



COMMENTARY: *Stock versus Mutual*

John K. Smith, President & CEO



A broker has just presented you with two proposals for your property casualty insurance renewal program, one with a “**Stock Insurance Company**” and one with a “**Mutual Insurance Company**”. The proposals on the surface and after analysis look fairly close from both the coverage and price viewpoint. You need to make a decision on which company you should favor with your business. Sometimes insureds overlook a very significant difference in this situation and that is the TYPES of companies that have provided the quotations. Many insureds simply do not pay much attention to this issue. There is a big difference that exists between STOCK and MUTUAL insurance companies that you should consider before arriving at your final decision.

A STOCK company’s objective is the preservation and greatest practical enhancement, over time, of *their shareholder’s* investment. In fact, *it is the duty of the Board of Directors* of a STOCK company *to be primarily focused and concerned* about the *company’s shareholders*; both now and in the future. Thus, any conflict between policyholder and shareholder *must be resolved* by management in *the favor of the shareholder*.

Let’s compare those thoughts that we all know to be true and factual to a MUTUAL company’s objective. The overriding objective of a MUTUAL company is the preservation and greatest practical enhancement over time of the policyholder’s surplus. The *Board of Directors’ duty is to the policyholder* (that’s you!); both today and in the future. There is no conflict between the policyholder and shareholder because there is no shareholder. In fact, the policyholder has ownership and rights within the insurance company. Consequently, the only “disputes” that can arise

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Dividends Paid!

Pennsylvania Lumbermens Mutual Insurance Company is pleased to announce that five of our Safety Group Dividend Plans have received dividends. The following plans are:

INDEPENDENT BUILDERS SUPPLY ASSOCIATION (IBSA)

Independent Builders Supply Association



For the second consecutive year since the inception of the plan, the PLM Board of Directors has approved a dividend to all participating members of the PLM/IBSA Safety Group Dividend Plan. The plan year ran from January 1, 2007 through December 31, 2007. The group finished the year with a 30.37% loss ratio. This entitled all participants to receive a dividend check totaling 5% of their earned premium for the year. Dividend checks were mailed out to all participating members at the end of June.

The Independent Builders Supply Association (IBSA) is a member-owned, buying organization based in Smithfield, NC. Their members are lumber dealers located in the southeastern United States. PLM has been endorsed by IBSA as the Property & Casualty Underwriter for their membership.

LUMBERMENS MERCHANDISING CORPORATION (LMC)



LMC members enrolled in the PLM/LMC Safety Group Dividend Plan have earned a 2.5% dividend for the plan year January 1, 2007 through December 31, 2007. The group finished the year with a 45.43% loss ratio. This entitled the plan participants to a 2.5% dividend check mailed in June.

LMC is a buying cooperative based in Wayne, PA. PLM has been providing a safety group dividend plan to their membership since 2000.

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Summer 2008

Pennsylvania Lumbermens Mutual Insurance Company

Lumber MEMO

Meet Your Collector

Anna Marie Baiocchi, AVP - Collections

As we celebrate our one year anniversary at our new office located at One Commerce Square, I would like to reintroduce PLM's collectors. I always find it nice to be able to connect a voice with a friendly and helpful face when possible.

Our collectors are listed below in alphabetical order, along with the state code for the territories they handle. Their contact information is provided for your convenience. You can also reach any of our collectors for assistance via our *Toll Free number: 800-752-1895, Direct Dial or Option #3.* When you contact our collectors you will be treated in a professional and friendly manner. Any collector will be able to assist you with your request or

put you in touch with the appropriate PLM staff member. I am also available to take your calls if a collector is unavailable. Effective in August, our communications system will be upgraded to ensure calls to the Collections Department will be answered by one of our five collectors for calls received through our toll free number. The system is configured to connect you with a random collector who will be able to assist you with your payment related questions where possible or document your call and forward it to the proper collector to return your call.

When calling our office, please have the account *name* and *policy number* available for the collector as that information will help locate your account quickly, thus reducing your wait time for service.



Anna Marie Baiocchi, AVP - Collections
 Phone: 267-825-9366
 Fax: 267-825-9365
 E-mail: abaiocchi@plmins.com



Betty Cunicelli
 Phone: 267-9364
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 E-mail: bcunicelli@plmins.com

District of Columbia (08), Illinois (12), Maine (18), Maryland (19), Massachusetts (20), Minnesota (22), Mississippi (23), Montana (25), Nevada (27), Tennessee (41), Texas (42), West Virginia (47) and Wisconsin (48)



Dolly Clothier
 Phone: 267-825-9362
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 E-mail: dclothier@plmins.com

Arkansas (03), Florida (09), Louisiana (17), Pennsylvania (37)



Lorraine Klock
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New York (31) and North Carolina (32)



Cordy Peoples
 Phone: 267-825-9356
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Connecticut (06), Delaware (07), Idaho (11), Indiana (13), Kentucky (16), Michigan (21), Missouri (24), North Dakota (33), Ohio (34), Oklahoma (35), Oregon (36), South Dakota (40), Utah (43), Vermont (44) and Virginia (45)

Terry Murphy
 Phone: 267-825-9358
 Fax: 267-825-9357
 E-mail: tmurphy@plmins.com

Alabama (01), Arizona (02), Colorado (05), Georgia (10), Iowa (14), Kansas (15), Nebraska (26), New Hampshire (28), New Jersey (29), Rhode Island (38), South Carolina (39), Washington (46) and Wyoming (49)



Provided below is our Home Office mailing address for overnight remittances and all correspondence *not* related to payments.

Home Office Address

One Commerce Square
 2005 Market Street, Suite 1200
 Philadelphia, PA 19103-7008

Please mark your records: only **checks, coupons and invoices** should be sent to the lockbox address.

Lockbox Address (remittances only)

P.O. Box 827925
 Philadelphia, PA 19182-7925

We ask your cooperation when sending monthly remittances, that they reach our lockbox by the due date on your invoice(s) and monthly coupon(s) to keep your account current preventing the possibility of a lapse in coverage. Invoice stub(s) and monthly coupon(s) required with your payment ensures timely and proper posting to your account.

Dividends Paid!

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NORTH AMERICAN WHOLESALE LUMBER ASSOCIATION (NAWLA)



The PLM Board of Directors approved a 2.5% dividend for all plan participants in the PLM/NAWLA Safety Group Dividend Plan. The program ended the plan year with a 47% loss ratio. That entitled the participants to a 2.5% dividend based on their earned premium for the year. Dividend checks were mailed out to all participating members at the end of June.

PLM was designated NAWLA's "Approved and Recommended" Property/Casualty Underwriter for their membership and we have provided a safety group dividend plan since 2000. NAWLA is an international trade association for forest and building products industry wholesalers and manufacturers.

ENAP, INC.



Also in June, the PLM Board of Directors approved a 5% dividend for all plan participants in the PLM/ENAP Safety Group Dividend Plan. The group ended the plan year, which ran January 1, 2007 to December 31, 2007, with a 22.84% loss ratio. Members of the Safety Group Dividend Plan received dividend checks totaling 5% of their earned premium.

PLM was endorsed by ENAP in 2000 as the sole Property & Casualty Underwriter for their membership. ENAP is a buying group based in New Windsor, NY and composed of independent retail lumber dealers located along the East Coast and as far west as Michigan.

NORTH CAROLINA FORESTRY ASSOCIATION (NCFA)



The NCFA has completed its 2007-2008 plan year and we are pleased to report that

the PLM Board of Directors has approved a 7.5% dividend to all participating members of the PLM/NCFA Safety Group Dividend Plan. The plan year ended on January 31, 2008 and the group finished with an adjusted loss ratio of 19.61%. That entitled the participants to dividend checks which were mailed out the end of July this year.

PLM has been the endorsed Property/Casualty Underwriter for the North Carolina Forestry Association since 1988. The plan is open to manufacturing members of this forestry association. This is one of PLM's oldest and most successful programs.



PLM currently has twelve safety group dividend programs throughout the country. To find out more, simply visit our website at www.plmins.com. Look under "Industry Resources". There under "Special Programs", you will find all of our current plans, along with links to the Associations' websites and a copy of the dividend brochure.

If you are a member of any of these associations and would like more information on how to join a Safety Group Dividend Plan, please contact Susan Cho at 267.825.9350 or at scho@plmins.com. ■

Roof Repairs & Common Sense

Joe McCrea, Senior VP - Claims



For some reason roof repairs and common sense seem to take different paths. Recently we have received several claims involving water damage to contents that occurred during the roof repair process. Most, if not all of these claims could have been avoided using common sense.

No one likes to suffer a loss as it can disrupt business and cause a loss in sales. Repairs take time as does replacement and clean up. Unfortunately, there can also be coverage problems.

Under all property policies, there is no coverage for damage to contents and/or interiors caused by water unless there is damage to the exterior building by a covered cause of loss. The covered causes include wind and fire, hail, explosion, smoke, aircraft and vehicles and several other causes.

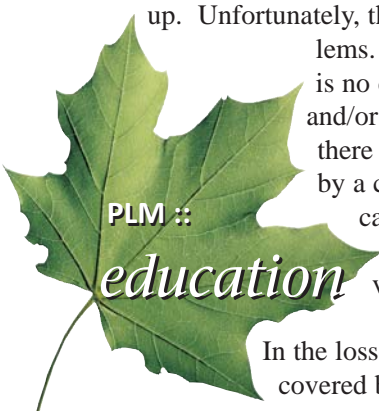
In the losses that we received, one was not covered because the contractor did not

cover the roof at the end of the day and a rainstorm occurred. The other losses were covered but were caused by inadequate covering while repairs were ongoing for several days.

To avoid problems we suggest several simple steps to protect you and your business.

- Make sure that proper tarps are secured if the repairs are over several days or a storm is approaching.
- Have someone inspect the tarps before leaving for the day.
- If using a contractor, go over his tarp procedures.
- Check to be sure all contractors have proper insurance to cover any loss they may be responsible for.
- Consider covering materials inside that are under the repair area.
- Keep a copy of the certificate of insurance from the roofer.

If this sounds simplistic, it's because it is simple. The group of owners who submitted these claims now realize that even simple items can require a check up.





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wood is all we do.

COMMENTARY: *Stock versus Mutual* ...continued from page 1

are between the policyholder and the policy itself. When the management of a MUTUAL company (that's us) is trying to resolve conflicts between the policyholder and the policy contract, they are not concerned with any issues other than the fair and accurate assessment of the situation and application of the terms and conditions of the policy contract. We are not concerned with stockholders because as indicated above, we do not have them!

Ask yourself a question: Would you rather have the management of the company that insures you, and its Board of Directors, primarily concerned about you or would you rather have them primarily concerned about a shareholder?

At the end of the day I think we all know the answer to that question. Founded over 113 years ago by lumbermen for lumbermen, today, Pennsylvania Lumbermens Mutual Insurance Company is arguably the leading writer of wood business in the United States and our only concern, is providing our policyholders affordable coverages and top quality services!

Our Board of Directors is comprised of a number of insureds as well as independent business people with only one employee being part of the Board of Directors. A primary concern is for the company and our policyholders -- not for any shareholders because there are none. Our management team is focused on providing you the best possible terms and conditions. Because wood is all we do, you are not going to wake up one day and find that we are no longer interested in the wood niche. Our business is wood and you are our business. The next time you are considering proposals, think about more than the terms and conditions, think about the company that stands behind their proposal and where their interest may lie. ■

LumberMEMO

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

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