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Flash!

THE JOURNEY TO A PAPERLESS OFFICE

By Brian McKendry
JMI REPORTS INC.

Note: Thanks to Brian Mc Kendry who has furnished the FLASH! with the following interesting and detailed article concerning his company's transition to a paperless operation.



I thought I would take some time to write about my struggle to come to terms with the issue of inspection report automation and electronic delivery. Possibly some other ARCO members

might find this story to be of some interest, possibly some use, or even possibly some amusement!

I am sure many ARCO members have gone through the process of creating a system whereby you can deliver your reports electronically to your clients. Some of you have designed your own system, some have sought outside help, and others have created a combination of the two. JMI has been looking to obtain or create a system dating back 5-6 years. It all began oddly enough with one of the first ARCO meetings we attended. One of the presenters was Poloroid who developed an online system for our industry. We ended up contacting Poloroid and had them demo the system to us. It showed some nice promise, mostly for the personal lines dwelling inspections which at the time was the majority of our business. We ended up contracting with Poloroid and sent them a check in the amount of \$15,000 to begin development.

This \$15,000 would buy us their development of forms, the online website and some inspector modules that can be run on the inspector desktop. Shortly after this, within the next 3 months, we began to hear rumblings that Poloroid, as a whole, was in trouble financially. I was assured by the division people that I was dealing with, that this did

not impact them, as they were part of the "good" division of Poloroid. Long story short, they went out of business and with it our \$15,000 investment. I ended up with a really nice leather portfolio that had the Poloroid logo embossed on it...a very nice \$15,000 portfolio if I say so myself. I keep that with me today; take it to client meetings as a reminder to myself.

Keep in mind that JMI Reports was not unlike many ARCO members of the past, and I dare say, many of today. We were a paper company. Everything we did was paper based, from obtaining the orders from our clients to sending them to our field inspectors, receiving these paper inspections back, copying them, storing them in numerous files in a warehouse. We had employees whose sole job was to copy, file and retrieve these paper reports as required. Obviously we had all the associated costs and troubles with the paper based system. I am sure you can relate to the "lost envelope in the mail". Of course that envelope would ALWAYS contain the late reports the very good client was looking for a week ago! Or it would contain the invoices of your best inspector who now is mad because he did not get paid correctly. There was always the 2-3 day delay, in both getting the inspections back as well as sending them to the inspector. Then there were costs for copying, buying paper, printing endlessly, printer costs, and so on. Our company philosophy and direction was laid in the pre 1980's when my father was still active in the company and had never TOUCHED a computer let alone wanted them in this business. All was well for years as many insurance companies too were well behind the technology curve and wallowed in their paper. We were all buddies in that respect and we got lazy thinking change was further away then it was. Even when our direct competitors and larger national based companies went to an electronic

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The Periodic Newsletter for Members of the
ASSOCIATED REPORTING COMPANIES

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History and purpose of ARCO

The Associated Reporting Companies (ARCO) was founded in 1967. The first Officers of the Association were Coulby Gunther, President (Reliable Reporting Service – NY), W. B. “Web” Taylor, Vice President (Index Research Services Inc. – CA) and Guy Holloway, Secretary (Commercial Services – MI). Among the group’s chartered objectives is the intent to “...represent and encourage a standard of performance which will enhance the dignity and prestige of the profession...”

ARCO holds an annual meeting of the general membership which is always an enjoyable and well-attended event. It often brings presentations from affiliated and support industries. The group’s newsletter, the *ARCO Flash!*, is distributed to members several times each year, and each member maintains a presence on the ARCO Web site (www.arco-members.com) including links to individual company Web sites.

The *ARCO Directory of Members* is printed and distributed annually, to hundreds of key members of the insurance industry from coast to coast.

ACE USA Launches Commercial Policy for Life Sciences Industry

ACE USA has launched a commercial package policy to help protect life sciences companies from property and casualty exposures faced by this specialized industry.

The ACE USA Commercial Package Policy is offered to ACE's U.S.-based life sciences customers already covered under its Life Sciences Products Completed Operations Liability Policy. This product is offered by ACE Medical Risk, an operating division of ACE USA, which provides liability products for the healthcare industry.

The life science industry is rapidly growing and complex, comprising many specialized scientific and technological fields. According to a 2006 PricewaterhouseCoopers LLP report on the Top 10 Business Issues for Health Industries, the cost of drug development is in excess of \$800 million, with pharmaceutical manufacturers under strong pressure from stakeholders to produce positive financial results.

Subsequently, the pharmaceutical industry will be focused on boosting R&D productivity and cutting costs; many drug companies will consider forming strategic alliances and joint ventures with biotech firms as a source for new products, according to ACE.

Key features of ACE USA's Medical Risk Commercial Package Coverage include the following:

General liability , Personal and advertising injury, Automobile, Inland marine, Crime, Boiler Machinery etc.



QUOTABLE

Giving money and power to government is like giving whiskey and car keys to teenage boys.

.....P.J. O'Rourke, *Civil Libertarian*

Government is the great fiction, through which everybody endeavors to live at the expense of everybody else.

.....Frederic Bastiat, *French Economist (1801-1850)*

THE PRESIDENT'S CORNER

By Terry Sluzewski

In the March issue of the ARCO Newsletter, Ken noted:

WHERE'S THE EASY BUTTON WHEN WE NEED IT?



This brought to mind what most of us in this business face on a daily basis - how much time do we take trying to make the processes in our office work more efficiently? There are many, many companies out there vying for our business to make our life

EASIER. There are so many tasks to consider; how to get the work to the customer in the manner that suits them best, how to make the never ending task of record keeping easier, getting the work to the field in a fast and accurate manner or trying to manage a way to trim costs for your office.

The hardest decision in the office is who to give the task of finding the EASY BUTTON – wouldn't it be nice if everyone had one? Just the time it takes to research the various companies out there who say they can make your life easier is a project in itself! We have efficiency experts in so many fields – technology, filing systems, fancy workstations, the list is long.....The time cruncher is then helping the "efficiency expert" understand all the EXISTING systems you have in place. Do you take the time to go through it all with the meter running? Yet for them to correctly make a recommendation they must understand how it all works NOW.

In these times when technology changes are running at such a fast pace, it is difficult to keep up. It seems we are all experiencing the same issues around the EASY BUTTON. But our business and staff are calling out for changes that must be made. So we must take a step forward and take the opportunity to improve where we can. If anyone knows a way to make the EASY BUTTON WORK and can share their success story we would love to have you contribute your ideas.

Thanks,
Terry

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system, we kept to our paper, knowing we delivered a superior product even if by snail mail. This all changed, seemingly overnight, sometime around 4-5 years ago. There we found ourselves way behind the curve; most of our competitors had some form of electronic delivery, albeit some were as bad as just a scanning system. But more importantly we found our clients demanding electronic delivery or else they were going away. No more could we rely on superior service and quality, it was a matter of delivery and meeting their agenda for going paperless or as close to it as they could.

After the Poloroid debacle, we decided to try something more local. The paper in our office was never ending....both going out to inspectors and coming back. At this time we were snail-mailing all our inspection requests to our field people and they were in turn mailing everything back to us. Reports were then photocopied and finally snail-mailed to the client. We were put into a bind when a couple of our clients told us that we would not be getting any more work unless we could send their reports to them electronically. We needed a quick solution and we needed it right away. I decided the fastest and easiest way would be to purchase a scanning/document imaging system that could at least get our paper reports into an electronic PDF format that could then be emailed to our clients. I chose three local companies to come in and show me their systems, cut a check to one company for \$35,000 and we had ourselves a document imaging system! Now I would take this paper, pay someone to sit at the scanner and scan in these documents, merge them with digital photos and create the PDF reports to send to our clients. It worked, even though still labor intensive. The report quality was ok, but this was scanned paper, handwritten by the inspector in the field, and just a stop-gap measure until we could find something more permanent.

After dishing out almost \$50,000 and still not having a solution, we decided to finally do this right. We hired a consultant who came into our company and helped us put together an RFP (Request for Proposal). This RFP would then be sent to numerous development companies around the area and outside our area. They would bid on the project if interested. The consultant would handle the entire process, evaluate the bids and provide us with a list of 5 qualified contractors. We then would invite these contractors in for a presentation of their proposed solution and costs.

After our 5 chosen companies made their presentations, we narrowed the list down to two companies and had them come back for one final presentation. We eventually chose a company out of Columbus, Ohio called Digitek Software, Inc. (www.digiteksoftware.com) which was in the midst of building a web based Inspection Reports Delivery product called WRDS (Web-enabled Relational Database System). What led us their way was the capability and functionality of WRDS product, a very thorough approach and understanding of our business. They seemed to grasp the nuances of our business, and more importantly, were actually interested in learning our business practices. They had a very good resume of work, doing both small and large projects for a variety of clients including many insurance carriers. They have worked on, both online web-based solutions, as well as client-server based solutions. They were proficient in Microsoft SQL Server as well as the latest web based technologies. We spent the next 3 months doing nothing but meeting with the team from Digitek. Their goal was to know our business inside and out, and define the key items required in our system. Through these meetings, which continued throughout the customization period, we arrived at the following list of features in our customized edition of WRDS system...

1. All operations are web based, available 24/7 from anywhere in the world
2. All forms, narratives are web based. No paper forms are used
3. A customized sketching tool is developed that enables scaled sketch drawings. The drawings are CAD like and an XML interface automatically puts all the various sq. ft. figures into the forms and other online tools.
4. We interface to MSB-RCT and E2 value seamlessly for regular Dwelling, Mobile Home as well as High-value home surveys through the background with a push of the button, and receive a replacement cost in seconds without entering any data again.
5. All inspections are assigned automatically to inspectors based on a combination of zip code, county, state and report type. No other manual intervention is required.
6. All reports are QA'd by someone in the office. Each and every report goes through an automatic QA process first in the field

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Paperless Office... cont'd from page 4

when the inspector is completing the assignment. Each form has logic built in for QA, so that an inspector could not submit an incomplete report and thus an incomplete report does not end up in the client's hands. The report goes through a second QA process where someone reviews the case and can then reject it back for corrections or send it on to the client. The QA person has control over the invoice from the inspector as well as the invoice for the client. All of this is done electronically and via the web real time.

7. All invoicing is web-based and automatic. An inspector's invoice is generated by the system and a bonus/deduction system is incorporated. Inspector's invoices are available to them 24/7 and stored forever. Paychecks can generate automatically. Client invoices are the same - generated automatically and in numerous formats (PDF, CSV, Excel, XML and others). Discounts and credits can be applied automatically if required. The client invoice copies are available via the web 24/7 for them to access as needed and download or export in various formats.
8. Reports are stored on the web, available for download, or sent via email to the client automatically. The system provides a minimum of 5 years online storage capacity.
9. Most importantly the Digitek team developed a three way communication tool. This tool is web based and allows all three parties; the inspector, the client and the home office, to communicate on each and every inspection report. A history of every transaction is kept with each inspection and that history is available to all, if we choose it to be. The client inquires about a status with a push of a button and the inspector can update it the same way. Everyone is on the same page and everyone is in the loop. The inspector's bonus and deduction system is tied to this tool. No more excuses for late reports without proper documentation from the inspector, and no more of our clients being in the dark about what is going on with a report. This was a major feature for us, and one that I thought would set us apart from others.
10. Finally the system has the ability for generating various client-based reports. These are custom reports that enable our clients to mine data from their inspections. They could find out for example all the risks that have above ground pools. Or, they could find all the risks where the ITV was over or under a certain percentage.

These 10 items make up the core of WRDS system. Of course as time went on other features became evident and got incorporated.

The WRDS system has been up and running since January 2006 and we have migrated almost all our clients to the new system. The results have been better than expected, even with the bumps in the road that you go thru with all new changes and approaches. The enthusiastic and overwhelming acceptance by our inspectors was one surprise. We have inspectors who have been with us from day one and never touched a computer in their lives. We figured a loss of about 20% of our inspector force due to either lack of computer skills or just not wanting to change their ways. We were pleasantly surprised when the fallout was about 4 people, and those inspectors who never used a computer in their lives are now our biggest fans of the new system. Proper product design by the Digitek team led to a user friendly system and a dummy proof way for the inspector to get up and running without much hand holding by our office staff.

Two years ago I did not see the light at the end of the tunnel with this entire paperless office concept. Although the team at Digitek kept assuring me that their product with our planned customization would be the solution that would solve our problems and be flexible enough for our client demands, I was skeptical due to past dealings and getting burned. This was a major undertaking for a small company like JMI, a huge risk on our part to go this route and implement a project of this magnitude. Now we are through that dark tunnel and well on our way to enjoying a system that is state of the art and growing with our needs.

It can be done!



Navigators Expands E&S Lines Business

Navigators Management Company, the principal underwriting agency subsidiary of The Navigators Group Inc., has established a new Primary Casualty Division to be based in Chicago.

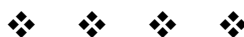
Christopher Day has joined Navigators as president of the Primary Casualty Division. The Division will focus on primary casualty business produced by wholesale insurance brokers, and will underwrite construction business east of the Rocky Mountains and non-construction risks countrywide. Business will be underwritten on behalf of NIC Insurance Company rated "A" (Excellent) by A.M. Best and Standard and Poor's.



Arthur J. Gallagher & Co. Acquires Lemac & Associates

Itasca, Ill.-based Arthur J. Gallagher & Co. has announced that its subsidiary, Risk Placement Services, Inc., has acquired Lemac & Associates, Inc., headquartered in Los Angeles, California

Established in 1984, Lemac & Associates, Inc. is a wholesale insurance broker and managing general agent. They provide excess and surplus property/casualty coverages including professional and general liability, workers' compensation and other specialty insurance products and services for their retail insurance agent clients throughout the United States. William Newton, president of Lemac, and his associates will continue to operate out of their current locations in Los Angeles and Orange, California. under the direction of Joel Cavanaugh, president of Risk Placement Services, Inc.



OneBeacon Sells National Farmers Union to QBE

OneBeacon Insurance Group in Boston has agreed to sell its National Farmers Union Property and Casualty Company (NFU) subsidiary to QBE Insurance Group for approximately \$142 million, subject to adjustment based on closing book value. The transaction includes NFU's wholly owned United Security Insurance Company subsidiary.

OneBeacon acquired NFU in 1998. The company provides personal, farm and business insurance mainly through a network of exclusive agents. In 2004, net written premiums were \$178 million and GAAP book value was \$114 million as of June 30, 2005. Subject to regulatory approval, OneBeacon expects the sale to close in the fourth quarter of this year.

OneBeacon CEO Mike Miller explained the reasoning for the sale. He said that NFU has delivered strong results by serving the rural community but its focus is distinct from One Beacon's, "so this aligns them with good owners while allowing us to focus on our core strengths."

Association of Insurance Services Offers Free Trial, Online Risk Mapping

Wheaton, Ill.-based the American Association of Insurance Services (AAIS) is offering its member insurers an opportunity for free trial access to online risk mapping applications provided at "RiskMeter.com," a service of CDS Business Mapping, Boston, Massachusetts.

AAIS is a national insurance advisory organization that develops policy forms and rating information used by more than 600 property/casualty companies throughout the U.S.

Starting in June, carriers that use the AAISdirect Internet service can access RiskMeter's broad range of geographic information related to hazards at a location. By entering an address, RiskMeter users can quickly learn a location's distance from coastlines, fire stations, fault lines, and flood zones, as well as its exposure to hail, tornadoes, wildfires, crime, and other hazards.

RiskMeter also provides an aggregate mapping feature that allow carriers to view and identify concentrations of risk as new business is reviewed. This feature will indicate how many policies have been written in an area and their total insured values, plus other statistics by radius or region to help make strategic decisions.

"This application of technology has become very popular in recent years," says Jamie Munson, director of consulting services for CDS Business Mapping. "As carriers face mounting claims, competition, and increasing reinsurance costs, RiskMeter offers an excellent way to perform upfront underwriting to ensure proper pricing, risk assessment and compliance. This gives the carrier a tool to enforce underwriting guidelines."

Of particular importance to companies that use AAIS programs is RiskMeter's information on the distance from an insured location to the nearest fire station. That distance is a determining factor in the application of AAIS's simplified fire protection definitions ("protected," "partially protected," and "unprotected"). Having the distance available automatically through RiskMeter saves time and improves accuracy in the use of the simplified definitions.

CDS is the second major property/casualty applications developer to provide access to its service through AAISdirect.

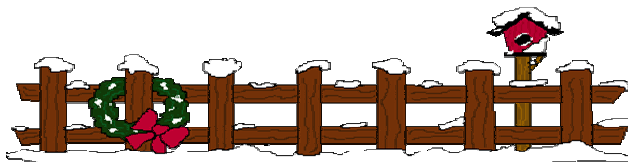
For information on affiliating with AAIS for use of any of its insurance line programs, and for information on signing up for AAISdirect, contact Rick Maka, director of marketing, at rickm@AAISonline.com
Source: The American Association of Insurance Services



ARCO's Website Has a New Look

Take a few minutes and look over the new design of the ARCO website. We've added some new features and designed specialty codes to make it easier for prospective clients to search for professionals that can service their needs.

Please check your information for accuracy and report any errors to Carolyn Ward via email at: arco1@verizon.net.



THE LAST WORD.....Ken Taylor

UNSOLICITED – AND PROBABLY MOSTLY UN-READ
EDITORIAL COMMENTS FROM
THE TEMPORARY EDITOR



SCRAMBLING FOR STAFF?

In the course of my conversations with several ARCO members, I've inquired about their success in locating new field representatives. A couple of members have indicated some success in these efforts while several companies indicate that they are experiencing increasing difficulties.

I've found this interesting because it's been my feeling that this has been one of the most serious problems confronting our industry. Despite the good fortune of a few members, I continue to believe that this will be a primary obstacle in the future of our industry.

Why, after so many years of experience in our industry, are we now confronting this situation? My belief is that it breaks down to a few basic issues:

- (1) **Economics**
- (2) **Attrition**
- (3) **Increased Demands**

The issue of *economics* is straightforward. We operate in an era of \$3.00-per-gallon gasoline and we operate businesses that have generally been under priced; this is particularly true for a labor-intensive industry such as ours. Conventional wisdom has indicated that in order to maintain a solvent operation, the payments to field representatives should remain between 35% and 40% of revenues and somewhat higher for those who widely use contractors. In today's environment, those percentages have been forced upward – significantly upward – in an effort to attract new field workers. As a result, profitability nosedives.

The issue of *attrition* refers to the fact that our industry has lost a large percentage - to retirement, death, career change, etc. – of that corps of experienced field representatives whose general availability enabled our companies to expand and contract field staff, with the varying workflow. This has been exacerbated by the lack of new workers entering our field.

Finally, the *increased demands* from our customers, for special handling procedures, greater technical knowledge and more time-consuming procedures (among other demands) have raised-the-bar for those interested in entering this field. Whereas the training process was once fairly straightforward, it now requires much more time and has a much steeper learning curve for the trainee who typically loses patience before achieving a very productive level.

On the whole, our industry is faced with a continuing challenge and, barring a substantive improvement in the economics of the industry, it's a challenge that appears to be likely to continue. Good luck to all of us. Happy Holidays!

Ken

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Seasons Greetings