



Winter 2008

Pennsylvania Lumbermens Mutual Insurance Company

LumberMEMO

COMMENTARY: *REVIEW/PREVIEW*

John K. Smith, President & CEO



Well, we are off and running in 2008! We should, however, take a moment or two to review where we finished 2007 and what we anticipate as we peer into the coming months and year. Financially, PLM had another fine year, from most vantage points. Our profitability in 2007, from an underwriting perspective, was dramatically off 2006's pace but we were still able to produce a minor underwriting profit. Investment income was strong, our best ever, and while the volatility in the equity market hurt, we still produced policyholder surplus growth in excess of 7% for the year.

The collapse of the housing market that has negatively impacted so many of our clients impacted PLM as well, with the result being that we finished the year with \$167 million of premium. Top line revenue was only up \$125,000. We had a great year for new business, writing just under 1,000 new accounts. Our efforts to grow our business in the west continued as we launched extensive marketing efforts in a number of Western states and hired Field Representatives in Arizona and Washington.

...we are working harder than ever to provide the service that our policyholders are entitled to with an eye toward improving our ability to retain their business on renewal.

2008 looks like it is going to be a very challenging year, but one that we have been anticipating and preparing for. I have personally been to several trade shows and it's clear the pain continues with our customers reporting dismal sales results. We think this will hamper our ability to grow in 2008 but, nonetheless, we remain committed to doing so. First off, we are working harder than ever to provide the service that our policyholders are entitled to with an eye toward improving our ability to retain their business on renewal. We will continue to expand in the West and I would hope by the time you receive your next LumberMemo we will be announcing additional hires in

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Meet Our Newest Field Reps

PLM has recently hired Field Representatives to accommodate our steady growth in the West as well as to service our current territories. PLM uses Field Representatives in most of the states where we do business. Our Field Representatives market PLM throughout their respective territories to various wood and wood-related businesses. They perform pre-binding surveys and assist your brokers in servicing your insurance needs by performing light loss control as well as pre-renewal surveys and reviews.

We are pleased to announce that Laura Iten has joined PLM as our new Field Representative in the state of Arizona. Laura has a strong insurance background, with experience in both underwriting and sales in commercial and personal lines. With her career experience and varied background, Laura will be more than capable of providing you with the utmost of service.

Also recently joining PLM is our new Field Representative in the state of Washington, Karin Bruhn. Karin is covering the states of Washington, Idaho, Oregon, and Montana. She has an extensive and well-balanced background on both the insurance agency and company level which will allow her to provide you with a high degree of service and familiarity of the types of issues you and your broker may face on a daily basis.

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Customer Service - Insured Bill of Rights

Tom Supplee, AVP-Operations and Customer Service



One of PLM's most important goals is to provide "World Class Customer Service". My position has been created, which in itself, shows our commitment to the cause. PLM's Operations and Customer Service Department allow us to concentrate on the specific issues and problems that our insureds are facing. We can evaluate the problems and develop an approach to better serve you.

Back in 2005, one of our mandates was to continue to solidify our relationships with our insureds through better communication and service. Our major objective was the continued improvement of endorsement

processing. Our intention was to provide you with your endorsements within 45 days of the request. **As we progress into the new year, I want to restate our commitment to our Insureds in providing World Class Customer Service. Endorsements have improved over the past two years, however, there is more room for improvement. With this said, I personally pledge that endorsements will have a 30 day turnaround from day of receipt into our office.**

I would be glad to hear from you should we not meet our commitment to these time service standards. Please do not hesitate to provide me with an opportunity to assist you with your request by contacting me at:

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PLM INSURED BILL OF RIGHTS

OUR INSUREDS have the following inalienable rights:

- The right to receive a returned telephone call and email response within one business day.
- The right to friendly service with a smile.
- The right to honesty and truthfulness.
- The right to courtesy and respect.
- The right to individualized attention to your account.
- The right to professional service.
- The right to timely and hassle-free service.



Quality and service expectations have been established for all departments within PLM. We enjoy hearing positive comments on our improving service and meeting the needs of our insureds. Our company is focused on YOU!

"Right to Repair" Laws Help Contractors & Suppliers

Francis R. Santoro, AVP-Claims



Right to repair laws provide contractors and their customers with the opportunity to settle construction defect disputes and avoid unnecessary and protracted litigation costs. These laws generally apply to residential construction and remodeling projects. South Dakota was the 31st state to enact a form of these right to repair laws.

Customers who believe they have a claim for defective work or materials must give a written and specific description of the alleged defect to their contractors or suppliers before they can initiate any type of legal action. Contractors have the right to inspect and test the alleged defect. The contractor or supplier must respond within a specified number of days, usually 15 to 30. This is your opportunity to fix a legitimate mistake or failure.

The parties ultimately decide whether a proposed resolution is acceptable or not. If the parties do not reach an agreement, the

customer has the option to pursue the claim either in court or through arbitration. Some states provide for an impartial third-party to give an opinion on the complaint or for alternative dispute resolution such as mediation or arbitration, when the parties can't agree.

Customers have obligations as well. Customers of manufactured products must comply with reasonable maintenance requirements as long as you give them written instructions in advance. You may want to provide a handbook or manual for this purpose. The customer's failure to follow these instructions may defeat a potential claim that they may try to bring against you.

Each law is state specific. For example, expiration dates and the definitions of defect are not uniform throughout this type of legislation. Since the laws vary from state to state, know the details of the statute in your state. If you need help with locating the statute in your state, you may contact the PLM Claims Department.

Loading and Unloading Demystified

Bob Egee, Claims Supervisor



One coverage question that comes up frequently is whether the Auto policy or the General Liability policy should respond when damage or injury occurs while material is either loaded onto or unloaded from a vehicle. The immediate answer is usually that the Auto policy should handle the claim

but there are factors that can complicate the issue. This discussion is directed to owned and leased vehicles that are listed on your Auto policy. Non-owned vehicles you use get primary coverage from the policy carried by the owner.

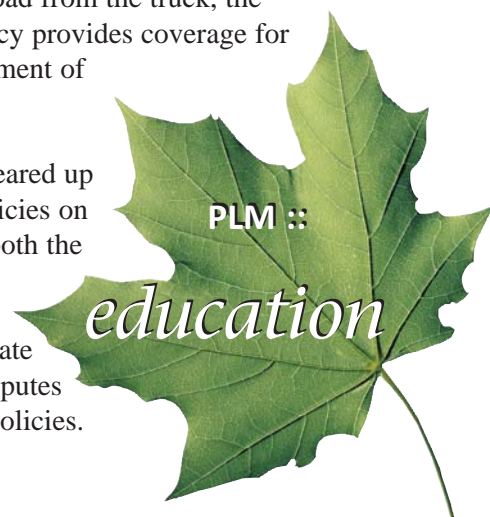
Knowing what to look for can facilitate getting the loss reported promptly under the correct policy.

The Auto policy covers losses from the movement of materials from the time they are moved from storage onto the truck until the materials are put in their final position at the time of delivery. If the truck is unloaded by hand or through the use of a tilt bed system, the Auto policy is the proper policy to respond for the claim. Unloading by hand using a hand truck may involve spotting the load some distance from the truck. The Auto policy provides coverage for a loss resulting from the movement of the material from the truck to the final point of delivery. If someone is injured or damage occurs during such activity, the Auto policy is the correct policy to respond.

This includes damage that may occur when a load is spotted from a tilt bed.

The use of equipment not attached to the vehicle to unload is an exception to the rule. The Auto policy contains an exclusion that specifically states that the Auto policy does not cover any claim for damage "resulting from the movement of property by a mechanical device unless the device is attached to the covered 'auto'". In the event the insured vehicle carries mobile equipment with it or the insured has a unit at the site, the loading or unloading with that equipment is covered by the General Liability policy. As soon as the equipment starts to remove the load from the truck, the General Liability policy provides coverage for losses from the movement of the material.

Hopefully, this has cleared up the relation of the policies on this issue. Carrying both the Auto and General Liability coverage with PLM will eliminate potential coverage disputes or gaps between the policies.



Meet Our Newest Field Reps ...continued from page 1

We also welcome Brian Gilmore to the PLM team as our Field Representative in the state of Minnesota. Brian has previously worked as a partner in his own agency and has had extensive insurance experience throughout the state of Minnesota. Brian has also worked closely with wood-related accounts in his previous positions. He holds the Chartered Property & Casualty Underwriter (CPCU) designation and the Certified Insurance Counselor (CIC) designation.



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Please join us in welcoming our new Field Representatives! Please feel free to contact them should the need arise.



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wood is all we do.

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Nevada, Oregon and Utah. We are working on expanding our office hours in Philadelphia to accommodate our Western clients.

We are going to expand our program of offering longer term policies when appropriate, thus allowing our customers to budget their expenses for a longer time period. They will save time as well since they will not have to market their insurance program every year.

We have already completed the renewal of our reinsurance program this year on favorable terms which will allow us more flexibility in pursuing larger risks.

I have said it before and I will say it again. If there is any help you need, please do not hesitate to contact me. ■

RETRACTION

In the Fall 2007 issue of the LumberMemo article *Dividends Paid in 2007*, it was incorrectly printed that the PAL Safety Group Dividend Program received a 7.5% dividend. The correct information for the plan year ending on March 31, 2007 is as follows:

The Board of Directors has approved a 5% dividend to all participating members of the Progressive Affiliated Lumbermen Cooperative Safety Group Dividend Program. The plan year ended on March 31, 2007 and the group finished with a 43.89% adjusted loss ratio which entitled the 58 participants to dividend checks.

We apologize for any confusion. If you have questions or concerns, please feel free to contact Susan Cho at 267.825.9350 or at scho@plmins.com.

LumberMEMO

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