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Flash!

SCOTTSDALE ANNUAL MEETING REPORT

All who were in attendance at the ARCO Annual Meeting in Scottsdale, Arizona agreed: It was an excellent meeting location and a welcome climate change! The days were in the mid-80 degree range with 3% humidity, and the evenings were beautiful. The Marriott Suites in the scenic and historic 'Old Town' area of Scottsdale furnished meeting-goers with accommodations that were much-appreciated by all, and the Hotel services and staff were excellent.

The event began on Sunday afternoon, with a hosted walking tour of the Old Town district. We were introduced to several establishments and some of the food to be found at the numerous unique restaurants in the area. The Rusty Spur, Cowboy Ciao and The Sugar Shack were among the interesting stops on the tour.

On Sunday evening, limos arrived to transport attendees to the home of Bill and Linda Langer, who hosted our Members' Reception. This was a wonderful event and the Langer home was a beautifully designed and appointed example of the very best of Southwestern architecture. We were able to enjoy the fantastic evening weather by the swimming pool, and admire the beautiful scenery and view of Camelback Mountain, which is the Langers' back yard! What wonderful hosts they were and the event was a perfect opportunity to renew acquaintances and to meet new attendees.

The business meeting was lively, informative and well managed by President Brian McKendry. Our only significant glitch was the last-minute loss of the planned speaker who was suddenly and unexpectedly hospitalized with a serious illness. Past ARCO President, John Reggero, expanded his planned presentation on VIITA, the Online Commercial Inspector Training Course, to fill the time slot, and it was a fortunate adjustment to the schedule, since there was a great deal of interest in the Training Course. A descriptive presentation will be found elsewhere in this issue of the newsletter.

As always, members departed the 2011 Annual Meeting with plans to attend the 2012 gathering, where we hope to see an even larger turnout of our membership. The personal networking that occurs at each Annual Meeting is among the most valuable aspects of ARCO membership.



ARCO Past President John Reggero receives award of appreciation from current President, Brian McKendry

The Periodic Newsletter for Members of the
ASSOCIATED REPORTING COMPANIES

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History and purpose of ARCO

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

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

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

ARCO President's Message

WHY DO THEY NEED US?

As the article at right describes, there exists a situation in the insurance marketplace that demands the services of companies like those in ARCO.

Even though many carriers have taken steps to update their books of business with more current replacement cost valuations, there still exist MANY policies that have not been evaluated in many years. Most of these policies were originally valued with replacement cost data long since gone, for example, the old Boeckh methods.



This is where an inspection company approaching their clients can make an argument for the value of doing inspections as well as providing current replacement cost data. Not only does the carrier obtain current replacement cost information, but they get to see the risk as it exists today, warts and all. They may have photos the agent provided from 10 years ago!

Going to an auditor website or using Google Earth to view satellite photos just does not match having a set of eyes there on the property making a proper inspection.

Additional benefits provided to the carrier include additional premium dollars from current valuations that lift premiums. Another benefit is loss avoidance. A property insured 10+ years ago may not face the same risk factors now. We find many situations where the property has deteriorated and the insurance client needs to make a decision on staying on that policy. While this is a little harder to cost justify, there certainly is a benefit that can be argued for loss avoidance through the inspection process.

The third benefit is occupancy checks. With the housing market in upheaval, there are many instances of vacant homes sitting on carrier's books that are unknown to both the agent and the company. Our inspection finds those vacant properties and allows our client to take immediate action.

This article and my thoughts are tied to the personal lines marketplace but I am sure there exists similar issues in the commercial lines market.

Be the aggressor and go to your clients with an approach to offer services around these issues. They may not have the budget for them now, but I can tell you from personal experience, that if this falls on the right ears in a company, they WILL consider these valuable services and make the move to do them.

Brian McKendry, ARCO President

Insurance losses from natural catastrophes

Severe thunderstorms, including tornadoes, cause the most insurance losses among natural catastrophes in the U.S. last year. Estimated losses in trillions of dollars, in 2010:

Event	Fatalities	Estimated overall losses	Estimated insured losses ¹
Severe thunderstorms, including tornadoes	56	\$13.185	\$9.503
Winter storms	64	\$9.734	\$2.023
Flood	68	\$2.063	\$1.059
Wildfire	1	\$314	\$210
Earthquake	0	\$200	\$128
Volcanic eruptions/hurricanes	8	\$200	\$120

1—Based on the 2010 National Catastrophe Claims and Settlements Report, Program 1000. Source: Munich Re 2010 Natural Catastrophe Claims Report, Munich, Germany.

Homeowners face shortfall in coverage from tornadoes

Insurance policies may not reimburse full costs

By Julie Schmidt
USA TODAY

Almost all homeowners in the path of this week's tornadoes will have insurance that will cover losses from the damage, but not necessarily enough.

Typical homeowners' insurance policies include coverage for tornadoes, so tornado policies don't have to be bought separately as they do for earthquakes, floods and, in some states, hurricanes.

But while studies have shown that 95% of people have homeowners insurance, 64% of U.S. homes are undervalued for insurance purposes, said a 2008 study from researcher Marshall & Swift. That leaves homeowners with enough money to rebuild 81% of homes the study said.

Home values have tanked 33% nationwide in the past five years. That may have led people to think they didn't need to upgrade their insurance. But building costs, in most areas, have likely gone up, insurance experts say.

"People will not have enough money to rebuild their homes," says Martin Hartley, of Privilege Underwriters Reciprocal Exchange, which offers insurance on high-value homes.

Renters will also suffer. Only 43% of them have renters' insurance, says the Insurance Research Council.

In states where President Obama declares a disaster, the uninsured or underinsured could receive federal aid, which is capped at just over \$50,000. Average payouts are likely to be much less.

Last year, tornadoes and severe thunderstorms were the No. 1 cause of insured losses from natural catastrophes in the U.S. But over much of the past decade, insured losses from tornadoes have ranked second behind losses from hurricanes and tropical storms, says industry researcher Insurance Services Office.

Tornadoes generally cause wind damage. If a roof is blown off and a home's contents are destroyed by rain, that's covered by standard policies. Homeowners' insurance also covers homes' contents and living expenses while homes are being rebuilt. It doesn't cover flood damage, which isn't common with tornadoes, says Amy Danise of consumer insurance website Insure.com.

While insurers mitigate their risk by selling separate policies for flood and earthquake insurance, tornadoes are so widespread that it's harder for insurance companies to avoid them, Hartley says.

Damage from tornadoes is also typically more scattered in an area, while damage from earthquakes and hurricanes tends to be broad-based, Hartley says.

VIITA's Online Commercial Inspector Course



To my fellow ARCO members in attendance at this year's annual ARCO meeting, again, thank you for affording me the opportunity to introduce the Virtual Insurance Inspection Training Academy (VIITA). Indeed, your enthusiastic reception to our offering was most gratifying and much appreciated.

For those of you not in attendance, let me briefly introduce our product, Viita's Basic Commercial

Lines Inspector Training Course, and why it should be of value to you.

Our greatest challenge

The founders of Viita have long-recognized that finding enough qualified field people to perform the work, especially when that work includes commercial lines inspections, is perhaps our greatest challenge to success and profitability. And given the cost to turn the ignition key these days, that point is truer than ever. But while a great many individuals, including home inspectors and those in the building trades, eagerly offer their services, the vast majority find commercial insurance inspections overwhelming.

Commonly, they don't know commercial insurance coverages, commercial construction or the exposures inherent to occupancy. Added to that is the hurdle (and for many a huge one) of writing a report.

Training is, of course, the solution. To that end, Technical Insurance Services has, over the years, created training manuals, primers, and other static training tools, which, while useful, were, for the most part, only marginally successful. And, while the potential benefit of a traditional bricks and mortar inspector school is not to be denied, we also realized that the time and expense of obtaining training by this method, is, for many, more than they can manage, especially in the present depressed economy.

What VIITA Offers

Accordingly, Viita has created an easy-to-use, affordable, on-line inspector training course which, through 15 highly visual lessons, fully prepares an individual, regardless of background, to confidently and skillfully perform basic commercial insurance inspections.

Covered are such topics as commercial insurance coverages, management of assignments, construction classifications, NFPA 101, items to investigate in the course of property and liability inspections, exposures inherent to occupancy, protection, and even what to say (and not to say) when scheduling and conducting a site inspection. Importantly, the course also includes actual site inspection walk-throughs and report writing.

Overcome in the process, are the shortcomings of static training materials as a method of learning and as a tool for managing the site inspection. We achieve this by employing the "show me and I understand" method of learning, as evidenced by the inclusion of more than 900 actual inspection photos, coupled with numerous illustrations, all presented in a Flash Power Point format. Add to that highly digestible bulleted text, which clearly and

concisely informs, without diluting or overwhelming. Further enhancing the learning process, is built-in reinforcement, whereby commonly encountered codes and concepts are repeated in the course of the 15 lessons, while supported by study quizzes and more than 100 flash study cards. As a bonus, there are downloadable materials, covering codes and classifications, etc., for field use and perpetual easy reference.

Evidence of successful completion and content mastery comes in the form of a named & numbered Certificate of Successful Course Completion, which is issued only after the student achieves a passing grade of 80 % or higher on an 80 question final exam.

The proof is in the pudding

Of course, the proof is in the pudding, so to speak. And the good news is that the results speak for themselves, as students with no background in insurance and/or prior inspector training who have taken and passed the course and gone on to work for Technical Insurance Services, have uniformly performed at a much higher entry level than otherwise would be expected. Furthermore, not only are their initial submissions of better-than-expected quality, Viita graduates mature and prove capable of handling assignments of greater complexity, at a decidedly accelerated pace.

But, perhaps, it is best to hear what one of our graduates has to say: *"I would like to take this opportunity to thank everyone at VIITA for giving me the opportunity to take the VIITA Commercial Property Online Course. The VIITA Online Course has given me the education I needed to enter this new career. The material was easy to understand and for someone without any experience in this business like myself, this was an important feature. The instructions and photos are clear, the quizzes leave no confusion. If you study the material, you will learn the business. Thank you once again, VIITA, I am truly excited about my new career."* -Joe Novak

So how does this benefit ARCO members?

Everyone who successfully completes the VIITA course (and receives a signed & numbered certificate of completion, as proof of same) is automatically referred to ARCO, thus increasing the pool of qualified inspectors in a given member's service area.

Instead of the normal course price of \$549, ARCO member companies who have their employee or IC inspectors take the course will receive a deeply discounted price of \$299 (the same as TIS is offering to its inspectors, along with signed non-solicitation agreements from both TIS, Inc. and VIITA, Inc.

ARCO member companies will receive \$200 for every outside prospect referral (namely, an individual who approaches a member company for work, but lacks the requisite training and experience), who enrolls in the VIITA course.

While VIITA was developed as an independent for-profit venture, I do hope our almost "co-operative" marketing approach to encourage ARCO support and participation, will be deemed mutually beneficial and welcomed by all. For further information, please visit our web site (www.inspectorinstitute.com) or contact me directly. And thank you for considering VIITA to help grow your work force.

Thanks again and sincere best wishes,

John Reggero - President

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GET READY FOR WEB 3.0

Tim Berners-Lee, inventor of the World Wide Web, once said, "The web as I envisaged it, we have not seen it yet. The future is still so much bigger than the past." It's only a matter of time before web 3.0 – better known as the "semantic web" – rolls around, making web 2.0 – the web as we know it today – a thing of the past. Though there is a debate among experts as to when exactly web 3.0 will arrive, most predict it's sooner rather than later.

In the beginning...

Web 1.0 was all about basics. With this first iteration, social networking was merely a dim glimmer in the minds of Facebook CEO Mark Zuckerberg, and MySpace founders Tom Andersen and Chris DeWolfe. Back then, web-sites provided information with little opportunity for user interaction and feedback – a one-way process dubbed "read-only". The most interactive user activities involved chat and instant messaging.

Then **web 2.0** came along and introduced the world to blogs, social-networking sites, and a host of self-publishing tools. Articles are now accompanied with "comments" tools, and any hack with a computer can create a blog. Content exploded on the web, and a considerable portion of it is created by average users.

Booming web audience

The first decade also saw a tremendous leap in the growing number of online users. Mobile devices have also made 24-hour access to the web – anywhere, anytime – readily available: Simply sit at Starbucks and read email, check the news, and browse the web while sipping a Frappuccino.

Web 3.0 holds in store

What industry analysts foresee for the next version is a more personalized and easy-to-use web, eliminating several steps from your online searches to make them quicker. Hence, your computer is 'smarter' and can better understand what you are searching for. According to *PC Magazine*, "the Semantic Web is a place where machines can read web pages much as we humans read them, a place where search engines and software agents can better troll the Net and find what we're looking for."

For example, if you are planning a weekend getaway to a mountain lodge and you want to make sure that there are convenience stores nearby, you wouldn't have to conduct separate searches for lodges and stores. The web would simply deliver search results for both and categorize it in such a way that you would know which places are more convenient. What web 3.0 then promises is a more personalized, faster method of search that is tailored to your needs. And experts predict that this could also simplify the current problem of sifting through pages and pages of irrelevant web search results. **Virtual world:** Others also speculate whether web 3.0 will eventually develop into a virtual world. Writing in *About.com*, Daniel Nations explains that it's a possibility that Web users would eventually be able to walk into virtual buildings and stores online.

What this means for your computer

With every technological advance, older gadgets are eventually replaced by new ones. While web 3.0 doesn't necessarily mean you'll need a more powerful computer, the average lifespan for most computers is still 4 to 5 years and that isn't expected to change.

WWW and information overload

One drawback, some say, to these web technologies is that they could make it easier to rely on the web to do the bulk of your work for you. Once upon a time, the fear was that television would dull creativity and mental stimulation, and now the worry is that the Internet has replaced TV in this regard.

BEST & WORST 2011 CAR VALUES CONSUMER REPORTS EVALUATIONS

Consumer Reports revealed its list of its Top Picks for cars in 2011. While six new cars made the list this year, some perennial favorites remain. The Toyota Prius takes the top Green Car spot, with the highest miles per gallon rating on the list.

Concurrently with this list of Top Picks, Consumer Reports also released its Best and Worst Car Values list today. Among the **worst** cars, Chevy's Aveo was noted as a worst value small car and Impala was noted worst value family car.



OLD FARMERS ADVICE

"Your fences need to be horse-high, pig-tight and bull-strong."

"Keep skunks and bankers at a distance."

"Life is simpler when you plow around the stump."

"A bumble bee is considerably faster than a John Deere tractor."

"Meanness don't just happen overnight."

"Forgive your enemies; it messes up their heads."

"Do not corner something that you know is meaner than you."

"It don't take a very big person to carry a grudge."

SENATOR TOM COBURN SPEAKS ABOUT THE ECONOMY

Sen. Tom Coburn is an MD (general practitioner) and Senator from Oklahoma. And recognized as 'the conscience' of the US Senate. He is well respected on both 'sides of the aisle' & probably one of the few senators to actually read these 'bail-out' bills. (Google him for his background.)

This takes a couple of minutes. It's from his speech in the Senate and it should raise your blood pressure.

"We are going in exactly the wrong direction. We ought to be standing on the principles that made this country great. There ought to be a review of every program in the Federal Government that is not effective, that is not efficient, that is wasteful or fraudulent, and we ought to get rid of it right now. We ought to say, you're gone; to be able to pay for a real stimulus plan that might, in fact, have some impact.

I would be remiss if I didn't remind everybody that next week we are going to hear from the Obama administration wanting another \$500 billion. Outside of this, they are going to want another \$500 billion to handle the banking system. Still not fixing the real disease - the pneumonia - we are going to treat the fever or treat the cough, but we are not going to treat the real disease.

Until we treat the real disease, this is pure waste. It is worse than pure waste. It is morally reprehensible, because it steals the future of the next two generations.

I am going to wind up here and finish, but I wanted to spend some time to make sure the American people know what is in this bill. I think once they know what is in this bill, they would reject it out of hand.

Let me read for my colleagues some of the things that are in this bill...

The biggest earmark in history is in this bill. There is \$2 billion in this bill to build a coal plant with zero emissions. That would be great, maybe, if we had the technology, but the greatest brains in the world sitting at MIT say we don't have the technology yet to do that. Why would we build a \$2 billion power plant we don't have the technology for that we know will come back and ask for another \$2 billion and another \$2 billion and another \$2 billion when we could build a demonstration project that might cost \$150 million or \$200 million? There is nothing wrong with having coal-fired plants that don't produce pollution; I am not against that. Even the Washington Post said the technology isn't there. It is a boondoggle. Why would we do that?

Tonight, we eliminated a \$246 million payback for the large movie studios in Hollywood.

We are going to spend \$88 Million to study whether we ought to buy a new ice-breaker for the Coast Guard. You know what. The Coast Guard needs a new ice-breaker. Why do we need to spend \$88 million? They have two ice breakers now that they could retrofit and fix and come up with equivalent to what they needed to and not spend the \$1 billion they are going to come back and ask for, for another ice breaker, so why would we spend \$88 million studying that?

We are going to spend \$448 million to build the Department of Homeland Security a new building. We have \$1.3 trillion worth of empty buildings right now, and because it has been blocked in Congress we can't sell them, we can't raze them, we can't do anything, but we are going to spend money on a new building here in Washington.

We are going to spend another \$248 million for new furniture for that building; a quarter of a billion dollars for new furniture. What about the furniture the Department of Homeland Security has now? These are tough times. Should we be buying new furniture? How about using what we have? That is what a family would do. They would use what they have. They wouldn't go out and spend \$248 million on furniture.

How about buying \$600 million worth of hybrid vehicles? Do you know what I would say? Right now times are tough; I would rather Americans have new cars than Federal employees have new cars. What is wrong with the cars we have? Dumping \$600 million worth of used vehicles on the used vehicle market right now is one of the worst things we could do. Instead, we are going to spend \$600 million buying new cars for Federal employees.

There is \$400 million in here to prevent STDs .. I have a lot of experience with that. I have delivered 4,000 babies. We don't need to spend \$400 million on STDs. What we need to do is properly educate about the infection rates and the effectiveness of methods of prevention. That doesn't take a penny more. You can write that on one piece of paper and teach every kid in this country, but we don't need to spend \$400 million on it. It is not a priority.

How about \$1.4 billion for rural waste disposal programs? That might even be somewhat stimulative. New sewers. That might create jobs.

How about \$150 million for a Smithsonian museum? Tell me how that helps get us out of a recession. Tell me how that is a priority. Would the average American think that is a priority that we ought to be mortgaging our kids' future to spend another \$150 million at the Smithsonian?

How about \$1 billion for the 2010 census? So everybody knows, the census is so poorly managed that the census this year is going to cost twice what it cost 10 years ago, and we wasted \$800 million on a contract because it was no-bid that didn't perform. Nobody got fired, no competitive bidding, and we blew \$800 million.

We have \$75 million for smoking cessation activities, which probably is a great idea, but we just passed a bill-the SCHIP bill - that we need to get 21 million more Americans smoking (and paying tobacco taxes) to be able to pay for that bill. That doesn't make sense.

How about \$200 million for public computer centers at community colleges? Since when is a community college in my State a recipient of Federal largesse? Is that our responsibility? I mean, did we talk with Dell and Hewlett-Packard and say, How do we make you all do better? Is there not a market force that could make that better?

Will we actually buy on a true competitive bid? No, because there is nothing that requires competitive bidding in anything in this bill. There is nothing that requires it. It is one of the things President Obama said he was going to mandate the Federal Government, but there is no competitive bidding in this bill at all.

SENATOR TOM COBURN ON THE ECONOMY (Continued)

We have \$10 million to inspect canals in urban areas. Well, that will put 10 or 15 people to work. Is that a priority for us right now?

There is \$6 billion to turn Federal buildings into green buildings. That is a priority, versus somebody getting a job outside of Washington, a job that actually produces something, that actually increases wealth?

How about \$500 million for State and local fire stations? Where do you find in the Constitution us paying for local fire stations within our (the federal government's) realm of prerogatives? None of it is competitively bid - not a grant program.

Next is \$1.2 billion for youth activities. Who does that employ? What does that mean?

How about \$88 million for renovating the public health service building? You know, if we could sell half of the \$1.3 trillion worth of properties we have, we could take care of every Federal building requirement and backlog we have.

Then there's \$412 million for CDC buildings and property. We spent billions on a new center and headquarters for CDC. Is that a priority? Building another Government building instead of - if we are going to spend \$412 million on building buildings, let's build one that will produce something, one that will give us something.

How about \$850 million for that most "efficient" Amtrak that hasn't made any money since 1976 and continues to receive \$2 billion or \$3 billion a year in subsidies?

Here is one of my favorites: \$75 million to construct a new "security training" facility for State Department security officers. We have four other facilities already available to train them. But it is not theirs. They want theirs. By the way, it is going to be in West Virginia I wonder how that got there? So we are going to build a new training facility that duplicates four others that we already have that could easily do what we need to do. But because we have a stimulus package, we are going to add in oink pork.

How about \$200 million in funding for a lease - not buying, but a lease of alternative energy vehicles on military installations?

We are going to bail out the States on Medicaid. Total all of the health programs in this, and we are going to transfer \$150 billion out of the private sector and we are going to move it to the Federal Government. You talk about back dooring national health care! Henry Waxman has to be smiling big today. He wants a single-payer Government-run health care system. We are going to move another \$150 billion to the Federal Government from the private sector.

We are going to eliminate fees on loans from the Small Business Administration. You know what that does? That pushes productive capital to unproductive projects. It is exactly the wrong thing to do.

Then there is \$160 million to the Job Corps Program - But not for 20 jobs and not to put more people in the Job Corps but to construct or repair buildings.

We are going to spend \$524 million for information technology upgrades that the Appropriations Committee claims will create 388 jobs. If you do the math on that, that is \$1.5 million a job. Don't you love the efficiency of Washington thinking?

We are going to create \$79 billion in additional money for the States, a "slush fund," to bail out States and provide millions of dollars for education costs. How many of you think that will ever go away? Once the State education programs get \$79 billion over 2 years, do you think that will ever go away? They cry and hue of taking our money away - even though it was a stimulus and supposed to be limited, it will never go away. So we will continue putting that forward until our kids have grandkids of their own.

There is about \$47 billion for a variety of energy programs that are primarily focused on renewable energy. I am fine with spending that. But we ought to get something for it. There ought to be measurable results. There are none. It is pie in the sky, saying we will throw some money at it.

Let me conclude by saying we are at a seminal moment in our country. We will either start living within the confines of realism and responsibility or we will blow it and we will create the downfall of the greatest Nation that ever lived. This bill is the start of that downfall. To abandon a market-oriented society and transfer it to a Soviet-style, government-centered, bureaucratic-run and mandated program, that is the thing that will put the stake in the heart of freedom in this country.

I hope the American people know what is in this bill. I am doing everything I can to make sure they know. But more important, I hope somebody is listening who will treat the pneumonia we are faced with today, which is the housing and mortgage markets. It doesn't matter how much money we spend in this bill. It is doomed to failure unless we fix that problem first. Failing that, we will go down in history as the Congress that undermined the future and vitality of this country. Let it not be so."

<http://coburn.senate.gov/public/>



Paradoxical Thought for Today

"Fathom the odd hypocrisy that Obama wants every citizen to prove they are insured, but people don't have to prove they are citizens."

~ Ben Stein

Allstate Targets Online Insurance Sales; Buys Esurance, Answer Financial

(From Insurance Journal)

In a bid to capture more business from customers who shop online, giant Allstate Corp. has agreed to pay \$1 billion to buy two popular online insurance sellers — Esurance and the associated site, Answer Financial.

Allstate will pay a total price of about \$1 billion.

Esurance is the third-largest provider of online auto insurance quotes through its website and a 24/7 call center. It sells in 30 states. Over the past five years, Esurance has more than doubled policies in force and grown premiums on average 20 percent per year, according to the company, which advertises heavily.

Answer Financial provides auto insurance quote comparisons from 20 brand-name auto insurance companies to buyers in all 50 states. The carriers it represents include Esurance, Travelers, Progressive, Safeco, Met Life Auto & Home, Unitrin and The Hartford.

Allstate is buying the firms from White Mountains Insurance Group, Ltd., a Bermuda-domiciled financial services holding company with interests in property/casualty insurance and reinsurance.

Allstate, which has seen its personal lines business shrink, said the deal lets it expand its service to consumers who prefer to buy direct online rather than through personal agents. It allows it to compete with Progressive and Geico, which have strong web insurance shopping sites. The move has Allstate agents cocerned.

"Many Allstate agents are viewing the proposed acquisition suspiciously. The company has been hell-bent on growing its direct channel for years, but only recently has it had any success," said Jim Fish, executive director of the National Association of Professional Allstate Agents, Inc. "Who knows, the success of the Esurance business model and technology platform could ultimately improve and transform Allstate's direct channel into a powerhouse. Should this come to pass, Allstate agents would feel more expendable than ever."

According to Fish, Allstate is shedding seasoned agencies in favor of larger agencies with more staff. "So adding this acquisition to the agents' woes, can only create more angst. Without a doubt, the agents want Allstate to be successful — but not at their expense," he said.

Allstate said Esurance and Answer Financial will retain their brand names. Esurance has some 1,700 employees and 14 regional offices.

Wilson said Allstate would now be the only company serving all of these consumer segments with unique insurance offerings. "This transaction is also attractive for our shareholders.

Association with Allstate will improve Esurance's marketing effectiveness and it can leverage our world-class

pricing and claim capabilities. This also offers us two additional sources of growth and an immediate increase in customer relationships," Wilson said.

Premiums for policies sold by both Esurance and Answer Financial were \$ \$1.2 billion in 2010. Gross premiums written by Esurance were \$839 million for the year. Esurance had 839,000 policies-in-force, including 328,000 policyholders at Answer Financial. The Esurance segment added approximately 65,000 policies-in-force during 2010, an increase of 8 percent, according to the company.

The transaction has been approved by both companies' boards of directors and is expected to close in fall 2011. The transaction is subject to regulatory and other customary closing conditions, including review by antitrust authorities and state regulators.

White Mountains Chairman and CEO Raymond Barrette said the online insurance operation Allstate is acquiring has grown from a start-up to rank among the top online insurers in 10 years. "We have happily invested significant capital in what we believed was a unique business. Allstate agrees and can now take it to a new level," Barrette said.



THE LAST WORD

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

SCOTTSDALE MEETING WAS GREAT!



This issue of the FLASH! Is so packed with news and commentary that I had to edit myself down to this scrap of space. I suspect that fact has several members cheering!

I did want to comment on the success of the Scottsdale Annual Meeting and remark on the fact that it was a very good site selection for our group.

As was anticipated, attendance was about our usual numbers and the general economy probably limited the turnout. Those who did attend, however, experienced beautiful weather and an excellent hotel situated in a very good location. President Brian McKendry did great work making the arrangements, and those in attendance were very positive in their critiques.

A very special "Thank You!" goes out to Bill and Linda Langer, who were gracious and generous hosts for the traditional Welcome Reception. They managed to make everyone feel comfortably at home, and the event was a real success.

Thanks, also, to John Henebry who made the arrangements for the walking tour of the Old Town section of Scottsdale. The tour was informative and entertaining, and made the meeting site all the more interesting.

The Business Meeting was lively with many shared ideas and experiences.

-Ken