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ACIG

news

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Traffic Accidents – A Growing Contributor to Workers Compensation Claims

There are three (3) leading types of workers compensation-related motor vehicle accidents: collisions with other vehicles, vehicle collisions with stationary items and vehicle “upsets” (overturned or jackknifed). Each has its own mix of injuries and costs as well as differing consequences for the occupants, for our members and ACIG.

Key findings in a recent NCCI study revealed that motor vehicle claims make up 2.2% of workers compensation claims, but represent more than 5.5% of total losses due to a disproportionate share of more severe workers compensation claims. Nearly 40% of motor vehicle claims are lost time as opposed to just under 23% for all claims.

A startling fact is that only 40% of motor vehicle fatalities involved truck drivers. Two construction categories made the top ten list: street and road construction and excavation. Other occupations that made the list involved workers driving or riding to various locations to perform their work.

Motor vehicle claims have a longer duration than all other claims, with only 77% and 91% of claims being closed at 24 and 60 months post accident. These claims have a dramatically higher percentage of attorney involvement, 12% as compared to 4% for all workers compensation claims.

The leading cause of motor vehicle accidents and near accidents is driver distraction according to a joint study by the National Traffic Safety Administration and Virginia Tech Transportation Institute. Their study concluded that 80% of crashes and 65% of near crashes involved some form of driver distraction within three (3) seconds of the event. Driver distractions are more than cell phone usage and drowsiness. The following chart lists the behavior and the increased risk factor of a crash or near crash. For example, reaching for a moving object increases the risk of a crash or near crash nine-fold.

“80% of all crashes involve some form of driver inattention”

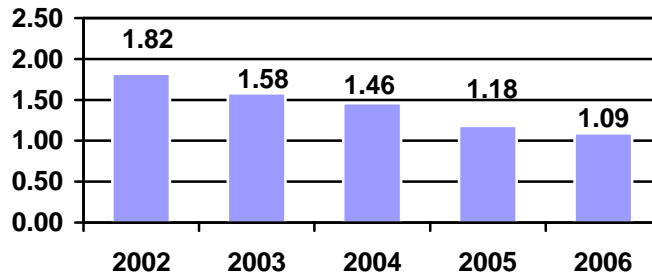
Behavior	Increased Risk Factor
Reaching for a moving object	9
Drowsiness	4
Looking at external object	4
Reading while driving	3
Applying make-up	3
Use of cell phones/handheld devices	
Dialing	3
Talking/listening	1

Source: *Driver Distractions and Increased Risk Factors, National Highway Traffic Safety Administration and The Virginia Tech Transportation Institute.*

Project Lifesaver Results

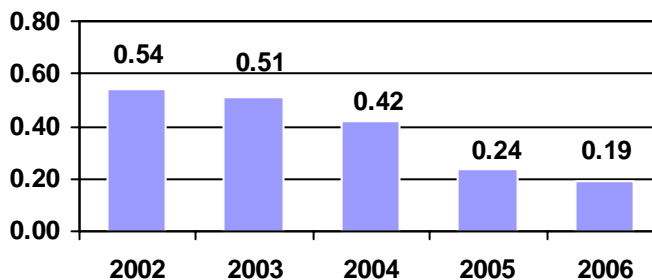
We began the Project Lifesaver initiative on June 1, 2003. Our objective was to reduce both the frequency and severity of losses. The following graphs show our improvement in lost time cases as of April 8, 2008.

Workers Compensation - 41% Reduction



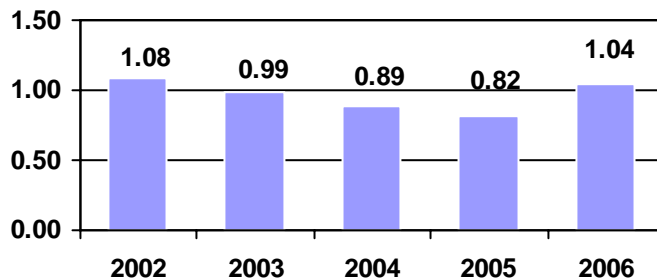
Per 200,000 Manhours.

General Liability - 65% Reduction



Per 200,000 Manhours.

Auto Liability - 4% Reduction



Per 100 power units.

Project Lifesaver Financial Results as of April 8, 2008

Policy Year	Expected Losses	Incurred Losses*	Loss Reduction
2003	\$49,329,682	\$36,632,502	\$12,697,181
2004	47,304,117	39,482,116	7,822,001
2005	62,682,879	50,146,979	12,535,899
2006	65,900,934	49,314,358	16,636,639
Savings			\$49,691,720

*“\$49,691,720
of 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.

ACIG 1st Quarter Financial Results

ACIG reported pretax income before policyholder dividends of \$10,203,000 for the quarter ended March 31, 2008. Due to favorable loss reductions, we accrued recorded \$19,715,000 in retro return premiums for the quarter. Our Project Lifesaver Initiative continues to provide the impetus for improved financial results.

ACIG 4th in *Business Insurance* Ranking

ACIG is the 4th largest policyholder owner captive insurance facility as reported by *Business Insurance*. With 2006 gross premium writings of \$151,282,000 for our 38 members, we averaged \$3,981,105 per member.

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 March 31, 2008

	Market Value as of 3/31/08	Percent of Total
Total Fixed Income	\$277,395,969	88.3%
BlackRock	\$208,304,546	66.3%
Western-Absolute Return	\$ 31,043,541	9.9%
Convertibles		
Zazove	\$ 27,111,479	8.6%
Calamos Global Growth & Income	\$ 10,936,402	3.5%
Total Equity	\$ 36,867,949	11.7%
Dodge & Cox (U.S.)	\$ 16,496,818	5.2%
Dodge & Cox (Int'l)	\$ 4,745,421	1.5%
Primecap	\$ 15,625,710	5.0%
TOTAL INVESTMENTS	<u>\$314,263,917</u>	100%
Stockholders' Equity (as of 3/31/08)	<u>\$102,103,000</u>	
Stocks as % of Shareholders' Equity*		42.3%
<small>*includes common stock from Calamos portfolio</small>		

Total investments of
\$314,263,917.

ACIG/Zurich Strategic Alliance

The AZ Program is structured to provide a broad scope of coverage and high 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 of up to thirty-six (36) months.

AZ Program Bound Projects

CCIP Projects	247
CCIP Construction Values	\$4,697,159,709
CCIP Estimated Premiums	\$115,031,759
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 means to mitigate risk and develop a funding mechanism for their long-tail liabilities.

ACIG Group Professional/Pollution Liability Program

As project owners continue to modify, and in some cases, develop new project delivery methods, our professional liability risk is expanded for pre-construction, post-construction and other services beyond the traditional “means and methods” of construction. ACIG’s innovative group professional/pollution program was developed to respond to the ever expanding role of contractors.

“Risk expanded beyond traditional means and methods”

ACIG Contractors’ Professional/Pollution/Protective (CPPI) Group Program

Total policy limits for both layers combined are \$50 million each claim and \$125 million group shared annual aggregate with a mold/fungus sublimit of \$25 million each claim, \$25 million each contractor, and \$65 million group shared annual aggregate.



“ACIG’s Program provides broad coverage, high limits and competitive pricing”

Contractor’s pollution coverage is provided on an occurrence basis. Professional liability and mold coverage are claims-made. All policy limits are shared group aggregate limits. Defense costs are included in policy limits.

Best Practices Session

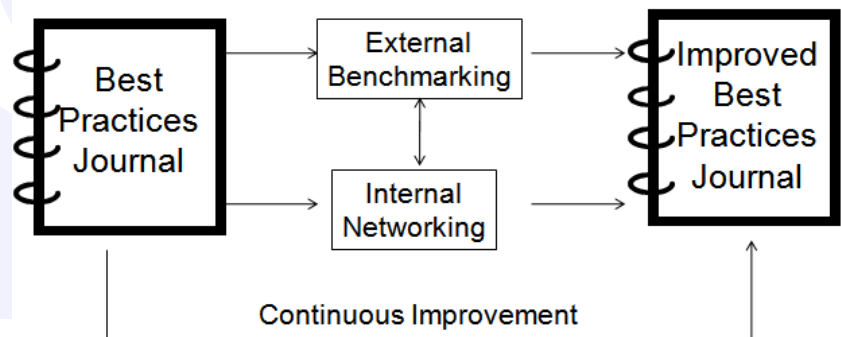
ACIG conducted its 5th Annual Best Practices Session on April 23, 2008 at the Hyatt Regency O'Hare in Chicago, Illinois. We had record attendance with 270 attendees.

Joe Wagman, chairman of the Best Practices Steering Committee, made the opening comments followed by a Project Lifesaver Status Report. The morning session included the industry specific breakout sessions that were facilitated by our contractors. The afternoon included concurrent sessions on topics requested by the members. This year's topics included:

- Construction Defect Issues
- Developing a High Performance Safety Culture
- Introduction to Behavior Based Safety
- Job Hazard Analysis
- Post-Accident Response on Serious Claims
- The Fastest Way to a Fit Workforce

These Best Practices sessions support a culture of continuous improvement.

Best Practices must be documented and distributed before they can be referred to, applied and improved upon. This enables and encourages Continuous Improvement.



Please mark your calendar for April 15, 2009 for the 6th Annual Best Practices Session to be held in Dallas.

ACIG Meetings and Workshops

<u>Date</u>	<u>Meeting</u>	<u>Place</u>
August 28, 2008	ACIG Quality Summit	Dallas, TX
September 17-19, 2008	Safety/Claims Workshop	Baltimore, MD
October 29 - November 1, 2008	Autumn Risk Management Workshop	Santa Barbara, CA
November 20, 2008	In-House Legal Counsel	Dallas, TX
February 19-21, 2009	ACIG Annual Meeting	San Diego, CA
April 15, 2009	Best Practices Session	Dallas, TX

Employee Spotlight

Each quarter we will feature one of our ACIG team members.

Employee Name: Alida J. Marraccino

Position at ACIG: Senior Claim Representative, WC

Years of Service: 4 ½

Family Members: Son, Anthony, 17 and Daughter, Julianna, 14

Pets: None – two children suffice!!

Hometown: Born/raised in San Diego, CA. Currently living in Rancho Santa Margarita, CA

First Paying Job: McDonald's (ugly uniform and all!)

Dream Car: Candy Apple Red Porsche Carrera, convertible

Favorite Pastime: Watching my son play baseball, watching my daughter dance, running and of course, cheering for the SD Padres and Chargers

Favorite Movies: It's a Wonderful Life; Grease; Remember the Titans; The Quiet Man

Most Recent Book Read: Eat, Pray, Love

I-Pod Favorites/Favorite Songs: Sweet Home Alabama; Brown-Eyed Girl; Summer Wind; The Way You Look Tonight; Amazing Grace

Dream Vacation: A few weeks in Fiji and Tahiti with my children and close friends with no e-mail or cell phone access.

People at Your Fantasy Dinner: My Grandma and Grandpa, John F. Kennedy, Mother Theresa and of course, Jesus.

ACIG Contractors in the News

Distinguished Alumnus Award – Texas A&M University James D. Pitcock, Jr.

James D. “Doug” Pitcock, Jr. graduated from Texas A&M in 1949 with a Bachelor of Science degree in civil engineering.

Pitcock began his professional career in 1950 as a purchasing agent for Farnsworth & Chambers in Houston. He served as a first lieutenant in the U.S. Army from 1951 to 1952 before returning to Farnsworth & Chambers. By 1955, he was co-founder, partner, president and CEO of Williams Brothers Construction, a company he built from a startup to one of the nation’s largest highway construction firms. In 1976, Pitcock was appointed by President Gerald R. Ford to the National Transportation Policy Study Commission and served as national president of Associated General Contractors of America in 1984. In 2002, he was honored for his emergency reconstruction of the collapsed Queen Isabella Causeway in Port Isabel, Texas. Pitcock was inducted into the Texas Good Roads and Transportation Association Hall of Fame in 2004, the Texas Transportation Institute’s Hall of Honor in 2005 and was honored as the “Houston Engineer of the Year” in 2006.

Doug has generously volunteered his time and resources to Texas A&M, funding numerous scholarships, fellowships and research projects. He has been honored as a Distinguished Graduate of Texas A&M’s Department of Civil Engineering and as an Outstanding Alumnus of the Dwight Look College of Engineering.

Doug is a founding member of ACIG and hold positions on both the Executive and Compensation Committees.

Summary

As the National Traffic Safety Administration and Virginia Tech Transportation Institute research has validated, driver distraction is the leading cause of motor vehicle accidents.

If you don’t have a cell phone usage policy, we recommend you develop one. If you have a policy, enforce it uniformly and lead by example.

All the best,



Executive Vice President