



ACIG news

June 1, 2014 Renewal – Projected Premiums and Payrolls

Payrolls are estimated to be \$1,714,961,583 for the June 1, 2014-15 policy period. This compares with \$1,672,667,666 of projected payrolls for the June 1, 2013-14 policy period.

The projected premiums for the June 1, 2013-14 renewal are shown below

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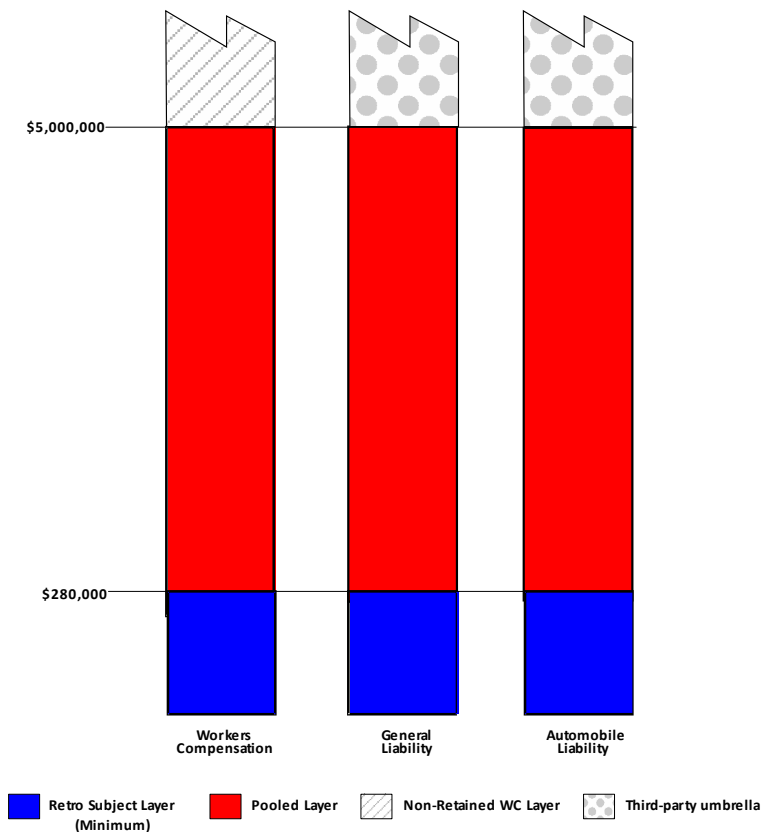
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	<u>June 1, 2013-14</u>
Projected core business -	
Workers compensation	\$ 58,364,642
General liability –	
Subject layer	37,352,410
Pooled layer	22,236,523
Subcontractor default –	
Subject layer	14,412,183
Automobile liability –	
Subject layer	4,020,582
Pooled layer	<u>5,269,679</u>
Subtotal - core business	<u>141,656,019</u>
Projected CCIP business -	
Workers compensation	3,351,293
General liability –	
Subject layer	3,608,048
Pooled layer	<u>1,498,593</u>
Subtotal - CCIP business	<u>8,457,934</u>
Grand total	<u><u>\$150,113,953</u></u>

A summary of premiums projected for the pooled layer of risk (and included above) follows:

	<u>June 1, 2013-14</u>
Projected core business -	
Workers compensation	\$12,583,417
General liability	22,236,523
Automobile liability	<u>5,269,679</u>
Subtotal - core business	<u>40,089,619</u>
Projected CCIP business -	
Workers compensation	738,232
General liability	<u>1,498,593</u>
Subtotal - CCIP business	<u>2,236,825</u>
Grand total	<u>\$42,326,444</u>

Profile of Risk Distribution



The layer from the first dollar of loss to the Member’s retro loss limit is the “retro subject layer of risk”; the layer above the Member’s retained retro loss limit is the “pooled layer of risk”.

ACIG Financial Report March 31, 2014

Balance Sheet Profile

ACIG reported total assets of \$405,103,000 as of March 31, 2014 versus the reclassified assets of \$375,320,000 reported at December 31, 2013. ACIG's shareholders' equity was \$147,740,000 (versus \$143,012,000 at December 31, 2013), a record high. ACIG posted net unrealized gains on investments (net of tax) of \$24,750,000 at March 31, 2014, an increase of \$3,416,000 from December 31, 2013. The unrealized gain (net of tax) on the bond portfolio increased by \$1,389,000 and the unrealized gain (net of tax) on the common stock portfolio increased by \$2,027,000.

Operating Results for the Quarter Ended March 31, 2014

ACIG reported pretax income of \$10,074,000 for the quarter ended March 31, 2014 before policyholder dividends and other return premiums of \$6,989,000 and related bonuses of \$1,224,000. ACIG accrued premium refunds of \$6,989,000 payable to the ACIG insureds pursuant to our capital management strategy versus budgeted transactions of \$5,747,000. ACIG reported net income of \$1,312,000 for the quarter ended March 31, 2014 versus budgeted net income of \$835,000, primarily because investment gains were realized that were not budgeted.

ACIG's Investment Portfolio

Asset Allocation as of March 31, 2014

	Market Value	Percent of Total
Insurance Reserves Portfolio	\$ 197,525,373	52.1%
BlackRock	\$ 172,355,671	
State Deposits	\$ 25,169,702	
Capital Portfolio	\$ 181,329,122	47.9%
Equities		
Dodge & Cox (Global)	\$ 12,081,867	3.2%
Primecap	\$ 27,206,926	7.2%
Wellington Global Perspectives	\$ 18,545,190	4.9%
Vanguard – International Growth	\$ 9,577,670	2.5%
Convertibles		
Zazove	\$ 29,709,946	7.8%
Allianz	\$ 14,723,737	3.9%
Fixed Income		
Western – Absolute Return	\$ 16,536,789	4.4%
T. Rowe Price High Yield Fund	\$ 6,185,442	1.6%
PIMCO – Income Fund	\$ 19,532,317	5.2%
Franklin Templeton Global Bonds	\$ 18,255,787	4.8%

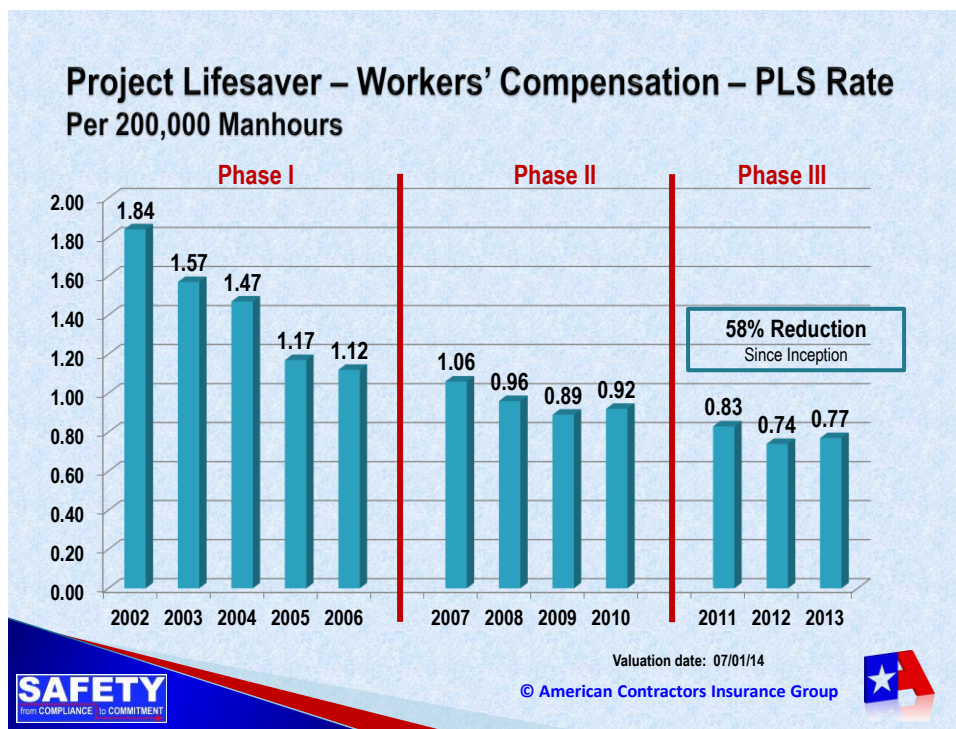
***“\$378,854,495
in total investments”***

**Asset Allocation
as of March 31, 2014 (cont.)**

	Market Value	Percent of Total
Real Assets		
Harvest MLP Income Fund	\$ 8,973,451	2.4%
TOTAL INVESTMENTS	\$ 378,854,495	100.0%
Shareholders' Equity	\$ 147,740,000	

Project Lifesaver Report

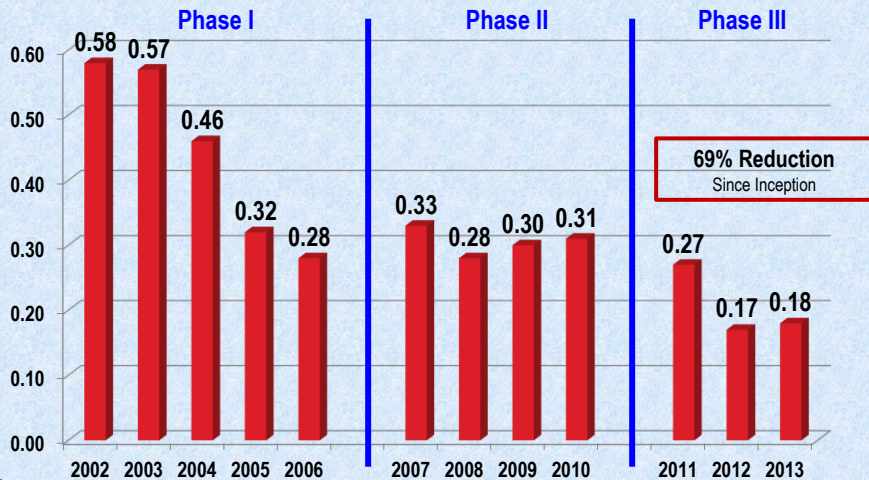
ACIG Members continue to produce positive results in our Project Lifesaver Initiative. Over the last eleven (11) policy years, our Members have reduced their loss rates as follows:



*"A 58% reduction in
PLS Workers
Compensation Rate"*

It is interesting to note that all ACIG Members had a Workers Compensation PLS rate of 1.95 or lower, signifying an overall improvement for the Members.

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



69% Reduction
Since Inception

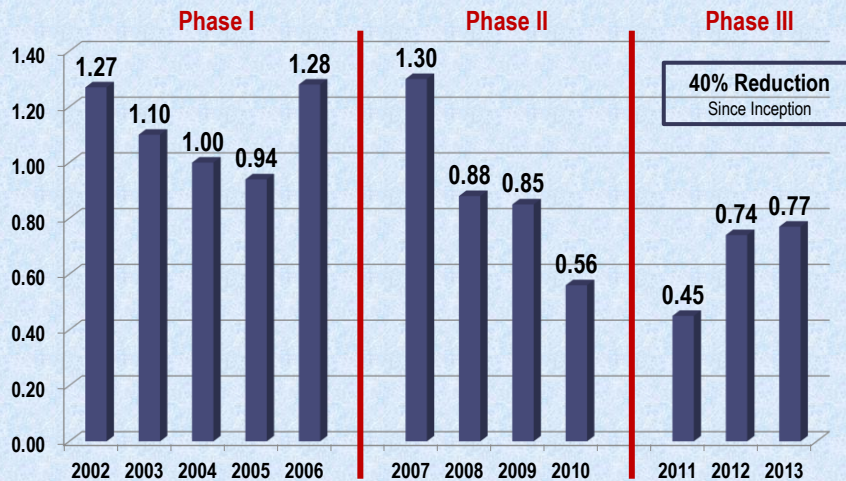
*“General Liability
PLS rate has been
reduced by 69%”*

Valuation date: 07/01/14

© American Contractors Insurance Group



Project Lifesaver – Auto Liability – PLS Rate Per 100 Units



40% Reduction
Since Inception

*“Auto Liability
PLS rate has been
reduced by 40%”*

Valuation date: 07/01/14

© American Contractors Insurance Group



Group Contractors Professional/Pollution Liability Program

We started our Group Contractors Professional/Pollution Liability Program on June 1, 2007. Our goal was to put together a program that responds to the growing professional/pollution liability exposures for our Members. This program provides:

- High Limits \$50MM/\$150MM Shared Aggregate Limit
- True Balance Sheet Protection

Underwriters and Ratings

Steadfast Insurance Company (Zurich), A.M. Best A+ (Superior)

Indian Harbor Insurance Company (XL), A.M. Best A (Excellent)

American Contractors Risk Purchasing Group is the entity we use to place the coverage. Currently twenty-eight (28) Members are participating in the program.

Workers Compensation Cost Containment Results

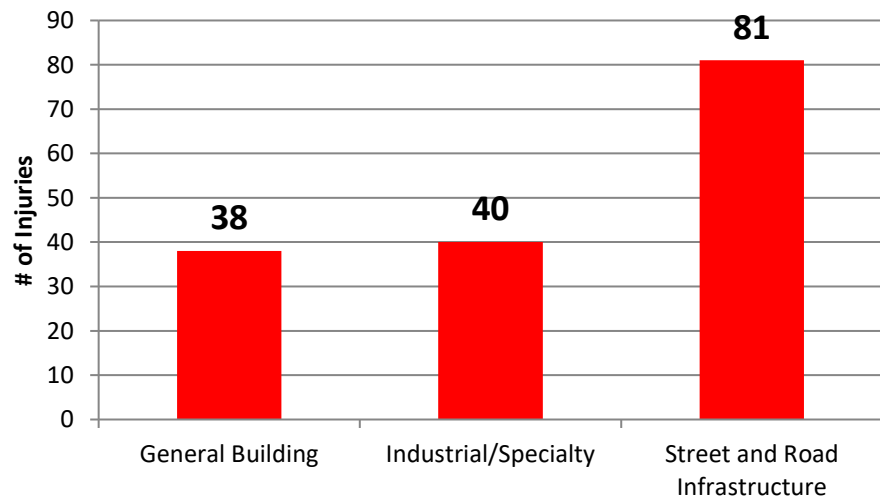
ACIG contracts with a number of medical cost containment vendors to renew and reprice medical bills. We just completed our most recent audit.

Bills Submitted	Gross Bills	Paid Bills	Gross Savings	Gross Savings %
8,049	\$7,308,000	\$2,749,742	\$4,558,258	62%

This is one of our most effective cost mitigation tools.

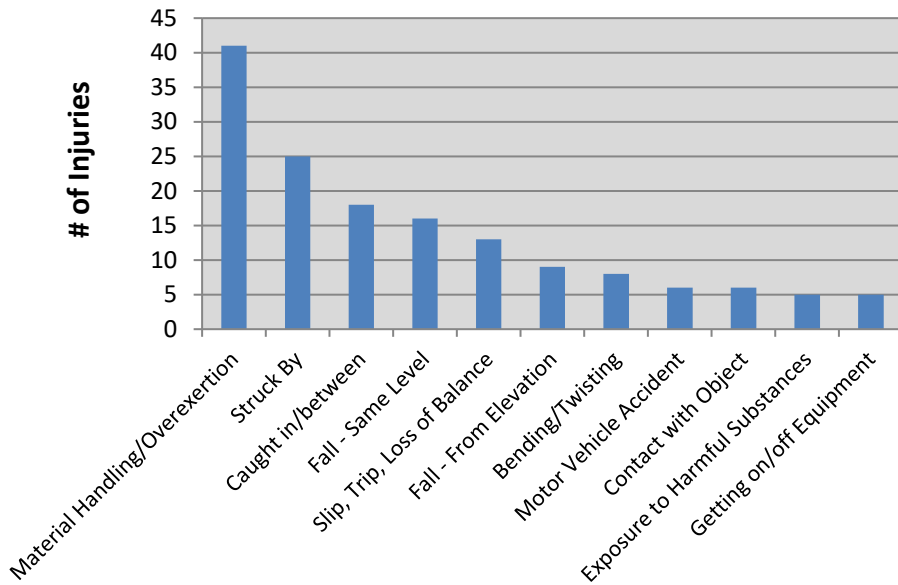
Loss Analysis Report

We analyzed one-hundred fifty-nine (159) workers compensation losses that occurred in the June 1, 2013-14 policy period. The following chart shows the breakdown of these losses by industry group.

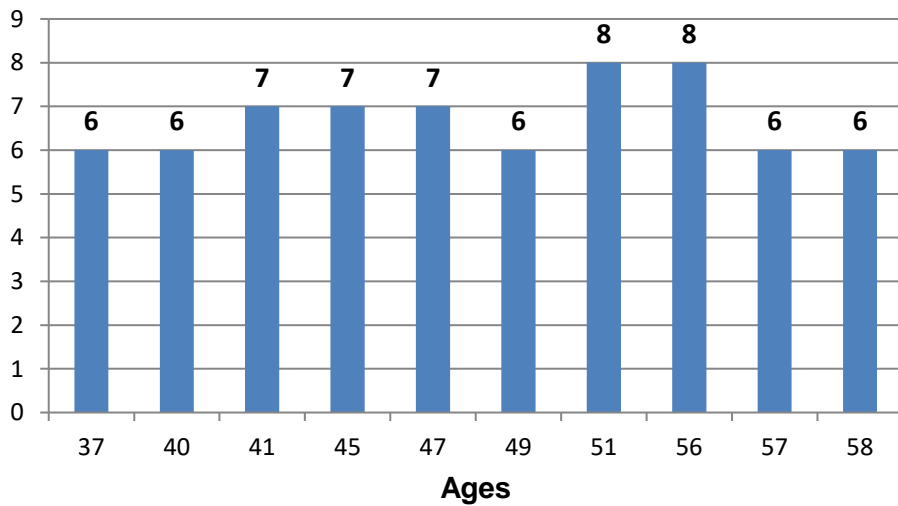


The top 3 categories were Material Handling/Overexertion (41 injuries), Struck By (25 injuries) and Caught In/Between (18 injuries).

Top 10 Activity Hazards 06/01/13 - 05/31/14



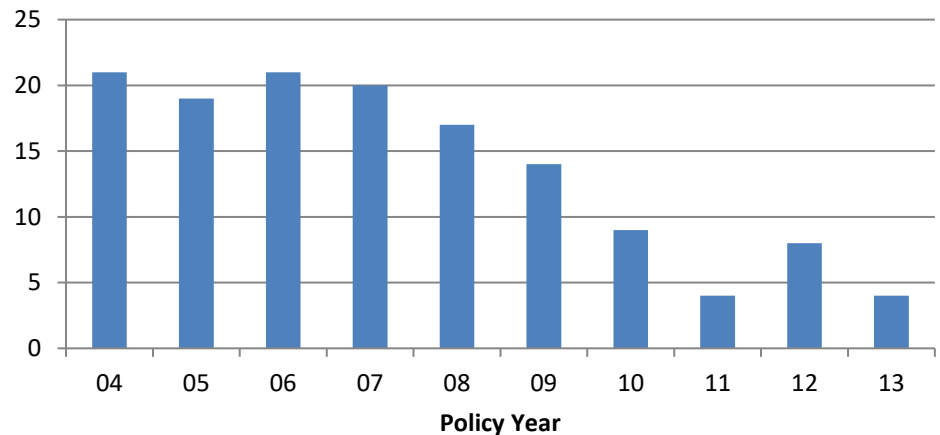
We also analyzed the ages of the injured workers at the time of injury. Here are the Top 10 ages:



SWAT Report

For the policy year June 1, 2013-14, we conducted four (4) SWAT investigations. All of the SWAT investigations involved fatality accidents. Three (3) involved direct hire employees of our Members. One (1) involved the death of a subcontractor's employee.

SWAT Investigations



ACIG News and Notables

Tricia Kagerer, CSP, ARM, CRIS, Risk Management Executive was one of the key contributors for the American Society of Safety Engineer's publication "Construction Safety Management and Engineering".

Larry Owen, Senior Quality Director received the United States Department of Commerce Certificate of Appreciation for his work as a member of 2013 Malcolm Baldrige National Quality Award Board of Examiners.

ACIG Contractors in the News

Twenty-three (23) **ACIG Members** were listed on the 2014 Engineering News-Record (ENR) 50th Anniversary Top 400 Contractors List.

Ajax Paving Industries of Florida has achieved over 1.3 million man-hours without a lost-time injury.



Preston Haskell, Founder and Chairman of The Haskell

Company received the 2014 Gold Medal for Lifetime Achievement at ONEJAX Institute's 44th Annual Humanitarian Awards. As he built his career, he made philanthropy and community service hallmarks of his personal and professional life. Jacksonville Mayor Alvin Brown said, "Preston is generous not only with his money but with his time, wisdom and experience".



Hoar Construction, LLC earned three national awards from the **Associated Builders and Contractors (ABC)**. The Robert Smith Vance Federal Building and Courthouse (Historical Restoration), Texas Tech University Health Sciences Center (Institutional) and CityCenter Three and Four (Commercial) were the awarded projects.



Jaynes Corporation won the Outstanding General Contractor award from the **Associated General Contractors of New Mexico** branch.



Kitchell Contractors Inc. of Arizona was ranked #1 General Contractor by the Phoenix Business Journal and was also selected by **ENR Southwest Magazine** as Contractor of the Year.



J.T. Vaughn Construction, LLC received three (3) STEP (Safety Through Exemplary Performance) awards. The projects are scored using seven (7) safety criteria. University of Texas Health Science Center, San Antonio received a Gold Award, University of Texas at Dallas Parking Structure and University of Texas Midland Branch, Galveston earned silver awards.



William and Shirley McIntyre Scholarships

The Associated General Contractors of America (AGC) Education and Scholarship Foundation announced two recipients of the William and Shirley McIntyre Scholarship. The winners are:

- **Emily Benjamin**
Northern Arizona University
Emily's stepmother is a Project Engineer with Kitchell Contractors
- **Kyle Goodrich**
Michigan State University
Kyle's father is President/CEO of LeChase Construction Services, LLC



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
In-House Legal Counsel Forum	Dallas, TX	October 6-7, 2014
ACIG Risk Management Workshop	Laguna Beach, CA	October 23-25, 2014
Quality Peer Groups	Various	Various
Safety Peer Groups	Various	Various

Concluding Thoughts

Tappan Zee Constructors, LLC is the consortium building the replacement to the Tappan Zee Bridge over the Hudson River in New York City. This 3.1 mile twin span cable stayed bridge has an estimated cost of \$3.9 billion and a schedule of five (5) years and three (3) months.

A team of welders from Wilkinson Technologies based in Lafayette, LA are using twenty-four (24) patented robot welders to speed up the enormous task of installing over 1,000 steel piles in the Hudson River. The robotic welders achieve higher productivity and better quality than traditional welding.

It is all about risk management, and utilizing robots is one method of supplementing project labor.

All the best,



President & CEO