



LUMBERMEMO

PENNSYLVANIA LUMBERMENS MUTUAL INSURANCE COMPANY

GROWTH & TRENDS REPORT



John K. Smith, *President & CEO*

I want to take a moment before sharing an update on PLM’s results to thank everyone who supported the recent Insurance Society of Philadelphia (ISOP) event and donated to the scholarship program or the smoke detector campaign. I was honored to be recognized with their Distinguished Leadership Award, but more importantly, touched by the many donations that we received for this great organization and the Philadelphia Fire Department Foundation. This is the first time since the ISOP started this award that they decided to recognize a smaller mutual insurance company. The outpouring of support was indeed humbling and very much appreciated.

Further, I was surprised and pleased during the ProDealer Industry Summit in October when the National Lumber and Building Material Dealers Association (NLBMDA) recognized me with its “Chairman’s Award.” This was a thrilling event and an award that I will cherish.

With that said, whether it is the NLBMDA Chairman’s Award or the ISOP’s Distinguished Leadership Award, I fully understand that these honors reflect upon the great team that we have built at Pennsylvania Lumbermens and the fine work they do on a daily basis for our customers and brokers. I am privileged to have the opportunity to lead such a great group of people. At the end of the day, they do the heavy lifting that leads to the type of recognition that we have enjoyed this fall.

Moving on to results, I regret to advise you that this has been a difficult and challenging year from a profitability standpoint. Like much of the insurance industry, we are facing extremely difficult commercial auto results that have led us to take significant actions from a loss control and underwriting perspective in an effort to return this area to profitability. On top of that, we have a number of general liability cases that have gone bad. Subsequently, we had to increase reserves dramatically on a half a dozen cases, putting negative pressure on our results.

On our property line of business, a surge in large losses associated with our retail building material dealers, and light and heavy

manufacturers plagued us throughout the year, only to be topped by two hurricanes that made landfall, both of which will cost us dearly.

The fact of the matter is: we are in the insurance business to pay losses. We can’t have a good year every year! We are coming off three very strong years, and as such, we will absorb these losses and move on. Surprisingly, our surplus was actually up at the end of September over of the same time last year. With the change in the equity markets in October and the impact of the two aforementioned hurricanes, I have to think we will see a drop in surplus by year-end.

On the other hand, premium production has soared this past year. It appears we will not only exceed our production target of four percent, but will grow past \$250 million of gross written premium. Policy counts are increasing, as is the number of insureds that have placed their faith and confidence in Pennsylvania Lumbermens.

While we have seen an increase in frequency of loss that has put some strain on our claims department, we still have very positive feedback about the timeliness and the quality of our claim settlement process. We receive regular kudos from our customers regarding our loss control and risk management efforts. Also, our flat organizational structure has encouraged more

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open and direct communication between senior management at PLM and our insureds and the brokers who represent them, than I have ever seen before. We must be doing something right!

This last point is particularly important to note as carrier after carrier—many of which were once hot competitors—have begun to dramatically increase pricing, non-renew accounts or exit the wood niche entirely.

So, as the year comes to a close, I unfortunately do not sense that

we will be profitable. Rest assured, however, we will do our best to take the appropriate corrective action to recover in 2019.

Regarding 2019, we are well into renewing our reinsurance program. While it will be more expensive, due to the amount of loss that we have ceded to our reinsurance partners, I do not anticipate significant difficulty in renewing the coverage.

I stand ready to receive and answer any questions you may have at **267-825-9246** or at jsmith@plmins.com.

PLM PRESENTS CHECK FOR \$44K TO PHILADELPHIA FIRE DEPT. FOUNDATION AT ISOP GALA



Insurance Society
of Philadelphia
CONNECTING. EDUCATING. SERVING.



The 2018 Insurance Society of Philadelphia Independence Gala was something special to behold for the PLM community. Not only did our President and CEO John Smith receive the coveted ISOP Distinguished Leadership Award, but PLM proudly presented a check to the Philadelphia Fire Department Foundation for more than \$44,820 to help the foundation promote fire safety and distribute smoke detectors to Philadelphia communities in need. We are grateful to our business partners and insureds for contributing to this worthy cause.

The event, held at the Kimmel Center for the Performing Arts in Philadelphia on November 14, drew 730 guests from the local insurance industry and beyond. The event is designed to celebrate the insurance industry and provide an opportunity to give back to the community and the profession. Each year, ISOP works with the Philadelphia Fire Department Foundation to raise funds toward fire prevention at its gala through a text-to-pledge campaign. Since 2012, ISOP has raised more than \$250,000 to provide and install lithium-powered smoke detectors.

Thanks to the generosity of our insureds and agent and broker partners, as well as others in our communities, we were able to collect these funds ahead of the gala. We presented a large check to Cherise Corley, president of the Philadelphia Fire Department Foundation, which significantly boosted the evening's text-to-pledge campaign fundraising. PLM also presented the foundation with 300 smoke detectors, a donation from LMC, one of our association partners, which were displayed on the stage. In all, the text-to-pledge campaign raised \$75,000 for the cause. Additionally, the proceeds from this year's gala will provide \$100,000 in scholarship funds to aspiring insurance students next year.

Another highlight of the evening was the warm applause given to John Smith as he took the stage to receive the Distinguished Leadership Award. The award is given annually to a Philadelphia-area insurance executive who has demonstrated superior leadership and a dedication to furthering the insurance industry, as well as his or her community. Many PLM board members and employees were in attendance to join in the celebration, as well as members of the Smith family.

Thank you again to our donors and sponsors and to everyone who helped us to make this evening and charitable endeavor a success. View the Gala Sponsor & Supporter List: plmins.com/gala



DOES THAT NEW BUILDING EXIST—ON YOUR INSURANCE POLICY?

DAVE ADAMS, AVP – FIELD OPERATIONS

We've all seen on the news the toll flooding, fire or other tragic events can have on communities. As residents struggle to rebuild and repair their lives, business owners impacted by disaster also have an uphill battle when it comes to retaining their businesses—and too often they are unsuccessful.

According to the Federal Emergency Management Agency about 40 percent of small businesses are unable to rebuild after a major loss—and simply close their doors permanently. Though there can be a number of reasons for this, having insufficient insurance coverage shouldn't be one of them.

All too often, when reviewing property claims reports, our claims team comes across policyholders who were not adequately insured-to-value (ITV). The policyholder may

have added a building to the property without letting us know, or made significant renovations that changed the value of the property. Small business owners are so focused on growing and maintaining their operations that they often neglect to update their insurers on their improvements. This can mean their property insurance policies do not provide enough coverage to rebuild their businesses as they stood just before a disaster.

With the rate of inflation and costs of building materials, electrical, plumbing and HVAC work increasing and fluctuating building code requirements, a business policy that hasn't been reviewed regularly seldom covers all the expected expenses in the case of a total loss. Policyholders cannot afford to wait until a loss occurs to ensure they are properly covered.

Over and above the basic replacement cost or actual cash value of a building, business owners and their brokers should consider the costs associated with rebuilding, especially:

- *Debris removal, which adds an additional \$20 per square foot;*
- *Contractors' bids, which tend to increase by 25 percent after natural disasters;*

Visit plmins.com/lm-valuation-fall18/ for the full article.



THE DOVETAIL: JOINING SAFETY WITH OPERATIONS



IBHS RESOURCES

With the hurricanes and flooding we saw earlier this year, and the wildfires and snowstorms that are now hitting our country, we wanted to stress the need to prepare for any disaster that may affect your business.

The Insurance Institute for Business & Home Safety (IBHS) offers a tool on the bottom of their homepage, disastersafety.org, that helps identify the natural hazards in your area. You can identify the risks you face based on your zip code and find valuable resources on how to protect your business against these risks. Visit disastersafety.org and scroll down to find the zip code tool.



PLUMB SAFETY

BE PREPARED FOR WINTER WEATHER

Foul weather conditions can hinder your business any time of year, whether high heat keeps customers away, fire threatens your property or snow stresses your roof. As we settle into the cold weather season here in the Northeast, we encourage you to pause and consider the threats to your business posed by cold, snow and ice—and what you can do to mitigate those threats.

The heating system is a primary concern for many in cold climates, for obvious reasons. Not only does it make life more comfortable, it protects your fire suppression systems. Properly maintain and run your heating system with these guidelines:

- *Periodically ensure the entire system is in proper working condition. Examine, clean and correct deficiencies in burners, boilers and flues. Remove obstructions from pipes, radiators*

and unit heaters and test controls to ensure they are operating properly.

- *Store an adequate supply of fuel at all times and consider safe, alternative energy sources.*
- *Maintain clearance between heating system components and anything combustible—floors, walls, partitions and stock.*
- *Maintain a temperature of at least 40°F in buildings or units with these systems: wet pipe sprinklers; dry pipe, pre-action and deluge valve closets; and pump houses.*

Visit plmins.com/lm-plumb-safety-fall18/ for the full article.



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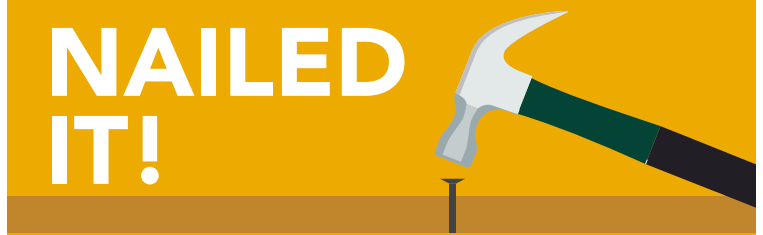
Dave Adams Promoted to Assistant Vice President

We are pleased to share the news that our colleague Dave Adams has been named assistant vice president for field operations. The decision to promote Dave to this officer position was announced in October at the Pennsylvania Lumbermens Mutual Insurance Company's board of directors' meeting.

Over the past several years, we have expanded our field operations leadership team in order to better serve individual regions. Due to his success and leadership with the southern team, Dave was promoted to manager and then director, prior to taking on his new role as assistant vice president. Dave continues to maintain excellent working relationships throughout PLM and represents the best of the company to clients, brokers and associations.

Dave has had a long and respectable career in the insurance industry.

Visit plmins.com/lm-spotlight-on-fall18/ for the full article.



PLM'S 2018 UNITED WAY GIVING SHATTERS RECORDS

GENEVIEVE VENTIERE, SENIOR UNDERWRITER

At the end of yet another banner year for charitable giving at Pennsylvania Lumbermens Mutual Insurance Company, we reflect with gratitude on the spirit of giving embodied by our generous employees here at PLM.

Each year, PLM partners with the United Way of Greater Philadelphia and Southern New Jersey to launch a month-long Employee Giving campaign. This campaign invites all employees to make a pledge to donate through each employee's local United Way to either a charity of his or her choosing, or directly to United Way to help the organization continue to make a difference in communities throughout the country.

Visit plmins.com/lm-united-way-fall18/ for the full article.