

March 2001

Knowledge is Power

"An Important Message to All WTCA Members Regarding LUA Insurance" by Bob Bush of Broussard, Bush & Hurst

For the last several years, WTCA members have enjoyed relatively low insurance prices. Unfortunately, recent changes in the insurance industry have caused the market to tighten, resulting in fewer insurance companies that are willing to underwrite for our industry, less competition overall and higher prices for the insured. Concern over construction defect liability and workers' compensation has made it particularly difficult for component manufacturers to find competitive insurance prices.

Insurance coverage and cost are a concern to all component manufacturers. WTCA has attempted to assist the industry by finding carriers that are interested in this type of exposure. WTCA endorsed CNA for many years until CNA terminated that program in 1999 due to internal economic conditions. In April of 2000, the Board of WTCA endorsed Lumbermen's Underwriting Alliance Insurance Company (LUA), based in Florida, as a preferred provider of business insurance.

The hopes of success were high. LUA has been a premier writer of wood and lumber business for several years. They currently insure a number of truss plants. Many of you responded and asked LUA to provide a quote on your business insurance. In some cases LUA was competitive, but in many cases they did not respond in a positive manner. Phone calls to your WTCA Staff were important feedback and were consistently critical of LUA's customer service. Your input prompted WTCA management to question LUA as being the right choice in representing WTCA and WTCA's desire to provide quality member services.

In late December, WTCA learned that A.M. Best (an insurance rating firm) had downgraded LUA to a B++ rating. This change in rating was discussed at length with LUA to determine what bearing Best's decision would have on the endorsed program. LUA explained they could no longer write workers' compensation coverage on a guaranteed price basis, virtually eliminating them from the workers' compensation market. They also stated that, due to the rating change, they would not be aggressive in writing new business, instead concentrating more on the need to review their existing business and make it profitable. As a result of these changes, the Executive Committee of WTCA voted unanimously to terminate the agreement with LUA effective January 18, 2001.

WTCA's Business Insurance Committee will be monitoring the insurance climate and providing as much information to our members as we can via *WOODWORDS* and the News from WTCA fax/ email alert. We held a fact-gathering meeting in mid-February to learn more about the

possibility of setting up a Captive (self-insurance) program as well as pursuing the potential for working with another insurance carrier. The Board will also review the available options.

Keep in mind that this is a particularly important time to renew your company's focus on safety and risk management in order to reduce the number of claims that are made. A reduction in the number of claims made will make both your company and the industry as a whole more attractive to insurance companies. This is the perfect time to attend one of WTCA's invaluable Risk Management programs. (Contact WTCA for information about upcoming seminars.) WTCA also has plans to pursue government grants that will allow us to build a comprehensive, industry-wide safety program.

Finally, all of us involved in this sincerely apologize for any problems you may have had in looking at LUA as an insurance alternative. Please be aware that the insurance market is rapidly changing and costs are going up dramatically as many carriers have experienced significant losses and now need to cover them. WTCA will keep you apprised of the changes as we get new information. Thanks so much for your continued support.

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