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# Flash!

## ezInspections.com It's Easy to Become Paperless

By Yan Zang  
[ezInspections.com](http://ezInspections.com)

It is amazing how much the Internet has changed our world. No industry has remained unchanged since the onset of this monumental force. The Field Inspection business is no exception; moving to a fully paperless, web-based model is only a click away.

Ken Taylor, ARCO's Newsletter Editor, asked in the March 2006 issue: "Where is the Easy Button when we need it?" Terry Sluzewski, ARCO's President, discussed in the December 2006 issue that it was a big task by itself to search for the Easy Button.

Is the Internet the answer to the Easy Button question?

Consider this: wouldn't it be great if...

1. Your clients send orders to your secure online management system;
2. Your orders are automatically dispatched to inspectors based on coverage area;
3. Inspectors automatically receive jobs on their mobile devices;
4. Inspectors fill in data on the mobile device, take photos, draw sketches, and send all of the items to your online account wirelessly from the field;
5. Your company administrator receives the completed jobs in the online account, and after carrying out quality assurance, clicks a single button to submit the final reports with required attachments and replacement calculations to clients in their preferred formats;
6. At the end of each month, invoices and pay stubs are automatically generated;
7. Historic jobs, invoices and pay stubs are available online to your clients and inspectors to review.

Even better, what if the system was customized with your logo, graphics and specifications? And wouldn't it be just perfect if the system did not cost you any money?

You must be saying "this is all baloney; nothing is free". Well, you are right on that fact, nothing is for free, but there is a system that comes close. This system does all of the above at a fraction of what companies traditionally pay for an inspection management solution.

## This system is ezInspections.com.

ezInspections.com is a web-based inspection management system that seamlessly integrates with your own web site. You can upload custom logo and graphics, and have users login from your web site. Consider ezInspections the backend order, dispatch and reporting module of your own web site without the cost or the hassle of supporting a custom-built system.

ezInspections.com is a full-featured inspection management system that enables end-to-end paperless process for the insurance loss control industry. It is not free, but it only costs you **as low as 10 cents per inspection**.

Larry Harris of Insurance Inspections.com in Richmond, Virginia, says:

"ezInspections.com is a tremendous management tool. The client enters the insured's data while ordering the inspection. I never have to type in the name, address, policy number, etc..... With one click I can assign the inspection to the appropriate inspector.

My inspectors tell me that our system is the simplest and quickest system out of all the other inspection companies they do work for. The review process is quick and simple and with one click I can send the inspection report to the client.

ezInspections.com has streamlined my management process and saves me a couple of hours a day in processing time. Invoicing used to take an entire day and now I can use the integrated invoicing to generate invoices in a couple of hours. The inspector payment report saves another day in processing time. With one click I can print out a payment report for each inspector.

Using ezInspections.com enables us to offer our services at a very competitive rate which is essential in growing our business in a highly competitive environment."

Where is the Easy Button? I would argue that the answer lies in the Internet.

Check us out at [www.ezinspections.com](http://www.ezinspections.com).

For more questions, contact:

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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](http://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.

## 7 FIRST AID STANDBYS YOU SHOULD NEVER USE

Today, Ann LaBelle admits that it was a stupid thing to do. But when she jumped off her boyfriend's motorcycle and burned her inner leg on the tailpipe, she didn't know how to treat the injury. "It burned a hole right through my jeans, about the size of a fifty-cent piece." Her boyfriend's mother suggested she clean the area and put butter on it. For the next several days, LaBelle repeated the process. "It kept getting redder and redder, and it really hurt." Two weeks later, when the burn wasn't healing, and she developed a 104 degree fever, LaBelle went to the hospital. There she was given antibiotics to fight the infection. But they didn't help. About a month later, she underwent surgery to close up the wound.

LaBelle made an all-too-common mistake -- she relied on an old wives' tale. First-aid treatment has evolved, and many of our mothers' remedies are no longer recommended. Take a look inside your first-aid kit: bandages, some gauze, painkillers, a tube of antibacterial cream, maybe iodine or hydrogen peroxide. We're all familiar with these tried-and-true solutions.

They may be tried, but they're not all true. "Many people still use their mother's remedies, like putting peroxide on a wound," says Michael VanRooyen, professor of emergency medicine at the Johns Hopkins School of Medicine. "This, and other remedies are very common, but wrong." After years of research, experts are finding that your standard first-aid response may sometimes be the worst thing you can do in an emergency. Here's how to update your first-aid kit.

### **CUTS AND SCRAPES**

*Hydrogen Peroxide, Iodine, Rubbing Alcohol, Mercurochrome*  
When the skin isn't broken, it's hard to beat iodine for killing bacteria. That's why doctors use it to clean an area before surgery. But when there's a cut, says dermatologist Robert Kirsner, a spokesperson for the American Academy of Dermatology, full-strength iodine, hydrogen peroxide and rubbing alcohol can be toxic to skin cells, impeding healing. The chemical reaction (and bubbling) that occurs when hydrogen peroxide hits the skin isn't only cleaning the wound -- it's killing healthy cells. And that stinging from the rubbing alcohol? This stuff hurts because it's wiping out healthy tissue.

Putting iodine on cuts and wounds kills bacteria, says VanRooyen, but it won't clean the wound. "You want to protect the good tissue, and iodine doesn't do that." Mercurochrome also kills bacteria, but as the name suggests, it contains mercury, which is toxic, and not generally recognized as safe, says the FDA. Today, doctors don't use Mercurochrome.

#### *Better Bet*

Remarkably, cleansing a wound has become much simpler: "The most effective way to get rid of debris and bacteria without damaging healthy tissue is flushing the wound out with water," says VanRooyen. Put the wound under a faucet, or spray it with the nozzle on the kitchen sink. Flush it with water to clear it of all debris. If you are worried about the bandage sticking to the wound, consider using an antibacterial ointment that contains bacitracin or neomycin to keep the area lubricated.

### **BURNS**

#### *Butter*

You burn your hand -- on the stove, an iron, or a hot plate. According to a popular old wives' tale, you should spread some butter on the burn to ease the pain. But that isn't a good idea, says VanRooyen. "Butter was thought to coat the burn, but it can cause infection and create an environment for bacterial growth."

#### *Better Bet*

Run the burn under cool water immediately to help remove the heat and put an end to the damaging process. "The water will also clean the area, decrease the risk of infection, and make it feel better," says VanRooyen. Next, wrap the burn with sterile gauze or a nonadhesive bandage, and keep it clean and dry. If blisters form, don't break them -- the fluid inside is sterile, and it creates a natural bandage over the burn.

### **POISONING**

#### *Syrup of Ipecac*

When a child swallows anything that's poisonous, parents probably think they are well prepared if ipecac syrup is on hand. Wrong, says the American Academy of Pediatrics and the American Academy of Clinical Toxicology. If you have ipecac in your house, get rid of it. For years, ipecac was thought to be a good way to treat a child who had swallowed a toxic substance, but not anymore. Made from the root of a Brazilian plant, ipecac irritates the stomach to induce vomiting. But a recent study from the Cincinnati Children's Hospital Medical Center found that ipecac doesn't reduce ER visits or save lives. Maybe that's because it doesn't always remove enough of the toxic substance from the body, says American College of Emergency Physicians spokesperson Charles Pattavina, an assistant professor of emergency medicine at Brown University Medical School. Ipecac can leave 40 to 50 percent of the toxin behind. It can also lead to excessive vomiting, a problem that may cause dehydration and prevent doctors from giving other treatments. Another risk: If the poisonous substance is caustic, like lye, it burns the esophagus when swallowed, and can burn it again when it comes back up.

#### *Better Bet*

Immediately call the national poison control hotline (800-222-1222), which will be answered by your local poison control center. (Paste the number on the back of your phone.) The experts will be able to tell you what, if anything, to do. If it's a true emergency, they may send you directly to the ER. There the treatment of choice is often activated charcoal (AC), a very finely ground charcoal powder. When the tasteless powder is swallowed (often it's mixed with soda), it can soak up the ingested substance like a sponge, preventing it from entering the bloodstream. The charcoal then passes through the digestive system and leaves the body.

It's important to move quickly, since AC is best taken within an hour of ingesting the poison. Some poison control centers recommend having AC on hand (you may find it in drugstores), but stress that you should never use it without expert guidance. The poison control center will tell you if it's necessary, and how much to use, which depends on the victim's weight. Look for AC in powder form, or pre-mixed with water (called a slurry), not capsules -- you'd need to swallow 50 of them to get the benefit, says Henry Spiller, director of the Kentucky Regional Poison Center.

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**7 FIRST AID STANDBYS (continued)**

**EXCESS BLEEDING**

*Tourniquets*

Once upon a time, every well-trained Boy Scout in America learned how to stop bleeding with a tourniquet. But studies show this method causes more harm than good. "Only in the most dire circumstances would you want to put a tourniquet on somebody," says Pattavina. Tourniquets can increase the risk of tissue damage or even the loss of a limb, and since there are other methods that can slow the blood flow -- and preserve life - without the loss of the limb, tourniquets are out.

*Better Bet*

Apply direct pressure to the wound. This is what the Red Cross has always recommended and it's the best solution, says VanRooyen. Simply place a clean cloth on the wound and press firmly; don't remove the cloth, even if it gets saturated. If necessary, add more cloths right on top of the first. Applying direct pressure reduces blood flow to the wound. This should stop the bleeding and promote clotting, but still leaves blood circulating to the rest of the limb, says VanRooyen.

If that's not enough, you can further slow the blood flow by applying pressure to the main artery of the upper arm or leg, depending on the site of the wound. You can learn about this procedure in a first-aid course or through the American Red Cross at [redcross.org](http://redcross.org).



**ARCO WEBSITE**

The ARCO website, since Carolyn Ward took charge of it, has undergone a facelift and some nice added features. Members should take an occasional moment to check the site, confirm the accuracy of your company's information and maybe drop a note of appreciation to Carolyn Ward, ARCO's Executive Director. Thanks Carolyn, for the nice work!

**www.arco-members.com**



**ARCO ANNUAL DUES  
AN ADVANCE COMMENT**

ARCO's annual dues are very modest and have remained low thanks to the volunteer efforts of several of our members as well as the fiscal management of our Executive Director, Carol Ward.

Carol will invoice all members for annual dues later this year. It would make her job much easier if each member will pay dues promptly and help us avoid the time and expense necessary to make multiple contacts to obtain payment.

Thanks for your help with this.

**PAST ARCO MEETING LOCATIONS**

One of the frequently-asked-questions that comes our way is that of the location of past ARCO meetings. The following is a list of the meeting locations year-by-year, spanning the period from 1986 through the planned 2009 Annual Meeting.

- 1986 - Charleston SC
- 1987 - San Juan PR
- 1988 - Washington DC
- 1989 - San Diego CA
- 1990 - New Orleans LA
- 1991 - Las Vegas NV
- 1992 - Baltimore MD
- 1993 - Santa Fe NM
- 1994 - St. Thomas USVI
- 1995 - San Francisco CA
- 1996 - Boston MA
- 1997 - Kansas City MO
- 1998 - Maui HI
- 1999 - New York NY
- 2000 - Nashville TN
- 2001 - Las Vegas NV
- 2002 - Atlanta GA
- 2003 - New Orleans LA
- 2004 - San Diego CA
- 2005 - Las Vegas NV
- 2006 - Las Vegas NV
- 2007 - San Francisco CA
- 2008 - Las Vegas NV
- 2009 - San Antonio TX (*as planned*)



**Famous Quote ...**

Experience is one thing you can't get for nothing.  
**Oscar Wilde**

## SPRINKLER SYSTEM TERMINOLOGY

### Automatic sprinkler system

An integrated system of underground and overhead piping connected to sprinkler heads (usually mounted in the ceiling) which are activated at a relatively low temperature (the initial stage of a fire). The sprinkler heads release a spray of water to extinguish the fire or prevent it from spreading. Insurance underwriters typically require automatic sprinkler systems in certain types of buildings or occupancies, and sprinkler water supply systems usually must be independent of normal water service to the protected building. Periodic inspection and testing of sprinklers is required. The existence of an approved sprinkler system normally reduces premiums for the insured property.

### Antifreeze automatic sprinkler system

An automatic sprinkler system with pipes containing an antifreeze solution connected to a water supply. The antifreeze solution, followed by water, discharges from sprinklers opened by a fire. This type of system is used in locations subject to freezing.

### Approved sprinkler system

An automatic sprinkler system installed in accordance with fire or building codes that uses the proper automatic sprinkler heads for the structure's occupancy and construction, that has an adequate and reliable supply of water, that has been tested and shown to be in working order, and has been found acceptable to the appropriate governmental authority. Buildings protected by such systems usually qualify for discounts on their fire insurance premiums.

### Automatic sprinkler clause

A provision in a property insurance policy (written on a building equipped with an automatic sprinkler system) that requires the insured to maintain the system in working order and to notify the insurer whenever the system is not operational, even when only briefly inoperative during maintenance. Coverage may be suspended if the insured fails to comply.

### Cold weather valve

An automatic sprinkler system with an indicating type of control valve that controls ten or fewer sprinkler heads in a wet pipe system protecting an area subject to freezing. The valve is normally closed and the system drained during freezing weather.

### Deluge automatic sprinkler system

An automatic sprinkler system where all the sprinkler heads are open and the water is held back at a main (deluge) valve. When the valve is triggered, water

is discharged from all the sprinkler heads simultaneously. The triggering device is usually a heat or smoke detector. This type of system is used where it is necessary to wet down a large area quickly, such as an airplane hangar or explosives factory.

### Dry pipe automatic sprinkler system

An automatic sprinkler system where all piping contains air under pressure. When a sprinkler head opens, the air is released and water flows into the system and to any open sprinkler heads. This type of system is used in areas where the sprinkler heads and the immediately adjacent piping can be exposed to freezing conditions.

### Emergency impairment

All or a portion of an automatic sprinkler system that is out of service due to an unexpected occurrence, such as a ruptured pipe, opened sprinkler head, or interruption of the water supply.

### Fire extinguishing system

An apparatus or system designed to cause a fire to cease burning or to quench it. Such systems include water spray, carbon dioxide, dry chemicals, halon and foam, portable or fixed fire extinguishing systems.

### Halon

A nontoxic, vaporizing liquid used in fire extinguishing systems. The vapor is injected into the room, depriving the fire of oxygen. It is most often used in computer and laboratory rooms, where foam or water extinguishing systems might do irreparable damage. Although these systems are still in use, production of new halon gas was discontinued in the United States as of January 1, 1994, due to its ozone depleting effects.

### Indicator valve / post indicator valve (PIV)

An automatic sprinkler system control valve that extends above the ground or through a wall for operating the sprinkler system. A target or indicator is visible through an opening in the post, which shows that the valve is open or shut.

### Preplanned impairment

All or a part of an automatic sprinkler system that is out of service due to work that has been planned in advance, such as repairs to the water supply or sprinkler system piping.

### Preaction automatic sprinkler system

An automatic sprinkler system that is similar to a dry-pipe system, but air pressure may or may not be used. The main sprinkler system control valve is opened by an actuating device, which permits water to flow to the individual sprinkler heads and the system then functions as a wet-pipe system. It is generally used in areas where piping

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## INDEPENDENT CONTRACTOR OR EMPLOYEE – THE DEFINITIVE CHECKLIST

Recently reported information suggesting some states may be starting audits of inspection company field personnel has generated interest among some ARCO members, who are seeking information. The following article has been previously published in this newsletter and is repeated here due to recent interest. Please note that this article relates to the IRS test. Individual states may adopt their own regulations:

Below are the Common-Law Rules (formerly Twenty Common Law Factors) from the IRS. They help employers correctly classify workers as employees or independent contractors. They also help independent contractors determine if they've been correctly classified or not. Please be sure to check for the latest update at the [IRS site](#).

### Common-Law Rules

To determine whether an individual is an employee or an independent contractor under the common law, the relationship of the worker and the business must be examined. All evidence of control and independence must be considered. In any employee-independent contractor determination, all information that provides evidence of the degree of control and the degree of independence must be considered.

Facts that provide evidence of the degree of control and independence fall into three categories: behavioral control, financial control, and the type of relationship of the parties as shown below.

**Behavioral control.** Facts that show whether the business has a right to direct and control how the worker does the task for which the worker is hired include the type and degree of--  
**Instructions the business gives the worker.** An employee is generally subject to the business' instructions about when, where, and how to work. All of the following are examples of types of instructions about how to do work:

- When and where to do the work
- What tools or equipment to use
- What workers to hire or to assist with the work
- Where to purchase supplies and services
- What work must be performed by a specified individual
- What order or sequence to follow

The amount of instruction needed varies among different jobs. Even if no instructions are given, sufficient behavioral control may exist if the employer has the right to control how the work results are achieved. A business may lack the knowledge to instruct some highly specialized professionals; in other cases, the task may require little or no instruction. The key consideration is whether the business has retained the right to control the details of a worker's performance or instead has given up that right.

**Training the business gives the worker.** An employee may be trained to perform services in a particular manner. Independent contractors ordinarily use their own methods.

**Financial control.** Facts that show whether the business has a right to control the business aspects of the worker's job include:

**The extent to which the worker has unreimbursed business expenses.** Independent contractors are more likely to have unreimbursed expenses than are employees. Fixed ongoing costs that are incurred regardless of whether work is currently being performed are especially important. However, employees may also incur un-reimbursed expenses in connection with the services they perform for their business.

**The extent of the worker's investment.** An independent contractor often has a significant investment in the facilities he or she uses in performing services for someone else. However, a significant investment is not necessary for independent contractor status.

**The extent to which the worker makes services available to the relevant market.** An independent contractor is generally free to seek out business opportunities. Independent contractors often advertise, maintain a visible business location, and are available to work in the relevant market.

**How the business pays the worker.** An employee is generally guaranteed a regular wage amount for an hourly, weekly, or other period of time. This usually indicates that a worker is an employee, even when the wage or salary is supplemented by a commission. An independent contractor is usually paid by a flat fee for the job. However, it is common in some professions, such as law, to pay independent contractors hourly.

The extent to which the worker can realize a profit or loss. An independent contractor can make a profit or loss.

**Type of relationship.** Facts that show the parties' type of relationship include:

- *Written contracts describing the relationship the parties intended to create.*
- *Whether the business provides the worker with employee-type benefits, such as insurance, a pension plan, vacation pay, or sick pay.*
- **The permanency of the relationship.** If you engage a worker with the expectation that the relationship will continue indefinitely, rather than for a specific project or period, this is generally considered evidence that your intent was to create an employer-employee relationship.
- *The extent to which services performed by the worker are a key aspect of the regular business of the company.* If a worker provides services that are a key aspect of your regular business activity, it is more likely that you will have the right to direct and control his or her activities. For example, if a law firm hires an attorney, it is likely that it will present the attorney's work as its own and would have the right to control or direct that work. This would indicate an employer-employee relationship.

**IRS help.** If you want the IRS to determine whether a worker is an employee, file [Form SS-8](#), Determination of Employee Work Status for Purposes of Federal Employment Taxes and Income Tax Withholding, with the IRS.

## SPRINKLER SYSTEM TERMINOLOGY (Continued)

### Preplanned impairment

All or a part of an automatic sprinkler system that is out of service due to work that has been planned in advance, such as repairs to the water supply or sprinkler system piping.

### Preaction automatic sprinkler system

An automatic sprinkler system that is similar to a dry-pipe system, but air pressure may or may not be used. The main sprinkler system control valve is opened by an actuating device, which permits water to flow to the individual sprinkler heads and the system then functions as a wet-pipe system. It is generally used in areas where piping systems are subject to mechanical damage and where it is important to prevent accidental discharge of water.

### Present value of sprinkler reduction

A method used in risk management to evaluate the value of installing an automatic fire sprinkler system. The method compares the cost of installing the system today with the reduction in fire insurance premiums in the future. A formula is calculated to make the comparison on a present value of money basis, or on an organization's required rate of return basis.

### Present value

The value today of a future monetary sum or cash flow; the amount that, if received now and invested at an assumed rate of return, equals a given future sum. A known or assumed future amount is discounted by a stipulated rate that might be received if invested over the period of time before the money is received. Example: At an assumed investment return of 20%, the present value of \$10,000 receivable in one year is \$8333.

### Scuppers

Openings in a building wall covered by hinged metal flaps that allow water to flow through, reducing the weight and preventing possible collapse. Scuppers may be put at floor level to allow water from sprinklers to flow through and may be put in parapet walls above roof level to allow rain to run off in the event the roof drains are clogged.

### Sprinkler leakage coverage

Coverage of damage to a building or contents caused by leakage or discharge from an automatic sprinkler system, or caused by the fall or collapse of tanks that are part of the system. Coverage is included under the Insurance Services Office commercial property basic, broad, and special coverage forms. Many property forms exclude coverage if sprinkler leakage is caused by an earthquake or volcanic action.

### Sprinkler leakage liability insurance

A liability coverage that protects the insured should a sprinkler leakage loss occur on rented premises or on premises loaned to the insured. Coverage applies when an automatic sprinkler system discharges or leaks water or other substances as the result of the insured's negligence.

### Wet pipe automatic sprinkler system

An automatic sprinkler system where all piping is filled with water under pressure and released by a fusible mechanism in the sprinkler head.

## U.S. P/C INSURERS' CATASTROPHE LOSSES FOR Q2 DOUBLE TO \$6 BILLION

The Insurance Journal reports in a recent article, that U.S. Property & Casualty insurers anticipate paying homeowners some \$6.025 billion for Second Quarter property losses stemming from 1,223,500 claims for damages from 16 catastrophes in 27 states.

This figure is reported to be nearly double the number of catastrophes in the First Quarter of 2008, which produced an estimated \$3.35 billion in anticipated losses from 9 catastrophes. It also eclipses the insured losses for the Second Quarter of 2007, which totaled about \$2.3 billion from 6 catastrophic events.

ISO's Property Claims Service unit defines a catastrophe as an event that causes \$25 million or more in insured property losses and affects a significant number of policyholders and insurers.

The estimates reported in the recent article reflect the total insurance payments anticipated for personal and commercial property items, business interruption, terrorism, worker's compensation and additional living expenses.

The impact, vs. Second Quarter 2007 figures, on some selected insurers was reported as follows:

### HARTFORD FINANCIAL SERVICES GROUP INC.

Operating earnings fell 9 percent. Net income is down 13 percent. Net written property/casualty premiums fell 3 percent.

### THE CHUBB CORP.

Net income down 34 percent. Operating income down to \$518 million, from \$648 million. Combined loss & expense ratio was 88.5 percent vs. 82.7 percent in Q2 of 2007.

### LIBERTY MUTUAL GROUP

Net income down 11.5 percent. Revenues up 10.4 percent. The company's combined ratio was up 1.8 percent to 101.9 percent.

### SAFECO INSURANCE

Net income down 20 percent. Property/casualty combined ratio was 94.0% up from 89.7 percent in the same quarter of 2007.

### W. R. BERKELEY CORP.

Net income down 58 percent. Gross written premiums down from \$1.26 billion in Q2 2007, to \$1.11 billion in Q2 of 2008.

## THE LAST WORD

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

### THE HITS JUST KEEP ON COMING



It may come as a surprise to some of our members who know me and my opinionated nature chiefly through this editorial page, but I'm not pessimistic about the future of our industry.

Every industry, and all industries in the aggregate, face issues as well as cyclical performance. About the only real benefit I enjoy as a result of something like 45 years in this field, is

a viewpoint honed by having experienced some of the industry woes and cycles (and lived to tell about it!).

The Soft Market is as real and certain as the Hard Market in this business. As night follows day, you can be sure that a Soft Market is going to follow each Hard Market – though this seems to come as a shock to some who are engaged in this business and particularly to companies who have their founding roots in the midst of Hard Market conditions. In such cases, the reality of the ensuing Soft Market, with its radical slowing of the workloads that drive our companies, seems to cause system shock for those who don't anticipate it. For that matter, it causes system shock to those who do expect it – but to a lesser degree.

As a general issue, the soft market will gradually improve once it has ebbed to the maximum allowable limit. We can't always predict how long that will take or what will be its nadir, but there is an end; it's not a bottomless well. Once it starts its climb upward, it is a somewhat gradual, but steady, improvement. All who are active in this industry are anxious to see this begin, though we have seen no evidence yet that an upturn has begun. Excess & Surplus companies are seeking to improve their marketing, concentrating on the quality of their services and products, because they are also hurt by the Soft Market's impact on insurance pricing and the altering of standards of acceptability of standard markets. In this area, if no other, our fortunes may share common aspirations.

The specific concerns that demand the attention of inspection companies are not much changed from those we have discussed at ARCO meetings and among ourselves and with industry friends. These include the difficulties attached to the hiring and retaining of a competent and adequate field staff, as well as the soaring costs of maintaining a field force. These two problems share some common concerns, but they do not appear to be absolutely related. Travel costs can influence some experienced field employees to seek employment outside of our industry, just as they can deter others from entering the inspection field. Still, the inspection industry will attract quality people so long as the remuneration is realistic for the time, effort and knowledge required of field employees. In this area, we seem to experience the problems that make it difficult to retain a high quality field staff.

This does not intend to suggest that this is a self-made problem. Unlike our governments, we can't issue bonds or print script to cover our payrolls and field operating expenses; we must conduct our businesses with fiscal responsibility. Each operator understands what percentage of revenues can be dedicated to field operations and when the demands of the field inspectors become

unrealistic, changes occur. Since the field operations are financed by a specific percentages of revenues, there is small room for enhancement except by achieving a comparable enhancement in revenues generated by the reports we prepare.

This situation leaves us scrambling at times. We seek additional ways to streamline our operations, reduce our costs, reduce our profit expectations and generally endeavor to channel a larger part of revenues into field operations. This, however, also occurs at a time when the markets are soft, the workloads are less and when, as a result of the economic worries, some companies are making price reductions. This practice has, in the current year, been a major factor in the near-demise of one large reporting concern. Even that, though, is a part of the shakeout all industries experience from time to time.

The point to this commentary is this: Our industry, for its economic health, must continue to provide good customer service, continue to innovate and adapt and address the changing needs of our clients, and must maintain a field staff that is capable and that reflects the same goals of customer satisfaction. With a dedicated, competent field staff, we remain a vital and worthwhile service industry.

The final component of my views on this is that we should anticipate that our clients will continue to seek ways in which to replace field inspections with alternative resources. This may include risk assessment software, databases that offer details on construction of specific properties and available protection, file information and, of course, the more traditional rating aids. They will rely more heavily on telephone reports and information and photographs obtained from policyholders and agents, as well as photographs available via the Internet, which is no longer restricted to distant satellite views, but now includes street views.

Addressing these challenges requires the very same response previously discussed: quality reports completed by a competent field staff, providing reliable information that benefits the clients.

Finally: No one should lose sight of the fact that the demands on our industry have changed dramatically over the years. The types of information required in reports today vastly exceeds the depth of reports in an earlier era. This is a significant factor in the productivity levels of field staff. The completion of a report in this day and age takes a great deal longer than it once did because the information required for completion exceeds what was once adequate to the clients' needs.

These observations (and opinions) all make your involvement in ARCO more important – and potentially more rewarding – than ever. Get involved. Share ideas. What's good for our industry is good for each of us.

=Ken

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