



Spring 2006

Pennsylvania Lumbermens Mutual Insurance Company

LumberMEN

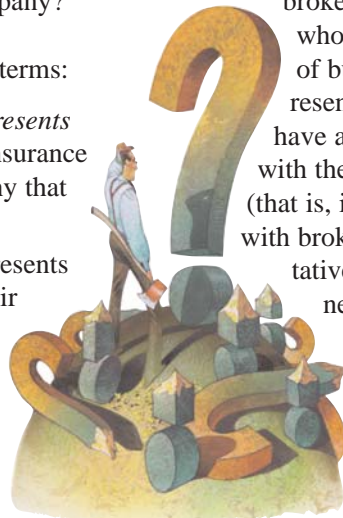
Commentary: *Broker? Agent? Producer?* *Who are these people and what do they do?*

John K. Smith, President & CEO

Let's take a look for a moment at the "middle man" in the insurance transaction: insurance professionals that interact between you and the company that provides your insurance coverage. Have you ever really thought about who they are, what they do and perhaps most importantly, who they represent and why they place your account with a particular company?

Let's start by defining some of the terms:

- A **broker** is someone who *represents you and your interests* in the insurance marketplace and to the company that issues your policies.
- An **agent** is someone who represents the insurance company and their interest to you.
- A **direct sales representative** is an employee of the insurance company and is usually their agent and thus represents the company to you.
- A **producer** is a term that is used interchangeably but is either an employee of a broker, agency or insurance company as noted above.



Brokers and agents usually have a variety of insurance companies that they work with and as a result, can usually shop your account around the marketplace. Most insurance companies will not work with



brokers but rather only agents with whom they have developed a volume of business. Agents, because they represent the insurance carrier, tend to have a better compensation arrangement with the insurance company than brokers (that is, if the insurance company will work with brokers at all). A direct sales representative can usually only place your business with the company that employs them. Some companies will use dual distribution systems, working with their own direct sales reps as well as agents or brokers.

Why is it important to understand this issue? Quite simply the question you have to ask yourself is what type of relationship do you want to have? Do you want the individual who markets your business

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Tinsman Bros. Earns PLM/EBMDA 2005 Safety Award

Tinsman Bros., Inc. has earned the 2005 PLM/EBMDA Safety Award. This award is presented each year to a member of the Eastern Building Material Dealers Association Safety Group Dividend Plan, underwritten by PLM. The criteria used to determine the winner is comprised of a combination of factors. They must have participated in the program for at least five years and they must display a commitment to safe management practices and comply with all loss control recommendations.

One of the most important criteria is the five year loss ratio. Tinsman Bros. had a 2.0% loss ratio for a five year period. That is a spectacular loss ratio, considering they have both Workers Compensation and Business Automobile coverage in the program. Those lines of business notoriously carry a higher rate of loss.



Congratulations to William and Thomas Tinsman and all of their employees that make Tinsman Bros. a safe place to work!

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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.



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

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.

PLM ::

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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.

Commentary: *Broker? Agent? Producer?* *Who are these people and what do they do?*

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to various insurance carriers to be representing your interests or the insurance carrier's interest? Do you want them to only be able to obtain a quote from one carrier or do you want them to be able to obtain a quote from multiple carriers? At the time of loss, who would you rather work with -- an agent or a broker?

We at PLM will only work with brokers that represent your interests. We do not have agents operating in the marketplace and even our Field Reps, who are licensed to sell insurance tend to operate with brokers. In fact, over 98% of our business comes to us from brokers that represent the interest of their clients.

Further, we work on an "open brokerage basis" which is a highly unusual concept in the marketplace today. "Open brokerage" means that we will work with **ANY** individual who is properly licensed to sell Property/Casualty insurance in your state. We do not limit access to PLM. You can choose who you want to represent your interests to us.

We think that as independent business people, you are entitled to this representation. **Your** representative should be able to obtain a quote from PLM and any other market that they choose that will provide you the opportunity to consider alternatives.

When you consider a PLM proposal, we hope you'll recognize that there is real value in having an insurance carrier that understands your business, is financially strong and stable and understands there is a whole lot more to handling wood-related businesses than just providing the cheapest price today.

Next time you are ready to shop your insurance coverage, think about who you want representing your company in the insurance marketplace -- your representative or the insurance company's? Then, call us. We would be happy to explore this topic with you.

Thank you for your continued business. ■

There are Contracts and There are Contracts

Part II

Joseph McCrea, Sr. Vice President of Claims



In part I of this series of articles on “Contracts”, we briefly outlined how broad our exposure is when we sell products or manufacture them. When we perform a service, the same list of risks occurs. This is why contracts and the wording have become so critical and pervasive in our business lives.

Just as critical is the method chosen to resolve differences and disputes arising from the contract. One method or option is *Mandatory Mediation*. Mediation is a process whereby the parties agree to sit down in a formal setting to see if they can agree upon a resolution. This is usually done with the assistance of a neutral third party -- the mediator.

This option should not be underestimated. Often disputes arise because of a lack of communication or a misunderstanding. Many times this can be cleared up by opening the lines of

communication. By putting it in the contract, the parties must communicate, at least to some extent.

Choosing a mediator can be important if the subject matter is technical and/or trade specific. It is generally prudent to appoint someone familiar with what is being mediated (i.e. knows the business). A good mediator will help zero in on the problem and possible solutions. Most importantly, he will remove personal conflicts and concentrate on the issues.

My experience has been extremely favorable when mediation is used. Most cases get settled and those that do not at least have the issues narrowed.

Mediation is only one choice and can be used in conjunction with other methods such as Arbitration and Appraisal. In part III of this series, we will discuss these other options to dispute resolution (ADR).

Kimal Lumber Company's "Safety Guy"

About seven months ago, I started with Kimal Lumber Company as the Safety and Fleet Director for the Nokomis Division. Shortly after I started the “Big Cheese” and President of Kimal Lumber Co., Mr. Al Bavry, asked if I would take over the safety for the entire company. Kimal has doubled in size over the last five years, now employing approximately 230 employees, with several locations in Florida. With this growth, came an increase in the accident and loss rate. The president saw it necessary to have someone dedicated to safety and make it a priority.

This is not an easy task and takes a lot of time, but the payoff is worth it. The biggest challenge I have is change. Employees usually do not like change if they have been set in their ways for a long period of time. A gradual but effective plan must be devised to train employees’ minds to be thinking safety. I did this by labeling myself the “Safety Guy”. No matter what the conversation or with whom, “Safety Guy” seems to be heard. Not a bad thing when “safety” is the first word out of their mouths.



I also left some sort of mark throughout the company showing the presence of the “Safety Guy”. I did this by putting up 3’ x 4’ cork boards in all locations. Above each board I put a big red sign reading “SAFETY FIRST”. On the board I would post pictures and stories of people who did not display safe thinking. Something I noticed was they actually read the stories because they are interesting, again putting “Safety First” on the minds of all who read them. Within just a day or two everyone in the company had read the stories. A good story to start with was titled, “Why You Don’t Shower with Your Toaster”. They talked about them, passing the word quickly that there is a new story.

It is important to maintain the tradition and keep the stories fresh and interesting.

I also take the time to offer to all employees an open invitation for conversation concerning ideas and potential hazards they may be faced with on a daily basis, but feel if they say something, they might get in trouble. It is known at Kimal the “Safety Guy” will make the changes necessary for the safety of our employees without recourse from management to anyone. When starting a program it is imperative that management is on board all the way up to the owner. When you have that kind of backing, it is a lot easier to get the program rolling. When the program is successful, you will see an immediate return on your investment. Not all accidents will be prevented, but you can reduce them dramatically by taking these simple steps mentioned above.

Once you have everyone’s attention, the next step will be policies and procedures. The first policies I implemented were made mandatory for all Kimal Team Members. The first was 100% attendance at all scheduled safety meetings by all employees. In addition, we require new hires to attend “Safety Orientation”. Both of these “Kimal Laws” have been successful in improving motivation, morale, and creating a safe environment for all who work here. It really makes an impact on all new hires when the orientation is kicked off by the “Big Cheese” himself, Mr. Al Bavry.



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*Pennsylvania Lumbermens Mutual Insurance Company specializes in Property and Casualty insurance services for the lumber, woodworking and building material industries.
Wood is all we do!*

Kimal Lumber Company's "Safety Guy" ...continued from page 3

Remember, while implementing these safe changes, we still needed to keep up with all of OSHA's requirements for training, record keeping and written safety and health plans. If you have commercial trucks like Kimal, you also need to comply with all the DOT laws and regulations. Of course all the laws are here to protect and keep our employees safe.

The "Safety Guy" can never be the "Bad Guy". If disciplinary action is required due to someone not being safe on the job, the "Safety Guy" should not be the one to deliver these disciplinary actions. Suggestions to management that major disciplinary action should be taken and will be taken must be done. The "Safety Guy" needs to remind and enforce rules and regulations in the work place, but very diplomatically. The "Safety Guy" is a great tool, or liaison between upper management and the employee. No one should ever fear having a conversation with the "Safety Guy".

I am the "Safety Guy" for Kimal Lumber Company and I love my job. I live safety even in my personal life and I have many goals set for Kimal Lumber. One of them is to go one full year without an accident. Being that this program is fresh, we have already seen a huge reduction in our accidents and workers compensation claims. I figure we will have our first year accident free within the next year. Going back to the investment part, the money saved on these claims will more than pay for the "Safety Guy".

Thank you, and have a Safe Day. ■

This article was provided courtesy of our policyholder, Craig Berntsen, the Safety and Fleet Director for Kimal Lumber Company in Nokomis, Florida. He can be reached at 914.484.9721 or via email at Craig@kimallumber.com.

Special thanks to Craig for contacting us with his great idea for this article! If you are interested in contributing to the LumberMemo, please email Susan Cho at scho@palumbermens.com. We are always happy to hear from our customers!

LumberMEMO

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