



Flash!

www.ARCO-Members.com

The Periodic Newsletter for Members of the
ASSOCIATED REPORTING COMPANIES

Mark Your Calendars! Annual Meeting Information

The 2005 ARCO Annual Meeting is slated for **LAS VEGAS, NEVADA. May 1st, 2nd & 3rd.** Details will follow as arrangements are completed.

For those who have yet to attend their first ARCO Annual Meeting – and those who have been unable to attend recently – plan to be on hand for the 2005 session. Las Vegas has always been the most popular site for ARCO meetings and our Las Vegas gathering in 2000 set a record for meeting attendance.

Las Vegas offers something for everyone, and ARCO President Scott Marne (Accu-Audits Inc.-PA), with able assistance from Membership Committee Chairman, John Henebry (Pacific Inspections Inc.-CA), assure us we can expect an excellent meeting.

New ARCO members are especially encouraged to attend. The Annual Meeting offers a unique opportunity to get together with people from our industry, exchange ideas and experiences, and develop important friendships and business associations. In an era where networking among our industry's companies is becoming increasingly important to addressing the needs of our clients, the ARCO convention is a key building block.

ELECTION SEASON HUMOR

“This is a strange country we live in. When it comes to electing a President, we get two choices. But when we have to select a Miss America, we get 50.”

=Jay Leno

HOLIDAY WISHES TO ALL



The FLASH! Has ignored its own publication schedule several times over the past year. This has been due to your Temporary Editor's unusually busy schedule and a number of complications. The delay in bringing this issue to press – like the prior issue – is entirely the fault of the Editor. ARCO Executive Director, Carolyn Ward, has been diligent in pursuing the newsletter material and only the Editor's delinquency has prevented it from reaching you on schedule.

That said, it appears likely that this will be the last issue to reach the members prior to the onrushing Holidays. Let us, therefore, extend to all our members, Best Wishes for the Holiday Season!



ANNUAL MEMBERSHIP DIRECTORY

The ARCO Directory is actively in-the-works. Executive Director Carolyn Ward had updated us on the project, and expects the new directory to continue to move forward rapidly. Once completed, it will again be distributed to hundreds of insurance companies from coast-to-coast. Members will, of course, receive their copy also.

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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.

BITS & PIECES

Lloyd's Opens West Coast Office

Lloyd's of London announced it is opening a West Coast office in the U.S. to develop business in that region.

Lloyd's has appointed Tony Joseph to lead the office and serve as senior vice president of Lloyd's America Inc. He will report directly to Wendy Baker, president of Lloyd's America.

The office, based in Los Angeles, will have the principal goal of enhancing the Lloyd's trading platform in four states in the Western United States – California, Oregon, Washington and Arizona. It will also work to strengthen relationships with brokers, clients and reinsurance buyers. Lloyd's already has offices in New York, Chicago and Kentucky. Since 1994, Tony Joseph has been senior vice president at Guy Carpenter & Company in California. He began his career as a Lloyd's broker in 1965 and has also worked as a Lloyd's underwriter.



House Passes Tax Reform

Small Business owners who are considering capital investments in the near future got a break right before Congress officially adjourned for the summer recess. The U.S. House of Representatives passed H.R. 4840, which would extend current small business expensing provisions through the end of 2007. Unless the Senate passes a companion bill, small business expensing will revert to its pre-2003 levels at the end of 2005.

What Does This Mean To You?

Small-business expensing provisions that would be extended by H.R. 4840:

Maximum dollar limit you can expense.....\$100,000.

Investment limit\$400,000.*

**You must reduce your amount expensed for all qualifying property purchased that is more than \$400,000.00*

Pre-2003 expensing provisions that will return in 2006 unless the Senate acts:

Maximum dollar limit you can expense.....\$ 25,000.

Investment limit\$100,000.*

**You must reduce your amount expensed for all qualifying property purchased that is more than \$100,000.00*

SMALL BUSINESS RANKS HIGH IN PUBLIC'S OPINION

Excerpted from Capitol Coverage, a publication of the National Federation of Independent Business

Almost all Americans have been exposed to small business in one form or another. According to a recent study from the NFIB Research Foundation, 85 percent of the public has been exposed to small business, whether through business ownership, small business employment or simply having a friend who owns a small business.

For the third time in 20 years, the NFIB Research Foundation took on the major task of finding out more about this majority of Americans, more importantly, their opinion of small business in The Public Reviews Small Business, an assessment released in August. The first study was conducted in 1986, followed by a similar document in 1997.

"The opinions the American public holds about small business are important because they strongly influence small business success," says William J. Dennis, senior research fellow of the NFIB Research Foundation and editor of the assessment.

The public's opinion paints a bright picture for small business. Sixty-six percent of respondents think that small business exerts primarily a positive influence on the way things are going in the country today. Furthermore, 82 percent of Americans believe that local business owners contribute more to the betterment of the community.

Despite the positive public opinion of small business, 55 percent of Americans think that small business has too little influence over the way things are going in the country today, while 60 percent think big business has too much influence.



SIGNS OF THE TIMES

Hal's Radiator Service in Glendale, Arizona advertises that they are, "**The Best Place To Take A Leak!**"

Sign outside the Redhorse Saloon:
"Cheap T-Bone Steaks, 99 Cents....W/Meat, \$10.99"

A company bulletin board advertised:
**"Used Tombstone For Sale.
Ideal for Person named 'Murphy' "**

HISTORY OF THE JACK O'LANTERN

Courtesy of Member, Alan George, ISI Ins Svcs, Pennsylvania

The Irish brought the tradition of the Jack O'Lantern to America. But the original Jack O'Lantern was not a pumpkin. The Jack O'Lantern legend goes back hundreds of years in Irish history. As the story goes, Stingy Jack was a miserable old drunk, who liked to play tricks on everyone: family, friends, his mother, and even the Devil himself. One day he tricked the Devil into climbing up an apple tree. Once the Devil climbed up the apple tree, Stingy Jack hurriedly placed crosses around the trunk of the tree. The Devil was then unable to get down the tree. Stingy Jack made the Devil promise not to take his soul when he died. When the Devil promised not to take his soul, Jack removed the crosses and let the Devil down.

Many years later, when Jack finally died, he went to the Pearly Gates of Heaven and was told by St. Peter that he was too mean and too cruel, and had led a miserable and worthless life on earth. He was not allowed to enter Heaven. He then went down to Hell and the Devil. The Devil kept his promise and would not allow him to enter Hell.

Now Jack was scared, and had nowhere to go but to wander about forever in the darkness between Heaven and Hell. He asked the Devil how he could leave, as there was no light. The Devil tossed him an ember from the flames of Hell to help him light his way. Jack placed the ember in a hollowed-out turnip, one of his favorite foods which he always carried around with him whenever he could steal one. From that day onward, Stingy Jack roamed the earth without a resting place, lighting his way as he went with his "Jack O'Lantern".

On All Hallow's Eve, the Irish hollowed out turnips, rutabagas, gourds, potatoes and beets. They placed a light in them to ward off evil spirits and keep Stingy Jack away. These were the original Jack O'Lanterns. In the 1800s, a couple of waves of Irish immigrants came to America. They quickly discovered that pumpkins were bigger and easier to carve out, so they used pumpkins for Jack O'Lanterns.



UNFAIRLY TAXED?

Up to 60% of homes are over-assessed – possibly costing many homeowners hundreds of dollars a year in excess taxes. Jim Lucas of Arlington, VA reduced his taxes by \$429 after contesting the assessment. Go to your local assessor's office to check your record for errors, compare similar properties and ask how to file a protest.

SAFETY & HEALTH NEWS

Excerpted from My Business magazine, publication of the National Federation of Independent Business

Traffic Accidents are the Leading Cause of workplace fatalities, according to data from the Census of Fatal Occupational Injuries, a program of the Bureau of Labor Statistics. But keeping employees safe behind the wheel is a challenge. Find some tips by taking part in the Drive Safely Week (each October). Sponsored by the Network of Employers from Traffic Safety, the week-long event encourages employers to educate their employees on the importance of habits like wearing a seatbelt and keeping a safe distance between your car and the one in front of you. NETS reminds employers that safe driving not only protects your employees, but it also impacts your bottom line. The average crash costs employers \$16,500.



Shopping for Health Insurance can be an irritating process for small business owners. But you can shop hassle-free anytime with eHealthInsurance, an online health insurance broker that streamlines health insurance decisions and saves you money.

eHealthInsurance enables small businesses to compare different health plan benefits and costs side-by-side, and then apply for the health plan that's right for their business – all online. For more information, visit:

www.NFIB.com/ehealthinsurance



MARKET BAROMETER

Mark Dombrowsky (North Star Reports – TX) sends along this item from The Insurance Record

Richard Kerr, chairman and CEO of MarketScout, says "the market is holding steady at 7% for June, just ahead of the important July treaty renewals. The results of these treaty negotiations will provide a good reference for the general market direction over the next several months.

"The pending presidential election and interest rate concerns will begin to impact overall premium increases/decreases as well."



QUOTABLE...

"It's not that I'm afraid to die; I just don't want to be there when it happens."

=Woody Allen

HOW 'BOUT THEM HURRICANES?

Excerpted from Insurance Journal magazine, October 11, 2004

Hurricane Jeanne, the fourth major storm to hit Florida this year, has caused between \$4 billion and \$14 billion in insured losses in the state, meaning that 2004 may now be the insurance industry's costliest year for hurricane losses.

According to ratings agency Fitch, the combined 1992 total of \$22 billion insured losses (in current dollars) for hurricanes Andrew and Iniki may now have been exceeded by total losses from Charley, Frances, Ivan and Jeanne. It's the first time four hurricanes have made landfall in the same U.S. state in the same year since 1886, when four hit Texas. In its preliminary analysis, Fitch said that Jeanne further increases the likelihood of insurance and reinsurance price increases. The ratings agency said that it still believes primary insurance companies will bear a disproportionate amount of the cost of this year's hurricane losses compared with reinsurance companies, and that each successive storm of this scale (as opposed to a single large storm on the scale of Andrew in 1992) would only increase the imbalance.

The storm ripped through the Caribbean...killing more than 1,500 as it devastated Haiti. Jeanne made a number of changes in its direction and intensity before eventually reaching Florida...as a category three hurricane.

Jeanne battered the same stretch of the state's central Atlantic coast as Hurricane Frances...claiming at least six lives and causing further misery and destruction for residents still trying to rebuild their lives following their recent losses. For the insurance industry, this will bring the additional difficulty of sorting out what damage came from what storm.

In its preliminary analysis, Fitch said that this problem is likely to increase insured losses, with the added possibility that loss estimates from earlier storms may grow if losses from Jeanne are attributed to these storms.

The accumulated damage from both storms may also cause further friction between insurers and policyholders over the contentious issue of the 5 percent deductibles which are applied to any claims made on homeowners policies within the state. Local press reports have indicated that residents reacted angrily when expected to pay separate deductibles for claims relating to Charley and Frances, while state head of financial services Tom Gallagher has called for the rules to be changed so that policyholders are only charged on deductible each hurricane season. The increased difficulty in separating damage from Frances and Jeanne means that dispute risk over deductibles will be high, Fitch said.

Catastrophe modeling agency Risk Management Solutions (RMS) added that if the overlap of damages between Frances and Jeanne causes deductibles to be waived for some properties, initial estimates of insured losses from Jeanne could rise. RMS, which sent its reconnaissance team into Florida to begin assessment of damage, has released an initial estimate of insured losses of between \$4 billion and \$8 billion from Jeanne, adding that a fifth storm land-falling in Florida this year would be an event expected to occur only once every few thousand years. AIR said that it was estimating insured losses of \$5 billion to \$9 billion, while Calif.-based modeling agency Eqecat expected insured losses between \$6 billion and \$14 billion.

Current estimates by the New Jersey based Insurance Services Office's Property Claims Services place total industry losses at \$6.8 billion for Charley and \$4.4 billion for Frances, while industry estimates are indicating a cost to insurers of \$3 billion to \$6 billion from Ivan. It now seems likely that Jeanne will be the most costly to insurers of this year's hurricanes to date.

St. Paul Travelers became the latest insurer to release loss estimates from Frances....It expects net losses of around \$75 million, with \$30 million of these expected to be commercial losses. The remaining losses were made up of specialty (\$21 million) and personal lines (\$24 million).

BEST REPORTS 28% INCREASE IN DIRECT PREMIUM VOLUME FOR SURPLUS LINES

Excerpted from Insurance Journal magazine
October 11, 2004

A special report released by A. M. Best Co. concludes that at the end of 2003, direct premium volume for the surplus lines industry increased by about 28 percent over the prior year, which followed an estimated 62 percent increase in 2002.

“The increased premium volume primarily reflects increased rates during the hard market (2001 – 2003) in addition to the tremendous migration of business from the standard market into the surplus lines market,” said the Best report.

It described the surplus lines, or non-admitted market, as “made up of property/casualty companies that provide insurance unavailable to consumers in the standard or admitted market due to the unique characteristics and needs of the consumers. As a result, the surplus lines market is known for aiding insurance agents and brokers by providing coverage solutions for those policyholders in addition to developing new and creative types of coverage. Without the surplus lines market, businesses would have to forgo traditional insurance, self-insure their exposures or seek coverage outside the U. S. market.”

Best observed that compared with the 12 percent growth experienced by the P/C industry during 2003, the “surplus lines industry was a major beneficiary of the hard market.” It also found the premium growth to be in concert with historical trends, “which generally follow price firming in the standard market. During the onset of any hard market, growth in the surplus lines market generally has dwarfed premium growth in the overall property/casualty market. Throughout the normal evolution of the market cycles, premium growth within the surplus lines market has been fairly comparable with that of the overall industry.”

The report described the recent history of price firming within the surplus lines market and the P/C market as a whole as beginning in late 2000, “as the most recent soft market cycle finally was coming to an end. With price firming underway, the terrorist attacks of Sept. 11, 2001, helped to accelerate the hardening and exacerbate the reduced capacity that resulted in an influx of business to the surplus lines market. As anticipated, more disciplined underwriting and improved pricing conditions ushered in a period of enhanced profitability and more robust operating margins.”

The Best report also said there are continuing opportunities for surplus lines insurers to further increase current pricing levels through higher average rates, “although there have been signs of rate softening toward the tail end of 2003 and through the first half of 2004. Lines of business currently experiencing pricing pressure are property, umbrella and excess coverage.”

The rating agency noted: “Larger insurers (as measured by direct premium) continue to dominate the surplus lines market. Size and flight-to-quality trends have benefited the larger, well-established surplus lines carriers, with the top 25 groups commanding an 85 percent share of the market.

“The two market leaders, by a wide margin, are American International Group – mainly through its Lexington Insurance Co., and American International Specialty Lines subsidiaries – accounting for 24.4 percent, and Lloyd’s, with 13.7 percent of the 2003 surplus lines direct written premium.”

Best said it “believes that successful surplus lines companies will focus on customized products and value-added services, such as valuable risk and claim-management services, in today’s competitive environment. Companies that have strong underwriting expertise and broad product offerings can leverage their distribution channels more effectively to find new growth opportunities.”

An Update From the Executive Director's Office...



Important... Your Directory Page!!!!

Each member should have received a copy of their directory page included with this newsletter. Please take the time to review it for any errors or omissions.

All ARCO members were faxed or mailed copies of their pages from the last directory and quite a few did not return them with updates. Even if all your information is correct I would like the page faxed back indicating so.

The directory is ready to go to the printer! There are a couple of members who have not completed the description of services or territories covered . I would like members to have one last chance to review their information and have an accurate directory.... One we can be proud of.

Communication...

It is most important that I receive any updates to your information. If any of you have a change of address, area code, phone, fax or email address that change should be sent to me via email at:

arco1@verizon.net

I will see that it is forwarded to Ken Taylor, our "temporary editor", as well as Brian Abbot, our web-master.

Dues Invoices ...

Just a reminder...Invoices will go out the second week of December, so don't spend all your dough on that new Lexus you've had your eye on... at least until your dues are paid.

ARCO Application

I've enclosed an application, in with this newsletter, for you to keep on file should you meet a prospective member. If you would like for me to send out a copy of our *FLASH*, along with an application, to someone you know, simply email me their information.

Your Input...

This year has been very good for our industry. Keeping up with the workload and still having time for a private life can sometimes be challenging. I appreciate that your time is valuable and limited, but your input in our association is important. Articles for the *FLASH* would be most appreciated by Ken. Should you think of anything that would improve our communication or administration, please don't hesitate to let us know.

ADDRESS CHANGE

Please make a note of the following change of address for ARCO Member, Premium Service Inc.:

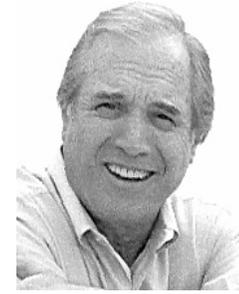
**PREMIUM SERVICE INC.
P. O. BOX 140417
BOISE ID 83714-0417**

Premium Service advises that there will be changes to the telephone numbers as well, and we will bring you that information as soon as it is received.

**Best Wishes
for Happy Holidays
and a Safe
and Prosperous
New Year**

THE LAST WORD.....Ken Taylor

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



POTPOURRI

IT'S BEEN AN INTERESTING YEAR. Actually we've seen about three interesting years in this industry, with the impact of the Hard Market phenomena felt by most reporting companies. While we struggle with the demands of the workload created by the hard market, we all hate to see the beginning signs of the softening in the P/C marketplace and we keep our fingers crossed that there is not sudden movement toward radical price cutting. That experience in the late 1980s, following the last hard market cycle, created many consequences.

Although the busy times of the hard market forced us to deal with our immediate circumstances for a few years, some industry changes will remain with us. When the reporting company landscape changed with the demise of some of the true nationwide reporting companies, our clientele moved seamlessly to the expectation that their needs would be met regardless of geography. The territorial boundaries and limitations we have maintained, were largely ignored as client companies expected their regional reporting services to step-up and resolve their service needs regardless of geography.

This has not changed; rather it has become a fact of life in the reporting industry. To truly be a Service Company means finding ways to fulfill the needs of our clientele and deliver the service which they require. Your ARCO membership can be extremely important in helping you to meet these demands, and the annual ARCO meetings provide the opportunity and the forum needed to help with the sort of industry networking which aids the forging of affiliations and business exchange alliances.

CATASTROPHIC INSURANCE LOSSES can always have an impact on the direction of the P/C marketplace. It takes time to determine the reaction of the industry, of course, and while it's unlikely that the terrible hurricanes and storms of 2004 will – of themselves - effectively recharge the ebbing hard market, it merits watching.

THE HOLIDAYS ARE CLOSING IN FAST!

One of the effects of the hard market has been an increased workload for everyone. A casualty of the hectic work schedule has been the regular publication of the ARCO *FLASH!* Once again behind schedule, the content of the newsletter also suffers as less time is available for researching publications for items of broad interest to our members. Similarly, contributions which we've requested from specific members are not forthcoming because of their busy schedule. As the holiday season approaches, it's likely that we will all continue to deal with messy desks and increased demands on our time, but keep in mind that we truly appreciate the efforts of our members who occasionally send off an article or two, helping to grease the wheels of the newsletter. Your contributions are encouraged and are always welcome.

Here's hoping that you all have a great holiday season and that the benefits of the hard market experience have been substantial. We look forward to seeing you all at the 2005 ARCO Annual Meeting in Las Vegas, Nevada.

FINALLY

Very Special Good Wishes to Pete Marne (Accu-Audits Inc. – PA).
Pete, we wish you wonderful holidays and a happy and healthy 2005!