



Issue 2 – 2021

LUMBERMEMO

PENNSYLVANIA LUMBERMENS MUTUAL INSURANCE COMPANY



John K. Smith, President & CEO

It is truly with a heavy heart that I must open this edition by informing you of the passing of Kathleen Christine Dalton, PLM’s Assistant Vice President of Operations. While there is an article focused on Kathleen, it is noteworthy to say that she was a key member of our leadership team here at PLM. Her unexpected passing has been difficult for my colleagues and me to absorb. She was a good friend with whom I worked closely with for many years, a colleague who had my complete faith and confidence, and someone who excelled in working with customers and brokers alike. She was a talented and extraordinary insurance professional who understood the wood business and was taken from us much too young. Our thoughts and prayers are with her family.

As we move on to review the first quarter’s results, I must say to be honest, they are indeed mixed. After experiencing robust premium growth in 2020, we saw a slowing down in our production results. While revenue grew slightly on a year-over-year basis, we did not achieve the new business objectives that we set for ourselves in January or February. Somewhat cautiously and optimistically, March new business was very strong, and it appears that we had a very good April 1st, which bodes well for April production results. Renewal retention remains very strong, which we take as an indication of the value our customers perceive in a PLM relationship.

Profitability was negatively impacted by the Arctic weather that business owners in many states throughout the country endured. At the end of the day, this will be a major event for the insurance industry, and has had a negative impact on our first quarter profitability.

Policyholder surplus remained flat for the most part, over a year-end basis, but was up dramatically on a first quarter basis.

We continue to be concerned about commercial auto losses, particularly in the retail/wholesale building material dealer class **where we have not seen the significant improvements in terms of risk mitigation** that we are witnessing in the light and heavy manufacturing classes. Heavy and extra heavy trucks are the root cause of the problem which has only been exacerbated for those accounts located in metropolitan areas, and/or in less than favorable judicial environments.

While we are busy implementing and working on a significant variety of risk management and loss control programs focused on auto, these programs are not yielding the positive change that we would like to see at this stage. The reality is, it is becoming clear that management and ownership involvement at the customer level is the key to fixing this problem. Management and ownership must take an active role and be committed to improving the operating environment for their auto fleets. Without that key ingredient, all the loss control programs and premium increases in the world will not have the effect needed to bring profitability into this line of business.

Clearly, we are not alone in this. The entire insurance industry is reacting to the lack of profitability in the auto, general liability and umbrella classes, and the subsequent rate increases and the restrictions in coverage and capacity are becoming more problematic as the new year wears on.

The new program that we launched to insure Wood-Mizer equipment, and other types of portable sawmills is catching on and we are seeing a steady flow of this business, as noted in the following article in this edition.

I wanted to close my commentary with a few quick but important points.

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- Copper thefts have risen dramatically due to the rising price of copper. If you have facilities that are currently unoccupied or that you are rarely using, make sure they are secured tightly and think about installing some type of motion detectors on the property to alleviate this concern.
- If you have a facility that has been shut down, make sure you follow the machinery and equipment manufacturers' start-up procedures. If this equipment has been idle for any length of time, do not simply turn on the switch and walk away expecting everything to work normally! It is a quick way to a devastating loss.
- As we all know, property values are soaring. A recent insurance trade journal article indicated that 70% of businesses are underinsuring their properties today. Think about the soaring prices of building materials, and then ask yourself, do I have enough coverage? The answer is, likely no. We suggest that you reach out to our loss control and business development representatives for a conversation regarding this very topic. The last thing you want to do is be caught short after a loss from a property coverage standpoint.
- We have seen an increase in wood burning stove losses. If this exposure exists in your operation, we encourage you to review the risk management resources on our website on the proper insulation of wood burning stoves and our position on burn barrels. As always, our loss control and business development representatives are available for a conversation regarding this topic.
- Ask yourself when the last time you were in any cyber training for your team. We are doing it at PLM almost every quarter.

Unfortunately, we learned the hard way that this type of commitment was necessary. We recently heard of two or three lumber dealers who were forced to pay ransoms to get back control of their systems. Don't be the next one. If you would like some advice regarding the different types of cyber training available please feel free to reach out to Erin Selfe, our Vice President of IT, at eselfe@plmins.com. She can point you in the right direction to get your started with a smart cyber training program.

- After several years of profitability, we are seeing an increase in our EPLI claims (see accompanying article). The political environment, COVID-19, and the "Me Too" movement has heightened people's awareness and is driving activity. When you purchase EPLI coverage from PLM, you get more than just an insurance policy; there are a host of tools available to help you understand what needs to be done to control EPLI exposure in your business. It is always someone else's business that has the problem in this area until it is not.
- Our commitment to professional education continues to be strong. We are delighted to see one of our younger underwriters achieve her CPCU designation, the insurance industry's premier designation. Marlaina Hahn, who has a Risk Management degree from Temple University and has been with us a short two years, recently completed her last exam to earn her CPCU. We are extremely pleased to have her on the PLM team.

I covered a lot of material in this commentary, and I hope you came away with an idea or two that can help you move your business forward. Should you like to chat, please do not hesitate to reach out to me at jsmith@plmins.com or at 267-825-9246.



For 126 years, PLM has committed itself to serving the wood industry. As the industry, its people, and their business needs evolve, PLM has evolved as well - enhancing its own model and offerings to ensure we are providing the best insurance and risk management solutions to protect the industry we support and serve.

Today, we introduce a program for portable sawmill equipment coverage. While we have long entertained portable mills when they remain at an insured's premises, we have adjusted our own understanding of these businesses. By the very nature of the equipment, we recognize that most portable mill owners will, on occasion, take their equipment off premises. After completing a deeper analysis of the equipment and the risks facing these businessowners, we have developed a program to provide equipment and general liability coverages appropriate for portable mill owners.

Visit www.plmins.com/lm-sawmill-21-2/ for the full article.



By Chris Derby, Senior Customer Service Representative

The traditional method of mailing payments has long been referred to as "snail mail". A frequent question our Customer Service team hears is, "Did you receive my payment?"

COVID-19 has brought about many challenges for everyone over the last year and our US Postal Service is no exception. USPS has been down workers due to illness and stretched to capacity with increasing delivery demands. Add to that extreme weather, the holidays and now tax season and it's no wonder delivery has been affected.

Customers have expressed concern with mail delays, so we would like to offer some premium payment options of which you may not be aware.

First, PLM offers Electronic Funds Transfer (EFT). This safe and convenient form of payment is handled electronically between our bank and yours.

Visit www.plmins.com/lm-pay-21-2/ for the full article.



THE DOVETAIL: PROTECT AGAINST EPLI CLAIMS

As we continue to navigate the COVID-19 pandemic, the lumber industry has worked through a number of critical risks. One of the most frequent claims we've seen throughout the pandemic from our insureds has been employment practices liability claims (EPL). Employment practices liability claims include wrongful termination, workplace harassment, retaliation, discrimination and more. With staff changes becoming more frequent and with greater workplace challenges due to the pandemic, businesses have become more susceptible to EPL risks than before.

Properly insuring your inventory should always be a priority, since lumber businesses face threats from natural disasters, accidents, fires, and theft year-round. Now, with lumber inventory value so high, it has become especially important for lumber dealers to revise their policies.

There are several steps you can take to mitigate EPL risks. One of the best ways to protect your business against an EPL claim is to secure employment practices liability insurance (EPLI), which is often not included in a business owner's policy.

Visit www.plmins.com/lm-epli-21-2/ for the full article.



A GREAT LOSS TO THE PLM FAMILY

It is with deep regret that we share news of the sudden passing of PLM's own, Kathleen Dalton, Assistant Vice President of Operations. Kathleen passed away peacefully in her sleep on March 9, 2021.

Since joining PLM in 2003, Kathleen's steadfast commitment and dedication guided her rise in the organization. Starting as an Underwriting Assistant, Kathleen was later promoted to the role of Underwriter before entering a management development program in Operations.

Visit www.plmins.com/lm-loss-21-2/ for the full article.

DIRECT WRITER VS. BROKER

When purchasing insurance, one of the more important decisions you will make is whether to work with a direct writer or to work with an insurance broker.

The biggest difference between the two is whether they represent just one company or multiple insurance providers. A direct writer is an insurance company whose own employees are licensed to sell insurance products directly to you. The employees of the direct writer work in the interest of the insurance company and can only sell the coverages and services of that single company.

Insurance brokers work for you, the client. They are your legal representative and an advocate for you with the goal of helping you to meet your insurance needs. After a transaction, the broker is typically paid a commission from the insurance company, but in the end, they are your agent.

Working with an insurance broker comes with many benefits:

1. The broker is an independent, licensed professional who has access to multiple insurance companies in the marketplace.

Visit www.plmins.com/lm-direct-21-2/ for the full article.

WHEN YOUR CARRIER IS A BROKER

By Genevieve Ventiere, *Brokerage Marketing Manager*

You may have heard this from a PLM employee before – “We are not just interested in selling you a policy. We are interested in helping you build a full insurance program specific to your business and your needs.”

Coverage costs and availability are changing. You or your broker may have been told by any number of carriers that your delivery fleet is too large, your required Umbrella limits are now too high, or that there are very few workers' comp carriers available to you based on your business activity. We're well aware these phenomena are trending across the country and throughout the insurance industry. We're also aware of how they're specifically affecting our PLM customers and their brokers.

PLM has been a part of the wood niche for over 125 years and has spent those years getting to know your business, joining the trade groups in which you are a member, joining the agent and broker groups in which your representative is a member, and continuously following the wood industry and insurance market conditions. We do this so we are able to constantly hone our coverage offerings to best respond to your needs as your business changes, your coverage needs change, and the industry changes. This can sometimes require us to make significant shifts.

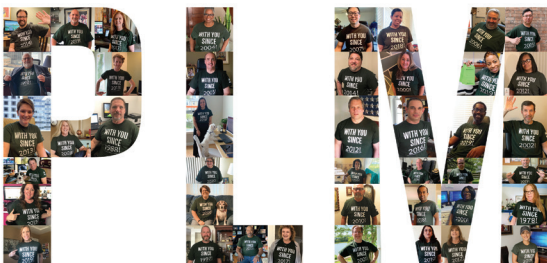
Visit www.plmins.com/lm-carrier-21-2/ for the full article.



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SPOTLIGHT ON: 5% DIVIDEND FOR THE NAWLA DIVIDEND PLAN

The North American Wholesale Lumber Association (NAWLA) Safety Group Dividend Plan with PLM earned a 5% dividend in 2020. This is thanks to their 24.69% group loss ratio after final calculations. Dividend checks will be sent directly to all participants by the end of April.

NAWLA is an international trade association that provides access to relationships and resources that improve business strategy and performance through sales growth, cost savings and operational efficiencies for wholesalers and manufacturers of forest products.

To qualify for the NAWLA Safety Group Dividend Plan or any of the other four dividend programs, you must be a member of that association and insured by PLM. For more information on existing programs, visit www.plmins.com/products-services/dividends/. If you have any questions about PLM dividend plans, please contact Susan Cho at scho@plmins.com or at 267-825-9350.

CURRENT PLM SAFETY GROUP DIVIDEND PLANS:



Our 2020 Annual Report is available @
www.plmins.com/about/financials/

