



# LUMBERMEMO

PENNSYLVANIA LUMBERMENS MUTUAL INSURANCE COMPANY

## GROWTH & TRENDS REPORT



John K. Smith, *President & CEO*

**A**nother year has come to a close and we are off and running into the next! Though for many of our insureds, this is a quiet time of the year, here at PLM, the opposite is true.

**On December 31st and January 1st, we renew more than 30% of our business which presents an excellent opportunity for our team to review and quote new business. From a claims perspective, the dramatic weather changes in the northern states bring a host of new claims-related activity. On the legal side, courts are back in session after the holidays with our friends in the legal and judiciary communities busy with activity.**

Unfortunately, one of the best things we can say about 2018 in terms of numbers is that we have closed our books and are optimistic for a better 2019!

During the year, our premium growth was extraordinary, surpassing our production targets with our premiums rising to just over \$249 million. However, the poor loss activity that I last reported never abated and continued right up through the new year. Our underwriting loss was no better. Weather-related and fire losses plagued our retail /wholesale building materials, light manufacturing, and our heavy primary manufacturing books of business. After a very quiet year in 2017 in terms of general liability, losses roared in 2018 in this segment of our business.

I have been talking for more than a year not only about PLM's less-than-ideal results in the commercial auto line of business, but the insurance industry's as a whole. At PLM, we have taken and implemented quite a few remedial actions in an effort to improve the risk management practices employed by all of our insureds. In fact, we are spending most of the first half of 2019 visiting with all of our insureds in an effort to assist them in not only overcoming loss frequency, but also avoiding or controlling potential future losses.

It is probably no surprise that the rocky investment market in late 2018 resulted in an unrealized equity loss for PLM, despite us ratcheting back our marked-to-market securities early in the fourth quarter. While we had record-breaking investment income, the end result when combined with an underwriting loss, was a drop in our policyholder surplus of just over \$13 million.

So, we have our work cut out for us, but we are prepared and ready to take on 2019. For example, we've changed our approach to new business for the year ahead. As mentioned above, business development representatives (BDRs) will now be focusing much of their time on building relationships with existing customers.

Additionally, we'll be taking a fresh look at loss control and claims to see how we can reduce claims and help our policyholders protect their businesses and prevent losses in property, commercial auto and general liability.

We are excited about these new initiatives and are optimistic about the year ahead. I look forward to seeing many of you at various trade shows this coming year. If anyone here at PLM or I can personally be of any assistance, please do not hesitate to contact me.

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# THE DOVETAIL: FLEET SAFETY: KICKING LOSS PREVENTION INTO HIGH GEAR

For several years you have heard and read about the problems related to commercial auto insurance and risk management. This is an issue that not only affects PLM and you, our customers, but the insurance industry as a whole. Some of the factors affecting the commercial auto loss results are inexperienced drivers, distracted driving, overcrowded roads, increase in road construction, as well as rising medical and repair costs.

PLM has taken significant actions to improve our commercial auto results, enhancing our loss control assistance for our customers. We also have raised rates and tightened our underwriting standards as necessary.

So, what else can be done? There are several additional practices businesses can adopt to control auto insurance costs and improve driver safety.

**Driver Selection & Training:** More than 75 percent of the new losses we have seen have been caused by “driver error.” PLM has partnered with companies to help aid our customers with driver monitoring and training. Samba Safety, an industry leader in driver risk management, offers continuous MVR monitoring. Continuous MVR monitoring goes a step ahead of simply pulling MVRs at one point in time by monitoring behavior in real time, so it can be addressed as soon as possible. This service identifies at-risk drivers, assesses driver performance, and enforces driver policies.

PLM has also partnered with Driver’s Alert, a safety solution that helps improve driver behavior and mitigate financial losses. Driver’s Alert is one of the pioneers of the “How’s My Driving” program, a decal-based driver observation program. Their meticulous validation process ensures that you receive accurate driver behavior data and identify unsafe drivers before an accident occurs. Driver’s Alert also offers corrective action training courses designed to raise employee awareness and address specific unsafe driving behaviors.

**Preventative Maintenance:** It is important to maintain your fleet and keep your equipment up-to-date and running through scheduled servicing, inspections and vehicle repairs. Through preventative maintenance you can proactively avoid and reduce vehicle breakdowns and reduce the number of unscheduled repairs and downtime. Some items to consider as preventative maintenance include:

- Oil changes
- Tire rotations
- Worn parts replacement
- Overall vehicle inspections such as fluid levels and air pressure in tires.

An effective program should include a checklist of service tasks with scheduled maintenance times.



**Take Advantage of PLM Loss Control Resources:** In addition to our partnerships with companies like Samba Safety and Driver’s Alert, PLM also provides valuable resources to our customers. The resources below are available on our website, or you can request a supply be mailed out to your business.

- **Business Auto Standard Checklist:** A quick reference on best practices of a safe fleet operation.
- **Sample Fleet Management Policy:** A comprehensive template of a written safety program that you can use and modify for your business.
- **Loss Control Guides:** Guides on different topics such as Distracted Driving, Vehicle Loading & Unloading, and Load Securement.
- **Safety Stickers:** PLM provides stickers and window clings for your fleet such as Wide Right Turn stickers, Vehicle Height window clings, and No Texting while Driving window clings.

Plus, our Loss Control Representatives are available to work with you to enhance your risk management capabilities and provide useful guidance on fleet safety within your business.

Ultimately, it is up to you to be proactive in building a fleet safety program in your organization, but we are here to assist in making your business safer, minimizing losses and preventing any costly interruptions in your daily operations.

Loss control materials can be found on our website at [www.plmins.com/loss-control/loss-control-guides/](http://www.plmins.com/loss-control/loss-control-guides/). To request any specific materials, please contact Customer Service at 800-752-1895 or by email at [custserv@plmins.com](mailto:custserv@plmins.com).



# PLUMB SAFETY

## KEEPING WARM... AND SAFE: GENERATORS AND ALTERNATIVE HEATING SOURCES

With severe winter weather wreaking havoc across the country, the likelihood of power outages increases. A generator or alternative heat source can be useful for your businesses in these situations, but only if these machines are installed, maintained, and used properly. It's particularly important for wood-related businesses like yours to be aware of how to safely use generators and alternative heating sources, as these businesses tend to have increased exposures to fire risk. Generators and alternative heat resources, such as wood stoves and space heaters require specific care and precautions to be used safely. To help you in reducing your risk exposure, we've provided some helpful instructions from PLM and our risk management partner, the Insurance Institute for Business Home & Safety (IBHS).

Portable generators should always be used with a heavy-duty outdoor-rated extension cord that exceeds the total expected load. This will prevent excessive heat buildup and degradation of the power cord. Also, remember that a generator should never be used indoors or placed outside near windows, vents, or air intakes that could allow dangerous carbon monoxide to come indoors. Additionally, users should be sure to maintain plenty of space for air flow around the generator. Further, users should know that when using an emergency electric power generator, they should get fresh air immediately if they begin to feel flu-like symptoms, sick, dizzy or lightheaded. Finally, users should make sure portable generators are properly grounded and kept dry. If needed, users can operate a portable generator under an open canopy-type structure, as short circuits can occur in wet conditions, resulting in the generator catching fire.



For businesses using a wood stove during a power outage, they should maintain at least a 36-inch clearance between the stove and any combustible materials. Prior to using a wood stove, business owners should place a layer of sand or firebrick in the bottom of the firebox.

While warming barrels may seem to be an option when power is lost, they are an extreme fire hazard and should not be used.

Visit [www.plmins.com/lm-plumb-safety-winter19a/](http://www.plmins.com/lm-plumb-safety-winter19a/) to read the full article.

## ROOFTOP HEROES: MAINTAINING COMMERCIAL ROOF DRAINAGE SYSTEMS

This winter, cities from Seattle to Minneapolis have been blanketed by record-setting heavy snow storms or frozen by bone-chilling temperatures. Even this year's Super Bowl host, Atlanta, contended with dire winter weather predictions ahead of the big game. These meteorological events are more than just a bit of weather trivia, though—they are a reminder of just how important it is to prepare for winter weather. Those of us concerned with risk management often think of how winter weather may affect our customers' properties, whether icy conditions cause slips and falls or snow creates heavy loads on roofs.

As we look forward to that winter snow and ice melting away, it is time to consider where all that water will go. Gutters and roof

drainage systems are critical components of the overall roof system. The Insurance Institute for Business and Home Safety (IBHS) goes so far as to call them the "unsung heroes" of roofing. When properly built and maintained, they efficiently remove debris and water.

Poorly maintained roof drainage systems can create leaks and water damage. For example, as standing water pools above a leaf-choked downspout, its best escape route may become a seemingly miniscule crack that allows water into the building below. Visit [www.plmins.com/lm-plumb-safety-winter19b/](http://www.plmins.com/lm-plumb-safety-winter19b/) to read the full article.



Pennsylvania Lumbermens  
Mutual Insurance Company

One Commerce Square  
2005 Market Street, Suite 1200  
Philadelphia, PA 19103-7008

**PHONE** 800-752-1895

**WEB** plmins.com

# SPOTLIGHT ON

## FRANCIS SANTORO RETIRES AFTER 25 YEARS WITH PLM

After more than 25 years of service to Pennsylvania Lumbermens Mutual Insurance, we are wishing Francis Santoro, vice president of claims, well on his retirement, which was announced this past January. Fran started with PLM in 1993 as a senior claims examiner before assuming a role as claims manager in 1995. In 1998, PLM's Board of Directors named him assistant secretary and was later promoted to assistant vice president of claims in 2001, and appointed vice president in 2010.

A 1972 graduate of Pennsylvania's Lehigh University, Fran entered the insurance industry immediately after graduation. He spent the first fifteen years of his career handling claims with three other carriers before joining PLM. He was a natural fit for the claims department at PLM from the start.

Fran has been a great asset to Pennsylvania Lumbermens Mutual Insurance throughout his time here. Please join us in recognizing Fran for his distinguished service.



Francis Santoro, *Vice President*