



Spring 2020

# LUMBERMEMO

PENNSYLVANIA LUMBERMENS MUTUAL INSURANCE COMPANY



John K. Smith, President & CEO

**With the nation grappling with COVID-19, we find ourselves in difficult times. Our economy is in upheaval. All of us are practicing, to one extent or another, social distancing. Some areas of the country are in quarantine, lockdown, shelter in place, or whatever your state or local authorities are calling it. In addition to all of this, we are dealing with the personal concern for the health of our families, colleagues and ourselves. If you are like me, your head is spinning a bit, and it's tough to focus on business.**

However, this is my attempt to do just that. I want to discuss where we find ourselves financially, and where many of our customers find themselves. We have shared quite a bit about COVID-19 through emails sent to insureds, producers and prospects, as well as on social media. There is also a COVID-19 Resource Center on our website where we have been regularly posting our communications and different resources for our stakeholders. We will continue to provide updates on that front as needed.

I am pleased to report that, when considered against our financial targets, we had fairly good results in the first quarter. Historically, the first quarter is usually difficult, due to winter weather. With many insurance companies exiting the wood niche and refocusing their efforts on businesses that produce more frequency than severity of loss (because frequency is more easily modeled), we saw strong renewal retention both in January and February. During the first quarter, more than 90 percent of our insureds renewed their coverage with us, a testament to their belief in the value they receive from PLM in exchange for their premium dollars.

Submissions of potential accounts continue to grow on a year-over-year basis. In spite of the current pandemic, our March submission levels were up from last year. While it may not be the best time to shop for your insurance, many insureds have come to us seeking better value for their premium dollars, which PLM is known to offer, or because they were left with fewer options due to a number of competitors exiting the niche.

In light of social distancing, we have modified our approach to our new business and renewal processes in an effort to protect your employees and ours. Our loss control and business development representatives have delayed visits or scheduled essential visits on mutually agreed upon times including after hours or on Saturdays. In some cases, we have used other options, such as video tours or photos provided by the customer.

We did not achieve an underwriting profit in either January or February, but did so in March. We did see a reduction in underwriting losses on a year-over-year basis, which is a positive trend.

Policyholder surplus took a hit as a result of the volatility in the equity marketplace. In late February, we commenced weekly Board of Director Investment Committee meetings, as we anticipated the downward surge in the equity market. We trimmed a number of equity positions midway through the quarter and again reduced our marked-to-market exposure toward the end of March, as we worked to strengthen our holdings and ride out the volatility in the investment marketplace.

The transition to a fully remote workforce was smooth. We activated our Business Continuity Program well before the City of Philadelphia issued any shutdown orders and built out the technology necessary for all of our employees to be able to work remotely. With our IT staff working virtually around the clock, we equipped our 90 Philadelphia employees with remote capabilities and sent them home.

To aid with this transition to work from home, we implemented a series of "video huddles" daily at the unit, department, and company leadership levels in an effort to continue our operation and provide the service excellence that many of you have come to expect. We also launched company-wide weekly "Zoom" town halls.

Over the last six months, we have noticed a downward trend in newly reported claims, as a result of the heightened loss control efforts we launched late 2018 and early 2019. This trend continued into March. Many would say it is because of the drop in economic activity within our insureds' businesses. That may be the case, but we will have a better understanding of this as we move through April.

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Throughout the COVID-19 crisis, we have attended many of the virtual conferences and webinars run by wood trade associations. We are doing what we can to be supportive of those organizations as they cancel face-to-face shows, conventions, and meetings. To date, 23 shows have been postponed and an additional 23 have been canceled outright.

As I write this, the construction industry in most states continues to be deemed an “essential business” (as is insurance). Many states have indicated that retail and wholesale building material dealers and hardware stores fall into the category of essential businesses, as do pallet operations and sawmills. With regards to light manufacturing, it depends upon what product is being manufactured. We believe upwards of 80 percent of our insureds are still operating to some extent at the time of this writing.

We are aware and you should be as well, that there has been a **significant increase in cyberattacks!** We fully expect that more of these attacks will be successful as people modify their operations to remote operations. At least once a week, we are reminding our people about the threat of cyberattacks, and in particular the amount of “phishing events” that we see unfolding. If you haven’t paid attention to this area in your business, I strongly urge you to do so. With the rest of the problems facing all businesses at this difficult time, no one wants to deal with an additional, cyber-related problem.

Further, I would express some concern from a workers’

compensation and employment practices liability viewpoint. Balancing workplace safety, high standards for employment practices, and continuing operations is a delicate one in the best of times. Now, it requires razor sharp agility. More information on cyber-related protection and EPLI can be found in this issue.

I would be remiss if I didn’t take a moment to extend our recognition and appreciation for the efforts of our first responders and those involved in the medical profession. They are all working tirelessly on the front lines of the war against this terrible virus. They risk their own health and the health of their loved ones to help others. No matter what the problems we face in our own businesses, we need to take a moment to ask what we can do to support and thank them at this most difficult of times. PLM will be making various charitable contributions in support of all their efforts. We will also be helping those who are most vulnerable to this pandemic — the homeless and the soon to be homeless.

I wish you, your colleagues, your families and other stakeholders, success in navigating the turbulent and challenging times in which we find ourselves. As Americans, we have a tradition of overcoming adversity and rising stronger as a result. I have no doubt that we will do so once again while we conquer the challenges that face us all today. As always, the PLM team and I are here to assist you in any way that we can. While we may not be in our offices, we are all readily available by landline, cell phone, email or, for that matter, even snail mail.

## WHAT TO KNOW ABOUT OUR SAFETY GROUP DIVIDEND PLANS

PLM is active in numerous trade associations and buying groups throughout the country. The relationships we have built through these different wood-related associations allow us to provide special programs for their membership in the form of Safety Group Dividend Plans.

PLM currently has six dividend programs with the following groups:

- *Allied Building Stores, Inc. (ABS)*
- *Eastern Building Material Dealers Association (EBMDA)*
- *LBM Advantage*
- *Lumbermens Merchandising Corporation (LMC)*
- *NEMEON*
- *North American Wholesale Lumber Association (NAWLA)*

So, how does a Safety Group Dividend Plan work? In order to be eligible to join a dividend plan, you must be a primary member of one of the associations or buying groups listed above and a PLM customer. By signing a dividend election form and returning it to PLM’s Marketing Department, you will be enrolled into the dividend plan.

All of our plans provide the same benefits. Premium and losses for each participant in the group will be combined to calculate a final loss ratio at the end of the plan year. If the group has a collective loss ratio under 50%, a dividend may be paid up to 10% of eligible policy premiums earned for each individual member. Enrolling in a dividend plan does not affect or change your PLM policy.

### Two of our groups recently earned dividends for their 2019 plan year: LBM Advantage and LMC!

PLM paid out a 2% dividend to the participating members of the LBM Advantage Safety Group Dividend Plan. This is thanks to their group loss ratio of 47.8% when we made final calculations for the 2019 plan year.

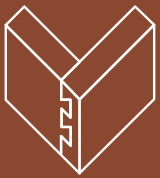
The LMC Safety Group Dividend Plan received a 3.5% dividend for their 2019 plan year. Their final calculation resulted with a group loss ratio of 38.12%.

Checks were mailed directly to all the participants for both groups at the end of April.

For more information on existing programs, visit [www.plmins.com/products-services/dividends/](http://www.plmins.com/products-services/dividends/). If you have any questions about PLM dividend plans, please contact Susan Cho at [scho@plmins.com](mailto:scho@plmins.com) or at 267-825-9350.



## 2019 Annual Report is Now Available



# THE DOVETAIL:

## MAINTAINING CYBER SECURITY IN UNCERTAIN TIMES

### CORRECTION: PLM'S DOVETAIL

In this edition, you may notice a new and improved graphic of The Dovetail. It came to our attention that the joint depicted was not, in fact, an accurate dovetail joint!

We understand that precision and attention to detail is critical. The dovetail is considered one of the strongest joints, but a joint like the one in the old graphic would have caused wood products to fall apart.

We take great pride in precision, attention to detail, and strong relationships with our wood clients and broker partners. We were pleased that one of our insureds had enough commitment to our relationship to kindly inform us of our error. We thank him greatly for the correction.

Change and evolution are critical to the survival of any business. The COVID-19 pandemic has been a reminder that while some change is incremental, other changes must happen overnight. In just days and weeks, many businesses have been forced to transform their business plans in order to keep their employees and customers safe while still providing important products and services. Although most wood businesses have been deemed essential, many have had to make significant changes to their operations to comply with ever changing state guidelines.

From communication to point-of-sale, the common thread we see in all of this change is that we have had to adapt to new technologies that allow us to come together while we are farther apart. These changes leave us more vulnerable from a cyber security perspective.

At PLM, we utilize the expertise of a Cyber Consultant, BTB Security, to ensure that we stay on top of evolving exposures within the company and externally. Visit [www.plmins.com/lm-dovetail-spring20/](http://www.plmins.com/lm-dovetail-spring20/) to read the full article.

## EPLI: RISKS TO CONSIDER AS UNEMPLOYMENT RISES

By now, we have all seen the profound effects the COVID-19 pandemic has had on individuals and society. Businesses that create livelihoods across the country have shut down or limited hours at their physical locations to support critical social distancing practices. While the majority of wood businesses are deemed essential and still operating to some capacity, the pandemic has brought up broad sweeping concerns about employment practices as a record number of Americans file for unemployment.

It is important that you, as a business owner, consider these issues now. Between staffing and operational changes, your exposures are increasing even if you don't realize it. These staffing changes raise questions about potential employment practices claims. To defend against employment claims, employment practices liability insurance (EPLI) is an important risk management tool for employers. Here's what you need to know about EPLI.

PLM offers EPLI to help customers cover the cost of defending against claims by former employees that the employer has violated their employment rights. The average out-of-pocket cost of defending against employment practices liability claims in cases that have resulted in defense costs and settlement payments ranging from \$75,000 to \$500,000.

EPLI covers legal costs associated with a range of claims, including but not limited to:

- *Wrongful termination*
- *Violations of employment laws like the Family Medical Leave Act*
- *Discrimination (related to age, race, gender, pregnancy status, etc.)*
- *Breach of contract*
- *Inflicting emotional distress*
- *Sexual harassment*

The COVID-19 shutdowns have forced some businesses, including those in the lumber and woodworking industries, to cut back on staff. This may expose businesses to an increased risk of incurring wrongful termination claims. For example, former employees may attempt to argue their termination was not performance-based.

Included with the EPLI policy is access to [plmilm.EmployerProtection.net](http://plmilm.EmployerProtection.net), a valuable website with content including legal requirements, best practices and sample forms and policies. Policyholders also have complimentary access to a legal advice line to get general counsel on employment issues from an experienced attorney. These resources equip you with an HR consultant and legal expert at your fingertips.

If you have any questions on EPLI or are interested in EPLI coverage at your next renewal, please contact us at 1.800.752.1895 or [CustServ@plmins.com](mailto:CustServ@plmins.com) – we remain available to our insureds throughout the COVID-19 pandemic.



**PLM is proud to be a part of this great industry and we are here to support you during the COVID-19 pandemic. Visit Our Resource Center [www.plmins.com/about/newsroom/coronavirus-disease-2019-covid-19-resource-center/](http://www.plmins.com/about/newsroom/coronavirus-disease-2019-covid-19-resource-center/)**





Pennsylvania Lumbermens  
Mutual Insurance Company

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

**PHONE** 800-752-1895

**WEB** plmins.com

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## MEET OUR EVOLVING CLAIMS TEAM

At the beginning of 2019, we began undergoing significant changes and improvements in our Claims Department. This started with the hire of a new claims leader, John Kennealy, who has added a wealth of Property and Casualty experience from his many years in insurance claims and risk management. Through his leadership, there was a shift of focus to augmenting the claims management team, improving claim results and enhancing the customer experience.

Other changes to the claims management team included the promotions of Karen Parker and Stephen Kern. Karen Parker took over as the new Litigation Manager in May 2019. She is a seasoned industry veteran having worked most recently at Philadelphia Insurance before coming to PLM in 2018 as a Claims Consultant. She has enhanced how our litigation team works, and as a result, claim counts and claim severity is steadily moving in the right direction. Similarly, in early 2020, Stephen Kern took over as the Casualty and Fast Track Manager. He has made great strides streamlining the customer's fast track claims experience.

**Visit [www.plmins.com/lm-spotlight-on-claims-spring20](http://www.plmins.com/lm-spotlight-on-claims-spring20) to read the full article.**

**NEED WORKERS' COMP  
SOLUTIONS?  
OUR NEW AGENCY ABM CAN HELP!**

## MEET ABM

We are Allied Building Material Agency, a PLM-owned wholesale brokerage. We are here to help place your workers' compensation insurance!

ABM is here to facilitate writing all lines of insurance for your wood industry business. We work closely with you, with your broker, with your trusted PLM reps, and with our carefully chosen carriers to make sure your insurance program is specific to your business and its individual insurance needs. You can trust that ABM will only place your workers' comp with carriers that best understand the particulars of your business and the needs of your employees.

Please feel free to reach out with questions or send your wood niche workers' comp submissions to [NewBiz@plmins.com](mailto:NewBiz@plmins.com).

Customer Service - 1.800.752.1895 or [CustServ@plmins.com](mailto:CustServ@plmins.com)

**Visit [www.plmins.com/lm-spotlight-on-abm-spring20](http://www.plmins.com/lm-spotlight-on-abm-spring20) to read the full article.**