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ACIG

news

Risk Management Implications of Joint Ventures

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In today's construction market, it is quite common for a Joint Venture to be formed to develop a best value proposal, respond to a bid opportunity and perform the work. In recognition of this approach, ACIG has developed a Joint Venture Information Manual for use by its members and their agents.

The Joint Venture Manual is comprised of the following seven sections:

- 1) Joint Venture White Paper
- 2) Joint Venture Protocol
- 3) Joint Venture Insurance Program - Discussion Outline
- 4) Joint Venture Questionnaire
- 5) Suggested Joint Venture Insurance Specifications
- 6) Joint Venture Teaming Agreement Considerations
- 7) Sample Agreement for Insurance Risk Sharing

The advantages of forming a joint venture are obvious. Participation in a joint venture provides access to projects which an individual construction company would likely be unable to accomplish on its own while spreading the risks between a number of construction companies instead of just a single entity. A joint venture may also permit a company to expand into new markets such as integrated project delivery, design/build and public private partnerships.

These advantages need to be balanced against the expanded risks of participating in a joint venture. Joint and several liability may emanate from the activities of the partners creating significant financial obligations to third parties. A key element of the Joint Venture Agreement will be a well defined insurance provision, detailing who is responsible for procuring insurance for the joint venture, i.e. the managing partner, along with a schedule of the types and limits of insurance to be carried and maintained by the joint venture.

ACIG's Joint Venture Insurance Manual is available in an electronic version via this [link](#). If you would like a hard copy, please contact your Risk Management Executive.

ACIG's Investment Portfolio

Asset Allocation as of March 31, 2010

“\$304,087,812
in total investments”

	Market Value as of 03/31/10	Percent of Total
Insurance Reserves Portfolio	\$ 182,667,511	60.1%
BlackRock	\$ 182,667,511	
Capital Portfolio	\$ 121,420,301	39.9%
Equities		
Dodge & Cox (U.S.)	\$ 8,548,180	2.8%
Primecap	\$ 15,815,769	5.2%
Wellington Global Perspectives	\$ 11,685,494	3.8%
Calamos Global Growth & Income	\$ 7,804,962	2.6%
Convertibles		
Zazove	\$ 21,220,344	7.0%
Calamos Global Growth & Income	\$ 8,420,333	2.8%
Fixed Income		
Western-Absolute Return	\$ 22,787,322	7.5%
T. Rowe Price High Yield Fund	\$ 2,476,710	0.8%
Payden GNMA Fund	\$ 18,065,158	5.9%
Real Assets		
BlackRock TIPS	\$ 4,596,029	1.5%
TOTAL ASSETS	\$ 304,087,812	100%
Shareholders' Equity (as of 03/31/10)	\$ 114,714,000	

A.M. Best Rating

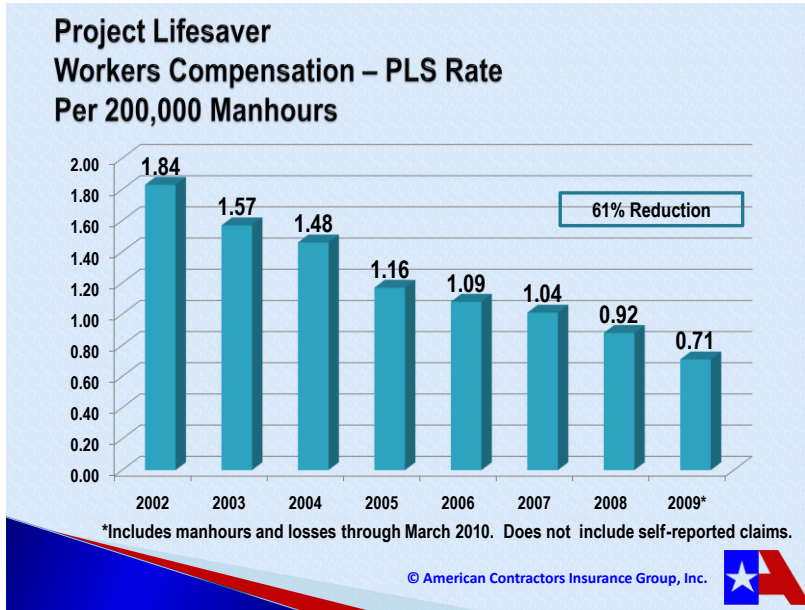
ACIG Senior Management conducted a teleconference with our A.M. Best Company analyst to review our December 31, 2009 Audited Financial Statements and business plan for 2010. Based upon this independent review, A.M. Best affirmed our rating as follows:

- A (Excellent) This rating is assigned to companies that have, in A.M. Best's opinion, an excellent ability to meet their ongoing obligations to policyholders.
- VIII Financial Size category \$100MM to \$250MM in Policyholders' Surplus.
- Stable Indicates a low likelihood of a rating change due to stable financial/market trends.

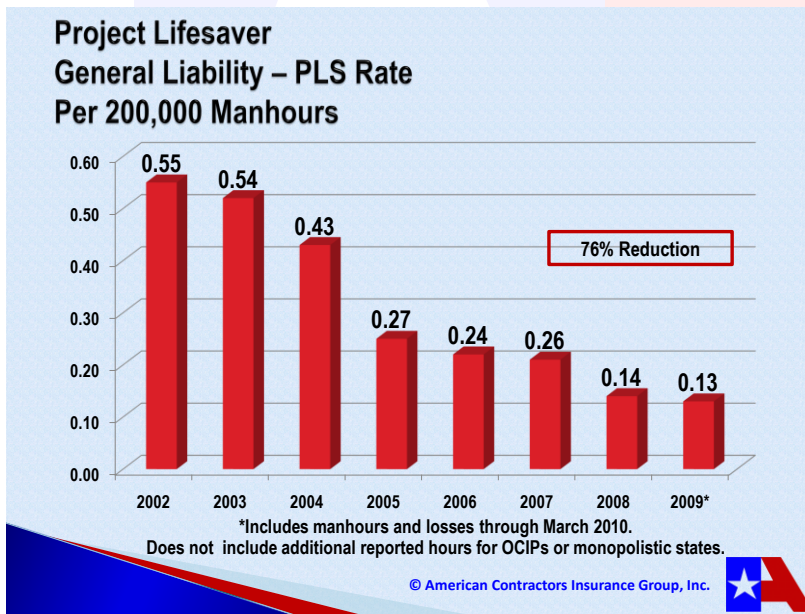
ACIG is one of only a few captive insurance companies that have been rated "A" by A.M. Best Company.

Project Lifesaver Report

This loss reduction initiative was started in 2003, with the goal of reducing the frequency and severity of losses. Through our Members' hard work and determination, we have been able to achieve a high level of success in reducing losses.



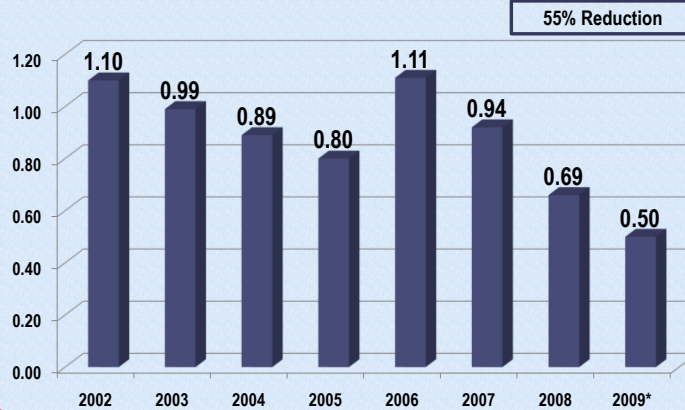
“A 61% reduction for workers compensation”



“General Liability losses have been reduced by 76%”

“2008 results showed a dramatic improvement”

**Project Lifesaver
Auto Liability – PLS Rate Per 100 Units**



*Includes losses through March 2010.

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ACIG/Zurich Strategic Alliance

AZ Program Bound Projects

CCIP Projects	467
CCIP Construction Values	\$6,580,712,000
CCIP Estimated Premiums	\$153,435,588
Smallest Project	\$1,798
Largest Project	\$420,000,000

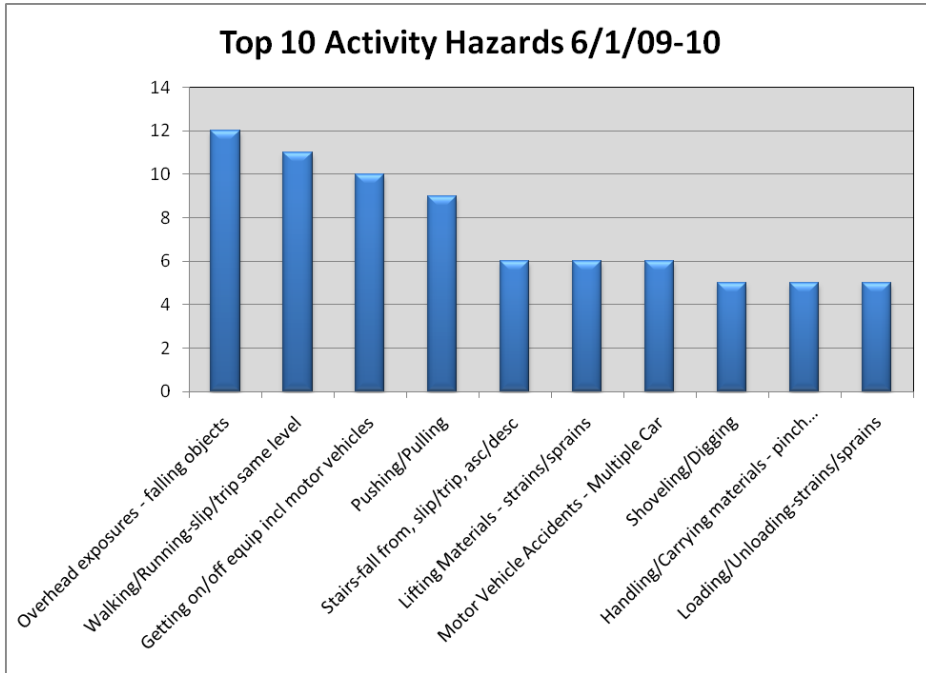
“AZ Premiums of \$153,435,588”

Effective June 1, 2010, Nabholz Construction Company began participating in the AZ Program. A key driver in their decision was recent legislation regarding indemnification and insurance in their states of operation that limited their ability to effectively transfer risk to lower tiers.

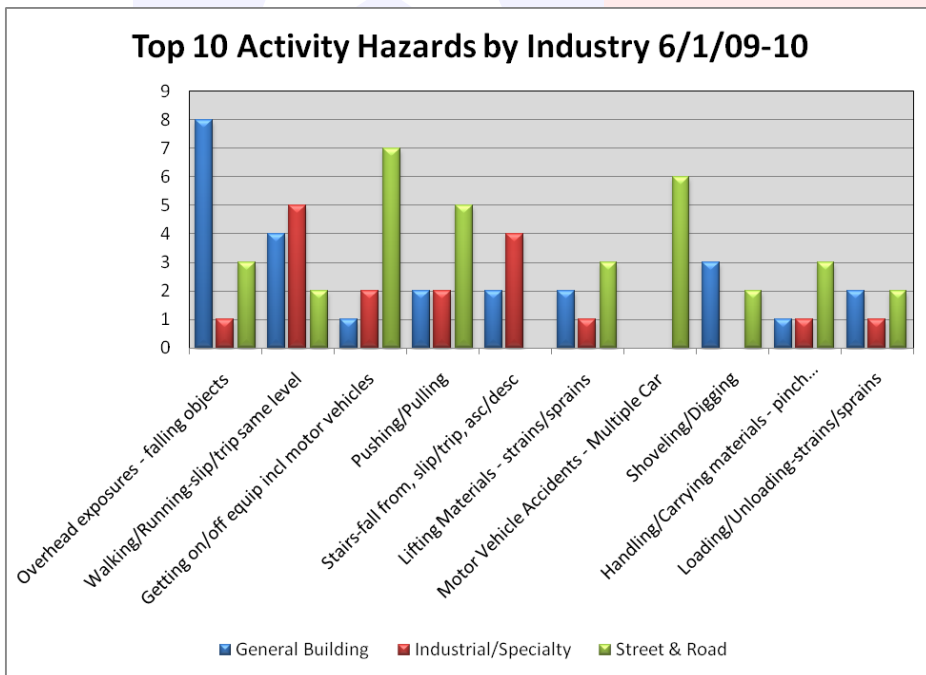
ACIG meets with Zurich, Westchester and Chartis on a bi-monthly basis to address underwriting issues.

Losses - Top Ten Activity Hazards

A look back over the June 1, 2009-10 policy year paints an interesting picture of the Top Ten Activity Hazards that resulted in losses. The following exhibits illustrate the Top Ten Activity Hazards overall and by industry group.



"#1 Hazard was Overhead Exposures – Falling Objects"



Medical Cost Containment - Mitigation Pays Off

ACIG utilizes Corvel to provide medical cost containment services on our workers compensation losses. For the period January 15, 2009-10, the analysis is as follows:

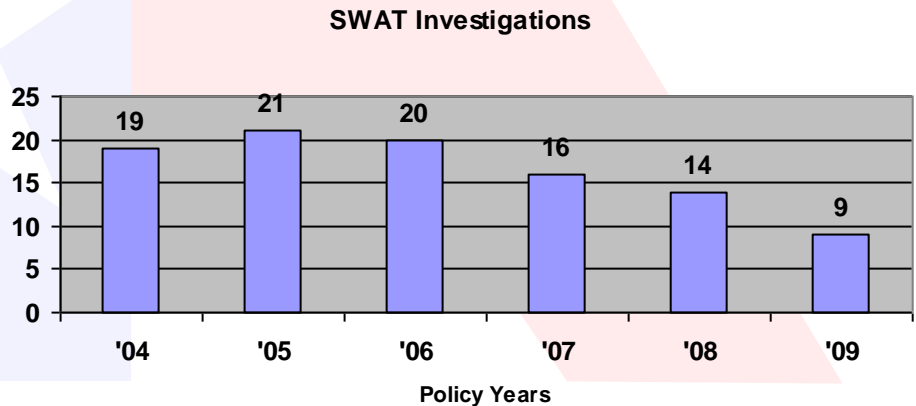
Bills Reviewed	14,419
Gross Billings	\$ 10,633,669
Savings \$	- 5,717,667
Net Billings	\$ 4,916,002
Savings %	54%

Our medical cost containment program continues to produce outstanding results.

SWAT - Special Well-Timed Accident Team

One of the hallmarks of the ACIG Program is the use of our SWAT Protocol to respond to catastrophic losses. For the policy period June 1, 2009-10, we had a total of nine (9) SWAT investigations that resulted in seven (7) claims. This is a dramatic improvement as illustrated by the following exhibit.

“Dramatic Improvements in the Number of SWAT Losses”



The key to an effective SWAT Investigation is timely notice to ACIG; our average on-site response time was eighteen (18) hours.

ACIG Member Unique Projects

Graycor Services L.L.C.

Severstal North America

Blast Furnace "C" Rebuild



Graycor Industrial recently completed a fast-track rebuild of Blast Furnace "C" at Severstal's Dearborn, MI, plant. This complex design/build challenge required six months of preplanning to develop a unique and innovative approach to complete the construction phase within the scheduled 100-day outage.

The project also included construction and installation of a casthouse weighing approximately 1,500 tons and measuring 100 feet long by 80 feet wide by 100 feet tall. This massive casthouse was preassembled simultaneous to the furnace being constructed. After the preassembled furnace was erected in five major lifts, the casthouse was rolled into place utilizing four heavy haulers.

Working non-stop, the team, consisting of 1,300 employees at its peak, successfully completed the rebuild without incident in under 98 days. This was not just a tremendous success for Severstal and Graycor Industrial; it was also a benchmark feat for the steel construction industry as a whole.

*"This Fast-Track
Project Presented a
Complex Design/Build
Challenge"*

ACIG Contractors in the News

J.J. White, Inc. celebrates 90 years. J.J. White has a tradition of excellence in the Mid-Atlantic construction industry that dates back to its founding in 1920 as a mechanical contractor. Since those early days, J.J. White has evolved into a single-source, multi-trade contractor with experience in a wide range of disciplines. As a family-run business for four generations, J.J. White takes pride in its track record and relationships with clients.

Danis Building Construction Company has acquired the assets of Goldsboro, N.C.-based R.N. Rouse & Co., Inc. In addition to its headquarters, the company has offices in Wilmington, N.C. and Cary, N.C. It serves health care, industrial, institutional and corporate clients in North Carolina, South Carolina and Virginia.

LeChase Construction Services, LLC has acquired the assets of Northeast Construction Services, Inc.; a Syracuse, NY based General Building Contractor.

The Anderson Companies has acquired certain assets of Brice Building Company, LLC; a Birmingham, AL based General Building Contractor. In addition to its headquarters, the company has an office in New Orleans, LA. It serves health care, industrial, institutional and corporate clients in Alabama and Louisiana.

BMW Constructors, Inc. (BMW) is the 2010 recipient of the "Excellence in Safety Award" from the Metro Indianapolis Coalition for Construction Safety (MICCS). This is the third time in the 17-year history of the award that BMW has won. The award (also known as the Crystal Eagle Award) is the highest honor MICCS can bestow upon a company within Indiana's construction industry.

Murphy Company has been honored with the 2010 Best Mechanical, Electrical, or Plumbing Subcontractor Award by the American Subcontractors Association – Midwest Council.



Employee Spotlight

Each quarter we feature one of our ACIG team members.

Employee Name: Carl Heinlein

Position at ACIG: Sr. Safety Consultant

Years of Service: 8 ½ years

Family Members: Lori, Zach (15) and Ben (8)

Pets: Two cats - Katrina and Jet, two fish - Cow and Ski, and my neighbor's dog that is at our house every day, twice a day.

Hometown: Pittsburgh, PA (Home of the six-time Superbowl Champion Steelers and the three-time Stanley Cup Champion Penguins).

First Paying Job: Working for my parents at Cardello Electric in Johnstown, PA, cleaning up the warehouse at \$2.75 an hour.

Dream Car: One that is dent, scratch and maintenance-free

Favorite Pastime: Traveling with friends and family and watching or participating in any sporting event! Watching Zach and Ben grow!

Favorite Movies: Comedy and anything related to Military History

Most Recent Book Read: Into Thin Air by John Krakauer

iPod Favorites/Favorite Songs: Too many to name, I really can listen to just about anything!

Dream Vacation: Sailing the Hawaiian Islands with my family or skiing in the Rockies with Ben and Zach (Lori does not ski so you can find her at the lodge).

People at Your Fantasy Dinner: Roosevelt, Churchill and Stalin - they changed the world!

ACIG Meetings and Workshops

Date	Meeting	Place
September 21-23, 2010	Safety/Claims Workshop	Kansas City, MO
October 28-29, 2010	Risk Management Workshop	Laguna Beach, CA
November 10-11, 2010	In-House Legal Counsel Forum	Dallas, TX
January date to be determined	ACIG University	Dallas, TX

Concluding Thoughts

In a recent e-mail exchange with Haskell's risk manager, I noticed this tagline:

"The Risk of Business is Our Business"

It is a concise and elegant way of describing the nature of the construction business. Contractors face a myriad of risks and enterprise risk management seeks to identify, define, quantify and treat all of the risks facing an organization, whether or not insurable. Risks are acquired, measured, retained or transferred to the party in the best position to manage the risk. We encourage you to utilize ACIG's resources to assist in strengthening your enterprise risk management program. That is our business.

All the best,



President

"Building Better Builders"

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