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ACIG

news

ACIG Outshines the U.S. Property and Casualty Industry

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The U.S. Property and Casualty Industry reported an underwriting profit for the first time since 1978, with a combined ratio of 97.9%. ACIG on the other hand has produced an underwriting profit (before policyholder dividends and other return premiums) in every year since its inception in 1981. ACIG's selection criteria and underwriting discipline, coupled with the commitment of our shareholders to risk management, have played a major role in our underwriting profits.

New ACIG Shareholders

We would like to welcome two (2) new shareholders to the ACIG program.

Vaughn Construction, based in Houston, Texas, became an ACIG shareholder on March 7, 2005. They are a general building contractor that works exclusively in Texas. They self perform the concrete portions of their projects and can also provide construction management and design/build services. For more information, please visit their website at www.vaughnconstruction.com.

McGeorge Contracting Company, Inc., based in Pine Bluff, Arkansas, became an ACIG shareholder on June 1, 2005. McGeorge Contracting Company, Inc. has been in the heavy construction, mining, grading and paving business in Arkansas for over 60 years. Their capabilities include:

- Solid waste landfill construction
- Major highway construction
- Industrial site grading and development
- Mining and materials

For more information, please visit their website at www.mcgeorgecontracting.com.

Financial Report

For the quarter ending March 31, 2005, ACIG had very strong results based upon a pre-tax basis.

Profits	\$ 1,251,000
Retro Returns	8,997,000
Policyholder Dividends	<u>3,290,000</u>
Total	\$13,538,000

*“\$84,192,000 in
shareholders’ equity”*

As of March 31, 2005, our shareholders’ equity was \$84,192,000.

ACIG Investment Profile

ACIG’s investments are under the direction of our investment committee. The committee members are Chairman Mel Gray, Richard Pepper, Jim Danella and Bill McIntyre. The investment committee has retained the services of Angeles Investment Advisors to provide investment advice and performance measurement.

<u>Asset Class</u>	<u>Market Value</u>	<u>Percent</u>
Fixed Income: BlackRock	\$151,101,197	72.4%
Convertibles: Zazove	21,963,295	10.5%
Equities		
Dodge & Cox	15,934,429	7.6%
Primecap	11,808,875	5.7%
Private Capital	<u>7,884,095</u>	<u>3.8%</u>
Total Investments	\$208,691,899	100%

*“\$208,691,899
total investments”*

A.M. Best Rating Affirmed

A.M. Best Company recently affirmed our rating:

1. A (Excellent) rating for American Contractors Insurance Group Ltd., ACIG Insurance Company and American Contractors Insurance Company Risk Retention Group.
2. A Financial Size Category (“FSC”) VII (\$50-\$100 million of policyholders’ surplus).

The A.M. Best Rating of A (Excellent) FSC VII is believed adequate for our current business plan. In order to achieve a FSC of VIII (\$100-\$250 million of policyholders’ surplus), we would have to increase ACIG’s consolidated surplus to \$100 million from the current \$84 million.

ACIG has an automatic back-up arrangement with Discover Re to substitute their A, XV insurance policies where ACIG's A, VII is not acceptable to third parties.

2005 Renewal Report

ACIG had a truly outstanding 2005 renewal. We renewed all of our existing shareholder business and we were successful in writing the general liability coverage for three (3) current shareholders: Berglund, Hoar and McBride.

Payrolls are estimated to be \$1,125,894,524 for the June 1, 2005-06 policy period as compared to \$1,032,760,822 for the June 1, 2004-05 policy period, a 9% increase. Annual construction revenues for ACIG's members are projected to be in excess of \$9 billion for 2005.

<u>Line of Business</u>	<u>Estimated Premium</u>
Workers Compensation	\$ 56,103,323
General Liability	41,963,624
Automobile Liability	<u>8,276,078</u>
Total	\$106,343,025

*"2005 premium
surpassed
\$106,000,000"*

Pooled layers of risk - losses excess of the members retentions are pooled and the premiums to support these pooled layers are displayed below:

<u>Line of Business</u>	<u>Estimated Premium</u>
Workers Compensation	\$ 6,334,065
General Liability	14,879,550
Automobile Liability	<u>3,969,358</u>
Total	\$25,182,973

ACIG has increased its workers compensation retention to \$3,000,000 per occurrence from the previous \$2,000,000 per occurrence, plus a \$500,000 occurrence/aggregate corridor deductible. This results in a reinsurance premium savings of \$774,883. In performing our cost/benefit analysis, it was noted that ACIG has incurred claims larger than \$2,000,000 only twice in its history. One of these was reduced to an immaterial amount after subrogation recoveries. The second was incurred February 22, 2002 with an estimated value of \$2,700,000 (\$1.5 million retained by ACIG).

ACIG's reinsurance program has been placed with Discover Re, a St. Paul/Travelers company, since June 1, 1997. Our 2005 reinsurance premiums are \$1,951,574 or 1.8% of total premiums, leaving ACIG with 98.2% of the total premiums to pay expenses, fund losses and earn underwriting profits and investment income.

ACIG/Zurich Strategic Alliance

ACIG and Zurich have executed a definitive agreement detailing the formation and operation of a strategic alliance. Initially, the strategic alliance was formed to provide an integrated risk management and insurance program for select general building contractors. It is anticipated that seven (7) of our general building contractors will participate in the program. The strategic alliance includes both the “core program”, non-CCIP projects, and the “AZ program,” for CCIP projects.

To date, we have bound coverage on five (5) AZ program projects.

Project Lifesaver

*“\$12,933,548 reduction
in expected losses.”*

We started this loss reduction initiative on June 1, 2003. Our objective was to reduce the frequency and cost of losses by 40% over a two (2) year period. We have some great news to report as of May 1, 2005.

<u>Claim Counts</u>	<u>2004 Claims</u>	<u>2002 Claims</u>	<u>% Change</u>
Workers Compensation Indemnity	200	252	-21%
General Liability \geq \$5K	19	30	-37%
Automobile Liability \geq \$5K	33	36	-8%
Reduction in Expected Losses	\$12,933,548		

A Best Practices Session was held in Dallas on May 25, 2005, attended by 147 participants. Industry group breakout sessions were held for the general building, street and road and industrial/specialty contractors. In the future, the Best Practices Session will be held one day prior to the Spring safety/claims workshop.

ACIG has completed four (4) Best Practices white papers. The topics include:

- Daily safety planning
- New employee orientation
- Site specific safety plans
- Zero injury performance

These Best Practices white papers are available on our website, www.acig.com, under the Safety section.

Watch Out on Wednesdays

They may be almost as dangerous as Mondays when it comes to producing construction fatal accidents. Mondays and Fridays were thought to be the most dangerous days in construction. But, as recent data shows, there may be another day to look out for.

According to data collected by the U.S. Department of Labor on 707 fatalities studied for 2003, Monday and Wednesday had almost the identical number of fatalities 148 and 146 respectively. Friday surprisingly had the fewest number of weekday deaths, 96.

<u>Day of the Week</u>	<u>Deaths</u>
Monday	148
Tuesday	126
Wednesday	146
Thursday	132
Friday	96
Saturday	49
Sunday	<u>10</u>
Total	707

Source: U.S. Department of Labor.

The most dangerous time of the day is the time slot from two hours before and after 12:00 noon.

Of Torts and States

The U.S. Chamber of Commerce's annual ranking of state liability systems has been published. The survey polled senior corporate attorneys on how "reasonable and fair" state legal systems are. The top ranked states are Delaware, Nebraska, North Dakota, Virginia and Iowa.

"Tort reforms are needed."

Paradise for Trial Lawyers Local Jurisdictions with Worst Litigation Environment

- | | |
|-----------------------------|--------------------------------|
| 1. Los Angeles | 9. Philadelphia |
| 2. Texas (various) | 10. Houston |
| 3. New York Metro Area | 11. California (various) |
| 4. Chicago (Cook County) | 12. New Orleans |
| 5. San Francisco | 13. St. Clark County, Illinois |
| 6. Madison County, Illinois | 14. Florida (various) |
| 7. Miami (Dade County) | 15. Beaumont, Texas |
| 8. Mississippi (various) | |

Source: Harris Poll for U.S. Chamber of Commerce.

At the federal level, political victories are hard fought. President Bush signed a modest class action reform bill, but the real action on tort reform is coming at the state level.

For the full report, go to www.instituteforlegalreform.org.

Marketing

ACIG has 37 approved membership slots, and currently 36 active (premium paying) members. Accordingly, one membership slot is open.

<u>Active Prospects</u>	<u>Anniversary Date</u>	<u>Location</u>
Cajun Constructors, Inc. Industrial	July 1, 2005	Baton Rouge, LA
Haskell Companies General Building	February 1, 2006	Jacksonville, FL

ACIG Meetings and Workshops

ACIG sponsors many meetings and workshops throughout the year. These meetings and workshops provide a valuable source of networking opportunities amongst our members, staff and selected vendors.

<u>Date</u>	<u>Meeting</u>	<u>Place</u>
September 14-15, 2005	Safety/Claims Workshop	Minneapolis, MN
October 20-22, 2005	Risk Management Workshop	Charleston, SC
February 15-18, 2006	Board of Directors/ Annual Meeting	Kona, HI
March 15-17, 2006	Vail Contractors Forum	Vail, CO
October 26-28, 2006	Risk Management Workshop	Laguna Beach, CA

"Networking Opportunities"

ACIG Shareholders in the News

The American Road and Transportation Builders Association Foundation names "**Top 100 Private Sector Transportation Design and Construction Professionals of the 20th Century.**" The honorees and their firms were recognized at an October 21, 2004 gala held at the J.W. Marriott Hotel in Washington, D.C.

William E. Clarkson, Sr. of Clarkson Construction Company and James D. Pitcock, Jr. of Williams Brothers Construction Co., Inc. received this prestigious honor for their contributions to the transportation industry. ACIG would like to recognize and congratulate these two transportation industry leaders.

The Weitz Company, LLC was awarded the AGC's Construction Safety Excellence Award for the Building Division as well as the Grand Award. This year's winners were announced at the AGC/Willis Construction Safety Excellence Awards Breakfast during AGC's 86th annual convention.

The Grand Award was judged against 14 first place winners representing the "best of the best" in construction safety excellence for their safety processes, management involvement and company safety culture.

ACIG and its members congratulate The Weitz Company, LLC on sweeping this year's AGC Safety Excellence Awards.

Summary

ACIG is enjoying a great deal of financial success based upon the operations of our shareholders. The construction industry is on pace for a \$1,000,000,000,000 year and our high quality contractors will benefit from this robust market. As operations and payroll ramps up, we need to continue our vigilance in the areas of risk management, safety and claims. We appreciate your strong and continued support of the ACIG program.



Executive Vice President - Risk Services