



January 25, 2016, Issue 37

2600 N. Central Expressway, Suite 800
Richardson, TX 75080
www.acig.com
(972) 702-9004

ACIG news

The Road to Progress is Always Under Construction

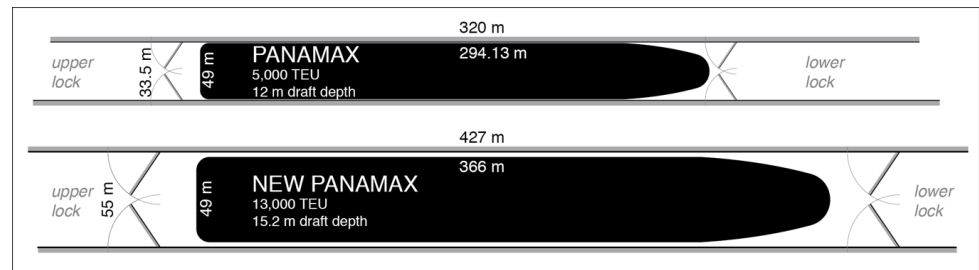
After successful completion of the Suez Canal in 1869, the French were inspired to tackle a similar project to connect the Atlantic and Pacific Oceans. From the beginning, the project was plagued by a lack of engineering expertise, a project cost of \$120 million was established, along with a six year timeframe. A huge workforce numbering 40,000 undertook the project, 90% of the workers were Afro-Caribbean workers. Tropical diseases, particularly malaria and yellow fever, decimated the workforce. The death toll was estimated at over 22,000. After eight years, the project was only 40% completed and some \$235,000,000 had been spent. The French abandoned the project.

President Teddy Roosevelt believed that a U.S. controlled canal was a vital strategic interest. At this time, Panama was part of Columbia, it declared its independence in 1903, with the support of the United States. The U.S. took over the abandoned canal project, and dirt began to fly. At its peak of productivity, over 3,000,000 cubic yards were being excavated per month. To overcome a series of geological barriers, a lock and dam system was built to allow Panamax ships to travel through the canal. The SS Ancon made the first official transit through the canal on August 15, 1914.

The rising volume of global commerce has turned the Panama Canal into a clogged bottleneck. In 2007, the Panama Canal expansion project began. The expansion includes new locks that will accommodate new Panamax vessels, 160 feet wide, 1,200 feet long and 49 feet deep. The project is scheduled for completion in 2016 at a cost of \$5.25 billion.

INSIDE THIS ISSUE

- 2 ACIG Financial Report – September 30, 2015
- 3 ACIG's Investment Portfolio
- 4 ACIG New Member
- 4 Cyber Risk and Security Presentation
- 4 Cyber Risk Management
- 5 ACIG Member Unique Project
- 6 ACIG Contractors In the News
- 7 ACIG News and Notables
- 8 ACIG Education and Networking Calendar
- 8 Concluding Thoughts



The expansion of the Panama Canal has prompted U.S. ports to upgrade their facilities to accommodate the larger New Panamax container ships. These new ships are capable of handling up to 13,000 twenty-foot equivalent units (TEUs), twice as much cargo as the old Panamax ships.

One of our Members, Herzog Contracting Corp., has played an integral role in the Port of Long Beach Modernization. The National Railroad Construction and Maintenance Associations (NRC) Project of the Year 2015 was awarded to the Port of Long Beach, Pier E Project by Herzog/Reyes, a Joint Venture. Herzog is the managing joint venture partner working on the centerpiece of the largest marine terminal in the United States.

The Port of Long Beach intermodal yard spans 345 acres and will handle 10,000 truck trips per day, 2,100 trains and 3.3 million twenty-foot equivalent units per year. The total linear footage of crane rail foundation and rail was almost eight miles. The project was completed on schedule, within budget and with zero “lost time” accidents and 313,046 total manhours.

ACIG Financial Report December 31, 2015

Balance Sheet Profile

ACIG reported total assets of \$444,804,000 as of December 31, 2015 versus assets of \$424,997,000 reported at December 31, 2014. ACIG’s shareholders’ equity was \$152,223,000 (versus \$149,955,000 at December 31, 2014). ACIG posted net unrealized gains on investments (net of tax) of \$11,698,000 at December 31, 2015, a decrease of \$9,967,000 from December 31, 2014.

Operating Results for the Twelve Months Ended December 31, 2015

ACIG reported pretax income of \$70,664,000, an all time high, for the year ended December 31, 2015 before policyholder dividends and other return premiums of \$47,193,000 and related Class A management fee of \$8,263,000. ACIG accrued premium refunds of \$47,193,000 payable to the ACIG insureds pursuant to our capital management strategy versus budgeted transactions of \$26,201,000. ACIG reported net income of \$10,551,000 for the year ended December 31, 2015 versus budgeted net income of \$3,713,000, primarily because underwriting income was higher than budgeted. In addition, ACIG targeted shareholders’ equity of approximately \$152 million at December 31, 2015, pursuant to our Project Independence strategy, and restricted policyholder dividends and other return premiums in order to reach this goal.

*“\$152,223,000 in
shareholders’ equity.”*



ACIG's Investment Portfolio

Asset Allocation as of September 30, 2015*

| | Market Value | Percent of Total |
|-------------------------------------|----------------|------------------|
| Insurance Reserves Portfolio | \$ 221,668,599 | 55.4% |
| BlackRock | \$ 183,481,872 | |
| State Deposits | \$ 38,186,727 | |
| Capital Portfolio | \$ 178,307,683 | 44.6% |
| Equities | | |
| Dodge & Cox (Global) | \$ 11,065,297 | 2.8% |
| Vanguard Primecap | \$ 27,133,476 | 6.8% |
| Wellington Global Perspectives | \$ 16,030,263 | 4.0% |
| Vanguard – International Growth | \$ 8,467,923 | 2.1% |
| Absolute Return | | |
| AIA Absolute Return Fund | \$ 17,685,086 | 4.4% |
| Convertibles | | |
| Zazove | \$ 22,507,216 | 5.6% |
| Allianz | \$ 14,627,641 | 3.7% |
| Fixed Income | | |
| Western – Absolute Return | \$ 16,613,310 | 4.2% |
| T. Rowe Price High Yield Fund | \$ 6,016,344 | 1.5% |
| PIMCO – Income Fund | \$ 20,313,769 | 5.1% |
| Franklin Templeton Global Bonds | \$ 10,677,958 | 2.7% |
| Real Assets | | |
| Harvest MLP Income Fund | \$ 7,169,401 | 1.8% |
| TOTAL INVESTMENTS | \$ 399,976,282 | 100% |

*“\$399,976,282
in total investments”*

*The December 31, 2015 investment portfolio schedule is not available at this time. It will be included in the next edition.





ACIG Welcomes Graniterock

Graniterock made the decision to become an ACIG Member effective September 30, 2015. The meet the partners session was held in San Jose, CA on August 5th, 2015, representing the membership were Wayne Drinkward, Kevin Small and Dick Walterhouse. Graniterock will be our 40th active premium paying Member. They are a great addition to our membership.

Graniterock was incorporated in Watsonville, CA in 1900, they operate a large quarry, asphalt and concrete operations in addition to their street and road construction operations. They build projects as big as runways at San Francisco International Airport and as unique as driveways in Pebble Beach. Graniterock operates seven (7) Design Centers located in Central California serving the needs of the local architectural and construction community.

Graniterock was recognized for its accomplishments with awards for excellence in management and business practices, most notably in 1992 with the Malcolm Baldrige National Quality Award, the nation's highest honor for business excellence. Still family owned and operated, Graniterock locations extend from Oakland to Monterey.

Cyber Risk and Security Presentation

Mark Lanterman, Chief Technology Officer, Computer Forensic Services, will be the keynote presenter at ACIG's Annual Meeting. This session addresses the hot topic of cyber attacks and security measures.



The risk of these attacks is no longer concentrated on retailers, financial institutions and health insurers. The recent breach at Target started in the network of an HVAC contractor.

Mark has successfully led thousands of forensic investigations for businesses and government entities. He also worked at the U.S. Secret Service Electronic Crime Task Force for three (3) years.

Cyber Risk Management

ACIG engaged Pointe Smart to perform an independent security assessment and penetration test to verify security and make recommendations for improving secure infrastructure. They conducted multiple penetration tests over a two month period.

The security assessment concluded with no successful internet attacks reproduced and only minor potential security risks. In addition, ACIG has retained a company to provide information security training for all of our employees.



ACIG Member Unique Project

Charles Pankow Builders, Ltd.

San Francisco War Memorial Veterans Building

On September 16, 2015, San Francisco dignitaries and Veterans gathered in the newly renovated Herbst Theater for the Re-Dedication of the historic War Memorial Veterans Building. The State Landmark was built in 1932. President Harry S. Truman and other heads of state signed the United Nations Charter on the stage of the Veterans Auditorium, which is now the Herbst Theatre in 1945. The Japanese Peace Treaty was drawn up in the Veterans Building in 1951.

For the past 25 years, the safety condition of the War Memorial Veterans Building was a primary concern of the City of San Francisco. Deficient building features, including a Seismic Hazard Rating of 3, lack of completed fire alarm and sprinkler systems, and continued reliance on other building systems comprised mostly of 1932 equipment made earthquakes and other emergencies significant threats to the building and to the safety of its occupants.

Restoring this old building was in many ways more complicated than building a new one. Great care was required to ensure that all work on the project complied with the Secretary of the Interior's Standards for the Treatment of Historic Properties including the Department of Public Work's commitment to the stewardship of the historic resources within the Civic Center Historic District. Mayor Edwin Lee commended the construction team on the well-executed and detailed work, remarking that "Every one of those construction workers were not construction workers, but they are artists in this building,"

While the opulence of the Herbst Theater and Green Room are dazzling eye-catchers, a large majority of the work is beyond what meets the eye. The 238,342 SF building was rebuilt top to bottom for seismic safety and earthquake damage repair. In addition, a majority of the facility preservation and modernization improvements, code mandated mechanical, electrical and plumbing systems replacement, new fire alarm and sprinklers, drinking water and stage system upgrades are all behind the scenes.

In October 2014, Pankow completed the renovation of the Memorial Court and Sacred Soil public open space that invites contemplation and remembrance. The Memorial Court Octagon is a repository for battlefield soils to honor fallen veterans. Soils from World War I battlefields were consigned there at the time of its completion. A similar ceremony depositing soils from World War II battlefields took place following the 1945 signing of the United Nations Charter in the Veterans Building. And in 1988, veterans groups held a ceremony interring battlefield soils from Austria, Belgium, Cambodia, China, Egypt, England, France, Germany, Guam, Italy, Laos, Nicaragua, the Philippines, Thailand and Vietnam. If you are in San Francisco, come visit the War Memorial Veterans Building and Memorial Court.



ACIG Contractors in the News



The Gary E. Bird Horizon Award was presented at the 35th IRMI Construction Risk Conference to Jayme Mayo, Physician Assistant/Wellness Director, **Nabholz Construction Corporation**. This award recognized Ms. Mayo for her innovative wellness program.

Ms. Mayo created and implemented the award-winning “Building a Healthy Workplace”, an innovative wellness program that was multidisciplinary and utilized an incentivized approach.

Click [here*](#) to review.

BMWC Constructors, Inc. has been named one of America’s safest companies by *EHS Today* magazine. The magazine recognized 16 companies for providing a safe working environment for their employees and achieving world-class safety status.

Cajun Deep Foundations received the Outstanding Safety Program Award from the Association of Foundation Drilling Contractors. Cajun has a unwavering dedication to safety in all aspects of its operations.

Design Build Institute of America (DBIA) honored Rik Kunnath, **Charles Pankow’s** Chairman, with its 2015 Lifetime Achievement Award. Rik was one of the founders of DBIA.

Pete Kaplan, CHST, Project Safety Manager for **Wagman Heavy Civil, Inc.**, was recognized as one of the National Safety Council’s “Rising Stars of Safety”.

The Haskell Company celebrates its company’s 50th Anniversary. Preston Haskell founded the firm in October 1965 in Jacksonville, FL with the intention of doing things differently. He developed the design-build delivery model and later founded the Design Build Institute of America (DBIA) with a small group of construction industry executives.

James B. Hill, II, President of **The Hill Group** was presented the Millennium Builders Award by the United States Minority Contractors Association in recognition of his leadership and commitment to diversity in construction contracting.

Kitchell and its design-build partner Orcutt/Winslow received the National Design-Build Project Team Award from the Design-Build Institute of America (DBIA) for its Chandler Regional Medical Center project. The project, a 171,000 sq. ft. hospital tower was completed 105 days ahead of schedule and \$4MM under budget, demonstrating the power of collaboration amongst the stakeholders.

*Username/Password: ac1g



ACIG News and Notables



Rob Berryman, ACIG Safety Consultant, authored an ACIG whitepaper, *Fatigue: The Invisible Threat*. His six (6) year experience aboard a U.S. Navy nuclear powered fast track submarine provided real world experience in dealing with fatigue. Click [here*](#) to read his whitepaper.



Tricia Kagerer, ACIG Risk Management Executive, authored an ACIG whitepaper, *The Impact of Texas Senate Bill 1081 on Controlled Insurance Program (OCIPs/CCIPs)*. ACIG is equipped to meet all of the new requirements contained in the new law. Click [here*](#) to read her whitepaper.



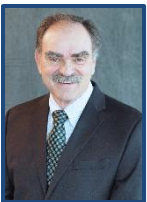
Max Lewels, ACIG Risk Management Executive and **Todd Reeves**, ACIG Account Executive, co-authored an ACIG whitepaper, *A Practical Guide to Joint Venture Insurance*. Many of our ACIG Members are involved in joint ventures. Click [here*](#) to read their whitepaper.



Bill McIntyre, ACIG Chairman, co-chaired International Risk Management Institute's 35th Construction Risk Conference. Over 1,500 attended this year's conference in Las Vegas.



Michael O'Neill, ACIG President and CEO, was a presenter at International Risk Management Institute's 35th Annual Construction Risk Conference. This was his 27th IRMI presentation, "The Captive Decision".



Larry Owen, Senior Quality Consultant, has been selected to serve on the Construction Quality Executives Council.

*Username/Password: ac1g



ACIG Education and Networking Calendar

| Event | Location | Dates |
|---|-------------------|----------------|
| 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 |
| Builders Quality Summit | Denver, CO | June 22-24 |
| Autumn Risk Management Workshop and Executive Committee | Santa Barbara, CA | October 13-15 |

Concluding Thoughts

ACIG had a remarkable year in 2015 as the U.S. construction industry rebounded to over \$1.1 trillion of work put in place. Our Members are dominant players in their respective construction markets as demonstrated by the 12% increase in standard premiums over 2014. Focused efforts in safety, risk management and quality produced outstanding underwriting results. The insurance business is an important lubricant for our U.S. construction market. Risk is not going away – in fact, it is increasing. Companies that effectively manage risks will be rewarded.

All the best,



President & CEO

