



BrokerBULLETIN

Pennsylvania Lumbermens Mutual Insurance Company

First Quarter 2007

COMMENTARY - *Renewal Retention*

John K. Smith, President & CEO

So it appears the long awaited soft market is finally upon us. Or is it? There is no doubt in my mind that the standard lines market is softening due to the tremendous results enjoyed by many companies and the expansion of capital in the reinsurance marketplace, but what about the wood niche? Well the answer to that depends on a few variables. We are definitely seeing more competition in the niche than we have in the past. Some standard line companies have wandered in writing lumberyards as "hardware stores" or "home centers". Some of our competitors are seemingly out for market share and we're seeing a variety of other traditional soft market nonsense.

PLM and its insureds know the brokers we do business with understand value. They understand consistency and the power of relationships.

understand that one "Cat" free year does not make a trend!

Without a doubt, insureds in the wood niche are more price driven in part by their revenues being off due to reduced lumber prices and a slump in the housing market.



PLM and its insureds know the brokers we do business with understand value. They understand consistency and the power of relationships. We need to capitalize on this understanding if we are to retain our renewals at terms and conditions that are fair to all parties involved in the transaction.

It never ceases to amaze me that we in the insurance industry cannot seem to enjoy the fruits of our hard labor. We are coming off perhaps the best year in the last 50 from a combined ratio standpoint, while brokers have enjoyed a run up in revenue as prices have hardened. Yet it seems like we all want to throw it all away. I think it's important that we all

Interestingly, we saw a slump in renewal retention during the first two months of the year, although March seems to have improved. New business continues to be strong with us writing almost 200 new accounts during January and February that generated over \$4 million in new premium. Profitability appears to be holding up well.

Continued on page 2...

Kentucky Building Materials Association Endorses PLM



The Kentucky Building Materials Association (KBMA) has endorsed Pennsylvania Lumbermens Mutual Insurance Company as their Property and Casualty insurance carrier of choice. PLM is pleased to provide a Safety Group Dividend Plan available to members of the association.

KBMA is a trade association that serves the building material dealers and suppliers in Kentucky. The mission of the association is "to promote the success of the Kentucky building materials industry through education, information, advocacy and cooperation".

Some of the features of the program include:

- Coverages placed in the safety group plan are 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 KBMA Program with no contracts or premium commitments.

In this Issue:

Infrared Thermography at PLM 2

Policy Declaration Mailing Procedures 3

Endorsement Processing Improvements 3

Upcoming Agent & Broker Shows 4

Continued on page 3...

Infrared Thermography at PLM

Randy Zellis, Assistant VP of Technical Services



Infrared Thermography Surveys can detect problems and avoid costly fires that lead to property damage and business interruption losses. Pennsylvania Lumbermens Mutual Insurance has recently developed the capability to help customers identify problems and take necessary corrective actions to prevent costly property losses. PLM's Technical Services staff of certified Level-I Thermographers, is actively involved with conducting IFR surveys at customer locations. The completed surveys identify elevated temperature sources when scanning low voltage electrical equipment throughout customer buildings and operations. The completed thermographic surveys detect elevated temperatures that are often invisible to the naked eye. Thermography allows corrective action to be taken before electrical, mechanical or process equipment fails.

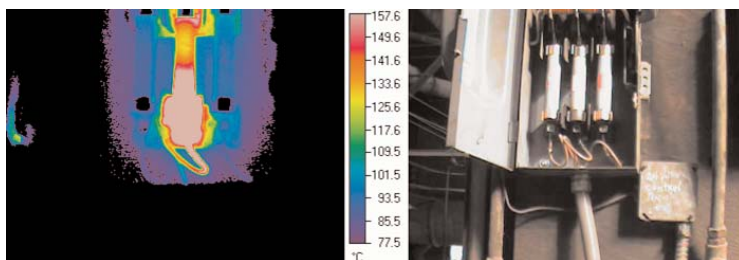
PLM has prioritized the completion of Infrared surveys based upon our experience with related fires within the "wood niche" marketplace. Our review of fires has indicated that the majority have occurred within sawmills, pallet shops, and wood manufacturing operations. Based upon this review, the Technical Services Department at PLM has prioritized the completion of Infrared Thermography surveys. We are actively completing site surveys identifying elevated temperature exposures primarily within low voltage electrical systems.

The Infrared Thermography survey enables PLM Representatives to "see" and "measure" thermal energy emitted from objects. Thermal, or infrared energy, is light that is not visible because its wavelength is too long to be detected by the human eye and is part of the electromagnetic spectrum that we perceive as heat. Because the thermal energy is invisible to the human eye it is impossible to identify potent problems through visual inspection. The higher the object's temperature, the greater the IR radiation emitted. The completion of Infrared surveys allows us to "see" what our eyes cannot.

The infrared surveys offer a value-added service to PLM policyholders and provide a direct and immediate property loss controlling strategy. By partnering with brokers and customers, a plant or facility thermographic scan is usually completed in a single day. When completing the IFR survey, plant electricians open and close electrical panels throughout the facility enabling the PLM Technical Services Representative to have direct line of sight to the electrical switch gear and apparatus. The process of completing scans of open electrical switchgear quickly identifies hot spots that are in question of being overloaded or imbalanced circuits or equipment. These "Hot Spots" are in danger of failure either in the short-term or capable of immediate failure producing catastrophic property events.

The following example of a thermal energy scan that was recently completed for a PLM customer graphically points out an identified problem with a three phase, low voltage electrical circuit. Visual inspection of the electrical box indicated that there was nothing wrong. The thermal image of the box identified that the "C" phase of the box was in excess of 400° F. This circuit was in a condition of imminent failure and

required prompt action to prevent a fire in either the electrical equipment, the production machinery served by the electrical circuit, or both.



The Technical Services staff at Pennsylvania Lumbermens Mutual Insurance Company is continually working to demonstrate value with our customers. By identifying problems through the Infrared Thermography scanning program, customers win by controlling problems before they result in fires and business interruption losses.

To learn more about Infrared Thermography or the IFR scanning program at PLM please contact:

Randy J. Zellis

Assistant Vice President Technical Services

Ph: 215.625.9233

Email: rzellis@palumbermens.com

Commentary: Renewal Retention

...continued from page 1

So what's the point of this article? Well, we want to retain our renewals -- all of our renewals. Our renewal book has proven to be very profitable, and we want to keep it. So, if you get a renewal that you are unhappy with or that you think you cannot sell to the insured, call us. We are looking to continue to grow, and grow aggressively in our new business writings. Now is a great time to think about those wood accounts that you've worked on in the past unsuccessfully and see if you can take another shot at them.

Thanks for your continued support. ■

Policy Declaration Mailing Procedures

Tom Supplee, AVP of Operations & Customer Service

In our last Broker Bulletin we produced an article titled "Direct Bill Policy Declaration Mailings". This article outlined a change in our policy mailing procedures effective March 1, 2007. Prior to March 1, we were mailing the Insured's copy of the policy to you, their broker, for delivery. On March 1, we began mailing the Insured's policy directly to them along with premium invoices, installment coupons and automobile I.D. cards. We have received numerous requests from brokers asking that we continue to send the Insured's copy of the policy to the broker for review and delivery. It turns out that our attempt to make the process flow more smoothly may have had the opposite effect. That being the case, effective immediately we will return to the procedure that was in place prior to March 1, 2007 for both new and renewal business.

NEW AND RENEWAL POLICIES

- PLM will mail to the broker the broker copy of the policy, the insured copy of the policy and the broker copy of the installment payment letter.
- PLM will mail to the insured the premium invoices, installment payment coupons and automobile I.D. cards.
- PLM will mail mortgagee and loss payee copies directly to the leinholders.

Endorsement Processing Improvements

PLM has continued to make strides in improving our turn-around time on endorsements. Our records indicate that we are currently completing your endorsements within 30 business days of receipt.

If there are ANY endorsements over the 30 business days, please forward them to my attention to determine their disposition and resolve immediately. Please use my e-Fax number or my email below for fastest service. Also, please do not hesitate to call my cell phone at any time.

To contact Tom Supplee you may reach him at:

Phone: 215-625-9233 x583

e-Fax: 267-825-9327

Cell: 215-806-5020

Email: tsupplee@palumbermens.com

PLM ::
service



Kentucky Building Materials Association Endorses PLM

...continued from page 1

- 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!"
- Dividends* will be paid based on the loss ratio of the group. The dividends paid will range from 2.5% up to 10%, should the group achieve an adjusted loss ratio of 50% or less. (* By law, dividends are discretionary and are not guaranteed. They are subject to the prior approval of the PLM Board of Directors.)
- PLM is rated "A Excellent" by A.M. Best & Co.

We are pleased that the KBMA has selected PLM as their

endorsed P&C insurance carrier. Should you have a client that is a member of the KBMA and is interested in joining the safety group, please contact Susan Cho at 800.752.1895 x 634 or at scho@palumbermens.com.

PLM now offers eleven Safety Group Dividend Plans to various Trade Associations and Buying Cooperatives throughout the country. The purpose of these programs is to reduce overall insurance costs for its members, by way of dividends, through a conscientious program of loss prevention and reduction.

For a complete listing of all our plans, visit our website at www.palumbermens.com, go to "Industry Resources" and click on "Special Programs". There you will find information on each group with a link to their websites. ■



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

PRSR STD
U.S. POSTAGE
PAID
PHILA., PA
PERMIT NO. 1779

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:

Big I National Legislative Convention	Washington, DC	April 25-27
Pittsburgh "I" Day	Pittsburgh, PA	April 27
Albany "I" Day	Colonie, NY	May 2
PIA/IA of North Dakota Convention	Bismarck, ND	May 6-8
Wisconsin Big "I" Convention	Wisconsin Dells, WI	May 9-10
PIA of Indiana Annual Convention	Indianapolis, IN	May 10-11
PIA of MI - Michigan Insurance Expo	Mackinac Island, MI	May 10-11
IIA of Arkansas Annual Convention	Tunica, MS	June 6-8
IIA of Georgia Annual Convention	Amelia Island, FL	June 6-10
PIA-NY/NJ Annual Convention	Atlantic City, NJ	June 10-12
Vermont Insurance Agents Assn Conv	Vergennes, VT	June 10-12
PIA of VA & DC Annual Convention	Williamsburg, VA	June 10-12
Alabama Indep Insurance Agts Conv	Sandestin, FL	June 13-16

BrokerBULLETIN

President & CEO John K. Smith

VP of Marketing Gerald J. Healy, Jr.

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

PLM BrokerBulletin is published and distributed free of charge by the Marketing Department of Pennsylvania Lumbermens Mutual Insurance Company.

Send all feedback to scho@palumbermens.com.