

BEST'S REVIEW® ISSUES & ANSWERS: MUTUAL SUCCESS

Insurers and reinsurers examine the advantages and challenges of mutual insurance operations and how these companies are finding new and innovative ways to serve policyholders. Also, a look at the excess & surplus lines insurance market.



Interviewed Inside:



John Smith
PLM



Lindsey DiGangi
PLM

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Knock on Wood

John Smith, president and CEO of Pennsylvania Lumbermens Mutual Insurance Company, and Lindsey DiGangi, corporate marketing manager for Pennsylvania Lumbermens Mutual Insurance Company sat down with *Best's Review* to discuss the COVID-19 pandemic, how it's affecting the insurance industry and what the future looks like. The following are excerpts of an interview.



How has the pandemic impacted mutuals?

Smith: Businesswise, I'm not sure mutuals have been impacted any differently than stock companies. We're all seeking production, we all have losses, expenses, and it's probably not that much different between the two types of organizations. Where you are likely to see the difference is in how mutuals reacted internally. Mutuals tend to be a little more family-oriented and perhaps have closer relationships with their customers. It puts us in a more unique position than a stock insurance company. When the coronavirus broke, we made clear to our employees that our number one concern was their safety, and taking that stance I believe has paid off as we have been COVID-free from day one.

How has the pandemic impacted the wood industry?

DiGangi: For the most part, the wood industry has really fared well throughout the pandemic. With so many people at home more often, there's been more time to spend on household projects. We're seeing that a lot of our insureds experience actual growth during this period. We're also seeing that the sawmills and pallet mills as well as heavy manufacturing are still operating as well. We've had about 85% to 90% of our insureds deemed essential. For the most part, things are going well in the wood industry.

Has the pandemic offered an opportunity for mutuals to shine?

DiGangi: Any crisis offers any company the opportunity to shine, but mutuals are really poised to take advantage of that opportunity, with our focus solely on our insureds. For a lot of mutuals being focused in niche areas like we are, we really have a good understanding about how our insureds are doing. We're in tune with the industry, the industries that we serve. I think that gives us the ability to offer more flexibility in the way we work with our insureds as mutuals in general, and it gives us the opportunity to be close to them, and to hear them, and respond to them.

John Smith

President and CEO
PLM



Lindsey DiGangi

Corporate Marketing Manager
PLM



Go to the Issues & Answers section at [bestreview.com](https://www.bestreview.com) to watch an interview with John Smith and Lindsey DiGangi.

Where do you see the market headed in 2021?

Smith: On one hand, there are a lot of uncertainties with things such as COVID-related claims, the upcoming election and pandemic issues that are floating that are not claims-related. On the other hand, there's also a great deal of certainty. We know commercial auto will continue to be a problem. We know that the reinsurance industry has started applying COVID exclusions, pricing on reinsurance programs has gone up about 10% in the property to catastrophe area, and that many companies are struggling for cash flow. I think many companies are coming to understand that the fixed-income portfolios are going to have muted returns for a long time. As such, that would tell me that pricing will continue to be harder as opposed to softer. I think the only wildcard there is that it'll be interesting to see as we get into the fourth quarter, whether companies start chasing premium to make premium plans. Otherwise, I don't see any softening coming into market in the short term.

