



ACIG news

“Nobody Gets Hurt”

ExxonMobil, the world’s largest publicly traded international oil and gas company, received the National Safety Council’s 2013 Green Cross Safety Medal. This award recognizes the leadership and commitment to corporate and social responsibility efforts in safety.

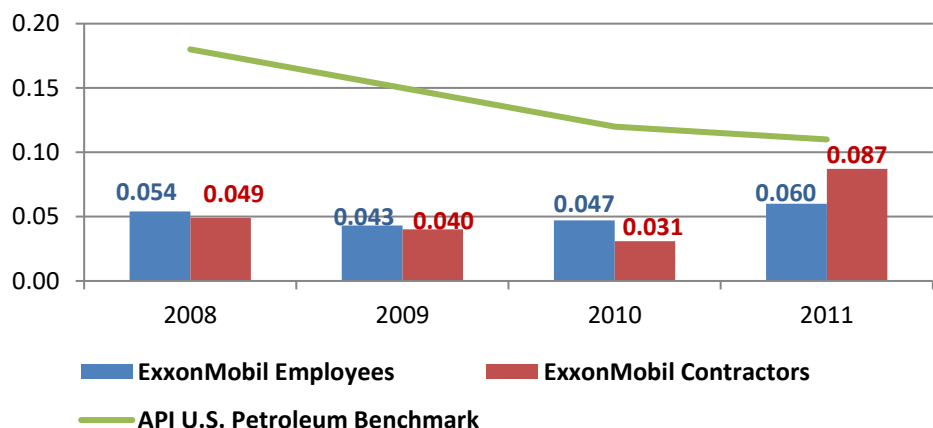
Rex W. Tillerson, Chairman and Chief Executive Officer, began his career with ExxonMobil in 1975 after receiving his civil engineering degree from the University of Texas. “I believe a commitment to safety must run much deeper than simply being a priority. Priorities can – and do – evolve over time. A commitment to safety, however, does not change or evolve. A commitment to safety is a value that shapes all decision making at every level.” At ExxonMobil, safety is fundamental to operational excellence. It requires a personal commitment at all levels in the organization.

ExxonMobil utilizes an Operations Integrity Management System (OIMS). The first element of their OIMS is management leadership and accountability. They don’t just comply, they are expected to lead the process by demonstrating a visible commitment to safety and operations integrity. Continuous improvement is essential to achieve their safety goal, which also happens to be their vision: A workplace where “Nobody Gets Hurt”.

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Lost-Time Incident Rate¹
(incidents per 200,000 work hours)



¹Incidents include injuries and illnesses. Safety data are based on information available at the time of publication.

Source: ExxonMobil.com.

ACIG's Newest Member

Diamond B Construction Co, LLC has joined ACIG as its newest Member effective June 1, 2013.



They are a fourth generation family-owned construction services and materials company based in Alexandria, LA. Senior leadership includes Bryan Bossier, President and CEO, Phillip Bossier, COO and Felecia Sikes, Controller. Diamond B performs various types of heavy highway construction from large interstate projects to local road resurfacing. They perform new construction, reconstruction and resurfacing of all types of asphalt roads. Capabilities also include asphalt milling, soil cement stabilization, grading and minor structures. Clients include LA DOTD, local parishes, municipalities and private developers. Diamond B has seven (7) asphalt plants located throughout Louisiana to produce asphalt for their own highway construction operations and to service private customers. They also produce construction materials consisting of sand and gravel at several locations in Louisiana.

ACIG Financial Report March 31, 2013

Balance Sheet Profile

ACIG reported total assets of \$372,838,000 as of March 31, 2013 versus \$383,653,000 reported at December 31, 2012. ACIG's shareholders' equity was \$132,813,000 (versus \$127,944,000 at December 31, 2012).

Operating Results for the Three Months Ended March 31, 2013

ACIG reported pretax income of \$9,440,000 for the quarter ended March 31, 2013 before policyholder dividends and other return premiums of \$6,077,000 and related bonuses of \$1,064,000. ACIG accrued premium refunds of \$6,077,000 payable to the ACIG insureds pursuant to our capital management strategy versus budgeted transactions of \$5,425,000. ACIG reported net income of \$1,472,000 for the quarter ended March 31, 2013 versus budgeted net income of \$825,000, primarily because investment gains were realized that were not budgeted.

ACIG's Investment Portfolio

Asset Allocation as of March 31, 2013

	Market Value	Percent of Total
Insurance Reserves Portfolio	\$ 197,452,385	55.6%
BlackRock	\$ 173,724,817	
State Deposits	\$ 23,727,568	
Capital Portfolio	\$ 157,691,271	44.4%
Equities		
Dodge & Cox (Global)	\$ 8,217,607	2.3%
Primecap	\$ 21,145,708	6.0%
Wellington Global Perspectives	\$ 14,018,566	3.9%
Vanguard – International Growth	\$ 7,563,249	2.1%
Convertibles		
Zazove	\$ 25,922,225	7.3%
Allianz	\$ 12,242,516	3.4%
Fixed Income		
Western – Absolute Return	\$ 16,026,343	4.5%
T. Rowe Price High Yield Fund	\$ 5,714,599	1.6%
PIMCO – Income Fund	\$ 13,705,213	3.9%
Franklin Templeton Global Bonds	\$ 18,064,183	5.1%
JP Morgan – Mortgage-Backed-Securities	\$ 15,071,062	4.2%
TOTAL INVESTMENTS	\$ 355,143,656	100%

*“\$355,143,656
in total investments”*

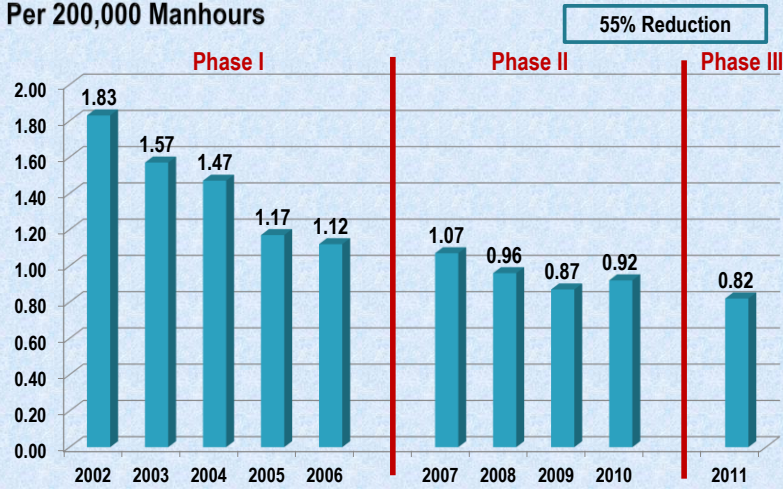
Project Lifesaver Report

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

Workers Compensation	55% improvement
General Liability	62% improvement
Auto Liability	66% improvement

“A 55% reduction in PLS Recordable Cases”

Project Lifesaver – Workers’ Compensation – PLS Rate Per 200,000 Manhours



Valuation date: 03/08/13

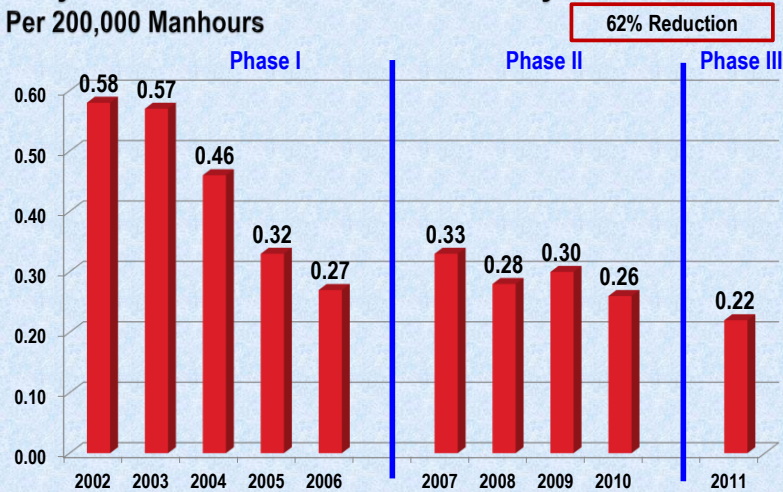


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“General Liability loss rate has been reduced by 62%”

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

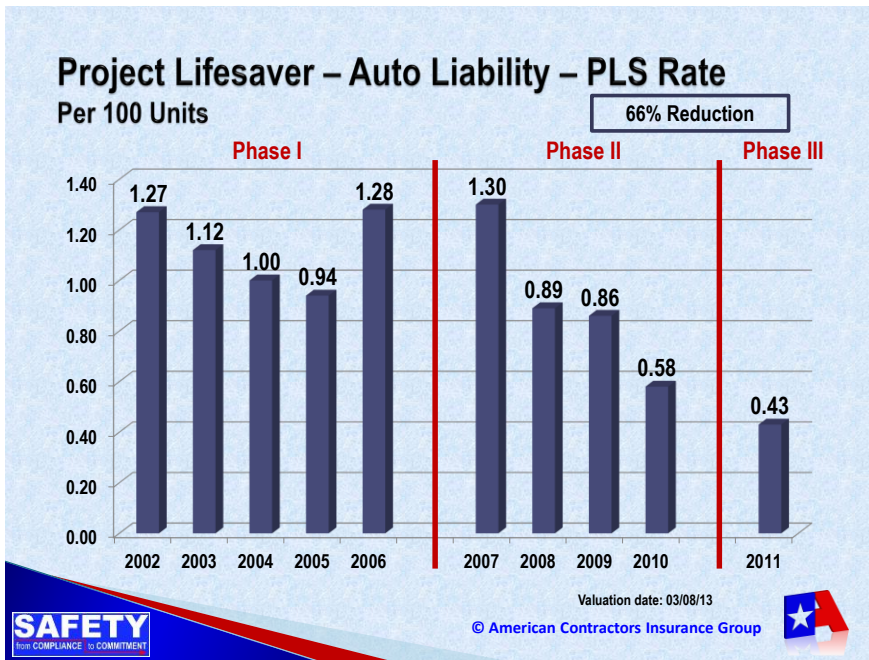


Valuation date: 03/08/13



© American Contractors Insurance Group





“Auto Liability loss rate has been reduced by 66%”

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 the best safety strategies.

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:

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.

“AZ Premiums of \$180,167,466”

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 March 31, 2013, the six (6) AZ Members have produced the following premiums:

Workers Compensation	\$ 32,631,727
Primary Liability	\$ 94,120,981
Umbrella/Excess Liability	<u>\$ 53,414,758</u>
Total	\$180,167,466

Included in this total is the premiums generated on 714 CCIPs, with construction values exceeding \$8.5BB.

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.

June 1, 2013 Renewal Report

Payrolls are estimated to be \$1,734,961,583 for the June 1, 2013-14 policy period. This compares to \$1,672,667,666 of projected payrolls for the June 1, 2012-13 period, a 3.8% increase.

The projected premiums by line of business are as follows:

Workers Compensation	\$ 61,715,935
General Liability	\$ 64,695,574
Automobile Liability	\$ 9,290,261
Subcontractor Default Insurance	<u>\$ 14,412,183</u>
Grand Total	<u>\$150,113,953</u>

ACIG retains up to \$5,000,000 on the Core Group and up to \$3,000,000 on the AZ Group. The premiums for the pooled excess layers are projected to be \$42,300,000. Historically, the pooled excess layers have been a great source of earnings, from both underwriting profits and investment income.

ACIG OPIOID Task Force

We are establishing an OPIOID task force to address the use, misuse and abuse of narcotic pain medications. OPIOID painkiller Oxycontin is the most prescribed drug in workers compensation. According to the Centers for Disease Control (CDC) since 2003, more overdose deaths have involved OPIOID analgesic than heroin and cocaine, combined.

OPIOID task force members includes:

- Dr. Stephen Dawkins, ACIG's Medical Advisor
- CorVel, ACIG's Medical Cost Containment Vendor
- Prium, an outside vendor specializing in narcotic medicine usage
- Joe Anderson and Bob Graves, ACIG's workers compensation board representatives in Austin, TX
- Ron Arthur, ACIG Vice President – Claims Manager

The task force will review the issues and develop protocols for narcotic medicine usage with treating doctors across the United States.

ACIG Pharmacy Benefit Management Program

ACIG will be implementing a Pharmacy Benefit Management (PBM) program on June 1, 2013. We will be working with CorVel, our medical cost containment vendor, to establish a Pharmacy Benefit Management (PBM) plan. This comprehensive pharmacy solution and cost containment program includes:

- Formulary Management
- Maximum Network Penetration; and
- Aggressive Utilization Management

We are confident that utilizing the PBM will result in significant reductions in pharmacy costs.

Project Independence

The ACIG executive committee initiated "Project Independence" in 1988 to reduce the reliance on fronting companies and the outside reinsurance market. A brief report on this initiative follows:

Key Success Criteria

1. Licensing of our workers compensation carrier - ACIG Insurance Company is licensed in 49 states plus Washington, DC. It is not licensed in New Hampshire, with no estimated premiums for 2013-14.
2. Licensing of our liability carrier - ACICRRG is authorized to provide liability coverage in all 50 states.
3. A.M. Best rating - ACIG enjoys a rating of "A" (Excellent), Financial Size Category "VIII" (\$100-\$250 million of policyholders' surplus). This rating is adequate for substantially all of our Members' needs. ACIG arranged a back-up facility at nominal cost, substituting where needed Zurich's "A, XV" rating.
4. Risk retention capacity - ACIG's surplus is approximately \$133 million and annual premiums are approximately \$150 million providing significant risk retention capacity. ACIG's projected reinsurance cost for the June 1, 2013-14 renewal is projected to be \$2.6 million, approximately 1.7% of total standard premiums.
5. Personnel and systems - ACIG has a professional staff of 75 employees and has developed proprietary information systems to help manage the overall operations.

Twenty five (25) years after inception, ACIG has made excellent progress on "Project Independence."



Cajun Industries, LLC Associated Builders' and Contractors' 2012 Contractor of the Year

Lane Grigsby founded Cajun in 1973 and forty years later it has grown to include five sub-companies licensed to work in twenty-four (24) states, employing more than 1,500 people that self-perform about 80% of the firm's work.

Cajun Industries, LLC is split into five (5) sub-companies.



1. **Cajun Constructors Inc.** – A turnkey general contractor working in the energy, chemical, federal, municipal, water quality, marine and industrial manufacturing markets.
2. **Cajun Industrial Design & Construction, LLC** – A subsidiary of Cajun Constructors working in refining, chemical, petrochemical, power, cogeneration, pulp paper and carbon black markets.
3. **Cajun Deep Foundations, LLC** performs drill shafts, pile driving, auger cast in place piles, earth retention and marine piles.
4. **Cajun Maritime, LLC** performs marine construction, oilfield services and coastal restoration.
5. **Cajun Equipment Services, LLC** provides heavy hauling services for equipment, cranes and concrete buildings.



Cajun takes a top-down approach to managing its safety performance. One set of safety rules governs every office and jobsite. Managers meet monthly to review incidents and near misses. "We like to say we have 1,500 safety professionals because everyone is responsible for safety on our jobs" says Todd Grigsby, President of Cajun Constructors Inc.

"Our greatest asset is our people," notes Lane Grigsby. "Anybody can buy bulldozers, two-by-fours and computers, but what separates us is our people's commitment to excellence."

ACIG Notes and Notables

ACIG will be relocating its office to Tower 2600 in Richardson, TX. The nine (9) story office tower was built in 2001 for a single tenant and recently has been repurposed for use as a multi-tenant building. Construction activity is underway with a September 1st move date.

James Shay, Director - Risk Management, has been added to the faculty for the AGC's Advanced Management Program.

Larry Owen, Quality Director, has been invited by the United States Department of Commerce and the National Institute of Standards and Technology to serve as a member of the 2013 Board of Examiners for the Malcolm Baldrige National Quality Award (MBNQA). The Baldrige Program educates organizations in performance excellence and is dedicated to improving the performance of U.S. companies.

Michael O'Neill, President and CEO, has been selected by International Risk Management Institute (IRMI) to be a presenter at its 33rd Annual Construction Risk Conference. His topic will be Risk Financing Options for Contractors.

ACIG Contractors in the News

SpawGlass Construction Company received the Associated General Contractors of America (AGC) Community Award for its work with Home For Our Troops. SpawGlass, its subcontractors and suppliers built a specially adapted home for Corporal Daniel Peterson, a Marine sniper critically injured while serving in Afghanistan.



ACIG contractors were well represented at the Associated General Contractors of America (AGC) Construction Safety Excellence Awards.

Building Division – 100,001-250,000 work hours

- Charles Pankow Builders, Ltd. – 3rd Place



Federal and Heavy Division – Over 1,000,000 work hours

- Cajun Industries, LLC – 2nd Place



Federal and Heavy Division – 700,001 to 1,000,000 work hours

- Shimmick Construction Co., Inc. – 3rd Place



Federal and Heavy Division – 300,001 to 700,000 work hours

- Herzog Contracting Corp. – 1st Place



Highway Division – Over 1,000,000 work hours

- J.D. Abrams, L.P. – 2nd Place



ACIG 2013 Education and Networking Calendar

Event	Location	Dates
ACIG University	Dallas, TX	January 21-23
Best Practices	San Antonio, TX	February 21
ACIG Annual Meeting and Reporting Forums	San Antonio, TX	February 22
Vail Contractors Forum	Vail, CO	March 21-24
AZ Alliance Meeting	Scottsdale, AZ	March 28
Spring Safety/Claims Workshop	Dallas, TX	April 16-18
Fall Safety/Claims Workshop	Scottsdale, AZ	September 10-12
Risk Management Workshop	Washington, DC	October 24-26
In-House Legal Counsel Forum	Dallas, TX	October/November
Quality Peer Groups	Various	Various
Safety Peer Groups	Various	Various

Concluding Thoughts

In 2011, the Bureau of Labor Statistics reported over seventy (70) workers died from back-over incidents. These accidents can happen for a variety of reasons; the worker may not hear the back-up alarm because of worksite noises or because the alarm is not functioning.

Many solutions exist to prevent back-over incidents: training operators and site workers, site workers wearing reflective safety vests, utilizing spotters when moving vehicles and machinery and utilizing technology to help manage the risk. In major shipping ports, workers are wearing radio frequency identification (RFID) tags that can alert the vehicle/machinery operator when a worker is in the back-over danger zone.

Managing project safety in a constantly changing environment is a true challenge; deploying technology coupled with training can help mitigate the risk of injury.

All the best,



President & CEO