



Spring 2008

Pennsylvania Lumbermens Mutual Insurance Company

LumberMEMO

COMMENTARY: *First Quarter Results*

John K. Smith, President & CEO

The first quarter is behind us and for the first time in many years I have to report to you a less than acceptable result. The tornadoes that ripped through Tennessee and Kentucky in February were a personal tragedy for many and our thoughts and prayers went out to those that suffered personal loss. PLM did not escape the havoc that was wreaked on a number of insureds, yet we were very pleased with the feedback received in our handling of the claims that occurred as a result of this natural catastrophe.



Between the tornadoes and a number of large fire losses as well as a rather poor investment environment, we as a company suffered both an underwriting and operating loss for the first time in many years during any individual quarter. The downturn in the housing market and the economy in general has negatively impacted many of our insured's operations and again, being tied as closely as we are to the niche, negatively impacted PLM in a number of ways. First off, as insureds looked for ways to reduce expenses, many have sought pricing relief from their property casualty insurance provider. We have been able to work out viable financial arrangements with many of our insureds that have actually allowed us to increase our retention ratios and our ability to retain our renewals. While the premiums are somewhat lower than I would like at this point, I feel they

Working together, we feel very comfortable that we can demonstrate significant value to any wood-based business not just at the time of the sale, but more importantly providing the services necessary to avoid or reduce loss. If a loss does occur, we will handle it on a timely basis and in a professional manner.

Continued on page 4...

The PLM Difference

Steve Firko, Vice President of Field Operations



Here are some questions to ask the next time you are reviewing proposals for your property and casualty insurance coverage....

- Would I rather buy insurance from someone who knows what my company does, how it operates, and has over 100 years of experience providing specialized insurance coverage for thousands of similar types of businesses? Or, would I rather buy insurance from an insurance company that insures various types of businesses and doesn't have the expertise or breadth of knowledge and experience that comes with over 100 years of service in the lumber, woodworking and building supply industry?
- If I had a claim, do I want an insurance company who knows my business and only handles claims related to businesses like mine? Or, would I rather buy insurance from a company who doesn't know what my company does and hasn't seen the types of claims my company

Continued on page 2...

In this Issue:

Securing Your Fuel Cards 2

Minimizing Storm Damage 3

Securing Your Fuel Cards

Bob DelCamp, Claims Representative



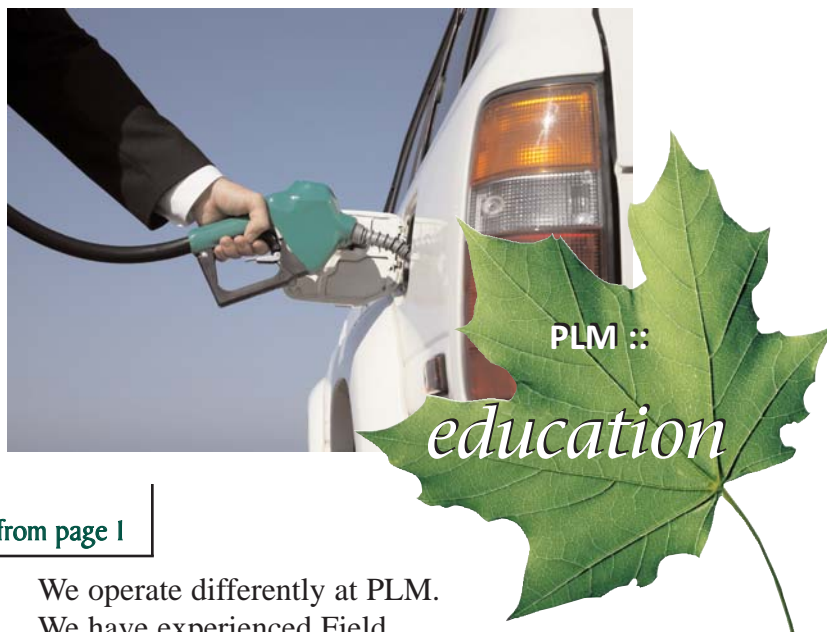
Rising fuel costs have affected everyone. Each time we fill up we become painfully aware of how fast gas prices are rising. No one experiences this pain more than building material dealers who must regularly fill their fleet of vehicles both large

and small. In the claims department we have recently experienced an increase in the number of thefts involving fuel cards and the fuel itself from vehicles. Often times fuel cards are left in the vehicles for the convenience of the drivers. Unfortunately thieves also know that these cards are being left in the vehicle and the vehicles are being broken into just for these cards. In cases of fuel being stolen from the vehicles it is often being siphoned while the vehicles are parked at your location or at rest stops. There are steps you can take to insure the security of your fuel cards, and the fuel already in your vehicles.

- Remove the fuel cards from the vehicles. Hand the cards to the driver at the beginning of their shifts and collect them at the end of the day.

- Report all fuel card thefts immediately to the issuer of the card and to the police.
- Know who has access to your fuel cards.
- Install locking gas caps or anti-siphoning devices on all your vehicles.

Just a few simple steps could save you time and money, and help you avoid a costly claim. As always if the need to file a claim involving the theft of a fuel card or any other loss does occur, we at Pennsylvania Lumbermens Mutual Insurance are here to assist you.



The PLM Difference

...continued from page 1

might be involved in? What would their claim service be like? In the event of a catastrophic loss, would they be able to find ways to get me back in business sooner so I can keep my customers from finding other suppliers? Would they continue to insure my company after a loss or send a non-renewal notice?

Of course, when questions are posed this way, the answers are easy. However, when it comes time to evaluate proposals when your insurance coverage is coming up for renewal, buyers fall easily into the trap of looking only at the bottom line cost and not at the value.

Insurance isn't a commodity; it can be the life blood for your business when a catastrophe occurs. It may sound dramatic, but just ask anyone who has faced a major loss – when a catastrophic loss occurs, it can be devastating. Your business isn't a commodity and neither is the insurance you buy.

We operate differently at PLM. We have experienced Field Representatives who work with your broker to review your business operations so they get a clear understanding of the risks and exposures your business faces, and then help your broker develop an insurance program that is tailored for your company. Our Field Representatives visit your site, talk to you, and carefully evaluate your operations. Our Field Representatives not only know insurance, they know the lumber, woodworking, and building supply industry. Your type of business is all our Field Representatives see day in and day out. Can the same be said of other insurance company representatives? Would this type of expertise help your broker develop an insurance program that fits your business? Again, I think the answers are easy.

That is the PLM difference. Give us a call -- or have your broker give us a call -- and let us show you the difference. ■

Minimizing Storm Damage

Randy Zellis, AVP - Technical Services



Springtime is the time of the year when the threat of storm damage from tornadoes and hail is the greatest. Although these types of storms occur in the continental United States within high frequency bands across well-defined areas of the country, they can occur almost anywhere in the United States. According to the Federal Emergency Management Agency (FEMA) statistics, tornado and hail storms generally occur from March through May, within the Midwest, South, and Southeast regions of the country.

Despite advanced meteorological tools and years of research devoted to tornadoes, they still have the unexpected ability to destroy buildings, businesses and lives. Tornadoes strike with incredible velocity, with wind speeds sometimes over 200 miles per hour. The increasing number and severity of tornadoes, hail storms, and other natural disasters demands that preventive action be taken to reduce the threat that these devastating natural phenomena impose upon people and businesses. FEMA has initiated a "Project Impact: Building Disaster Resistant Communities" program. Project Impact deals with disasters and is helping businesses dramatically reduce business interruption and direct property losses caused by natural disasters.

While tornado prevention is not possible, the good news is that much has been learned about how to prevent damage from the high winds associated with tornadoes. Below is a detailed list produced by FEMA that offers guidance to businesses, builders, and remodelers to help limit tornado damage and losses:

- Securely anchor storage sheds or other outbuildings, either to permanent foundations or with straps and ground anchors.
- Plant trees far enough away from homes so that they cannot fall on buildings.
- Reinforce double entry doors by adding heavy-duty dead bolts, or slide bolts to the top and bottom of the door section that is generally not open. Replace hinge screws in doors and door frames with longer screws.
- Reinforce overhead doors by adding stiffeners across the back of the door and by strengthening the glider wheel tracks.
- Brace gable end roofs, as they are much more susceptible to wind damage than hip or flat roofs.
- Protect windows with permanent storm shutters.

In addition to protecting the buildings it is important to take action to protect people caught in the fierce storms. One effective way to guard against injuries and loss of life during a storm is to build tornado-safe rooms. Tornado-safe rooms can provide protection against winds of 250 miles per hour and against projectiles traveling at 100 miles per hour.

These structures typically referred to as "Safe Rooms" are appearing in new and remodeled construction that are specially designed and built to protect against high winds and flying objects.

Construction plans and cost estimates for the construction of Safe Rooms are contained in "Taking Shelter from the Storm, Building a Safe Room Inside Your House" (FEMA Publication 320). Additional Safe Room construction information can also be provided by the National Performance Criteria developed by FEMA in cooperation with the Wind Engineering Research Center at Texas Tech University.

Funding assistance may be available for the construction of Safe Rooms through Small Business Administration disaster loans.

For More Information

Additional information about storm resistant construction, materials, and techniques to make buildings more resistant to damage from natural disasters is available on FEMA's website, www.fema.gov.



PLM offers the necessary training tools to aid in loss prevention! We have partnered with Coastal Video to make available a host of safety training DVDs. Customers can choose from a list of programs from how to handle flammable liquids properly to the proper use of forklifts and commercial vehicles. A full list of titles available is located on our website at:

www.plmins.com/ps/documents/SafetyTrainingDVDswebsite.pdf

We encourage you to log-on to our website and take a look at the selections for yourself. Handbooks and content synopses are also available for each video.



**Pennsylvania Lumbermens
Mutual Insurance Company**
One Commerce Square
2005 Market Street, Suite 1200
Philadelphia, PA 19103-7008

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



wood is all we do.

COMMENTARY: First Quarter Results ...continued from page 1

are adequate to carry us through. Our willingness to negotiate renewals when appropriate stems from the fact that as a mutual company, we are trying to be supportive of our insureds in a difficult time in their business cycle.

Our westward expansion continues with field people now being on the ground in Spokane, Colorado Springs, Las Vegas and Phoenix. Further, we finally received our license to operate and have filed rate and forms in New Mexico. When approved, we will have the capability of providing coverage to exposures in all 48 lower states. While we are not aggressively pursuing business in California and are not currently aggressive in Texas, we are otherwise now open for business in all states with the exception of Hawaii and Alaska. As our volume grows, additional staffing will be added both in the field and technical services area to support our business in the far west.

After many years of quietly writing manufactured housing risks, we have decided to be somewhat more aggressive in pursuing and entertaining these risks and have announced to the marketplace, our brokers and field people our intent to do just that. Working together, we feel very comfortable that we can demonstrate significant value to any wood-based business not just at the time of the sale, but more importantly providing the services necessary to avoid or reduce loss. If a loss does occur, we will handle it on a timely basis and in a professional manner. After all, this is what you buy insurance for and hopefully you are buying your insurance from Pennsylvania Lumbermens Mutual.

In closing, I simply want to indicate that as always, if you have any problem with any of our services or with our relationship in any way, you should feel very free to contact me personally at jsmith@plmins.com or at 267-825-9246. ■

LumberMEMO

President & CEO	John K. Smith
VP of Marketing	Jerry Healy
Sr. Marketing Specialist	Susan Cho

One Commerce Square
2005 Market Street, Suite 1200
Philadelphia, PA 19103-7008
MAIN 800.752.1895
FAX 215.625.9097
www.plmins.com
info@plmins.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@plmins.com.