



LUMBERMEMO

PENNSYLVANIA LUMBERMENS MUTUAL INSURANCE COMPANY

GROWTH & TRENDS REPORT



John K. Smith, *President & CEO*

We are off and running in 2018. After a great 2017, we had a dismal January with several large fires, a winter storm loss that will tap our reinsurance protection and several general liability/auto claims that went sideways on us (a rarity). Thus, we recorded a substantial underwriting loss for the month. Coupled with a volatile equity market in January, the best thing we can say about the month is that it is behind us. A bright spot in January was extraordinary premium growth. With a growth objective in the area of 6 percent for the year, we easily surged past that goal driven by excellent new business numbers and exceptional renewal retention levels.

We bounced back in February by producing a slight underwriting profit for the month. However, the volatile equity markets continued. As I write, it is too close to call March, but it appears that we will achieve another small underwriting profit for the month, and again achieve our objective.

One of the large loss fires we covered in January was a hot works grinding loss in a sawmill. The severity of the second large loss, at a light wood manufacturing account, was so great that we still have not determined its cause – and we probably never will.

From a casualty standpoint, poor driving habits continue to be the prime cause of auto losses. While distracted driving was clearly part of the problem, it has become quite clear that temporary drivers that are hired from agencies are not the solution to the driver shortage problem. Significant bodily injury claims are rising that are tied back to temp drivers that either didn't have proper qualifications or the experience that they claimed. This was then compounded by their unfamiliarity of the route, equipment, and proper loading and unloading procedures!

We are routinely seeing significant auto losses in which vehicles are being taken out of service for extended periods. Over the past six to nine months, we have spent a considerable amount of time tightening down the loss control efforts by both our

business development and loss control reps to address the commercial auto situation. We have noted that insureds are beginning to respond accordingly. The fact is we need an all-out commitment from both parties if we are to gain control of this problem.

Our trade show season is in full swing. We are participating in a record number of shows this year. We are proud that our people – including me – appear to be in some demand as speakers at many of these shows. Whether it is hard insurance topics such as coverage, underwriting pricing methodologies, loss control risk management, or a host of other topics, we are seeing a steady stream of requests. Feedback regarding our people's efforts has been excellent. We are also supplying a steady flow of risk management articles for publication in various trade magazines.

We began the rollout of our new Cyber/Data Breach Coverage. While we originally planned to add that coverage onto our policies at expiration, we now have the capability of adding it mid-term to existing policies. **You need to request for us to do this mid-term, something we strongly recommend.** We will not add this coverage mid-term unless we are asked to do so. We are still wrestling with one or two state insurance departments to gain approval for this coverage in those states but expect to get those wrapped up soon.

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IN THIS ISSUE

MODERN FLEET TECHNOLOGIES	2
WHO IS OVERLAND SOLUTIONS INC.?	3
LEADING THE CHARGE ON POWER SURGE PROTECTION	3
PROTECTING YOUR BUSINESS	3
THOMAS SUPPLEE RETIREMENT	4
TESTIMONIAL	4

With regards to the wood niche and the insurance marketplace, the upheaval continues with more insurance carriers exiting the niche or revamping their underwriting appetite by rewriting their book of business and aggressively raising their prices. In my last communication I talked about PLM working with one of the recent entrants who had decided to exit the niche. Since then, we have begun renewing another carrier's book of wood business as they too wanted to leave the niche. Pallet operations are being dumped into the market, particularly in the Midwest. Recently, we heard that another competitor will retrench by non-renewing unprotected business and re-underwriting and up-pricing much of their book of wood business. With that said, if you are not one of our current insureds, we continue to be interested in talking to

you about whether you should be!

In closing, I would like to thank those of you that have placed your faith and confidence in Pennsylvania Lumbermens Mutual Insurance Company. Our team of talented and dedicated insurance pros wake up every morning eager to demonstrate to you why you chose to place your insurance for your valuable business with PLM. Keep in mind—if we don't do wood, we don't do business. In other words, our commitment to the niche requires us to identify problems and find solutions... not run for the hills!

As always, I look forward to hearing from you with any thoughts, questions or comments. Either call me at **267-825-9246** or send me an email at jsmith@plmins.com.



THE DOVETAIL: MODERN FLEET TECHNOLOGIES

Jeff Hendershot, Loss Control Manager

As technologically advanced as society has become, the human condition remains the same: people make mistakes. This is where technology is particularly valuable—to account for human error. There are several technologies that have become highly reliable and useful to company fleet managers. So, what are the most prevalent technologies available today?

GPS MONITORING

GPS is a mature technology. In fact, it is difficult to find a company that does not utilize GPS monitoring in some manner today. The equipment can be self-contained, hard-wired units, or part of a telematics system plugged into the diagnostic on-board diagnostics port (OBD-II port).

The benefits of GPS monitoring include:

- *The ability to monitor the practices of drivers, such as speed, routes, breaks.*
- *Efficient route planning.*
- *Flexibility: The ability to change/modify routes on the fly.*
- *Reduced maintenance costs.*

VEHICLE TELEMATICS

What started as simple GPS tracking systems have now morphed into "telematics," tools that send data from the field to managers or other remote parties. Most devices simply plug into the OBD-II port and will have a smartphone app or website to setup and control data.

Features and benefits of telematics systems include:

- *Vehicle diagnostics for maintenance and indicators for fuel, engine temperature and other technical data (which can help save money on maintenance costs).*
- *Data tracking for a variety of engine and braking performance indicators, such as engine speed, car speed, distance, time driven, mileage data and even motion data (e.g., braking).*
- *Tracking safety features such as activation of the automatic emergency system and collision avoidance systems.*
- *Advanced GPS tracking chip, so the vehicle can be located with greater accuracy.*



COLLISION MITIGATION SYSTEMS

Collision mitigation systems incorporate some of the newest technologies available. They gather and process input from the radar, video and braking systems of a vehicle to create a "picture" of conditions for drivers. They can immediately engage emergency systems and analyze driver behavior. That information can be used to coach and train the drivers with the overall goal of saving lives and more effectively managing the fleet.

With wireless LTE technology, data can be transmitted remotely to a fleet manager for real-time driver management. As this technology is fairly new, the necessary equipment for a full system can be quite expensive; partial systems, which are still very effective, can be significantly less costly.

With better on-board camera technology and inexpensive flash memory for storage, large amounts of data can now be recorded/stored. Some systems, called Automatic OnBoard Recording Devices (AOBRD), will transmit this data wirelessly to servers, which fleet managers can review for training and coaching.

Visit www.plmins.com/lm-dovetail-spring18/ for the full article.



WHO IS OVERLAND SOLUTIONS INC.? *Traci Barber, Assistant VP – Customer Service*

Overland Solutions Inc. (OSI) is the premier auditing company with which Pennsylvania Lumbermens Mutual Insurance Company has contracted to conduct general liability audits for our policyholders. Overland Solutions Inc. has professional auditors located throughout the United States who are authorized to handle audit requests from us. If your company is selected for audit, you will receive a letter from the Overland auditor acknowledging who they are, who requested their services, and why their services were requested.

In addition, you will receive a phone call from the auditor to arrange an appointment date and time. Prior to the scheduled appointment, the auditor will contact you again to confirm the appointment. Overland Solutions Inc. will only contact your company at the directive from us. If at any time you have any questions about why Overland Solutions Inc. is contacting you, please contact our Customer Service Department where a team member can confirm that we have requested a general liability audit for the company. Customer Service can be reached at **1-800-752-1895**.



PLUMB SAFETY

LEADING THE CHARGE ON POWER SURGE PROTECTION

Our friends at the Insurance Institute for Business & Home Safety have sparked the conversation on power surges and preventative measures that can be taken to help minimize their potential risk to business.

Any sudden change in the electrical conditions of a circuit could cause a brief burst of energy known as a power surge. These surges affect a wide range of electrical equipment essential for business operations. Unprotected equipment such as computers, alarm systems and machinery could be irreparably damaged, leading to information loss, business downtime and even diminished revenue.

A common occurrence among businesses, especially those using high-powered machinery, power surges are an issue worthy of a specific risk management plan. Follow these three preventative measures to keep your business protected:

- 1) Install a surge protection system: These systems can be easily installed to your facility's external power source by your local electric power company and protect the entire building by limiting the amount of electricity supplied to devices.
- 2) Add an uninterruptible power supply: Uninterruptible power supplies (UPS) provide an emergency power backup to computer systems should the building experience an electrical failure. This could be vital to saving important information potentially lost due to a power surge. **Visit www.plmins.com/lm-plumb-safety-spring18/ to read the full article.**



PROTECTING YOUR BUSINESS: INSURING TO VALUE AS LUMBER PRICES RISE

An increase in construction spending, a lumber shortage, wildfires, hurricanes, and tariffs on Canada's softwood lumber industry have caused lumber prices to soar. The Chicago Mercantile Exchange had lumber futures at a record \$532.60 per 1,000 boards in March, according to The Wall Street Journal.

Unfortunately, this news means the building material dealers, lumber yards, and wood-related manufacturers we insure here at Pennsylvania Lumbermens Mutual Insurance Company are paying more for their inventories. **Visit www.plmins.com/lm-coverage-toolbox-spring18/ for the full article.**



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SPOTLIGHT ON

Congratulations to Tom Supplee on his long career

In February, Tom Supplee, Vice President of Underwriting, retired after almost 16 years with PLM. He first started with PLM in 2002 as an Operations Supervisor. He then was appointed Assistant Vice President in charge of Operations and Customer Service in 2005 and later promoted to Vice President in 2008. During his time in the Operations/Customer Service Department, Tom guided the organization through multiple system upgrades, office moves, and disaster recovery implementation. Over the last few years, Tom has been an asset to the Underwriting Department where he provided valuable leadership, support and expertise. **Visit www.plmins.com/lm-spotlight-on-spring18/ for the full article.**

WE ARE EXCITED TO ANNOUNCE THAT OUR PRESIDENT & CEO, **JOHN K. SMITH**, WILL BE HONORED WITH THIS YEAR'S DISTINGUISHED LEADERSHIP AWARD FROM THE INSURANCE SOCIETY OF PHILADELPHIA. HE WILL BE AWARDED AT THE INDEPENDENCE GALA ON NOVEMBER 14, 2018. MORE INFORMATION TO FOLLOW.

TESTIMONIAL

"We have been more than pleased with the recent service we received from Pennsylvania Lumbermens Mutual Insurance (PLM) in regards to our mill fire claim we filed. PLM was very responsive and helpful after our fire in assisting us through the claims process. They were easy to work with and responded to our claim in a timely, speedy manner. Many independent adjusters wanted to negotiate on our behalf, but we opted to work directly with PLM, and we would do the same again. The PLM adjuster went above and beyond to make us feel at ease throughout the process and treated us fairly. There was no adversarial relationship at any point during the handling of our claim.

As a result of working with PLM, we learned to be adequately insured. They have helped in making sure we are neither over or underinsured. Secondly, we have learned that when filing a claim with an insurance company like PLM, we can get quality adjuster service through their own adjuster as opposed to some insurance companies requiring the use of a public adjuster who takes a cut of the portion of the proceeds."

- Jeremy Manthei, *President & CEO Manthei Veneer*