



GROWTH & TRENDS REPORT



John K. Smith, *President & CEO*

Pennsylvania Lumbermens Mutual Insurance Company (PLM) enjoyed a very good year in 2017, producing an underwriting profit and an operating profit that grew our surplus to just a bit more than \$149 million. Our premium volume grew to more than \$230 million, while we enjoyed a loss ratio of 64.4 percent and an expense ratio of 30.9 percent. At the same time, admitted assets achieved an all-time high of \$540.9 million. We were very pleased with these strong numbers and overall performance.

This past year has seen our new business soar to record heights as over 550 wood related businesses decided to join the PLM family. These new accounts generated in excess of \$20 million of new premium. Further, and perhaps more importantly, our ability to retain current clients shattered expectations with roughly 90 percent of our current policy holders choosing to renew their coverage with PLM during the year. Both accomplishments are testaments in our minds to the faith and confidence that our current clients and new customers are placing in PLM.

This past year was not without changes in the wood related market place. One super-regional insurance company continued to non-renew its book of pallet business, while another national company that jumped into the wood niche only four years ago chose to begin non-renewing its book of non-related business.

Just before Christmas, PLM came to an agreement with a managing general agent that chose to replace their "non-admitted market" with PLM. The new arrangement will bring an additional 200 accounts generating an additional \$5 plus million in premium to the PLM family in 2018. This should be a win-win for all parties involved as our goal is to match the terms and conditions on this business with these insureds. We were also able to bring

on three members of the MGA's team to help smooth the transition of the business. Additionally, we will upgrade the "paper" for these policies from non-admitted to admitted.

During the year, we continued to roll out our Employee Practices Liability Coverage (EPLI), thus broadening our policies in states where this form has been approved. We were happy to be able to do this at a relatively minor cost to our policyholders. One only needs to read today's papers to understand the need for this type of coverage.

Further, we were pleased that, effective Jan. 1, 2018, we began rolling out our Cyber Liability and Data Breach Coverage, in states where it has been approved.

Today, with these additions to coverage, the value of the PLM relationship has once again increased. Though many will say they don't need these particular coverages, the reality is in today's world we all need them. It is our expectation that these coverages will be expanded to all states once state insurance departments approve them.

On a separate note, we have once again kicked off our trade show program. This year, we will continue to seek out venues that allow

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us to interact with both insureds and to a greater extent than in the past current and potential brokers. In fact, a significant change in our approach to our trade shows in 2018 will be the addition of over 50 “rural and small broker” shows. For these shows specifically, we have invited our younger teammates to represent PLM in an effort to more broadly spread the word about PLM, our offerings, our approach to doing business and our ability to create value for brokers and insureds alike.

On the succession planning front, Steve Firko, senior vice president of field operations will rotate into a claims leadership position, thus, providing him an opportunity to gain a more complete understanding of that area of our organization. Mr. Firko will be mentored in this role by Fran Santoro, our long-time vice president of claims. The rotation that we did last year involving William Johnson, vice president of underwriting, has paid significant dividends, as Mr. Johnson has led our entire underwriting staff to drive up our large account retention, while writing quite a few new large accounts and rounding out coverage. His service as a mentor to new members of the underwriting leadership team has also been valuable.

In other staff changes, we said goodbye to our senior vice president of IT, Joe McGurrian who joined PLM in the early 1980's and retired last year after spending his whole career within our

IT operation. He did a simply splendid job and was the architect of our new systems platform that we implemented over the past five years.

Joe has been replaced by Erin Selfe (eselfe@plmins.com, 267-825-9266), who will guide the last piece of our new platform – a new business intelligence tool. The goal is to put this in place this year before we begin refreshing and updating the various components of our systems platform. She will also focus heavily on cyber security related efforts.

With Mr. Firko rotating from field operations, I will step into a more active role as the three field operations managers will report directly to me. This will give them the opportunity to experience a different style of leadership and hopefully assist them in continuing to grow in their careers.

It is clear to me that the future looks bright indeed for PLM, with our insureds enjoying a better economy, the housing market continuing to perk upward, and business conditions in general seemingly continuing to improve in most regions throughout the United States.

I look forward to your questions and comments.



THE DOVETAIL: JOINING SAFETY WITH OPERATIONS

PENNSYLVANIA LUMBERMENS MUTUAL ANNOUNCES A NEW PARTNERSHIP WITH SAMBA SAFETY

Vehicles are used extensively in wood business operations, and drivers (typically employees, but can include contractors) are obviously needed to operate those vehicles. Driving is one of the most hazardous tasks performed in the workplace. The statistics are startling: there were 42,000 motor vehicle collision deaths in 2016, according to the National Safety Council, and the Bureau of Labor Statistics reports that vehicle collisions have been the leading cause of deaths at the workplace for many years.

One statistic that really stands out is that 94 percent of vehicle collisions (“accidents”) are caused by driver error according to the National Highway Traffic Safety Administration. Shouldn’t company managers want to know as much information as possible about employee drivers? Many companies (though some sources, like an *Automotive Fleet* magazine survey, say fewer than 50 percent) will request motor vehicle reports (MVRs) at some interval. It has largely been considered a “best practice” to pull MVRs initially, post-accident and on annual intervals. But is that enough? A lot can happen in a year’s time!



To help our customers to really *know* their employee drivers, Pennsylvania Lumbermens Mutual Insurance Company has partnered with an industry leader in driver risk management, Samba Safety, to offer continuous MVR monitoring. Continuous MVR monitoring goes a step ahead of simply pulling MVRs at one point in time by monitoring behavior in real time, so it can be addressed as soon as possible. There are many advantages of this service, including:

- Identifying at-risk and unsafe drivers
- Assessing individual driver performance

Visit www.plmins.com/pu-dovetail-winter18/ to read the full article.



SAFETY GROUP DIVIDEND PLAN CHANGES

One point of pride for those of us at PLM is our active membership in several lumber, woodworking and building material industry trade organizations. Through those associations, we are able to offer Safety Group Dividend Plans to their members. In 2017, we reviewed all of our dividend programs and decided it was time for a few key changes.

First, payout dates are changing. Dividends will be paid no more than 120 days from the end of the plan year (as opposed to the previous 180 days).

We will also be increasing our minimum threshold requirements, and that increase will be spread out over the next four years. Currently, for a group to be eligible for dividends, it must have a combined earned premium of at least \$1 million. Beginning in 2019, the minimum premium requirement will increase to \$1,250,000. It will then increase on a yearly basis to \$1,500,000, then \$1,750,000, and then ending at \$2,000,000.

Finally, the dividend payout schedule is changing. Please refer to the new dividend payout schedule shown here.

NEW DIVIDEND PAYOUT SCHEDULE	
LOSS RATIO	POTENTIAL DIVIDEND PAYABLE
0.00% to 10.00%	10%
10.01% to 20.00%	7.5%
20.01% to 30.00%	5%
30.01% to 40.00%	3.5%
40.01% to 50.00%	2%
50.01% and Over	0%

For a side-by-side comparison of the new dividend payout schedule with the previous schedule visit www.plmins.com/pu-finance-corner-winter18/ to read the full article.



PLUMB SAFETY

INTRODUCING THE PLM CYBER SUITE

There is no doubt you have been fielding many questions about cyber liability in recent years. With highly publicized data breaches in the news, digital safety and security are on the minds of every business owner—as is securing the right cyber insurance protection.

To address these concerns, we have added our new Cyber Suite to our insurance offerings. Available to most property policyholders, this comprehensive coverage provides layers of protection against cyber risks. This package of coverages includes:

- Data compromise response expense coverage
- Computer attack coverage
- Cyber extortion coverage
- Data compromise liability coverage
- Network security liability coverage

With the Cyber Suite, we are also able to provide insureds access to risk management resources to help them prepare for and respond to data breaches and cyberattacks. The eRiskHub® online portal includes an incident response plan roadmap, online training modules, data breach risk management tools, a directory of external resources, a news center and a learning center with best practices and white papers. Visit www.plmins.com/pu-plum-safety-winter18/ to read the full article.



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SPOTLIGHT ON

Joseph McGurrin Retires After 35 Years of Service to PLM

Mr. Joe McGurrin, senior vice president of Information Technology, retired from Pennsylvania Lumbermens Mutual Insurance Company this past December after 35 years with the company.

Joe played a key part in many influential IT developments at PLM over the years including implementing the Insteq Quicksolver Policy Administrative System, Systema Claims System, ImageWrite Document Management System and a new Direct Bill System.

The board of directors honored Joe with a resolution that stated, "His Loyalty, Dedication and Commitment to Pennsylvania Lumbermens Mutual Insurance Company, his community and his family, are a standard for all of PLM to emulate, and, the Advice, Guidance and Leadership that Joe has provided has been instrumental in helping re-shape the Company on the Technology side... ."

Since coming on board in 1982, Joe has held the titles of programmer, information systems manager, assistant secretary, assistant vice president, vice president, and senior vice president of the IT department. A golf enthusiast, he was also responsible for leading a number of golf outings for the company.

PLM wishes Joe and his family well in his retirement.

PERSONNEL CHANGES: STEVE FIRKO, THOMAS BRITLAND AND DAVE ADAMS

This past fall, PLM made a few key personnel changes as we continue to move our 100-plus-year institution into the future.

As part of an ongoing executive development plan, Steve Firko, formerly senior vice president of field operations, has assumed a new claims leadership position as senior vice president of claims. Steve has proven himself a strong leader in our field operations side and we are looking forward to seeing him excel in our claims division. Our long-time vice president of claims, Fran Santoro will serve as Steve's mentor to ensure a smooth transition.

Additionally, Thomas Britland has been promoted from claims consultant to property claims manager. In this position, Tom will build on the excellent work he has already done for our claims team and continue to strengthen the division. His experience in property claims and claims reinsurance in particular, will assist company efforts to wisely manage our reinsurance program and cut costs.

Finally, Dave Adams, manager of field operations for the southern region, has been named director of field operations for the southern region based on his outstanding performance during years spent in the field. Before transferring to our Florida territory, Dave worked for us in the Ohio territory for many years.

Everyone at PLM congratulates our colleagues on their promotions.