ARCO FLASH!

MARCH, 2006 ISSUE - THE PERIODIC NEWSLETTER FOR THE MEMBERS OF THE

ASSOCIATED REPORTING COMPANIES

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Residential Property Replacement Cost Database

UNPARALLELED ACCESS TO PROPERTY REPLACEMENT COST INFORMATION FOR 70 MILLION RESIDENTIAL PROPERTIES

Developed by Bluebook International, Inc., InsureBASE™ is an automated residential property information system designed to help the insurance and the banking industries mitigate the risks associated with determining and maintaining accurate replacement cost values for residential properties.

Bluebook's InsureBASE offering, coupled with its DataCentral™ and global data providers, is now capable of providing detailed property information in the form of an ERC Report (estimated replacement cost) for nearly 91% of the nations single family residences. InsureBASE greatly reduces costs and cycle time associated with today's manual process analyzing hundreds of thousands of properties in about the same amount of time it would normally take to do a single physical home inspection or validation.

This high-quality, scalable underwriting analytic tool combines the power of the industry's leading automated property valuation technology with an accurate replacement cost calculator. The result is a product that generates a replacement cost for a residence within seconds - along with its current market value, property characteristics, and an array of neighborhood and other underwriting information - simply by inputting the address and zip code.

InsureBASE offers unprecedented accessibility and cost savings using critical decision-ready data to core insurance and banking company processes when:

- Establishing or maintaining residential replacement costs
- Examining and managing risks
- Setting insurance premiums and pricing standards & quoting
- Processing and validating premium renewals

MILLIONS OF PREMIUM DOLLARS ARE LOST EACH YEAR BY INSURERS BECAUSE OF UNDERINSURED PROPRETIES

Industry estimates indicate that 67% of the homes in the United States are undervalued for insurance purposes by 25% or more. Undervaluation causes a significant loss of revenue for insurers and creates a distortion in rating that can lead to claims settlement difficulties.

<u>The Underinsurance Gap</u>

Closing the underinsurance gap can make you more competitive by ensuring that the premium charges across your portfolio are balanced between actual exposure and ultimate claims cost. By determining which policies in your portfolio are underinsured, and upgrading those policies, you will see an increase in premium revenue. Once revenues are driven by full claims exposure, you have the option of safely lowering your rates, which will improve your competitive position, and possibly market share.

<u>Our Technology Solution</u>

InsureBASE brings together the power of market-leading automated property valuation technology and Bluebook's replacement cost calculator to provide you with a high-quality underwriting tool.

<u>Replacement Cost Data</u>

Bluebook’s replacement cost data is widely used throughout the claims adjustment industry in the U.S. and Canada. For well over 40 years, it has been the leading replacement cost information for over 680 cost categories and almost 100,000 component prices. The Bluebook database is one of the most comprehensive and accurate available.

CLOSING THE UNDERINSURANCE GAP CAN MAKE YOU MORE COMPETITIVE AND INCREASE PROFITABILITY

<u>Scalable Underwriting Tool</u>

InsureBASE provides a replacement cost for a residence within seconds, along with its current market valuation, property and building characteristics, and a host of neighborhood and other underwriting information. It integrates data regarding physical attributes gained from a variety of sources, such as tax assessment records and other financial information, to provide you with a greater profile of each property and a truer insight into the nature of the insurance risk.

InsureBASE provides you with intelligence in four crucial areas: replacement cost calculation, assessment and financing history, current market value, as well as information on comparable neighboring properties. InsureBASE will even provide partial data for properties where full data is unavailable.

Want more information? Check on the Web at:
http://www.bluebook.net

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A Guide for Developing a Loss Control And Employee Safety Program

Introduction
This outline is designed to help you reduce insurance and operating costs by helping you detect and correct conditions that may cause losses. Actions that help reduce loss costs also will help reduce the indirect "hidden" costs, such as cost of temporary labor or production down time, that may be several times greater than the direct costs.

NOTE: This program does not necessarily include all potential sources of loss, nor is it intended in any way to warrant that it includes all aspects of a program that assures the premises are safe or healthful or are in compliance with any law, rule, or regulation.

This is not a comprehensive program to replace your obligation to provide a safe workplace and premises.

Designing Your Overall Program
There are a few simple, but critical ideas hat should be included in a successful loss control program.

1. Management support and involvement are essential if a loss control program is to be effective. The manager or owner must define the responsibilities of supervisors, managers, and all other employees as they relate to safety and loss control. All employees must understand their role in the overall safety and loss control program.

2. The loss control program must support and be in harmony with the overall objectives of productivity, quality, and profit. It should not be limited to personal injuries, but also address any potential sources of loss, waste, damage, or inefficiency.

3. Every level of the work force should be involved in the effort. Loss control must fit smoothly into your daily operations as a natural extension of usual employee responsibilities.

The program should be reviewed periodically to see if it is properly functioning and all objectives are met. If not, changes should be made to reflect current goals and objectives.

Outline of a Loss Control Program:

- Statement of Policy
- Program Coordinator
- Safety Committee
- First Aid/Medical Emergency Plan
- Employee Selection
- Employee Training
- Self Inspection Procedures
- Incident Investigation
- Incident Recordkeeping
- Vehicle Safety
- Loss Control Policy Statement
- Incident Investigation Report

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E & O INSURANCE SOURCES

Occasionally, when we receive an inquiry about ARCO Membership, companies will inquire about ARCO's role in obtaining E&O Insurance. Since this insurance is typically written on an individual basis rather than as an underwriting class, ARCO has not been able to play an instrumental role in enabling companies to obtain this coverage.

ARCO has looked into this subject several times over the years, and at the recent urging of some ARCO members, we've been continuing to seek information on reliable sources for your company E&O Coverage.

Among the resources mentioned in recent newsletters, has been the following:

David Brauner Calif. Insurance Lic. #0C89873
6760 University Ave. #250
San Diego, CA 92115
888.347.5273 (Toll Free)
(fax) 708.570.5786 or 619.269.3884

If you have received information from Mr. Brauner, you may want to contact him for your next E&O quote. He is familiar with ARCO and may be a good resource for coverage.

OOPS…

Our December reference to the ARCO Annual Meeting mentioned "2005". Of course we meant **2006!**

TIME SERVICE
IN AN IMPERFECT WORLD

<u>This is an acknowledged Editorial</u>. Observing the trends of today's reporting market sometimes makes me want to shake my head in wonder. Those who are successful in operating reporting firms in today's economy and business climate ought to be seriously congratulated for accomplishing the nearly-impossible. If the problems aren't enough to make any reasonable and sane person look elsewhere for an occupation, certainly the need to satisfy so many conflicting demands within such a limited budget should. Most agree that the reporting industry has been severely under-priced for years – and yet there is every evidence that the demands faced by the reporting industry are worsening, along with the crippling economic climate.

=Ken Taylor

Fact: As this is written, gasoline is widely in the three-dollars-per-gallon range with a return to the $1.75-a-gallon pricing little more than a fading dream for most. Operating costs are, as always, increasing.

Fact: Field Representatives (*already in short supply*) are unable to make the frequent visits of the past, to the same areas they've serviced for years, due to costs and other critical factors. Avoidable *return trips* are out of the question, due to costs.

Fact: Requirements by clients for service only by advance *appointment* are on the increase and currently account for a significant percentage of all inspections (and virtually all premium audits).

Fact: Appointment arrangements have a limiting impact on field production by the representatives, due to the nature of appointment scheduling.

Fact: Inspection sites are increasingly wary of inspections or audits of *any* type. Refusals to agree to the process are commonplace. Reporting firms often must enlist the aid of the client and/or the agent, in obtaining cooperation, even though it delays the entire handling process.

Fact: Insurers are imposing increasing pressure for still more rapid turnaround of reports and audits.

Our industry seems to be encountering a sort of growing paradox.

Faced with serious increases in travel and transportation costs *(led, of course, by exploding gasoline prices),* it is an expected consequence that field employees will travel to many areas on a less-frequent schedule than before. This means, also, that return trips to these areas will be equally less frequent. Any service deferred, due to an issue beyond the representative's control, will have to wait until the next trip to the location.

The ever-growing necessity of making advance arrangements or appointments for inspections before ever attempting a site visit, similarly impacts time service. To say nothing of the instances where the site contact fails to keep the appointment, is late or is busy and leaves the Field Representative waiting.

Even as we endeavor to keep our customers aware of the realities of performing services in the face of such conditions, several members are reporting increased demands from client companies, for even faster turnaround time. *The most frequently mentioned has been insistence on a three (3) week delivery of all reports.*

Our company has also experienced this dilemma, and, like other ARCO members who have encountered these demands, we hope that it does not develop into a growing trend. Historically, however, this type of development can be expected to expand.

The simplified view of this issue is that satisfaction could be achieved with pricing adequate to address the expense of rapid cycling of staff to all areas. Considering this, however, a few questions arise:

There is the first issue of an adequate staff. There is no secret of the fact that the reporting industry has not attracted new employees as it once did. Again, one of the key components of this dilemma is the insufficiency of compensation, caused by the corresponding inadequacy of pricing. True, the hourly rates charged may appear adequate, but the reality of charges widely made for services indicates that conforming to the budgetary constraints of the client industry often leaves us receiving too little for the time, effort, skills and travel costs invested into the work.

Next there is the matter of the customers who do not make such time service demands. They may wish to be exempted from charges which more adequately address support of the increased travel and time which must go into satisfying demands for faster turnaround of completed assignments.

This is a topic which merits the consideration and debate of the companies most impacted – in this case, the reporting companies themselves. And that fact places Round Table groups such as ARCO, squarely in the midst of the deliberations, and – partially at least – responsible for considering possible methods of dealing with these matters.

Some have suggested that our industry does a poor job of education, and on reflection, this certainly seems true. Many companies attempt to use periodic newsletters to communicate with their clientele, as do some ARCO members. There is always a question, of course, about who on the client's staff – if anyone – reads them.

I am not proposing answers, not even responses, to the questions that arise or the problems are enumerated here. Perhaps, though, it will prove to be an issue that interests ARCO members sufficiently, to bring them together to share ideas which can benefit our entire industry.

Or maybe I'm just stirring the pot and being unrealistic? If you think so, let me know?

E-Mail Ken Taylor at: indexresearch@juno.com

5 Important Facts About Hybrid Cars

Definitely a Pollution Solution: Hybrid cars combine a gasoline engine with a battery-powered electric motor. They have been on the market in the US since 1999.

A hybrid engine gets significantly better gas mileage than a conventional gas engine. Hybrids consume less gas and produce less pollution per mile than conventional gasoline engines. The hybrid engine currently sold in the Honda Civic Hybrid gets 10 to 15 miles more per gallon than a regular gas engine in the same car. The hybrid engine of the Prius, made by Toyota, produces 90 percent fewer harmful emissions than a comparable gasoline engine. No doubt about it, these cars are good for the environment!

Expect a Higher Price Tag: The hybrid cars currently on the market cost from $3500 to $6000 more per car than comparable cars with conventional gas engines. This means that the amount of money you save, or don't save, by buying a hybrid is very much dependent on gasoline prices. If gas is priced at $1.80 per gallon (we wish), it could take the average driver (15,000 miles per year) between 10 and 15 years to amortize the $3500 increase in the initial price. However, the higher gas prices go, the less time it takes to recoup the higher price tag.

Hybrids Come with Tax Breaks from Uncle Sam: The Federal government is offering tax breaks to buyers of hybrid cars through 2006. The amount of the tax break depends on the year you file and the tax bracket you're in. Some states also offer tax breaks for hybrid buyers. This is certainly a case where being an environmentalist has its tax advantages.

A Growing Number of Makes and Models: Most hybrids are made from exiting car models. For example, the Honda Civic is available as a hybrid, as is the Ford Escape. The Toyota Prius and the Honda Insight are both available as hybrids. GMC and Chevy currently make two hybrid models, both pickup trucks, the C15 Silverado and the C15 Sierra. Both the Honda Accord and the Toyota Camry should also be available with a hybrid engine soon. Lexus, Saturn, Honda and Chevrolet are planning Sports Utility Vehicles (SUVs) with hybrid engines in the next two years. And, the Chevy Malibu will go hybrid in 2007.

No Ordinary Battery: Hybrid buyers may be saving on gas, but they are sporting a much more expensive battery. The cost of hybrid batteries ranges from $1,000 to $3,000, although we have gotten reports of some hybrid owners being quoted $4,800 to $8,000! This could be due to the current high demand for hybrid cars. And, although the hybrid battery may be covered under the car's warranty, once the warranty expires, you could find yourself in for more of a 'charge' than you expected.

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FIVE SURPRISES IN THE NEW JUNK FAX LAW

The new junk fax law changes how you can fax information to customers. Here's five *gotchas* you weren't expecting.

From Entrepeneur.com
By Chris Kelleher

If your business has a fax machine, please keep reading, because--surprise, surprise--the feds now have a new law governing junk faxes that may have a big impact your business. The Junk Fax Prevention Act of 2005 (JFPA), which went into effect on July 9, 2005, has many new requirements or "surprises" that dictate how even "routine" faxes must be sent to your customers.

So for your financial benefit and business education, here's a list of the biggest surprises for businesses courtesy of the new federal junk fax law:

Surprise #1: The definition of "junk fax" includes more faxes than you'd think. While no business would ever consider its faxes to customers to be junk faxes, the new law defines junk faxes very broadly. A junk fax under the JFPA is an "unsolicited advertisement," meaning "any material advertising the commercial availability or quality of any property, goods or services which is transmitted to any person without that person's prior express invitation or permission, in writing or otherwise."

In other words, if you send out a fax announcing you've just added a new product or service, that could be considered a junk fax under the JFPA.

Surprise #2: Having "EBRs" is now critically important when it comes to marketing your business via fax. Even if your faxed message can be considered a junk fax under the new law, you are still allowed to send unsolicited faxes to anyone with whom your business has an "established business relationship," or EBR.

An EBR is defined as "a prior or existing relationship formed by a voluntary two-way communication between a person or entity and a residential subscriber with or without an exchange of consideration, on the basis of an inquiry, application, purchase or transaction by the residential subscriber regarding products or services offered by such person or entity, which relationship has not been previously terminated by either party." You should consult with your business attorney if you're unsure whom you're allowed to send unsolicited advertisements via fax to.

Surprise #3: Your fax cover sheets must now include "opt out" information. Even if your business has an EBR with a customer or prospect, the JFPA now requires that on the first page of every fax solicitation you send, you must tell the recipient how to "opt out" of receiving future fax solicitations from your company.

The JFPA's requirements for the opt-out notice are pretty extensive. The opt-out notice must:

= be "clear and conspicuous and on the first page of the" fax;

= indicate that your failure to comply within the shortest, reasonable amount of time with any opt-out notice sent by a customer will be a violation of the law;

= contain the "domestic contact telephone and facsimile machine number" for the recipient to transmit any opt-out notice request;

= contain a "cost-free mechanism" that the recipient can use to send the opt-out notice; and

= permit the recipient to opt out "at any time on any day of the week" or, in other words, 24/7.

Surprise #4: Noncompliance with the new junk fax law will be costly. The JFPA allows anyone who has illegally received a junk fax to sue for and recover $500 to $1,500 or more per junk fax violation. And for those with a litigious mind, it may be surprising to learn that the new law allows class action lawsuits and even small claims court lawsuits to be filed.

Surprise #5: State laws governing junk faxes may also still apply. Just when you thought you'd enough surprises, here's the last one: The new federal law doesn't supersede current or future state laws that govern junk faxes. To be on the safe side, be sure to check the laws of your state and any state into which you send faxes before hitting the "Send Fax" button.

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QUOTABLE…..

"The highlight of my childhood was making my brother laugh so hard that food came out of his nose"

=Garrison Keillor

"All I've ever wanted was an honest week's pay for an honest day's work"

=Steve Martin

"Look at Bob Hope. Look at Milton Berle, George Burns. Look how long they lived. Seeing the funny side of things keeps you alive"

=Phyllis Diller

"There's nothing better than a world where everybody's just trying to make each other laugh"

=Matthew Perry

"Never be afraid to laugh at yourself. After all, you could be missing out on the joke of the century"

=Dame Edna Everage

""I still believe that at any time, the no-talent police will come and arrest me"

=Mike Myers

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GAS PRICES-WHERE NEXT?

By Mark Trumbull, *Staff Writer for the Christian Science Monitor*

Gasoline prices have begun to ease, but even when all Gulf Coast refineries are running again later this year, consumers may not see a full retreat to pre-Katrina levels.

That conclusion, analysts say, stems from a simple equation involving the cost of a barrel of crude, markups by middlemen, and little margin for error in the nation's energy infrastructure. Across the country, gasoline prices soared into uncharted territory - above $3 per gallon last weekend - stunning motorists and prompting many to shorten or skip Labor Day trips.

Concerns about price gouging by gas stations are being investigated in state capitals and the halls of Congress. Prices have already begun to pull back, as some refineries and long-distance pipelines affected by hurricane Katrina return to full strength.

How far and how quickly prices fall now depend on a few critical factors: when four damaged refineries come back on line, how quickly emergency shipments of gasoline from foreign refineries arrive, and most important, where oil prices go from here.

"As long as crude is high, the gasoline price will be high, although it doesn't have to be where it was the past few days," says Ron Gold, an energy analyst at the Petroleum Industry Research Foundation.

Oil prices fell Thursday to around $64 a barrel in midday trading after Energy Department figures showed higher than expected post-Katrina inventories.

The department's Energy Information Administration said this week it expects gasoline to reach $2.60 a gallon by year end and to average $2.40 a gallon in 2006. Despite the predicted drop, that would still be above July levels, which the EIA pegged at nearly $2.32 per gallon.

Of course, as with all forecasts, actual prices - like gas mileage - may vary. But prices in the mid-to-high $2 range represent a significant shift in what is, for many Americans, the most visible gauge of energy costs.

The question for the economy is how much gas prices will affect overall consumer spending, which drives two-thirds of US growth. So far, recession is not in most forecasts, but high energy costs have been a key predictor of economic slowdowns in the past.

And gas prices are just part of the picture. Although gasoline accounts for about half of America's oil use, surging energy prices in recent months may show up most sharply in heating costs this winter. Natural gas, home heating oil, and electricity costs are all rising.

The thought may be enough to prompt a rush for cardigan sweaters. But the price of those may edge up, too, as oil prices ripple through trucking and shipping costs.

Several factors, thankfully, could soften the shock at the gas pump and beyond.

For one thing, everything from automobiles to refrigerators to factories are more energy efficient now than they were in the 1970s. This shelters the economy somewhat from price swings.

Emergency responses to hurricane Katrina are helping as well: The Bush administration has eased regional gas-blend rules, so supplies can move freely to wherever they're needed. Strategic petroleum reserves are being tapped. Foreign supplies of gasoline are on the way. And on the Gulf Coast, which contains almost half of America's refining capacity, oil companies are racing to bring refineries and platforms back on line.

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INSURER NOT LIABLE IN STATION CASE

Inspections Do Not Create Duty in R.I. Case

From THE STANDARD, New England's Insurance Weekly, December 2, 2005.

[Editor's Note: We printed, in a prior edition of the FLASH!, the account of the deadly fire at The Station, a Rhode Island night club, which resulted in litigation against both the insurance company and the inspection companies. Thanks to Jim Schmidt of Alexander & Schmidt –ME for this update]

PROVIDENCE - An insurer is not liable to third parties for performing allegedly negligent inspections for the purposes of underwriting a commercial liability policy, according to the United States District Court in Rhode Island.

With that in mind, the Court dismissed Essex Insurance Company and two inspection firms it worked with, as defendants in a lawsuit brought by survivors and families of victims of *The Station* nightclub fire.

The Station nightclub in West Warwick, R.I., burned to the ground in February 2003, killing 100 people and injuring hundreds more. Lawsuits have been filed against the owners of the nightclub, Michael and Jeffrey Derderian, along with dozens of other defendants. However, Essex Insurance Company is no longer among them.

"An insurer who acts only for its own purposes cannot be charged with having owed a duty to its insured or third parties to inspect with reasonable care unless it affirmatively creates or enlarges a hazard", Judge Ronald R. Laguex said. Essex conducted its inspections for underwriting purposes, not for the benefit of the owners of the club, nor potential future patrons, he ruled.

The judge also disagreed that Essex should pay because liability insurers are not listed as exempt under Rhode Island law, for conducting inadequate inspections.

"It would be absurd to hold that an insurer who inadequately inspects certain premises before issuing a fire policy is immune from liability to third parties for conducting that inspection, but that the same insurer who inspects the same premises before issuing a liability policy on those premises would not be immune from liability," Laguex stated.

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YOUR ATTITUDE & YOUR HEALTH

Some researchers say that losing weight and following a meal plan are as much a psychological challenge as a physiological one. And one of the primary tasks is accepting that your health can improve -- but maybe not by tomorrow.

Diets that promise quick results seem to be everywhere. But it's counterproductive to expect change to happen quickly. While it's true that some diets can take pounds off fast, few can guarantee that the weight will stay off. For that to happen, you need to view dietary change as a permanent adjustment in the way you live.

Accepting good habits as a permanent part of life protects against a number of other attitude snags that can hinder your progress. For example, if you see your diet as a temporary measure you take until you drop a certain number of pounds, you'll tend to think of yourself as either "on" or "off" your diet. That promotes a sense that dieting demands special willpower and that eating a food you like or an occasional item that's not in your meal plan means you've cheated or failed. You'll have better results with a more forgiving attitude that lets you make mistakes and move on to make better choices next time.

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POINTS TO PONDER

The trouble with bucket seats is that not everybody has the same size bucket.

Do you realize that in about 40 years, we'll have thousands of old ladies running around with tattoos?

Money can't buy happiness -- but somehow it's more comfortable to cry in a Corvette than in a Yugo.

Control of Fire Hazards in Commercial Dry Cleaning Shops Using Petroleum-Based Solvents

HAZARD

Dry cleaning shops contain all elements necessary for uncontrolled fires: *fuels, ignition sources, and oxygen*. Potential combustible materials include furniture, garments, lint, and portions of the building. The greatest risk of fire and explosion exists if the dry cleaning shop uses a petroleum-based solvent in dry cleaning machines. Approximately 10% of dry cleaning shops in the United States use these highly flammable solvents.

CONTROLS

New solvents and machines are available today that are inherently safer than traditional petroleum-based solvents. All shops should follow fire codes and standards that address occupancy limits, building egress, and appropriate fire extinguishers, smoke detectors, fire suppression systems, and related issues to reduce the risk of fire. Code compliance will reduce the risk of loss from fire, and may also reduce property insurance premiums. In some cases, fire codes may not be as stringent with new solvents and machines.

NEW SOLVENTS/MACHINES

?? New petroleum-based solvents with higher flashpoints (above 55°C/131°F) have recently been developed (Figure 1). These solvents are less likely to ignite or explode than solvents with lower flashpoints.

?? New, much safer petroleum-based dry cleaning machines are also available. Several machine technical advances have been developed to reduce greatly the risk of fire and explosion. These advances include using a vacuum technology, an inert gas such as nitrogen, or controlling the operating parameters of the machine to prevent fire or explosion.

BUILDING FEATURES

?? Enforce a "No Smoking" policy that eliminates smoking within the building. Post "No Smoking" signs.

?? Provide shops with at least two remote means of escape in the event of a fire. Also provide dry cleaning rooms with two remote means of escape. Keep fire exits and exit routes free and clear of clutter.

?? Separate the dry cleaning room from the rest of the building by a partition with a 2-hour fire resistance rating.

?? Construct the floors and ceiling of the dry cleaning room of fire-resistant material.

?? Equip dry cleaning rooms containing petroleum-based solvents with an emergency drainage system that directs solvent leaks and fire protection water to a safe location.

FIRE SAFETY SYSTEMS

?? Install an approved wet-pipe sprinkler system in the dry cleaning room of any shop using petroleum-based dry cleaning solvents. Automatic sprinkler systems are effective in preventing loss of life and controlling the spread of fire.

?? Provide at least two approved 10-BC portable fire extinguishers inside a dry cleaning room where petroleum-based solvents are used. Provide suitable portable fire extinguishers throughout the shop according to appropriate codes.

?? Perform routine maintenance to prevent accumulation of fluff, lint, or waste that could ignite or cause a fire to spread rapidly.

HANDLING COMBUSTIBLE LIQUIDS

?? Install dry cleaning rooms and tank storage rooms on the lowest floor above grade.

?? Close all containers with flammable or combustible petroleum-based solvents to prevent evaporation. Do not transport petroleum-based solvents in open containers, rather, pump solvents through rigid iron or steel pipes to prevent ignition.

?? Give special attention to generation and accumulation of static electricity. If garments are transferred from a washer using petroleum-based solvents to a dryer, bond together electrically and ground equipment.

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ARCO
ANNUAL MEETING

The **2006** ARCO Annual Meeting is just ahead and scheduled for May 7^{th}-8^{th} in Las Vegas.

Brian McKendry has made arrangements for our meeting with the Monte Carlo Resort Hotel & Casino. ARCO members who have attended previous meetings at the Monte Carlo already know it is a great facility, not over-crowded, offers excellent facilities and some terrific restaurants. The Houdini Lounge has been a favored central meeting place for members in attendance, and the meeting facilities have proven satisfactory as the Monte Carlo has hosted two previous ARCO gatherings.

See details in this newsletter, and please make your reservations early. We hope for another large membership turnout and look forward to seeing you there!

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3770 S. Las Vegas Blvd.
Las Vegas, NV 89109

Reservations hotline:
(800) 851-1703

Mirage Resorts CEO Steve Wynn described the Monte Carlo as "popular elegance," coining a phrase to sum up the Monte Carlo's effortless blend of sensibilities.

Sunday, May 7th – Monday, May 8th

WELCOME RECEPTION PARTY SUNDAY EVENING – DETAILS TO BE ANNOUNCED

BUSINESS MEETING MONDAY

Group Dinner MONDAY AT 8PM AT the famous Italian restaurant,

BATTISTA'S HOLE IN THE WALL

ARCO IS RETURNING TO THE MONTE CARLO!

Brian McKendry (JMI – Ohio) took charge of the 2006 ARCO Meeting arrangements, and he's been *very* busy exploring the options. A small group such as ARCO does not enjoy the same options as large Las Vegas conventions. Making arrangements which suit our group take time and considerable effort, and Brian has explored possibilities at nearly a dozen facilities.

The MONTE CARLO HOTEL & CASINO indicated that they would, once again, like to be the host hotel for our 2006 meeting. Their room rates for the meeting are excellent for a Strip Hotel, and they have always been helpful and cooperative in making the meeting arrangements. The Monte Carlo offers a terrific Steak House (Blackstone's), a great Brew House, and a fast food court for those of you who are in a hurry. The hotel is located on The Strip, across from MGM and Aladdin, near New York-New York, Bellagio, Caesars, Paris, etc. A tram station is located in the Monte Carlo itself, for east access to nearby hotels & casinos.

The 90,000-square-foot casino offers gaming from roulette to high-stakes baccarat. Rooms are tasteful, with brass fixtures, Italian marble and polished granite. The Monte Carlo Beach Club, which boasts a lazy river, cools visitors and is situated in a lush garden setting. World Champion Magician Lance Burton will be dazzling audiences with his spectacular illusions in his namesake showroom until the year 2009.

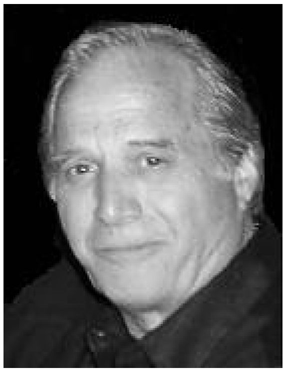
In addition to the great Monte Carlo setting, the ARCO MEETING promises to be an interesting and important session. ARCO Member, AL SILK (S&S Services – AK) will be making a presentation. Considerable time is being planned for a roundtable discussion among the members (*only*) and everyone's input is invited and welcome. We will, of course, have our always-popular Welcome Reception on Sunday evening, and the Group Dinner (*covered by the cost of your registration*!) as well – another event that is always well-attended and always enjoyed. If this is your first ARCO meeting, you can expect to meet friendly people, open to discussion about all things pertaining to our unique industry.

Call NOW to make your hotel reservations. Don't miss this annual gathering of ARCO!

THE LAST WORD

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

WHERE'S THAT "*EASY BUTTON*" WHEN YOU NEED IT?



There are drawbacks to being closely involved in the ARCO operations.

Working on the Membership Committee, as I have for many years *(and seeing us grow from about 15 member companies to the current size)* has brought me into personal contact with many of our members, even those I may never have met personally.

Ernie Jarvis

Among those members with whom I enjoyed periodic contact, was **Ernie Jarvis**, whose company, **The UIS Group, Inc.**, was well known in its home state of Connecticut and in the Eastern United States. Ernie was a knowledgeable and concerned industry leader, and had developed his company in line with his own vision, and enjoyed the assistance of his very capable staff.

Ernie and I spoke by telephone a number of times, and often exchanged e-mails, discussing the state of our industry and ways in which it might advance in the current business environment. We were almost the same age, and had observed the same changes in our reporting industry, over the years. He spoke of his daughter, Heidi, who was active in the business and because my own daughter has been involved in our company for the past more-than-a-dozen years, Ernie and I had something else in common.

He would sometimes e-mail or call my office on weekends, and we joked about the fact that we both were often at our desk on "days off". I always enjoyed his shared ideas and opinions and looked forward to meeting him at an ARCO meeting. He had indicated his plans to try to attend the 2006 Annual Meeting.

The e-mail I received on October 12, 2005, then, was quite a shock. It began: **"*…..late Friday night on October 7, 2005, Ernest C. Jarvis, Founder, President, and CEO of The UIS Group, LLC died suddenly at Hartford Hospital.*"**

ARCO did make a contribution to the requested charitable organization(s) of course. And though most of us never had the opportunity to meet Ernie face-to-face, we'll miss him.

Special thanks to ARCO members, Jerry Burg and Charlie Morrow, who promptly brought the fact of Ernie's passing to our attention.

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IRS: Making Problems FOR Inspection Companies?

One of our long-time ARCO member companies, who shall be nameless for purposes of this report, recently called with information which may be alarming to some members.

He advises that his firm was incorporated a number of years ago, as a C-corporation. That status has reportedly now been challenged by the Internal Revenue Service who has decided that his company offers only *services* and has no *product*. As such, says the IRS, the C-corporation status is *not valid* and there has been a significant tax penalty spanning two (2) recent years' performance.

The company is appealing this action by the IRS – which seems to believe that an inspection company is the equivalent of a medical/professional corporation – and promises to keep us informed.

TIME SERVICE

I took additional Editorial liberties (or maybe that should be "*Temporary* Editorial liberties?") in this issue. Every now and then I have way-too-much to say and those who might take time to read my ramblings are the victims.

Whatever the character of the remarks or my motivation for them, they're about Time Service and demands placed on our industry, and they're contained in this issue of the FLASH! for all to read and any to disagree with.

I suffer from an incurable malady: I was working in this industry when it was a more realistic business. I remember the time when we couldn't list our name in the paper when running an ad for Field Representatives; the earnings potential was considered excellent, and applicants – appearing in-person at the office - would overwhelm us if the address were shown. The compensation for the work done was tied more closely to the time, costs and skills involved.

I also watched the actions of a large part of our client industry in the inflation-ridden 1970s, as they parted company with so many experienced underwriting staffers, concentrating more on finance personnel who could invest the premium dollars they were earning, and cash in on the 20%+ returns.

Of course that led to the kind of experience and results which fueled the boom in our business in the middle 1980s – but nothing returned the experienced underwriters to the industry. As an alternative, the character of the work wanted and expected from our reporting industry changed dramatically. Forever.

Best wishes for the New Year!
=Ken

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