



SPRING 2009

LumberMEMO

Pennsylvania Lumbermens Mutual Insurance Company

We are pleased to announce that A.M. Best has recently affirmed PLM's financial rating of "A" with a stable outlook. While we are not surprised by this news, we are extremely pleased. Particularly because, as with many of our customers, 2008 was not a banner year. So, we move forward into 2009 looking to improve upon our 2008 financial performance while continuing to provide the level of service that our customers have become accustomed to and recognize as a trademark of our organization.

The first quarter has come to a close and we are pleased with the improvement in our financial performance over the first quarter of 2008! While the improvement is not dramatic, it is positive and hopefully an indication of more positives to come.

We were pleased that 240 wood-related businesses chose to entrust their futures to PLM by placing their coverage with us in the first quarter of 2009. These new customers generated in excess of \$5 million in new premium for PLM. Submission activity has started to climb as a number of carriers are re-evaluating their commitment to lumber-related industries. This, in the past, has foretold of a hardening insurance marketplace for businesses in the lumber and wood-working industries. Rest assured we remain committed exclusively to the industries we serve. Maybe more importantly, almost 90% of our current clients chose to renew their coverage with us, underscoring the value that we provide for their insurance dollar. This is an increase of about 3 percentage points over the first quarter of 2008.

We have increased the emphasis on utilizing two year policies with an effort ongoing to move most of our smaller accounts (under \$20,000 in premium) to a two year term. This program will be made available to most clients over time, save those in coastal areas or that have exceedingly large coverage limits where we depend heavily on reinsurance.

“ So, we move forward into 2009 looking to improve upon our 2008 financial performance while continuing to provide the level of service that our customers have become accustomed to and recognize as a trademark of our organization. ”

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NJBMDA Dividend Plan Receives a 5% Dividend

The 2008 PLM/NJBMDA Safety Group Dividend Plan results have been calculated. We are pleased to announce that the Pennsylvania Lumbermens Mutual Insurance Company Board of Directors have approved a 5% dividend to all participating New Jersey Building Materials Dealers Association members. The calculation was based on their earned premium for the plan year of October 1, 2007 through September 30, 2008. The adjusted loss ratio of the group was 27.94% giving the plan participants a 5% dividend. Dividend checks were mailed out or delivered to participants directly at the end of March.



The New Jersey Building Materials Dealers Association (NJBMDA) has endorsed PLM as their Property/Casualty Underwriter for their membership. The association is based in Hillsborough, New Jersey and is comprised of retail building material dealers in the state of New Jersey. The NJBMDA welcomes new members and more information can be found on their website at www.njbmda.org.

If you are current member of NJBMDA and would like more information on joining the PLM/NJBMDA Safety Group Dividend Plan, please contact Susan Cho at 267.825.9350 or at scho@plmins.com. You may also visit our website at www.plmins.com under Industry Resources then Special Programs for information on all thirteen Safety Group Dividend Plans offered by PLM.

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Lightning Protection

Randy Zellis, Assistant VP - Technical Services

There has been a noted increase in lightning related losses that are currently affecting customers at Pennsylvania Lumbermens Mutual. Lightning related losses for PLM customers have increased and have been noted to be the fourth highest frequency loss type experienced. Lightning related losses although unpredictable in nature are one of the easiest forms of natural loss exposures to address with specific controls. In an effort to help customers control this type of loss, some historical background and control strategies have been developed and are presented in this bulletin.



Why You Need Lightning Protection

Lightning protection systems have changed drastically since Benjamin Franklin first invented lightning rods in 1752. Today's systems have evolved and protect modern appliances, electrical systems and buildings. Lightning protection systems should be installed to keep up with changing requirements and methods of building construction and business technology.



Each year, thousands of buildings and properties are damaged or destroyed by lightning. It accounts for more than a quarter billion dollars in property damage annually in the United States. Lightning is responsible for more deaths and property loss than tornadoes, hurricanes and floods combined, but of these violent forces of nature, lightning is the only one we can economically afford to protect against.

Lightning can strike anywhere on earth – even at the poles! In any U.S. geographical location, lightning storms occur as few as five times or as many as 100 times per year. The Northeast United States has the most violent thunderstorms in the country because of the area's extremely high earth resistivity. High earth resistivity (the earth's resistance to conduct current) increases the potential of a lightning strike. If struck, structures in these areas will generally sustain more damage when there is no lightning protection system present.

Some properties have a higher risk of lightning damage due to location and building construction features. The installation of a lightning protection system on a building is one way in which this natural loss occurrence can be controlled. When considering installation of a lightning protection system, you may want to specifically assess a number of the following risk factors.

How a Lightning Protection System Works

Lightning is the visible discharge of static electricity within a cloud, between clouds, or between the earth and a cloud. Scientists still do not fully understand what causes lightning, but most experts believe that different kinds of ice interact in a cloud.

A lightning protection system provides a means by which this discharge may enter or leave earth without passing through and damaging non-conducting parts of a structure, such as those made of wood, metal, brick, or concrete. A lightning protection system does not prevent lightning from striking; it

provides a means for controlling it and preventing damage by providing a low resistance path for the discharge of lightning energy.

How You Can Protect Your Building

Install a Lightning Protection System that complies with current nationally recognized codes. Lightning protection systems consist of air terminals (lightning rods) and associated fittings connected by heavy cables to grounding equipment, providing a path for lightning current to travel safely to ground.

Parts of structures most likely to be struck by lightning are those that project above surrounding parts, such as chimneys, ventilators, dust collectors, cooling towers, water tanks, conveyor systems, railings, gables, ridges, and parapets. The edges and corners of flat or gently sloping roof areas are the parts most likely to be struck by lightning.

Any lightning protection system should include consideration for all of the following elements which work together to prevent lightning damage.

- Air Terminals (lightning rods)
- A network of conductors (cable)
- Bonding with metallic bodies
- Ground Terminations
- Surge Arresters

General guidelines for the installation of lightning protection systems for commercial/industrial buildings are outlined as follows:

1. Air terminals spaced 20-feet apart around the perimeter of the building.
2. Interconnected down conductors.
3. Grounding rods at least 10-feet deep.
4. Air handling units bonded to system (may need air terminals mounted on unit/s).
5. Air terminals mounted within two feet of outside roof corners.
6. Mid-roof conductor and air terminals at maximum 50-foot spacing.
7. Grounded metal bodies bonded into system.
8. Surge arresters installed at main electrical panels.
9. Transient voltage surge suppressors installed in receptacles.

Electronic Protection

Modern buildings are especially vulnerable to the havoc that lightning can wreak on sensitive electronic equipment. To assure

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Change to Billing Process

Thomas Supplee, VP of Operations/Customer Service

In an effort to continually improve service to our brokers and customers, we have made the following important changes to our billing process.

DIRECT BILL POLICY DECLARATION MAILINGS

With the change from Broker Bill to Direct Bill, PLM has received several requests of mailing the Insured copies of their Policy. Under the current process, PLM forwards the policies to the Broker for distribution to their customers.

PLM then mails installment payment coupons, premium invoices and auto I.D. cards directly to the Insured. This has created some confusion on the behalf of our clients in matching invoices to new business, renewals and endorsements.

Effective May 4, 2009, PLM will be mailing the Insured copies of their policies and endorsements with installment payment coupons, premium invoices and auto I.D. cards.

NEW BUSINESS, RENEWALS AND ENDORSEMENTS

- PLM will forward the Broker their copy of the policy and installment letter.
- PLM will mail the Insured's policy, installment payment coupons, premium invoices and auto I.D. cards directly to the Insured.
- Mortgagee and Loss Payee copies will be mailed directly to the Leinholders.

ENDORSEMENT PROCESSING IMPROVEMENTS

PLM has made strides in improving our turnaround 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.

Thomas W. Supplee

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Lightning Protection ...continued from page 2

the highest level of protection, surge arresters should be installed on electrical service panels and other incoming lines. Arresters are the first line of defense against harmful electrical surges that can enter a structure through power lines. Installing surge arresters at service and telephone equipment will prevent surges from entering building power or telephone lines. Surges that are protected against are diverted to ground, and both wiring and appliances are protected.

Items to Consider When Planning Protection

The best time to design a lightning protection system for a structure is during the structure's design phase, and the best time to install the system can be during construction. System components can be built in so as to be protected from mechanical displacement and environmental effects. In addition, aesthetic advantages can be gained by such concealment. Generally, it is less expensive to meet lightning protection requirements during construction.

Conductors should be installed to offer the least impedance to the passage of stroke current between the air terminal devices and earth. The most direct path, without sharp bends or narrow loops, is best. There should be at least two paths to ground and more, if practicable, from each air terminal device. The number of paths is increased and the impedance decreased by connecting the conductors to form a cage enclosing the building.

Inspection and Maintenance of Lightning Protection Systems

It has been shown that, in cases where damage has occurred to a protected structure, the damage was due to additions or repairs to the building or to deterioration or mechanical damage that was allowed to go undetected and unrepaired, or both. Therefore, it is recommended that an annual visual inspection be made and that the system be thoroughly inspected every five years.

Lighting Related Loss Control

Lightning strike related losses are on the rise. As part of an ongoing effort to identify and offer suggestions for control of predictable loss types, PLM has developed this informational bulletin to help you assess the likelihood of a lightning strike loss affecting your business operations. There are specific control strategies associated with lightning related losses that can be implemented for protection of your ongoing business operations. The Technical Services Department at PLM is available for consultation regarding the installation of a lightning protection system for your business operation. ■



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wood is all we do.

COMMENTARY: Moving Forward

...continued from page 1

Our western expansion is starting to grow deep roots and we were pleased to be able to add a new Field Representative who will be operating in the Pacific Northwest out of the Portland area. The first quarter was not kind to us from an investment standpoint, but we did enjoy some improvement toward the end of March that has continued up through the writing of this article.

Our commitment to lumber and woodworking trade organizations and buying co-operatives continues while many vendors and suppliers have scaled back their support. We continue to attend trade shows and lumber industry meetings. We continue our educational support of groups and associations. We think when business is tough it is the perfect time to maintain a high profile and work on improving our relationships with clients and others in the industries we serve.

In closing, if you are a current client we thank you for your business. If you are pleased with PLM please tell your suppliers and competitors about us! If you're not, tell me at jsmith@plmins.com. If you are not a client, why not give us a try? Founded over 100 years ago by lumbermen for lumbermen, today we at PLM are honored to continue the tradition of being solely focused on providing property/casualty coverage to wood-related enterprises like yours! ■

*****CORRECTION***CORRECTION***CORRECTION*****

In the article *Insured Bill of Rights* in the Winter 2009 issue of the LumberMemo, the incorrect P.O. Box address was printed. The correct PLM lockbox address (for remittances only) is:

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Help us improve the LumberMEMO!
Send all feedback to scho@plmins.com.