



BrokerBULLETIN

Pennsylvania Lumbermens Mutual Insurance Company

Mar/Apr 2006

COMMENTARY - First Quarter Results

John K. Smith, President & CEO

Well, the first quarter looks to be behind us. While we will not release our numbers until later this month, it looks like another strong quarter for PLM and the brokers that work with PLM and the wood niche. We are looking at another combined ratio south of 100% with strong asset and surplus growth. Our direct written premium will be up over 8% on the strength of great first quarter new business results. Our brokers wrote 218 new accounts generating in excess of \$5 million in new premium. Renewal retention was close to 90%.



reaffirmed our "A Excellent" rating. Our westward expansion seems to have begun to root nicely, and we are making very tangible efforts in cleaning up the policy processing backlog.



We are looking forward to another great year! So if you are not thinking wood, why not take a moment to consider your new business efforts and think about spending some time in the wood niche. With a hit ratio at almost 50%, your time will be well spent.

We were delighted to get confirmation recently, that A. M. Best

Thank you for your business and support.

A.M. Best Reaffirms PLM's "A Excellent" Rating

A.M. Best, one of the most recognized and respected insurance industry rating organizations, has reaffirmed PLM's "A Excellent" rating with a "stable" outlook. The report was released on March 21, 2006.

The rating rationale reflects PLM's "very strong capitalization, strong operating results and the company's established market presence". The write-up goes on to state that "Driven by management's corrective actions that were implemented several years ago.... the company has reported very strong operating results over the most recent five year period. Underwriting results have been stellar as PLM's five-year average combined ratio approximates 95%."

PLM has maintained a rating in the "A" category since its inception in 1895. In our view, maintaining our financial strength, stability and strong underwriting results is crucial for our policyholders and the company's continued success going forward.

ABS Endorses PLM



home center in a twelve state area.

The Allied Building Stores, Inc., a wholesaler of lumber and building materials, has endorsed Pennsylvania Lumbermens Mutual Insurance Company as their carrier of choice for their Property/Casualty insurance program available to their members. ABS is 100% owned by its 210 dealer members, each of whom operates an independent retail lumber business or

home center in a twelve state area. The group, formed in 1965 and led by their President, Laddie W. Woods, is based in Monroe, Louisiana. They now have members in Alabama, Arkansas, Florida, Georgia, Kansas, Kentucky, Louisiana, Mississippi, Missouri, Oklahoma, Tennessee and Texas. Their mission is "to enhance its members' abilities to compete favorably in the marketplace by reducing the costs of goods and services that each dealer must purchase in order to operate."

PLM now offers ten Safety Group Dividend Plans to various Trade Associations and Buying

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Technical Service Rep Retires

This past February, Rick Ellyson, our Technical Service Representative for the state of Florida retired from PLM after 11 years of dedicated service.

Rick had an extensive background in risk management and fire safety. He served in the United States Air Force as a Fire Protection Specialist. Following his military service, he served as a firefighter for the Detroit Fire Department. In 1974, he took the position of Deputy Fire Chief and Training Director for the City of Troy Fire Department.

Once he reached Florida, he was named the Assistant Fire Chief for the Spring Hill Fire and Rescue in Spring Hill, Florida. In 1993, he went into the private sector as an Advanced Fire Protection Specialist for a private firm.

Rick's expertise was fire safety training. During his tenure at PLM, he was able to share his vast knowledge and experience with many of our brokers and customers in Florida. There is no telling how many fires or accidents he may have prevented through the risk management services he provided during his career as a Technical Service Representative with PLM.



All of us at PLM wish Rick a happy and healthy retirement!

DiFrancesco To Replace Retiring Ellyson

Joe DiFrancesco, PLM's long time Senior Field Representative for the state of Florida, will be replacing the retiring Technical Services Representative, Rick Ellyson. Joe will continue to serve the Florida territory. This change will allow PLM to balance both the technical and customer service needs of our brokers and insureds in the state.



Joe joined PLM in 1987 as a Field Representative in Florida. During his tenure at PLM, Joe has won three Crystal Awards for balancing new account growth, retention, customer service and profitability. His most recent award was in 2003.

In moving to his new capacity as Technical Services Representative, Joe will not only bring with him his deep knowledge and experience in the lumber niche, but also his enthusiasm and unrelenting focus on customer service. We are confident that Joe will quickly establish himself in his new role and become as valuable an asset to our insureds in a Technical Services capacity as he was as a Field Representative. This change will ensure that we continue to provide you with a high level of attention and service.

Please join us in congratulating Joe and wishing him all the best in his new position.

New Field Rep in South Carolina



We are pleased to announce the addition of a new Field Representative in the state of South Carolina. Bill Harraman has joined PLM as the Field Representative covering a majority of the state of South Carolina.

Bill has an extensive insurance background, spanning over twenty-five years. He has worked for numerous agencies, as well as insurance companies in the capacity of Account Representative, Customer Service Agent, Territory Manager and Production Underwriter. Bill will be able to provide you with a high degree of service, as he has worked on both the company and agency sides of the business. He is familiar with the types of issues and problems facing our brokers on a daily basis.

Bill earned his Bachelor of Arts Degree from The Citadel in Charleston, SC and his Master of Business Administration Degree from National University. In addition, he holds the Chartered Property & Casualty Underwriter (C.P.C.U.) designation, the Associate in Loss Control Management (A.L.C.M.) designation and the Associate in Commercial Underwriting (A.U.) designation.

Bill will be covering a majority of the state of South Carolina. For brokers in that area, Bill will be calling on you in the near future. In the meantime, please feel free to contact him should the need arise:



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Owners and Contractors Protective (OCP) Liability

Randy Zellis, Assistant Vice President of Technical Services



Owners and Contractors Protective Liability policies protect the interest of someone hiring a contractor. This monoline policy protects an insured's vicarious liability, arising out of operations performed for them by independent contractors and situations where there is general supervision of work performed by an independent contractor. An insured may be a business owner, an owner of property, a tenant of property or a contractor. This type of coverage is generally designed to provide liability protection under a contractual arrangement for a specified project.



The definition of vicarious liability, under this coverage, is when one party is held responsible for the actions or conduct of another party based solely upon the contractual relationship between two parties. For an OCP policy, the named insured, who is a property owner, project owner, general contractor or other contractor is held liable for the acts of a hired contractor, sub-contractor or independent contractor who is working for or on behalf of the insured.

Business owners or contractors often seek to cover their vicarious liability arising out of work performed by independent contractors on a separate OCP policy rather than covering this exposure on their own Commercial General Liability (CGL) insurance.

Business owners or general contractors are usually reluctant to cover work or services liability arising out of the acts of independent contractors on their own CGL insurance. The OCP policy is one risk transfer technique that can be implemented that will control a potential negative impact on their loss experience or deplete their aggregate limits as a result of claims arising from an exposure over which they have no real control.

Vicarious liability exposure stems from injury or damage caused by an employee under a strict employer-employee relationship

but can also be extended to liability exposures that are the acts of non-employees. Acts by non-employees include independent contractors.

Vicarious liability exposures can usually fall into three categories:

- (1) Work situations that are inherently dangerous;
- (2) Defined projects that impose non-delegable duties on the project owner under local, state or federal law, and
- (3) Negligence of a business in hiring an incompetent contractor.

There are several additional risk transfer techniques where business owners can manage their vicarious liability besides requiring the independent contractor to buy an Owners and Contractors Protective (OCP) Policy. Other alternatives include having the contractor hold the business owner harmless for losses arising out of the contractor's operations or to have the contractor add the business owner as an additional insured under the contractor's CGL policy.

When to write

To be eligible for the OCP policy, the insured must be the property owner or a contractor who has independent contractors or sub-contractors performing work on their behalf.

OCP coverage is intended to be a stand alone and is not meant to be written in conjunction with any other coverage. OCP is stand alone monoline coverage. The policy should be used only when a business owner or contractor requires another contractor, sub-contractor or independent contractor to furnish protective liability for an insured.

Coverage

An OCP policy provides coverage for the bodily injury or property damage from the operations of a sub-contractor or independent contractor, performed for or on behalf of an insured. The insured may be a business owner, property owner or a contractor.

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ABS Endorses PLM

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Cooperatives throughout the country. The programs return dividends to participating members based on the loss ratio of the group. Over the past five years, we have returned over \$5.8 million to members of these programs.

For a complete listing of all of our plans, log on to our website at www.palumbermens.com, go to "Industry Resources" and click on "Special Programs". There you will find information on each group, as well as links to their websites with information on other benefits and how to go about joining the organization. If you have a client that may be eligible for any of the PLM plans or if you have any questions, please contact Ellen McGurrin at 800.752.1895 x680 or via email at emcgurrin@palumbermens.com. ■

Current PLM Safety Group Dividend Plans:

Allied Building Stores, Inc. (ABS)
 Eastern Building Material Dealers Association (EBMDA)
 ENAP, Inc.
 Independent Builders Supply Association (IBSA)
 Lumbermens Merchandising Corporation (LMC)
 New Jersey Lumber Dealers Association (NJLDA)
 North American Wholesale Lumber Association (NAWLA)
 North Carolina Forestry Association (NCFA)
 Oklahoma Lumbermen's Association (OLA)
 Progressive Affiliated Lumbermen Cooperative (PAL)



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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.

Owners and Contractors Protective (OCP) Liability ...continued from page 3

The OCP policy responds to vicarious liability from the operations of an independent contractor or sub-contractor. The coverage extends to include the business owner or another contractor. Ongoing or current losses and litigation, known by the insured, prior to the policy inception date are not covered under the policy.

Coverage limitations

OCP policy coverage is strictly limited to a specific project or contract. Coverage ends when the project is complete or the contract is fulfilled. The policy is written one year at a time and requires that the policy be renewed after one year if the project extends beyond the policy expiration date.

The policy does not provide insurance coverage for all of the operations and exposures of an insured. The policy responds only to vicarious liability situations between the insured and a contractor. The policy coverage is very specific and is limited to a defined project or contract with a specific period of time.

An OCP policy contains four exclusions. The exclusions are identical in wording to CGL policy exclusions:

- *Expected or intended injury;*
- *Workers compensation;*
- *Injury arising out of employment; and*
- *Pollution (there are exceptions to the pollution exclusion).*

Bodily injury or property damage liability does not apply after a contractor's work has been completed. The OCP policy is the project owner's vicarious liability. The OCP policy does not extend coverage when the project owner's own negligence is the cause. ■

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