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ACIG

news

ACIG Founded in May 1981, Three Decades of Progress

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Here is a list of some memorable events from 1981.

- First launch of the space shuttle
- First IBM personal computer assembled
- Private satellite dishes approved by the Federal Communications Commission (FCC)
- 52 American hostages released after 14 months of captivity in Iran
- Assassination attempt on President Ronald Reagan

1981 also witnessed the founding of American Risk Transfer Insurance Company (ARTIC) in May. This was the culmination of a very detailed feasibility study and many months of planning by the founding members.

The four (4) founding members were:

- Don Love, Don Love, Inc., a petro-chemical contractor in Houston, TX
- Richard Pepper, Pepper Construction Company, a general building contractor in Chicago, IL
- Doug Pitcock, Williams Brothers Construction Co., Inc., a street and road contractor in Houston, TX
- Bill McIntyre, McIntyre Financial Services, Inc., Dallas, TX.

We are fortunate to have three of our founding members actively serving on ACIG's Executive Committee.

Over the past three (3) decades, ACIG has undergone a number of changes. I would like to highlight some of the key dates in ACIG's history.

Date	Meeting
May 1981	ACIG commences business as ARTIC; St. Paul fronts all policies.
December 1986	Activates ACICRRG, under the Liability Risk Retention Act to write liability risks.
April 1987	Forms ACRPG to place excess liability on a group basis. Still in use today on the Group Professional/Pollution.
January 1988	"Project Independence" initiated to license ACIG Insurance Company in all states.
March 1993	ACIG begins underwriting Contractor Controlled Insurance Programs (CCIPs).
January 1997	A.M. Best rating of A-, FSC V (\$10-\$25 million).
January 1998	ACIG moves "onshore."
October 2003	ACIG initiates "Project Lifesaver."
April 2005	AZ Strategic Alliance with Zurich.
June 2007	A.M. Best Rating of A, FSC VIII (\$100-\$250 million).
December 2010	ACIG equity is \$119,442,000 Thirty-nine (39) members Inception to date profits of \$199,727,000 Inception to date dividends/distributions of \$123,505,000

ACIG's success is directly related to the commitment and support of our members, their agents and our team of professional service providers.

[ACIG Sharing Knowledge Platform](#)

ACIG launched its ASK Platform on April 15, 2011. The function of ASK is to provide Quality, Safety, Legal and Risk Management resources for exclusive use by our members. The platform was designed using Microsoft SharePoint as the backbone and customized to meet our specific requirements. Access to ASK requires a secure username and password. Please contact Kari Levy at Kari.Levy@acig.com to receive your username and credentials. ASK incorporates the following features:

- 1) Discussion Boards
- 2) Calendar of ACIG meetings, Peer Groups, etc.
- 3) Member upload – documents can be uploaded by members.
- 4) Consultant maps for Quality and Safety experts
- 5) Technical manuals
- 6) Checklist by CSI code – over 300 files available.

- 7) Safety Resources – hazard analysis, Life-Saving Commitments, PowerPoint presentations
- 8) ACIG Quality Newsletter
- 9) Risk Management resources – topic-specific documents
- 10) Legal – document repository for contracts, subcontracts, subconsultant contracts, insurance requirements.
- 11) Lessons Learned – uploaded by our members.
- 12) Today's news – RSS news feeds

ACIG is committed to delivering value-added service to its members, so we are very interested in your comments and feedback on the ASK Platform. Please send your e-mail comments to Mike.ONeill@acig.com.

ACIG Financial Report March 31, 2011

ACIG's shareholders' equity increased to \$120,976,000, an all-time high (at March 31, 2011). We reported pre-tax income of \$10,461,000 for the quarter ended March 31, 2011 before policyholder dividends and other related return premiums and bonus of \$7,166,000. ACIG reported net income of \$2,296,000 for the quarter ended March 31, 2011.

ACIG's Investment Portfolio

Asset Allocation as of March 31, 2011

	Market Value as of 3/31/11	Percent of Total
Insurance Reserves Portfolio	\$ 180,706,883	100.0%
BlackRock	\$ 180,706,883	
Capital Portfolio	\$ 136,962,725	100.0%
Equities		33.9%
Dodge & Cox Stock Fund (U.S.)	\$ 7,374,273	5.4%
Vanguard Primecap Fund	\$ 18,156,263	13.3%
Wellington Global Perspectives	\$ 11,659,170	8.5%
Calamos Global Growth & Income	\$ 9,121,829	6.7%
Convertibles		24.9%
Zazove	\$ 23,476,951	17.1%
Calamos Global Growth & Income*	\$ 10,664,235	7.8%
Fixed Income		37.6%
Western-Absolute Return	\$ 14,438,079	10.5%
T. Rowe Price High Yield Fund	\$ 2,824,014	2.1%
Payden GNMA Fund	\$ 18,959,951	13.8%
Franklin Templeton Global Bonds	\$ 15,317,398	11.2%
Real Assets		3.6%
BlackRock TIPS	\$ 4,970,562	3.6%
TOTAL INVESTMENTS	\$ 317,669,608	

**“\$317,669,608
in total investments”**

Shareholders' Equity (as of 3/31/11)	<u>\$ 120,976,000</u>
Common Stock as a % of Shareholders' Equity	33.9%

ACIG earned an overall return of 2% on its investment portfolio for the quarter ended March 31, 2011.

Project Lifesaver Report

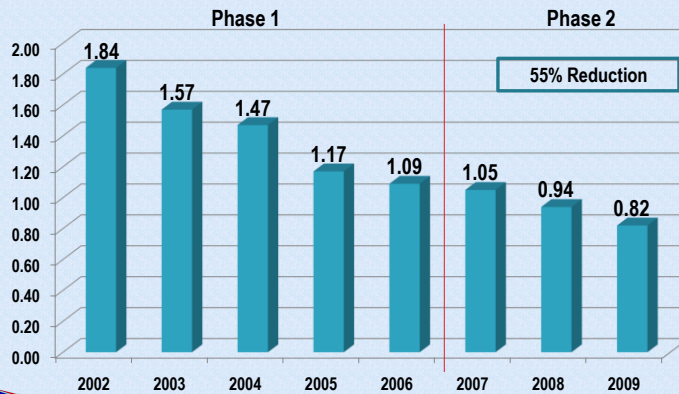
ACIG members continue to produce outstanding results in our Project Lifesaver Initiative. Over the seven (7) recent policy years, they have reduced their loss rates as follows:

Workers Compensation	55% improvement
General Liability	74% improvement
Auto Liability	52% improvement

The accompanying charts chronicle the improvements over time. These results are a testament to our members' safety culture that permeates their operations. To achieve meaningful reductions, we need to remain vigilant and strive for Zero Accidents.

"A 55% reduction in PLS Recordable Cases"

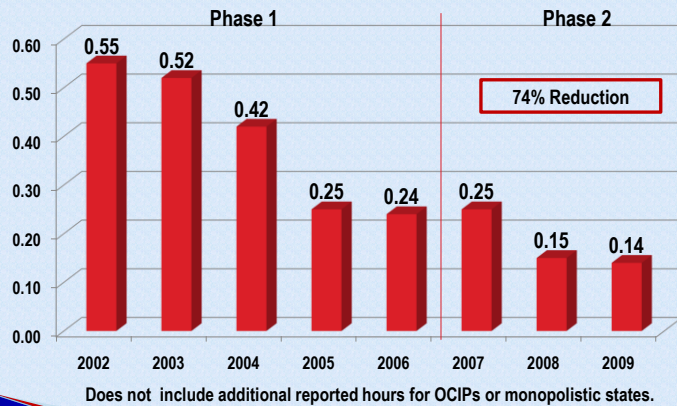
**Project Lifesaver
Workers Compensation – PLS Rate
Per 200,000 Manhours**



© American Contractors Insurance Group, Inc.



Project Lifesaver General Liability – PLS Rate Per 200,000 Manhours

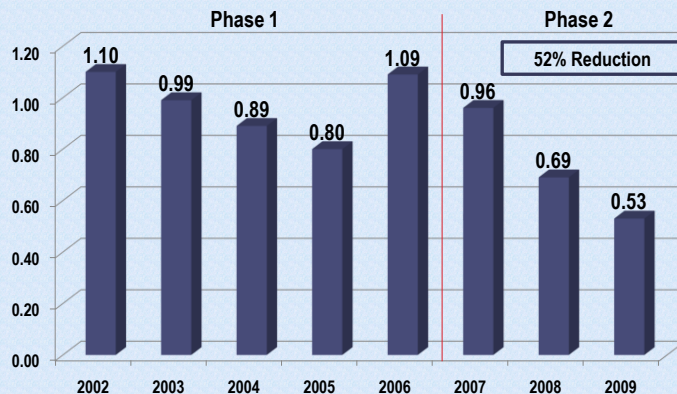


© American Contractors Insurance Group, Inc.



*“General Liability
loss rate has been
reduced by 74%”*

Project Lifesaver Auto Liability – PLS Rate Per 100 Units



© American Contractors Insurance Group, Inc.



*“Auto Liability
loss rate has been
reduced by 52%”*

AZ Program Report

ACIG and Zurich entered into a Strategic Alliance on June 1, 2005 to address some significant issues facing our general building contractors.

1. Subcontractor liability exclusions, limitations and related claims disputes.
2. States that did not allow any meaningful risk transfers due to anti-indemnity and insurance regulations.
3. Low limits of insurance maintained by first and second tier subcontractors.

All of these issues are still present in the current insurance market.

The AZ Program provides a seamless program insuring core program projects, project specific CCIPs and rolling CCIPs for smaller projects. All of the insurers and limits are identical under all three (3) aspects of the AZ Program.

“AZ Premiums of
\$156,595,633”

As of March 31, 2011, our seven (7) AZ members have produced the following premiums.

Workers Compensation	\$27,412,747
Primary Liability	81,785,479
Umbrella/Excess Liability	<u>47,397,407</u>
Total	\$156,595,633

Included in this total is the premiums generated on five hundred thirty-two (532) CCIPs, with construction values exceeding \$7.12 billion.

The initial underwriting results and economic benefits are very positive; however, this book of business has a long tail and the overall results will not be known for several years.

We meet with the Program Underwriters every two (2) weeks to monitor the results and make any changes.

Building Information Modeling (BIM) First Known Claim

As reported in the May 23rd issue of *Engineering News Record*, a lawsuit involving construction of a life-science building at a major university is the first known claim related to the use of BIM. In the Life-Sciences Building, the architect and its MEP engineer used BIM to fit the MEP systems into the ceiling plenum. The design team did not inform the contractor that the extremely tight fit depended on a very specific installation sequence.

When the contractor was approximately 70% through assembly, it ran out of space in the plenum. Everything fit in the BIM model, but not in the actual installation. The claim was resolved amongst the parties and the professional liability underwriter totaling millions of dollars.

Sleep Deprivation Is A Major Safety Issue

People are sleeping an average of 1½ hours less than they did a century ago. Sleep deprivation has become a wide-ranging health problem in the U.S. Without enough sleep, employees have a reduced ability to recognize or avoid risks. From injuries and accidents to lapses in judgment, sleep deprivation creates an occupational hazard.

Missing one night's sleep may make employees clumsy and irritable. After missing two night's sleep, employees may have problems concentrating and make mistakes on routine tasks. Employees with long-term sleep deprivation can experience heart attacks, heart failure, strokes, high blood pressure, psychiatric problems and an increased mortality risk.

Sleep deprivation was the root cause of a number of our catastrophic auto liability claims. We found that the drivers had worked an extended shift and had commuted several hours before reaching the jobsite. The drivers fell asleep at the wheel and woke up upon impact with another vehicle.

Although employees' sleep habits are largely out of employers' control, employers need to be aware of the effects of sleep deprivation and train their supervisors and foremen to look for "early warning signs."

ACIG Member Unique Projects

Cajun Constructors, Inc.

Chalmette Loop Levee Project



Cajun Constructors, Inc. will soon complete construction of over eight miles of pile-supported, steel-reinforced, concrete floodwalls in St. Bernard Parish, LA. The W912P8-10-C-0047 Chalmette Loop Levee, Hwy 46 to River, Reach 148.02 firm-fixed price incentive contract, awarded to Cajun in February 2010, is one of the largest floodwall projects ever procured by the US Army Corps of Engineers. The project is part of the Greater New Orleans Hurricane and Storm Damage Risk Reduction System. In addition to construction of the floodwalls, the scope of work includes installation of six gates, construction of fronting protection at St. Mary's Pump Station, modifications to existing utilities and other related activities.

The US Army Corps of Engineers issued the final design in November 2010. In just a few short months, Cajun and its subcontractors have completed installation of 1,750,000 SF of sheet piles and 2,250,000 LF of H-piles. Cajun has placed 145,000 CY of concrete to date with another 10,000 to be placed in the upcoming weeks. During the height of the construction effort, Cajun placed over 13,000 CY of concrete per week.

The resources required to perform this magnitude of work within the accelerated schedule have been extensive. At its peak, the effort involved over 100 crawler cranes, two on-site concrete batch plants, 15 splice yards, and a workforce of over 1,200. Cajun has worked a total of 1,163,655 man-hours with no lost time accidents.

Cajun will complete construction of 100 year flood protection by June 1st and the remainder of the work by November 1, 2011. The final project cost will be well below the initial target cost.

ACIG Contractors in the News

Berglund Construction Company is celebrating 100 years in business. Over the past 100 years, Berglund has earned a reputation as a premier builder and historic preservationist that thrives on high-profile, complex and challenging projects in Illinois, Indiana, Ohio and Wisconsin.

Forrester Construction Company job achieved the perfect balance at American Society of Hematology (ASH). The ASH project received LEED platinum certification for the new office building that contained more than 80,000 square feet. Many of the construction materials were regionally sourced and manufactured using recycled products.

Nabholz Construction Corporation has families, clients and friends impacted by the devastating tornado that struck Joplin, MO. It was the single deadliest tornado in more than half a century. Nabholz collected donations and organized volunteers to assist in the relief efforts in Joplin.

Charles Pankow Builders, Ltd. received two prestigious Historic Preservation awards from The Historic Hawaii Foundation. The projects were 1) restoration of selected historic homes at Hickman Air Force Base and 2) the rehabilitation of the Eisenhower House. These awards are Hawaii's highest recognition of preservation, rehabilitation and restoration of the state's cultural heritage.

Team Member Spotlight

Each quarter we feature one of our ACIG team members.

Team Member: Larry Owen

Position at ACIG: Quality Consultant

Years of Service: 2 years, 8 months

Family Members: Wife Chris, daughter Shannon, daughter Karyne, daughter Kristy, stepson Grant

Pets: Je t'aime and Jacques, two toy poodles

Hometown: Muskogee, OK

First Paying Job: Gas station attendant

Favorite Pastime: Traveling with family, playing with grandchildren, working in the yard, golf and reading

Favorite Movies: Star Wars, The Matrix, Transformers

Most Recent Book Read: Zero Trends

iPod Favorites/Favorite Songs: Songs from the 60s

Dream Vacation: Wales, where my ancestors are from, Abbey Road and Pebble Beach Golf Course

People at Your Fantasy Dinner: Jesus, my Dad and Mom, JFK and Mickey Mantle

Favorite Food: BBQ, BBQ and BBQ. Did I mention BBQ?

ACIG Meetings and Workshops

Meeting	Location	Dates
Safety/Claims Workshop	San Diego, CA	September 20-22, 2011
Risk Management Workshop	Sea Island, GA	October 27-29, 2011
In-House Legal Counsel Forum	Dallas, TX	November 2011
Quality Peer Groups	Varies	TBD
ACIG University	Dallas, TX	TBD
Best Practices	Scottsdale, AZ	February 23, 2012
Annual General Membership	Scottsdale, AZ	February 24, 2012

Concluding Thoughts

In the first six (6) months of 2011, there have been a number of natural disasters impacting our global economy.

In January, Queensland, Australia experienced deadly and costly flash flooding. On February 22, Christchurch, New Zealand was the epicenter of a 6.4 magnitude earthquake that killed over 100 and caused billions in property damage. Japan was devastated by an 8.9 magnitude earthquake and tsunami on March 11, 2011. Many lives were lost, property destroyed and the Fukushima nuclear facility suffered major damage. The earthquake and tsunami pushed Japan into an economic recession.

The United States was not spared. In April, a deadly tornado struck Tuscaloosa, Alabama, leaving its path of destruction across the south. Joplin, Missouri was the site of an F-5 tornado on May 23rd, where sustained winds of over 200 miles per hour destroyed everything in its path. Most recently even Massachusetts experienced its own deadly tornado. As I write this, wildfires still burn in Arizona, New Mexico and Texas.

These natural disasters have resulted in thousands of deaths, tens of billions in property, business interruption and supply chain losses. It seems no locale is immune from natural disasters; this would be a good time to review your emergency preparedness and disaster recovery program.

All the best,



President