



Fall 2019

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2019

The Inquirer

PENNSYLVANIA LUMBERMENS MUTUAL INSURANCE COMPANY

GROWTH & TRENDS REPORT



John K. Smith, *President & CEO*

With summer behind us, we are looking towards the end of the year and the inevitable crush of last-minute efforts and outcomes to various plans and challenges that we have been pursuing all year long here at PLM. I am sure you're doing much the same in your business as well.

Let me start with a financial update: We are indeed excited about where we find ourselves today with the potential to post a very solid year if we can finish the year strongly. Through nine months of 2019, the extensive efforts we have made towards recovering our footing on profitability have paid off, and we are on the cusp of an underwriting profit! Plus, policyholder surplus growth has been strong. While production and premium volume is a little weaker than we would like at this juncture, we feel comfortable that we will, by the end of the year, be back on track and achieve our production objectives as well.

After 2018's disappointing results, I recognize and applaud the PLM team for the hard work and difficult decisions that they have made this year on behalf of the company and our policyholders. As a mutual insurance company, our responsibility is to manage the company in the best interest of our policyholders as a whole and, sometimes, the decisions seem to be at odds with that challenge on an individual policyholder basis. With regret, we had to separate ourselves from some of our accounts, and some of those were long-term accounts. We did so only after considering our options, reviewing our position and discussing with the client and their broker. We have had to take rate increases as well. There have been more loss control recommendations made during our visits and better follow up regarding compliance with those loss control recommendations. We have raised deductibles, and, in some cases, we have applied other coverage limitations.

Yet, today, 85 percent of our customers stay with us upon renewal. That is a bit lower than last year, but it's above the industry average. We appreciate the loyalty, faith, and confidence that so many of you have demonstrated in PLM. We think that it speaks volumes to the value of a PLM relationship. We know your business better than any other insurance carrier in America today. Our flat organizational structure gives you access to our entire team in

an instant. The professional expertise of our staff and their deep wood expertise (and our commitment to teaching some of our younger people who are still learning) ensures you are dealing with both a wood and insurance pro, which is particularly comforting during a loss.

Currently, profitability is fairly good in the property line of business and is acceptable in the general liability line. Unfortunately, like the rest of the insurance industry and in spite of improvements, we are still losing money (and a lot of it) in the commercial auto line of business. We will need to take further remedial actions, including more difficult decisions about renewing auto policies and at what price. Insureds will be held even more accountable for compliance with loss control recommendations in the auto line more than ever before. Simply put, both the insurance industry as a whole and PLM in particular, are not making enough money in this line of business to support the growing claims activity and haven't for a number of years. This is not a wood or lumber problem; it's a problem for American business and the industry that insures it.

On the other hand, it is nice to have a lot of the remedial actions behind us and more of a focus on growing our organization into

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the future. While we turned the focus of our Business Development Representatives towards these actions in the first half of the year, the group has returned their efforts towards actively pursuing new business. New business has picked up and we have noted improvement in renewal retention the last couple of months, particularly in the heavy manufacturing arena. This suggests a positive trend.

Feedback gathered at trade shows has been positive regarding changes we have made, particularly in claims. Our new Vice President of Claims, John Kennealy, has settled in and is strengthening our claims operation and its policies, procedures, and people. He can be reached at jkennealy@plmins.com or 267-825-9398.

Our renewal rights arrangement with AmTrust Financial took hold during the month of September, when we actually began transferring that company's business to PLM. We are pleased to find that so many of their insureds were actually "coming home" to PLM. The pickup rate on our offers of continued coverage for AmTrust clients has met and, in some cases, exceeded our expectations. With the transfer of the renewal business, came a host of new brokers that we spent the summer educating on PLM's appetite and interest for wood related business. We are also pleased with the underwriting team in Boca Raton that has joined PLM.

In February of next year (2020), PLM will be celebrating its 125th anniversary. Started by lumbermen in 1895, the lumber mutual concept grew to a string of six or seven independent

insurance companies, most of which enjoyed the "mutual" form of ownership! Today, PLM is the only remaining lumber mutual organization in the United States. Few companies survive 125 years and we are pleased to be one of them!

Yet, with any anniversary like this upon us, we are contemplating what the next century will look like for our customers and our company. With that said, several of us spent a couple of days offsite in an effort to organize and coalesce the strategic planning process that is built around the core strengths of remaining focused on lumber and building material dealers, light wood manufacturers and heavy wood manufacturers.

The questions we asked included: *how do we expand upon that niche in which we operate profitably? How can we be more beneficial to our policyholders? How do we provide elevated and broader services to our clients? How do we more efficiently run our company? How do we address and improve customer experience? What do we need to do to improve the quality of the staff that services our policyholders? How do we provide the coverage that policyholders need today and tomorrow, next year, and the year after that on into the future? How do we do that on a cost-effective basis that allows us to provide a competitive risk management solution for your property casualty insurance needs?*

A lot of great ideas and concepts surfaced. We will take the next several months to vet them accordingly.

These are indeed exciting times! Let me hear from you – send your comments and thoughts to jsmith@plmins.com or 267-825-9246.



John K. Smith Recognized with NAMIC Chairman's award

We are proud to share that John K. Smith, PLM president and CEO, was awarded with the Chairman's Award from the National Association of Mutual Insurance Companies. He received the award in September, during NAMIC's 124th Annual Convention in National Harbor, Maryland.

NAMIC chose to recognize Mr. Smith for his intrepid leadership in the insurance industry and his sustained charitable engagement. Under his guidance, PLM has grown both in its market presence and in its volunteerism and giving.

For 120 years, NAMIC has supported the success and growth of regional and national mutual insurance companies. Members of the PLM team – including Mr. Smith – engage and exchange ideas with their peers in the mutual insurance space through NAMIC.

For more on Mr. Smith's career and the Chairman's Award, visit NAMIC's site: www.namic.org/news/releases/19mr190923.



CONVENIENT AUTO ID CARD ACCESS FOR YOUR CLIENTS

Mindful of the busy lives you and your clients lead, Pennsylvania Lumbermens Mutual Insurance Company is proud to offer a more convenient way for policyholders to get their auto insurance cards. Now, business owners will no longer have to wait for their auto ID card to arrive in the mail. Brokers will be able to provide cards to their clients with the click of a mouse.

You can now access auto ID cards promptly and easily via the PLM Producer Portal, as soon as an auto policy is issued or endorsed. This is the same portal you currently use to access policies, invoices and other information for your clients.

With this new service, PLM stopped mailing auto ID cards directly to policyholders as of October 1, 2019, as you now have easy electronic access to the cards. Your clients should have already received communication from us explaining this new procedure.

Visit www.plmins.com/pu-auto-id-cards-fall19/ to read the full article.



PLUMB SAFETY

NEW PLM PARTNERSHIP TO BE A DISTRACTED DRIVING “LIFESAVER” FOR CUSTOMERS

Despite the warnings and public health campaigns, many are still guilty of distracted driving, whether that means eating lunch or checking text messages behind the wheel.

According to data from the National Highway Traffic Safety Administration (NHTSA), distracted driving was responsible for 3,166 deaths in 2017. The National Safety Council estimates that cell phone distracted driving is responsible for more than 25 percent of auto collisions in the U.S., with the insurance industry reporting more than \$33 billion annually in claims.

As distracted driving continues to cause such severe damages to businesses across the country, it's become increasingly important for the insurance community to offer solutions for our customers.

Pennsylvania Lumbermens Mutual Insurance Company (PLM) recently partnered with LifeSaver Mobile, a company dedicated to changing the culture of distracted driving, to help our insureds improve driver safety. Through this partnership, we are hoping to curtail the frequency of accidents caused by distracted driving by encouraging driver accountability and by stopping cell phone distracted driving at the source: the phone.

Visit www.plmins.com/pu-plumb-safety-fall19/ to read the full article.



THE DOVETAIL CLAIMS TREND: MALICIOUS MISDIRECTION OF PAYMENT SCAMS

Ray Rogers, AINS – Senior Claims Examiner

Over the past several years, we have seen an increase in claims involving misdirection of payment. These scams are deceptively simple. A cybercriminal clones the email address of an insured's vendor, then uses that clone to send the business their usual invoice – but with one significant change: the routing number. The insured pays the invoice, thinking they are settled up with that vendor.

However, the money goes directly into the cybercriminal's account, with predictable results. The vendor thinks the business is past due, and the business has to pay the invoice twice.

In addition, we have also seen a couple of cases where the cybercriminal cloned the email of a Chief Financial Officer. Using that clone, the cybercriminal sent emails to the CFO's company to pay fake invoices, which appear to come from a legitimate company with which the company does business. As in the scenario described above, the notable difference was the routing number.

These criminals exploit a basic aspect of healthy business relationships: trust. The vendor trusts the customer to pay their bills on time and the customer to have their invoice payments issued without question.

Many of the misdirection of payment claims we have seen originate in China or Hong Kong. That may be the origin, or the first of many bank accounts the money runs through before reaching its intended place.

There is currently not any coverage for these types of losses under our insurance policies. But we can offer insureds recommended procedures that can help them prevent this from occurring at their businesses. Here are four recommendations that you can share with your clients.

Visit www.plmins.com/pu-dovetail-fall19/ to read the full article.



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Fall is busy with our United Way Campaign and other fundraising activities.



Positioning Our Marketing for the Future

As we approach our 125-year anniversary, we take stock of the exponential growth that PLM has seen and the evolution of its brand. Our brand is our bond. It demonstrates our integral role in the wood industries that we insure. Through the relentless work of our founders and more recent predecessors, our name, our customer experience and our brand promise always precede us. It is our most valued asset and why we are pleased to announce Lindsey DiGangi's promotion to Corporate Marketing Manager.

Lindsey takes over for Chris Crucitt, who led our marketing department as a vice president for three years. **Visit www.plmins.com/pu-spotlight-on-fall19a for the full article.**

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Help Us Teach Kids "The Truth About Trees"

Thanks to the work of the North American Forest Foundation, kids across North America have the opportunity to take part in meaningful learning activities that teach them all about forestry. The NAFF "Truth About Trees" classroom kit provides teachers with helpful materials for teaching today's kids about the wood industry.

But NAFF needs our help putting these kits in teacher's hands. To support their goal of getting 125 kits in classrooms this fall, NAFF is raising money. Each kit costs \$150, and your gift will go directly to a school in North America.

We want to challenge you to take part in educating kids on the Truth about Trees. Through November 15, for any donation towards the purchase of a kit, we will match kit for kit up to 30 kits. You can donate in increments of \$150 to gift as many kits as you can to help the NAFF reach their goal of 125 kits. As of this writing, we are well on our way to meet that goal. **Visit www.plmins.com/pu-spotlight-on-fall19b for the full article.**