



ACIG news

London Olympics Construction Safest in 20 years

Construction of previous summer Olympics venues had resulted in numerous serious injuries and deaths. The fatality record for the past five (5) is shown below:

Year	Location	Deaths
1992	Barcelona	2
1996	Atlanta	1
2000	Sydney	1
2004	Athens	14
2008	Beijing	10

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Sebastian Coe, former Olympic gold medalist and chairman of the London Organizing Committee, was given the challenge of leading the Mega Project. He developed a very succinct mission, "To deliver venues, facilities and infrastructure on time, fit for purpose and in a manner that maximizes the delivery of a sustainable legacy within budget." From the beginning, the protection of the health and safety of everyone involved was paramount.

The construction challenge was enormous: five (5) major venues, ten (10) new railroad lines, 100 hectares of parklands and waterways, new infrastructure and residential high-rises. The project employed over 46,000 people with a peak workforce of 14,500. The safety and health leadership team was involved early in the pre-construction phase of the project. The team applied lessons learned from previous mega projects, such as the Channel Tunnel and Heathrow Terminal projects.

Compounding the challenge, they had twelve (12) different languages on most of the sites. Putting things in pictures was an important strategy in addressing the language barriers.

Project management recognized the importance of respect, trust, empowering parties to work to the best effect, motivating people to achieve more than they think they can, being consistent, alignment in the supply chain, clarity, transparency, shared commitment and planning ahead.

At the opening ceremony, the construction team celebrated their goal of constructing the Olympic venues in a safe manner with no deaths.



ACIG Financial Report September 30, 2012

Balance Sheet Profile

ACIG reported total assets of \$377,595,000 as of September 30, 2012 versus the \$345,492,000 reported at December 31, 2011. ACIG's shareholders' equity was \$128,360,000, a record high (versus \$120,487,000 at December 31, 2011). ACIG posted net unrealized gains on investments (net of tax) of \$14,295,000 at September 30, 2012, an increase of \$4,925,000 from December 31, 2011.

Operating Results for the Nine Months Ended September 30, 2012

ACIG reported pretax income of \$23,217,000 for the nine months ended September 30, 2012 before policyholder dividends and other return premiums of \$16,534,000 and related bonuses of \$2,895,000. ACIG accrued premium refunds of \$16,534,000 payable to the ACIG insureds pursuant to our capital management strategy versus budgeted transactions of \$17,233,000. ACIG reported net income of \$2,798,000 for the nine months ended September 30, 2012 versus budgeted net income of \$1,875,000, primarily because investment gains were realized that were not budgeted.

ACIG's Investment Portfolio

Asset Allocation as of September 30, 2012

	Market Value	Percent of Total
Insurance Reserves Portfolio	\$ 208,592,330	58.7%
BlackRock	\$ 182,992,280	
State Deposits	\$ 25,600,050	
Capital Portfolio	\$ 146,952,278	41.3%
Equities		
Dodge & Cox (Global)	\$ 7,301,516	2.1%
Primecap	\$ 19,061,284	5.4%
Wellington Global Perspectives	\$ 11,699,946	3.3%
Calamos Global Growth & Income	\$ 9,375,953	2.6%
Convertibles		
Zazove	\$ 24,817,261	7.0%
Calamos Global Growth & Income	\$ 10,504,430	3.0%
Fixed Income		
Western-Absolute Return	\$ 15,477,636	4.4%
T. Rowe Price High Yield Fund	\$ 5,340,394	1.5%
Payden GNMA Fund	\$ 20,832,716	5.9%
Franklin Templeton Global Bonds	\$ 16,732,524	4.7%
Real Assets		
BlackRock TIPS	\$ 5,808,618	1.6%
TOTAL INVESTMENTS	\$ 355,544,608	100%

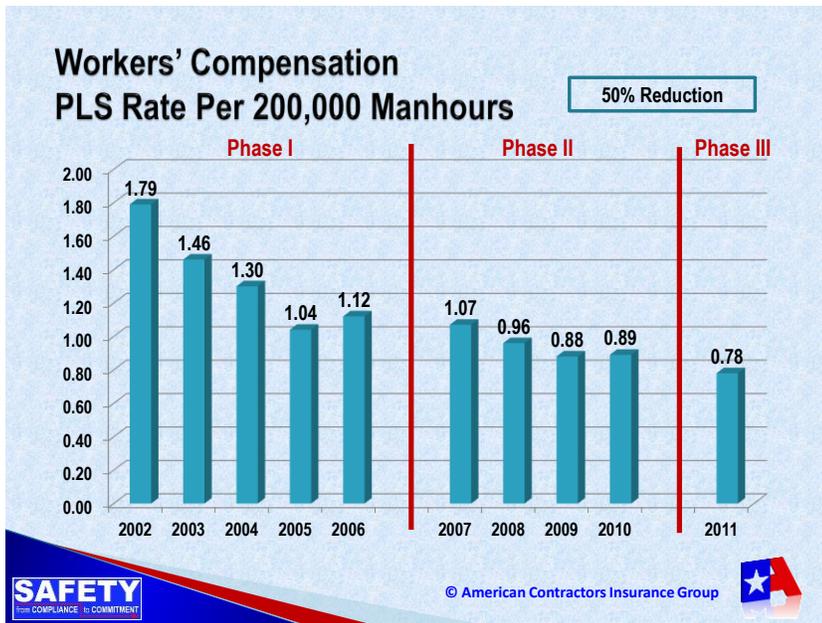
**“\$355,544,608
in total investments”**

The investment portfolio returns were 2.8% for Q3 2012; 5.6% for the nine months ended September 30, 2012; and 7.9% for the year ended September 30, 2012.

Project Lifesaver Report

ACIG members continue to produce positive results in our Project Lifesaver Initiative. Over the nine (9) recent policy years, our members have reduced their loss rates as follows:

Workers Compensation	50% improvement
General Liability	70% improvement
Auto Liability	72% improvement



"A 50% reduction in PLS Recordable Cases"



"General Liability loss rate has been reduced by 70%"

“Auto Liability loss rate has been reduced by 72%”



Much work remains on eliminating severe injuries and deaths on our projects. ACIG’s safety consultants will be working with our members to identify high hazard activities and work with them to implement the best safety strategies.

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.

“AZ Premiums of \$176,946,546”

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.

As of September 30, 2012, our six (6) AZ members have produced the following premiums:

Workers Compensation	\$ 32,631,727
Primary Liability	\$ 91,902,274
Umbrella/Excess Liability	\$ 52,412,545
Total	\$176,946,546

Included in this total is the premiums generated on 659 CCIPs, with construction values exceeding \$8.2BB.

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.

ACIG Member CEO's Top Risk Factors

ACIG conducted a survey of its member CEO's and developed a listing of their top risk factors. They identified the following:

- Government, Regulatory, Economy
- Workforce Issues
- Contract Risk
- Project Funding
- Competition
- Subcontractor Default
- Safety/Quality
- Margin Compression

SpawGlass: Building Independence for a Severely Injured Veteran

A custom stone in the backyard of a new home in Tomball, TX built for severely injured U.S. Marine Corporal Daniel Peterson is engraved with the statement "This land is free because of the brave."

While on his second deployment, Corporal Peterson, a Marine sniper, was left a double amputee after an explosion in Afghanistan on July 24, 2010. Suffering traumatic amputations to both of his legs, Corporal Peterson also had a fractured pelvis – the broken bones and shrapnel from the blast causing further internal injuries.

Homes for Our Troops (HFOT), a national non-profit organization dedicated to building and donating specially adapted homes for severely injured veterans, committed to providing a new home to this Marine who had sacrificed so much. SpawGlass-Houston President Michael Emmons contacted HFOT to see how SpawGlass could get involved as part of Pillar 5 of their Strategic Plan, "have strategic community involvement."

On June 23, after four months of construction, SpawGlass team members and a huge crowd of well-wishers looked on as Corporal Peterson received the keys to his new home, constructed by SpawGlass with the generosity of many subcontractors and suppliers.

When asked to work on the project without the benefit of being paid, subcontractors and suppliers agreed without hesitation and willingly donated time and materials valued at over \$200,000. Many people were working in their spare time, after normal working hours or had groups of employees working on the weekends.

With a gorgeous view of a duck-filled lake in the backyard, Peterson's new home goes well beyond ADA compliance and features an open floor plan, automatic door openers, hard-surfaced floors, a roll-in shower with electronic water temperature control, a roll-under cook-top, 5-foot wide sidewalks and more.

Corporal Peterson says, "This house will be like if I had legs. To have my independence back is the best gift someone could give me. A specially-adapted HFOT home will give me and my family a home to call our own and make a place for our kids to grow. Having it adapted to my needs will make all of the obstacles in life that much easier. Thank you for helping to give me back some of the everyday freedoms we have fought to preserve...regaining my independence will help me continue to stay in the fight."



ACIG Member Unique Project

Sellen Builds Ultra-Green Project – Federal Center South Building



The U.S. government recently opened a new, highly efficient office building south of downtown Seattle. Federal Center South is the new home for the U.S. Army Corps of Engineers Seattle District Headquarters. A team of Sellen Construction and ZGF Architects won the design-build contract in 2010.

The government expects the building to earn an ENERGY STAR efficiency score of 100 – putting it in the top 1 percent of comparable buildings – and the second-highest “gold” rating in the U.S. Green Building Council’s Leadership in Energy and Environmental Design rating program.

Green features include:

- Extensive use of natural daylight.
- Low-impact landscaping.
- A rainwater collection system that captures water and stores it in a 25,000 gallon cistern for use in toilets, irrigation, cooling and landscaping.
- Geothermal energy wells that extend 150 feet below ground and loop water for cooling and heating.
- Thermal storage that ‘stores’ cold-energy for future use in the chilled beams to cool the office space.
- An efficient heating, ventilation and air conditioning system that uses under-floor air distribution.
- Use of nearly 200,000 board feet of structural timber and 100,000 board feet of wood decking salvaged from the adjacent decommissioned warehouse.
- Use of vertical stainless steel shingles.
- Recycling or salvaging of nearly 99 percent of construction waste.



Medical Cost Containment Results

Annually, ACIG reports on the results of its medical cost containment program. We engage CorVel and other vendors to reprice the workers compensation medical bills for accuracy and adherence to state specific medical reimbursement schedules.

Total Medical Bill Reviewed	\$8,658,895
Net Savings	\$4,404,802
Net Savings Rate of	51%

This program continues to produce significant savings for our members.

ACIG Notes and Notables

- ❖ ACIG held its 1st Latino Workforce Safety & Health Summit in Dallas on October 3, 2012. Dr. Don Eggerth, National Institute for Occupational Safety and Health (NIOSH), was the keynote presenter. In addition, member presentations were made by KSI and Vaughn on their safety initiatives for their Latino workforce. There were forty (40) member attendees.
- ❖ American Contractors Insurance Company Risk Retention Group (ACICRRG) was featured in the October issue of the *Risk Retention Reporter*.
- ❖ Mike O'Neill was the keynote speaker at the Dallas Chapter of Chartered Property and Casualty Underwriters (CPCU's) Annual All Industry Day. His presentation was on the Alternative Risk Markets.

ACIG Contractors in the News

Bush Construction has not experienced any lost-time incidents since its founding in 2008. This result was due primarily to the planning and diligence of their construction superintendents.

Cajun Industries was named Louisiana's Contractor of the Year by *Engineering News Record* (ENR) for its deft ability to capitalize on unprecedented opportunities in both the public and private sectors.

Graycor was featured in a three-page article in the July 12, 2012 issue of *Engineering News Record* (ENR).

Kitchell was the recipient of ENR California's First Best Safety Award for the Marian Medical Center in Santa Maria, California. The project included a central plant and a four-story patient tower.

Pepper Construction Group was recognized as the Top Contractor in Chicagoland by *Crain's Chicago*.

ACIG Meetings and Workshops

Meeting	Location	Dates
ACIG University	Dallas, TX	January 22-23, 2013
ACIG Best Practices	San Antonio, TX	February 21, 2013
ACIG Annual Meeting	San Antonio, TX	February 22, 2013
ACIG Vail Forum	Vail, Colorado	March 21-24, 2013
Safety/Claims Workshop	Dallas, TX	April 16-18, 2013
ACIG Autumn Risk Management Workshop	Washington, DC	October 24-26, 2013

Concluding Thoughts

Recently I attended the Property Casualty Insurance Association's (PCIA) Annual Meeting. The meeting was well attended and featured nationally known experts and presenters on a variety of topics. I found it interesting that not one session contained any mention of safety and quality programs and their positive impact on reducing the cost of claims.

In contrast, ACIG's Risk Management Workshop was all about practical and effective ways to manage risk on our projects. We combine our members' years of experience with some of the best new and innovative approaches in the areas of safety, project management and quality. Proactive risk management is the key to controlling the cost of claims, which comprises 65% of your premium dollars.

All the best,



Michael A. Keen
President & CEO