



ACIG news

Using Employee Wellness to Combat Workers Compensation Claims

Ever rising healthcare premiums have become an accepted cost of doing business. To impact behavior and flatten the cost curve, many companies are sharing the cost burden with their employees and overlaying incentive-based programs to support a healthier workforce.

Risk managers are making the correlation between a healthy workforce and a reduction in the number and cost of workers compensation claims. Numerous research studies have established that health factors known as comorbidities play a big part in the cost of workers compensation claims.

Comorbidities are pre-existing health conditions that in addition to a workers compensation injury or occupational disease could hinder an employee's recovery and return to work.

In a recent study, NCCI found five (5) comorbidities that impact workers compensation claims.

1. Obesity (as measured by Body Mass Index (BMI))
2. Drug Abuse
3. Diabetes
4. Chronic Pulmonary Condition
5. Hypertension

The study found that workers compensation claims with the obesity comorbidity incurred significantly higher medical costs, 6.8 times higher than non-obese. It also found that the number of claims involving obesity almost tripled from 2000 to 2009.

Duininck Companies, LLC was an early adopter of employee wellness and formalized and branded their program, *Duininck Wellness, The Road to a Healthier Life*. Risk Maursetter, Duininck's Risk Manager, outlines the key elements on their program:

- Risk Identification.....Biometric screening.
- ConsultRegistered nurse wellness coordinator.
- PreventionHealth factors are addressed with personal healthcare providers.
- EducationMonthly health newsletter.
- Skill BuildingLearn and practice wellness skills.
- IncentivesParticipation and outcome-based programs.

Duininck utilized many of the same techniques that have positively impacted ACIG's reduction in workers compensation claims by identifying and controlling risk to their employees and families.

In recognition of Duininck's wellness program, they received the prestigious 2013 Gary E. Bird Horizon Award from International Risk Management Institute (IRMI).

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ACIG Financial Report September 30, 2013

ACIG posted record capital of \$136.6 million at September 30. ACIG earned a pretax economic benefit of \$28.4 million for the nine months ended September 30, before policyholder dividends and other return premiums and related management fees of \$23.2 million. ACIG reported pretax earnings of \$5.2 million, and after tax earnings of \$4.2 million. The financial results were positively impacted by growth in our Member's premiums, a reduction in excess layer losses and a strong investment market.

ACIG's Investment Portfolio

Asset Allocation as of September 30, 2013

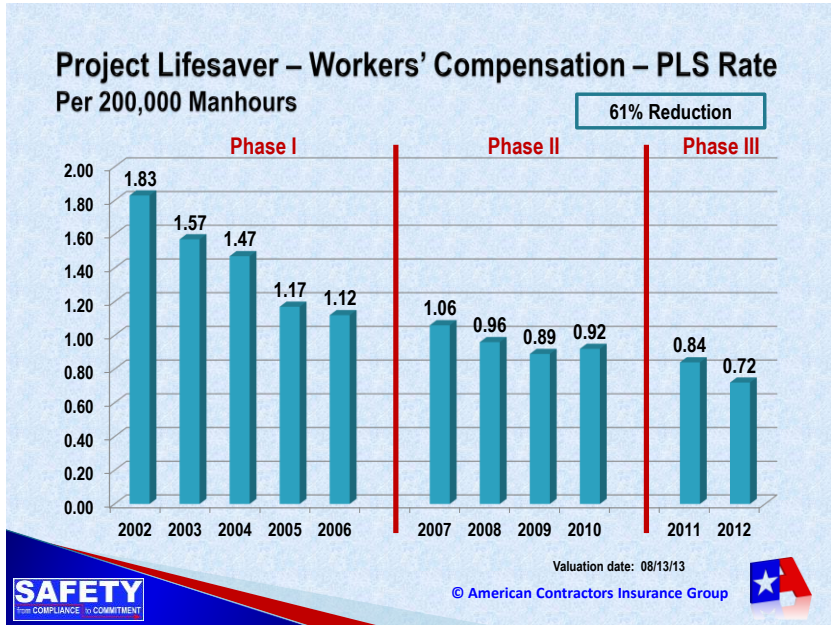
	Market Value	Percent of Total
Insurance Reserves Portfolio	\$ 196,448,824	54.4%
BlackRock	\$ 176,695,564	
State Deposits	\$ 19,753,260	
Capital Portfolio	\$ 164,527,634	45.6%
Equities		
Dodge & Cox (Global)	\$ 9,246,935	2.6%
Primecap	\$ 22,114,860	6.1%
Wellington Global Perspectives	\$ 15,888,040	4.4%
Vanguard – International Growth	\$ 8,413,052	2.3%
Convertibles		
Zazove	\$ 27,358,701	7.7%
Allianz	\$ 13,433,295	3.7%
Fixed Income		
Western – Absolute Return	\$ 15,970,056	4.4%
T. Rowe Price High Yield Fund	\$ 5,773,655	1.6%
PIMCO – Income Fund	\$ 13,783,132	3.8%
Franklin Templeton Global Bonds	\$ 17,644,953	4.9%
JP Morgan – Mortgage-Backed-Securities	\$ 14,900,954	4.1%
TOTAL INVESTMENTS	\$ 360,976,458	100%
Shareholders' Equity	\$ 136,580,000	

*“\$360,976,458
in total investments”*

ACIG's total investment portfolio had a year-to-date return of 5.1% and a 1-year return of 6.4%. This is a testament to our investment philosophy of fixed income investments in support of our liabilities and a more aggressive asset allocation for our capital portfolio.

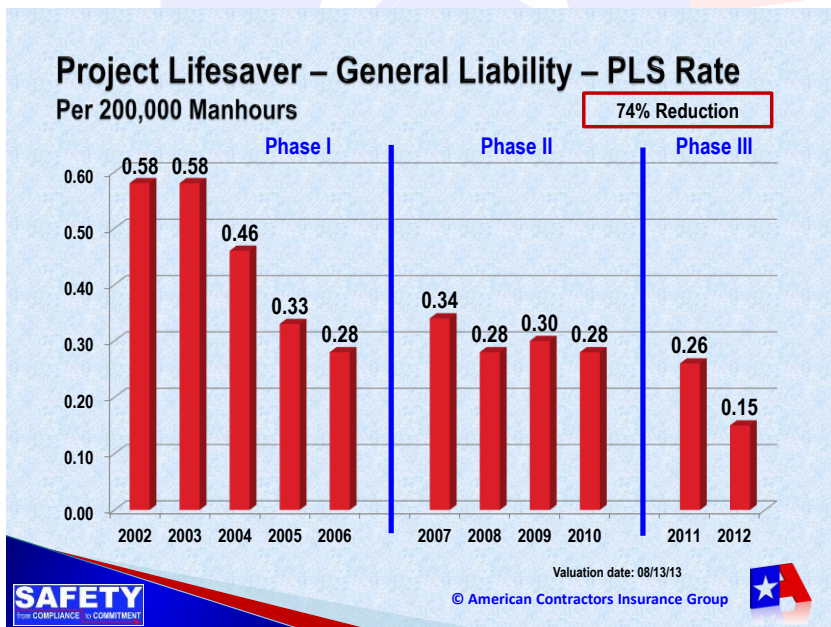
Project Lifesaver Report

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:



“A 61% reduction in PLS Workers Compensation Rate”

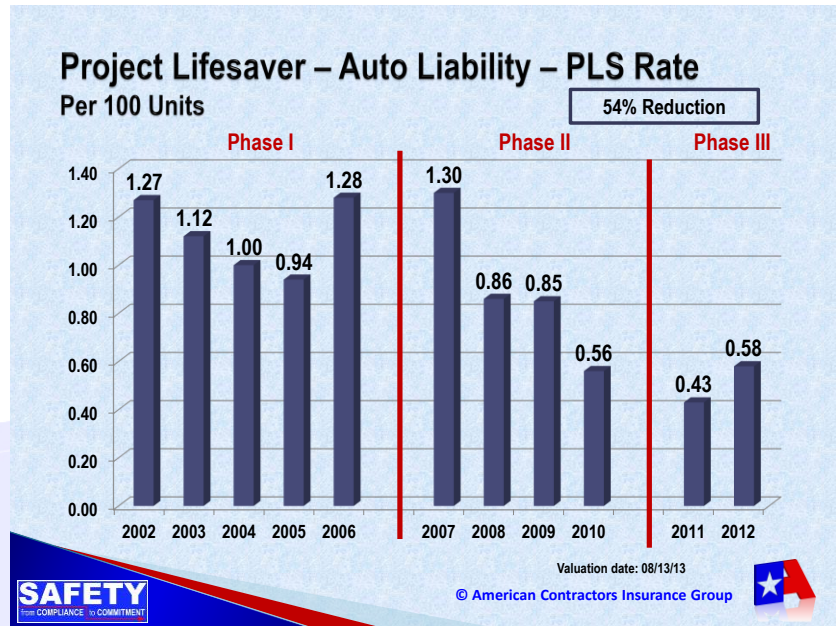
Hoar Construction, LLC was ranked #1 in workers compensation with a PLS rate of .11 per 200,000 manhours. It is interesting to note that all ACIG Members had a PLS rate of 1.95 or lower, signifying an overall improvement for the Members.



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

Thirteen (13) of our Members did not have any qualifying general liability losses in the 2012-13 year. These Members worked 20,977,708 manhours with no loss greater than \$5,320; an outstanding result.

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



Five (5) of our Members did not have any qualifying auto liability losses in the 2012-13 year. These companies had one thousand two hundred forty nine (1,249) vehicles on the road with no liability losses greater than \$5,320; an outstanding result.

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

Workers Compensation	\$ 38,421,272
Primary Liability	\$ 98,491,934
Umbrella/Excess Liability	\$ 55,806,221
Total	\$192,719,427

Included in this total is the premiums generated on 761 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 Sharing Knowledge Utilization

ACIG, in conjunction with its Members, has developed and maintains a vast document library containing over 1,900 documents. These documents are organized by category – legal, risk management, safety and quality, and have key word search capabilities. Our ASK platform is only available to ACIG Members. It is not in the public domain and requires a unique User ID and Password for access.

In the past twelve months, there have been 18,033 inquiries/searches. We encourage you to utilize ASK and welcome your suggestions on how we can make it better and more user friendly.

ACIG Insurance Company Receives Highest Quality Score

ACIG Insurance Company is our licensed insurance company that we utilize to underwrite workers compensation coverage. In order to provide this coverage, we are required to meet all the requirements set out by the National Council on Compensation Insurance (NCCI). All policies and endorsements are filed with NCCI and are put through a rigorous quality control examination. In addition, we file unit statistical information, including states of operation, classifications, rates, payrolls and loss data that is used in rate promulgation and experience modifier calculations. Based on our various filings, we received the highest quality score. Our underwriting department does an outstanding job of producing high quality policy documents and data resulting in our A+.



In Memorium



Bob Krier, President of The Hill Group, passed away unexpectedly on Tuesday, November 26, 2013. Bob was a great guy and a strong supporter of American Contractors Insurance Group (ACIG). He demonstrated his commitment to continuous improvement and best practices by attending and actively participating in all of our meetings. He was a successful businessman, innovator and leader in the field of virtual design and construction. He is survived by his wife, Andrea Krier, and their two children, Robert and Briana.

ACIG Contractor Unique Project

Haskell's Scripps Proton Therapy Center received a Best Project Award of Merit from Engineering News Record (ENR).



Advanced Particle Therapy chose Haskell to design and build its first highly advanced, west coast proton therapy center for Scripps Health. The Scripps Proton Therapy Center is only one of a dozen such treatment centers in the United States.

The 102,500 square foot outpatient center features a healing garden, outpatient clinic, diagnostic department and a patient treatment area surrounded by a patient friendly grand lobby. The proton treatment equipment is housed in massive concrete bunkers that protect the surrounding areas from the radiation that is generated while extracting the proton beams from the state of the art cyclotron and delivering it to the patient treatment areas. Computer-based Building Information Modeling (BIM) played a key role in integrating the complex network of mechanical, electrical and mass concrete shielding systems to support the proton treatment equipment. Concrete walls and ceilings fifteen (15) feet thick were built to house the cyclotron, two (2) fixed beam treatment and three (3) rotational gantry treatment rooms.

Unlike x-rays, which deliver a dose of radiation in, around and behind the treatment area, proton beam radiation therapy uses a highly focused "pencil beam" of subatomic particles, which can be delivered in three-dimensional shapes that conforms precisely to the tumor. This technology delivers the majority of the radiation directly within the tumor – minimizing damage to surrounding healthy tissues.



ACIG Members Played an Important Role in This Year's Construction Risk Conference

This year's Construction Risk Conference was attended by over 1,200 construction, risk management, insurance and other professional service providers. It is recognized as the place to be for current information and best practices.

- **Rik Kunnath**, Executive Chairman, Charles Pankow Builders, Ltd., was one of the keynote speakers. His topic, "Culture: Its Impact on Business Success, Risk and Safety" was very well received.
- **Dave Dolnick**, Risk Manager, The Brady Companies, Inc., was a panel member on "Insuring Installation of the Building Envelope".
- **Chad Goodfellow**, President of Goodfellow Bros., Inc., was the presenter for "Technology in Construction Risk Management – Fleet Management".
- **Maria Matamoros**, Vice President – Risk Management, The Weitz Company, LLC, presented "Using Technology in Subcontractor Prequalification".
- **Bart Wilder**, Safety Director, Hoar Construction, LLC, made a presentation on "Safety Management – Deploying iPads in the Field".

ACIG Notes and Notables

Micah Bellow and James Shay have been appointed Vice Presidents of ACIG Insurance Company and American Contractors Insurance Company Risk Retention Group.

Micah joined ACIG on May 15, 1989 and has served in a number of important roles. He heads our Underwriting department and also serves as a Risk Management Executive. He chairs our Communications Committee and leads many of our task forces.

James joined ACIG on January 1, 2005, after a successful career as Risk Manager for Swinerton Builders, a large West Coast general building contractor. He heads up our Risk Management Services department and has been instrumental in the success of our AZ Program.

ACIG's risk management team has published five (5) new white papers. They include:

- 2013 ISO Additional Insured Changes: Impact on Contractors and Their Subcontract Documents
- CapAssure Owner, Surety and Contract Guidance
- Defend Your Construction Company's Profits through Crisis Management

- Multiple Policy Trigger Mitigation Project
- Protecting Information through Privilege

All of these documents can be found on the ASK Platform.

ACIG's quality department has totally revamped and retooled their Quality News Network document. This publication includes elements of our members quality programs, as well as ACIG's best practices in quality.

Carl Heinlein, ACIG Senior Safety Consultant, was a presenter at IRMI's 33rd Construction Risk Conference. His presentation was "Fleet Risk Management Strategies".

Mike O'Neill, ACIG President & CEO, presented "Risk Financing Options for Contractors" at IRMI's 33rd Annual Construction Risk Conference.

ACIG Contractors in the News



GRAYCOR®

Graycor Services L.L.C. was named a Top 20 Industrial Contractor by Engineering News-Record (ENR). They have recently completed projects for AK Steel Corporation, ArcelorMittal, Aux Sable, British Petroleum, Cargill, Praxair, Severstal and U.S. Steel.



HERZOG

Herzog Railroad Services, Inc., Falls City, Nebraska location, received the National Safety Council's Safety Leadership Award. The award recognizes five consecutive years without an occupational injury or illness resulting in lost work days or death.



Phillips and Jordan, Incorporated has been awarded multiple regions by the U.S. Army Corp of Engineers under its Advance Contracting Initiative (ACI). The four regions encompass 26 states, the District of Columbia and all the U.S. territories and holdings in the Pacific Ocean. This five (5) year contract is to manage debris from any natural or man-made disasters. Past projects performed under (ACI) contracts include the 9/11 World Trade Center attacks and the recovery project following Hurricane Katrina.



Pine Bluff Sand & Gravel Company celebrated its 100 year anniversary on November 8, 2013. This was also the premiere of their "Family First" safety video, using family as a means to strengthen employee engagement.



Shimmick Construction Co., Inc. was awarded 1st place for Safety Excellence by AGC of California in the Heavy/Civil/Highway Category based on 500,000 to 1,000,000 manhours.

ACIG 2014 Education and Networking Calendar

Event	Location	Dates
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
Fall Safety/Claims Workshop	San Diego, CA	September 23-25
ACIG Risk Management Workshop	Laguna Beach, CA	October 23-25
In-House Legal Counsel Forum	Dallas, TX	TBD
Quality Peer Groups	Various	Various
Safety Peer Groups	Various	Various

Concluding Thoughts

After more than five (5) years of contraction, the construction market is showing signs of growth and recovery. The recovery is slow, uneven and very dependent on construction market segments (i.e., building, energy, industrial, street and road, and infrastructure) and geographic location.

As the market improves, contractors will need to manage a variety of risk. Strategic risk involves the analysis employed to select owners and projects to compete on. Execution risk involves the tactical components of the job, plans, means and methods, project teams and qualified subcontractors to be utilized in building the project. While compliance risk links the ethics, safety, quality and human resources into the project. Contractors will need to evaluate and manage these risks to achieve a successful outcome.

All the best,



President & CEO