the matter, these low-end appliances are often used much more frequently in the workplace than they would be in a home. Overloaded outlets, light duty extension cords, inadequate overcurrent protection, dusty environments and poor housekeeping are several of the major causes of fires in company break rooms.

We at PLM have seen a number of losses across our book of business that were the result of fire in break rooms. These losses ranged from small insignificant fires to large total loss fires. To avoid break room fires, we recommend making the following suggestions to insureds:

- Only use commercial or industrial-grade appliances that are UL listed.
- Remove all hot plates, toaster ovens, toasters or any appliance that has an open flame. Place signs in the break room restricting their use.
- Plug all appliances directly into outlets that have the proper overcurrent protections (breakers, GFCI, etc.)
- Never plug appliances into extension cords.
- Provide all break rooms with smoke/heat detection devices that are monitored by a central station.
- Keep all appliances and outlets free from dirt and debris accumulation.

Instruct clients to evaluate their break rooms utilizing the tips listed above and take the appropriate action. A little forethought could save their business from having a fire, keeping their employees safe and comfortable in an updated break room.



## ANOTHER FINANCING OPTION FOR SAVVY INSUREDS

Do your clients pay their annual property, auto and liability insurance policy premiums in one annual amount? Probably not. Most commercial insurance policyholders seek to manage their cash flows by spreading premiums over several monthly installments. While many of our policyholders take advantage of our premium installment options, we find it surprising that some continue to use premium finance companies.

Why does that surprise us? Insurance premium finance company contracts require sizable down payments, offer amortization

periods that are relatively short compared to the financed policy terms and contain an interest charge.

We invite you to consider introducing your clients to our best premium installment plan, Electronic Funds Transfer (EFT). With EFT, your client agrees to let our bank debit their bank account once per month for their premium installment. In turn, they enjoy these benefits:

- No down payment
- No interest
- No service fees
- No checks to write
- Up to nine monthly payments on annual policies and 18 monthly payments on two-year policies



If your clients aren't interested in our EFT program, we also offer installment plans wherein they will receive regular statements of the amount to be paid by a future date. There is a small service fee for each installment, which is waived if they pay us by e-check via our website rather than mailing in a paper check. We do not charge interest. For more information on EFT, please contact our Customer Service Department at 800-752-1895.

# PLUMB SAFETY

## SPREAD THE WORD... EMBRACING SAFETY IS GOOD FOR YOUR BUSINESS

*Steve Firko, Senior VP – Underwriting*

Over the last several years, we have heightened our focus on loss prevention and have become very diligent in the issuance of and follow up on formal loss control recommendations to our customers. As you may know, we have seen a substantial improvement in this area with the number of visits to clients and the number of recommendations increasing each year. We further tightened our position on non-compliance with loss control and have moved decisively to take action against certain policyholders who refuse to implement our repeated safety and loss control recommendations.

I am always disappointed when we are forced to issue cancellations. We are not in the business of canceling policies; we are in the business of helping your clients operate more safely and protect their assets. However, if they do not feel the need to comply, we feel we have no choice. As a mutual insurance company, we believe this protects the long-term health and interest of our safety-conscious policyholders, your business and our business. **Visit [www.plmilm.com/pu-embrace-safety/](http://www.plmilm.com/pu-embrace-safety/) to read the full article.**



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# TIMBER TRENDS

## EPLI CLAIMS: A POTENTIAL PROBLEM FOR INSURED

In our litigious society, frivolous litigation and groundless claims rack up astronomical defense costs for your clients and their insurance companies. While hacking and cyber liability have been getting all the recent press, Employment Practices Liability (EPL) claims quietly continue their upward trajectory.

It seems employment laws in the U.S. often favor the employee. Current employees, ex-employees and even rejected job applicants may file actions against employers. With the chips stacked in this way, it might helpful to discuss common EPLI claim drivers with your clients. Those claim drivers include:

-  **Social Media**
-  **Telecommuting/job-sharing**
-  **Mobile Devices**
-  **Pregnancy Accommodation**
-  **Marijuana Legalization**
-  **Defense of Marriage Act**

Visit [www.plmilm.com/pu-epli-claims/](http://www.plmilm.com/pu-epli-claims/) to read the full article.

## POLICYHOLDER PERSPECTIVE

**"We, GRK Manufacturing Co, have had the privilege of being insured by Pennsylvania Lumbermens Mutual Insurance Company for the past several years.**

Their service has been outstanding. They stood beside us when we had a fire loss, and they have been beside us to provide coaching on how to minimize our risk.

We have benefited from their knowledge of the industry and their knowledge of what we can do to aid ourselves: "keep those electric boxes closed," "reduce the combustible load by better storage," "remove potential combustible sources from the exterior of our building," and "minimize the sawdust in the building." All of this seems obvious, but it helps us greatly when dealing with our employees – to have their recommendations to aid us in fire prevention education.

I recommend them to everyone."

**Gary Kilday,**  
President, GRK MFG