



BrokerBULLETIN

Pennsylvania Lumbermens Mutual Insurance Company

July/Aug 2006

COMMENTARY - 2006 Update

John K. Smith, President & CEO

The second quarter is behind us and we are beginning to gear up for what we expect will be a great fall and year end to 2006. Profitability and growth, including renewal retention and total premium are all above target at the halfway point of the year. We have continued to increase our surplus, with upward growth in spite of a choppy investment marketplace. Our westward expansion continues as does our effort to enhance further our ability to process business and endorsements in a timely and accurate fashion.

Additionally this month we received more good news. PLM was named to the "Ward's 50 Group" once again for the second

consecutive year. You can read more about the Ward's 50 in the article that appears in this issue.

So, business is good and there appears to be clear sailing ahead. I would like to take this opportunity to invite you to consider expanding your book of wood business. We are eager to continue growing our book of profitable business and we invite you to focus on the niche to increase your agency's revenue.

If I may be of any service, please do not hesitate to contact me.



2005 ENAP Safety Group Program Earns Dividend

We are pleased to announce that a 5% dividend has been declared for participating members of the PLM/ENAP Safety Group Dividend Plan. The plan year ran from January 1st, 2005 through December 31st, 2005. The adjusted earned premium totaled \$5.9 million and the adjusted losses incurred totaled \$1.4 million, with the group finishing the year with a 24.82% loss ratio. This entitled all participants to receive a dividend check totaling 5% of their earned premium for the year.



ENAP, Inc. is composed of independent retail lumber dealers located on the east coast and as far west as Colorado. They are governed by a Board of Directors consisting of stockholders elected by their peers. All earnings are returned to the stockholders.

The PLM/ENAP Safety Group Dividend Plan began in 2001, with participants receiving a dividend in each of the five years, except one. Total dividends returned to members of ENAP over the five year period equal more than \$1 million. Dividend checks for the 2005 plan year were mailed to members in June.

LMC Members Earn 5% Dividend



Lumbermens Merchandising Corporation members enrolled in the PLM Safety Group Dividend Plan have earned a 5% dividend for the plan year January 1st, 2005 through December 31st, 2005. The group finished the year with more than \$7.1 million in earned premium. The total incurred

losses for the year were \$2.5 million and the group finished with a 35.6% loss ratio. That entitled the plan participants to a 5% dividend check.

The Lumbermens Merchandising Corporation consists of dealers that are "united in their sole affiliation to one purchasing organization, creating a strong foundation that supports the growth of unique supplier relationships and purchasing opportunities." PLM has provided a program for their members since January of 2000. Dividends have been paid in three of the six years, totaling almost \$1 million.

If you would like additional information on this or any of PLM's Special Programs, you may contact Ellen McGurrin at 800.752.1895 x680 or via email at emcgurrin@palumbermens.com.

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Top 50 Property-Casualty Companies

Jeff Rieder, President, Ward Group



(This is a reprint of an article that appeared in the July 24th issue of the National Underwriter magazine)

Annually, Ward Group analyzes the financial performance of over 3,000 property-casualty insurance companies domiciled in the United States and identifies the top performing companies. This group is called the Ward's 50 for the year. Each Ward's 50 company has passed all safety and consistency screens and achieved superior performance over the five years analyzed. The Ward's 50 property-casualty insurance companies produced a 14.1% return on average equity from 2001-2005 compared to 6.3% for the property-casualty industry overall.

The insurance industry today faces tremendous challenges including market pressures, expense management, technology, rising claim costs, compliance, legislation and more. Top performing companies take these challenges in stride. The best companies often do things differently in order to set themselves apart from the competition. In particular, these companies maintain efficient operating models, meet the needs of customers and successfully execute their strategy. Results from the Ward Group Benchmarking Programs confirm these findings and identify best practices that set the top performing companies apart from the rest of the industry.

Operational Efficiency

Due to technological advances and changing market conditions, companies must now manage significant changes in workloads and workflow that affect all areas of the organization. Top performing companies have 19% fewer employees when measured to premiums written. Web-based technology, predictive modeling and enterprise content management have significantly influenced operating models. The ability to adapt to new technology provides significant expense savings and a more efficient workforce. For example, imaging and automated workflow enable companies to centralize back office operations while keeping the customer-facing activities in the field. They also tend to do many of the little things right. For example, top performers maintain a staff to management ratio of 6.8 to 1, compared to 5.3 to 1, on average. A flatter organization produces a more efficient operation and also reduces company wide staffing costs. The difference in staff to management translates into a savings of nearly \$2,200 per employee, on average.



Customer Focus

With increasing demands by consumers, it is easy to get lost in the myriad of requests and even lose focus on your customers. Customer service has expanded to include more than just servicing the policyholder. Insurers recognize they have many customers to support, both external and internal. Top performers consciously service all customers, including policyholders, agents, employees and outside service partners. Superior customer service and ease of doing business significantly improve customer loyalty and retention.

Strategic Execution

In order to remain competitive, companies must clearly understand their core competencies to develop and execute corporate strategy. Top performing companies achieve superior results through combinations of effective distribution channels, technology, product focus and strong market knowledge within their geographic territories. Companies that capitalize quickly on these strengths gain a tremendous competitive edge.

2006 Ward's 50 Property-Casualty Companies (listed alphabetically)

Accident Fund
Acuity
Allstate Insurance Company
American Modern Insurance Group
Amerisure Companies
ANPAC
Automobile Club of Southern California
Auto-Owners Insurance Group *
California State Automobile Association
Canal Insurance Group *
Central Mutual of Ohio Group
Chubb Group
Church Mutual Insurance Company
Cincinnati Insurance Group *
Columbia Insurance Group

The Commerce Group, Inc.
Donegal Insurance Group
Farm Bureau of Michigan Group
Federated Mutual Group
Frankenmuth Financial Group
GEICO *
Germania Insurance Group
Grange Mutual Casualty Group
Grinnell Mutual Group
The Hartford Fire Group
Hastings Mutual Insurance Company
IDS Property Casualty Insurance Company
Indiana Farmers Mutual Insurance Company
Jewelers Mutual Insurance Company
Kentucky Farm Bureau Mutual Insurance Co.
Louisiana Workers' Compensation Corporation
Maine Employers Mutual Insurance Company
Markel Corporation Group
Mercury Casualty Group

Metropolitan Property and Casualty Insurance Co.
North Star Mutual Insurance Company
Old Republic Insurance Group
Pennsylvania Lumbermens Mutual Insurance Co.
Philadelphia Insurance Companies
Progressive Casualty Insurance Company
Protective Insurance Group
RLI Insurance Group *
SECURA Insurance Companies
Selective Insurance Company of America
Tennessee Farmers Mutual Insurance Co. *
United Fire & Casualty Group
USAA Group *
West Bend Mutual
Western National Mutual Insurance Group
Western World Group
* 16-year recipient (1991-2006)

"Open for Business" - Disaster Planning Toolkit Now Available

Disasters come in many different forms such as hurricanes, fires, snowstorms, long-term power outages, etc. Many businesses lack the resources, time and expertise to create a plan to deal with a major business interruption. That's one reason why at least one-fourth of all businesses close, never to reopen, following the impact of a disaster.

In response to this, PLM is pleased to make available to our policyholders, a disaster planning toolkit entitled "**Open for Business**" developed by the "Institute for Business & Home Safety" and co-sponsored by Pennsylvania Lumbermens Mutual. An "Open for Business" toolkit was sent to all of our policyholders back in May.

By utilizing the disaster planning tool "**Open for Business**", your clients can do the kinds of disaster analysis and recovery planning normally undertaken by much larger organizations. By using the planning tool, they will greatly increase their chances of staying in business after disaster strikes.

"**Open for Business**" features one version of its property protection plan for businesses that rent their location and another for businesses that own their location. The tool also accommodates multiple locations for a single business owner. The business recovery plan is composed of a variety of forms, which, when completed, are customized to help their business recover its essential business functions and to inform individual employees about their responsibilities.



In addition, we are offering a free half-day seminar on "Disaster Planning and Recovery". The seminar is aimed at assisting businesses in the lumber, woodworking and building material industries with planning and preparing for a "disaster" before it occurs. We'll provide a template to help guide a business through the planning process, what to do should a disaster occur and how to handle the aftermath so their business comes out stronger in the end. The seminar will be given by PLM's executive staff from the Claims, Technical Services and Underwriting Departments, with expertise on this subject matter.

PLM continues to make education a major corporate focus. Our goal is to assist our insureds with improving their businesses by passing on our industry expertise and knowledge through educational programs for both the business owners, as well as their employees.

Endorsement Processing Mandates

Thomas Supplee, AVP of Operations & Customer Service



In 2006, one of our mandates is to continue to solidify our relationships with our brokers through improved communication and service. Our goal is to provide you with your endorsements within forty-five days of the request. I would be glad to hear from you should we not meet this 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:

Tom Supplee
 AVP, Operations & Customer Service
 Voice: 215.625.9233 Ext 583
 Cell: 215.806.5020
 Fax: 215.592.0605
 Customer Service Toll Free: 800.752.1895
 Email: tsupplee@palumbermens.com

Auto Endorsements:

These include additions of *similar type vehicles*, deletions, loss payee, reduction in coverage and change in deductibles.

Send these to Endorsements@palumbermens.com.

Second Request on All Endorsements:

Send to tsupplee@palumbermens.com or call me on my cell phone at 215.806.5020.

I would like to emphasize my availability in supporting your needs. For this reason, please do not hesitate to call me on my cell phone at any time.

Quality and service expectations have been established for all processing and underwriting positions within PLM. We enjoy hearing positive comments on our improving service and meeting the needs of our brokers. Our company is focused on YOU!





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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.

Customer Appreciation Dinners

As a way to express our appreciation to our PLM customers, we have been holding small dinners throughout the country, with the sole focus being to thank our customers for their business. It also gives them an opportunity to meet John Smith, PLM's President and CEO. Many times, these dinners will be held at a trade show or convention at which many of our customers are in attendance. Along with John are other members of the Management team, along with the local Field Representative.



As the insurance brokers for our policyholders, we would like to stress to you that these dinners are only meant to thank customers for their business. There are no sales pitches or presentations at these events. It is just a good opportunity for PLM to see the faces of the policyholders who entrust their business with our compa-

ny. It also allows us to provide better customer service to our policyholders by hearing firsthand about their specific issues and experiences.

Thus far, we have received a positive response to our dinners. Many of our policyholders have enjoyed the interaction with PLM as well as with fellow industry business people. It has also solidified the relationship between you, their broker, and PLM as their specialty carrier.

In addition to these "Customer Appreciation" dinners, we have held several small broker luncheons and dinners. These are to introduce PLM to some new brokers, as well as thank our current brokers for their support and partnership with PLM. Again, these have been very well received. We hope to continue to offer these on a regular basis throughout the country in the coming year.

Broker **BULLETIN**

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