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ACIG

news

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Relentless Discovery

In July 1951, the U.S. Congress authorized the construction of a nuclear-powered submarine for the U.S. Navy, which was planned and personally supervised by Admiral Hyman G. Rickover, known as the “Father of the Nuclear Navy”. This new breed of submarine would be called *Nautilus* and would carry the hull number SSN-571.

Nautilus's keel was laid at General Dynamics' Electric Boat Division in Groton, Connecticut by President Harry S. Truman. *Nautilus* was powered by the S2W Naval reactor, a pressurized water reactor manufactured by Westinghouse Electric Corporation. She was launched on January 21, 1954 by Mamie Eisenhower, the wife of President Dwight D. Eisenhower. At 11:00 a.m. on January 17, 1955, she was put out to sea for the first time and signaled her historic message, “Underway on Nuclear Power”.

Since the maiden voyage on *Nautilus* SSN-571, the U.S. Navy's nuclear corps has a Perfect Safety Record; no injuries or deaths due to reactor failure. This 56-year safety record was achieved despite varying reactor models installed on hundreds of submarines. Our submarines are operated by young sailors, not many years out of high school or college. Selecting the right crew along with an intense training program has contributed to the operational success.

Nautilus became the first watercraft to reach the geographic North Pole on August 3, 1958. The trip beneath the ice cap was an important boost to America as the Soviets had recently launched Sputnik, but had no nuclear powered submarines of their own.

What was the secret to the U.S. Navy's success? Program leaders cultivated an environment in which vexing problems would be resolved through discovery. Emphasis was placed on experimentation, models and pilots done at high speed, but with great discipline resulting in accelerated discovery. Formal de-briefing fostered continuous improvements. These improvements became part of the U.S. Navy's best practices.

SWAT – Six Months Report

ACIG utilizes its SWAT protocol to respond to catastrophic events. It is the member's responsibility to contact ACIG as soon as possible to report a SWAT event. ACIG's claim consultants organize the SWAT team that will respond to the event. The team is comprised of contractor's senior leadership, project personnel, legal counsel, accident reconstruction engineers and others as needed. The SWAT team will meet at the project site to assess the facts and circumstances, interview witnesses, take photographs and establish the chain of custody for supplies, materials and equipment that may have contributed to the event. A CEO conference call is conducted within 30 days to evaluate the loss and to develop our joint strategy to mitigate the financial impact of the event.

June 1 to December 1, 2010

- 6 SWAT Losses
- 2 Reportable Deaths

Notice to ACIG: Range 15 minutes to 12 hours
ACIG On-site: Range 4 hours to 24 hours

We recommend that each member conduct a mock SWAT drill annually to test your reporting and immediate response to a catastrophic event.

Best Practices Meeting 2011

Our annual best practices meeting was held on February 17th at the Four Seasons Resort in Las Colinas, TX. There were 145 attendees for this important meeting. Patrick Murphy, Jr., CEO, Murphy Company, was our keynote speaker. He provided a historical review, along with information on their Behavioral Based Safety Program. They have adopted many of the key components of a Behavior Based Safety Program and tailored them to their union environment.

Based upon member feedback, we employed roundtable groups in the Industry Group sessions. This provided a more relaxed atmosphere and a higher level of engagement by the participants.

This year's special emphasis topics included:

- Behavior Based Safety
- Near Miss Programs
- Subcontractor Valued Partner Program
- Key Risks in Green Projects
- Prequalifying and Hiring Designers/Sub-consultants
- Safety and Risk Management on Transportation Projects

Special thanks to our Industry Group facilitators and our Special Emphasis Topic presenters. The 2012 Best Practice meeting will be held on February 23, 2012 at the Four Seasons Scottsdale.

Persistence Pays Off

February 26, 2008 was a cold and blustery day in the Midwest. One of our members was involved in a municipal snow removal effort. Early that morning, their front end loader was struck at a traffic signal-controlled intersection by a motorist driving a Toyota Tundra pick-up truck. The pick-up driver sustained serious injuries in the collision, litigation ensued. Our initial investigation pointed to the driver running the red light, but since there were no independent eye witnesses, we needed to develop additional information.

After many failed attempts, we were successful in getting a court order requiring Toyota Motor Company to download and provide us with the black box information. The electronic data recorder information confirmed our position, the airbags deployed at 44.7 miles per hour. Based upon this information, the plaintiff attorney withdrew the lawsuit.

ACIG Financial Report December 31, 2010

ACIG's shareholders' equity increased to \$119,442,000, an all-time high (at December 31, 2010). We reported pre-tax income of \$36,611,000 for the year ended December 31, 2010 before policyholder dividends and other related return premiums and bonus of \$30,421,000. ACIG reported net income of \$4,430,000 for the year ended December 31, 2010.

ACIG's Investment Portfolio

Asset Allocation as of December 31, 2010

	Market Value as of 12/31/10	Percent of Total
Insurance Reserves Portfolio	\$ 180,061,716	100.0%
BlackRock	\$ 180,061,716	
Capital Portfolio	\$ 131,456,385	100.0%
Equities		37.1%
Dodge & Cox Stock Fund (U.S.)	\$ 9,095,496	6.9%
Vanguard Primecap Fund	\$ 17,251,609	13.1%
Wellington Global Perspectives	\$ 13,174,956	10.0%
Calamos Global Growth & Income	\$ 9,222,426	7.0%
Convertibles		24.3%
Zazove	\$ 22,539,710	17.1%
Calamos Global Growth & Income*	\$ 9,449,194	7.2%
Fixed Income		34.9%
Western-Absolute Return	\$ 14,080,673	10.7%
T. Rowe Price High Yield Fund	\$ 2,717,886	2.1%
Payden GNMA Fund	\$ 18,831,817	14.3%
Franklin Templeton Global Bonds	\$ 10,243,419	7.8%

**“\$311,518,101
in total investments”**

Real Assets			
BlackRock TIPS	\$	4,849,198	3.7%
TOTAL ASSETS	\$	311,518,101	
Shareholders' Equity (as of 12/31/10)	\$	119,442,000	
Common Stock as a % of Shareholders' Equity			37.1%

ACIG earned an overall return of 6.5% on its investment portfolio for the year ended December 31, 2010.

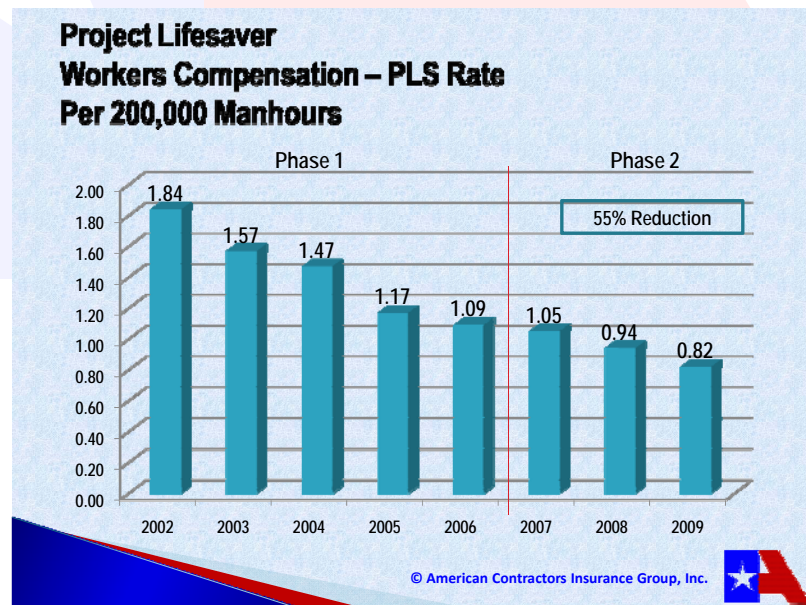
Project Lifesaver Report

ACIG members continue to produce outstanding results in our Project Lifesaver Initiative. Over the seven (7) recent policy years, they have reduced their loss rates as follows:

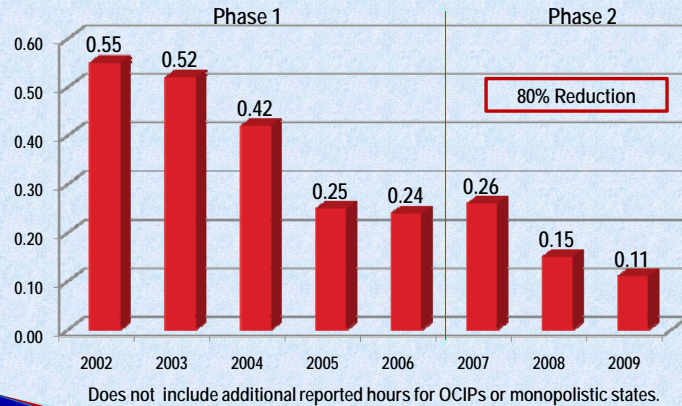
Workers Compensation	59% improvement
General Liability	80% improvement
Auto Liability	61% improvement

The accompanying charts chronicle the improvements over time. These results are a testament to our members' safety culture that permeates their operations. To achieve meaningful reductions, we need to remain vigilant and strive for Zero Accidents.

"A 55% reduction in PLS Recordable Cases"



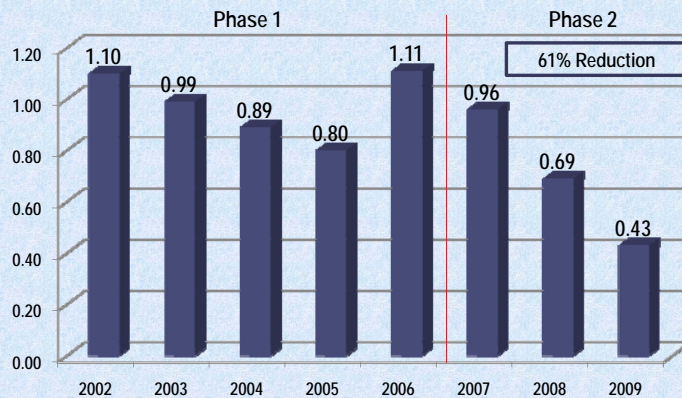
Project Lifesaver General Liability – PLS Rate Per 200,000 Manhours



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*“General Liability
loss rate has been
reduced by 80%”*

Project Lifesaver Auto Liability – PLS Rate Per 100 Units



© American Contractors Insurance Group, Inc.

*“Auto Liability
loss rate has been
reduced by 61%”*

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. These issues included:

1. Subcontractor Liability Exclusions and Limitations.
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.

All of these issues are still present in the current insurance market.

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.

*“AZ Premiums of
\$155,724,325”*

As of December 31, 2010, our seven (7) AZ members have produced the following premiums.

Workers Compensation	\$27,412,747
Primary Liability	81,184,986
Umbrella/Excess Liability	<u>47,126,592</u>
Total	\$155,724,325

Included in this total is the premiums generated on five hundred eighteen (518) CCIPs, with construction values exceeding \$7.10 billion.

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.

We will be meeting with the AZ Program Management Committee on March 9, 2011 in Schaumburg, IL and to deliver the ACIG/Zurich Alliance Report to the executives at Zurich North America.

ACIG Member Unique Projects

BMW Constructors, Inc.

NIPSCO Conveyor Replacement Project



On January 8, 2009, an accidental fire and explosion destroyed the majority of the C8 Coal Transport Conveyor at the NIPSCO Michigan City, Indiana Generating Station. With no other means of transporting coal into the station during the ice and cold of winter, the 450 Mega Watt, Unit 12 Generator was left inoperable.

An immediate engineering review of the C8 Conveyor resulted in the decision to replace 80% of the entire coal conveyor. However, during the demolition phase, additional investigations determined that NIPSCO would need to replace 100% of the coal conveyor and structure.

BMW Constructors, Inc. was requested to take the lead on the project as the general, industrial contractor for the replacement of the C8 Coal Conveyor. A project team was on-site the next day to assess the damage. Construction strategies were being developed by BMW and NIPSCO to secure the area and stabilize the conveyor structure in the sub-zero winter weather to prevent any further property damage. Safety of all associated personnel was always the prevailing factor in every decision made by the project team.

In an astonishing time period of just over three months following this catastrophic and unfortunate event, the damaged coal conveyor was safely removed and replaced with a new coal conveyor system redesigned to meet new code requirements and Unit 12 was once again operational and producing electricity for Northwest Indiana.

The dedication, craftsmanship, hard work and focus of BMW and all of the other subcontractors involved, added to the success of this very challenging project. The conclusion to this unexpected, yet critical incident was a quality installation completed in an extraordinary time frame and most important, despite the substantial potential for injury, an accident-free project.

Because of BMW's outstanding performance, BMW was awarded the Industrial Project of the Year by the Construction Advancement Foundation (CAF).

ACIG Contractors in the News

J.D. Abrams, L.P. was presented the "Million Hour Award" for successful completion of 1,008,336 exposure hours with no lost time accidents on multiple contracts by the US Army Corp of Engineers for the IBCT 1 & 2, BCT 1 and BCT 3 on Fort Bliss in El Paso, TX.

Shimmick Construction Co., Inc./Obayashi JV was recognized by AGC of California for 1st place in the annual Safety Awards. For the year 2009, SCCI/Obayashi JV was awarded 1st place for between 500,001 and 1,000,000,000 worker hours for Safety Excellence. This is the 2nd year in a row that the SCCI/Obayashi JV has been awarded 1st place for safety excellence by AGC of CA.

The Weitz Company, LLC recognized their divisions that continued their no lost time record through 2010.

Watts Construction, LLC	Over 3,000,000 manhours
Florida	Over 2,000,000 manhours
Weitz Industrial	Over 2,000,000 manhours
Phoenix	Over 1,500,000 manhours

Team Member Spotlight

Each quarter we feature one of our ACIG team members.

Team Member: Mindy McCown

Position at ACIG: Accounting Manager

Years of Service: 6.5 years

Family Members: Husband – John and our four legged (actually one is three legged) babies mentioned below

Pets: 2 dogs – Greta aka GG and Carley aka Tripod

Hometown: Cross Plains, Texas

First Paying Job: Working at our local video rental store

Dream Car: Aston Martin V12 Vantage

Favorite Pastime: Spending time with my husband and our dogs, playing tennis

Favorite Movies: The Break-up, My Best Friend's Wedding, The Wizard of Oz, Wall-E, Despicable Me

Most Recent Book Read: The Twilight Saga

iPod Favorites/Favorite Songs: Favorite Song: The Way You Look Tonight by Tony Bennett; iPod Favorites: Christmas music, anything from Top 40 to R&B to dance music

Dream Vacation: 3 weeks on a tropical island with my husband

People at Your Fantasy Dinner: Just me and my granny

ACIG Meetings and Workshops

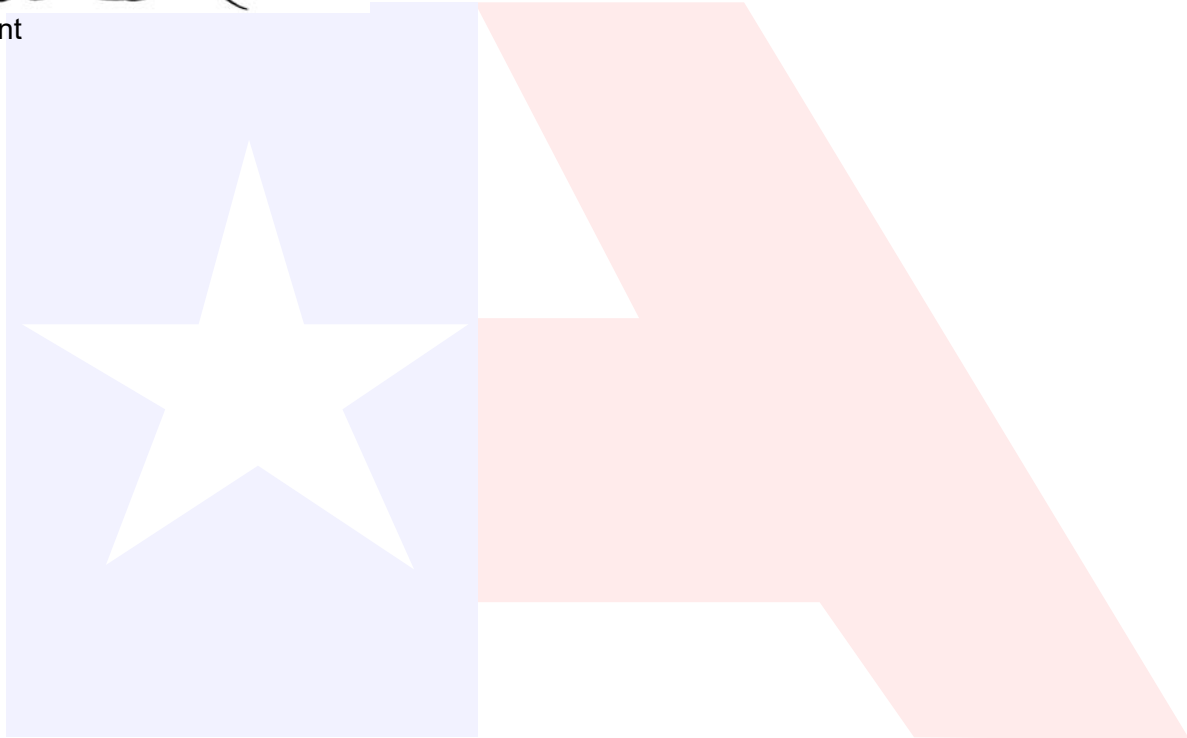
Date	Meeting	Place
February 17, 2011	Best Practices	Dallas, TX
February 18, 2011	Annual General Membership Meeting	Dallas, TX
March 9, 2011	AZ Management Committee	Schaumburg, IL
March 9, 2011	AZ Alliance Report Meeting	Schaumburg, IL
March 16-18, 2011	Vail Contractors Forum	Vail, CO
March 29, 2011	Crane Rigging/Signaling	Santa Ana, CA
April 12-14, 2011	Safety/Claims Workshop	Dallas, TX
October 27-29, 2011	Risk Management Workshop	Sea Island, GA
TBD	In-House Legal Counsel Forum	Dallas, TX

Concluding Thoughts

The United States construction marketplace has been described as highly competitive and on certain projects recklessly competitive. Fees are under tremendous pressure with most contractors reporting margin compression on their projects. In this challenging market, the difference between a profitable or unprofitable job may be determined by the safety/quality results on the job. Please tap into ACIG's safety/quality resources to assist your efforts.

All the best,

President



"Building Better Builders"

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