



Broker **BULLETIN**

Pennsylvania Lumbermens Mutual Insurance Company

Fall 2008

COMMENTARY: **Challenging Times**

John K. Smith, President & CEO

When our numbers for the third quarter of the year are published in early November, PLM will record a drop in surplus and an underwriting loss for the first time in many years. Keeping in mind that ours is a severity-driven niche, our numbers can turn very quickly depending on large loss activity. The unusual weather events that we have endured this year as well as a soft marketplace and the downturn in the housing industry have created quite a challenge for us. From an investment standpoint, the tremendous drop in the equity markets and reduction in interest rates has likewise contributed to continuing poor results this year.

On one hand, and most importantly, we are disappointed in where we find ourselves as a company at the nine month mark. On the other hand, we are pleased that we have maintained the financial integrity and strength in our balance sheet over the years that has allowed us to absorb the type of results that we have had this year. We continue to be a financially sound market for your wood business.

We do not have any of the exotic financial instruments in our portfolio which caused such tremendous havoc in the investment marketplace. We had previously trimmed our equity holdings in Fannie and Freddy Mac. In mid-September, upon recognizing that our underwriting loss was going to be much higher than we are comfortable with, we wisely decided to leverage down our investment portfolio risk. We moved a substantial amount of funds out of the equity market into the fixed income marketplace, thus insulating us from the wild gyrations that occurred late in the month.



Both Ike and Gustav impacted our results and while neither was large enough to cut too deeply into our CAT reinsurance program, they absorbed our entire retention. This, combined with an increase of large fires during September, doomed the month from a profitability standpoint.

Production was extremely strong for the month with over

Continued on page 4...

Improving through PLM Surveys



Within the past couple years PLM has focused on how to offer better service to our insured and brokers. We have evaluated what the issues were and developed solutions to better serve you. Through the creation of the Operations and Customer Service Division, the enforcement of the PLM Broker Bill of Rights, and the improvements made in our endorsement processing, we have improved the quality and service from all the departments within PLM.

PLM's focus continues to remain on improving our service standards. Whether it is in our new business procedures or in our claims service, we are committed to providing superior service in a professional and fair manner. The best way to do this is to hear from our customers and brokers directly on how we are doing.

We have added a survey on our website to allow our insureds and brokers to provide feedback on their experiences with PLM. We hope to use this to better serve you and address any issues that need improvement. With your help, we can offer the "World Class Customer Service" that we feel all our policyholders and brokers are entitled to.

The link to the survey can be found on the homepage of our website, www.plmins.com. It can also be accessed directly at www.plmins.com/survey. There are currently two types of surveys available: Claims Survey and Customer Service & Billing Survey. Each survey is only a few questions and there are sections to type any extensive comments/feedback you may have. Please take the time to let us know what you think. Thank you for your help!

In this Issue:

Enrolling Your Clients 2

Teacher Forestry Tour 3

BrokerBulletin by Email 3

PLM Increases Umbrella Capacity 4

Enrolling Your Clients in a Safety Group Dividend Plan

Susan Cho, Sr. Marketing Specialist

One of the benefits we provide for our insureds are Safety Group Dividend Programs with specific associations and buying co-operatives. If an insured is a member of one of these groups, they are eligible to be enrolled into the Dividend Program and gain potential dividends based on their earned premiums. PLM has paid out over \$18 million in dividends to our customers over the years.

One of the common questions that have come up from our brokers is how to get an insured enrolled into one of our programs. Too often, this question comes up following a recent dividend paid to one of our Safety Group Plans where their client may have missed out on the dividend.

There are only two conditions to be eligible for our plans:

- They must be a current member of the association or buying co-operative related to the plan (*not an associate or vendor member*)
- They must be a current insured of PLM

Based on those two conditions, the enrollment process is as follows. We need to be notified of an insured's membership to a Safety Group Plan Association and need to verify it with the Association. **Most importantly, we need a signed Dividend Election Form from the insured requesting their enrollment into the plan.** Once both items are completed, we can then enroll them into the plan.

The PLM Marketing Department has been working to improve our process for enrollment into our plans. We receive membership lists from most of our group programs which we check against our current customer list. If we find an account that is a member of one of the associations or buying co-operatives but not enrolled in the Dividend Plan, we immediately send out a letter with a dividend election form to the insured and a copy to the broker. We have also begun reviewing all new accounts upon writing against our group lists to ensure they get enrolled into a program.

Again, they are sent a letter with a dividend election form to be enrolled.

Even with these checks in place, there occasionally may be an insured that does not get enrolled in a plan and misses out

on any dividends paid. We ask that our brokers help with this process. If you have a customer that is member of one of these groups, make sure they sign a dividend election form and send it in. Ask your clients to see if they are in an association or buying co-op. Explain what the Safety Group Dividend Plan is to your clients and how it is a benefit to them.

Below is a listing of all of PLM's current Safety Group Dividend Plans. Information on each group can be found on our website at www.plmins.com under Industry Resources – Special Programs. We have also added a copy of the Dividend Election Form on that page. You can download a copy and use it to ensure your clients are enrolled in one of our plans. Please make sure you specify which group plan the insured would like to enroll in.

You may contact me with questions you have on any of our Safety Group Dividend Plans. You can reach me directly at 267-825-9350 or at scho@plmins.com. We hope with your cooperation, we can ensure all our customers and your clients who are eligible for a dividend plan are enrolled and that they do not miss out on any potential dividends.

Is your client a member of any of these groups? Don't let them miss out on any potential dividends!

Allied Building Stores, Inc. (ABS)

Eastern Building Material Dealers Association (EBMDA)

ENAP, Inc.

Independent Builders Supply Association (IBSA)

Kentucky Building Materials Association (KBMA)

Lumbermens Merchandising Corporation (LMC)

New Jersey Building Materials Dealers Association
(NJBMDA)

North American Wholesale Lumber Association (NAWLA)

North Carolina Forestry Association (NCFA)

Oklahoma Lumbermen's Association (OLA)

Progressive Affiliated Lumber Cooperative (PAL)

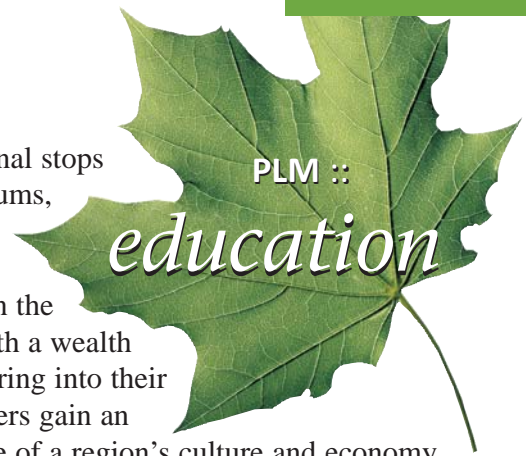
Wisconsin Retail Lumber Association (WRLA)

Teacher Forestry Tour

PLM is a strong supporter of education. One of the ways we support education is through a program available through the Temperate Forest Foundation. They have developed a comprehensive three-day woods and mill tour for 3rd - 8th grade science teachers throughout North America. Teachers are sponsored by various local businesses that pay for their expenses. They attend a tour in a specific region of North America. This year, the Teacher Forestry Tours were held in Starkville, Missouri; Portland, Oregon; Escanaba, Michigan and Catskills, New York.

Each tour consists of a historic overview of the area and visits to a variety of mills including paper, engineered wood, solid wood and treated wood. The teachers also visit

numerous educational stops consisting of museums, state parks, experimental forests and learning centers. In the end, they return with a wealth of information to bring into their classrooms. Teachers gain an in-depth knowledge of a region's culture and economy and how sustainable forestry is practiced in various regional landscapes. This knowledge is passed on to their students in an effort to educate and raise hope about our ability to practice sustainable forestry. For more information on the Teacher Forestry Tour program, you may visit their website at www.forestinfo.org.



BrokerBulletin by Email!

PLM is now offering the option to receive the BrokerBulletin by email! With this change, we hope to more efficiently produce the BrokerBulletin and distribute it to you in a timelier manner. This will also allow you to distribute our newsletter to a wider audience in your place of business.

We currently print approximately 7,000 copies of the BrokerBulletin, four times a year. Changing to an electronic format will help to reduce paper printing. This is not only a costly operation, but will allow us to drastically reduce any paper waste.

To sign up for our electronic version of the BrokerBulletin, we ask that you provide us with your name, email address and company name. You can contact us at newsletter@plmins.com to request to be put on the BrokerBulletin email list. Once on the email list, you will begin to receive the BrokerBulletin quarterly as a PDF attachment in an email. A PDF of the current BrokerBulletin as well as past issues can be also found on our website at www.plmins.com, under Industry Resources – Broker Bulletin and LumberMemo.

We will be slowly making this transition and hope to eventually make the newsletters available only electronically. By doing this, we can provide our newsletters quicker and with more convenience to our brokers. Help us “go green” and move towards being paperless.



The following is an excerpt from a letter we received from the teacher PLM sponsored this year. Diane Nell attended the Northeast Teacher Forestry Tour in Catskill, New York this past August.

“ You can read about the lumber industry and see pictures of specifics, but nothing is more valuable and memorable than actually seeing and doing. Walking with the loggers through the mud, watching them don their safety gear, hearing the saw, feeling the ground thump as the tree fell, is what helps inspire the passion in my lessons that I can now share with my students in the classroom using my newly learned knowledge. Thank you from the bottom of my heart for this opportunity. It's opened my eyes to the vast world of the lumber industry and Best Management Practices with an emphasis on water quality. I would highly recommend this tour to other teachers.”

- Diane Nell



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wood is all we do.

PLM Increases Umbrella Capacity

PLM is proud to announce a new umbrella program offering an "in-house" capacity of \$20 million in limits. The ability to offer umbrella limits of this magnitude without having to rely on individual facultative reinsurance support is truly unique for a niche carrier. This enhanced product offering ensures your clients consistency in both appetite and underwriting approach tailored to their individual needs. You can have peace of mind knowing that a wood specialist underwriter is handling your client's account for both primary and umbrella coverages. So, give us a call -- as always we stand ready to lend our support.

COMMENTARY: *Challenging Times* ...continued from page 1

\$4 million of new business being underwritten and placed. When combined with our continued solid retention, this resulted in a surge in premium for the month.

On a year-to-date basis, our volume is up slightly and we are thankful for it.

Expense management continues to be a focal point and we are comfortable that appropriate steps have been taken to reflect the slowdown of premium growth that we fully expect to occur during the remainder of the year.

We continue to be interested in pursuing quality wood-related businesses in 47 states. While disappointed in the current operating results, we are optimistic about our future. ■

*Broker***BULLETIN**

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