



LUMBERMEMO

PENNSYLVANIA LUMBERMENS MUTUAL INSURANCE COMPANY

GROWTH & TRENDS REPORT



John K. Smith, *President & CEO*

With the summer behind us, I am pleased to report that Pennsylvania Lumbermens Mutual Insurance Company's results continue to meet or exceed expectations. Our production numbers are on target. Our expenses are stable. We are slightly behind in our planned loss numbers, but ahead in our target investment numbers. In addition, we are enjoying policyholder surplus growth.

Of course, this is before we have fully reflected the cost of Hurricanes Harvey and Irma, which impacted a significant number of our insureds. However, we are comfortable that we have properly protected PLM from the ravages of hurricanes through responsible underwriting and pricing in these areas. We also have a comprehensive reinsurance program standing behind us.

Our thoughts and prayers go out to those insureds, their colleagues, and families who were impacted during these storms and have made corporate donations to Red Cross relief funds for both of these events.

We are here to demonstrate that the faith and confidence placed in us by our customers in Florida and Texas are well-founded. We fully understand that this is when PLM needs to fulfill the promise we made to our customers—as we have for 122 years.

REFRESHING OUR BRAND, RETAINING OUR COMMITMENT

Four years ago, we began a new chapter in that long history when ILM and PLM affiliated. A recent review by an outside marketing firm has suggested that our dual branding approach needs to be simplified.

During the years since the affiliation, we have moved all the employees from ILM to PLM. All of the customers have been moved over as well. Both actions were contemplated and agreed to at the time of the affiliation. Systems have been combined and secondary legal entities have been retired or sold.

As we consolidate under the PLM brand, over the coming months you will see us return to using just the PLM name and an updated and streamlined logo design. We are pleased to provide you a sneak peek of this refreshed PLM logo now.



PENNSYLVANIA LUMBERMENS MUTUAL
INSURANCE COMPANY

PLM will continue to responsibly honor its commitments and obligations as outlined in the original affiliation agreements, particularly in the claims arena. We fully understand and remain committed to exclusively working within the wood niche, providing a consistent and stable marketplace for our customers today and tomorrow.

COMMERCIAL AUTO WOES

One of our biggest concerns, as shared by the whole insurance industry, continues to be the losses associated with the commercial auto line of business. To give you a stark thought to ponder, in the

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first eight months of 2017, our bottom line loss ratio was down on property, general liability, umbrella, but our commercial auto loss ratio was up 15 points. For every dollar we bring in the door on the commercial auto line of business, we are currently incurring 92 cents of loss!

Consider that approximately 45 percent of our loss dollars during the first eight months of the year are associated with automobile claims. We have launched a “take no prisoners” approach to fixing this problem and are detailed and resolute in our actions. Across the entire insurance industry, auto insurance prices are increasing. PLM is taking a multi-disciplinary approach to fixing our auto profitability with enhanced loss control risk management efforts, so you can expect to see a dramatic increase in imperative recommendations from our leadership. We will also be working directly with you to create a customized loss control risk management program.

We have tightened underwriting requirements and looked more closely at new and renewal businesses that include automobile

policies and are working to improve the way we handle auto claims. Our entire team at PLM shares our persistent commitment to eradicating these losses. We have informed our underwriting team that the auto policy for each insured must stand on its own; the profitability of an account cannot excuse the unprofitability of that account’s auto policy.

We are also starting to develop loss trend analysis regarding the types of auto losses our insureds are having. It may be hard to believe, but most of the losses we are seeing could have been prevented by the driver. Fewer than 20 percent of our auto losses are the fault of another driver or pedestrian. Just under 50 percent are classified as rear end collisions—perhaps due to distracted driving—while about 25 percent are classified as “right of way violations.”

The point is: most loss events are controllable and therefore can be reduced if the drivers exhibit better driving habits.

Visit www.plmins.com/lm-presidents-letter-fall17/ to read the full commentary.



THE DOVETAIL: JOINING SAFETY WITH OPERATIONS

COMMERCIAL AUTO: DON'T LET ROUTINE GET IN THE WAY OF SAFETY

Getting behind the wheel is so routine for many of us we often forget the risks associated with motor vehicles. Whether driving to the grocery store or maneuvering a delivery truck around town, risks are everywhere.

Recent technology advancements have both helped and hindered safety on the roadways. While telematics, backup cameras and signaling devices have made great strides in increasing driver safety, smart phones with email, video and texting capabilities have created risks of their own, known as distracted driving.

The truth is driving is risky. In fact, motor vehicle accidents are the top cause of work-related deaths, according to the U.S. Bureau of Labor Statistics. The agency reported that 13,000 of the 43,000 work-related deaths recorded between 2003 and 2010, were motor vehicle incidents.

So, what can you do to protect your employees, visitors, and vendors?

We've put together a brief checklist on our website, which you can find in our Loss Control Guides section: www.plmins.com/loss-control/loss-control-guides/. Some of the tips on the checklist include:

- Develop and implement a written fleet safety program to include tips on: screening of employees, accident reviews, telematics, distracted driving policies and more.



- Implement a defensive driver training program to ensure drivers know basic safe driving rules including safe following distance.
- Assemble an accident review committee to discuss and weigh the details surrounding an accident.
- Implement a driver observation program that includes ride-alongs, following and dashboard camera.
- Introduce a disciplinary procedure to address driver accidents, moving violations and the like.
- Maintain all driver files in accordance with Department of Transportation standards.
- Consider technology like Drivers Alert, Embark Safety, and Samba Safety to update the company on a change in driver's record, traffic violations and more.

Visit www.plmins.com/lm-commercial-auto/ to read the full article.



PLUMB SAFETY

COMBAT CYBER FATIGUE WITH GOOD INFORMATION AND EDUCATION

Ross Moore, IT Security Analyst

Cyber hygiene. Cyber security. Cyber resilience. Cyber-attacks. Cyber warfare. The list of cyber worries keeps growing—and now people have cyber fatigue. By cyber fatigue, I mean people are, simply, sick and tired of hearing about cyber-anything. With so many hacks and bugs and phishing schemes in the news, how do we combat cyber fatigue?

One way is to stop scaring people. So much of what's written about cyber security centers around two ideas: we're all getting hacked all the time, and there is no hope. Stories with these themes are detrimental to the cause of helping people secure their digital lives – it's gloom-and-doom, offering little by way of protection or remediation. Yet the average person doesn't know what to look for in a reliable source; the "news" is all they have, and the result is typically fear (run away) or giving up (act like it's hopeless).

The actual focus of information technology (IT) security professionals is not well-represented in mainstream news. There are, however, plenty of articles and books that take a well-reasoned approach, combining both warnings and how to combat threats. It is a good idea for business leaders and the public at large to focus on those.

Focus on education

A second way to combat fatigue is proper cyber education. Every era has its own educational standards, dating back to the The New England Primer of the colonial era. Today, the medium (e.g., book, workshop, streaming) varies with the industry, whether finance, health and wellness or building materials. **Visit www.plmins.com/lm-combat-cyber-fatigue/ to read the full article.**

CUSTOMER FEEDBACK

In response to an article in our last Lumber Memo on commercial auto issues, Steven Tulchin of Tulnoy Lumber wrote in with further insights. Here are his suggestions, particularly helpful for heavy trucks and long-haul routes:

- Switch to automatic transmission trucks from stick shift. There were some holdouts regarding larger trucks, but there is no need for a stick anymore—plus, we think the MPG rates will be higher.
- Purchase some of the newer safety related options for trucks: variable cruise control, lane assist, blind spot detection, etc. We spec'ed some newer technology recently, and we were pleased with the functionality.
- One area where we may see an improvement on the road is related to long haul truckers and the new electronic log requirements. If long haul drivers are "forced" to take their breaks and sleep, the roads may be safer because of it (if they're not distracted from the new reporting requirements). **Visit www.plmins.com/lm-presidents-letter-summer17/ to read the full article to which Steven Tulchin responded.**



A HURRICANE SEASON TO REMEMBER

The catastrophic hurricane season we experienced in 2017 was truly one for the record books. In fact, the Philadelphia Inquirer said this year ranked among the top 12 in terms of U.S. hurricane seasons with the most named tropical storms.

Hurricanes Harvey and Irma in particular kept our policyholders and claims staff on their toes. Before, during and after the storms, our teams stood at the ready and our executives made sure our policyholders knew we were there for them.

Steve Firko, senior vice president of field operations and Mike Lent, vice president of claims, posted videos to PLM social media channels letting our producers and policyholders affected by Hurricanes Harvey and Irma know we were here to help and how to reach us.

PLM had adjusters on the ground before both storms hit ready to assist our policyholders. Another proactive measure we took was to have our customer service team reach out to our policyholders before the storm to make sure they knew how to reach us. And our resolve hasn't slowed. In the weeks since the storms, we've been working diligently to ensure our insureds receive the prompt and accurate claims service they deserve so they can get their businesses up and running again.



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SPOTLIGHT ON

Please join us in welcoming Erin Selfe to PLM. Ms. Selfe has been appointed to the position of vice president of information technology at PLM. She joins PLM with more than 20 years of experience in the industry and will be responsible for every aspect of the company's information technology environment including: infrastructure, security, applications development, systems support and quality assurance.

As vice president of information technology, Ms. Selfe will maintain PLM's tradition of staying current and competitive in the information technology space. She will also lead PLM in meeting the demands of newer generations entering the lumber niche who have come to expect modern-day technology for convenience in servicing and managing their insurance protection.

Before joining PLM, Ms. Selfe was the American European Insurance Group's vice president and chief information officer. Throughout her career, she has worked in the insurance space, including organizations such as Philadelphia Insurance Companies where she held the position of assistant vice president of IT governance, and at Penn Mutual Life Insurance where she acted as assistant vice president and business information officer.

Visit www.plmins.com/lm-erin-selfe/ to read the full article.

NEW OPPORTUNITIES FOR PLM STAFF MEMBERS

Congratulations to three of our team members who are assuming exciting new positions at PLM. As vice president of underwriting, Bill Johnson will lead the ongoing training and development of the current underwriting staff. Candice Prendergast and Sean Briscoe have been promoted to underwriting managers.

You may recognize Mr. Johnson as your go-to guy for coverage questions and large account support for years at PLM. During this time, he has mentored and coached the underwriting staff while managing his own team of underwriters.

In his new role, Mr. Johnson will now hold frequent training classes on emerging issues, updated positions and more. This will allow him to officially support the development needs of the company. Plus, he will support the broader team on large accounts, both new and renewal, in quote preparation and delivery.

As underwriting manager, Ms. Prendergast will assume management responsibilities for Johnson's team immediately.

Visit www.plmins.com/lm-new-opportunities-plm-staff/ to read the full article.