

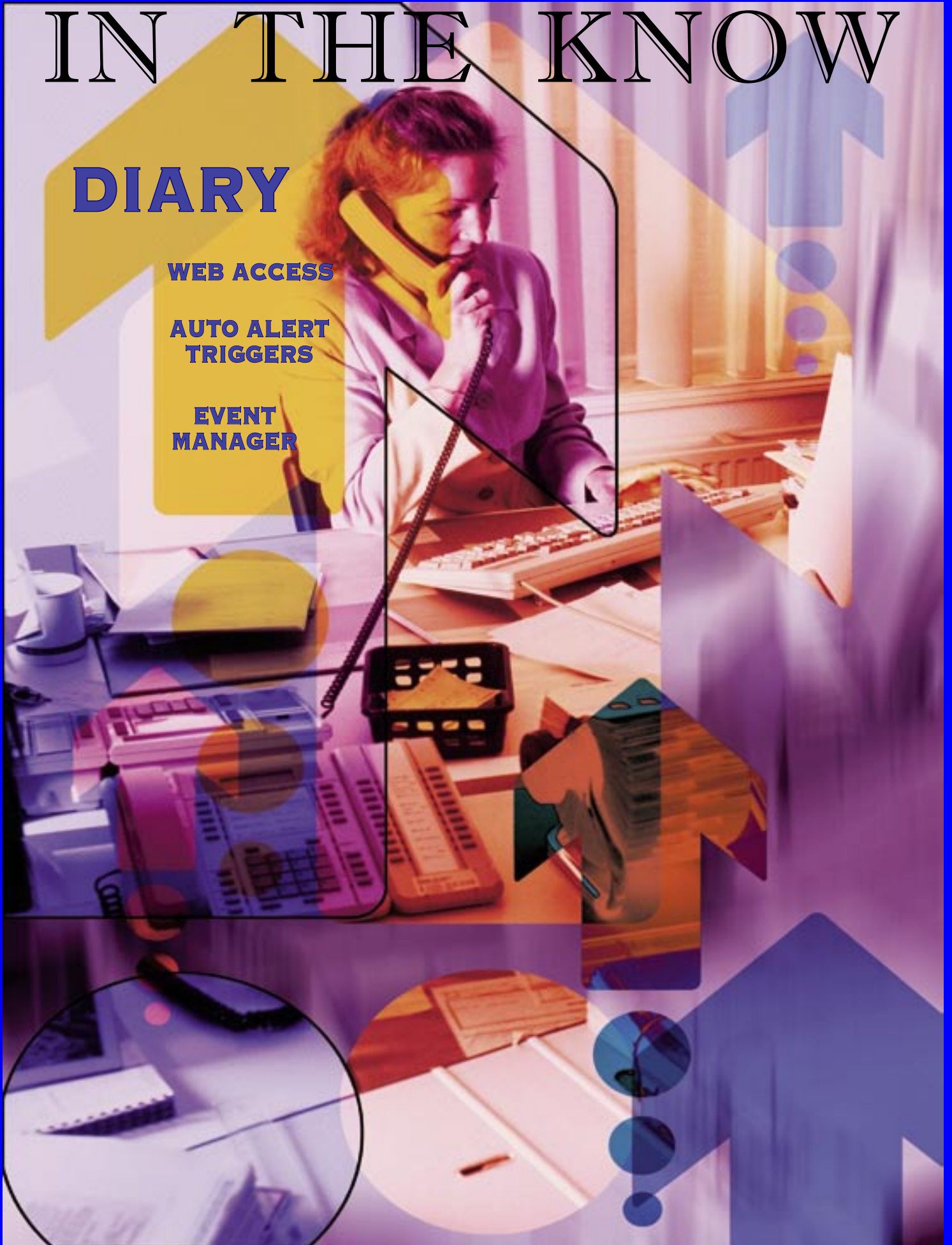
IN THE KNOW

DIARY

WEB ACCESS

**AUTO ALERT
TRIGGERS**

**EVENT
MANAGER**





Ken Ancona
Managing Director

Script from the M.D.

In this issue of *In The Know*, RSG introduces Advisen, another leading provider of strategic information to our industry. Our two companies are complementing each other's service deliverables that address business-critical data, proprietary analytic tools, and custom-built software applications. Advisen has contributed an article on Hurricane Katrina and its impact on commercial coverage insurance premiums (see page 7).

No doubt natural disasters are occurring more frequently and with greater destructive force. As a result, more frequent inquiries are being made on the state of RSG's data center and disaster recovery plan. Our client community can take comfort knowing that our data center can withstand any Category 5 hurricane or tornado that would sweep over Georgia. We store our data off-site with a major data retention firm, and we have arrangements with another leading vendor that can quickly establish a hot site.

There are also smaller, man-made disasters that never hit the news media but are critical to your operations: inevitable server crashes, communication line failures, software corrupted by a virus, etc. RSG protects our client environment with redundancy and security. Our technology infrastructure includes redundant servers, processors, communication lines, software, and even some redundant processes. Enterprise-wide security measures are in place to protect our software, our clients' data, and access to it all. Our SAS70 audit confirms that RSG has the proper controls in place.

If you have a question about our disaster recovery process or the security of your data, please contact your RSG account manager. Let us know what we can do for you.

In The Know

is published by:



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Risk Sciences Group is a subsidiary
of Crawford & Company.



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Sigma Encore™ Diary

By Thea H. Kozar, Senior Product Manager—Atlanta

Inundated lately with more tasks you need to keep track of? The Diary application in Sigma Encore™—easy to access and robust in features and benefits—can help you! Diary is accessible throughout Sigma Encore™ and keeps track of past, current, and future tasks and events.

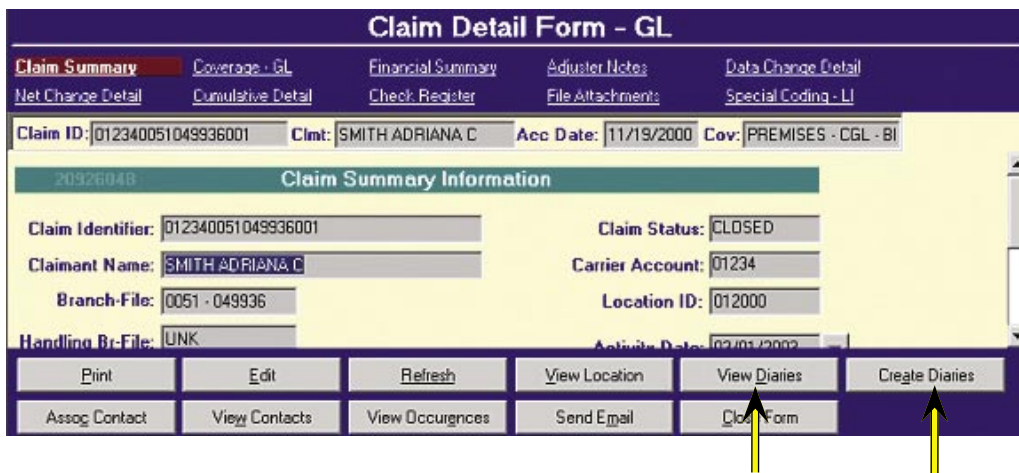
Accessing Diary

Diary can be easily accessed from three points:

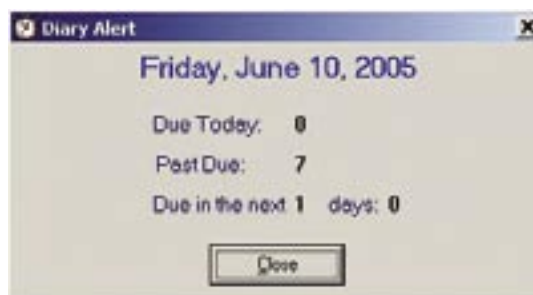
- 1) Using the Navigation Bar from the Sigma Encore™ portal or the Sigma Encore™ application. Accessing Diary from the Navigation Bar allows you to track and enter events that are not linked to a particular module.



- 2) Using the Create Diary or View Diary button within a Sigma Encore™ module (e.g., Claims, Locations, Exposures, etc.). Creating or Viewing a diary from a module allows you to access diaries that are associated with a specific record.



- 3) Using the Diary Alert box. Using the Diary Alert Box and clicking on the close button places you directly into the Diary Event Manager.



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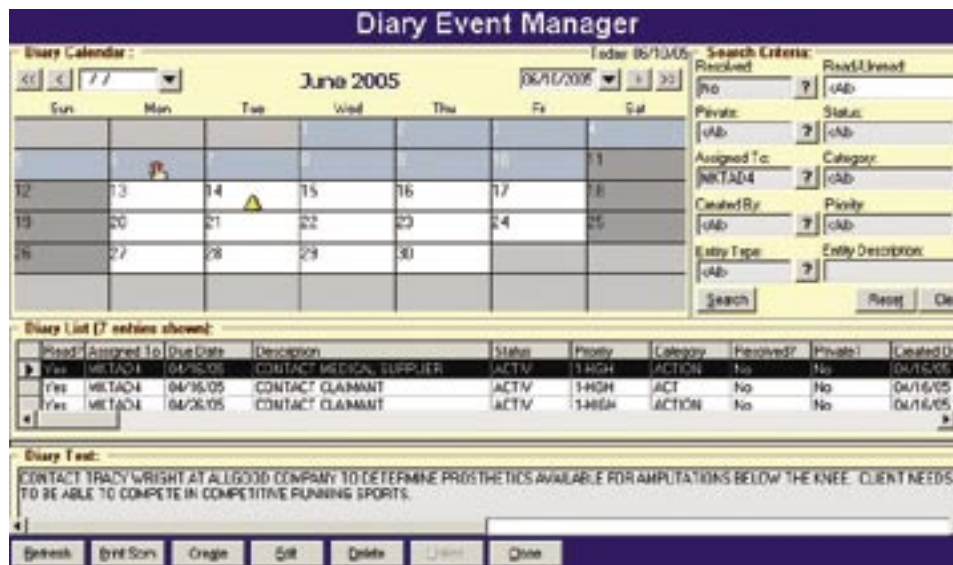
Sigma Encore™ Diary

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Diary Event Manager

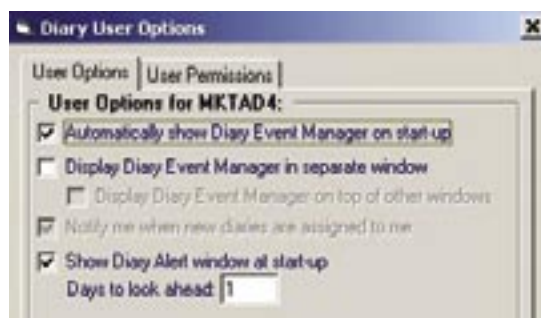
The Diary Event Manager allows you to manage all aspects of the Diary. Some of the functions available in the Diary Event Manager are:

- The ability to View, Edit, Add, or Delete a diary.
- The ability to search for diaries that are Resolved, Private, Assigned To, Created By, Module Type, Read/Unread, Status, Category, Priority, and Date. The search will generate a Diary List that can subsequently have additional filters and be exported or printed.
- See a preview of the corresponding Diary Text.
- Set Due Dates, Assign diaries to specific users within your organization, set the Diary Status, provide the Diary Priority and Category, mark the diary as Resolved, mark the diary as Private.
- View the linked record for a diary and subsequently view all diaries linked to that record.
- On the Diary Calendar, you can view a list of diaries for a specific day, range of days within a month/year, or by month/year.
- The Diary Calendar uses an icon of a string tied around a finger to denote a date that has a *past due* diary, and an icon of a bell to denote a date that has a *due* diary.
- If Diary was accessed from the Navigation Bar, you can view unresolved diaries assigned to a specific user. If Diary was accessed from a specific Sigma Encore™ module, it will default to display all the diaries linked to the record you are positioned on. If Diary was accessed from the Diary Alert box, upon login it will default to display all the unresolved diaries that were assigned to you as of today's date.



Additional Diary Features

Diary Alert/Notification of Diary Due—The Diary User Options provides notification to a user upon login that a new or unresolved diary event is due. Diary User Options can be set by each user from the Diary Navigation Bar via Setup | User Options.



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Sigma Encore™ Diary

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User Permissions—Diary User Permissions can be maintained by each user, a specific client administrative user, or implemented by your RSG account representative. Diary Assign-To Level provides permission for users to do tasks in Diary such as assign events to other users or delete diaries. The ability to customize diary permissions by default has been disabled. Your RSG account representative can enable this feature for specified users upon request.



Auto Diary—The Auto Diary option is a Diary Event that is automatically triggered by Sigma Encore™ when a pre-specified event occurs, such as when a claim has reached a specific loss amount, when a new claim is entered, or when a location is added. Auto Diary events are set up by your RSG account representative.

Sigma Encore™ Diary helps you keep track of important events and reminders, documenting the task, and provides an audit trail for easy reference. Contact your RSG account representative for access to the Diary application in Sigma Encore™.

Frequently Asked Questions

By Thea H. Kozar, Senior Product Manager—Atlanta

I need to monitor limits and retention levels on specific policies. Can my claims data be associated to my policy data to help maintain my organization's policies?

The Sigma Encore™ Policy module can help you maintain this portion of your Risk Finance program. Policy provides you the ability to define a policy's Self-Insured Retention (SIR) total value and the type (e.g. percent, value) of SIR notification threshold value. The SIR total and threshold values can then be used when aggregating claim losses to determine when retention levels are reaching the threshold. Deductible and limit amounts on a policy can be maintained per claim, occurrence, and aggregate amount basis. By linking each relative claim record to a valid policy in Sigma Encore™, the data can be analyzed through Sigma Encore™ reporting. There are several reports available that reveal the exhaustion of your policy retentions and limits.

How can I locate and keep track of key individuals that impact my Risk Management program as it relates to my RMIS?

The Sigma Encore™ Contacts module allows you to store, query, and maintain company and individual contact information as it relates to your Risk Management program. Contacts effectively provides you with an entire address book of companies and individual contacts. Company and its associated Contacts can be maintained autonomously or associated to a record in any Sigma Encore™ entity including Claims, Locations, Policy, Exposures, Building, Recommendation, Assets, and Vehicle.

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Frequently Asked Questions

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I currently use the Sigma Encore™ Diary feature but would like some suggestions or ideas for how it can be better utilized to manage my Risk Management Program.

- Track dates to review policy limits and aggregates.
- Note dates to review certificate expirations.
- Note dates when state and federal regulatory reports are due.
- Mark dates when TPA and carrier data will be loaded.
- Mark dates for risk management-related seminars or conferences and fees due.
- Mark dates when production reports are due to finance or other departments.
- Note dates when specific individuals should be contacted regarding claim activity (e.g. doctor, claimant, TPA, attorney, appraiser, etc.).
- Utilize automated Diary Alerts for such things as when a claim reaches a specific loss amount or has some other significant data change, when a location becomes inactive, or when a policy expires.
- Utilize the Diary Alert feature to identify diaries that are due today, past due, or due in a specified time frame.
- Note renewal dates for any type of risk management program and related vendors.

Employee Spotlight: Tony Norman

By Robin Forrester, Account Manager—Atlanta

Tony Norman, Technical Specialist, celebrated his eighth anniversary with RSG in September. Tony, born and raised in Indiana, received his Bachelor of Science degree in Industrial Engineering from Purdue University in 1983. He has been working in the Information Technology field for 18 years.

According to RSG, Tony spends his time on projects like developing data loads and client interfaces. According to Tony, what he *really* does is put himself into his client's shoes to determine what they truly need and the best way to provide it quickly and accurately.

This definition of client service comes to Tony through his family's work ethic, developed by his grandparents. They raised nine children as sharecroppers in Mississippi and helped each of them complete their college education. The family was highlighted during a segment of Charles Kuralt's "On the Road" series in the 1970s. Kuralt said the family personified "the American Dream, the notion that if you really want to in a country like this, you can start from nothing and make a success of yourself."

Applying this background to his job today results in exemplary work, as noted by fellow RSGers and customers alike. After Tony completed a project for her,



Leigh Santanello (Ryan's Safety Manager) said of him, "It is very rare that people take the time to research and correctly implement at program inception. Tony's unparalleled attention to detail and knowing that Tony will be prompt to resolve any issues make my job so much easier."

Says Cindy Rogers, Director of Operations for Branch 705, "He takes pride in his work and is a great asset to our branch."

One project that stands out as a major achievement for Tony is the conversion of AAA Cooper Transportation's legacy system to a comprehensive Sigma Encore™ Edit/Entry system. This conversion involved many custom modules including Policy, Excess Notification, and Subrogation Tracking.

Tony has one son and two daughters, and he spends much of his time outside work hours trying to keep up with their busy schedules. He has competed in several table tennis tournaments including the Georgia Games, and he was on the table tennis scorekeeping staff at the 1996 Olympics in Atlanta. Tony also loves music, a passion that both he and his teenagers share, whose musical taste range from alternative rock to hip-hop. This is another full-time job—keeping up with the MTV generation!

The Impact of Hurricane Katrina on Global Insurance Premiums

By David K. Bradford, Executive Vice President, Advisen Ltd.

When America sneezes, the world's insurance markets catch cold, to paraphrase Metternich's famous quote. High amounts of insurance per capita combined with rapid growth in catastrophe prone regions mean that natural disasters in the U.S. can result in very large losses to the insurance industry. In this era of globalization, a major catastrophe in the U.S. can influence insurance prices from Norway to Peru.

Hurricane Katrina is almost certainly the most costly catastrophe in U.S. history. Gulf Coast policyholders can expect property insurance premiums to rise, but Katrina's impact on insurance costs won't be limited to property insurance in the Deep South. Businesses throughout America, and indeed throughout the world, may see premiums increase for virtually every type of insurance, even those with no obvious connection to hurricane losses.

Many Markets, One Cycle

Insurance pricing is notoriously cyclical: Premiums rise and fall without apparent regard for specific policyholder risk characteristics. Commercial insurance rates skyrocketed after September 11, but according to data compiled by Advisen Ltd., premiums reached a plateau in late 2003, and began falling in 2004. Advisen's ADVx™ premium index shows average commercial lines premiums declining by about 8% since their peak. However, underlying economic conditions suggest that a strong financial jolt, such as losses from Katrina, could stop—and perhaps even reverse—falling premiums.

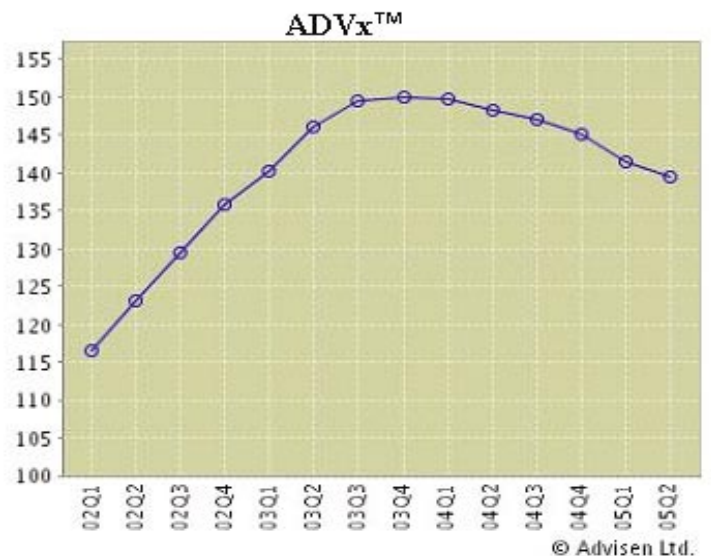
Rate levels typically move with the ebb and flow of insurance capital. When insurance capital "policyholders' surplus" is abundant, underwriters compete for business to put that capital to work. Competition brings rates down ultimately to the point that losses eat into the capital base. Once enough capital is destroyed, rates increase.

A major catastrophe can accelerate this process by rapidly destroying policyholders' surplus. Catastrophe modeling company Risk Management Solutions Inc. projects insured Katrina property and business interruption losses between \$40 billion and \$60 billion. In addition, insurers may pay Katrina-related liability claims, and there is a remote possibility that the flood exclusion in homeowners' policies may crumble under challenges such as the lawsuit filed by the Mississippi Attorney General. Under a worse case scenario, insurers could be liable for more than \$80 billion. Even at half that amount, enough policyholders' surplus will be destroyed to put the brakes on current downward pricing trends.

Most Katrina losses will be paid by U.S. insurers, but the impact will be felt by policyholders everywhere. With globalization of the insurance industry, and as a result of the ease with which capital moves throughout the world, insurance markets are now too interconnected to respond only—or even principally—to local conditions. The world is largely synchronized to the same insurance market cycle.

Factors that assure that Katrina's impact will be felt globally include:

- The reinsurance market—where insurance companies insure some of the risk they assume from policyholders—is predominantly global. Katrina losses may prompt reinsurers to raise premiums for insurance company clients in Europe, Asia, and South America—increases that may be passed along to policyholders.
- Insurance capital is attracted to regions offering the best returns. In essence, the insurance markets of the world compete for capital. If premiums go up in the U.S., they also must rise in other markets to continue to attract capital.



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The Impact of Hurricane Katrina on Global Insurance Premiums

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- Many of the largest global insurance groups had Katrina losses directly—cutting into profits and possibly eroding capital. Some global companies already have been forced to raise new capital to strengthen their finances.

Katrina losses will be offset somewhat by investment income and capital gains produced by assets insurance companies hold as security against unexpected losses. During the 1990s, these sources of income were very strong and provided a cushion against underwriting losses, including 1992's Hurricane Andrew, previously the most costly natural catastrophe. Neither investment income nor capital gains are as strong now, and they can't stave off the impact of the recent hurricane losses.

Leading Indicators

Premiums already are increasing as a direct result of Hurricane Katrina. Insureds in the energy sector are seeing increases of 25% and more in response to massive losses to oil platforms, pipelines, and refineries. Reinsurers have signaled their plans to increase premiums for catastrophe reinsurance.

Isolated premium hikes are common following a catastrophe. The question now is whether these increases will spread throughout the market.

Insurance rate levels move principally in response to the adequacy of policyholders' surplus, but there also is a psychological factor—a tipping point at which enough underwriters are convinced that rate increases are achievable without sacrificing good business so that the market begins to turn. The market appears to be at that point. Reinsurance underwriters, gathered in Monte Carlo in September for an annual conference, seemed nearly unanimous that Katrina will spark widespread rate increases. In a recent study by Moody's Investors Service Inc., underwriters at Lloyd's of London said corporate insurance rates should climb back to, or above, 2003 levels.

Perhaps the strongest indication that the insurance market is poised for rising premiums is the capital already flowing into the market on the expectation of rate increases. Global insurance group Ace Ltd. easily raised \$1.3 billion to take advantage of "growth opportunities in the global insurance and reinsurance markets."

How high premiums go depends on a number of factors, not the least being the size of the tab insurers will pick up for Katrina. Other factors include new capital flowing into the insurance market, interest rates, capital gains, and rate regulation. At a minimum, the current period of falling premiums—a phase of the cycle that Advisen data suggest was faltering even before Katrina—will stabilize. Quite likely, property insurance premiums will surge, with other lines following at a more moderate pace. The impact will be felt across all types of insurance, all market segments, and all regions of the world.

Advisen Ltd. provides insight into underwriting, marketing, and purchasing commercial insurance. Advisen's web-based workstation incorporates real-time analytics and research on over 1.5 million companies, and 70 industries. David K. Bradford can be reached at 212.897.4776, dbradford@advisen.com.

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Quote

"Never esteem anything as of advantage to you that will make you break your word or lose your self-respect."

Marcus Aurelius Antoninus

Client Spotlight: Archstone-Smith

By Ralph Hooper, Director of Technical Operations—San Francisco



In 2002, Archstone-Smith set out to find a vendor that offered expert data consolidation services, a powerful RMIS application, and—most of all—a standard of support well beyond the familiar help desk. That vision has driven their partnership with RSG since the spring of that year.

Client Overview

Archstone-Smith is one of America's premier apartment investment and management organizations and has one affiliated company, AMERITON. Archstone-Smith is a member of the S&P 500 and was recognized as one of America's Most Admired Companies for 2004 by *Fortune* magazine. With business in 29 states and the District of Columbia, its scope of activities runs the gamut from property acquisition and development to operating garden apartment and luxury communities. The company prides itself on providing an exceptional apartment living experience through unconditional service guarantees and innovative solutions.

Brand Names	Market Emphasis
Archstone Communities	Consumer brand representing Class A garden-style and high-rise apartment communities nationwide.
Charles E. Smith Residential	Consumer brand representing upscale high-rise apartment properties in the Washington, D.C. metro area and Chicago.
AMERITON Properties Incorporated	Wholly owned private real estate investment company that focuses on the acquisition, development and sale of apartment communities. Its ongoing investment runs into the hundreds of millions of dollars involving thousands of apartment units.

Corporate Risk Management Team

Corporate Risk Management is located at company headquarters in Englewood, CO (a suburb of Denver). The Corporate Risk Management team oversees claims and safety programs at all property sites and corporate offices.

Brian Schley is the Assistant Vice President of Risk Management. RSG's principal contacts are Assistant Risk Manager Renee Mosley and Risk Analyst Paula Norlin. RSG also receives important feedback from Claims Manager Steve Abeyta.

Data Consolidation

The Archstone-Smith focus on innovative solutions certainly extends to its Risk Management program. Data sources include claims handled by two TPAs (ESIS and Engle Martin), two insurance carriers (Travelers and Zurich), and in-house claims entered directly in Sigma Encore™. Some of the more complex claims that are initially handled in-house are turned over to the TPAs. Thus, the monthly load procedure for each TPA involves an automated but carefully executed takeover process. Both Archstone Risk Management and RSG generate expected takeover reports that are then carefully compared.

Sigma Encore™

Archstone-Smith uses Sigma Encore™ as both a claims and risk management system. Claims and risk personnel run a variety of daily, weekly, and monthly reports, using template and ad hoc reporting tools. In addition, the system produces automated reports every business day.

One of the gratifying features of RSG's relationship with Archstone-Smith Risk Management is the care and dedication these professionals place in accurate data. From day one of our relationship, Archstone has dedicated one of its staff as RSG's principal data contact. Our frequent telephone collaborations and e-mails have resulted in a partnership that continues to assure clean, up-to-date data from all sources.

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Client Spotlight: Archstone-Smith

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Currently in development, RSG is working with Archstone-Smith to add on-site claim intake reporting at the company's 250-plus apartment locations. At present, forms are filled out on site and faxed to Corporate Risk Management. These forms are being added to Sigma Encore™ as variants of the Claim Entry Panel. A variety of sophisticated processes are being put in place to support these new functions. In addition to great strides in time and productivity, this new innovation will incorporate much additional valuable claim information in the system.

The Future

Archstone-Smith's emphasis on maintaining and developing excellent apartment homes throughout the United States will continue to require an outstanding claims and safety program. RSG looks forward to working with Archstone-Smith Risk Management to provide innovative and ever more cost-effective solutions.

Dear RSGuru

By Jim Kuhr, Account Manager—Chicago



RSGuru is an all-knowing wizard who advises risk managers seeking answers. He conjures spells to cast away demons named Risk and Hazard.

Dear RSGuru,

I am a Risk Manager recently hired by a rapidly growing company. Our company has many locations/properties that we own, and I would like to store specific information regarding each property in one place, so that I can easily access it and generate reports to use for my analysis. I would then like to share this information with each property manager. Does RSG have a tool that would allow me to capture this type of information? —Starting Out Fresh

Dear Starting Out Fresh,

I, too, have many locations that shelter my magical potions. For you, RSG's Property module will allow you to collect customized property information. Reports can be generated based on the specific information captured for the property, items such as:

- *Building Summary*: Name/address, measurements, financial values of contents, etc.
- *Construction*: When it was built, last renovation, etc.
- *Occupancy*: Occupancy type, number of floors occupied.
- *Protection*: Number of sprinklers and fire hydrants, security systems, etc.

This module is a great tool to gather and access all of your property information in one place. Your RSG wizard can help you set up what best fits your risk management needs.

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Reports Should Prompt Action!

By Rob Sklar & Ken Lyons, Account Managers—Mahwah, NJ

Is your RMIS reporting tool being underutilized? Ask yourself these questions:

- Do we quantify facts we already know?
- Are we simply updating figures for meetings or field personnel?
- What happens to the reports after they are distributed?
- What percentage of the reports initiate some action to follow?

As part of your ongoing account support and database maintenance, RSG routinely runs data integrity reports that check the validity of your data. These range from financial integrity and improperly sequenced dates to missing or incorrectly coded fields. But what about claims that are statistically valid but point to some other sort of issue specific to claims?

Sigma Encore™'s database retains a wealth of information that you can analyze to help reduce your overall loss of risk. Do you use Sigma Encore™ to validate your ongoing claim processes and procedures? Often claims listed on these reports need some action taken, whether it's a reserve increase, closure, or an update to a data field.

Action items that would appear on claim listings could include:

- Claims that breached excess reporting levels: Have these been reported to carriers?
- Payments above 90% of reserves: Are the reserve levels adequate?
- Medical-only claims with \$0 payments open 120 days: Should these be closed?
- Lost-time claims with no indemnity payments for 90 days: Should these be reclassified?
- Reserve changes above authorization levels: Verify that client-staff approved changes.

Claims that truly meet any of the above characteristics and do not need to be altered could be excluded via the search criteria from appearing on subsequent printouts. RSG has many examples of reports that can identify action items.

Many Uses for Your RSG Database

We've all been there: An afternoon meeting has an agenda item called "Employee Safety." You simply run a summary, by frequency or severity, of the top natures of injury for the last year or so.

In another routine example, you send field personnel monthly listings of their open or active claims. Most of them are small facilities and the local HR folks already know who's out on comp, but you send them updated lists each month with exact paid and reserve amounts and maybe the cause of accident.

While distributing a consistent set of reports to C-level and field staff is an important aspect of providing risk information to your organization, there is so much more that your Sigma Encore™ database can be used for. Several of our clients monitor subrogation activity, claim closing ratios, and adjuster caseloads. The use of policy data allows our clients to verify if or when claim values exceeded aggregate limits on older policies.

Relative to safety, reports that load exposure data into Sigma Encore™ significantly enhance your analytical power. Now you can normalize loss trends among locations using any number of exposure bases such as units produced, revenue, number of hours worked, etc. Armed with this data, exposure rate reports depict a more accurate trend.

Your RSG account manager can help you with these reports that extend the traditional utilization of a RMIS.



Dear RSGuru

continued from page 10



RSGuru is an all-knowing wizard who advises risk managers seeking answers. He conjures spells to cast away demons named Risk and Hazard.

Dear RSGuru,

Over the past few months, we have noticed an increase in our claims reported. I have been asked to perform an analysis to see if the claims reported are being handled in a timely manner. I'd like to look at how long it takes for claims to be reported and then closed from the accident date. I'd also like to examine my workers' comp, auto liability, and general liability claims. Can RSG help me gather this information for my analysis?
—The Analysis Queen

Dear Analysis Queen,

I have helped many queens in my time; in fact, I've sent a few back in time. You need to create reports called "Lag Time." A few things to consider when reviewing the results of these reports are: 1) Lag time days can vary from coverage to coverage; 2) One or two "late" reported claims will impact the lag time average. The Lag Time report is a great way to analyze your losses and make sure nobody is lagging behind!

Dear RSGuru,

My boss has asked me to provide each of our locations with a weekly claim report that presents detailed claim information for all of their open claims. I have noticed in the Sigma Encore™ Quick Template library a Detailed Claim Listing report that would definitely give me the information I need. The problem is, it would take me at least half a day to run all of these reports, download them into a Word document, and e-mail them to each recipient. Can RSG customize something for me that would make this weekly process quicker? —Weekly Reporter

Dear Weekly Reporter,

Good news from the Guru ... RSG already has a standard process that will not require any customization! The process is called "scheduling and distribution" and can be found in your Quick Template report module. Select the type of report(s) you need in the quick template library, add your specifications to the report(s), then access the schedule and distribution option. Pick the distribution frequency and add the recipient's e-mail address (multiple addresses can be used). The scheduling and distribution process will take it from there, and your reports will run automatically. If you need help getting started, contact your RSG account manager.



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