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ACIG

news

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Death is So Permanent

Earlier this year I had the opportunity to take the Hard Hat Tour of the Hoover Dam. While the size and grandeur of the dam is imposing, I was intrigued by the history and lore of America's greatest construction project.

As the Western portion of the United States developed, its thirst for water increased beyond nature's supply. The mountains collected ample snow most years, but the runoff rushed down river to the sea with devastating speed and volume. The solution was to dam the rivers and create vast reservoirs behind them.

Oddly, the onset of bad economic times would provide the impetus to go forward with the Colorado River Project. In January 1931, the bid documents were made available, at \$5 per copy. The project required a \$2 million bid bond and the winner would post a \$5 million performance bond. The size, scale and bond requirements led to a consortium being formed, Six Companies Inc. The Joint Venture Partners included Utah Construction Company, Morrison-Knudsen, Pacific Bridge Company, MacDonald and Kahn Ltd., J.F Shea, Henry J. Kaiser and W.A. Bechtel and were considered one company for purposes of the name. There were three (3) valid bids, Six Companies' bid was \$48,890,955, within \$24,000 of the government estimate, and \$5 million less than the next lowest bidder. The U.S. government provided all of the construction materials.

Before the dam could be built the Colorado River needed to be redirected around the construction site. Four (4) diversion tunnels were driven through the canyon walls, each 56 feet in diameter. The combined length of the tunnels measured 16,000 feet or more than three (3) miles. This portion of the contract had a completion date of October 1, 1933, with \$3,000 per day liquidated damages. They completed the tunnels ahead of schedule.

Construction could now begin on the concrete, gravity arch dam in Blackrock Canyon. To build this structure, much preparation work was required. It was necessary to remove accumulated erosion soils and materials to get to bedrock. In addition, High Scalers, suspended from ropes would work the canyon walls removing loose rock with jackhammers and dynamite. High Scalers were the highest paid workers; they made \$5.60 per day. To protect themselves from falling rock, they dipped their hats in tar, and allowed them to harden. This was the genesis of "hard boiled hats" that later developed into hard hats.

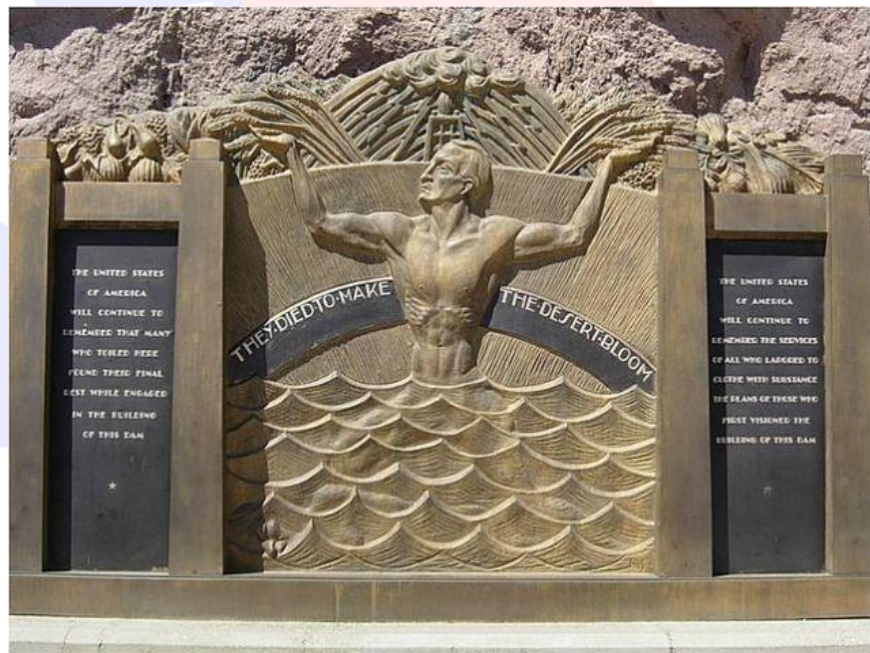
The first concrete was poured on June 5, 1936, 18 months ahead of schedule. Since concrete heats and contracts as it cures, uneven cooling and contraction posed a serious problem. To combat this problem they used twenty-five foot forms with cooling pipes to control the curing process. The concrete was delivered in huge steel buckets seven (7) feet

high and seven (7) feet in diameter. Each bucket weighed eighteen (18) tons when full. The buckets were moved into place by an elaborate system of aerial cableways. A total of 3,250,000 cubic yards of concrete was used to build the dam with another 1,100,000 cubic yards placed for the power plant and the other structures.

President Franklin D. Roosevelt dedicated the dam on September 30, 1935. The Hoover Dam stands at 725 feet high, 1,224 feet wide, 660 feet thick at the base, tapering to a thickness of 45 feet at the top. The powerhouse contains seventeen (17) generators that provide electric power to Arizona, California and Nevada. The Hoover Dam impounds Lake Mead, the largest reservoir in the United States.

No history of the Hoover Dam would be complete without a discussion of the deaths that occurred during construction. Throughout the jobsite, billboards reminded workers that "Death is So Permanent". Despite the warnings, ninety-six (96) deaths occurred at the construction site, 91 were Six Companies employees, three were Bureau of Reclamation employees, along with two visitors. Records list pneumonia as the leading cause of non-work related deaths. Many deaths were attributed to pneumonia rather than the actual cause of carbon monoxide poisoning in the tunnels.

This plaque commemorates those who died in building The Hoover Dam.



Healthcare Reform and its Impact on Workers Compensation

Since its passage in 2010, the Affordable Care Act (ACA) has been the source of political debate and anxiety for many employers. Most employers have focused on the impact of mandated benefits and associated costs of complying with the law. However, the ACA will have a definite impact on the workers compensation system.

- **Cost Shifting** – Employees may seek to shift non-work related injuries to workers compensation. Workers compensation does not require any employee out of pocket cost as compared to health insurance with its deductible and co-payment costs.
- **Access to Care** – The most predictable outcome of the ACA is that it will increase the number of individuals with health insurance. This will put additional stress on our healthcare system that is already short of doctors. The Association of American Medical Colleges forecast the demand will outpace supply over the next decade, leading to a shortage of 90,000 physicians in 2020. The shortage is exacerbated for specialists (i.e., orthopedic surgeons) leading to delays in testing and surgeries. Such delays will lead to longer periods of disability resulting in increased costs.

Managing the impacts of the Affordable Care Act:

- Increase efforts to identify medical providers, doctors, clinics, hospitals and rehabilitation centers that can provide quality care for injured workers.
- Communicate information on pre-approved medical providers to your field management team.
- Carefully monitor any shifts in work related injuries, (i.e., suspicious claims, unwitnessed injuries, etc.). Financial incentives will lead to more non-work related injuries being reported as work related.
- Reinforce your commitment to safety and loss control efforts. Do not let the enactment of the ACA distract your focus.



ACIG Financial Report December 31, 2013

ACIG posted record capital of \$143.0 million at December 31. ACIG earned a pretax economic benefit of \$41.4 million for the year, before policyholder dividends and other return premiums and related management fees of \$32.5 million. ACIG reported pretax earnings of \$8.9 million, and after tax earnings of \$6.7 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 December 31, 2013

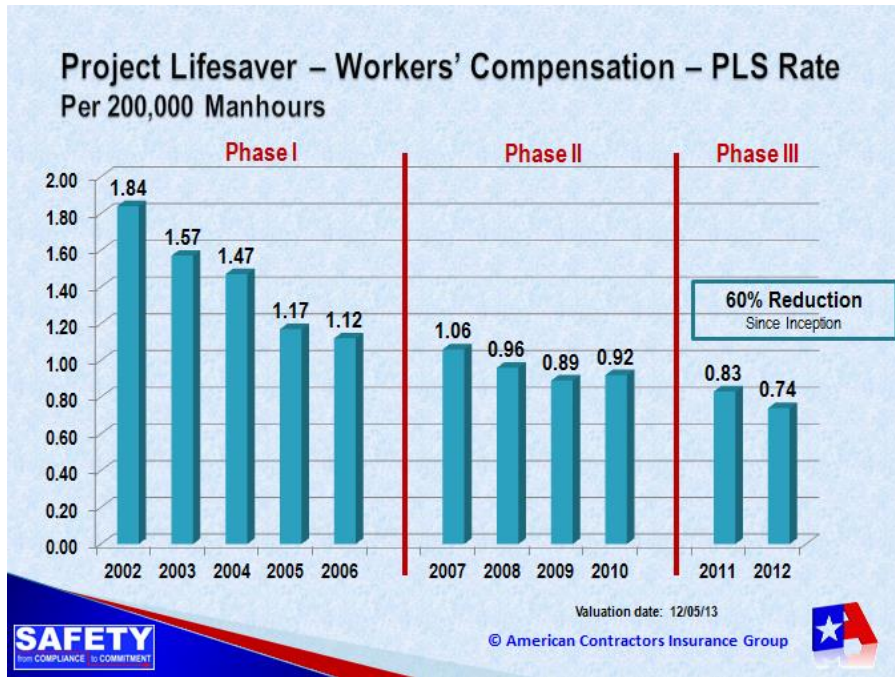
| | Market Value | Percent of Total |
|-------------------------------------|-----------------------|------------------|
| Insurance Reserves Portfolio | \$ 192,986,498 | 52.5% |
| BlackRock | \$ 174,269,531 | |
| State Deposits | \$ 18,716,967 | |
| Capital Portfolio | \$ 174,915,042 | 47.5% |
| Equities | | |
| Dodge & Cox (Global) | \$ 11,645,662 | 3.2% |
| Primecap | \$ 25,897,574 | 7.0% |
| Wellington Global Perspectives | \$ 17,697,616 | 4.8% |
| Vanguard – International Growth | \$ 9,649,175 | 2.6% |
| Convertibles | | |
| Zazove | \$ 28,195,504 | 7.7% |
| Allianz | \$ 14,159,982 | 3.8% |
| Fixed Income | | |
| Western – Absolute Return | \$ 16,036,607 | 4.4% |
| T. Rowe Price High Yield Fund | \$ 5,989,681 | 1.6% |
| PIMCO – Income Fund | \$ 18,947,306 | 5.1% |
| Franklin Templeton Global Bonds | \$ 18,216,007 | 5.0% |
| Real Assets | | |
| Harvest MLP Income Fund | \$ 8,479,928 | 2.3% |
| TOTAL INVESTMENTS | \$ 367,901,540 | 100.0% |
| Shareholders' Equity | \$ 143,012,000 | |

*“\$367,901,540
in total investments”*

ACIG's total investment portfolio returned 8.1% during 2013. The Insurance Reserves Portfolio returned 0.4% while the Capital Portfolio returned 16.9%.

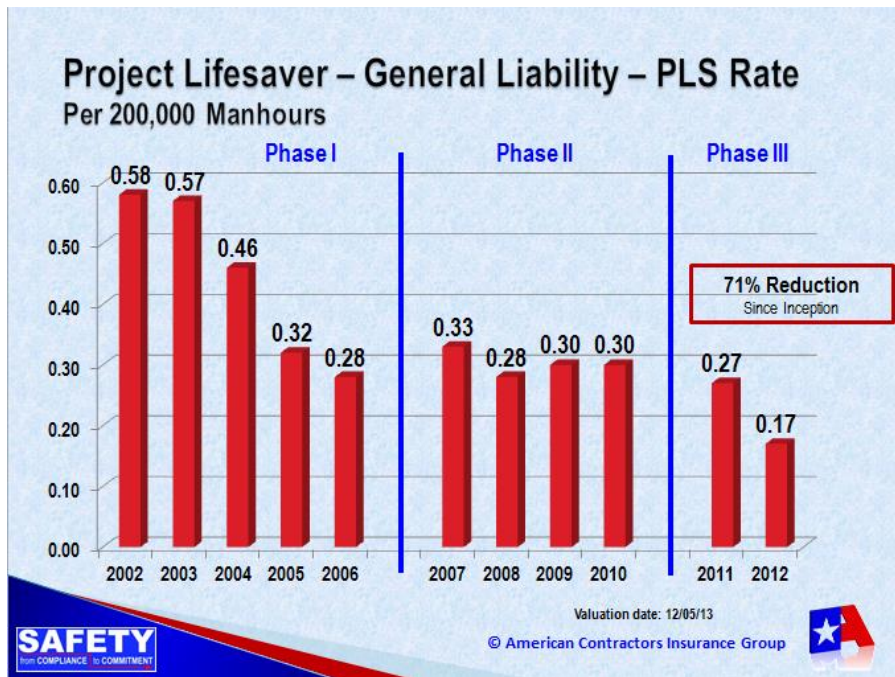
Project Lifesaver Report

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:



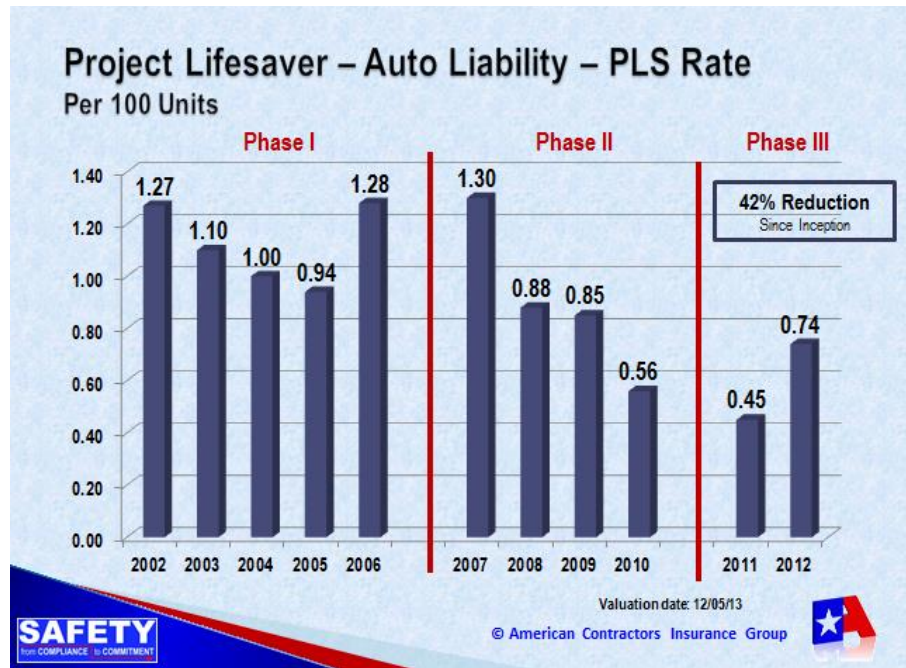
“A 60% reduction in PLS Workers Compensation Rate”

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 71%”

*“Auto Liability
PLS rate has been
reduced by 42%”*



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 | \$ 36,541,957 |
| Primary Liability | \$ 99,487,472 |
| Umbrella/Excess Liability | <u>\$ 56,620,789</u> |
| Total | \$192,650,218 |

Included in this total is the premiums generated on 772 CCIPs, with construction values exceeding \$9.0BB.

The AZ Program Alliance Meeting was held on March 25, 2014 in Scottsdale, AZ.

ACIG Risk Management Resources

Our Risk Management Executives (RMEs) work closely with our Members in supporting their risk management programs. From time to time they are asked to research and provide information on a variety of topics. These requests are developed into "White Papers."

Here is a listing of recently prepared risk management white papers. You may request a digital copy from your Risk Management Executive (RME) or download the document from the [ASK Platform](#).

- Third Party Guidance and Review of ACIG Wrap-Ups
- Owner Special Considerations for OCIPs
- Pros, Cons, and Cautions About Wrap-Ups
- Subcontractor Wrap-Up Credits
- Fronting Guidance
- Compulsory and Elective Workers' Compensation
- 2013 ISO Additional Insured Changes White Paper
- Warranty Work and Construction Defects

ACIG Contractors in the News

Al Landes, President of Herzog Contracting Corp, was installed as President of The Associated General Contractors of America (AGC) at its annual convention in Las Vegas, Nevada.

Al has been with Herzog for forty-three (43) years. The company has experienced tremendous growth, growing from \$3MM in revenues in 1972 to over \$400MM in its most recent fiscal year. Herzog has developed into a nationwide contractor specializing in heavy civil, highway and mass transit projects. In addition, they build, maintain and operate railroad operations throughout the United States.



Associated General Contractors of America 2014 Construction Safety Excellence Awards

AGC's Construction Safety Excellence Awards ("CSEA") is the industry's elite safety awards program for companies of all sizes and industry divisions. CSEA recognizes companies that have developed and implemented premier safety and loss prevention programs. ACIG Members recognized include:

Building Division

650,001 to 850,000 work hours
1st Place – Roy Anderson Corp

Federal & Heavy Division

300,001 to 700,000 work hours
2nd Place – Shimmick Construction Co., Inc.





Highway Division

Over 1,000,000 work hours
2nd Place – J.D. Abrams, L.P.

Engineering News – 2013 Best of the Best Projects

Renovation and Restoration – King Street Station



Sellen Construction Co., Inc. was the general contractor for the King Street Station in Seattle, Washington. This large scale renovation and modernization project kept intact the 100-plus-year old King Street Station's historic elements, including the original windows and doors. Highlights of the project include the rehabilitation of the structures iconic 12-story clock tower along with seismic upgrades.



Ajax Paving Industries of Florida is the winner of the **2013 Larry H. Lemon Quality in Construction Award** for excellence in construction of asphalt pavement. The quality in construction award recognizes excellence in best practices and standards. Ajax won the award for its work on State Route 60, the County Campbell Causeway in Clearwater, Florida.



G.A. & F.C. Wagman, Inc. received the **Outstanding Architectural Project Award** for its shotcrete work on the Stoney Hurst Quarry Reclamation Project in Bethesda, Maryland. Shotcrete, sometimes referred to as gunite, is a high quality and durable concrete which can be enhanced with additives. This process allows for versatile application in comparison to conventional concrete.



James "Doug" Pitcock was recognized by the Texas A&M Foundation for his many years of support. He received the **Sterling C. Evans Medal** for his exemplary philanthropy in supporting the Texas A&M Foundation. Doug also was inducted into the **Texas A&M Corp of Cadets Hall of Honor**.

Associated General Contractors of America Build America Award

The Associated General Contractors of America presented **Cajun Constructors, Inc.** its Build America Award for the best Federal and Heavy Project, Westwego Bayou Segnette Complex.

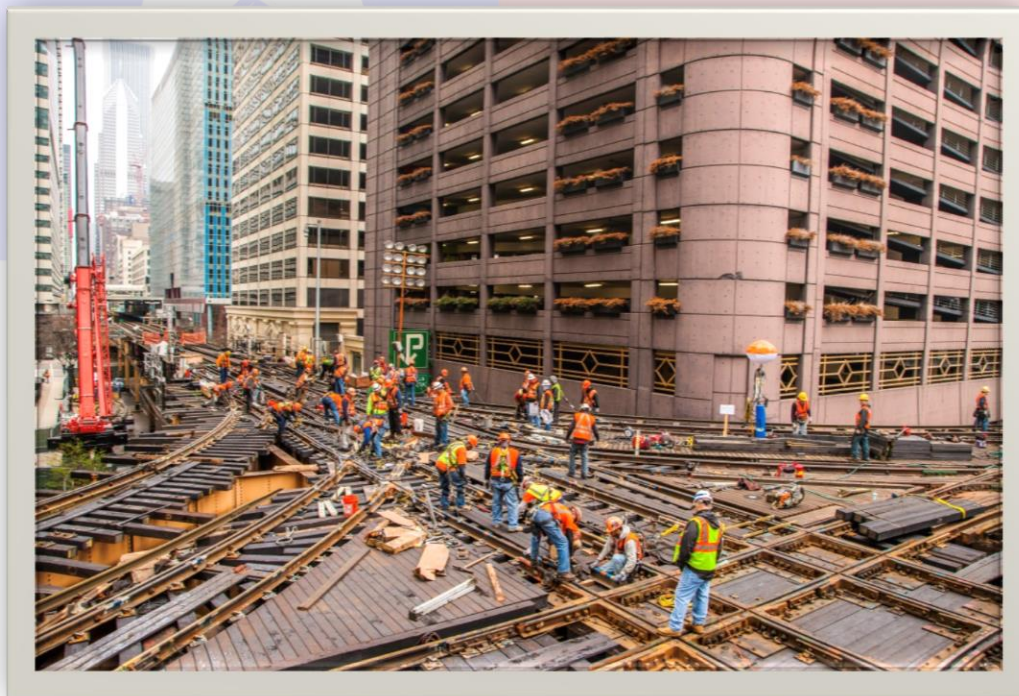
The project included a new, stronger and higher line of hurricane protection. The new protection consists of pile supported, steel reinforced concrete, T-walls, a widened sector gate, a new drainage pump station and earthen levee. The system was designed to give the New Orleans area protection from a 100-year storm.



Engineering News Record – Construction Photo Award Winner

Ragnar Benson Construction's Loop Track Renewal Project was selected as an award winner.

Started in 2012, the Chicago Transit Authority's Loop Track renewal project is slated to repair or replace more than two (2) miles of the city's distinctive elevated railways.



Congratulations to these ACIG Members.

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 |
| Builders Quality Summit | Chicago, IL | June 26, 2014 |
| 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 | October 2014 |
| Quality Peer Groups | Various | Various |
| Safety Peer Groups | Various | Various |

Concluding Thoughts

A recent AGC Study found that 74% of construction firms are having trouble finding qualified craftworkers. We need to attract more workers into the construction industry. To successfully achieve this goal, we need to address the Industry's perception which is that it is dull, dirty, demeaning and dangerous. In 2012, the construction industry accounted for 19.6% of private industry workplace deaths.

In an effort to change this negative image, thirty-one (31) global and national construction firms joined forces to create and celebrate the first industry-wide Safety Week. Their mission is to inspire everyone in the industry to be leaders in safety. Information about Safety Week 2014 can be found at www.safetyweek2014.com.

All the best,



President & CEO