



Winter 2006

Pennsylvania Lumbermens Mutual Insurance Company

# Lumber

## Commentary: Review/Preview

John K. Smith, President & CEO

With the holidays behind us and the start of the New Year upon us, I thought it would be appropriate to take a moment and discuss PLM's 2005 results and some of our plans for 2006. We once again experienced a wonderful year from a financial viewpoint. Our combined ratio (an indication of underwriting profitability) was below 100 for the fifth year in a row, with a loss ratio and expense ratio in the low 60s and 30s respectively. We experienced premium, asset and surplus growth that met our expectations and experienced all time highs in each of these performance measurements. I am proud to tell you that in spite of some very difficult hurricane activity encountered in 2005, PLM has never been stronger financially in our 110 year history.

“ I am proud to tell you that in spite of some very difficult hurricane activity encountered in 2005, PLM has never been stronger financially in our 110 year history. ”

Against that backdrop, I thought it would be appropriate to explore some of the plans that we foresee in 2006. First, in spite of our excellent results as a company in 2005, we did experience terrible hurricane losses with both

Katrina and Wilma. In fact, these two events are probably the worst catastrophe losses we as a company have ever experienced. Our conservative purchase of reinsurance allowed us to pass a significant portion of these losses along to our reinsurers and thus allowed us net results referenced in the first paragraph. Unfortunately, the reinsurers, upon which we depend so heavily, had significant losses on the PLM account in 2005 in the catastrophe area.

Consequently, while we have renewed all of our reinsurance coverages, we also experienced a significant increase in our catastrophe reinsurance pricing (as did most companies in the U.S. even if they didn't suffer catastrophe losses). Furthermore, we saw an increase in our general property reinsurance program which absorbed some of the hurricane losses as well. Again, this was the norm for almost all companies doing business in the U.S. So while we were able to renew all of our reinsurance coverages and do so with a solid group of financially secure reinsurers, we did so at an increased cost. This will put upward pressure



Continued on page 4...

## Automobile Losses: Delivery Hazards

Fred Couper, Technical Services Representative



During the delivery of goods and materials there are many ways retail lumber operations are exposed to losses. But for almost every potential loss, there is a way to prevent that loss. One of the first steps to controlling these losses is to list prior delivery losses, including the dollars associated with the loss. Analyzing the cause of loss by vehicle, driver, dollar amount, geography, etc. can assist you in knowing where future losses may occur; thereby possibly preventing them.

From a physical standpoint, steps can be taken even before the truck leaves the delivery yard. As simplistic as it sounds, the first step is a thorough vehicle checklist. Back-up alarms, brake lights, directional lights, horns, headlights, steering and fluids are all important. An item as simple as failure to discover a non-functional directional light or brake light can contribute to an accident, so a thorough check is important.

During the truck loading process, forklift operators need to take extra care when handling stock so as not to cause damage to the stock or the vehicle. This means properly banding loads prior to loading, not overloading the vehicle, and making sure the vehicle load is balanced. You should be familiar with the US DOT

Continued on page 2...

### In this Issue:

Late Claim Reporting ..... 2

PLM Field Representatives ..... 3

There are Contracts and There are Contracts ..... 3

# Late Claim Reporting

Ray Rogers, Claims Representative

Recently, we seem to be getting an influx of automobile claims that are reported to us several days, if not weeks, after the loss has occurred. This matter can become costly - especially if your vehicle or the claimant's vehicle is not drivable and has been towed to a storage yard.

Towing companies charge several hundred dollars to tow heavy vehicles away from an accident scene. They charge thousands for turned over tractor-trailers. Storage yards also charge anywhere from \$25 to \$75 per day to keep the vehicle at their location. If both the tractor and the trailer are there, they will charge you separately for each which doubles your storage fees. These fees add up rapidly and over a few days time can become very costly.



PLM recommends instructing your drivers to tell the towing company to tow the vehicle back to your nearest location if at all possible. If you are too far out and the police officer instructs the tow company to take it to a storage yard, report

the loss to your broker as soon as possible so we can keep this end of the loss to a minimum.

Regarding the claimant's vehicle, it may *appear* drivable, but it may not be safe to drive on the road. If the claimant's vehicle is not drivable and the loss is not reported promptly, the same towing and storage fees listed above will apply. In addition, the claimant may also need a rental vehicle to get to work. If the damaged vehicle is a commercial vehicle, they may lose business due to the accident. These additional costs on top of towing and storage fees drive the cost of the claim even higher.

So please remember to *help us* by reporting your automobile claims in a timely matter, so we can *help you* by keeping the costs of your losses to a minimum.

## Automobile Losses : Delivery Hazards

...continued from page 1

regulations on securing loads. Once loaded, adequate number of straps must be used and properly secured. In many instances, vehicle loads have shifted causing vehicle overturn or the load falling onto another vehicle on the road. In other instances, metal bands were not tightened properly; boards in the center of the pile have slid forward into oncoming traffic causing serious injury.

Boom trucks need special care. Booms must be properly secured both prior to leaving the yard and once the delivery is complete and the driver is leaving the job-site. Many claims have been paid when booms were not secured and have struck bridges or other overhead items, including telephone wires or power lines. A minimum clear space of at least ten feet between the boom and all electrical wires is required. It is also not a good practice to use booms to place roofing shingles on roofs. It has led to both roof collapse and shingles sliding off sloped roofs onto vehicles, persons or other goods. In instances where care is not taken placing sheetrock into windows, the casement or sheetrock being delivered has been damaged. Stabilizer bars, when extended, can damage pavements during hot summer days. Finally, boom trucks clearly should not be used to set trusses. Only licensed crane

operators should be contracted to set trusses. The potential for a truss collapse (domino effect) is too significant to provide this service using a boom truck.

Forklifts attached to vehicles and detached at the delivery site for use to move materials pose additional haz-

ards. These specially adapted forklifts are easy to tip, easily damaged, and require special training for operators. Since they are often used at contractor work sites, there are typically uneven working surfaces which add to the likelihood of tipping. Operators should be OSHA certified. Refer to OSHA's website at [www.osha.gov](http://www.osha.gov) and look under "forklifts", "powered industrial trucks" or at regulation for General Industry at 1910.178(1).



Flatbed dumps pose two hazards in particular. Often the homeowner will direct the driver to deliver to a certain spot, however, if the truck load is extra heavy, damage to the driveway, septic tanks, shrubs, trees or bushes may result. Sometimes this is a nuisance claim paid not by the insurance company, but by the lumberyard. These small claims add up. There is also the

possibility that when tipping the flatbed, the materials will slide into a building foundation causing it to crack the foundation or even moving it out of place.

Particular care is required during backing, as the driver is especially vulnerable to causing property damage or personal injury during backing operations. If there is a helper, then the helper should be asked to direct the backing by using prearranged signals such as turn, continue, stop, etc. Even when there is a helper, the driver should walk the area prior to backing, in order to get a feel for the layout and any potential obstructions, including people working or children playing in the area. Make sure that back-up alarms are in working order to alert anyone in the area.

It is beyond the scope of this article to cover Defensive Driving, but your drivers should all be familiar with what it is and have an attitude of commitment to safe driving.

Finally, while none of this information is going to guarantee that you will not have a vehicle loss relating to deliveries, some thoughtful care, planning, and effective training of drivers on a regular basis will increase awareness and most likely reduce both the frequency and severity of losses. ■

# PLM Field Representatives

Steve Firko, Assistant VP of Field Operations



PLM has a force of Field Representatives to assist you with your insurance needs. Our Field Representatives are unique in that they are trained professionals with two areas of expertise - insurance and the wood industry. Our Field Representatives have many years of experience within the insurance industry. They are qualified to work with you and your broker to help you decide the best way to insure your business, the types of coverages you should have and to minimize your chance of loss.

Their other area of expertise is within wood and wood-related businesses. Since wood is all we do, our Field Representatives are familiar with your type of business, the machinery you use and the different exposures you face on a daily basis that are specific to wood businesses such as yours.

***These are just some of the services provided by a PLM Field Representative:***

Our Field staff differentiates PLM from other carriers. We believe you will find their services helpful and valuable. Should you have any questions, please feel free to contact me at 800.752.1895 x540 or via email at sfirko@palumbermens.com.

- You can expect to see your Field Representative about once a year, usually a few months prior to your renewal, to take a look at your property and operations, to note any changes and to prepare for the renewal of your policy.
- Although we have a team of Technical Service Representatives, our Field Representatives are equipped to offer loss control service and recommendations to limit your exposures and help keep your business environment safe.
- Our Field Representatives will maintain communication with your broker on an ongoing basis and work with them when needed to implement any changes to your policy or coverages.
- Our Field Representatives attend local lumber industry trade shows, outings and annual meetings. Our Representatives are often very involved in the lumber trade associations, buying coops and wood organizations - all to get to know the issues that are unique to your business.
- Your PLM Field Representative is your key point of contact. If you have any questions, concerns or problems, they should be your first point of contact. They are there to assist you or direct you to the person who can.

## "There are Contracts and There are Contracts"

Part I

Joe McCrea, Senior VP of Claims



Every day we deal with contracts of some type, whether we want to or not; whether conscious or not. They take place in many forms such as oral, written or implied. Just selling our products is a form of a contract. Purchasing insurance is one type of contract that most of us are familiar with in our business and personal life.

We pay money in exchange for promises outlined in the written policy or contract.

Also in business we often enter into contracts for the purchase or sale of goods or services. These are the ones that can alter our businesses in many ways. They can strain business relationships or cost considerable time and money if not handled or drafted carefully. Too often, they are signed and agreed to without any knowledge of how a dispute can be resolved.

One purpose of the contract is to outline what each party is to deliver (money, product, services, etc.). What most parties fail to delineate is how differences and problems can be resolved.

This is a serious oversight. Outlining how a dispute can be resolved can save considerable time and money. Most importantly, it can save business relationships.



Choosing dispute resolution options is serious business. If nothing is chosen, it leaves legal action (a lawsuit) as a poor substitute. Alternative Dispute Resolution or ADR should be considered. These include mandatory mediation, arbitration and appraisal. Not only are these time and expense savers, but recent studies have shown that people and businesses that use ADR in a dispute are more likely to have an amicable ongoing relationship.

*In part II of this series, I will discuss in more detail, these ADR options.*



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

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



*wood is all we do.*

## Commentary: Review/Preview

...continued from page 1

on our renewal pricing in some geographic areas of our marketing territory and on some accounts within those territories.

We will continue to stress internally the need to improve our levels of customer service, particularly in the policy processing and premium collection area. We've learned a lot of lessons in the handling of claims associated with the hurricanes in 2004 and 2005, and we mean to implement appropriate measures to benefit from those lessons in the coming year.

For a number of years, we have been looking closely at our systems environment. We expect to spend quite a bit of time in analyzing potential long-term system solutions to improving our efficiency, quality and customer service.

Our westward expansion will continue as we look to broaden our marketing territory. Having gained approvals last year in North Dakota, South Dakota, Kansas and Nebraska, we will work hard to establish our marketing base in those states while continuing our

efforts to gain licenses in the southwestern part of the U.S.

We expect to see expansion in our loss control technical services and field operations to support our westward movement thus providing our customers with more localized support and service.

Lastly, we will be looking to continue to strengthen our relationships with many of the wood trade associations that we are members of, while joining forces with them to more effectively communicate the value of a PLM relationship with their membership.

In short, we expect 2006 to be another good year for both our insureds and their insurance company, Pennsylvania Lumbermens Mutual Insurance. As always, if you have any questions, please do not hesitate to contact me at 215-625-9233 x 502 or at [jsmith@palumbermens.com](mailto:jsmith@palumbermens.com).

We thank you for your continued business and support. ■

## LumberMEMO

President & CEO John K. Smith

VP of Marketing Gerald J. Healy, Jr.

Marketing Mgr./Editor Ellen S. McGurrin

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](http://www.palumbermens.com)

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

Help us improve the LumberMEMO!  
Send all feedback to  
[scho@palumbermens.com](mailto:scho@palumbermens.com).