



The Eagle Eye

WINTER 2007



Agency Portal

Ray Campisi, Vice President of Claims

We are constantly evaluating services available to our valued Agents and Policyholders. We are aware of your need for access to information in order to manage your business and serve your customers. In recognition of your business priorities, we are pleased to announce the next step in making the ILM website (www.ilmgroup.com) a highly functional tool for accessing and analyzing loss experience. When you next visit our Homepage, you will find a link to the new "Agency Portal". This will enable you to access an abundance of claim information relating to your specific Policyholders. This dynamic tool will allow you to filter and sort using a variety of criteria, view it on-line or simply download in Excel format. Either way, we know you will find this service extremely helpful and easy to use.

Please visit www.ilmgroup.com and click Log-in and then the Agency Portal link for instructions for acquiring an access code. Information and your access is password protected and secure.

Please visit our website regularly for further updates on World Class Services available to you.

ILM Upgrades Property Coverage Form

Jim Hynes, Vice President of Risk Services

As the AAIS Commercial Output Program (COP) continues to evolve with the development of the updated COP 3.0 edition, ILM follows suit but adopting (except CA, OR & VA) this enhanced coverage program effective August 1, 2006. The COP 3.0 is a broadened version of the COP 2.0.1 (CA, OR & VA) and essentially replaces that program.

The ILM Group utilizes The AAIS Commercial Output Program to cover all property exposures that we insure. This program provides broad, comprehensive coverage by combining commercial property and inland marine coverages under one policy form. The COP is specifically crafted to meet the needs of today's commercial and manufacturing operations. This makes it the perfect vehicle for insuring ILM's wood related and general manufacturing accounts.

What makes our COP 3.0 product unique and differentiates ILM from the competition? Coverage features in the base COP 3.0 form include a no coinsurance clause, building additions, fixtures, machinery, equipment, outdoor fixtures, property used to maintain the building, buildings under construction (builders risk), materials, supplies, building glass, radio/TV towers, awnings, fences, signs, tenant improvements, leased property,

property of others, installation projects, and mobile equipment. Also included under the COP 3.0 program is the expanded definition of building that now includes coverage for foundations. Many of the coverage extensions and supplementary coverage limits have been increased under COP 3.0. Additionally, under COP 2.0.1, the valuation for covered property defaulted to ACV unless RC was specifically stated. Under COP 3.0, covered property defaults to RC unless ACV is indicated. Because of the broad nature of this program, there is really no need for expensive, special property coverage extension endorsements that many of our competitors use.

COP 3.0 allows ILM Group's producers and commercial underwriters to target specific classes of business. Furthermore, it allows ILM unparalleled flexibility to tailor unique coverage programs from an expanded selection of commercial property and inland marine coverages.

Time element and crime coverages are optional offerings that ILM can also provide under our COP program. Whether you are looking for a traditional or innovative approach to an insurance program, ILM has the ideal fit. We can put this program to work for you today!

If you have any questions concerning the new COP 3.0 program, please don't hesitate to contact your underwriter or insurance producer.

Where Do Your Forms Come From?

Zyvon Adams, Regulatory Compliance Manager

Why do you think there are so many different forms in your policy? Sure, you need to know coverages, exclusions and schedules, but there is far more to the process. Most people do not realize that every form which involves policy coverage must be submitted for state review. This includes not only what you see in your policy, but also applications and in some cases, claim forms. There is a two part process and Regulatory Compliance Department (RC) is the area that works with state regulators to be sure the forms you see are filed and approved before they become a part of your policy.

The average commercial policy can have anywhere from 10 to 75 different forms. RC works with various departments within the company to: 1. Make sure the forms comply with regulations, 2. Identify the forms with unique form numbers, and 3. Add them to our policy issue systems with the correct effective date. We do this for each line of business. But while there are some standardized provisions, every jurisdiction has its own requirements. For example, renewal and cancellations notices, driver exclusion language and UM/UIM provisions can vary widely depending on the state.

The second part of the process is the oversight of your forms by the state insurance departments. Their position is to ensure products meet the needs of the consumer, and are not deceptive. Therefore almost every form in your policy has been reviewed by someone at the state level. State regulations cover everything from coverage provisions and font size to even the location of the form number. Recently there has been some discussion of federal chartering to reduce the state bureaucracy we currently

enjoy while dealing with the review and approval process. In addition, the NAIC (National Association of Insurance Commissioners) has spearheaded efforts for speed to market procedures. Most states have adopted these procedures which help RC complete the form filing process much faster. For commercial lines this means we can implement form changes much easier and more effectively to meet market conditions.

Looking to the future, we will be working to develop a procedure so that you can receive your policies in a less cumbersome manner than the current paper form. Within the next few months we'll be sending surveys to determine the format that works for you. But keep in mind that whether your policy is in paper form or an electronic media, the process to make sure all requirements are met and your coverages comply with state regulation will be taken care of by Regulatory Compliance.

Reinsurance, Part I – What is reinsurance and how does it affect you?

Dave Walters, Corporate Secretary

On an annual basis, ILM insures many policyholders with locations that may have policy limits in excess of \$10 million or more. In order to prudently manage our business and protect the assets of the company, we purchase reinsurance to spread the risk associated for a potential single loss that may run into the millions of dollars. The outlay for reinsurance is ILM's single largest operating expense – even over company payroll.

Reinsurance is essentially insurance purchased by insurance companies. We contract with a number of reinsurance companies to provide excess coverage over an amount retained by ILM for each loss – similar to how your deductible applies under your property policy. ILM has reinsurance in place for all major

coverages – Property, Liability, Automobile and Workers Compensation. We strive to make sure that ILM has a number of reinsurers and that their financial position is strong – so they will be there when we need them.

In recent years, property insurers have been significantly impacted by a number of natural catastrophes, including multiple hurricanes, hailstorms and snow/ice collapse losses. In fact, reinsurers incurred record loss years for 2004 and 2005, primarily due to gulf hurricane losses; with Katrina topping the scale at a record \$50 billion insured loss. Most of the cost of insured hurricane losses incurred in 2004 and 2005 was passed on by primary insurance companies to their reinsurers.

It is an absolute necessity that reinsurers must recoup large losses in order to stay in business for the long term. This means that they must increase their prices in order to restore lost capital and maintain profitability. The insurance capacity shortage in coastal states is now becoming critical, as reinsurers are reluctant to write additional business in areas they consider as overly exposed to hurricane wind and flood losses. The lack of available reinsurance has a direct impact on the ability of primary companies to provide coverage in high-risk areas. This situation is exacerbated by increased construction of high-priced beachfront homes and condominiums while at the same time predictions are forecast for more active hurricane seasons for the next 10-20 years. Needless to say, reinsurance prices have increased dramatically in the past few years in areas with hurricane exposure.

Fortunately, ILM has maintained a low presence of writing coastally exposed properties for a number of years. This minimizes ILM's chance for a hurricane catastrophe loss and makes our company a more attractive prospect for reinsurers to provide coverage. We are now

seeing some of our competitors struggle with large reinsurance pricing increases or have difficulty in purchasing sufficient coverage (capacity) in catastrophe prone areas.

We are proud to say that ILM has avoided the large property reinsurance pricing increases experienced by some other primary insurers for catastrophe coverage. ILM also has had no problem in securing sufficient reinsurance coverage limits needed to protect our company and policyholders. This means that we can continue over the long-term to offer our policyholders competitively priced insurance products that are backed by strong reinsurance partners.

The next Eagle Eye will contain Part II of this series that explains the financial security of our reinsurers and how that contributes to the financial stability of ILM.

Found Money!!

Don Blackwell, Treasurer

Is the prospect of prepaying your annual insurance premium not attractive? Don't want to deal with a premium finance company and its interest charges? Would you like to save time and money by never touching a monthly premium bill?

Well, we have a program for you! It's our Electronic Funds Transfer plan. Our EFT plan is:

Efficient – no monthly invoices to handle and no checks to mail; and

Economical – no down payment, no interest, no service fees and nine equal installments; and

Timely – policy payments are credited to your account balance on the date they are debited from your bank account. No chance your premium payment will be late.

- One (or more) of your employees receives our monthly invoice and files it for payment later..... \$2.00
- One of your employees pulls the invoice, prepares the check and stuffs the envelope..... \$2.00
- The cost of the check stock and envelope..... \$.15
- The stamp..... \$.39
- Your bank's fee to clear your check \$.17
- Total..... \$4.71

And, this doesn't consider the billing service fee attached to our check-pay installment program.

Enrolling in our EFT program is easy. Just fill in a few blanks in our authorization form and return it by fax or mail to ILM. You may select the day of the month you would like the debit to your account to occur – the 1st, 15th or 25th. We take care of the rest. You will receive a letter from us confirming the amount that will be debited from your bank account and the dates on which the debits will occur. The letter will be signed by the person you can call if you ever have any questions about the program.

The Safety Corner

George Hawkins, Sr. Loss Control Representative



Maintaining safety during cold winter months is an important part of optimizing efficiency in many working environments. Prolonged exposure to freezing or cold temperatures can cause serious health problems such as trench foot, frostbite and hypothermia. Frostbite differs from hypothermia in that frostbite

causes deep layers of skin and tissue to freeze. Frostbite usually affects hands, feet, ears, and the nose. The skin becomes hard, numb, and waxy white in color. Treatment, prior to seeking medical attention, includes moving the person to a warm area and removing any cold or wet clothing. If possible, place the frostbitten area in a warm water bath (105 degrees). Do not pour warm water directly on affected area as warming tissue too fast can cause tissue damage. Keep the area submerged for 25-40 minutes to warm the tissue slowly. Do not rub or massage the affected area as this too can also damage skin and tissue. After the affected area has been warmed it may become puffy and blister accompanied by numbness or a burning feeling. After normal feeling, movement, and color have returned, the affected area should be dried and wrapped. If there is a chance that the affected area will encounter cold again, do not warm the skin because this can cause severe tissue damage.

Hypothermia is much more serious than frostbite and involves a drop in body temperature below 95 degrees. Hypothermia can occur when land temperatures are above freezing or water temperatures are below 98.6° F/ 37°C. In extreme cases, including cold water immersion, hypothermia can result in death. Danger signs include uncontrolled shivering, slurred speech, clumsy movements, fatigue and confused behavior. If these signs are observed, you should immediately call for emergency assistance. If the hypothermia occurs on land, move the person to a warm, dry area and replace any wet clothing with warm, dry clothing. Additionally, have the person drink warm, sweet caffeine-free liquids. Encourage physical movement and/or place hot packs in armpits, neck and head areas. Do not massage or rub the person's body or place them in warm water as this may result in cardiac arrest. If hypothermia

occurs in water, do not remove any clothing. Button, zip, or tighten collars, cuffs, or hoods as the layer of water closest to the body provides insulation and slows heat loss. Get out of the water as quickly as possible but don't attempt to swim unless a floating object or another person can be reached. Swimming uses body heat and reduces survival time by 50%.

The Cold Stress Equation

Low Temperature + Wind Speed +
Wetness = Injuries & Illness

OSHA's Cold Stress Card provides a reference guide and recommendations to combat and prevent many illnesses and injuries. Available in English and Spanish, this laminated fold-up card is free to employers, workers and the public.

Tips to Protect Workers In Cold Environments:

- Recognize the environmental and workplace conditions that may be dangerous.
- Learn the signs and symptoms of cold-induced illnesses and injuries and what to do to help workers.
- Train workers about cold-induced illnesses and injuries.
- Encourage workers to wear proper clothing for cold, wet and windy conditions, including layers that can be adjusted to changing conditions.
- Be sure workers in extreme conditions take frequent short breaks in warm dry shelters to allow their bodies to warm up.
- Try to schedule work for the warmest part of the day.
- Avoid exhaustion or fatigue because energy is needed to keep muscles warm.
- Use the buddy system— work in pairs so that one worker can recognize danger signs.
- Drink warm, sweet beverages (sugar water, sports-type drinks) and avoid drinks with caffeine (coffee, tea, soda or hot chocolate) or alcohol.
- Eat warm, high-calorie foods such as hot pasta dishes.
- Remember, workers face increased risks when they take certain medications, are in poor physical condition or suffer from illnesses such as diabetes, hypertension or cardiovascular disease.

Look forward to our next issue for more safety information, keeping you in the know and on top of your game.

Indiana Lumbermens Mutual Insurance Company

is proud to be the endorsed Commercial Insurance carrier for these Associations:

Michigan Lumber and Building Materials Association (MLBMA)

Indiana Hardwood Lumbermen's Association (IHLA)

Lumbermen's Association of Texas - (LAT)

Missouri Forest Products Association (MFPA)

We are also members and partners with:

Property Casualty Insurers Association of America (PCI)

National Association of Mutual Insurance Companies (NAMIC)

National Lumber and Building Material Dealers Association (NLBMDA)

National Hardwoods Lumber Association (NHLA)

Manufacturers Service Council (MSC)

Northwestern Lumbermens, Inc.

Insurance Institute of Indiana

Indiana Chamber of Commerce

US Chamber of Commerce

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