

ACIG *news*

Let's Stop the Carnage

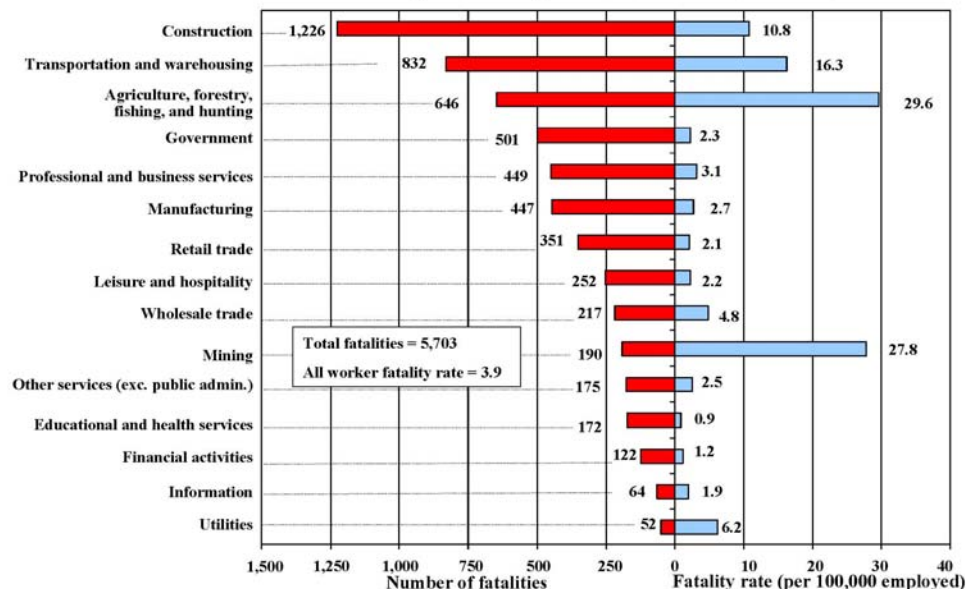
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Construction takes the lead again in a dismal statistic, the number of job deaths. The number of construction deaths rose by nearly 3% in 2006 to 1,226. The Bureau of Labor Statistics Census of Fatal Occupational Injuries, released August 9, 2007, reported the construction industry fatality rate stood at 10.8 per 100,000 employees. The number of workers in the construction industry grew from 10.3 million in 2004 to 11.4 million in 2006.

Construction's fatality rate ranks high among major sectors, but is lower than agriculture, forestry, fishing and hunting (29.6), mining (27.8) and transportation and warehousing (16.3).

Number and rate of fatal occupational injuries, by industry sector, 2006



Although the construction sector had the highest number of fatal injuries in 2006, the industry sectors with the highest fatality rates were agriculture, forestry, fishing, and hunting and mining.

SOURCE: U.S. Bureau of Labor Statistics, U.S. Department of Labor, 2007

Highway accidents remain the most frequent type of work-related fatality, accounting for nearly one out of every four fatal work injuries, 1,329.

Fatal work injuries involving falls increased by 5% in 2006 to 809. Fatal

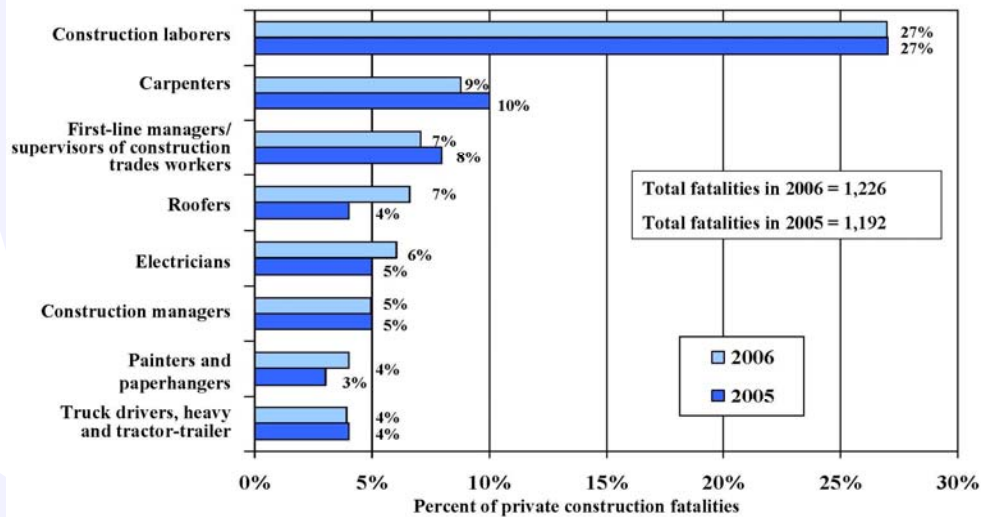
falls from roofs increased by 15% over 2005 to 184.

The number of workers who were fatally injured from being struck by objects was lower in 2006, 583, a 4% decline from 2005.

The 937 fatality work injuries among Hispanic and Latino workers in 2006 represented the largest annual total for this class of individuals since the BLS fatality census began in 1992.

The BLS fatality report contained a breakdown of occupations in the private construction industry.

Distribution of fatalities by selected occupations in the private construction industry, 2005–06



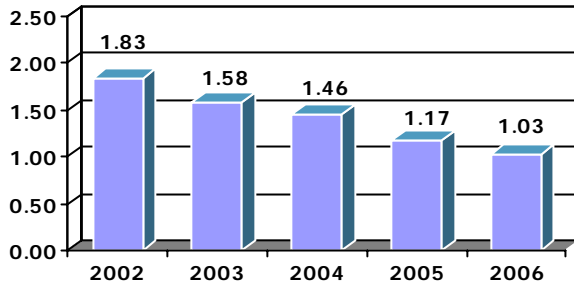
Fatal work injuries involving construction laborers accounted for more than one out of every four private construction fatalities in both 2005 and 2006.

SOURCE: U.S. Bureau of Labor Statistics, U.S. Department of Labor, 2007

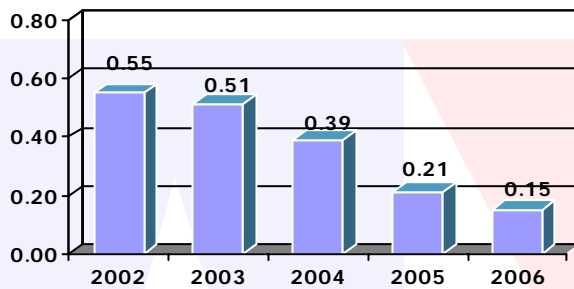
Project Lifesaver Results

We began the Project Lifesaver initiative on June 1, 2003. Our objective was to reduce both the frequency and severity of losses. The following graphs show our improvement.

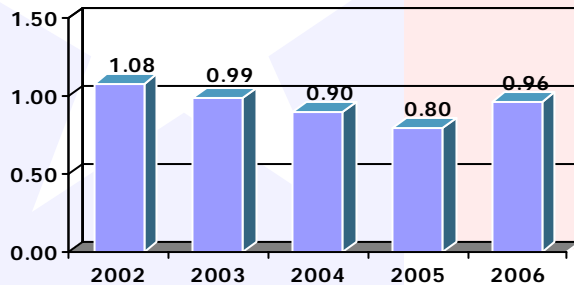
WC Losses Per 200,000 Manhours



GL Losses Per 200,000 Manhours



AL Losses Per 100 Power Units



PLS Financial Results

Policy Year	Expected Losses	Incurred Losses*	Loss Reduction
2003	\$49,329,682	\$37,803,135	\$11,479,547
2004	47,304,117	37,660,465	9,643,652
2005	62,682,881	49,882,917	12,799,962
2006	67,069,283	55,251,718	11,817,565
		Savings	\$45,760,726

“Loss rate reductions of 43.7% for W/C, 73% for G/L and 11.1% for A/L.”

“\$45,760,726 in loss reduction.”

*Includes IBNR and ALAE reserves.

These outstanding results are the direct result of teamwork between our ACIG contractors and the ACIG service teams.

Project Lifesaver Phase II Challenge

Beginning with our June 1, 2007 common policy date, we are raising the bar for future safety performance. Our goals are simple:

- Prevent jobsite deaths.
- Achieve a 40% reduction in the PLS Loss Rates over the next four (4) policy years.

The annual Project Lifesaver meetings are being conducted in the 4th quarter of 2007. The Contractor Action Plans developed by our members provide a roadmap for continuous improvement in moving towards our goal of zero accidents.

ACIG is working in conjunction with Mr. Ronn Lehmann to perform safety culture evaluations for our members. These have already been completed for Williams Brothers, McBride and the Weitz Company-Nebraska division. In addition, Ronn has been engaged by The Danella Companies and G.A. & F.C. Wagman to complete an assessment of their respective safety cultures. Rob Hunt of ACIG is coordinating this effort, so if you are interested, please contact Rob at 972-687-9452.

ACIG's Best Rating

On June 5, 2007, A.M. Best published ACIG's new rating. We are rated as an A (Excellent), Financial Size Category VIII (\$100 to 250 million in policyholders' surplus). A.M. Best's independent review and rating of ACIG validates our business plan and our successful operating results. We maintain an automatic fronting arrangement with Discover Re (Travelers) in those rare instances where our A.M. Best Rating is not acceptable.

"ACIG's Rating is A (Excellent) VIII (\$100-250 million policyholders' surplus)."

Financial Report

ACIG reported very strong financial results thru the 3rd quarter. ACIG's Economic Performance can be measured by adding the following items:

■ Retrospective Return Premiums	\$37,777,000
■ Policyholder Dividends	19,973,000
■ Income Before Taxes	<u>5,489,000</u>
Total Economic Performance	\$63,239,000

As of September 30, 2007, our shareholders' equity was \$103,278,000.

ACIG Investment Portfolio

ACIG's investments are under the direction of our investment committee. The committee members include Chairman Mel Gray, Richard Pepper, Jim Danella and Bill McIntyre.

Asset Allocation
as of September 30, 2007

	Market Value as of 09/30/07	Percent of Total
Total Fixed Income	\$263,924,581	86.3%
BlackRock	\$192,531,229	62.9%
Western-Absolute Return	\$ 31,529,897	10.3%
Convertibles		
Zazove	\$ 28,090,494	9.2%
Calamos Global Growth & Income	\$ 11,772,961	3.8%
Total Equity	\$ 41,924,906	13.7%
Dodge & Cox	\$ 19,608,580	6.4%
Primecap	\$ 16,966,326	5.5%
Private Capital	\$ 5,350,000	1.7%
Total Investments	<u>\$305,849,487</u>	100%
Stockholders' Equity (as of 9/30/07)	<u>\$103,278,000</u>	
Stocks as % of Shareholders' Equity*		46.6%
<small>*includes common stock from Calamos portfolio</small>		

*Total investments of
\$305,849,487*

ACIG/Zurich Strategic Alliance

The AZ Program has been restructured to provide a broader scope of coverage and higher limits of liability. The AZ Program consists of three (3) elements.

- 1) Core Program - Non-CCIP Projects
- 2) Rolling Program - For smaller projects that share a \$75 million aggregate limit.
- 3) Project Specific - For larger projects that have dedicated limits of \$75 million.

In addition to improving the coverages and limits, we have developed a project specific pricing methodology that takes into account the project location, as well as commercial/residential components for projects with construction schedules up to thirty-six (36) months.

AZ Program Bound Projects

CCIP Projects	197
CCIP Construction Values	\$4,212,774,799
CCIP Estimated Premiums	\$108,065,484
Smallest Project	\$25,000
Largest Project	\$420,000,000

Many national and regional general building contractors have adopted the Contractor Controlled Insurance Program (CCIP) as a method to mitigate risk and develop a funding mechanism for their long-tail liabilities.

*"Mitigate risk and
develop a funding
mechanism for long-tail
liabilities."*

Obese Workers Drive Up Workers Compensation Costs

A Duke University Medical Center study found that obese workers file twice the number of workers compensation claims, have seven times higher medical costs from those claims and lose 13 times more days of work from work injury or work illness than did non-obese workers.

“Obese workers had seven times higher medical costs.”

“We all know that obesity is bad for the individual, but it isn’t solely a personal medical problem – it spills over into the workplace and has concrete economic costs,” said Truls Ostbye, M.D., PhD, professor of community and family medicine.

In his keynote speech at the 27th Annual IRMI Construction Risk Conference, Don Greenland, COO, Nabholz Construction Company, noted that fully 50% of their employees are obese. In response, Nabholz has introduced a wellness program to encourage their workforce to adopt a healthier lifestyle. Given the strong link between obesity and workers compensation costs, maintaining healthy weight is not only important to workers, but should be a high priority for employers.

Iron Worker Saved From Fall

At a Danis Building project, an iron worker passed out (for undetermined reasons) and fell from a steel joist he was welding on, 12 ½ feet above the ground. He was wearing his harness while using a self-retracting lifeline attached to a beam. Because he was wearing his harness, the iron worker did not receive any injury due to the fall and was able to be pulled back up onto the roof deck by his co-workers. Had the worker been following the OSHA standard, up to 15 feet without fall protection, he would have fallen 12 ½ feet head first onto the concrete floor suffering serious, life threatening or even fatal injuries. This is a great success story for implementation of a 100% fall protection standard on this project.

ACIG Meetings and Workshops

<u>Date</u>	<u>Meeting</u>	<u>Place</u>
November 28-29, 2007	In-House Legal Counsel	Dallas, TX
January 29-30, 2008	ACIG University	Dallas, TX
February 21-22, 2008	ACIG Annual Meeting	Palm Beach, FL
April 22-23, 2008	Best Practices	Chicago, IL
April 24-25, 2008	Safety/Claims Workshop	Chicago, IL

ACIG Contractors in the News

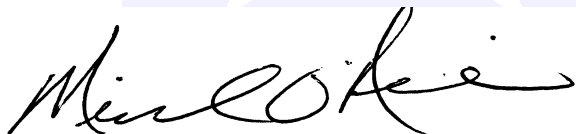
Dan's Excavating, Inc. just completed a major project for the Michigan Department of Transportation, MDotM-10. This \$52MM project was completed in 80 days, 15 days earlier than estimated. The second bidder on this project proposed a 180-day schedule. Dan's was able to beat their original schedule by two weeks and to outperform the 2nd place bidder by three months. Dan's Excavating, Inc. joined ACIG in 2002.

Lane Grigsby, founder of Cajun Constructors, was the subject of a front page article in the July 3, 2007 issue of the *Greater Baton Rouge Business Report*. The article chronicled Cajun's humble beginnings and its measured growth over the years. Lane has been heavily engaged in the Louisiana political process over the years and is noted as one of Louisiana's most successful businessmen. Cajun joined ACIG in 2005.

Summary

For the period October 3, 2007 to October 31, 2007, our members suffered three (3) job related deaths on their projects. These deaths involved an ant bite leading to anaphylactic shock, a railroad incident and a tree removal incident. Two of these three incidents involved employees who were working alone and who experienced communication problems in contacting emergency medical responders. This would be an opportune time to reinforce your communication protocols for notifying the worker's supervisor and the emergency medical first responders.

All the best,



Executive Vice President

