



BrokerBULLETIN

Pennsylvania Lumbermens Mutual Insurance Company

Jan/Feb 2006

COMMENTARY - Review/Preview

John K. Smith, President & CEO

With the start of a new year, I thought it would be appropriate to take a moment and discuss PLM's 2005 results and some of our plans for 2006. We once again experienced a wonderful year from a financial viewpoint. Our combined ratio was below 100 for the fifth year in a row, with a loss ratio of 62.7% and an expense ratio of 31.25%. We experienced premium, asset and surplus growth that met our expectations and experienced all time highs in each of these performance measurements. I am proud to tell you that in spite of some very difficult hurricane activity encountered in 2005, PLM has never been stronger financially in our 110 year history than it is today.

Against that backdrop, I thought it would be appropriate to explore some of the plans that we foresee in 2006. First off, in spite of our excellent experience as a company in 2005, we did experience terrible hurricane losses with both Katrina and Wilma. In fact, these two events are probably the worst catastrophe losses we as a company had ever experienced. Our conservative purchase of reinsurance allowed us to pass a significant portion of these losses along to our reinsurers and thus allowed us net results referenced in the first paragraph. Unfortunately, the reinsurers, upon which we depend so heavily, had significant losses on the PLM account in 2005 in the catastrophe area.

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Consequently while we have renewed all of our reinsurance coverages, we did experience a significant increase in our catastrophe reinsurance pricing (as did most companies in the U.S. even if they didn't suffer catastrophe losses). Further, we saw an increase in our general property reinsurance program



which absorbed some of the hurricane losses as well. Again, this was the norm for almost all companies doing business in the U.S. So while we were able to renew all of our reinsurance coverages with a solid group of financially secure reinsurers, we did so at an increased cost. This will put upward pressure on our renewal pricing in some geographic areas of our marketing territory and on some accounts within those territories.

We will continue to stress the need internally with our staff to improve our levels of customer service, in particular in the policy processing and premium collection area. We've learned a lot of lessons in the handling of claims associated with the hurricanes in 2004 and 2005, and we mean to implement appropriate measures to benefit from those lessons in the coming year.

For a number of years, we have been looking closely at our systems environment and we would expect to spend quite a bit of

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Oklahoma Lumbermen's Association Endorses PLM

The Oklahoma Lumbermen's Association has endorsed Pennsylvania Lumbermens Mutual Insurance Company as their Property and Casualty insurance carrier of choice. PLM will be providing a Safety Group Dividend Plan available to members of the association. The purpose of the plan is to reduce overall insurance costs of the group, by way of a dividend, through a conscientious program of loss prevention and reduction.

The OLA was founded in 1947 and it has dedicated itself to the advancement of the lumber products industry. It is a trade association representing retail lumberyards, building material dealers and home centers within the state of Oklahoma. The OLA is "a voice for Oklahoma's lumber industry". Some of the objectives of the association are to "speak with a single, strong resolute voice to all levels of our government" and to "promote the sales and expanded use of the industry's products and services".



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Broker Bill of Rights

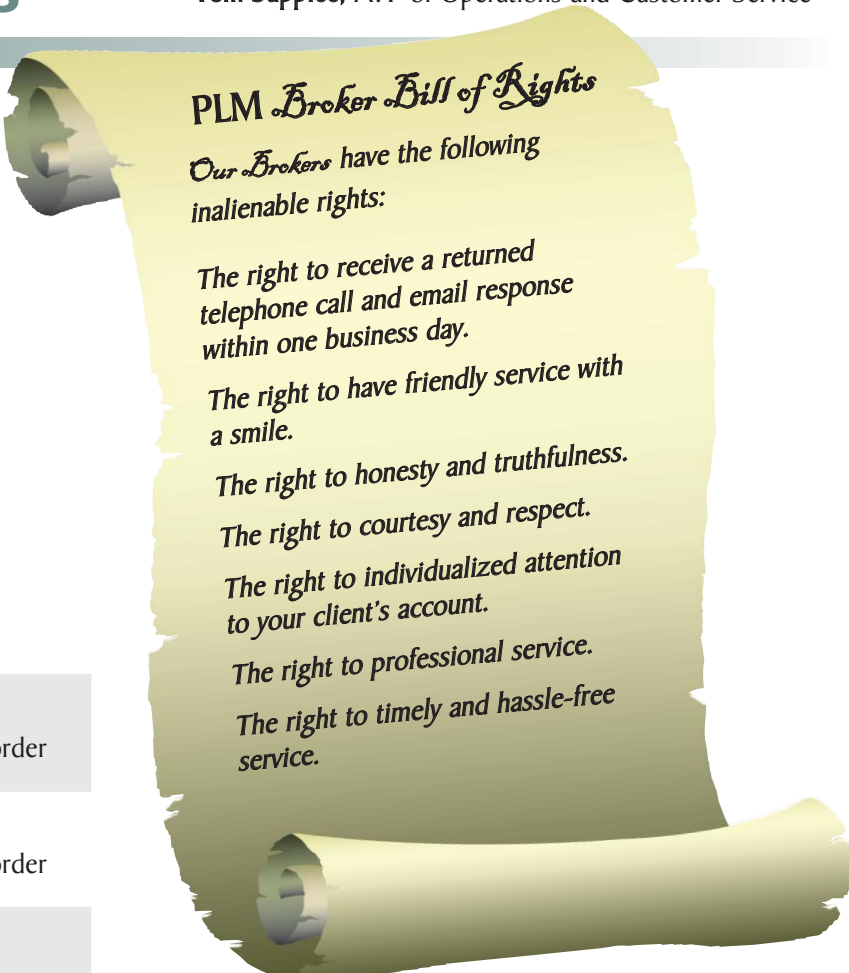
Tom Supplee, AVP of Operations and Customer Service



Last year, PLM established two important documents for our Brokers. The first document was the “Broker Bill of Rights” announced in our May/June 2005 edition of the Broker Bulletin. The other document was “PLM Service Standards” in our July/August 2005 edition. PLM is committed to providing our Brokers these minimum standards and striving to meet them on a consistent basis. We have made great progress in meeting these objectives, but we still have room for improvement. I want to restate our commitment to our Brokers in providing World Class Customer Service for your needs.

Broker Service Agreement

SERVICE STANDARD	EXPECTATION
New Business	Quoted by “Need by Date” Mailed within 10 days of bind order
Renewal Proposal	30 days prior to renewal Mailed within 10 days of bind order
Endorsements	45 day turnaround from receipt
Premium Discrepancies	Resolved within 24 hours
Technical Services Survey	<ul style="list-style-type: none"> Original Survey completed for Property, GL, Auto and WC lines of coverage within 120 days of policy inception for screened accounts Large Specialized Accounts will be placed on “Blueprinting for Success” Service Plans within 120 days of policy inception Loss control recommendations will be submitted to customers within 30 days of field visit
Claims - First Reports	Assigned within 4 hours of receipt
Phone Calls Returned	Same business day
Email Returned	Same business day
Second Request	Resolved within 24 hours



PLM Broker Bill of Rights

Our Brokers have the following inalienable rights:

The right to receive a returned telephone call and email response within one business day.

The right to have friendly service with a smile.

The right to honesty and truthfulness.

The right to courtesy and respect.

The right to individualized attention to your client's account.

The right to professional service.

The right to timely and hassle-free service.

In August 2005, PLM streamlined the Business Automobile endorsement processing by establishing a dedicated PLM member to screening change requests. We have established an email address that you can send Business Automobile Endorsement requests to as follows:

endorsements@palumbermens.com

I would be glad to hear from you should we not meet our commitment to our time service standards. Please do not hesitate to provide me with an opportunity to assist you with your request by contacting me at:

Thomas Supplee
AVP, Operations and Customer Service
Voice: 215.625.9233 x583
Cell: 215.806.5020
Fax: 215.592.0605
Customer Service: 800.752.1895
Email: tsupplee@palumbermens.com

Quality and service expectations have been established for all divisions within PLM. We enjoy hearing positive comments on our improving service and meeting the needs of our Brokers. Our company is focused on YOU! Please give me a call and allow me to assist you with your needs.

Late Claim Reporting

Ray Rogers, Claims Representative

Recently, we seem to be getting an influx of automobile claims that are reported to us several days, if not weeks, after the loss has occurred. This matter can become costly; especially if your client's vehicle or the claimant's vehicle is not drivable and has been towed to a storage yard.

Towing companies charge several hundred dollars to tow heavy vehicles away from an accident scene. They charge thousands for turned over tractor-trailers. Storage yards also charge anywhere from \$25 to \$75 per day to keep the vehicle at their location. If both the tractor and the trailer are there, they will charge your client separately for each which doubles their storage fees. These fees add up rapidly and over a few days time can become very costly.

As the broker, we ask that you reinforce with your clients the need to report any automobile claim immediately. PLM recommends that you instruct their drivers to tell the towing company to tow the vehicle back to the insured's nearest location if at all possible. If you are too far out and the police officer instructs the tow company to take it to a storage yard, they should report the loss to you as soon as possible so we can keep this end of the loss to a minimum.



Regarding the claimant's vehicle -- it may appear drivable, but it may not be safe enough for the road. If the claimant's

vehicle is not drivable and the loss is not reported promptly, the same towing and storage fees listed above will apply. In addition to those, the claimant may also need a rental vehicle to get to work. If the damaged vehicle is a commercial vehicle, they may lose business due to the accident. These two additional costs on top of towing and storage fees drive the cost of the claim even higher.

So please remember to *help us* by continuing to remind your clients to report their automobile claims to you in a timely matter, so we can *help them* by keeping the costs of their losses to a minimum.

COMMENTARY - Review/Preview

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time in analyzing potential long-term system solutions to improving our efficiency, quality and customer service.

Our westward expansion will continue as we look to broaden our marketing territory. Having gained approvals last year in North Dakota, South Dakota, Kansas and Nebraska, we will work hard to establish our marketing base in those states while continuing our efforts to gain licenses in the southwestern part of the U.S.

We expect to see expansion in our loss control, technical services and field operations to support our westward expansion thus providing our brokers and their clients more localized support and service.

Lastly, we will be looking to continue strengthening our relationships with many of the wood trade associations that we are members of, while joining forces with them to more effectively communicate the value of a PLM relationship with their membership.

In short, we expect 2006 to be another good year for PLM and our brokers. As always, if you have any questions, please do not hesitate to contact me at 215.625.9233 x502 or at jsmith@palumbermens.com.

As always, we thank you for your continued business and support. ■

OLA endorses PLM

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Some of the features of the Safety Group Dividend Plan include:

- Coverages placed in the safety group plan will be Property, General Liability and Business Automobile written through PLM.
- The plan year runs from January 1st through December 31st, but your client may join at any time during the plan year and any earned premium for the period is eligible for the dividend calculation.
- PLM works on an open brokerage basis -- that means you the broker may access PLM and the OLA Program with no contracts or premium commitments.
- PLM is an insurance company that has focused on the lumber industry for over 100 years. We understand the business insurance needs of your clients.
- PLM will always be a market for your client. "Wood is all we do!"
- PLM is rated "A Excellent" by A.M. Best & Co.

We are pleased that the OLA has selected PLM as their endorsed underwriter for this program. Should you have a client that is a member of the OLA and is interested in joining the safety group, please contact Ellen McGurrin at 800.752.1895 x680 or at emcgurrin@palumbermens.com. ■



**Pennsylvania Lumbermens
Mutual Insurance Company**
170 South Independence Mall West
Philadelphia, PA 19106

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wood is all we do.

Pennsylvania Lumbermens Mutual Insurance Company specializes in Property and Casualty insurance services for the lumber, woodworking and building material industries.

PLM will be exhibiting at the following upcoming Agent & Broker shows:

PIA of Connecticut Convention	Mashantucket, CT	March 13-14
Capital "I" Day	Bethesda, MD	March 14
IIAB of SC Spring Conference	Columbia, SC	March 22-23
IIA of NH Mid-Year Convention	Concord, NH	March 28-29
IIA of NC Western Agents Conference	Asheville, NC	March 29-30
IIA of Maine Annual Convention	South Portland, ME	April 3-4
Buffalo "I" Day	Buffalo, NY	April 6
Minnesota IIAB Annual Convention	Minneapolis, MN	April 19-20
Big I National Legislative Convention	Washington, DC	April 23-29
PIA of New York - Long Island RAP	Great Neck, NY	April 27
Pittsburgh "I" Day	Pittsburgh, PA	April 28
PIA/IIA of North Dakota Convention	Minot, ND	April 30-May 2
Wisconsin Big "I" Convention	Madison, WI	May 3-4
Kansas PIA Convention	Wichita, KS	May 11-12

BrokerBULLETIN

President & CEO John K. Smith

VP of Marketing Gerald J. Healy, Jr.

Marketing Mgr./Editor Ellen S. McGurrin

Marketing Specialist Susan S. Cho

The Curtis Center
170 S. Independence Mall West
Philadelphia, PA 19106
PH: 215.625.9233
FX: 215.625.9097
Toll-Free: 800.752.1895
www.palumbermens.com

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Send all feedback to scho@palumbermens.com.



Stop by and see us!