



Summer 2019

# LUMBERMEMO

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2019

The Inquirer

PENNSYLVANIA LUMBERMENS MUTUAL INSURANCE COMPANY

## GROWTH & TRENDS REPORT



John K. Smith, *President & CEO*

I would like to give you a snapshot of where PLM stands financially with the first half of 2019 behind us. From a premium standpoint, we are running slightly behind our production target, but feel comfortable that we will be able to fill the \$3.2 million shortfall in the second half of the year. The shortfall has its roots in a somewhat lower renewal retention than we expected, particularly in the heavy manufacturing area. Heavy manufacturing has always been a difficult area for the entire insurance industry from a profitability viewpoint. Renewal retention in the light manufacturing and retail/wholesale building material dealer classes has exceeded our expectations and objectives.

Underwriting losses are down more than 50% from where they were last year at this time. This is good news, but it still is a loss. The second quarter produced an underwriting profit – the first quarterly profit we have seen over the last six quarters. We are seeing loss improvement in every line of business (property, general liability, auto and umbrella). We have witnessed a drop in new auto and general liability claims reported. Though they are still unprofitable, that suggests we are on the right path toward profitability on these lines of business. This is very satisfying considering the amount of time and energy we have been expending on these two lines of business.

Surplus has increased on a year-over-year basis through six months with investment income continuing to be very strong.

We spent the first six months of 2019 launching and implementing our Relationship Enhancement Program (REP). We visited almost every location we insure and met with owners and managers. Feedback on the program has been generally good with insureds expressing appreciation for the extra risk management effort that we extended during these visits.

As we neared the close of the program, it was necessary to rotate people into different territories to complete this process. This resulted in some delays experienced by our customers and I

do apologize for any inconvenience this may have caused. It was not our intent to just “drop in.” We hoped to establish appointments on all visits thus enabling us to create the right atmosphere and appropriate time for a risk management dialogue.

To be honest, we knew we were going to be forced to cancel or non-renew some business as a result of this program, but we were pleased that this activity has been more limited than we expected. Insureds have been positive about our risk management recommendations, and compliance with those recommendations has been excellent.

New business has slowed, by design, as we moved through the REP. With that behind us, we envision a more balanced approach to working with current accounts and developing new ones. Thus, we expect an increase in new business in the second half of 2019.

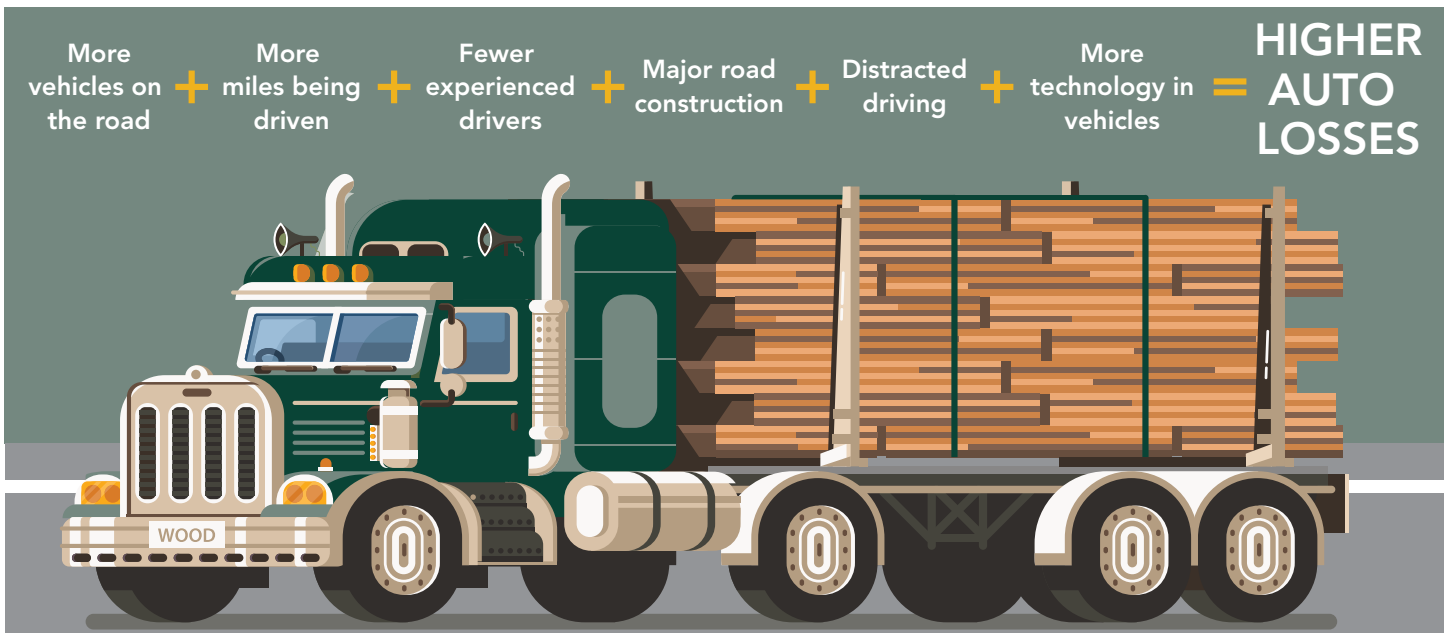
We previously mentioned that we came to an agreement with AmTrust regarding the conversion of their lumber book of business to PLM. Within the last 30 days we began transferring September business from AmTrust to PLM. Both brokers and insureds are currently receiving quotes and policy documents. We fully expect to maintain a 60- to 90-day lead time on delivery of this information for any business being transitioned to PLM.

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# COMMERCIAL AUTOMOBILE LOSSES RISING



It is still too early to evaluate outcomes, but if history is any indication, insureds will be agreeable to the transition and PLM will retain their business. In many cases, these customers are returning to PLM. Every account we reviewed for September was a previous PLM insured.

If you have any questions regarding this transition, please reach out to Lindsey DiGangi ([ldigangi@plmins.com](mailto:ldigangi@plmins.com), 267-825-9034) who is leading this project.

We continue to push corrective actions in the commercial auto lines of business. Rates here are jumping across all segments of our niche, particularly for fleets with heavy trucks and operations in a metropolitan area. The insurance industry continues to reel from poor auto loss results. Not only is there a demand for tighter risk management and loss control efforts by insureds, but there is also a price increase across the industry for insureds with fleets

with heavy vehicles.

A word to heavy manufacturers: Your marketplace continues to change. Recently, another big player dramatically reduced capacity, limited the size of the business they will entertain and pushed for large rate increases. More and more heavy manufacturing business is moving into the surplus lines marketplace. Further, this past month we saw a smaller competitor exit the niche. PLM continues to be a market for this business. We are looking to write more of it, although we are capping our per location exposure at the moment.

In short, the insurance marketplace within the standard insurance industry, and particularly within the wood niche, is changing. We at PLM stand ready to assist you in any way we can. As always, I look forward to your comments and suggestions.



## THE DOVETAIL: LOSS CONTROL LESSONS FROM OUR RELATIONSHIP ENHANCEMENT PROGRAM

As the first half of 2019 comes to close, so does PLM's Relationship Enhancement Program (REP). This program was rolled out in early January 2019 to address a number of growing loss trends specific to the lumber, woodworking and forest products industry. Our commitment to loss control is part of our history and our future. For 125 years we've been dedicated to helping our insureds prevent or reduce the losses associated with fires in the wood niche. Yet as the U.S. economy continues to expand and your businesses evolve to meet the demand, businesses take on new product lines, deliver more material, hire additional drivers, and install or subcontract installation of products. These opportunities signify new risk exposures, which present both opportunity and potential liabilities that need to be considered.

*REP in Review*

PLM has long been known for having personal relationships with our insureds, a hallmark of what makes us different than other insurance companies. In 2019, building and re-establishing relationships was a primary objective along with providing consultative loss control services to improve the overall quality and safety of the business we insure. Visit [www.plmins.com/lm-dovetail-summer19/](http://www.plmins.com/lm-dovetail-summer19/) to read the full article.



## NEW RESOURCE FOR PLM CUSTOMERS: STREAMING SAFETY VIDEOS

We have long offered risk management and loss control resources to our insureds to help mitigate preventable losses—that is not going to change. Yet we can reach our customers and partners in more ways than ever. Gone are the days when we were limited to pamphlets and mailers. How we offer safety resources is evolving and growing with technology.

Recently, we added streaming safety training videos to our repertoire of loss control resources. Available through our partners at Mastery Technologies and Driver's Alert, these videos provide a flexible, on-demand resource for training and educating your staff on critical safety topics.

We have made these resources available just to PLM customers. If you are interested in adopting these videos, contact your Loss Control Representative. They will help you create a video training plan for your business, beginning with identifying the areas in which your staff needs training. Our loss control staff—experienced in safety training and the wood business—will select courses that match your business needs.

To review the topics available in our video library, visit [www.plmins.com/loss-control/safety-videos/](http://www.plmins.com/loss-control/safety-videos/). And don't hesitate to reach out to your Loss Control Representative with any questions.



## BRACE YOUR BUSINESS FOR THE BRUNT OF HURRICANE SEASON

NOAA predicted a “near-normal” 2019 hurricane season in their May outlook. However comforting that may sound, that still means the eastern seaboard may see between nine and 14 named storms – and as many as four of those could be major hurricanes. A hurricane preparedness plan may prove extremely useful for businesses on the Atlantic and Gulf Coasts as this season begins to heat up.

To prepare for a potential hurricane, there are several steps business owners can take, including:

- Make sure the roof is well-maintained, as a strong roof can limit the scope of damages from severe storms. Management should have the roof regularly checked by contractors to make sure it is not damaged and that the roof drainage system is fully operational.
- Ensure that any unsecured equipment attached to the exterior of the building, such as an HVAC unit or a satellite dish, is secured to reduce potential damages.

- Consider installing shutters or impact-rated laminated window systems. These can help prevent shattered windows, which can contribute to wind-driven debris.
- Securely close all doors, windows and other openings. To that end, seal any holes or cracks in walls before the storm, to limit the chance of water intrusion and damage.

In the aftermath of a hurricane, businesses will want to get back to normal and resume operations as soon as possible. Having a business continuity plan can reduce the time spent on recovery. Such a plan should lay out clear steps for initial recovery, including the following:

- Immediately inspect the property. Search for damages and any unsafe areas and flag them promptly so that employees are aware.

Visit [www.plmins.com/lm-plumb-safety-summer19b/](http://www.plmins.com/lm-plumb-safety-summer19b/) to read the full article.



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### **ABS Safety Group Secures 2% Dividend Payout**

We are pleased to announce that PLM paid out a 2% dividend to the participating members of the Allied Building Stores (ABS) Safety Group Dividend Program.

The dividend payment was for the plan period of February 1, 2018 to January 31, 2019. The final calculation resulted with a group loss ratio of 41.92%, earning the plan participants a 2% dividend.

ABS members enrolled in the Safety Group Dividend Program received their checks in May 2019. ABS is one of seven dividend programs PLM offers through different lumber associations and buying groups in the U.S. For more information on existing programs, visit [www.plmins.com/dividend-programs/](http://www.plmins.com/dividend-programs/).

If you have any questions about PLM dividend programs, please contact Susan Cho at [scho@plmins.com](mailto:scho@plmins.com) or at 267-825-9350.



### **PLM Welcomes Angelo Ganguzza**

We are proud to welcome Angelo Ganguzza, Vice President, to the PLM team. Angelo brings 34 years of insurance experience across a variety of specialties and companies to PLM.

PLM recently entered into a renewal rights agreement with AmTrust for their book of lumber business. Under the terms of the agreement, PLM offered immediate employment to almost the entire AmTrust lumber team, which is located in Boca Raton, FL. We are delighted to have Angelo Ganguzza and his team “coming home”.

Angelo will work closely with the transition team and PLM executive team to assist in the transition of business.

Prior to joining PLM, Angelo was vice president of the specialty wood products and lumber program with AmTrust Financial Services. Visit [www.plmins.com/lm-expanding-our-team-summer19/](http://www.plmins.com/lm-expanding-our-team-summer19/) for the full article.