



Broker **BULLETIN**

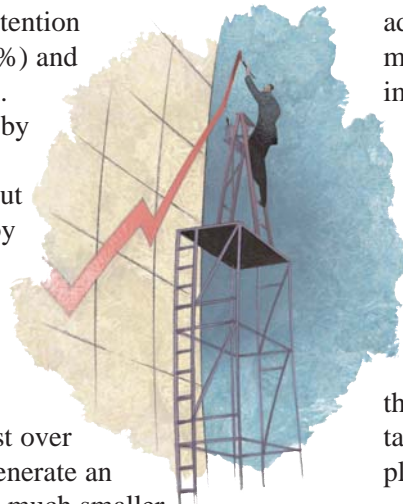
Pennsylvania Lumbermens Mutual Insurance Company

Winter 2008

COMMENTARY: **REVIEW/PREVIEW**

John K. Smith, President & CEO

I wanted to take a moment and review our 2007 financial results with you before discussing some of our 2008 plans. We finished the year with just over \$167 million in premium, up only \$125,000 over 2006. New Business was strong; we wrote almost 1000 new accounts, our best ever. Unfortunately, our renewal retention was off target (somewhat below 85%) and thus we missed our production goal. Retention was negatively impacted by our continued reduction in workers compensation writings, continued but accelerated fallout due to mergers by insureds within the niche and pressure on our insured's top line revenue due to the continuing downward spiral in the housing market.



We reported a combined ratio of just over 95% and once again were able to generate an underwriting profit, although it was much smaller than the record level reported in 2006. Our Policy Holder Surplus grew over 7% in spite of the volatility in the equity markets.

In mid 2007, we relocated our office to new quarters that we believe will, overtime, assist us in improving our ability to streamline our operation and improve our effectiveness and efficiency as an organization. We took advantage of some employee turnover and made some great new hires that we feel improves our ability to produce outstanding results.



So, we at PLM come out of 2007 stronger than we went into it and look forward to the challenges and opportunities of 2008. Speaking of 2008, we will once again be working to grow our company and while we recognize that many of the challenges outlined above will continue into 2008 and perhaps beyond, we feel we are up to the task. The key will be improving our retention slightly, driving it back to the middle/high 80's. We recognize that to accomplish this task, we are going to have to be more creative and execute our plans and strategies better than we have in the past.

Improving customer service will lead the way. The ongoing western expansion will start to produce premium that will help as well. We have increased our advertising budget and

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Western Expansion Status

Over the past two years PLM has aggressively expanded its services to many western states. The chart below shows the current status of our capabilities. Please visit our website at www.plmins.com to view the types of businesses we are currently entertaining.

| STATE | STATUS | CONTACT |
|------------|---|----------------|
| ARIZONA | Writing all lines | Laura Iten |
| COLORADO | Writing all lines | Tricia Kilrain |
| IDAHO | Writing all lines | Karin Bruhn |
| MONTANA | Writing all lines | Karin Bruhn |
| NEVADA | Writing all lines | Michael Povich |
| NEW MEXICO | Waiting on our Certificate of Authority | Joe Lincke |
| OREGON | Writing all lines | Karin Bruhn |
| UTAH | Writing all lines | Michael Povich |
| WASHINGTON | Writing all lines | Karin Bruhn |
| WYOMING | Writing all lines | Michael Povich |

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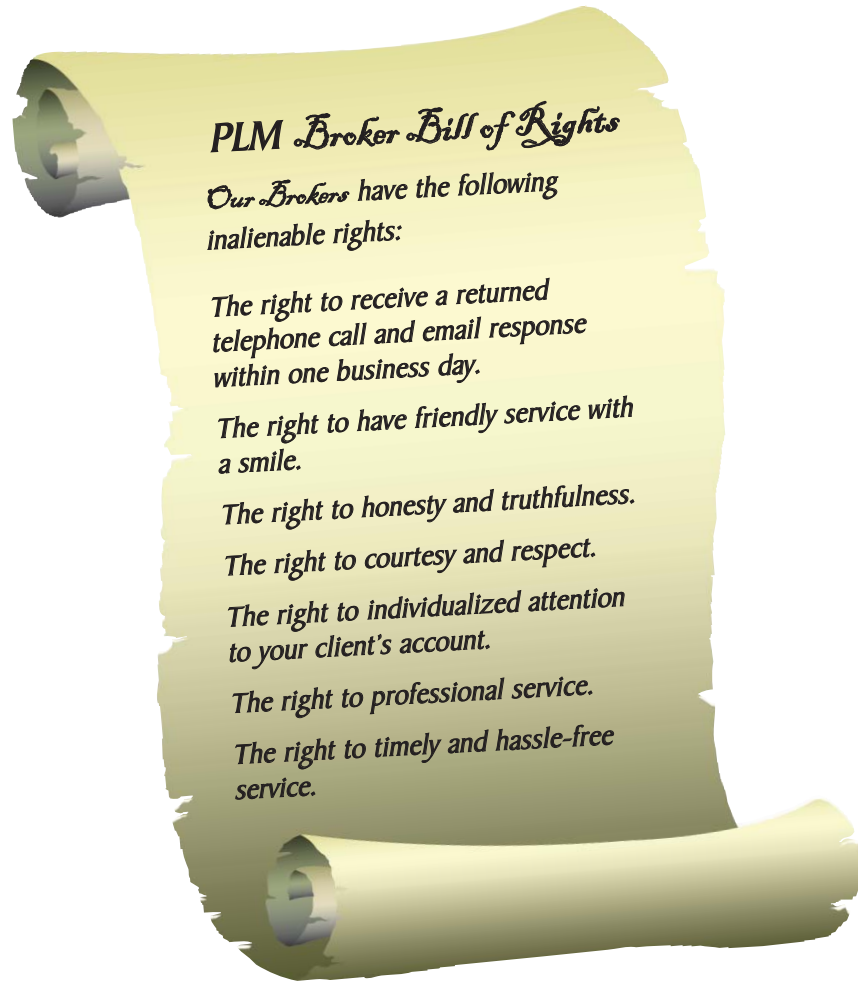
Broker Bill of Rights

Tom Supplee, AVP-Operations and Customer Service

Over the recent years, PLM has focused on improving our service standards to our brokers and our customers. Through the establishment of the Broker Bill Of Rights and the Broker Service Agreement, we have committed ourselves to provide our brokers those minimum standards and strive to meet them on a consistent basis. As we progress into the new year, I want to restate our commitment to our brokers in providing World Class Customer Service. Endorsements have improved over the past year, however, there is more room for improvement. With this said, I personally pledge that endorsements will have a 30 day turnaround from day of receipt into our office.

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 | 30 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 |
| Emails Returned | Same business day |
| Second Request | Resolved within 24 hours |



PLM pledges to meet or exceed the service goals mentioned in 2008. Please do not hesitate to contact me if you have any questions.



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PLM :: *service*

Quality and service expectations have been established for all departments 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.

Manufactured Homes Program

William Johnson, AVP-Underwriting



The term “manufactured home” was adopted by Congress in 1980 to denote a factory-built house that is in compliance with the National Manufactured Home Construction and Safety Standards, a set of building codes developed by the U.S. Department of Housing and Urban Development (HUD). Prefabricated housing consists of residential buildings produced entirely or mainly in a controlled factory environment. Prefabricated housing is also called factory-built systems or industrial housing. With this in mind, PLM has developed a “Manufactured Homes Program” with this customer in mind. A supplemental application has been designed to provide our brokers with underwriting selection guidelines, by line of business. This supplemental application will serve as a checklist to measure quality control procedures that are in place in order to control/evaluate the hazards associated with this industry segment.

The Primary classifications within PLM’s appetite include:

Modular Units Manufacturers - Class Code 57146

Mobile Home Manufacturers - Class Code 57090

Prefabricated Building Manufacturers, AKA Panelized Home Manufacturers - Class Code 58397

The program includes Property, General Liability, Commercial Automobile, Inland Marine and Umbrella lines of business.

Should you have any questions or desire further information, please contact your respective Field Representative, Underwriter or feel free to contact me at 800-752-1895 ext. 9280 or via email at wjohnson@plmins.com.

“Right to Repair” Laws Help Contractors & Suppliers

Francis R. Santoro, AVP-Claims Department



Right to repair laws provide contractors and their customers with the opportunity to settle construction defect disputes and avoid unnecessary and protracted litigation costs. These laws generally apply to residential construction and remodeling projects. South Dakota was the 31st state to enact a form of these

right to repair laws.

Customers who believe they have a claim for defective work or materials must give a written and specific description of the alleged defect to their contractors or suppliers before they can initiate any type of legal action. Contractors have the right to inspect and test the alleged defect. The contractor or supplier must respond within a specified number of days, usually 15 to 30. This is your opportunity to fix a legitimate mistake or failure.

The parties ultimately decide whether a proposed resolution is acceptable or not. If the parties do not reach an agreement, the customer has the option to pursue the claim either in court or through arbitration. Some states provide for an impartial third-party to give an opinion on the complaint or for alternative dispute resolution such as mediation or arbitration, when the parties can’t agree.

Customers have obligations as well. Customers of manufactured products must comply with reasonable maintenance requirements as long as you give them written instructions in advance. Manufacturers may want to provide a handbook or manual for this purpose. The customer’s failure to follow these instructions may defeat a potential claim that they may try to bring against you.

Each law is state specific. For example, expiration dates and the definitions of defect are not uniform throughout this type of legislation. Since the laws vary from state to state, know the details of the statute in your state and tell your customers about them. If you need help with locating the statute in your state, you may contact the PLM Claims Department.

Acknowledgement Letters

Ray Rogers, Claims Representative

As some of you may already know in an effort to go paperless and to provide excellent customer service, the PLM Claims Department has begun to fax and e-mail our acknowledgement letters out on Property, Automobile and General Liability claims. Moving into 2008, we will begin this process with our Property Losses. With this in mind the more contact information we receive for our Brokers and Insureds on the Loss Notices, the better.

Please help us to help you by asking the insured for their e-mail address or fax number (according to their preference) and add it along with your own to the Acord Forms on all lines of business. We will save this information to our system and we will send our acknowledgement letter straight out to your attention without having to wait for them to come in the mail. This information will also be used to send out closing notices on our files. This will notify you when we close the file and how much was paid.

Knowledge is power -- and in this case it’s the power of instant gratification in receiving our acknowledgement letters.



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wood is all we do.

COMMENTARY: REVIEW/PREVIEW ...continued from page 1

increased the number of trade shows that we will be attending. We will continue to market our company, its products and our services aggressively. Look for us to get more aggressive in pursuing manufacturing risks in 2008 while continuing to maintain our interest in the dealer marketplace.

Our goal is to once again turn in an underwriting profit. The key here will be our people, people that I have full faith and confidence in. We fully expect to continue to grow our surplus and thus remain a consistent and stable market for your wood business. ■

RETRACTION

In the Fall 2007 issue of the BrokerBulletin, article *Dividends Paid in 2007*, it was incorrectly printed that the PAL Safety Group Dividend Program received a 7.5% dividend. The correct information for the plan year ending on March 31, 2007 is as follows:

The Board of Directors has approved a 5% dividend to all participating members of the Progressive Affiliated Lumbermen Cooperative Safety Group Dividend Program. The plan year ended on March 31, 2007 and the group finished with a 43.89% adjusted loss ratio which entitled the 58 participants to dividend checks.

We apologize for any confusion. If you have questions or concerns, please feel free to contact Susan Cho at 267.825.9350 or at scho@plmins.com.

BrokerBULLETIN

President & CEO John K. Smith

VP of Marketing Jerry Healy

Sr. Marketing Specialist Susan Cho

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Send all feedback to scho@plmins.com.