



Winter/Spring 2007

Lumber

Pennsylvania Lumbermens Mutual Insurance Company

Commentary: "You Get What you Pay for"

John K. Smith, President & CEO

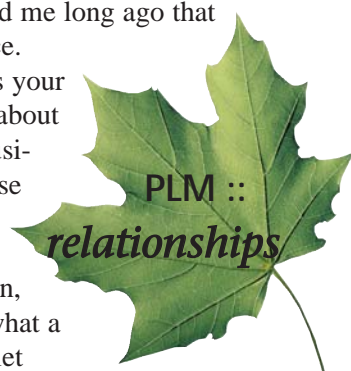
I dictated the following comments on my return from a recent trip. While part of me wanted to polish up the verbiage, I elected to print it as drafted because I wanted to speak with you from the heart.



I have been on the road visiting insureds quite a bit over the past couple of months, as have many of the senior leaders of our organization. It did not take a lot of road time to understand the challenges that many of our clients are facing. Housing is down and as a result there is more supply than demand for your products. Many of our insureds are reporting sales slippage on a year-to-year basis. Many are also quick to point out that while they are down, they are off sales-wise from one of their best years.

PLM is under some pressure as well. The insurance industry is coming off perhaps one of its best years in the last thirty. The result is that we are once again seeing standard lines companies wandering into the wood niche and offering up "cheap" rates. The result is that some of our insureds are making the difficult decision to move their insurance coverages.

I think many (not all!) of them are making a mistake. My mother told me long ago that you get what you pay for! The insurance business is not all about price. It's about buying the right protection from a company that understands your business and can help you run it more efficiently and effectively. It's about having accessibility to loss control services that are tailored to your business by loss control professionals that understand your business because wood-related business is all they do. It's about dealing with an underwriting department that recognizes that lumber dealers will do more than just sell lumber. They may have an installed sales operation, or in some cases, a millwork operation (our underwriters understand what a millwork operation is!). They understand the difference between a pallet



Continued on page 4...

New Safety Group Dividend Plans

Kentucky Building Materials Dealers

The Kentucky Building Materials Association (KBMA) has endorsed Pennsylvania Lumbermens Mutual Insurance Company as their Property/Casualty insurance carrier of choice available to its members. PLM in conjunction with the KBMA is pleased to provide a Safety Group Dividend Plan available to the members of the association. The purpose of the plan is to reduce overall insurance costs of the group, by way of a dividend, through a conscientious program of loss prevention and reduction.



KBMA is a trade association that serves the building material dealers and suppliers in Kentucky. The mission of the association is "to promote the success of the Kentucky building materials industry through education, information, advocacy and cooperation."

Allied Building Stores

The Allied Building Stores, Inc., a wholesaler of lumber and building materials, has endorsed Pennsylvania Lumbermens Mutual Insurance Company as their carrier of choice for their Property/Casualty insurance program available to their members. ABS is 100% owned by its 210 dealer members, each of whom operates an independent retail lumber business or home center in a twelve state area.



Continued on page 3...

In this Issue:

Infrared Thermography at PLM	2
Upcoming Events and Trade Shows	2
Road Rage	3

Infrared Thermography at PLM

Randy Zellis, Assistant VP Technical Services



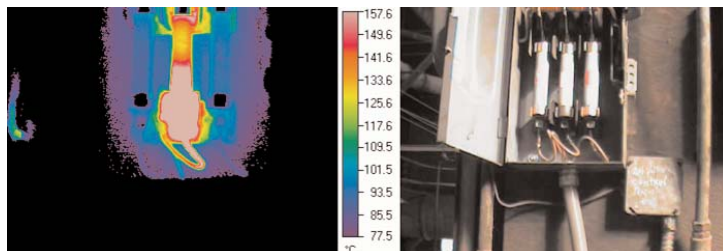
Infrared Thermography Surveys can detect problems and avoid costly fires that lead to property damage and business interruption losses. Pennsylvania Lumbermens Mutual Insurance has recently developed the capability to help customers identify problems and take necessary corrective actions to prevent costly property losses. PLM's Technical Services staff of certified Level-I Thermographers, is actively involved with conducting IFR surveys at customer locations. The completed surveys identify elevated temperature sources when scanning low voltage electrical equipment throughout customer buildings and operations. The completed thermographic surveys detect elevated temperatures that are often invisible to the naked eye. Thermography allows corrective action to be taken before electrical, mechanical or process equipment fails.

Infrared thermography "sees" and "measures" thermal energy emitted from an object. Thermal, or infrared energy, is light that is not visible because its wavelength is too long to be detected by the human eye and is part of the electromagnetic spectrum that we perceive as heat. Because the thermal energy is invisible to the human eye it is impossible to identify potential problems through visual inspection. The higher the object's temperature, the greater the IR radiation emitted. Infrared allows us to see what our eyes cannot. Infrared thermography cameras produce images of invisible infrared or "heat" radiation and provide precise non-contact temperature measurements. Nearly everything gets hot before it fails, making infrared cameras an extremely cost-effective predictive tools that identify loss sources prior to an occurrence.

The infrared surveys offered as a value added service to PLM policy holders, provide a direct and immediate property loss controlling strategy. By partnering with customers, a plant or facility thermographic scan is usually completed in a single day. When completing the IFR survey, plant electricians open and close electrical panels throughout the facility enabling the PLM Technical Services Representative to have direct line of sight to the electrical switch gear and apparatus. The process of completing scans of open electrical switchgear quickly identifies hot spots that are in question of being overloaded or imbalanced circuits or equipment. These "Hot Spots" are in danger of failure either in the short term or capable of immediate failure producing catastrophic property events.

The following example of a thermal energy scan that was recently completed for a PLM customer graphically points out an identified problem with a three phase, low voltage electrical circuit. Visual inspection of the electrical box indicated that there was nothing wrong. The thermal image of the box identified that the "C" phase of the box was in excess of 400° F. This circuit was in a condition of imminent failure and required prompt action to prevent a fire in either the electrical equipment, the production machinery served by the electrical circuit, or both.

The Technical Services staff at Pennsylvania Lumbermens Mutual Insurance Company is continually working to demonstrate value with our customers. By identifying problems through the Infrared Thermography scanning program, customers win by controlling problems before they result in fires and business interruption losses.



To learn more about Infrared Thermography or the IFR scanning program at PLM please contact:

Randy J. Zellis
Assistant Vice President Technical Services
PH: 800.752.1895 x638
Email rzellis@palumbermens.com

PLM will be attending and/or exhibiting at the following upcoming 2007 wood industry trade shows:

- KFIA Annual Meeting**
Louisville, KY - April 11-13
- NLBMDA Legislative Conference**
Washington, DC - April 16-18
- EBMDA Board Meeting**
Hershey, PA - April 25-27
- KBMA Annual Convention**
Louisville, KY - April 26-27
- Michigan Association of Timbermen**
Sault Ste. Marie, MI - April 26-28
- NAWLA Executive Conference**
Palm Desert, CA - May 6-8
- FBMA Summer Conference**
Key Largo, FL - June 14-16
- SLMA Annual Convention**
Lansdowne, VA - July 25-29
- IBSA Fall Show**
Greenville, SC - August 16-17
- FBMA Convention**
Orlando, FL - August 24-25

Road Rage

Fred Couper, Technical Service Representative



As a defensive driver, minding your own business, you soon become aware that a driver immediately behind you is six to eight feet from your rear bumper and making obscene hand gestures and mouthing what appear to be nasty comments to you. Have you ever experienced this? If so, you are not alone.

Nearly 60% of drivers experience road rage on their daily commute; 10% on a daily basis. As the pressures of family, work and society increase, people seem to tolerate others less and less. One of the signs of this is road rage. Some of this action is bullying, some is rudeness, but some quite frankly is that the other person is out of control. Of paramount importance is your own safety, and while you can probably do nothing about the other person, there are some actions that you can take to reduce the chance of being in an accident.



1. Do not take any steps to irritate the other driver, such as exchanging hand gestures or mouthing nasty comments. This tends to escalate the situation.
2. Do not slow down to a crawl, as the other driver will probably just try to get closer to you and may intentionally try to hurt you.
3. Do try to get the driver's license plate and report their

activities to the authorities, but only if you can do so safely. State the location where you last saw the other vehicle, the direction of travel, the road or highway, color(s) of vehicle, whether weapons were involved, what happened, and whether you were a victim or witness.

4. Do relax yourself in this situation, as difficult as that can be, as you do not want to be the cause of an accident yourself. You will want to be refreshed at work when you arrive, not feeling harried and threatened.
5. Do make sure you allow plenty of time to arrive at work on time so you can try to avoid bad drivers, including those who speed excessively and those who weave in and out.
6. If you see a driver weaving from lane to lane at a high rate of speed behind you, be sure not to follow the vehicle ahead of you too closely, so that the weaver can pass you without involving you in an accident.
7. Do not act passive-aggressively by tapping your brakes, thinking the aggressive driver behind you will back off.
8. Avoid eye contact, which can be perceived as an aggressive act.
9. And remember, you want to arrive at your destination safely.

NOTE: Research for this article includes information from the Washington State Patrol, used by permission.

New Safety Group Dividend Plans

...continued from page 1

The group, formed in 1965 and led by their President, Laddie W. Woods, is based in Monroe, Louisiana. They now have members in Alabama, Arkansas, Florida, Georgia, Kansas, Kentucky, Louisiana, Mississippi, Missouri, Oklahoma, Tennessee and Texas. Their mission is "to enhance its members' abilities to compete favorably in the marketplace by reducing the costs of goods and services that each dealer must purchase in order to operate."

Wisconsin Retail Lumber Association

The Wisconsin Retail Lumber Association (WRLA) has endorsed PLM as their Property/Casualty insurance carrier of choice. PLM is providing a Safety Group Dividend Plan available to members of the association.



WRLA is a trade association that has served the retail lumber industry in Wisconsin and portions of Michigan since 1890. Its membership is comprised of firms engaged in the sale of lumber and other building materials. The objectives of the association include, "representing members' interests in State and Federal government, providing educational and

informational materials and programs to enhance members' business success and supply various products and services which are of value to the membership".

We are pleased that the KBMA, ABS and WRLA have selected PLM as their endorsed underwriter for their programs. If you are a member of any of these groups, or if you are interested in joining an association to qualify for the safety group dividend plan, please contact Susan Cho at 800.752.1895 x634 or via email at scho@palumbermens.com.

You must be a current insured of PLM and a member of the association to join any of our Safety Group Dividend Plans. You must elect to join the plan by signing a dividend election form. Coverages included in the dividend calculation are Property, General Liability and Business Automobile premium written through PLM.

Remember, PLM works on an open brokerage basis -- that means we will work with you through any broker of your choice. ■



**Pennsylvania Lumbermens
Mutual Insurance Company**
170 S. Independence Mall West
Philadelphia, PA 19106

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*Pennsylvania Lumbermens Mutual Insurance Company specializes in Property and Casualty insurance services for the lumber, woodworking and building material industries.
Wood is all we do!*

Commentary: "You Get What you Pay for"

...continued from page 1

operation and a truss operation as well as a hardwood or softwood mill. They recognize the types of equipment and understand its usage. It's about having people that you can talk to when a claim occurs that understands your business and terminology. People who understand that time is money and that the quicker they can help you get back up and running the less long term impact to your business there will be. Because we only provide coverage to the wood niche, our claims people are more adept at settling your claims on a timely and accurate basis.

Perhaps most importantly, the insurance business — like your business — is a relationship business. We have extended ourselves to open up our organization and make our people — all of our people, including me — available to our clients when they need assistance. Ask yourself a simple question: if you had a claim problem tomorrow could you call the President of your insurance company (if you knew who he was!) . . . and would he return your call? When and IF he did, would you be talking to someone that understands your business? I doubt it.

We've supported your organizations and your industry and perhaps most importantly we have provided a stable marketplace for your business during good and bad times. PLM was founded by lumbermen for lumbermen. We reinvest our profits in your company and your industry. We don't distribute them to stockholders.

So when you're thinking about whether you should renew your coverages with PLM, or if you're a prospect and are trying to decide if you should place your faith and confidence in PLM by giving us your business, remember what my mother use to say, "you get what you pay for". If you are still uncertain regarding what you should do, pick up the phone and call the President of each of the companies that have quoted your business. Let's see who calls back first! ■

LumberMEMO

President & CEO John Smith

VP of Marketing Jerry Healy

Marketing Specialist Susan Cho

The Curtis Center
170 S. Independence Mall West
Philadelphia, PA 19106
PH: 215.625.9233
FX: 215.625.9097
Toll-Free: 800.752.1895
www.palumbermens.com

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