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12222 Merit Drive, Suite 1660
Dallas, TX 75251
www.acig.com
(972) 702-9004

ACIG news



ACIG Core Values

On June 14th, we conducted an in-house session with our managers to develop our core values. We like to think of these as our corporate DNA. We have incorporated those values into an updated logo we use on our corporate intranet.

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Importance of Claims Management

This issue of ACIG News emphasizes claims management and highlights some of the programs that we have implemented in conjunction with our shareholders to reduce the cost of claims. Our ultimate goal is to achieve a zero accident result, but when an accident does occur, we want to mitigate the costs associated with the loss in the most efficient and economical manner. Below we have included details of ACIG claims management programs as well as scorecards measuring the achieved results.

1. **SWAT Team** - Provides immediate onsite response to catastrophic claims to determine the facts, capture information, preserve evidence and develop the lessons learned. A CEO SWAT Team teleconference is conducted within 30 days of the accident to discuss strategy and disposition of the claim.

June 1, 2004-05 SWAT Team Results

Total SWAT Investigations	19
Total SWAT Fatalities	15
Total SWAT Claim Reserves	\$365,201

SWAT Losses by Industry Group

General Building	1 WC
	4 GL
Street and Road	1 WC
	10 GL
	2 AL
Industrial	1 WC

2. **Medical Cost Containment** - This is designed to manage the spiraling cost of medical care on claims. We have developed a medical cost containment program whereby all WC medical bills are submitted to a medical cost containment vendor for negotiation and repricing of the medical procedures. An audit of this program produced the following results:

*Medical Cost Net
Savings of 31%*

Total Bills Reviewed	\$5,380,964
Savings Realized	<u>\$1,800,234</u>
Net Bills	\$3,580,730
Fees Paid	\$ 103,933
Gross Savings	33%
Net Savings	31%

3. **Loss Analysis Forms (LAF)** - In conjunction with Project Lifesaver, we developed a series of Loss Analysis Forms to capture detailed information on losses that would be incorporated into our RiskMaster Claims database. The idea behind this detailed loss information was to provide more trend analysis and to determine what lessons could be learned from losses.

June 1, 2004-05 LAF Results

290 Claims Met the Criteria
246 LAF Received
85% Compliance Rate

- In analyzing the 246 LAF's received, 93% of the requested data was captured.
- Most frequent missing information:
 - Copy of driver's license
 - Height/weight
 - Orientation information
 - Project information
 - Supervisor's name

85% Compliance Ratio

We expect to improve both the compliance ratio and the completion ratio on future claims.

4. **Large Claim Reviews**

Semi-annually we conduct our in-house large claims review over a two-day period. Senior management, our account executives and our claims consultants review all claims that meet a set of criteria.

One of the goals of these reviews is to make sure the claims are properly reserved. We also like to use these reviews to spot trends and then apply the appropriate risk control measures to prevent future losses while identifying new areas of exposure, e.g., welding fume litigation. (More on that topic in the next newsletter.)

In a recent study published by A.M. Best Company, the leading cause of insurer insolvency was inadequate loss reserves. ACIG has adopted several programs, policies and procedures to ensure that our claims inventory is properly valued and presented on our balance sheet.

Hurricane Relief and Reconstruction Efforts

ACIG shareholders are playing an important role in the Hurricane Relief and Reconstruction Efforts in Alabama, Mississippi, Louisiana and Texas. ACIG shareholders involved in these activities include Cajun Constructors, McGeorge Contracting, Nabholz Construction, Roy Anderson Corp. and Phillips and Jordan. ACIG, working in conjunction with our medical advisor, Dr. Stephen Dawkins, provided information regarding the proper inoculations and health measures to be taken in working in the post-hurricane affected areas.

This massive undertaking will add inflationary pressure on construction materials and equipment, as well as the cost of labor.

*Hurricane Katrina will be
a \$40BB Loss to
Insurers.*

Risk Management and Disaster Planning

The basic goal of risk management is to protect the people, assets, property and income of the organization. The death and destruction brought on by hurricanes Katrina and Rita reinforces the need for the development of a disaster plan. Several of our shareholders located on or near the gulf coast were impacted in varying degrees by the hurricanes.

ACIG has implemented a very detailed disaster plan that incorporates the following:

1. Back-up of key data.
2. A designated co-location that mirrors our live systems.
3. Employee access to key information in the ACIG system via remote desktop program.
4. Regular update/distribution of employee contact information.
5. Regular update/distribution of disaster phone-tree.

If you have not done so recently, now would be a good time to update your disaster recovery plan and perform a test of the plan to determine its effectiveness.

Financial Report

Financial results through September 30, 2005 on a pre-tax basis are as follows:

Profits	\$ 3,834,000
Retro Refunds	26,737,000
Policyholder Dividends	<u>12,108,000</u>
Total Benefit to Members	\$42,679,000

Cash and investments total \$251,049,000.

As of September 30, 2005, our shareholders equity was \$88,991,000.

*Cajun Constructors, Inc.
- ACIG's Newest
Shareholder*

New ACIG Shareholder

We would like to welcome one (1) new shareholder to the ACIG program.

Cajun Constructors, Inc., based in Baton Rouge, Louisiana, became an ACIG shareholder on July 1, 2005. Cajun is a multi-faceted company, providing a broad range of services to various industries, including water quality, power, manufacturing and industrial. They operate in Louisiana, Texas and other southern states as a specialty contractor in heavy civil, mechanical and deep foundation construction. For more information, please visit their website at www.cajunusa.com.

Project Lifesaver

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 very positive news to report.

*Congratulations to
McCarthy-Bush for
achieving the Safety
Triple Crown.*

Loss Rates per 200,000 Manhours	2004	2002	% Claims
Workers Compensation Indemnity	1.06	1.52	-30.2%
General Liability \geq \$5K	0.14	0.42	-67.0%
Automobile Liability \geq \$5K	0.87	1.06	-18.0%
Reduction from Expected Losses	\$15,837,884		

We would like to recognize and congratulate McCarthy-Bush for achieving the Safety Triple Crown for the June 1, 2004-2005 policy year.

- No WC indemnity cases
- No GL cases \geq \$5K
- No AL cases \geq \$5K

These very favorable Project Lifesaver results achieved by our shareholders are testament to their senior leaders' commitment, allocation of resources and genuine interest in the safety and well-being of their employees. We applaud your efforts and success.

ACIG/Zurich Strategic Alliance

ACIG and Zurich Construction executed a definitive agreement detailing the formation and operation of a strategic alliance. The strategic alliance was formed to provide an integrated risk management and insurance program for select general building contractors. Currently four (4) of our general contractors have bound eighteen (18) projects within the "AZ Program." The total premium of the bound projects is \$13,616,608.

Minneapolis Safety/Claims Workshop

We had a very successful meeting in Minneapolis on September 14-16, 2005, at the Sofitel Minneapolis. We held a CCIP Best Practices meeting, as well as an Incident Investigation and Root Cause Analysis training on the 14th. Fred Berglund of Berglund Construction Company started off our meeting on the 15th with a very informative CEO Presentation. There were also other exciting presentations such as, "Wellness in the Workplace" by Dr. Dawkins, "Lean Manufacturing" by Terry Madden, and "Hiring Smart" panel by Jim Williams, Julie Vernetti, and Paul Renaud. Our meeting closed with a very motivational presentation by Dr. Charles Petty. Our next workshop will be in Chicago, IL, on April 19-21, 2006, at the Westin O'Hare. We hope to see you there.

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>
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
April 18, 2006	Best Practices Session	Chicago, IL
April 19-21, 2006	Safety/Claims Workshop	Chicago, IL

ACIG Shareholders in the News

Rich Wagman, Chairman and CEO of G.A. & F.C. Wagman, Inc., joined President Bush at the signing of the new Federal Highway and Transportation Funding Bill. The signing took place on August 10 at The Caterpillar Plant in Aurora, Illinois. Rich played a critical role in pushing for the bill's passage as Chairman of the American Road and Transportation Builders Association, which exclusively represents the interests of all sectors of the U.S. Transportation Construction Industry.

LeChase Construction Services, LLC was recently awarded the 2005 New York General Building and Contractor's Safety Excellence Award. The award will officially be presented at the GBC 50th Anniversary Celebration/Annual Meeting.

*Continuous Improvement
is the Goal.*

Brady Company/Central California, Inc. of Castroville, CA was awarded the AWCI's 2005 Excellence in Construction Safety Award. Every morning since 1999, Brady has started its workday with a 15-minute safety toolbox and "stretch and flex" session.

On June 28 James D. "Doug" Pitcock, Jr., Chairman and CEO of Williams Brothers Construction Company, was inducted into the Texas Transportation Hall of Honor. Pitcock was described at the ceremony by former Texas Department of Transportation director, Arnold Oliver, as being "a steady guiding force and treasured confidante in the industry."

Summary

Project Lifesaver results to date are very favorable. The next round of Project Lifesaver meetings are in the process of being scheduled. As a group, we are performing at a very high level, but the challenge will be to maintain the discipline to continue to improve.

"Obstacles are those frightful things you see when you take your eyes off your goals."

Dedicated to your service,



Executive Vice President - Risk Services