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2600 N. Central Expressway, Suite 800
Richardson, TX 75080
www.acig.com
(972) 702-9004

ACIG

news

ACIG's Enterprise Risk Management (ERM) Program

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Enterprise Risk Management is the broad description of the integration of Risk Management across an organization's operations. In the case of ACIG, it incorporates the assessment and monitoring of investment, underwriting, operational and reputation risks along with greater sophistication in the modeling of its organizational risk. A.M. Best now requires a written Enterprise Risk Management Program as a supplement to our detailed financial statements when analyzing and publishing our A.M. Best Rating. We conducted our analyst call with A.M. Best on September 17, 2013. The following is an outline of the key elements in ACIG's Enterprise Risk Management (ERM) Program.

I.	Board and Senior Management Involvement
II.	Establishment and Communication of Risk Management Objectives
III.	Risk Tolerance and Key Metrics
IV.	Roles, Responsibilities and Oversight
V.	Strategic Decision Making
VI.	Risk Identification and Management
VII.	Performance vs. Key Metrics
VIII.	Emerging Risk Issues
IX.	Risk Measurement and Capital Modeling
X.	Management's Perspective on Key Risks

ACIG's Senior Management team will continue to revise and update our ERM Program as our business evolves and changes.

To request a copy of ACIG's ERM program, please contact Mike O'Neill at mike.oneill@acig.com.

ACIG Financial Report June 30, 2013

Balance Sheet Profile

ACIG reported total assets of \$388,421,000 as of June 30, 2013 versus the \$383,653,000 reported at December 31, 2012. ACIG's shareholders' equity was \$130,344,000 (versus \$127,944,000 at December 31, 2012). ACIG posted net unrealized gains on investments (net of tax) of \$12,830,000 at June 30, 2013, a decrease of \$133,000 from December 31, 2012. The unrealized gain (net of tax) on the bond portfolio decreased by \$3,727,000 and the unrealized gain (net of tax) on the common stock portfolio increased by \$3,594,000.

Operating Results for the Six Months Ended June 30, 2013

ACIG reported pretax income of \$19,422,000 for the six months ended June 30, 2013 before policyholder dividends and other return premiums of \$13,431,000 and related bonuses of \$2,352,000. ACIG accrued premium refunds of \$13,431,000 payable to the ACIG insureds pursuant to our capital management strategy versus budgeted transactions of \$10,850,000. ACIG reported net income of \$2,458,000 for the six months ended June 30, 2013 versus budgeted net income of \$1,650,000, primarily because investment gains were realized that were not budgeted.

ACIG's Investment Portfolio

Asset Allocation as of June 30, 2013

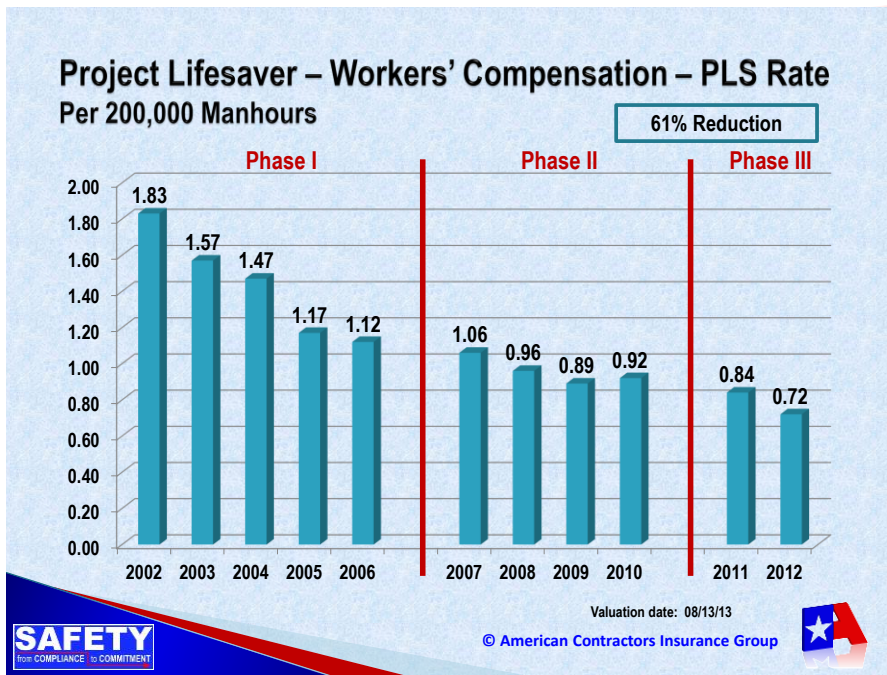
	Market Value	Percent of Total
Insurance Reserves Portfolio	\$ 194,316,436	55.2%
BlackRock	\$ 173,088,982	
State Deposits	\$ 21,227,454	
Capital Portfolio	\$ 157,915,573	44.8%
Equities		
Dodge & Cox (Global)	\$ 8,532,360	2.4%
Primecap	\$ 21,824,015	6.2%
Wellington Global Perspectives	\$ 14,183,634	4.0%
Vanguard – International Growth	\$ 7,400,470	2.1%
Convertibles		
Zazove	\$ 26,130,764	7.4%
Allianz	\$ 12,452,574	3.5%
Fixed Income		
Western – Absolute Return	\$ 15,893,832	4.5%
T. Rowe Price High Yield Fund	\$ 5,636,086	1.6%
PIMCO – Income Fund	\$ 13,520,967	3.8%
Franklin Templeton Global Bonds	\$ 17,483,377	5.0%
JP Morgan – Mortgage-Backed-Securities	\$ 14,857,494	4.2%
TOTAL INVESTMENTS	\$ 352,232,009	100%

“\$352,232,009
in total investments”

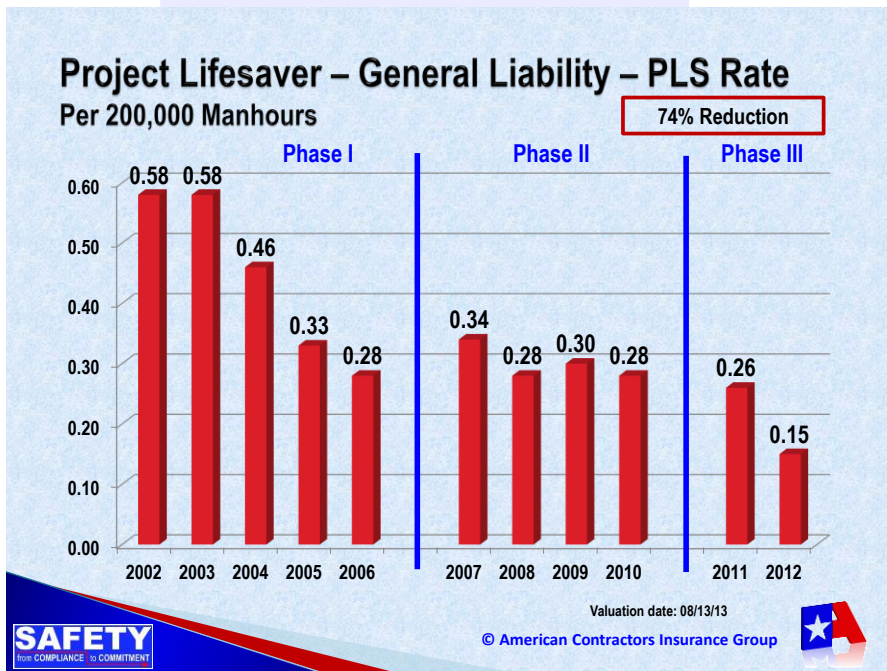
Project Lifesaver Report

ACIG Members continue to produce positive results in our Project Lifesaver Initiative. Over the last ten (10) policy years, our Members have reduced their loss rates as follows:

- Workers Compensation 61% improvement
- General Liability 74% improvement
- Auto Liability 54% improvement

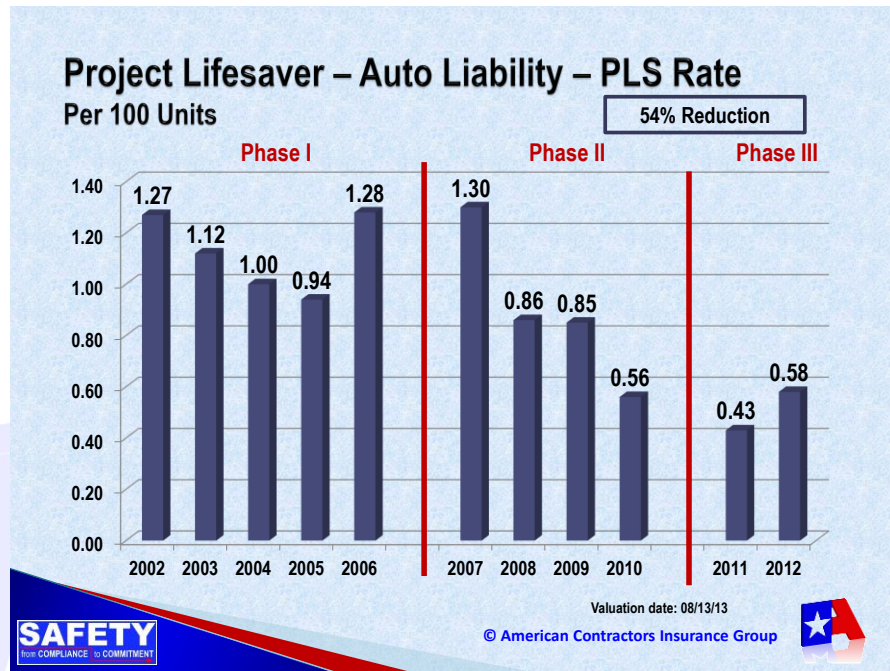


“A 61% reduction in PLS Workers Compensation Rate”



“General Liability PLS rate has been reduced by 74%”

*“Auto Liability
PLS rate has been
reduced by 54%”*



Much work remains on eliminating severe injuries and deaths on our projects. ACIG’s safety consultants are working with our Members to identify high hazard activities and implement best practices.

AZ Program Report

ACIG and Zurich entered into a Strategic Alliance on June 1, 2005 to address significant risk and insurance issues facing our general building contractors including:

1. Subcontractor liability exclusions, limitations and related claims disputes.
2. Disallowing any meaningful risk transfer due to state anti-indemnity statutes and insurance regulations.
3. Low limits of insurance maintained by first and second tier subcontractors.

The AZ Program provides a seamless program insuring practice program projects, project-specific CCIPs and rolling CCIPs for smaller projects. All of the insurers’ layering and limits are identical for all three (3) towers of the AZ Program.

As of September 21, 2013, the six (6) AZ Members have produced the following premiums:

*“AZ Premiums of
\$192,483,295”*

Workers Compensation	\$ 38,421,272
Primary Liability	\$ 98,349,822
Umbrella/Excess Liability	<u>\$ 55,719,201</u>
Total	\$192,483,295

Included in this total is the premiums generated on 741 CCIPs, with construction values exceeding \$8.9BB.

While the overall performance of the AZ Program will not be known for several years due to the long-tail (10 years) completed operations claims exposure, the current underwriting results and economic benefits are very favorable.

ACIG Conducts A Successful Fall Safety/Claims Workshop

On September 11th and 12th the ACIG Safety and Claims divisions conducted another successful workshop for our Members. We had 159 attendees and 32 first-time attendees. Mr. James Swanson, CEO of Kitchell Corporation, presented the Keynote presentation. The Steering Committee crafted a great program with a mix of Members, outside speakers and ACIG speakers. We would like to thank the following Steering Committee Members who are rolling off the committee after three years of dedicated service to our workshops: Jay Canada - Safety & HR Director for McGeorge Companies, Boyd Worsham - VP for Haskell Companies and Robert Celestino - VP Risk Management for J J White, Inc. One of the common themes during the Workshop was employee engagement and improving your safety and claims management systems by deploying best practices within your organization.

One of the key deliverables of the Workshop was the creation of a Member task force to develop best practices to address crisis management issues, training of our employees and deploy these processes at the project level. Many thanks to Tricia Kagerer, Risk Management Executive, who conducted an outstanding presentation on crisis management and enlisting our Members to join the task force.

We are looking forward to seeing everyone again in St. Louis, MO for our Spring 2014 Workshop.

Medical Cost Containment Audit Results

Annually, ACIG's Claims Consultants conduct an audit of our Medical Cost Containment Program. Two (2) companies, CorVel and Definity, perform the majority of our medical cost containment activities.

Medical Bills Reviewed	10,763
Gross Medical Bills	\$12,363,714
Net Medical Bills Paid	- 4,083,013
Gross Savings	\$ 8,280,728
Medical Cost Containment Fees	- 180,804
Net Savings	\$ 8,100,104

Our Members receive significant medical bill savings as a result of ACIG's Medical Cost Containment Program.

ACIG Open House

We will be hosting an Open House at our new office location on Thursday, November 14, 2013, from 6:30 p.m. to 8:30 p.m. Invitations will be sent to ACIG Members, Agents/Brokers, other stakeholders and ACIG Employees and Spouses. Kendra Coulson will be coordinating all the Open House activities; please contact her at Kendra.Coulson@acig.com or via phone at (972) 687-9480.



ACIG Notes and Notables

Carl Heinlein, ACIG Senior Safety Consultant, will be presenting “Fleet Risk Management Strategies” at the International Risk Management Institute (IRMI) Construction Risk Conference.

Patricia Kagerer, ACIG Risk Management Executive, was a co-presenter in an Associated General Contractors (AGC) Webinar, “Managing Your Hispanic Construction Workforce”.

Michael O’Neill, ACIG President & CEO, will be a panel member at the National Risk Retention Association (NRRRA) Annual Meeting. The panel session, “What Keeps the CEOs Up at Night” will provide a discussion of emerging risks and mitigation strategies.

Michael Overholt, ACIG Manager – Safety & Quality, will be a featured presenter at the Lean Construction Institute’s Program in Chicago, IL on November 7, 2013. He will present the results of ACIG’s Project Lifesaver Initiative and impact of Best Practices on Safety and Quality.

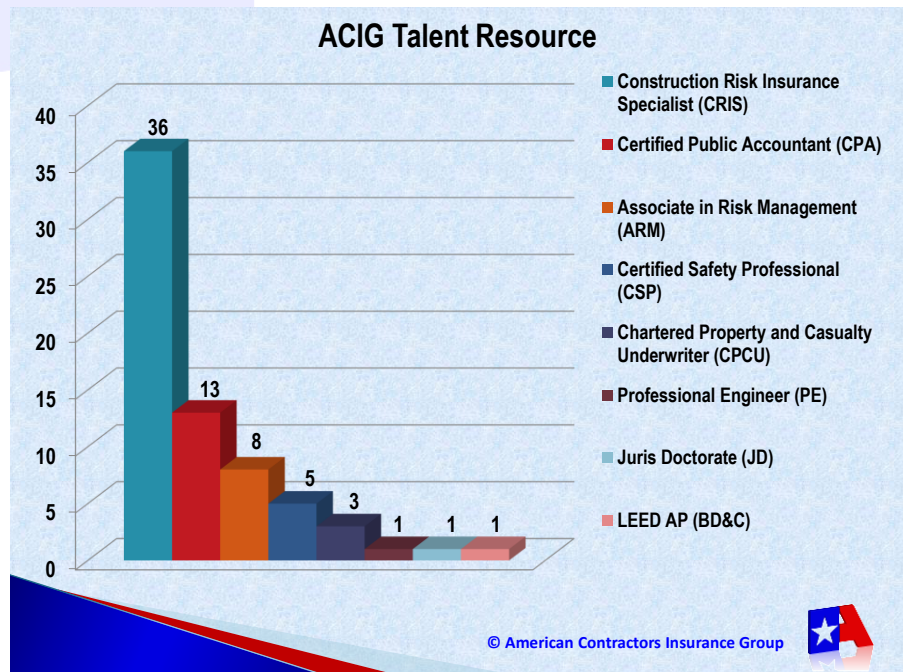
ACIG Team Members

ACIG has seventy-three (73) employees that comprise our ACIG Team. These team members are focused on providing professional services to our Members.

ACIG has a vigorous employee acquisition and retention process consisting of:

1. Identifying the best candidates;
2. Rigorous testing to ensure a “good fit”;
3. In-depth group interviews; and
4. A formal onboarding process.

ACIG supports a culture of development and continuous learning. The following Talent Resource Exhibit shows the effectiveness of our employee acquisition and retention program.



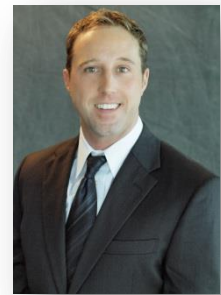
ACIG Adds Quality Consultant

Karl Weber joined ACIG as a Quality Consultant in early August 2013. Karl is a LEED AP (BD&C) and earned his Bachelor of Science degree from the University of Florida in Building Construction. He also holds an MBA degree from the University of South Florida.

Prior to joining ACIG, he was a Regional Quality Manager and Manager of Engineering for Gilbane Building Company. He will be working with Quality Peer Groups II and III. Karl is a great addition to the ACIG Team.

Karl's contact information:

Mr. Karl Weber, Quality Consultant
Karl.Weber@acig.com
 Direct: 972-687-9401
 Cell: 214-364-9283



ACIG Contractors in the News

Robin Jensen, General Counsel, Total Risk Management, wrote an article, *"You Can Always Get What You Want (If You Know What to Ask For): Drafting Additional Insured Requirement for Construction Contracts"* that appeared in the American Bar Association's Construction Industry Newsletter.

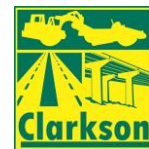
SpawGlass is celebrating its sixtieth (60) anniversary.

Charles Pankow Builders, Ltd. is celebrating its fiftieth (50) anniversary.

The Texas Building Branch of the Associated General Contractors (AGC) recognized **Vaughn Construction** for Excellence in Construction on the Harris County Regional Forensics Genetics Laboratory.

Nabholz Industrial Services recently transported and installed a steel Crossfit gym on the Tucker Creek Walking Trail in honor of Navy EOD Tech Scott Weaver. Weaver was severely wounded by an improvised explosion device (IED) while serving in Afghanistan and received both a Purple Heart and Bronze Star for his heroic actions.

Shimmick Construction Co., Inc. was ranked #1 in water supply projects in California. This is the first time Shimmick Construction Co., Inc. has been ranked #1 in this category.



SpawGlass

Pankow

VAUGHN
CONSTRUCTION

INTEGRITY
NABHOLZ

SHIMMICK
CONSTRUCTION

ACIG 2013-14 Education and Networking Calendar

Event	Location	Dates
In-House Legal Counsel Forum	Dallas, TX	October 7-8
Risk Management Workshop	Washington, DC	October 24-26
ACIG University	Dallas, TX	January 29-31
Best Practices	New Orleans, LA	February 19
ACIG Annual Meeting	New Orleans, LA	February 20
Vail Contractors Forum	Vail, CO	March 20-23
Spring Safety/Claims Workshop	St. Louis, MO	April 8-10
Quality Peer Groups	Various	Various
Safety Peer Groups	Various	Various

Concluding Thoughts

The construction industry has lost a number of tradesmen as a result of the prolonged economic recession. Current predictions show an increase in the amount of commercial construction over the next several years.

As the construction economy improves, the emphasis shifts to effective employee acquisition, orientation and training. ACIG stands ready to assist our Members in their Enterprise Risk Management (ERM) programs.

All the best,



President & CEO