

ACIG Executive Committee

ACIG's executive committee held its spring meeting at The Allison Resort in Newberg, Oregon. Cecil and Sally Drinkward joined us for dinner, he was a very active executive committee member during his tenure.

Richard Pepper has resigned as a founding member of the executive committee, he will be replaced by his son, Stanley Pepper. Special thanks to Richard for his vision, leadership and unwavering support of American Contractors Insurance Group.



Pictured (left to right) Doug Pitcock, Cecil Drinkward, Richard Pepper, Bill McIntyre.



ACIG Financial Report March 31, 2016

Balance Sheet Profile

ACIG reported total assets of \$441,568,000 as of March 31, 2016 versus assets of \$444,804,000 reported at December 31, 2015. ACIG's shareholders' equity was \$155,577,000 (versus \$152,223,000 at December 31, 2015). ACIG posted net unrealized gains on investments (net of tax) of \$9,668,000 at March 31, 2016, a decrease of \$2,030,000 from December 31, 2015.

To support the significant growth in premiums enjoyed by ACIG over the last two years, the ACIG executive committee authorized faster growth of ACIG's capital. The 2017 capital target is \$160.6 million pursuant to our project independence strategy, and this goal will be accelerated to December 31, 2016 (versus the original target of \$156.2 million at December 31, 2016). As a result, ACIG will retain a larger portion of its earnings during 2016.

Operating Results for the Quarter Ended March 31, 2016

ACIG reported pretax income of \$16,374,000 for the quarter ended March 31, 2016 before policyholder dividends and other return premiums of \$6,359,000 and related Class A management fee of \$1,113,000. ACIG accrued premium refunds of \$6,359,000 payable to the ACIG insureds pursuant to our capital management strategy versus budgeted transactions of \$8,052,000. ACIG reported net income of \$5,384,000 for the quarter ended March 31, 2016 versus budgeted net income of \$1,005,000, primarily because underwriting income was higher than budgeted and we restricted policyholder dividends and other return premiums toward our year end capital goal of \$160.6 million.



ACIG's Investment Portfolio

Asset Allocation as of March 31, 2016

	Market Value	Percent of Total
Insurance Reserves Portfolio	\$ 229,624,339	54.7%
BlackRock	\$ 194,729,131	
State Deposits	\$ 34,895,208	
Capital Portfolio	\$ 190,456,919	45.3%
Equities		
Dodge & Cox (Global)	\$ 10,302,557	2.5%
Vanguard Primecap	\$ 28,943,844	6.9%
Wellington Global Perspectives	\$ 16,600,434	4.0%
Vanguard – International Growth	\$ 8,887,207	2.1%
Angeles Global Equity Opportunities	\$ 3,800,005	0.9%
Absolute Return		
Angeles Absolute Return Fund	\$ 17,500,939	4.2%
Convertibles		
Zazove	\$ 23,586,138	5.6%
Allianz	\$ 14,424,422	3.4%
Fixed Income		
Western – Absolute Return	\$ 16,612,376	4.0%
T. Rowe Price High Yield Fund	\$ 6,180,654	1.5%
PIMCO – Income Fund	\$ 20,783,124	4.9%
Franklin Templeton Global Bonds	\$ 10,925,992	2.6%
Crescent High Income	\$ 5,250,006	1.2%
Real Assets		
Harvest MLP Income Fund	\$ 6,659,221	1.6%
TOTAL INVESTMENTS	\$ 420,081,258	100%

*“\$420,081,258
in total investments”*



Transportation Accidents are #1 Event for Worker Fatalities

The Department of Labor, Bureau of Labor Statistics reported that for 2014, there were 4,679 fatal work injuries, an increase of 2% over 2013. The rate of fatal work injuries for all occupations was 3.3 per 100,000 full-time employees.

Construction fatalities rose to 874 in 2014 from 828 in 2013. The construction industry accounted for 19% of fatal injuries. This produced a fatal injury rate for construction occupations of 9.5 per 100,000 full-time employees.

Detailed information contained in the report highlighted two areas of heightened exposure:

- Transportation incidents led to 1,891 fatalities. This category accounted for 40% of fatal workplace injuries.
- Workers' ages ranged from under 16 to age 90 and older. Fatal work injuries involving workers age 45 to 54 years, 55 to 64 years, and 65 years and older, all increased in 2014.

ACIG's Serious Injury and Fatality Program is focused on the reduction of fatalities on our projects, construction support facilities and transportation operations.

ACIG University

We conducted our 10th ACIG University program on January 27-29, 2016 at the Grand Hyatt DFW. There were forty-five (45) attendees representing 30 of our Members.

This in-depth program is designed to assist in the development of your future leaders and decision makers. Our interactive learning environment is designed to provide an in-depth review of the history, corporate governance and resources of ACIG. Upon completion of this executive track, attendees will possess crucial knowledge of their construction risks, funding options and tools to mitigate risks and losses. In addition, it provides valuable opportunity to network with their peers.





ACIG Fleet Management Course

ACIG conducted our fleet management course on January 26-27, 2016. Williams Brothers hosted the event in their training and yard facility.

We provide the auto liability insurance for fourteen (14) Members; however, we provide the workers compensation for all forty (40) Members, creating exposure to transportation risks.

There were sixty-one (61) attendees representing 24 Member companies. ACIG presenters were Carl Heinlein, Rob Berryman and Todd Reeves. Member presenters were Dennis Barlow (Goodfellow), Dave PanCoast (Danella) and Adam Ridell (Superior Bowen). We engaged Tim Sakry as a fleet safety consultant.

We encourage all of our Members to participate in our next fleet management course.



ACIG Member Unique Project

Lexicon, Inc.

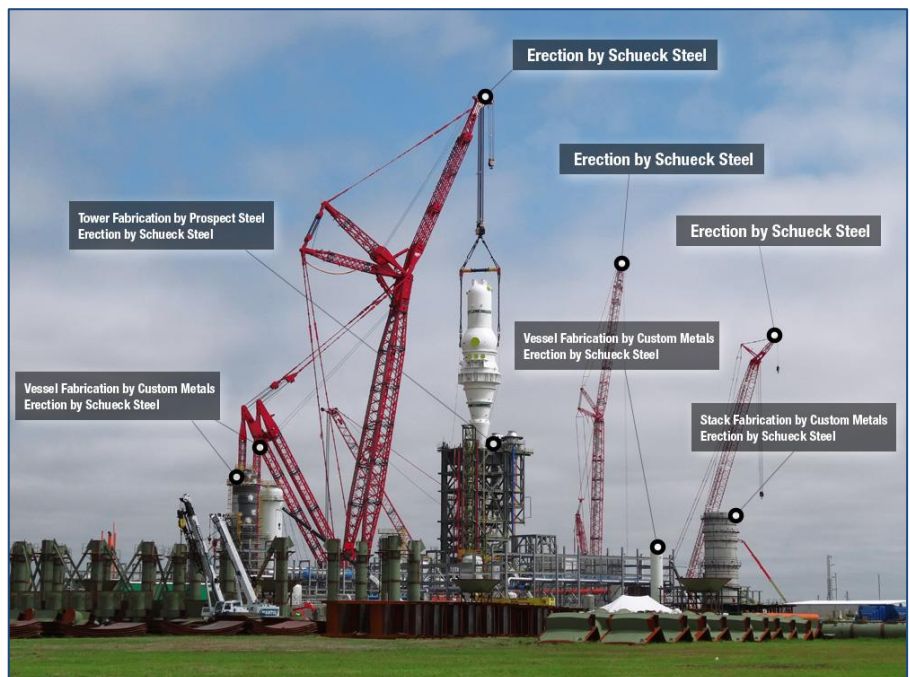
Direct Reduced Iron (DRI) Facility

A major green field site in Convent, Louisiana is the site of a new Direct Reduced Iron (DRI) facility. Direct Reduced Iron is an alternative method produced by heating iron ore at a temperature high enough to burn off its carbon and oxygen content but below iron's melting point.

Lexicon was contracted for \$90+MM to perform fabrication, steel erection and mechanical installation. Scopes included fabrication and erection of steel tower, installation of the vessel, fabrication and installation of a process gas heater, installation of miles of material handling conveyors, fabrication and installation of tanks and the fabrication and installation of the Mississippi River dock for material off-loading.

Facts and Figures

Steel Tower Height:	364 feet
Steel Tower Weight:	3,725 tons
# Tower Shop Drawings:	4,464
Lexicon Direct Manhours:	900,480
Total Recordable:	13
TRIR Rate:	2.84
Lost Day Cases:	3
Lost Time Rate:	0.66
No Fatalities	



ACIG Contractors in the News



Danis Building is celebrating their 100 year anniversary.

Graniterock won the Caltrans Gold Excellence in Partnering Award for the Highway 17 Project. Caltrans and Graniterock worked together to develop value engineering solutions to address the changes to make Highway 17 safer.

Graycor is celebrating their 95 year anniversary.

Hoar Construction received the Associated Builders and Contractors Excellence in Construction Award for four (4) projects. This award honored the most innovative and high quality projects in the nation.

J J White received the prestigious DuPont 2015 Safety Excellence Award. This award recognizes outstanding safety, health and environmental performance.

McCarthy Improvement Company received the ACPA National Award of Excellence in Concrete Paving for the Hartsfield-Jackson Atlanta International Airport.

David Pepper, Chairman and CEO of **Pepper Construction Group**, was elected Chairman of the Associated General Contractors of America (AGC) Building Division for 2016-17. Dave has been very active in a number of AGC committees and served as President of the AGC Education and Research Foundation.

Saunders Construction received an Engineering News Record (ENR) 2015 Best Projects Award for its Avery Brewing Facility project, Best Manufacturing Project.

Paul Cocotis, Chairman and CEO of **Shimmick Construction Co., Inc.**, was installed as the 61st President of The Beavers at their annual Golden Beavers Award Dinner.



THE BEAVERS

A HEAVY ENGINEERING CONSTRUCTION ASSOCIATION

The Beavers is a social, honorary organization formed, organized and managed by the construction companies and individuals who are or have engaged in heavy-engineering construction.

The purpose of the Beavers is to promote good will, friendliness and consideration...to give recognition to those new and women who have demonstrated particular skill, responsibility and integrity...and encourage and support the entry of promising young individuals into heavy-engineering construction.



Wagman demonstrated their support for the 17th Annual Work Zone Awareness Week from April 11-15, 2016. Wagman employees were encouraged to “Go Orange” to help raise awareness and bring national attention to motorist and work zone safety.



Orange safety cones and electronic message boards with rotating safety messages were set up outside Wagman’s headquarters in York, PA. They also distributed 500 orange safety ribbon hardhat stickers and coordinated a social media campaign.

Mike Glezer, Wagman’s CEO, commented, “Keeping our people safe is a priority every day. We’re proud to support the National Work Zone Awareness Week.”

ACIG Thought Leadership

“Insuring Operations Within Canada” written by Mike Magnuson, RMS Operations Manager. [Click here](#) to read his article.

“CCIP Workers Compensation Best Practices” written by Susie Ferguson, Senior Claims Consultant. [Click here](#) to read her article.

“To Fleet or Not to Fleet; That is the Question: Managing the Risk of Employee Driving” written by Tricia Kagerer, Risk Management Executive. [Click here](#) to read her article.

“ACIG CCIP Summary and Benefits” written by James Shay, Vice President – Risk Management Services and Michelle Son, CCIP Program Manager. [Click here](#) to read their article.

“Serious Injury & Fatality Prevention: The New Safety Dynamic” written by Tricia Kagerer, Risk Management Executive. [Click here](#) to read her article.

*Username/Password: ac1g



ACIG News and Notables



Carl Heinlein, Senior Safety Consultant, serves on the Construction Safety Excellence Awards judging committee for the Associated General Contractors of America (AGC).



Mike O'Neill, President & CEO, was a presenter at Goodfellow Bros., Inc.'s Advanced Leadership Program, The Importance of Construction Risk Management.



Larry Owen, Senior Quality Consultant, was selected for the fourth year in a row to serve as an examiner for the Malcolm Baldrige Performance Excellence Program (BPEP).



James Shay, Vice President – Risk Management Services, received his Enterprise Risk Management designation (ARM-E).



Tricia Kagerer, Risk Management Executive, successfully completed the coursework for the Chartered Property Casualty Underwriting (CPCU) designation. She is also now a Malcolm Baldrige National Quality Award Examiner.



ACIG Education and Networking Calendar

Event	Location	Dates
2016		
Builders Quality Summit	Denver, CO	June 22-24
Safety/Claims Workshop	Indianapolis, IN	September 21-23
Autumn Risk Management Workshop and Executive Committee	Santa Barbara, CA	October 13-15
2017		
ACIG University	Dallas, TX	January 25-27
ACIG Best Practices	Scottsdale, AZ	February 22-25
ACIG Annual Membership Meeting	Scottsdale, AZ	February 22-25

Concluding Thoughts

A strong culture of success is the lifeblood of a healthy company. When built correctly, you will find it in every nook and cranny within the company. Like many things in business, it is easy to say, but hard to achieve.

A culture of success helps companies attract and retain the best and brightest professionals. These professionals need to be led through a solid system of communication. This communication loop must be a two-way exercise providing constructive feedback in a transparent environment.

By hiring a variety of skill sets to compliment others, you exponentially increase the diversity of ideas. Consistency is as important as responsibility and accountability in managing a successful company.

All the best,



President & CEO

