

June 15, 2015, Issue 35

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ACIG

news

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Insurance – An Asset or Expense?

Have we been thinking of insurance the wrong way? Most of us think of insurance as an expense. In fact, accounting rules treat it as such. As buyers, we know insurance is not the most exciting product to buy and we don't always give it the thought it deserves. Expense-consciousness, coming from our businesses, can blind us from looking beyond the lowest price available.

While insurance is accounted for as an expense, should we value it as an investment - as an asset that responds when something unforeseen happens, such as an employee injury, third-party power outage or vehicle accident? When viewed as an asset, the quality of insurance becomes the focal point. After all, insurance is a promise to pay, in some cases, years or decades into the future. As with the purchase of any asset, cost is one consideration but value is equally important. Not all insurance is the same.

The switch in mindset, to thinking of insurance as buying an asset, leads us as buyers to shift our decision criteria when making that choice. We focus on the due diligence required to value that asset, particularly as regards the insurance company and its owners. Questions to ask include:

- Are the owners committed to the business?
- Does their investment time horizon mirror the duration of the liabilities they are assuming?
- Does the company have a strong balance sheet and top-tier ratings from the ratings agencies?
- Does the company have a proven track record of a willingness to pay claims in addition to the financial ability to pay them?

American Contractors Insurance Group (ACIG) was formed to respond to the unique needs of the U.S. Construction Industry. Construction risks are evaluated and transformed into insurance rates/premiums that allow the contractor to be compensated for those risks, hour by hour, day by day over the course of their projects. ACIG Members recapture underwriting profit and investment income on their individual risks and participate in the "pooled risks" of all Members. ACIG and its Members promote and share Risk Management, Safety and Quality Best Practices with their fellow Members. Their commitment is to eliminate all accidents and injuries on our jobsites so that all employees can return home safely to their families.

The most expensive insurance is insurance that doesn't perform when you need it. Thinking of insurance as an asset instead of simply as an expense can help change one's perspective and help make better strategic decisions.

ACIG Financial Report March 31, 2015

Balance Sheet Profile

ACIG reported total assets of \$416,694,000 as of March 31, 2015 versus the reclassified assets of \$424,752,000 reported at December 31, 2014. ACIG's shareholders' equity was \$154,638,000 (versus \$149,955,000 at December 31, 2014), a record high. ACIG posted net unrealized gains on investments (net of tax) of \$24,478,000 at March 31, 2015, an increase of \$2,813,000 from December 31, 2014.

Operating Results for the Quarter Ended March 31, 2015

ACIG reported pretax income of \$11,375,000 for the quarter ended March 31, 2015 before policyholder dividends and other return premiums of \$7,131,000 and related bonuses of \$1,249,000. ACIG accrued premium refunds of \$7,131,000 payable to the ACIG insureds pursuant to our capital management strategy versus budgeted transactions of \$6,550,000. ACIG reported net income of \$1,870,000 for the quarter ended March 31, 2015 versus budgeted net income of \$928,000, primarily because underwriting income was higher than budgeted.

ACIG's Investment Portfolio

Asset Allocation as of March 31, 2015

	Market Value	Percent of Total
Insurance Reserves Portfolio	\$ 209,212,234	52.2%
BlackRock	\$ 172,224,858	
State Deposits	\$ 36,987,376	
Capital Portfolio	\$ 191,234,923	47.8%
Equities		
Dodge & Cox (Global)	\$ 12,634,021	3.2%
Vanguard Primecap	\$ 29,411,468	7.3%
Wellington Global Perspectives	\$ 17,538,411	4.4%
Vanguard – International Growth	\$ 9,618,463	2.4%
Absolute Return		
AIA Absolute Return Fund	\$ 18,756,471	4.7%
Convertibles		
Zazove	\$ 23,212,722	5.8%
Allianz	\$ 15,651,683	3.9%



**Asset Allocation
as of March 31, 2015**

	Market Value	Percent of Total
Fixed Income		
Western – Absolute Return	\$ 16,838,205	4.2%
T. Rowe Price High Yield Fund	\$ 6,291,257	1.6%
PIMCO – Income Fund	\$ 20,190,281	5.0%
Franklin Templeton Global Bonds	\$ 11,429,572	2.9%
Real Assets		
Harvest MLP Income Fund	\$ 9,662,369	2.4%
TOTAL INVESTMENTS	\$ 400,447,157	100.0%
Shareholders’ Equity	\$ 154,638,000	

*“\$400,447,157
in total investments”*

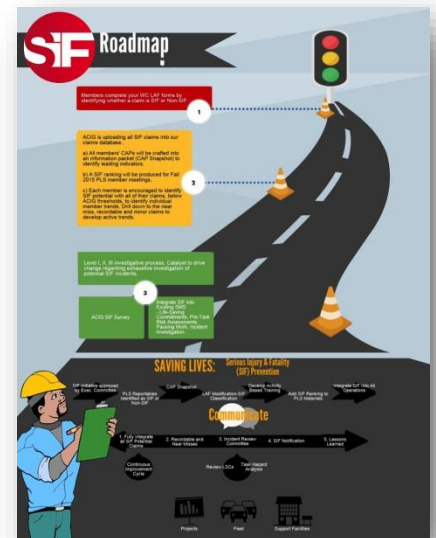
Portfolio performance for the quarter was 1.7%. Historical performance for 1 year is 4.6%, 3 years 6.1% and 5 years 5.8%

Serious Injury and Fatality Initiative

ACIG announced its Serious Injury and Fatality (SIF) Initiative at the Best Practices meeting on February 19, 2015. The next steps were as follows:

1. Created a SIF logo to create awareness.
2. Developed the SIF Roadmap, outlining ACIG Member activities and recommendations.
3. Defined and classified 1,047 Project Lifesaver claims as SIF or non-SIF.
4. All new workers compensation claims will be classified as SIF or non-SIF.
5. Retooled our Contractor Action Plans to sharpen the focus on Serious Injuries and Fatalities.
6. Develop a SIF Assessment Survey.
7. SIF rankings will be prepared for ACIG Members collectively and individually.

We are committed to the elimination of Serious Injuries and Fatalities on our projects and support facilities.



Click [here](#) to view full size.
*Username and password: ac1g



Nine Deadliest Driving Behaviors By the Numbers

Deadly vehicle accidents are a tragic daily occurrence across the United States. In 2013, 32,719 people died in motor vehicle crashes, according to the National Highway Traffic Safety Administration (NHTSA).

When we see or read about a fatal crash, our natural curiosity is to wonder what went wrong. Using data from NHTSA's Fatal Accident Reporting System, they identified the Nine Deadliest Driving Behaviors.

1. Failure to Keep in Proper Lane
2. Failure to Yield Right of Way
3. Reckless or Careless Driving
4. Overcorrecting
5. Not Adjusting to Road Surface
6. Driving on the Wrong Side of the Road
7. Not Adjusting to Road Obstruction
8. Operating Without Required Equipment
9. Improper Turn



Does your Fleet Management Program address these deadly driving behaviors?

Criminal Indictment

Contractor Faces Criminal Charges in Fatal Crash

Nashville Ready Mix Inc. and its president, face a 24-count indictment charging vehicular homicide and reckless homicide after one of its Ready-Mix trucks suffered a brake failure, causing a fatal crash. Investigations confirmed that the truck was dispatched and driven with knowledge of faulty brakes. The case is one of the few in the United States that led to a corporate criminal indictment for vehicular homicide.



ACIG Lean Focus Group

At our 2014 Builders' Summit, the topic of Lean Construction drew a lot of interest from our members. Some members had adopted Lean on all or select projects while others were just beginning their Lean journey. The Members requested that ACIG sponsor a Lean Focus Group for those who were interested in learning more. JR Gunter, Senior Lean Manager, Pankow Builders is the 2015 Chairman of the ACIG Lean Focus Group.

Lean Construction is a production management-based approach to project delivery, a new way to design and build projects. Lean Construction extends from the objectives of a lean production system, maximizes value and minimizes waste to specific techniques, and applies them in a new project delivery process. Lean Construction is particularly useful on large, complex projects with time sensitive schedules. It challenges the belief that there must always be trade-offs between time, cost, and quality.

On April 21, 2015, the Lean Focus Group met in San Antonio to tour a SpawGlass Project, One Frost, a five-story 443,000 square foot office building with an 8 level, 550,000 square foot parking structure. Jason Smith, SpawGlass Project Executive, provided a detailed overview of the Full Lean Implementation on the project:

- Mandatory pre-bid meetings
- Early bid scope packages
- 100% collaborative project team
- "Nothing on the slab but wheels"
- Weekly owner meetings
- Weekly foremen weekly work plan meetings
- Biweekly Project Manager meetings

As this project demonstrates, Lean Construction improves communication, productivity, safety and quality while reducing cost.



Unity Temple Restoration Berglund Construction



Built in 1910, Frank Lloyd Wright's Unity Temple is considered to be the famed architect's greatest contribution to modern architecture. The building, which continues to serve a Unitarian Congregation in Oak Park, IL, has a concrete façade that forms two connected cubes, each approximately 5,000 square feet in area. One of the cubes serves as a place of worship. The other serves as a place for education and events.

The building was highly innovative when Wright designed it. Few buildings had been constructed with an exterior composed entirely of concrete. This innovation, however, also accounts for many of the problems it faces today. The temple's 16 separate flat roofs have led to water leaks. The concrete façade has cracked and shifted, causing the art glass frames to warp.



The interior of the building has also faced challenges. The original historic plaster finishes have been covered with paint over time, obscuring Wright's original intent. A fire destroyed approximately 50 percent of the original wood trim, and the wood that was used to replace the damage does not match what was first used. And by today's standards, the HVAC system does not adequately moderate the temperature throughout the building.

Over the past 100 years, some of these issues have been addressed with various repairs. However, there has never been a full effort to completely restore Unity Temple to its original look until now. In partnership with Harboe Architects, Berglund Construction has been hired as the construction manager of a \$23 million comprehensive effort to restore Wright's vision.

The project will span a year-and-a-half. The first phase of the project, which began in April, is focused on exterior repairs to the concrete, skylights, roofing, doors, windows and exterior lighting. Much of this work has begun while the congregation continues to occupy the building, which has added another level of sensitivity to the high-profile work.

The interior phase will span through the fall of 2016. This work scope includes restoration of historic plaster, repair and replacement of damaged plaster, replication of original finishes, lighting upgrades, art glass restoration, and wood door and trim restoration. Berglund has begun the work of installing a geothermal heating and cooling system by digging wells in the temple's front yard, and this effort will eventually provide the congregation with a sustainable system to moderate the building's temperature.

The United Nations Educational, Scientific, and Cultural Organization (UNESCO) recently nominated Unity Temple as a World Heritage Site, which designates the building as a "place on Earth that is of outstanding universal value to humanity." Berglund Construction is honored to be entrusted with the responsibility of ensuring this international landmark remains for future generations to enjoy.



ACIG Contractors in the News

BMWC Constructors, Inc. was awarded the prestigious Excellence in Safety Crystal Eagle Award by the Metro Indianapolis Coalition for Construction Safety. They have won the award a record-breaking five times since 1994.



Danis Building Construction Company was granted an exemption by the Federal Aviation Administration. The exemption allows them to operate an unmanned aircraft system to conduct aerial inspections on construction sites.



Pictured above: DSI Phantom Vision 2+

Haskell's training program ranks among the Best in the World according to *Training Magazine*. Their extensive training platform is focused on three key areas of learning.



1. Foundation (essential learning)
2. Advancement (next level in job-related skills) and
3. Fulfillment (building personal capabilities for leading and managing)

Hoar Construction, LLC was awarded the Diamond ABC National STEP Award, and an Innovation in Safety award, for its Leading Indicator Program. The 2015 STEP awarded to Hoar marks 20 consecutive years to be recognized for its safety achievements.



LeChase Construction Services, LLC has acquired C.W. Brown Inc., a construction management firm based in Armonk, New York.



Two ACIG Members received the Associated General Contractors (AGC) Construction Safety Excellence Award:

Jaynes Corporation
Building Division
450,000 to 650,000 work hours



Shimmick Construction Co., Inc.
Federal & Heavy Division
300,000 to 700,000 work hours



ACIG Thought Leadership

We take our Thought Leadership role at ACIG very seriously. These take form as presentations, white papers and videos that validate risks, opportunities and provide best practices for solving problems and creating value.

Recent activity includes the following:

White Papers

Protecting Information Through Privilege
 Fronted Policy Guidance
 3rd Party Guidance and Review of Wrap-Ups
 Warrantly “Three Strikes”
 Wrap-ups and Exclusive Remedy in Texas

Videos

Captive.com’s Thought Leadership Video Series
 Group Captives
 Mike O’Neill

ACIG Education and Networking Calendar

Event	Location	Dates
2015		
Safety/Claims Workshop	Atlanta, GA	September 22-24
In-House Legal Counsel Forum	Dallas, TX	October 5-6
ACIG Risk Management Workshop	Sea Island, GA	October 29-31
2016		
ACIG University	Dallas, TX	January 27-29
Annual Meeting, Best Practices and Executive Committee	Orlando, FL	February 24-27
Vail Contractors Forum	Vail, CO	March 17-19
Executive Committee Meeting	Newberg, OR	April 28-29
Autumn Risk Management Workshop and Executive Committee	Santa Barbara, CA	October 13-15

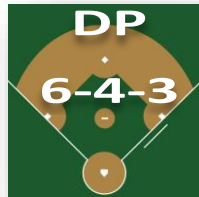


Concluding Thoughts

Execution and Teamwork

Baseball fans appreciate the execution and teamwork of turning a double-play. The infield is set, the catcher flashes the signal and the pitcher rocks and fires, then the magic happens.

The batter hits a screaming grounder, the shortstop breaks to his right backhanding the ball, turns and throws to the 2nd baseman, who flashes towards the bag, forcing the baserunner, then he throws a strike to the stretching 1st baseman.



High performing teams understand the importance of execution and teamwork. Teaching the positive power of execution and teamwork in the construction industry is an indispensable leadership component.

All the best,

President & CEO

