



**COMMENTARY: The Light at the End of the Tunnel**

**John K. Smith, President & CEO**



We have asked ourselves many times over the last couple of years whether the light at the end of the tunnel was daylight or a train coming at us. I have to tell you that we believe that the light we were seeing is in fact daylight! I have been spending more than the usual amount of time on the road visiting with insureds recently and I sense that the prospects and insureds are a bit more optimistic today than they were a year ago. Primary manufacturing and sawmilling is reporting good international demand on the hardwood side. We are hearing more and more from our softwood insureds that there is demand for their products overseas as well. Most retail and wholesale building material dealers are reporting that they are in better shape today than they were a year ago. I am starting to hear with some regularity that there are new homes going up in which our insureds are involved. Not perhaps the steady stream we would all like, and not perhaps the full-blown rebound that will inevitably will come, but again, there is more occurring in the summer of 2011 than there was in the summer of 2010. There are some geographical areas that are still in difficult situations. While they are important to the overall housing industry, they are not representative of the entire segment, although the news media would want us to think so. Consumer confidence seems to be rebounding a bit, if you have a job. The recent improvement in the equity market has assisted in this arena as well.

PLM's six month results are poor from a profitability standpoint with the main contribution being the weather-related claims that have occurred throughout the country. While we have not been impacted by any one storm to any great extent, it seems like we have been impacted by all of them to some degree! At the end of the day we are recording record-breaking numbers from a new property claims viewpoint. If there is a positive to be found here, it is the opportunity to demonstrate our claims finesse. While I would rather not have that opportunity, I am pleased with the amount of positive feedback we are receiving regarding our handling of various storm claims. If you have suffered a storm claim and are not comfortable with the claims service you have received, I am only a phone call (267-825-9246) or email (jsmith@plmins.com) away!

We have seen a significant reduction in the amount of fire-related claims over the past year, as well as a significant drop-off in a number of large claims. Both are very positive trends. Should this continue, we are optimistic that we will have better leverage when we place our reinsurance renewal later this year.

From a production standpoint, we are surprised to find ourselves actually growing at the six month mark. While we were optimistic that we would finish the year in a positive situation growth-wise, we felt we would not achieve actual growth until the latter months of 2011. The fact of the matter is we were running

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## **PLM Pays Dividends to Two Groups**

Pennsylvania Lumbermens Mutual Insurance Company is pleased to announce that two of our Safety Group Dividend Plans have received dividends.

### **ENAP, INC.**



ENAP members enrolled in the PLM/ENAP Safety Group Dividend Plan have earned a 5% dividend for the plan year January 1, 2010 through December 31, 2010. The group finished the year with a 38.31% loss ratio entitling the plan participants to a 5% dividend. This is the sixth consecutive year that this group has received a dividend! Notices with dividend checks were mailed directly to members at the end of June.

### **INDEPENDENT BUILDERS SUPPLY ASSOCIATION (IBSA)**



The PLM Board of Directors have also approved a dividend to all participating members of the PLM/IBSA Safety Group Dividend Plan. The group finished with a 5.13% loss ratio entitling them to receive a 10% dividend for the plan year January 1, 2010 through December 31, 2010. Notices with dividend checks were mailed to participants at the end of June.

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If you would like more information on our Safety Group Dividend Plans, please feel free to contact Susan Cho at 267.825.9350 or at scho@plmins.com.

# PLM Performs in Joplin, MO

Brian Schnurbusch, Field Representative

Sunday morning, May 22nd was a normal day for the residents of Joplin, Missouri. Citizens of this Southwest Missouri town were going about their everyday business attending church, working, shopping, or just spending time with their families. The weather forecast called for some stormy weather later in the day, but nothing out of the ordinary for late May. To the west, over Kansas and Oklahoma, thunderstorm cells were beginning to form that later that afternoon would change the people and the culture of this entire region for years to come. For 155 people in Joplin, Missouri this day would be their last.

My family and I live about 125 miles east of Joplin and for those of us accustomed to living in "tornado alley", predictions of severe weather is a common occurrence. Many get so used to it they mistakenly take it for granted. In fact, residents of this area will tell you they can almost predict an outbreak of tornadoes just by the way the weather feels on certain days. High dewpoints, sunny, hot and humid conditions, and shifting, rotating winds often indicate potential trouble later in the day.

My kids and I had just returned from the grocery store. When I walked into the house with a bag of groceries my wife was watching the television in our living room. She said Joplin had just taken a direct hit by a tornado. I went to get another bag out of the car and like any insurance person I started making a mental list of those clients we insure in the Joplin area. I was hoping they were all okay and that we might dodge another catastrophe in a year that has had more than enough already.

I was nearly out the door when my wife said, "This one is really, really bad. You need to come see this!" Those words, coming from someone who grew up in North Central Oklahoma and doesn't get concerned till the shingles start flying off of our house, stopped me in my tracks. I spent the next several hours in silence watching the news reports coming out of Joplin being carried by all the Springfield, Missouri television stations.

First thing Monday morning we started calling all our clients in the Joplin area to check on their well-being. Fortunately, as I got deeper into the list, all reports were coming in good. No one reported any serious damage but many were concerned about employees that were missing and unaccounted for. The last name on the list was Fiberlite Technologies, a wood cellulose insulation manufacturer that we have insured for several years. I knew before calling that 3605 E. 25th Street was going to be very close to the disaster zone as their location is not far from the Home Depot store where search and rescue teams were still pulling out dead bodies.

I reached the owner, Shan Maitra, on his cell phone. That was a surprise as nearly all cell communications in the area were out with towers down everywhere. He confirmed that one of his employees had somehow made it in through all the debris and

that it looked pretty bad. He himself had not yet been able to get there due to all roads being closed by emergency personnel and the National Guard.

A major claim had occurred to one of our insureds and our claims department immediately went to work.

Fast forward to Friday June 24th. Missouri's governor, Jay Nixon, scheduled a late afternoon press conference in Joplin to announce more emergency business redevelopment assistance. He wanted to hold this press conference at a business that was getting back on its feet. They chose our insured, Fiberlite Technologies, as a shining example that the recovery of the Joplin area was well underway.

I arrived in Joplin early on Friday to look around and visit some other clients. As I drove around the affected area, there were no words to describe the devastation. The tornado literally wiped out an area about a mile wide and eight to ten miles long. It's been approximately 30 days since the storm. 30-40% of the debris has been removed. There are 155 fresh graves and the area still looks like a war zone.



While there are many sad stories in that area, there are also a lot of good stories as well. Neighbors helping neighbors, volunteer groups, disaster service contractors and utility crews with license plates from all over the United States working sun-up to sundown. The St. Louis Cardinals and the Kansas City Royals wrapped up a three game interleague series with all proceeds going to the Joplin Relief Effort.

American flags are flying high from destroyed homes and piles of rubble to show that even after nature's most powerful display of destruction the American spirit is still alive and well.

People like Shan Maitra and Fiberlite Technologies, who put their trust in an insurance company and a claims department like Pennsylvania Lumbermens are back in business. Unlike other recent disasters, reports of looting and mischief were virtually unheard of here which says a lot about the people of southwest Missouri.

Our insured gives us high marks. It's often said you never know who your insurance company is until you need them. In less than 30 days Fiberlite is nearly rebuilt and back in business, and I guarantee they know who their insurance company is. Hats off to Sam Metts, Nick Kaz, Ray Rogers, Joe McCrea, Fran Santoro and the whole PLM claims staff. I may be the one who smiles and takes pictures with the governor but these folks waded into the wreckage, pick up the broken pieces and put it all back together. They do it well and they do it fast. If you are not currently insured by Pennsylvania Lumbermens here's a good reason why you should be. Likewise, if you are a client of ours already: thank you, this is what you can expect.

At the end of the press conference, prior to leaving, Governor Nixon pulled me aside and thanked us for doing a good job here.

# hurricanes & floods

Hurricanes are like no other storms on earth. These ferocious weather systems bring torrential rains, flooding, storm surges and devastating winds that damage and destroy businesses and disrupt livelihoods. It's never too early to prepare. You can take several basic steps right now to protect your business from disaster. Preparation is the key to protecting your business and keeping your loss, should you suffer one, to a minimum.

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I said to him in simple "Show Me" state words, "Thank you, Governor. That's our deal."



The following are the remarks to the local dignitaries and media your fellow policyholder, Shan Maitra made as he introduced Governor Nixon at the press conference. We appreciate him sharing this with us.

*I would like to thank everyone for coming here today to our facility at Fiberlite Technologies. My name is Shan Maitra and I am President and Owner of Fiberlite Technologies. We are pleased to announce the arrival of Governor Nixon to our facility. He is very gracious to visit us and other businesses in Joplin today.*

*With everything that has taken place over the last month, we would like to update the community on our situation. We at FTI are pleased to report that all of our employees are safe and survived the tornado. One of our employee's homes was hit by the tornado. Similarly, our facility suffered some damage and because of that we have not manufactured insulation since that terrible day. We fortunately implemented our disaster recovery plan and remained in business and distributed product to our customers. I would like to emphasize that we at Fiberlite Technologies fully intend to rebuild and assist the community in its recovery.*

*We feel very fortunate and would like to thank our families and friends for their support, as well as our insurance company, Pennsylvania Lumbermens Mutual, for their support and assisting us as best as they can.*

*Lastly, we would like to thank Governor Nixon for his moral support and presence here in Joplin after the tornado. Your support has been important in this recovery. Ladies and Gentlemen, please join me in welcoming Missouri Governor Jay Nixon.*

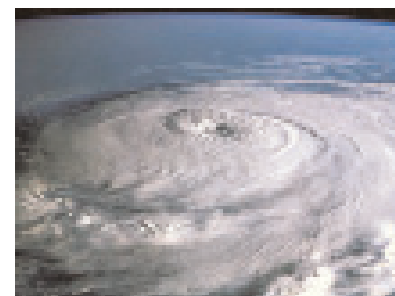
Joplin is coming back and PLM is doing our part to help make it happen. ■

### Before the Storm

- Inspect roof edging strips, gutters, flashing, roof coverings and drains.
- Inspect sign supports and check for weak door, window latches and hardware.
- Move your vehicles to higher ground to avoid high, fast moving water.
- Protect vulnerable windows from flying debris.
- Update important backup records and move them to a location not vulnerable to the same weather-related incident.
- Anchor yard structures that can be easily moved by high winds.
- Inspect all fire protection equipment to be sure it is in service.
- Shut off gas, water and electricity if indicated prior to evacuation.

Assemble the following supplies at a central, secure location:

- Emergency lighting
- Lumber and nails
- Tape for windows
- Sandbags if required
- Roofing paper
- Caulking compound
- Tarpaulins
- Power and manual tools
- Shovels and axes
- Chainsaws



### If Heavy Rains Occur

- Keep your battery-operated radio tuned to a local station and follow all instructions. If you are told to evacuate, move out of the building to safe, high ground.
- Be aware that floods are deceptive. Avoid already-flooded areas. Floodwaters that are above your knees are dangerous. Turn around and go back to higher ground.
- If you find floodwaters on the road while driving, turn around and find an alternate route. The road could be washed out and rapidly rising water could lift your vehicle and carry it away.

### After the Storm

- Keep listening to NOAA Weather Radio or local radio or TV stations for instructions.
- When it is safe to return, be sure that buildings are not in danger of collapsing.
- Look for live electrical wires. Be sure the electrical current is turned off and do not attempt to turn on any electrically-operated light or appliance until an electrician has checked your system.
- Watch out for rodents and snakes.
- Begin cleanup as soon as possible. Throw out perishable foods; they may be contaminated.

For more information on reducing risks from a hurricane, contact PLM at 800.752.1895 or email us at [info@plmins.com](mailto:info@plmins.com). There is also valuable information on the Insurance Institute for Business & Home Safety website, [www.disastersafety.org](http://www.disastersafety.org), with comprehensive information on hurricane property protection.



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in front of our premium objective at the end of six months and well in front of our premium budget. In dissecting the reasons for this, we find that we are writing more new business than we had expected and that our renewal retention is higher than it has been the last couple of years. This is surprising in that our renewal retention has been excellent the past couple of years to begin with. In fact, in June, we retained better than 90% of our renewals; something we haven't done in years. This might be a full five points better than the insurance industry average.

We are seeing that a number of the carriers that had wandered into the niche over the past several years have begun to wander away. This is a cycle that we are well aware of and keep an eye on at all times. It's important for you to understand that PLM does not have an "exit strategy". If we don't write wood we are not going to write anything, so wandering away from the niche is not in our cards. When you place your business with PLM you know that we will be there to renew your business.

So, we are pretty sure that the light at the end of the tunnel is in fact daylight. We look forward to breaking out of the tunnel into the light of day and reaping the positive rewards of which we are all entitled.

I would like to hear your thoughts and comments regarding how we are doing as a company. Are we providing the services that meet your expectations? We'd love your feedback regarding any interaction you may have with our people, be it positive or negative.

We are optimistic that we will finish the year stronger than we started it. We hope that when we look back on 2011 we will see it as a significant turning point in our history. ■

**LumberMEMO**

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