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ACIG news

Sleep Deprivation and Fatigue

Three of the largest and most devastating man-made disasters share fatigue-related causes.

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Chernobyl (1986) – The nuclear power plant had a surge causing fatalities and millions of dollars in property damage from radiation. The power surge resulted from a severely flawed Soviet-era reactor combined with human error. Sleep deprived engineers working 13+ hour shifts contributed to the meltdown.

Challenger Explosion (1986) – Only 73 seconds post launch, the Challenger space shuttle exploded. The time sensitive launch date led to sleep loss and judgement errors.

Exxon Valdez Oil Spill (1989) – The oil tanker ran aground in Alaska, resulting in over 10 million gallons of crude oil spilling into Prince William Sound. The crewman fell asleep at the controls while piloting the ship after working 18 straight hours prior to the crash.

Three of ACIG's largest auto claims can be directly linked to sleep deprivation and fatigue. In two of the tragic fatal accidents, our drivers fell asleep while operating a company vehicle and woke up on impact with the other vehicle. The third occurrence involved driving a long distance, over 400 miles at the end of a workday, the driver was fatigued and exercised impaired judgement when passing on a two-lane highway resulting in a head-on non-fatality accident.

Dr. Charles A. Czeisler, Professor of Sleep Medicine at Harvard Medical School, is a recognized expert in this area. "Our homeostatic drive for sleep is determined by the number of consecutive waking hours. Most of us think we can control when we go to sleep, but the brain can seize control involuntarily." It triggers our "sleep switch" and we're asleep, whether we're operating a vehicle or a piece of construction equipment.

From sleep research, we know that 24-hours without sleep or a week of sleeping 4 or 5 hours a night induces an impairment equivalent to a blood alcohol level of .1%, legally drunk. This level of impairment increases the risk of a workplace accident by 2.9 times and the impaired employee is 3.6 times more likely to engage in safety compromising behavior.

In McKinsey's 2016 survey, 70% of leaders said that sleep management should be taught in organizations, just as time management and communication skills.

What can companies do?

- Integrate sleep health education as a business and risk management principle.
- Discourage extended hours and all-nighters when possible.
- Contact Fusion Health, www.fusionhealth.com to learn more.

**ACIG Financial Report
June 30, 2016***Balance Sheet Profile*

ACIG reported total assets of \$474,094,000 as of June 30, 2016 versus assets of \$444,804,000 reported at December 31, 2015. ACIG's shareholders' equity was \$163,923,000 (versus \$152,223,000 at December 31, 2015). ACIG posted net unrealized gains on investments (net of tax) of \$16,319,000 at June 30, 2016, an increase of \$4,621,000 from December 31, 2015.

Operating Results for the Six Months Ended June 30, 2016

ACIG reported pretax income of \$31,579,000 for the six months ended June 30, 2016 before policyholder dividends and other return premiums of \$18,910,000 and related bonuses of \$3,311,000. ACIG accrued premium refunds of \$18,910,000 payable to the ACIG insureds pursuant to our capital management strategy versus budgeted transactions of \$16,105,000. ACIG reported net income of \$5,668,000 for the six months ended June 30, 2016 versus budgeted net income of \$2,010,000, primarily because underwriting income was higher than budgeted.



ACIG's Investment Portfolio

Asset Allocation as of June 30, 2016

	Market Value	Percent of Total
Insurance Reserves Portfolio	\$ 237,614,152	55.6%
BlackRock	\$ 203,292,000	
State Deposits	\$ 34,322,152	
Capital Portfolio	\$ 189,452,733	44.4%
Equities		
Dodge & Cox (Global)	\$ 10,392,405	2.4%
Vanguard Primecap	\$ 29,026,736	6.8%
Wellington Global Perspectives	\$ 10,060,028	2.4%
Vanguard – International Growth	\$ 8,931,832	2.1%
Angeles Global Equity Opportunities	\$ 10,579,632	2.5%
Absolute Return		
Angeles Absolute Return Fund	\$ 17,610,072	4.1%
Convertibles		
Zazove	\$ 24,244,025	5.7%
Allianz	\$ 14,759,726	3.5%
Fixed Income		
Western – Absolute Return	\$ 17,047,236	4.0%
T. Rowe Price High Yield Fund	\$ 6,461,894	1.5%
PIMCO – Income Fund	\$ 21,290,809	5.0%
Crescent High Income	\$ 11,093,475	2.6%
Real Assets		
Harvest MLP Income Fund	\$ 7,954,863	1.9%
TOTAL INVESTMENTS	\$ 427,066,885	100%

*“\$427,066,885
in total investments”*

The total portfolio returned 1.8% for Q2 2016, and 2.0% for the six months ended June 30, 2016.



“Safety Pays”

One of the safety performance metrics we track is the number of claims with a total incurred value over \$100,000.

Looking at our **WORKERS COMPENSATION** line of business, we see an improvement in both the number of claims and the total incurred values.

Policy Year	# of Claims	Total Incurred	Average
2011	59	\$19,135,000	\$324,322
2012	48	\$15,370,000	\$320,208
2013	44	\$12,497,000	\$284,023
2014	44	\$ 8,716,000	\$198,090
2015	21	\$ 3,473,000	\$165,381

Our **GENERAL LIABILITY** Bodily Injury and Property Damage claims also saw a significant improvement.

Policy Year	# of Claims	Total Incurred	Average
2011	25	\$10,609,000	\$424,360
2012	27	\$14,720,000	\$545,185
2013	9	\$ 5,358,000	\$595,333
2014	12	\$ 3,935,000	\$327,916
2015	4	\$ 1,012,000	\$253,000

Our **AUTO LIABILITY** claims have also seen a reduction in frequency. Note for 2015, we had zero claims over \$100,000.

Policy Year	# of Claims	Total Incurred	Average
2011	3	\$2,065,000	\$ 688,333
2012	7	\$2,400,000	\$ 348,571
2013	5	\$1,682,000	\$ 336,400
2014	1	\$1,915,000	\$1,915,000
2015	0	\$ -	\$ -

These lower losses have a positive impact on our Members’ retro return premiums and the underwriting performance of our pooled excess layer.



Medical Cost Containment

The National Council on Compensation Insurance (NCCI) claim data shows that in 2015, \$0.58 of every claim dollar was expended for medical cost. This continues a trend we have witnessed over the past twenty-five (25) years.

To manage our medical costs, we utilize the services of CorVel and other firms that specialize in auditing medical bills and repricing them to conform with the various state statutes and “usual and customary changes.”

Medical Cost Containment Results Calendar Year 2015

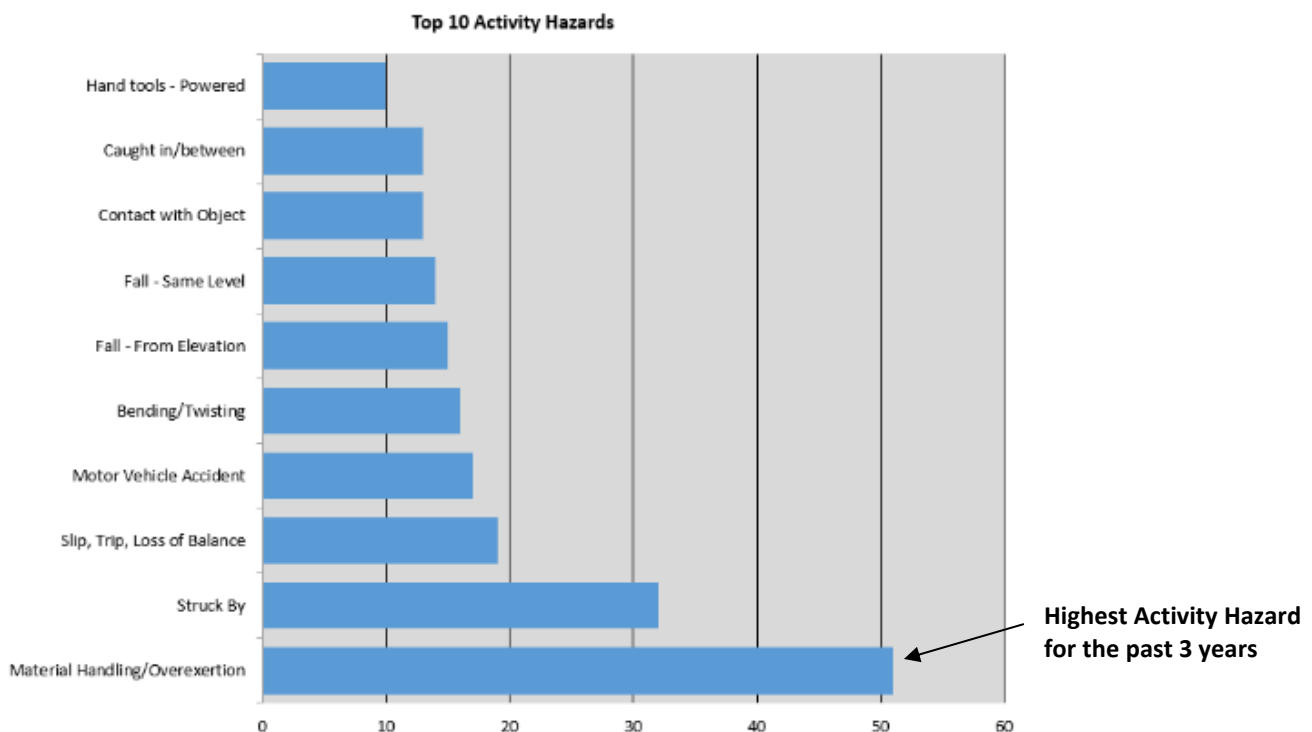
Bills Submitted	Billed Expenses	Paid Bills	Savings	Savings %
9,770	\$15,076,247	\$3,986,430	\$11,089,817	74%

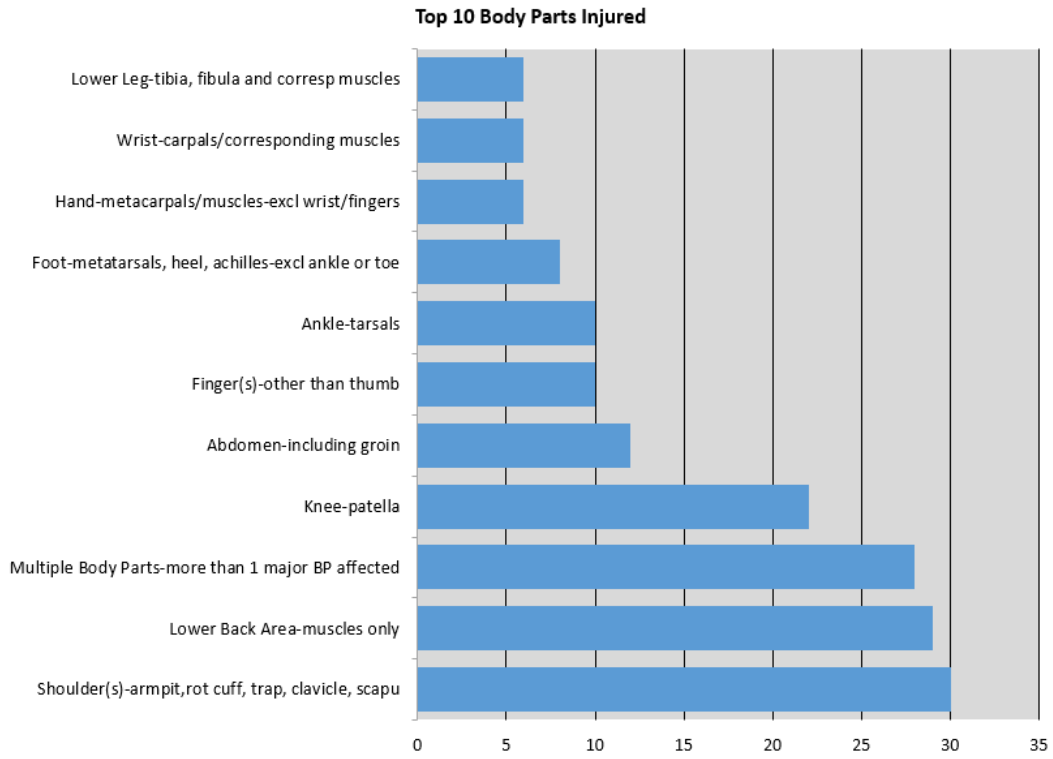
Our medical cost containment program has produced significant savings since its inception.

Claim Data Analytics

ACIG produces a series of claim data analytics to spot emerging trends based on the initial claim information and the data supplied by our Members on their Loss Analysis Forms (LAFs).

We encourage our Members to provide as much information on the LAF forms to enhance the analysis of their claims and design training programs to address their specific claims profile.





Serious Injury and Fatality Activities

ACIG continues to work with its Members to reduce the number of SIF events and the costs associated with these claims. Here is a status report on our activities.

- SIF Community of Practice continues to meet regularly to develop and refine our SIF activities.
- Conducted a SIF Decision Logic Workshop led by Don Martin, Behavioral Science Technology (BST).
- Developed a SIF Decision Logic Protocol that will be released to the Members.
- ACIG will sponsor SIF Decision Logic Webinars to educate and inform our Members.
- ACIG Claims Department is integrating SIF Decision Logic into our claim analytics.
- ACIG will be developing SIF precursor identification tools.
- Create a SIF Hierarchy of Controls guidance document.



We're committed to reducing Serious Injuries and Fatalities.



ACIG Contractors in the News



Berglund Construction Company received the City of Evanston, Illinois Preservation and Design Award for its Stone Terrace Project. This beautiful project included the restoration, alteration and adaptive reuse of the existing building.



BMWC Constructors, Inc. was featured in The Voice, a publication of the Construction Users Roundtable (CURT). "BMWC clearly differentiates itself from its competitors through its promotion of innovation, its delivery of value-added service and its dogged commitment to safety. BMWC has worked over 18,000,000 manhours without a single lost-time injury."



Cajun Industries, LLC received the 2016 Associated General Contractors (AGC) Willis Towers Watson Construction Excellence Award. The award is the construction industry's safety excellence awards program for contractors of all sizes and divisions. Over 1,000 contractors submitted applications for the award.



Graycor Industrial received Project of the Year Award from the Construction Advancement Foundation of Northwest Indiana. The Project of the Year Award was Northern Indiana Public Services (NIPSCO) Michigan City Generating Station.



The Haskell Company acquired Benham with two operating entities. Benham Constructors, is an EPC contractor serving the needs of the chemical, civil, governmental, healthcare and the oil and gas industries. Benham Design, provides design services to similar market segments.



J J White, Inc. played an important role in Pope Francis' historic trip to the United States. They were contracted to install a new sound system, a new audio-visual system and upgrade the electrical system at the Cathedral Basilica of Saints Peter and Paul. The building was built in the 1840s, so they used the catacombs, tunnels measuring four feet wide and four feet tall to access and conceal the wiring. The Papal Mass was dedicated to the Blessed Mother and Saint Gianna, the patron saint of the World Meeting of Families.



Kitchell acquired Valley Facilities Management Corp. This entity provides facility management for a number of companies located throughout central California.



LeChase Construction Services, LLC has acquired select operations of Lend-Lease, including operations in North Carolina and New York.



Vaughn Construction was the recipient of the 2015 Associated General Contractors Texas Building Branch Outstanding Construction Awards.

Best Small Healthcare Project – The University of Texas MD Anderson Cancer Center, Clark Clinic, Houston, Texas.

Best Project \$10 to \$40 Million – Texas Orthopedic Hospital Vertical Expansion, Houston, Texas.

Best Large Hospital Project – University of Texas Medical Branch at Galveston Clinical Services Wing, Galveston, Texas.

Engineering News Record (ENR) published its 2016 Top 400 Contractors list. There were **twenty-two (22) ACIG Members** included in this year's listing.



ACIG Thought Leadership

Our team of insurance, risk management, safety and quality professionals have written eight (8) white papers since May 1, 2016.

"Workplace Violence Prevention" written by Rob Berryman, Safety Consultant. Click [here](#)* to read his article.

"CapAssure: The Next Generation of General Contractor Bonds" written by James Shay, VP of Risk Management. Click [here](#)* to read his article.

"ACIG Active Shooter: Act and Survive" written by Rob Berryman, Safety Consultant. Click [here](#)* to read his article.

"Medicare MSA Risks" written by Tricia Kagerer, Risk Management Executive. Click [here](#)* to read her article.

"Three Strikes Warranty" written by Susie Ferguson, Senior Claims Consultant/Technical Manager and Karl Weber, Quality Consultant. Click [here](#)* to read their article.

"OSHA's Electronic Recordkeeping Rule" written by Tricia Kagerer, Risk Management Executive. Click [here](#)* to read her article.

"Planning for Quality: Utilizing Work Plans in the Field" written by Cathy Scarince, Quality Consultant. Click [here](#)* to read her article.

"Designers, Subconsultants and Subcontractors: Professional Liability Limits" written by Jack Florence, Risk Management Executive. Click [here](#)* to read his article.

*Username/Password: ac1g



ACIG News and Notables

ACIG conducted its annual **Alliance Report** meeting with Zurich North America on March 30, 2016. In advance of this meeting, we prepared a detailed accounting of all the various programs in which Zurich participates. This includes an overall scorecard that compares the Business Operating Profit After Tax produced by ACIG's business as compared to their non-ACIG business. The ACIG business continues to outperform their overall business.

Our **Builders Quality Summit** was held on June 22-24, 2016 at the new Westin Hotel at the Denver International Airport (DIA). We chose this venue due to its location and proximity to (DIA) and because Saunders Construction, Inc. was one of the partners in the Tri-Venture that built the hotel and the supporting infrastructure.

Eighty-five attendees representing our building contractors shared best practices and lessons learned. One of the sessions, "Quality Challenges and Legal Effect Associated with Construction Claims" was presented by our Members in-house attorneys – David Drinkward, Hoffman; Matt Sanchez, Jaynes and Tom Porter, LeChase. They provided detailed information on projects that experienced construction defect claims, along with valuable lessons learned.



Mike Magnuson, Operations Manager, completed all the coursework and testing for his Chartered Property and Casualty Underwriter (CPCU) designation.



Rene Pinson joined ACIG as General Counsel on July 1, 2016. She will be working closely with our Claims Department providing legal research and guidance. In addition, she will provide legal guidance and support for our Underwriting and Risk Management Departments. For the past nine years, Rene has worked with ACIG as outside counsel on our most challenging claims, resolving legal disputes and complex coverage issues, and we are very fortunate to have her as part of our team.



James Shay, VP of Risk Management, is working with the American Institute of Architects (AIA) on revisions to their standard construction documents to properly address the risk and insurance provisions. The new documents are slated for release and use in 2017.



ACIG Education and Networking Calendar

Event	Location	Dates
2016		
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
Vail Contractors Forum	Vail, CO	March 16-19
ACIG Legal Counsel Forum	Dallas, TX	April 3-4
Executive Committee Meeting (Invitation Only)	New York, NY	April 27-28
Autumn Risk Management Workshop and Executive Committee	Bluffton, SC	October 26-28

Concluding Thoughts

As the U.S. construction industry recovers from the Great Recession, it is facing a "War for Talent." This battle includes not only construction professionals such as project managers, project engineers, BIM modelers, estimators and others, but also carpenters, laborers, equipment operators, masons, concrete finishers, plumbers, electricians, millwrights and a myriad of other tradespeople.

I'm confident that our Members will be able to attract, hire and retain the talent needed for them to be successful.

All the best,



President & CEO

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