



Issue 1 – 2021

# LUMBERMEMO

PENNSYLVANIA LUMBERMENS MUTUAL INSURANCE COMPANY



John K. Smith, President & CEO

I don't know about you, but 2020 has been perhaps the most professionally and personally challenging year that I have dealt with during my lifetime. If you run a business, you know that the challenges stemming from COVID-related issues on the home front were only multiplied as you wrestled with pandemic-related issues associated with running your business!

If you are like me, one of the most significant issues was concern for the health of your employees and their families. Once past that hurdle (are we past that hurdle yet?), we were faced with a list of pressing questions: Will my business survive? How do I morph from pre-pandemic, pandemic and then post-pandemic operations? What about cash flow? How about my customers? Can I get inventory in? Will my customers be able to pay me? Can I afford to carry any of them? The list goes on.

We faced all of those challenges within Pennsylvania Lumbermens Mutual, and I am pleased to say that our loyal and dedicated team carried on, rising each day with the hope and desire to fulfill their commitments to their families, PLM, our customers, our claimants and other stakeholders.

We were luckier than most when we and the majority of our insureds were declared "essential businesses" when many other businesses closed and sent their employees home. At PLM, we achieved record growth in 2020 with our premium rising to \$287 million. Our policyholder surplus, after a dramatic drop back in March due to the pandemic, clawed its way back. Receivables soared as we made the decision to work with our customers who lost cash flow, and expenses dropped as we froze staffing, reduced travel and reacted to the cancellation of the 100 trade shows that we normally attend. Despite those cancellations, we are pleased to say that we maintained a solid level of support to the trade associations to which PLM and our policyholders have been members for years. Feedback on the claims front suggested that we met or exceeded expectations of our policyholders and claimants despite record-breaking wildfires, straight line winds (derechos), winter storms and four hurricanes that made landfall.

As most courts throughout the country were shut down, many civil trials did not proceed. However, we found a willingness by plaintiffs and their attorneys to embrace mediation or straight negotiation, or other alternative dispute methodologies that we hope will lead to mutually beneficial settlements.

While initially constricted in the early months of the COVID pandemic, loss control and field visits gained traction later in

the year as we were once again out and about providing risk management and loss control services at pre-pandemic levels. We made up for lost time. We piloted and rolled out a self-service risk management and loss control program for smaller insureds known as Anytime Risk Management (ARM). So far, this tool has been met with very favorable feedback from our policyholders, and we expect to expand this service substantially.

Underwriting profitability stabilized and investment income did not slip as far as we expected as we moved to address volatility in the equity markets and dramatically falling interest rates. Unfortunately, many in the insurance world did not experience the success that we did, and 2020 caused a great deal of financial pain not only for our competitors, but for many of the reinsurers on which we depend. A number of direct competitors threw their hands up and exited the niche, non-renewing books of business. That meant we saw a tremendous surge in last minute submission activity as businesses and their brokers sought out PLM.

After enduring several difficult years, the reinsurance marketplace stiffened dramatically. Reinsurance prices surged in the property arena, due to the aforementioned weather patterns and the economic woes associated with COVID-19 which greatly impacted businesses outside the lumber niche. Double-digit increases were the norm, and frankly, those increases were a

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welcome relief from what is going on in the casualty reinsurance marketplace, which supports general liability, workers' compensation, commercial auto and umbrella business. Reinsurers worldwide have withdrawn their support or interest in the American casualty insurance marketplace, so capacity to write higher limit umbrellas has dropped and pricing has soared.

Well into the year, two of the world's largest reinsurers indicated they were going to restrict availability in the United States and reduce their premium base, in both cases, by over \$1 billion. By the end of the year, the ability to find large umbrella limits evaporated and pricing took off for coverage that remained. Insurance companies, and insureds, found themselves paying twice as much for umbrella capacity and only began to get 50 percent of the coverage limit from the prior year. Commercial auto continued to produce poor results throughout the insurance industry, and particularly in the wood segment, which depends so heavily on trucks, tough delivery locations, and too many untrained and inexperienced drivers.

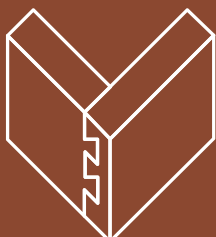
So, where do we go from here? We will know better once the dust settles from December 31 and January 1 renewals, but I would speculate that pricing will be up in the property arena for insureds, and up significantly in the commercial auto and umbrella lines with capacity being reduced dramatically. The days of \$10, \$15 and \$25 million umbrellas being provided easily and competitively are behind us. Social inflation and awards that juries are willing to give today have damaged the companies that provide these limits too easily. Further, there is a frailty in the market as it has been forced to react to unheard of and unforeseen settlements that exceed any levels the market had anticipated.

PLM will continue to focus on our business with a goal of surpassing

\$300 million of written premium while generating at least \$28 million of new premium. We expect the number of our new accounts to exceed 600, and we expect our policyholder retention to be excellent, reflecting our commitment and dedication to providing a competitive market for wood businesses throughout the United States.

I want to thank the brokers and customers that we continue to do business with and invite all that are not current customers to consider PLM for their upcoming renewals.

In closing, a word about our Agency, ABM, which we launched in early 2020 in an effort to provide a workers' compensation market initially and other lines of coverage eventually. This first year, we were successful in securing workers' compensation coverage for just over 100 of our insureds and just over \$2 million of premium. While a little lighter than expected, we believe we have laid the groundwork for future expansion. We have noticed that submission hit ratios and bound accounts have been increasing almost monthly over the last four or five months as the concept has taken hold. We have access to the workers' compensation market for just about any type of wood account. If you are interested in seeing a workers' compensation quote through PLM, talk to your broker or one of the folks at the ABM Agency (Angelo Ganguzza – [angelo@abmbrokerage.com](mailto:angelo@abmbrokerage.com) or 267-825-9046, Janice Fisher – [janice@abmbrokerage.com](mailto:janice@abmbrokerage.com) or 317-875-3779 or Genevieve Ventiere - [genevieve@abmbrokerage.com](mailto:genevieve@abmbrokerage.com) or 267-825-9254). Further, we are now actively working to expand ABM's capabilities beyond workers' compensation. You can expect a variety of announcements to flow throughout 2021 as our desire to be a sole solution for both insureds and brokers that operate in the wood niche begins to take form.



# THE DOVETAIL:

## What's in a Cyber Liability Insurance Policy?

Cyber insurance coverage: Do you have it? Do you need it? Do you know about it? And where can you get research and or help?

Let's face it, computers, networks, and electronic data are essential for doing business, any business, in today's economy and world. We all rely on digital tools to get the job done every day. It no longer matters whether you are a small, mid-sized, or large business; business today is conducted electronically, and **no one today is safe from cyberattacks.**

That's why we're working to make cyber liability insurance available to more and more of our customers. In most states, our insureds already have a limited cyber coverage built into their policy.

Once we are approved to offer it in the last few states, we will be able to offer it to even more customers.

PLM's Cyber Suite includes 5 essential coverages:

- *Response and expense coverage*
- *Computer attack coverage*
- *Cyber extortion coverage*
- *Data compromised liability coverage*
- *Network security liability coverage.*

How much coverage do you have? Well, our standard policy offers \$50,000 of coverage with a deductible of \$1,000, but in certain instances more coverage at higher deductibles is indeed available.

Perhaps just as important as the coverages included is that your business also has free access to cybersecurity services including eRiskHub®, a risk management portal designed to help you prepare and respond to data breach and cyberattacks.

Visit [www.plmins.com/lm-cyber-21-1/](http://www.plmins.com/lm-cyber-21-1/) for the full article.



# PLUMB SAFETY:

## INTRODUCING SONICAIRE, A PROACTIVE DUST PREVENTION SOLUTION

For wood products and manufacturing operations, sawdust is inevitable and gathers on every surface. It is a constant challenge to combat the accumulation of this combustible dust. For many, this means costly manual cleaning measures and the need for housekeeping shutdowns to try to maintain a clean, safe environment.

We are pleased to offer a solution to our customers through our most recent partnership with SonicAire, a global leader in dust management technology to help solve combustible dust challenges.

Visit [www.plmins.com/lm-ps-sonicaire-21-1/](http://www.plmins.com/lm-ps-sonicaire-21-1/) for the full article.

## KEEPING ELECTRICAL WIRING AND HEATING SYSTEMS OPERATING

We've all heard tragic stories of a house or business going up in flames due to electrical wiring issues. Sadly, incidents like these are all too common. In fact, the National Fire Prevention Association found that electrical fires or malfunctions were the second leading cause of fires in residential homes from 2012-2016. Imagine what that means for an industry like ours that works with highly combustible and flammable materials like wood dust, glue and more on a regular basis. In the wood industry, electrical safety requires regular attention to prevent fatalities and injuries, as well as property damage and business interruption.

Visit [www.plmins.com/lm-ps-electrical-21-1/](http://www.plmins.com/lm-ps-electrical-21-1/) for the full article.

# ANYTIME RISK MANAGEMENT (ARM)

*PLM's Newest Loss Control Offering*



- 1 After walking through the process with a PLM representative, you'll receive a link to a personalized ARM survey.
- 2 Complete your ARM survey at ANYTIME on ANY DEVICE.
- 3 Submit your ARM to PLM - Your trusted representatives will take it from there.
- 4 Your PLM representative will consult with you on your operations. We'll answer any questions and offer recommendations to keep your business safe.

In four simple steps, Anytime Risk Management puts you in the driver's seat with risk management for your business. See your operations through a loss control representative's eyes to better understand the insurance and risk management process.

**Interested in taking control of your risk management?**  
Contact us at (800) 752-1895 or at [custserv@plmins.com](mailto:custserv@plmins.com) to learn more.



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**WITH YOU** *When You Need Us*

# SPOTLIGHT ON:

## PLM EMPLOYEES STEP UP TO GIVE TO THE UNITED WAY

Every year, PLM hosts a month-long United Way Campaign for our employees to give back to their local communities through donations, fundraising activities and volunteer events. With the pandemic, our campaign could not go forward as usual, but had to evolve into a virtual undertaking. What resulted was more successful than any of us imagined, dispelling any fears of the effects of the pandemic on our employees' dedication to charitable giving. The PLM family stepped up in a big way, especially during this time when many in our communities are experiencing great need.

An incredible 99 percent of PLM employees took part in the campaign with a total pledge of \$82,779.11, about \$7,000 more than the previous year. After the company match and additional donations from the various fundraising events, our United Way Campaign 2020 raised nearly \$180,000.

Visit [www.plmins.com/lm-sl-united-21-1/](http://www.plmins.com/lm-sl-united-21-1/) for the full article.

## HELPING CRISTO REY HIGH SCHOOL SING OUT

In 2020, PLM celebrated 125 years in business, and with this celebration came a renewed dedication to charitable giving and volunteerism in the Greater Philadelphia community. One of our most cherished community relationships is with Cristo Rey Philadelphia High School, a college preparatory, Catholic high school for students of all faiths.

For several years, PLM has worked directly with Cristo Rey Philadelphia and their students. As part of the school's work-study program, PLM hosts student interns, providing them with practical work experience, real-world skills and an introduction to insurance and the wood niche. Most recently, at our 125th anniversary dinner in February, their Choral Program performed for employees. Their performance was the highlight of the evening.

Visit [www.plmins.com/lm-sl-cristo-21-1/](http://www.plmins.com/lm-sl-cristo-21-1/) for the full article.

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