



Issue 4 – 2021

LUMBER MEMO

PENNSYLVANIA LUMBERMENS MUTUAL INSURANCE COMPANY



John K. Smith, *President & CEO*

The numbers are in for July, and we are quite pleased. Premiums surged to \$28 million, and it looks like we will produce a much needed underwriting profit for the month. Investment income and unrealized equity gains will further enhance our policyholder surplus to a record level north of \$176 million. This solid performance has had a positive impact on our year-to-date results by reducing over \$1 million of negative premium variance, reducing our underwriting loss by more than \$1 million, and by pushing our surplus to record heights. Thanks to timely payments from our policyholders, we also saw an improvement in cash flow.

July did also bring with it some sad news. W. A. Bissette, one of our long-time board members who had only retired from the PLM Board last April, passed away. You can read the article on this remarkable individual in this edition of the Lumber Memo.

Embracing Mutuality and Growth Through More Diversification

I rarely speak about our Board of Directors, but I thought I would take a moment to do so. A company that treasures its mutual form of ownership like PLM thrives on a diverse group of board members from a variety of backgrounds. We have always prided ourselves on the fact that we have had several wood industry-related clients on the board. They are complemented with members who have investment, accounting, insurance, and legal expertise, representing a wide variety of viewpoints. We are in the process of shrinking our current board from 13 down to nine or ten members over the next several years, which is more in line with where PLM's board has traditionally operated. We plan to use this change to diversify the board in other ways as well over the next 24 to 36 months. Diversification in our minds is a critical process to strengthening our governance and our future as an organization.

On the Road Again

We are back in the "show business", as we see a surge in trade shows hosted by the various wood-related associations and groups, as well as the insurance agent and broker organizations. It seems like everyone is looking to get back together face-to-face with record attendance touted by various association executives at the trade shows I have recently attended. It is great to be back out again amongst customers.

These in-person events also allow me to better gauge where we

are all headed from an economic viewpoint. The insurance business, like the wood business, has been and always will be a people and relationship business. While we can "Zoom", "WebEx", and "Teams" with the best of them, we like to be out shaking hands and chatting face-to-face with those who we insure and those we would like to insure, as well as stakeholders of all kinds.

Managing Fluctuations in Lumber Pricing

I have also started one-on-one meetings again with insureds. One of the things that has come to my attention is that we could do a better job with our insureds when it comes to helping them value their business property (building, contents, equipment, and stock). We are all aware of the increasing cost of lumber and building materials. It makes it very difficult to value your stock when prices are bouncing around as much as they are, but value it you must. We continue to offer a "monthly reporting form" to assist us in providing you adequate coverage during these times of instability. We are fully aware that this form is not ideal, but it is probably the best tool available to keep your stock properly insured during wild variations. Your PLM business development rep or underwriter should be able to work with you in designing a coverage platform that meets your needs.

This form alone, however, is not enough. The monthly reporting reform neglects to recognize values you are carrying on your

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building and your other contents including equipment. If we all agree the prices on lumber and building materials are soaring, think about what it is going to cost to rebuild your building!

Forget the idea that one of your contractors is going to give you a great deal (they won't). Too often, those conversations end when the dust settles after a loss and/or contractors have more work than they know what to do with (like now). If you have not looked at the cost to rebuild, now is time to do so. Again, PLM can help you here with several different tools. Reach out to your loss control or business development rep to start that process.

Equipment and contents coverage should be another topic of discussion. Probably more difficult than anything is to try to establish the value of the equipment that you have. After a loss, no one wants the same equipment. They want the updated, newer, and greater model. Also contributing to the problem, people often leave certain equipment off their policies for one reason or another. You need to look at the equipment you have and the coverage you have on it. It is much better to find out that you forgot to add a piece of new equipment to your policy before a loss occurs rather than after.

The Competitive Landscape

We have become aware that another carrier has decided to leave the sawmill and pallet market paving the way for continued turmoil in the heavy manufacturing marketplace. We are also hearing about changes in light wood manufacturing with a carrier or two no longer willing to write wood business. Many wood insureds are receiving cancellations or non-renewal notices because of this continuing upheaval. We, at PLM continue to remain committed to providing as much market stability and the best value for your

insurance premium dollar that can be afforded by any insurance carrier in America.

Are there cheaper prices out there? Absolutely. There are also insurers with inferior customer service and less understanding of your business, which is important from a risk management viewpoint – particularly in the event of a loss. We don't aim to be the cheapest, we aim to be the best value to our policyholders, to serve you in your time of need, and to provide consistent value for your hard-earned dollars.

A New Option for Workers' Comp

In closing, I would like to highlight the great job that the ABM Agency has been doing in the workers' comp arena. ABM (a division of PLM) commenced operations just over a year ago. We have the capability through ABM to provide PLM clients with competitive workers' comp quotes from a group of hand-selected carriers - carriers that can provide the same value to you that you have come to expect from us. These are carriers that have taken the time to learn the wood business from us.

So, with that said, on your next renewal, please ask your broker to provide us with the information necessary to offer a workers' comp quote to accompany your PLM renewal. If you would like to speak more about the workers' compensation capabilities of ABM, please reach out to Genevieve Ventiere at gventiere@plmins.com or at 267-825-9254.

As always, I look forward to conversations and your comments. Please do not hesitate to reach out to me at jsmith@plmins.com or at 609-513-0928.

COVERAGE TOOLBOX

CYBERCRIMINALS ARE OUT THERE.
HELP PROTECT YOURSELF.



Cybercriminals aren't picky. Like any criminal, they choose their victims based on opportunity, value and how difficult they are to steal from. Unfortunately, in the world of cybercrime, all that criminals have to do is spam thousands of e-mails and wait. It takes just one person in your network to click a malicious link, and criminals can gain access to your vital systems and bring your business to a halt.

We hear about these attacks almost every day. Earlier this year, the eastern U.S. was held hostage as a cyberattack brought the Colonial Pipeline to a halt, starving nearly a quarter of the country of fuel due to a single compromised password. The lumber industry has also been a target. In recent years, businesses touching everything from the extraction, production, transportation, sale and management of lumber have been impacted by malware attacks. While not every attack seizes sensitive customer data, they can

bring operations to a standstill that can last for weeks.

The key differentiation between the cyberattacks that make the news and the ones that take place every day is scale – cyber criminals look for vulnerabilities in businesses of all sizes. Often when blasting out malicious links, attackers will have no idea who they are targeting. They just want to see who will take the bait.

The attackers are not singling out specific targets, rather they are casting a wide net. The fish they do catch are then researched for vulnerabilities, and either have their computer systems held for ransom or have sensitive data stolen, and then similarly ransomed back to the owner. This puts any business that uses a computer at risk, including sawmills and other lumber producers that rely on automation to keep their operations running.

Visit www.plmins.com/lm-cyber-21-4/ for the full article.



PLUMB SAFETY:

A CLOSER LOOK AT HOW THE FMCSA CAN IMPROVE FLEET SAFETY

Fleet safety is an essential component of any lumber business. As the industry continues to grow, and businesses face increased demand, the strength of a fleet can make or break a lumber operation.

Unfortunately, managing a commercial auto fleet, no matter the size, comes with its own set of risk exposures – risk exposures that have led to an alarming upward trend in accidents and losses for our policyholders. In fact, in 2020, the Federal Motor Carrier Safety Administration (FMCSA) reported 156,325 crashes involving large trucks, with 4,566 fatalities and more than 68,000 injuries. That said, there is more we can do as an industry to protect our fleets and others on the road and there are many resources available to support these efforts.

First and foremost, lumber businesses should take the time to properly assess the strength of their current fleet team. All fleets should have a qualified fleet manager regularly monitoring their team to ensure proper safety measures are being taken. One of the best ways to do this is through the FMCSA. The FMCSA offers an online portal, named the CSA, which tracks fleet safety data across relevant businesses.

The CSA offers several critical resources for fleet managers. First, their Safety Measurement System (SMS) provides an easy way to track safety data throughout a business. For example, if authorities notice any deficiencies with load securement, tires, engines, substance abuse or hazardous materials during a roadside inspection, the driver and the company may be issued a citation, which will shortly after appear in the portal. The CSA tracks data over three years, providing fleet managers with ample information to assess the safety and behavior of their team.

The SMS addresses a company's fleet safety across seven important categories: unsafe driving, crash indication, hours of service compliance, vehicle maintenance, controlled substances/alcohol, hazardous materials compliance and driver fitness. Once in the portal, fleet managers can view data across these categories, which can help them identify deficiencies within their organization.

In addition to safety measurement, the CSA also has an interventions process, with features such as warning letters and on-site focused investigations, which can help managers work more efficiently with their teams to improve safety measures and compliance. Once a fleet manager notices any deficiencies within their team, they can use these intervention tools to address them. Furthermore, they should immediately alert senior staff to these deficiencies so they can begin the process of retraining these individuals if that is deemed the appropriate response.

Visit www.plmins.com/lm-fleet-21-4/ for the full article.

ADDING ANYTIME RISK MANAGEMENT TO YOUR TOOLBOX

Owning and operating a business comes with many responsibilities. Your stakeholders depend on you. Whether it's the customers you supply, the employees that you support, the community in which you serve, or your family that relies on you, you make a promise to each of them. A promise of safety, security, and longevity through the operation and growth of your business.

A single loss can put any of these promises in jeopardy. That's why PLM puts so much emphasis on consulting with insureds and educating the industry on risk management practices. Backed by 126 years of claims experience and only insuring wood businesses like yours, our site visits serve to assist you in maintaining a safety focus as you operate your business. Although we cannot be on-site with you every day, we seek ways to support your safety focus from near and far. That's why we're excited to have Anytime Risk Management (ARM) in our toolbox for you.

ARM is a loss control tool that puts you in control of the risk management review process with the same support and advice you're used to from PLM. Through a simple link, accessible on any device, you have the power to walk your operations and see them in a new light.

Adding ARM to your risk management toolbox comes with many advantages.

1. Works with your schedule: ARM surveys can be completed at any time of day and on any device. Rather than coordinating schedules, you can take ARM with you as you walk your operations throughout the day.
2. See your operation through your carrier's mind: Your ARM survey was created by the loss control professionals at PLM. The questions you answer are ones that your insurance carriers assess when reviewing your insurance program. Get an inside look at one of the core components of your renewal.
3. Get expert consultation: Your ARM survey doesn't end after you complete your walkthrough. PLM offers the same advice and consultation on risk management for your operations as it would during an on-site survey.
4. Keep your promises: Staying vigilant in your risk management practices can help protect your business and the promises of safety and continuity you've made to your stakeholders. ARM gives you an additional tool to stay on top of the risks that threaten your operations.

The process to completing your ARM is easy. In four simple steps, Anytime Risk Management puts you in the driver's seat with risk management for your business.

Visit www.plmins.com/lm-arm-21-4/ for the full article.



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WITH YOU *When You Need Us*

SPOTLIGHT ON:

CELEBRATING THE LIFE OF WILLIAM ARTHUR BISSETTE

It is with deep sadness that we share the news of the passing of former PLM board member, William Arthur "W.A." Bisette. Born in Goldsboro, North Carolina, Mr. Bisette dedicated his life to his family and friends, his community, and to the lumber industry.

Mr. Bisette graduated from North Carolina State University with a B.S. in Mechanical Engineering and received an M.B.A. from Harvard University. He also held the distinction Certified Financial Analyst.

In 1963, he began his career at Highland Lumber Co., Inc. located in Fayetteville, North Carolina. He later went on to purchase Highland Lumber Co. in 1984 and served as their chairman until retiring in 2009.

Mr. Bisette served on PLM's Board of Directors for the past 28 years during which PLM enjoyed exceptional growth.

Visit www.plmins.com/lm-bisette-21-4/ for the full article.

INTRODUCING THE PLM EXCHANGE

Pennsylvania Lumbermens Mutual Insurance Company is excited to announce our company's newest resource, The PLM Exchange. The PLM Exchange is our company's official blog source; this platform provides easy access to our industry-specific knowledge, ideas, and resources right at the fingertips of our valued customers and brokers.

The PLM Exchange will provide timely and relevant information regarding emerging trends and new risk factors within the marketplace. Easily gain access and stay up to date with fluctuations in the insurance and lumber industries by subscribing to the blog at www.plmins.com/plm-exchange. You can also read The PLM Exchange through the home page of our website, www.plmins.com, by selecting the blog tab in the top right corner.

Visit www.plmins.com/lm-plm-exchange-21-4/ for the full article.

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