



# ACIG

## news

### ACIG's A.M. Best Rating

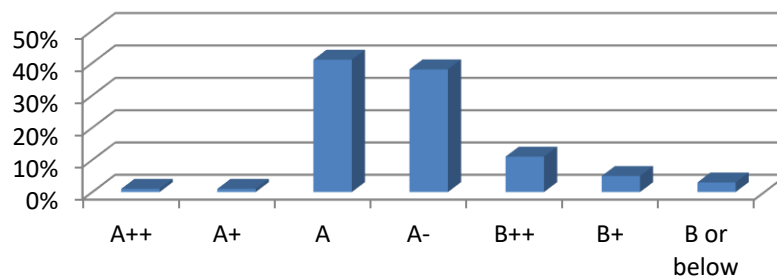
A.M. Best rates over 200 captives, representing a wide range of risk financing structures. This is a relatively small fraction of the over 6,500 captives in operation.

ACIG currently is rated A (Excellent) with a financial size category of VIII, \$100M to \$250M policyholders' capital and surplus. Our 'A' rating is a measure of success as a risk management tool, reducing the total cost of risk for our members. A.M. Best does not apply any special rating criteria for captives, their analysis and their rating is consistent whatever the type of insurer (i.e., stock, mutual, reciprocal, single parent or group captive).

#### INSIDE THIS ISSUE

- 2** ACIG Financial Report – June 30, 2015
- 3** ACIG's Investment Portfolio
- 4** Data Analytics
- 5** Claims Management Medical Cost Containment Results
- 5** Staggering Increase in Fatal Traffic Accidents
- 6** Technology Improves Project Safety
- 6** Zero-Tolerance Drug Policy Upheld
- 7** ACIG Contractors In the News
- 7** ACIG News and Notables
- 8** ACIG Education and Networking Calendar
- 8** Concluding Thoughts

**A.M. Best's Current Captive Financial Strength Ratings Distribution**



Source: Best's Statement File – Global, A.M. Best research.

**A, A- (Excellent)** Assigned to companies that have, in our opinion, an excellent ability to meet their ongoing insurance obligations.

#### Market Comparison

Captives have a preferential relationship with their insureds, they understand their risks better and employ best practices to reduce the frequency and severity of losses. Captives can be more selective on the risks they underwrite and most specialize in a particular industry (i.e., construction, energy and medical malpractice, etc.).

The following exhibit is a summary of the superior performance of U.S. Captives over Commercial Insurers:

Financial Indicator	U.S. Captive Composite	U.S. Commercial Composite
5 year average Combined Ratio to 2013	85.2%	103.2%
10 year average Combined Ratio to 2013	89.6%	101.2%
5 year average Operating Ratio to 2013	69.7%	88.3%
10 year average Operating Ratio	71.9%	86.6%
Premium to Surplus Ratio (2013)	0.3-to-1	0.8-to-1
Liquidity Ratio (2013)	187.5%	109.5%
Capital Adequacy (BCAR score 2013)	479.8	241.2

Source: A.M. Best Special Report "Rated U.S. Captives' Results Still Outperform Commercial Insurers". Published 4 August 2014.

For ACIG Members, there is a bonafide business need for our Best rating. The contract documents for a construction project contain detailed insurance requirements, the documents will set out the required insurance coverages, policy limits and endorsements that are required on the project. In addition, most contracts contain a A.M. Best Rating requirement, "all insurance required by this contract is to be provided by an insurance company with at least an A.M. Best Rating of A-, VIII."

Every policy year we prepare and send out tens of thousands of Certificates of Insurance to project owners and other parties. We are able to meet 99+% of the A.M. Best insurance requirements with our rating of "A, VIII."

We have a fronting arrangement with Zurich, A.M. Best Rating of A (Excellent), Financial Size Category XV (greater than \$2 billion in policyholders' capital and surplus) to issue policies acceptable to the project owners. We pay Zurich a fronting fee for the use of their capital and ACIG fully retains the risk through its reinsurance program.

As captives become more complex and operate in an environment demanding greater transparency and accountability with regulators, we can expect more captives to seek an A.M. Best Rating, providing an independent third party evaluation of its financial strength and ability to meet its insurance policy obligations.

## ACIG Financial Report June 30, 2015

### Balance Sheet Profile

ACIG reported total assets of \$442,444,000 as of June 30, 2015 versus assets of \$424,752,000 reported at December 31, 2014. ACIG's shareholders' equity was \$153,843,000 (versus \$149,955,000 at December 31, 2014). ACIG posted net unrealized gains on investments (net of tax) of \$21,983,000 at June 30, 2015, an increase of \$318,000 from December 31, 2014.



*"Captives outperform the  
U.S. Commercial  
Marketplace."*

*Operating Results for the Six Months Ended June 30, 2015*

ACIG reported pretax income of \$31,316,000 for the six months ended June 30, 2015 before policyholder dividends and other return premiums of \$22,023,000 and related bonuses of \$3,856,000. ACIG accrued premium refunds of \$22,023,000 payable to the ACIG insureds pursuant to our capital management strategy versus budgeted transactions of \$13,100,000. ACIG reported net income of \$3,570,000 for the six months ended June 30, 2015 versus budgeted net income of \$1,856,000, primarily because underwriting income was higher than budgeted.

**ACIG's Investment Portfolio****Asset Allocation as of June 30, 2015**

	Market Value	Percent of Total
<b>Insurance Reserves Portfolio</b>	<b>\$ 208,691,688</b>	<b>52.2%</b>
BlackRock	\$ 170,633,595	
State Deposits	\$ 38,058,093	
<b>Capital Portfolio</b>	<b>\$ 191,266,028</b>	<b>47.8%</b>
<b>Equities</b>		
Dodge & Cox (Global)	\$ 12,728,776	3.2%
Vanguard Primecap	\$ 28,968,825	7.2%
Wellington Global Perspectives	\$ \$17,312,207	4.3%
Vanguard – International Growth	\$ 9,731,653	2.4%
<b>Absolute Return</b>		
AIA Absolute Return Fund	\$ 19,026,836	4.8%
<b>Convertibles</b>		
Zazove	\$ 23,035,703	5.8%
Allianz	\$ 15,852,018	4.0%
<b>Fixed Income</b>		
Western – Absolute Return	\$ 16,893,262	4.2%
T. Rowe Price High Yield Fund	\$ 6,374,770	1.6%
PIMCO – Income Fund	\$ 20,487,145	5.1%
Franklin Templeton Global Bonds	\$ 11,441,748	2.9%
<b>Real Assets</b>		
Harvest MLP Income Fund	\$ 9,413,085	2.4%
<b>TOTAL INVESTMENTS</b>	<b>\$ 399,957,716</b>	<b>100%</b>
<b>Shareholders' Equity</b>	<b>\$ 153,843,000</b>	

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*“\$399,957,716  
in total investments”*

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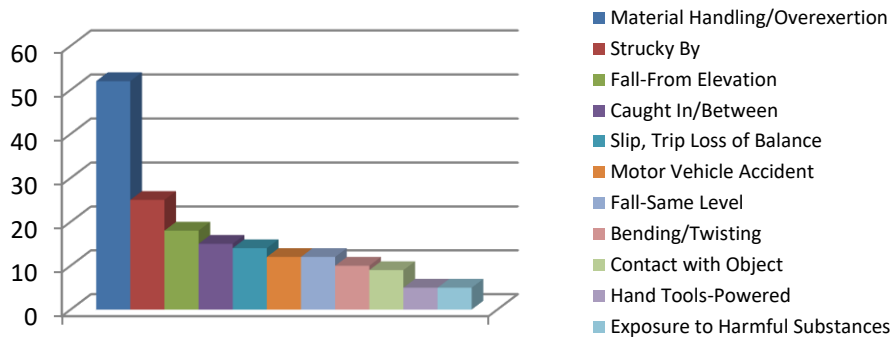
## Data Analytics

Based on information provided by our members, Third Party Administrators and ACIG’s claims department, we have analyzed our PLS workers compensation claims for the recently completed 6/1/14-15 policy year.

### ACTIVITY

Material handling/overexertion was the leading hazard for 2014-2015 as it was for the two previous years.

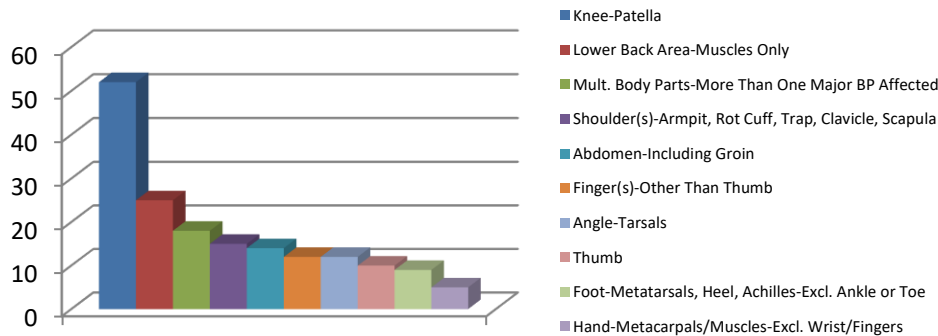
**Top 10 Activity Hazards 06/01/14-05/31/15**



### BODY PART

Knee injuries repeated as the body part with the highest number of claims.

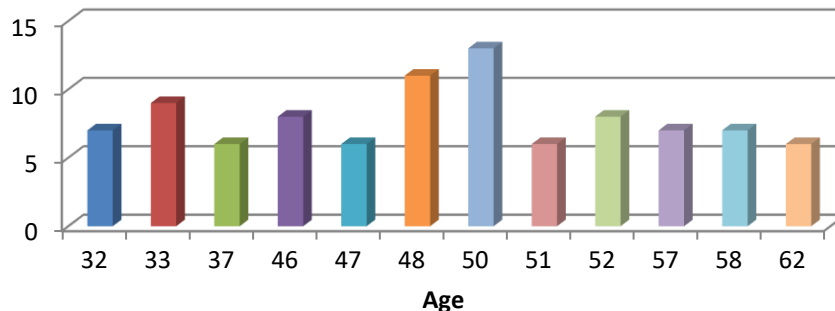
**Top 10 Body Parts Injured 06/01/14-05/31/15**



### AGE

No surprises here as our workforce is aging and we’re seeing more cumulative rather than traumatic injuries.

**Top 10 Ages at Time of Injury 06/01/14-05/31/15**



## Medical Cost Containment Results

ACIG contracts with CorVel, Definiti and other medical cost containment vendors, to verify the accuracy and compliance with the various state worker compensation laws. The vendors also have negotiated attractive fee schedules with the medical service providers, and confirm the discounted pricing is charged on ACIG's claims.

We recently completed an audit of our workers compensation medical bills and achieved superior results.

Bills Reviewed	Billed Amount	Paid Amount	Gross Savings	Gross Saving %
8,622	\$14,182,389	\$4,940,112	\$9,242,277	65%

## Staggering Increase in Fatal Traffic Accidents

There is an interesting conundrum taking place in the United States, today's cars, SUV's and trucks are safer than they have ever been, due to stricter crash test standards and the array of new safety features. Many new cars, SUV's and trucks come equipped with multiple air bags, front, rear and side, back-up cameras, lane departure and blind-spot warning systems. In spite of all these safety features, nearly 19,000 lives were lost in traffic accidents in the first six months of 2015, a staggering 14% increase over 2014. What's more, over 2.2 million people were seriously injured which represents a 30% increase.

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*"Fatality vehicle accidents claimed nearly 19,000 lives."*

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What are the key drivers of the increase in fatal vehicle accidents? The improving economy, lower unemployment and the low price of gasoline are contributing factors. There was a 3.4% increase in cumulative vehicle mileage for the same six month period, but that alone would not lead to the 14% increase in fatalities. There are more large trucks on the roads and commercial vehicle crashes generally have more severe consequences than crashes involving passenger cars. This leaves driver behavior as the major contributing factor.

The three leading causes of fatal vehicle accidents are:

1. Driving Under the Influence of Alcohol or Drugs (30.8%)
2. Speeding (30%)
3. Distracted Driving (26%)

If you mix any of these factors your odds of a fatal accident increase exponentially.



## Technology Improves Project Safety

Here are two (2) examples of how technology is improving safety on construction projects:

- **Volvo Construction Equipment** is integrating LIDAR and camera technology on its construction equipment. The goal is to improve project site safety by providing greater awareness of the surrounding environment for machine operators. The system employs three cameras, and a LIDAR sensor with a 360° field of view. Ground personnel are given RFID tags that communicate with sensors on the machine.
- **Royal Truck and Equipment**, a specialty vehicle manufacturer, has developed a driverless vehicle fitted with special devices, called attenuators, designed to protect workers and motorists driving through construction zones. Attenuators are designed to provide a rolling crash barrier, but that puts the driver at great risk. The driverless equipment takes the driver out of the vehicle, thereby improving worker safety.

## Zero-Tolerance Drug Policy Upheld

The Colorado Supreme Court has unanimously upheld a state law insulating Colorado residents from prosecution for making medical use of marijuana does not require the state's employers to tolerate the same or apparently any other use of the drug.

AGC of America joined its Colorado chapters and several other business organizations in filing a friend-of-the-court brief in support of the employer's zero-tolerance policy.

*(Bradon Coats v. Dish Network)*



## ACIG Contractors in the News

The Arizona Division of Occupational Safety and Health (ADOSH) designated **Kitchell Corporation** a “STAR Site” through the Construction-Voluntary Protection Program. Companies awarded the STAR designation demonstrate exemplary and comprehensive safety and health management systems. Kitchell is one of only three (3) construction companies in the state to achieve this designation.



**The Haskell Company** delivers the largest mega hangar to the Department of Defense. The State-of-the Art MV-22 mega hanger encompasses 263,000 square feet, provides administration, logistical and maintenance capabilities for both the Osprey Tilt-Rotor Aircraft and the CH-53K Helicopter.



Watkins Glen International Racetrack is undergoing a major reconstruction. **Ajax Paving Industries, Inc.** will be working on the storied track, the repair will use 25,000 tons of asphalt, 27,000 gallons of bituminous tack coat, 7,000 tons of aggregates and 2,500 tons of concrete. The repair will add “stickiness” to the race surface allowing faster racing in 2016.



**J J White, Inc.** was the largest employer of boilermakers from Local 13 and 23 in Pennsylvania, New Jersey and Delaware (Tri-State Area). They worked 285,000 manhours with no recordables.



**Murphy Company** was selected as one of the St. Louis Post-Dispatch’s 2015 Top Workplaces. The top workplaces are determined based solely on employee feedback. Murphy has 174 professional and office staff based in St. Louis, and employs more than 1,000 nationwide.



**Goodfellow Bros., Inc.** and Lieutenant Governor Shan Tsutsui presented 100 fans donated to the “Keep Our Keiki Cool” program. Temperatures in Kahului broke records and created a very hot learning environment. The fans provided much needed relief and provided a conducive environment for their students and educators.



## ACIG News and Notables

Tricia Kagerer, ACIG Risk Management Executive, serves on the National Action Alliance for Suicide Prevention Committee. The construction industry ranks among the top ten occupations with the highest risk of suicide. Demanding physical work, coupled with the stress of seasonal employment and limited access to mental health care, often creates a workforce vulnerable to mental health challenges like depression, substance abuse and suicidal thoughts.

The committee has released a suicide prevention guide entitled, *A Construction Industry Blueprint: Suicide Prevention in the Workplace*. The guide is a clear call to action to construction executives to make suicide prevention a health and safety priority. The documents can be accessed [here](#).



## ACIG Education and Networking Calendar

Event	Location	Dates
<b>2015</b>		
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
<b>2016</b>		
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
Builders Quality Summit	Denver, CO	June 22-24
Autumn Risk Management Workshop and Executive Committee	Santa Barbara, CA	October 13-15

## Concluding Thoughts

For the June 1, 2014-15 policy year our members self-performed 63,772,751 manhours, an increase of 11.65% from the previous policy year. For this twelve month policy period, ACIG members recorded zero fatalities on their project sites and in their construction support facilities (i.e., staging areas, garages, fabrication facilities, etc.). The sole ACIG member employee fatality arose from the operation of a motor vehicle. Even one life lost is unacceptable, but this was an improvement over the 2012-13 and 2013-14 policy years of 4 and 3 employee fatalities.

All the best,



President & CEO

