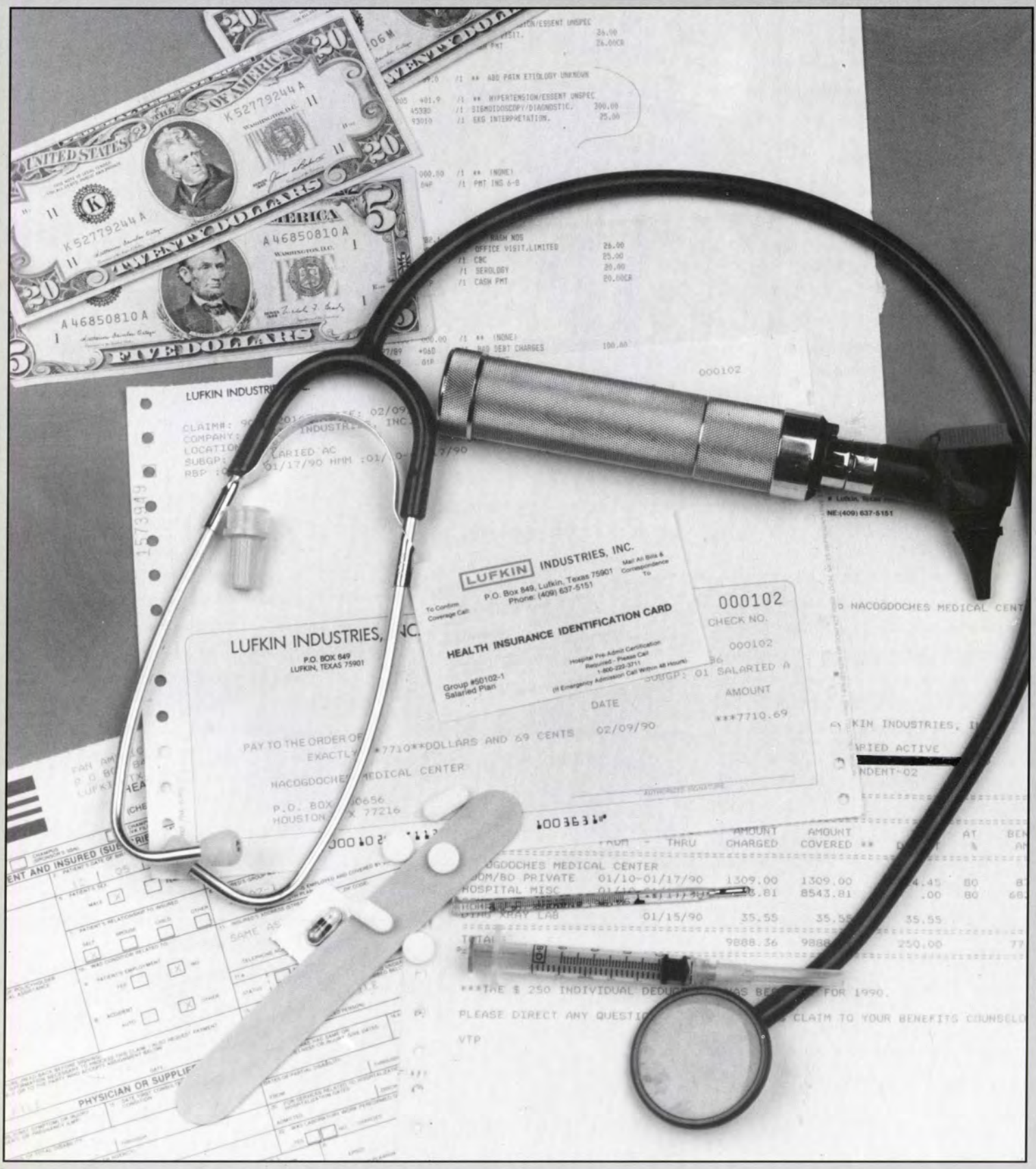
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LUFKIN

ROUNDUP

MARCH 1990



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Walking around LUFKIN



... recently I visited our Personnel Department to see the changes taking place there — some of which are featured in this month's Roundup. We are very fortunate to have such a group who are concerned about our health and welfare. Like a team "trainer" they take care of a tremendous range of activities for the rest of us — these include our safety and health program; environmental monitoring of air, water and wastes; security; education and training; scholarships; communications; office services; recruiting; hiring; employee relations and our employee benefits; retirement, healthcare plus, life insurance and medical insurance.

While Personnel does not send out any invoices to its customers, their reward comes in the knowledge that their services allow the rest of us to concentrate more fully on our jobs. We should all appreciate the support of the Personnel Department because without them the rest of us would have to spend much more time in doing so many things for ourselves that they take as a matter of course. Let's all give a big thank you to every member of the Personel Department for the interest and concern they have for the well-being of each and every LUFKIN team member.

Of special interest to all of us — as the emphasis of this issue shows — is health cost containment. Everyone knows that rising healthcare costs are alarming both employers and employees all over the country. In recent years, these costs have increased at approximately three times the rate of inflation.

It is unlikely that we will see any reduction in the cost of medical treatment, drugs, diagnostic services or hospital care. But, too often, we overlook the obvious — and that is just how easy it is to reduce the risk of illness through a healthy lifestyle... which health care professionals tell us can add years to our lives as well.

- Don't smoke — if you do... QUIT!
- Lose those extra pounds
- Watch your diet
- Get regular exercise

Use the many services that Personnel's trained health professionals offer:

- Blood pressure check
- Cholesterol screening
- Triglyceride screening
- Basic health counselling

These services are geared toward making each employee's life healthier, longer and fuller.

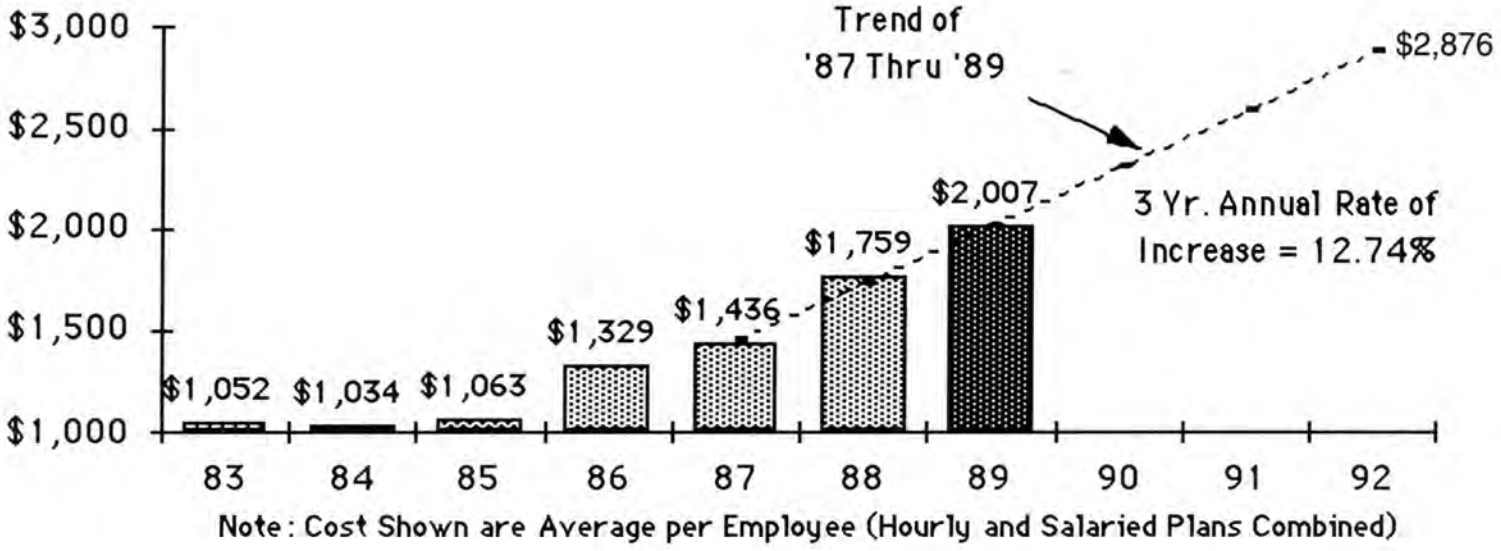
As I have said many times before, LUFKIN's human resource is our most valuable resource. Let me encourage each one of you to commit today to the kind of life style such a treasured resource deserves.

F B Stevenson

Frank B. Stevenson

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Healthcare Costs Skyrocket!



LUFKIN Employee Healthcare Costs Rise at an Alarming Rate (*90% Jump Since '83*)

You may be shocked to know that health care claims paid for the 2919 participants (includes retirees) of LUFKIN's health plan rose 14% in 1989 vs 1988 to an average of $2007 per person. Looking at our expenses since 1983 when our health plan first became self-insured, the average payout per plan participant

Cost averages out to $2,007 per person

increased over 90% as compared with a 24% rise in the consumer price index over the same period.

It may be a small consolation to you, but last year our costs were considerably better than the national average for similar plans where medical cost rose over 20% to $2600 per employee. Lee Iacocca recently stated, "for me it's $700 a car, and still going up at twice the rate of inflation."

In spite of numerous premium increases over recent years, (the company pays 60% and employees pay 40%) claims paid out have generally exceeded premiums paid into the plan. In 1989 however, both the hourly plan and the salaried employee plans did gain on their deficits because of higher premiums and a one-time transfer of fund balances from life insurance plans which were discontinued recently when employee life

claims paid out have generally exceeded premiums paid into the plan

insurance coverage was changed from self-insurance to purchased insurance. Because of these factors our hourly plan has improved from a ($642,579) deficit at the beginning of 1989 to a ($268,411) deficit at year end, while our salaried plan has gone from a ($230,537) deficit to a $441,745 positive balance over the same period of time.

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Insurance Procedures Change

Change. What's the purpose? The old way wasn't great, but we knew it! When they change things it always makes it worse! Who asked for the change anyway? What good is this going to do me? **Change — I don't like it!**

Change just to be changing can be a real problem. Change to make something more efficient and more cost-effective is necessary for any area of a business to improve and this is why changes have been made in LUFKIN's insurance area.

Beginning January 1, 1990, LUFKIN began "self-administering" its own insurance system. LUFKIN has been self-insured for years, meaning that employee's insurance claims are paid from money generated by employee premiums and Company contributions, but until this year an outside source was used to "administer" the program.

Change to make something more efficient and more cost-effective is necessary

The "outside" administrator physically processed the paper claims sent from Lufkin, checked the claims for accuracy and coverage, input this information into a computer system, printed the checks and sent them back to LUFKIN for distribution. Since this adminstrator was in business to make a profit, their service cost the insurance plan a lot of money.

This also meant that claims filed in Lufkin were transmitted to Baton Rouge, Louisiana or Dallas, Texas or Salt Lake City, Utah — depending on who was administering the program at any given time — for processing. Needless to say this not only added to the costs, but took additional time: time which meant LUFKIN employees having to wait days and weeks for money needed to pay bills.



Anna King, Insurance Claims Clerk, studies an insurance file, while a stack of files awaiting her attention sit on her desk.

So, how will changes in the insurance system benefit LUFKIN employees? According to Ginny Russell, Employee Benefits Manager, "The number one reason we made these changes was to reduce costs. Since we no longer have to pay an administrative fee to an outside carrier to process our claims we will save

...we will save approximately $300,000 a year.



Thomas Ladd helps Charley Martin, foundry retiree, with an insurance question at the Personnel Office front desk, the new location for insurance customers to bring bills and forms and ask questions.

A familiar face has been seen in new surroundings since mid-February. Thomas Ladd, a 36-year foundry veteran who retired in 1986 and who had most recently been seen around the plant as a Security Officer, is working the front desk in the Personnel Office.

Mr. Ladd is responsible for being the first step in the processing of insurance claims as well as answering the phones in Personnel and directing traffic throughout the office.

This change in the flow of traffic to the Insurance Department is the result of extensive efforts to streamline both the handling and payment of insurance

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approximately $300,000 a year." Simple addition and subtraction shows that this is a tremendous benefit to all plan participants.

"Number two: this is a faster way of processing claims. We will be able to reduce the turn-around time from 10-15 days down to 5-7 working days. Our goal, and I must say that this is still down the road, is to get the claims out in 48 hours."

To assist in making this dramatic reduction in turn-around time LUFKIN has purchased a full computer system made up of two IBM Personal System 2 Model 50's, one IBM Personal System 2 Model 25, an Epson LQ-2550 printer and a software package called ClaimsWare. With this combined hardware/software package every portion of an insurance claim will be handled "in-house" by Vivian Purvis, Senior Insurance Claims Clerk, and Anna King, Insurance Claims Clerk.

...we're getting more comfortable with it every day

Concerning the computer system Purvis said, "At first it was real hard, but as I've worked with it, it has become easier every day." King echoed this, saying, "We're doing the same thing the administrator used to do; and we continue to get more comfortable with it daily."

"With the entire system being run in-house," Russell continued, "We will also have much greater control over problems with individual claims. Previously when we had to try to resolve problems over the phone — long distance — it just caused many problems. Now we can control the situation and can solve problems much, much quicker."

Along with the acquisition of the computer system, certain physical changes have been made in the insurance area. All traffic to insurance and the Personnel Department is now directed through the front door of Personnel. Thomas Ladd has taken over the front desk duties, with a prime responsibility being to receive all insurance paper work and answer insurance questions. This will localize all insurance related paper work and will reduce the number of disruptions to the Insurance Clerks.

...people are our job!

However, Russell was quick to point out, "We're not doing this because we don't want to see people; people are our job. But we just know that with the concentration required to make this new system work at its best, we have to give our claims processors adequate time to do their jobs. Many people don't realize that we process over 500 claims each week. This takes a tremendous amount of time and concentration, especially while we're still learning this new system."

Our job is to serve our customers, LUFKIN employees...

"We know that Mr. Ladd will be able to assist employee's with the vast majority of their questions, but we will always be available to answer specific questions or to assist with problems. Our job is to serve our customers, LUFKIN employees, in the best way possible and we feel that this system is going to make this assignment much easier."



Ginny Russell, Employee Benefits Manager, studies a printout from the new insurance computer system.

claims. Mr. Ladd will take the normal paper work related to claims (bills, receipts, etc.) and will answer general insurance related questions. If it is determined that specialized assistance is necessary, Mr. Ladd will direct you to the proper person.

Although this is a new and different system, it is specifically designed to: reduce the time necessary for an employee to process a claim; increase the actual time spent by Insurance workers on processing claims; and, greatly speed up the turn-around time for payments.

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On The Road To Success

FOUNDRY

Javier Horta ....Molder Finisher & Coresetter to Molding Machine Op A
Nathaniel Logan.....Chipper Grinder to Molding Machine Op A
Jose Lopez .....General Foundryman to Molding Machine Op B
Vickie Oates.....Core Finisher to Molder Finisher & Coresetter
Jimmy Smith.....General Foundryman to Molding Machine Op B
Jim Stacy.....Foundry Process Inspector to Foreman 9
Autry Tennyson.....Molding Machine Op B to Molding Machine Op A

MACHINE SHOP

Joyce Basey.....Laborer to Machinist Helper
Jerry Bowers .....Laborer to Machine Operator Trainee
Sabrina Bowers .....Laborer to Machinist Helper
John Buschman.....Electrician A to Electronics Technician
Jeffrey Cooper.....Machinist Helper to Machine Operator Trainee
Matt Daniel .....Laborer to Machine Operator Trainee
William Ford.....Machine Operator A to Machinist
Billy Jones.....Laborer to Spray Painter
Tim Landrum.....Laborer to Machinist Helper
Walter Levine.....Laborer to Machinist Helper
James Linstrom.....Machinist Helper to Machine Operator Trainee
Ricky Marrs.....Laborer to Machinist Helper
Glenn McMullen .....Laborer to Machine Operator Trainee
Stephen Neese .....Laborer to Machine Operator Trainee
Jerry Palmore .....Laborer to Machine Operator Trainee
Sherman Snelson .....Laborer to Machinist Helper
Tod Thornton.....Machinist Helper to Machine Operator Trainee
Larry White .....Laborer to Truck Operator
Robert Whitehead ...Machine Operator Trainee to Machine Operator A
Elizabeth Williams.....Laborer to Machinist Helper

TRAILER

James C. Davis .....Welder A to Jigs & Fixtures Builder
James Goolsby .....Helper to Cleaner Grinder
Craig Person.....Helper to Cleaner Grinder

ANNUAL CREDIT UNION MEETING SCHEDULED

The Lufkin Foundry & Machine Federal Credit Union has scheduled its annual meeting for Saturday, March 10, 1990, at 7:00 p.m. at the Days Inn Motel in Lufkin.

YOU CAN HELP!

Much of the work necessary to file an insurance claim must be completed by trained personnel, but there are a number of things every employee can do to speed up the process:

- If you have already paid the bill, (for example, office visits, prescriptions, etc.) wait to file on these until you have accumulated a $150-$200 total. Every claim takes approximately the same amount of time to process; each small claim almost as much time as a large claim.
- Please arrange your information in the order of "date of service" — this must be done. If our processors have to do 500 per week it slows down your reimbursement check.
- Plan on taking the time to fill out an Initial Claims Form. Again, it must be done.
- If you are requested to bring in further information dealing with your claim, do it as soon as possible — the speed with which your claim is processed depends on it.



Vivian Purvis, Senior Insurance Claims Clerk, checks the screen while studying the manual for the new insurance computer system.

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Robert Polasek....10
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John Hutchins 2
James Farmer 2
Judy Linton 2
Roy Biscamp 1
Randy Kimbrell 1

Let's Get Acquainted

Tan Nguyen is a Welder A for Lufkin Industries Canada, Ltd., in Edmonton, Alberta, Canada. Nguyen splits his time between fitting and welding all pumping unit components and acting as Lead Hand in LUFKIN's Canadian fabrication facility.

A native of Can Tho, South Vietnam, Nguyen graduated from Dong Tam Catholic High School before emigrating to Canada.

Nguyen and wife, Tran, have a baby daughter, Leanne.

He enjoys watching ice hockey and fishing and is a member of Vietnamese Resettlement of Alberta.

Nguyen says that he enjoys, "Working for a large company with good management and enjoyable workmates."



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The LUFKIN Team



Stephen Jayroe, Painter A, Trailer



Leon Amie, Storekeeper, Machine Shop



Woody Peavy, Quality Assurance Manager, Foundry

THE ROUNDUP

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