



# FORESTRY MUTUAL NEWS

Newsletter of the Forestry Mutual Insurance Company

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## FROM THE PRESIDENT'S DESK...

**T**hrough the second quarter of 2009, Forestry Mutual has increased its surplus to over \$11 million. We have achieved this through fewer losses and some good development on prior losses.

At the same time, Forestry Mutual has seen a drop in premium revenues through the first two quarters due primarily to the difficult economic conditions facing the forest products industry.

I would like to take the time now to express how important it is for each of us to be active at the local, state and federal levels concerning legislation that impacts our businesses and our personal lives. It is extremely important for us as taxpayers and voters to be heard.

You may ask, "How can I be heard, I'm only one person?" The best way from your business standpoint is to become active in a trade association that has a lobbyist in your line of business. The whole political arena is about numbers and people being willing to go and meet with the decision makers at all levels.

I can say that without the lobbying efforts of Forestry Mutual and our trade associations, the workers compensation laws would look a lot different than they are today. There were at least four workers compensation laws in North Carolina this year alone that were introduced and would have had a negative impact on employers if they had not been defeated during the legislative process. The existing equipment tax exemption that benefits loggers would not be in place



*(l-r) Keith Biggs, Eddy Norton, Bryan Wagner and Mike Preddy of Stihl pose for a photo after Norton won Forestry Mutual's Logger Challenge.*

without the work of our forestry related trade associations.

So much of this is never seen or heard when we are out working each day, but rest assured that there are a lot of people trying to protect our rights as employers. If you do not know of an active association in your area, please give us a call and we can help you make the connection. We appreciate your business! Please call me if you have any questions or issues with your policy.

Sincerely,  
*Keith S. Biggs*

## LOGGER CHALLENGE HIGHLIGHTS 2009 LOG'N DEMO

**T**he Carolina Log'n Demo attracted over 800 visitors to the North Carolina State Fairgrounds for the 16th rendition of one of the South's largest equipment shows. Due to the current economic conditions, the Demo was a static show and while the equipment was not in action, there was plenty of equipment on display.

"We received a lot of positive feedback from our vendors," explained Roger Pyle, the NCFAs Director of Safety, Logging and Transportation. "While a live show offers unique features, the combination of vendors, a central and well shaded location and an excellent logger competition, the show was once again a success. We certainly appreciate all of our volunteer help from the NCFAs Logging Safety Committee and others who helped pull everything together."

*(continued on page 2)*

*(right) Mark Carpenter of Carpenter Brothers Logging kicked off the tree felling competition by hitting the target - a bag of corn meal.*



# THINGS YOU NEED TO KNOW ABOUT LOGGING INSURANCE

by Jimmy Locklear, Forestry Mutual



Forestry Mutual's Logger Challenge featured some of the top loggers in the Southeast. In a close competition, Eddy Norton won the championship. Overall, three loggers hit the corn meal bag target in the felling competition. (l-r) Jonathan Futrell, Mark Carpenter, Eddy Norton, Bill Elliot, Travis Green, Charlie Moore and (kneeling) Bryan Wagner.

## Logger Challenge...(from page 1)

The highlight of the Carolina Demo was Forestry Mutual's Loggers Challenge, which brings loggers from across the southeast to compete in a one-day tournament. Keeping with tradition, the Loggers Challenge was a hotly contested event. Timber cutters qualified for the event from North Carolina and Virginia.

To gain access to the finals, thirteen of the best timber cutters in the southeast competed in qualifying events. The qualifying events are training tools that are used to enhance safety, efficiency, and production in the forest industry. The thirteen competitors were scored on safety; precision and accuracy. The top six competitors advanced to the finals, the tree felling event.

As usual, the felling event drew a good crowd of curious onlookers. When the dust settled, it was Eddy Norton taking the Loggers Challenge title and awards. By winning the event, the Western North Carolina native was awarded the championship trophy and a Stihl 361 chainsaw provided by Mid-Atlantic Stihl and Forestry Mutual. Along with the trophy and saw, Keith Biggs, Forestry Mutual's President, handed Norton a check for \$100 for a "hit" in the felling event. A "hit" occurred when a logger landed his tree directly on the bag of corn meal set out as a target. This was a satisfying victory for Norton, the owner of Mountain Land Management in Burnsville, North Carolina. Norton has been competing in this event since its inception, and he was no stranger to the finals. After many good finishes, Norton finally nailed down a championship. Great job Eddy!

Second place in the Loggers Challenge went to Charlie Moore, Jr. from Appomattox, Virginia. Charlie cuts for C&L Logging, which is owned by his father Charles Moore Sr. This was another great accomplishment for this young man. Charlie finished second in last year's contest. Could it be the third time is a charm?

Taking third place was Travis Green, who came into the event as the defending champion, from Old Fort, North Carolina. Fourth place was secured by two-time finalist, Mark Carpenter from Peachland, North Carolina. Mark works with his brothers on Carpenter Brothers Logging. Fifth and sixth place finishers were Jonathan Futrell from Murfreesboro, North Carolina and Bill Elliot from Sanford, North Carolina.

The crowd witnessed a show of extraordinary skill levels and a true sense of professionalism. The competitors drove home the fact that training and education can reduce risk and enhance productivity in the forest industry. Great Job Guys!! ■

**F**or the past 19 years I have worked on the insurance side of the forest industry. As many of you know, most of the 40 years prior to that I grew up working, managing and later owning a family logging operation. I would never pretend to know all there is to know about either. I will say, however, that adequate insurance coverage is a key element for any logging operation's profitability and sustainability in today's world.

One definition of insurance: "Insurance is defined as the equitable transfer of the risk of a loss, from one entity to another, in exchange for a premium, and can be thought of as a guaranteed and known small loss to prevent a large, possibly devastating loss."

I don't know about you, but the part that says "known small loss to prevent a large, possibly devastating loss" really jumps out at me. The "known small loss" is the premium you pay and should be a considered a normal expense in doing business just as fuel, payroll and equipment cost. In today's world, the "possibly devastating loss" or losses is very real.

I know when you sit down each month to write a \$1,700 check to FMIC for workers compensation (WC); a \$1,400 check for your service truck/log trucks & general liability insurance (AUTO & GL); \$1,000 a month for logging equipment insurance (IM) it seems like a waste. Total annual premiums for all these coverages could easily run \$35,000 to \$50,000 a year on a 3-5 employee operation. It may seem like money you're spending and getting nothing in return. I've done it, and I do understand.

But the day a small pine tree, which was approximately nine inches in diameter, fatally fell on one of my workers, my understanding and appreciation of Workers Compensation Insurance changed forever.

I won't go into details, but he had suffered critical injuries and was alive when I got to him. I will never forget our conversation. He was praying to God for "forgiveness of his sins" and expressing his concern for his wife and three young children. He was taken to a local hospital, and then later flown to Duke Medical Center where he lived for twelve days. I still remember the look on my dad's face when he returned from Duke that day to tell us Bobby had died. You see, Bobby, was one of our best workers. He was a 26 year-old self-motivated worker, didn't drink, didn't smoke, never missed a day's work and went to church every Sunday. Insurance could never replace the loss suffered by his family or by our logging operation that day, but in both cases because our logging operation had adequate insurance our lives and livelihood were able to continue.

As bad as the fatality just described sounds, ten years later another devastating loss occurred on our job when a 19 year old was paralyzed from the waist down. This claim reached well above \$1,000,000 in cost. Again, our business was protected from the financial burden that had taken place.

Logging is safer today than it was 20 to 30 years ago. Even so, accidents happen every day. The medical cost for an arm, hand, foot or leg fracture have sky-rocketed to levels that can place a heavy burden on those who do not have insurance. Add in "loss of wages" and you are talking about a major cost for a fairly common occurrence in the logging industry.

Most of you reading this have worker compensation insurance. But, are the owners, partners, and corporate officers covered? If not covered under workers compensation, are they covered by some type of accidental or health insurance? Will that insurance pay for a work related injury? What about disability coverage if they are unable to continue working?

Let's shift gears for a moment and talk about service truck and log truck coverages such as Business Auto Insurance (BAP). Have you ever thought about how much damage a service truck or log truck can do if it strikes a vehicle with several people or kids inside? Let me share with you an accident that occurred in South Carolina a few years ago. A logger owned

(continued back page)

# JOSEY LUMBER - MAKING QUALITY LUMBER AND THE MOST OF TODAY FOR 25 PLUS YEARS

**W**hen Josey Lumber Company owner, C.K. (Joey) Josey, purchased several containers that housed a moth-balled sawmill back in the early 1980's, he had no idea that he would be sitting in his current position, the owner of one of North Carolina's top oak wood producing sawmills.

"Walt Disney doesn't have that much imagination," stated Josey as he shook his head back and forth. "I had no idea we would be this successful."

Josey Lumber Company, which received Forestry Mutual's E.K. Pitman Safety Award in 2008, is based in Scotland Neck, North Carolina, and produces rough green grade Appalachian Hardwood to the domestic flooring and export markets. Company founder Joey Josey has a simple outlook on life.

"As long as you are healthy and can do it, play all you can," stated Josey, who is now climbing towards his 59th birthday. "You got to make money to live – you gotta buy groceries, but you might wake up dead tomorrow."

Josey grew up in Eastern North Carolina and after graduating high school, Josey struggled to find the balance between working hard, playing hard and studying at East Carolina University.

"Every time I would get about \$500 in my pocket, I would just quit school and travel," explained Josey on why he never could buckle down and earn a university degree. "Whenever somebody said – 'Let's go!' – I went."

Josey eventually came back to North Carolina and in 1976, Josey went to work for politician Jimmy Green, who was embarking on a successful run for the Lieutenant Governor's Office. Josey was no stranger to the political world since his dad, Kitch, was a lawyer and represented his district in the North Carolina House of Representatives for two terms.

After Green won the election, Josey had no real desire to work in politics, but in reality, he really had no particular ambition for one career over another at this point. Looking for some direction, Josey took the advice of his father and met with Coastal Lumber Company President, Paul Barringer.

"I think Paul and my dad got together and my dad said, 'Hey, take this kid and get him off my payroll,'" stated Josey with a chuckle.

Josey cites Barringer as his biggest influence on his career – both for the opportunity to see so many aspects of the forest products industry as well as the opportunity to work with so many quality people who were employed by Coastal. Josey started his career at a Coastal facility in Florida, pulling boards and sweeping floors.

"After about 30 days working for Coastal, I knew what I was put on earth to do, and that was to have my own sawmill," stated Josey. "Of course, I didn't have any money and didn't know where I was going to get any from, but I knew I could do it one day."

Josey spent the next six years learning everything he could at the several different facilities he worked at throughout the Southeast.

"Paul allowed me to put my foot in my mouth or step on my shoe string," explained Josey. "He had the patience to allow me to learn."

Josey came back to Scotland Neck in 1983, arranged financing and purchased a ground sawmill that had been dismantled and placed into containers.

"I tried to reproduce it, but I had no blueprints, no pictures, no nothing," stated Josey. "Instead of a ground mill, I put up a two story mill. I literally hired a welder, a prison guard and three guys off the farm. We dug every hole, welded every rod."

Once assembled, Josey turned to a local contractor to erect the building to house the mill and opened up for business. The mill employed 12 men and a circle saw that produced about 2,100 feet an hour.

"We just went at it," explains Josey, who figures he averaged nearly 80 hours a week at his mill in the early going. "After about six years, I was able to hire a mill manager – that gave me some time."

As time wore on, the company's production and payroll grew. It peaked at 36 employees at one point and emerged as one of the top hardwood lumber producers in the area.

"When we are working at full capacity – and that's basically 40 hours – We are probably one of the largest oak producers in, I would say, a couple, three states," stated Josey.

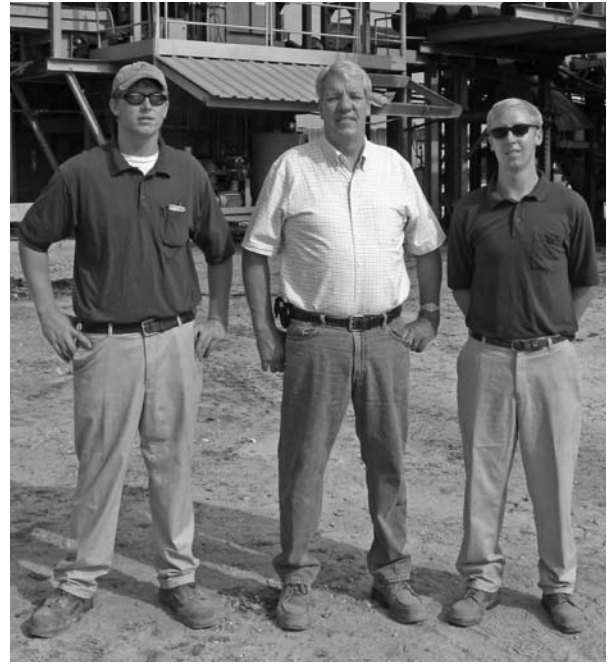
While some have suggested that Josey could produce even more lumber by adding another shift, it is a notion that doesn't have any appeal to Josey – that would just double his workload.

Another trend Josey has refused to join in is the technology race among sawmillers in terms of high-tech equipment. Josey has improved his mill throughout the years, but he has not gone for all the bells and whistles that folks can find on the marketplace today.

"We haven't gone for the Stars Wars approach," stated Josey. "I think optimizing edgers for example, they are the greatest thing to maximize yield, but I sell square edged lumber because it is easier for me to sell. I can sell it quicker and most cases, I can get a little more for it, because that's what the customer wants – a four-square edge board."

Josey believes that the consistency of his product – being graded and cut the same way for the past 25-plus years – is one of the reasons why his company has been successful in good markets and able to survive in bad markets – including the most recent drop.

In terms of safety at the sawmill, Josey's ap-



(l-r) Logan, Joey and Tripp Josey pose for a photo. Josey Lumber Company opened in 1983.

proach has more to do with attitude than anything else. Possibly dating back to his days sweeping floors for Coastal, Josey emphasizes the importance of keeping the mill clutter free.

"One of the main things that I am just crazy about is the mill being clean - I don't want a piece of paper on the floor," stated Josey.

Josey also believes that when a mill is clean and well-maintained, it is not only safer, but more efficient.

"When something breaks you don't have to dig it out to get to it," explains Josey. "We spend a lot of effort in keeping it clean, which I think helps keep it safe."

After sitting with Josey, it becomes apparent after 25 years of sawmill work paying his dues, Josey is already passing the torch to his sons. Josey's two sons, Tripp, 29, and Logan, 25, are charged with a lot of the day-to-day operations of the mill while Joey focuses on the marketing of his lumber.

"I don't go into the sawmill very much anymore," admits Josey. "I've got more scars and stuff on me than all my employees put together. In the last five years, I have tried to push my boys into it as much as I can."

Josey and his wife of 32 years, Debbie, hope the boys will derive the same sense of satisfaction from running the sawmill that they have enjoyed over the years. And in a pure economic sense, Joey hopes they are successful businessmen, too.

"They are tremendous assets to my continuing quest for fun," jokes Josey who has been known to slip out a little early on Thursday now and again to head towards the Carolina coast with Debbie. "I'll never quit totally, but I let the boys make a lot of decisions." ■

## Logging Insurance...(from page 2)

a log truck that struck a mini-van near the entrance to a school. Two kids were killed. After viewing pictures of the accident scene, it was clear that the log truck driver was not at fault, but as usual for these types of situations, law enforcement determined that the log truck was at fault. The logger, the wood dealer, and most likely the mill may have had to help settle this claim. Did they have sufficient coverage? Were higher limits available at a reasonable cost? I don't know, but I can tell you that the logger went out of business. *Note: that \$1,000,000 CSL auto liability coverages in today's market are available and affordable for both service trucks and log trucks.*

General Liability (GL) is one of the best bargains in insurance. A \$1,000,000 occurrence policy can cost anywhere from \$1,500 to \$2,500 annual premium for an average logging operation, more for the larger loggers. Have you ever thought about the potential of being sued for hundreds of thousands of dollars for simply damaging a power line that supplies power to a major manufacturing plant? I can cite several examples where this has occurred. Or, you are logging near a cow pasture and unknowingly damage the fence. That night a cow gets out runs in front of a car and the driver is killed. One of my first experiences as an agent with GL was just such an incident that turn out to be a \$3,000,000 claim. Even if you are not found liable, you may have to spend tens of thousands of dollars to defend yourself. I'm not saying this is fair, but it is real.

Commercial Umbrella (UMB) can provide higher limits to your Auto and General Liability policies for additional premium. It's more practical and cost effective when both Auto and GL are with the same carrier. Umbrella coverage really comes down to your willingness to pay more premium for extra protection. Only you can make that decision.

Logging Equipment Insurance (IM) is required mainly if there are loans or financial requirements. But shouldn't you protect your investments placed in your equipment? That's really a question for you to answer. If you have equipment insurance, you should be adjusting the value of each machine as it depreciates on an annual basis. If this is not happening, contact your agent because you may be paying for insurance that you can not collect.

Now ask yourself, "Is my operation properly insured to protect my family, my workers, my partners, my investors, my business and me against a devastating loss?"

If you can not answer this question with an immediate and confident YES, you need to stop reading this article right now and call an insurance professional that understands the nature of your business. Well, I know that's probably a little extreme, but you do need to have a comfort level with your insurance coverages.

Your insurance agent should be reviewing your coverages and discussing any risk exposure you may have at each renewal. If not, may I suggest you give him or her a call and request their assistance and guidance. Again, let me stress the importance of working with agents that understand the logging and forestry industry. There are specific endorsements and coverages required by mills, wood yards and landowners that are sometimes overlooked by agents that are not as knowledgeable of the forest industry.

Insurance is a very important part of your logging operation. Since you have to have insurance, you might as well have the best. Never hesitate to call the insurance professionals with FMIC Agency at 866-755-0344 or Forestry Mutual Insurance Company at 800-849-7788. ■



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