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# ACIG

## news

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### Highlights of Key Developments

Recently, we met with our analysts with A.M. Best and provided highlights of key developments during 2020. This edited version provides an executive overview of key developments through Q3 2020.

1. Membership-
  - a. ACIG's membership ceiling is 40 active insureds, and we currently have 40 active Members. We did not add any new Members during the prior three years; however, since June 1, 2020, we have added four new Members. Pandemic- induced changes in the insurance market made our insurance program highly attractive to prospective Members, and we were fortunate to bring on high quality insureds.
  - b. ACIG completes extensive due diligence before a new Member is invited to join. In addition, ACIG completes formal onboarding procedures to transition the new Members into the organization and culture.
  - c. We met with our Board last week and there was no interest in expanding ACIG's membership ceiling beyond 40.
  - d. We have four inactive Members who will withdraw over the next one- to three years.
2. Management- Our senior management team has not changed in many years. Rene Pinson, was promoted to VP of Claims. Prior to joining ACIG in July 2016, Rene served many years as ACIG's coverage counsel with an outside law firm. Mike O'Neill is CEO of ACIG with about 37 years tenure; he will retire effective July 1, 2021. James Shay was named President of ACIGIC and American Contractors Insurance Company Risk Retention Group ("ACICRRG") effective April 1, 2020, and will be promoted to CEO in 2021. James joined ACIG in January 2005.
3. ACIG staff- Most of ACIG's staff has worked remotely since mid-March. Key projects and deadlines have been completed without a problem to date. On peak days, about 38% of ACIG's staff are physically in the office.
4. Reinsurance and fronting support- Zurich provided excess WC reinsurance and fronting services to ACIGIC beginning in 2010; effective June 1, 2020, ACIG moved its reinsurance and fronting services to CNA. CNA offered better terms and we anticipate a more stable path forward. CNA provides statutory limits excess of \$7 million per loss occurrence for WC. Swiss Re provides reinsurance support for our general liability coverage; Swiss Re assumes 37.5% of the \$8 million X \$2 million layer of our \$10 million primary general liability coverage.

5. Retentions- The first risk layer is subject to retrospective rating for all policies; the minimum retro loss limit is \$350,000 per loss occurrence and the minimum retro ALAE limit is \$350,000 per loss occurrence. ACIG retains \$7 million per loss occurrence for WC; up to \$7 million part of \$10 million for GL; and up to \$5 million for AL. The primary retentions are expected to increase to \$400,000 at June 1, 2021.
  6. New product- ACIG is evaluating potentially offering a \$10 million X \$10 million umbrella policy supported by Swiss Re; tentatively, ACIG would retain 20% of the \$10 million umbrella on a quota share basis with Swiss Re retaining 80%. There is significant work to be completed before a decision can be made on whether to write the umbrella policy.
  7. Regulatory activity- ACIGIC and ACICRRG were examined last year by the Illinois and Texas Departments of Insurance; clean reports were issued for both entities with no findings. There have been no other significant audits or regulatory actions in the last year.
  8. Underwriting performance- ACIG's business has held up very well during the pandemic and underwriting results are exceeding expectations. Construction activities were deemed essential by most states and, as a result, most of ACIG's insureds continued working during the pandemic. Only two COVID-related claims have been reported to ACIGIC and both were denied. ACIGIC projects a combined ratio of about 64% before profit distributions.
  9. Investment performance- After a rough first quarter, ACIG has reported strong performance in its investment portfolio year-to-date through September 30. The total portfolio returned 4.3% year-to-date through September 30. Through September 30, unrealized appreciation has added about \$9.5 million to ACIG's GAAP capital. ACIG has not made significant changes to its portfolio allocation or manager lineup so far in 2020.
  10. Capital- ACIG reported shareholders' equity of \$219.5 million on a GAAP basis as of September 30 (up from \$199.5 million as of December 31, 2019). Two of the new Members joining ACIG contributed approximately \$10 million of capital to ACIG, accounting for about 50% of the increase; the remainder of the increase represented net unrealized appreciation of investments. ACIG's capital target is \$200 million and we are evaluating distributing capital before yearend to reduce capital to a range of \$200 million- \$210 million.
  11. Adequacy of loss reserves-ACIG reported about \$30 million of redundancy in its loss and ALAE reserves as of December 31, 2019. Approximately \$20 million of reserves were released during the quarter ended June 30. Willis Towers Watson is evaluating loss and ALAE reserves based on September loss valuations, and expects to deliver preliminary results by mid-November.
  12. Risk management initiatives- ACIG staff have focused heavily this year on pandemic response, assisting our insureds in managing their exposure. ACIG continues to support its Project Lifesaver, Life-Saving Commitments and SIF (Serious Injuries and Fatalities) initiatives. The Members retain substantial financial accountability for losses incurred, incentivizing them to carefully manage their construction risks. ACIG staff have heavily utilized video conferencing to maintain close contact and connection with our Members.
- A.M. Best was very impressed with our performance and plans for the future.



## ACIG Financial Report September 30, 2020

### *Balance Sheet Profile (000's)*

ACIG reported total assets of \$589,670 as of September 30, 2020 versus assets of \$560,352 reported at December 31, 2019. ACIG's shareholders' equity was \$219,490 versus \$199,512 at December 31, 2019. Shareholders' equity increased because Members contributed additional capital of \$10,506 to ACIG, and net unrealized gains increased by \$9,477.

### *Operating Results for the Nine Months Ended September 30, 2020 (000's)*

ACIG reported pretax income of \$47,056 for the nine months ended September 30, 2020 before policyholder dividends and other return premiums of \$40,605 and related bonuses of \$7,109. ACIG accrued premium refunds of \$40,605 payable to the ACIG insureds pursuant to our capital management strategy versus budgeted transactions of \$32,190. Profit distributions were made in excess of earnings to reduce ACIG's capital. ACIG has a capital target of \$188,500 versus actual capital of \$219,490. ACIG reported a net loss of \$305 for the nine months ended September 30, 2020 versus budgeted net income of \$4,439.



## ACIG's Investment Portfolio and Performance

### Asset Allocation as of September 30, 2020

	Market Value	Percent of Total
<b>Insurance Reserves Portfolio</b>	<b>\$ 341,629,586</b>	<b>60%</b>
<i>Reserve and Related Liabilities</i>	\$ 341,629,586	
BlackRock	\$ 305,457,594	
State Deposits	\$ 36,171,992	
<b>Capital Portfolio</b>	<b>\$ 227,295,028</b>	<b>40%</b>
<b>Equities</b>		
Vanguard PRIMECAP	\$ 39,176,327	6.9%
Vanguard – International Growth	\$ 13,520,591	2.4%
Angeles GEO Fund Insurance Company	\$ 29,292,233	5.1%
Angeles GEO Fund Limited	\$ 26,486,352	4.7%
<b>Absolute Return</b>		
AIA Absolute Return Fund	\$ 28,443,458	5.0%
<b>Fixed Income</b>		
Western – Absolute Return	\$ 11,169,248	2.0%
T. Rowe Price High Yield Fund	\$ 6,125,476	1.1%
Angeles DIF Fund	\$ 37,263,575	6.5%
Crescent High Income	\$ 15,560,903	2.7%
<b>TOTAL INVESTMENTS</b>	<b>\$ 568,924,614</b>	<b>100%</b>

*“\$568,924,614  
in total investments”*

### Performance

	QTD	YTD	1 Year	3 Years	5 Years	Inception	Inception Date
<b>Total Portfolio</b>	<b>3.1%</b>	<b>4.3%</b>	<b>7.4%</b>	<b>4.8%</b>	<b>5.7%</b>	<b>5.4%</b>	<b>10/01/95</b>
<b>Insurance Reserve</b>	<b>0.8%</b>	<b>4.6%</b>	<b>5.2%</b>	<b>4.0%</b>	<b>3.2%</b>	<b>3.9%</b>	<b>04/01/98</b>
<b>Capital Portfolio</b>	<b>7.1%</b>	<b>3.7%</b>	<b>10.9%</b>	<b>6.1%</b>	<b>8.6%</b>	<b>5.9%</b>	<b>04/01/98</b>





## ACIG Welcomes Angel Brothers Holdings Corp.

Angel Brothers made the decision to become an ACIG Member effective October 1, 2020. ACIG held a Meet the Partners Meeting on June 11, 2020. Bill McIntyre, Doug Pitcock and Bob Lanham were at Angel Brother headquarters, while Tom Squeri, Graniterock, Alfonso Fernandez, J.D. Abrams and ACIG staff attended virtually. They will be our fortieth (40) Member.

Angel Brothers Enterprises is a family owned Texas Highway Contactor established in 1972 and is headquartered in Baytown, Texas. They also have operations in the Texas Hill Country, South Texas and the Brazos Valley areas. They are the leading asphalt paving contractor for Civil, Commercial and Industrial Services in Texas. Key asphalt operations consist of asphalt overlays, asphalt milling, asphalt including repairs and chip seals. They also have concrete paving and repair operations, underground utility services for water distribution, sanitary sewer and storm drainage systems working for multiple private and public owners.

Their Century Asphalt operation includes sixteen (16) asphalt plants, five (5) concrete plants and they operate an asphalt terminal in Baytown, TX. They annually produce 3,000,000 tons of asphalt; their Century Terminal operation has the capacity to store 570,000 barrels of liquid asphalt.

Angel Brother's core values are quality, consistency, adaptability and dedicated workmanship. We look forward to working with them to identify and implement risk management best practices. Angel Brothers Holdings Corp. was referred to ACIG by Williams Brother Construction Co., Inc.



## Serious Injury and Fatality Initiative – Near Miss/Good Catch Data Analytics

Our Members have done an outstanding job in reducing the frequency of losses as measured by their PLS reportable rates. In the aggregate for policy period 6/1/19-20, we sustained 215 workers compensation accidents over 66,901,951 work hours, a PLS rate of 0.64 per 200,000 manhours.

Of the 215 accidents, we jointly identified 69 with Serious Injury or Fatality potential, a SIF percentage of 32%.

In addition to these 215 accidents, we analyzed 1,926 Near Miss/Good Catches based on data supplied by our Members. Of the 1,926 incidents, 778 had SIF potential, an alarming 40.4%.

We then separated these incidents by industry group and identified the top 5 SIF categories for each.

### TOP 5 SIF CATEGORIES BY INDUSTRY GROUP



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### TOP 5 SIF CATEGORIES BY INDUSTRY GROUP



By examining both accidents and near misses incidents, we developed a database with 2,141 data points. Examine these risk categories for your industry in developing an effective risk mitigation strategy.



## Drug Legalization Trend Continues

Election Day saw another wave of marijuana legalization, with voters in four (4) states joining the ranks of the eleven (11) states that had already approved recreational marijuana. The four additional states are Arizona, Montana, New Jersey and South Dakota.

Drug test positivity is on the rise, according to Quest Diagnostics Annual Assessments, positive marijuana test rates rose by 11% amongst all employee testing categories in 2019 to the highest rate in 16 years.

The Construction sector showed the highest positivity rate for cocaine for all sectors in each year of the analysis and was more than 40 percent higher than the national rate in 2018 (0.40% vs. 0.28%).

Construction was also the only sector with year-over-year increases in methamphetamine positivity (increasing 20 percent from 2015 to 2018) and was more than 30 percent higher than the national positivity in 2018 (0.24% vs. 0.18%).

Remain vigilant in your battle to have a Drug-Free Project by involving Project Owners and other stakeholders in the fight.

## CCIP Report

Fourteen of our Members are utilizing Contractor Controlled Insurance Programs (CCIPs) to insure their operations, the project owners, and their enrolled subcontractors. This is accomplished by sponsoring a Project Specific or Rolling Contractor Controlled Insurance Program.

On both Rolling CCIP and the Project Specific CCIPs, the Member has the option of including the Workers Compensation in addition to the General Liability and Umbrella/Excess Liability.

CCIP Program to date information as of October 31, 2020:

Total Projects	2,578
Total Construction Value	<u>\$26,498,224,795</u>
<b>ACIG Premiums</b>	
Workers Compensation	\$119,349,339
General Liability	<u>\$269,485,160</u>
<b>Subtotal</b>	<b>\$388,834,499</b>
Umbrella/Excess	<u>\$127,801,150</u>
<b>Total</b>	<b><u>\$516,635,649</u></b>

Our CCIP program underwriting results shows a 30.4% loss ratio, compared to 34.8% for our Core Program.



## Design-Build Pioneer Preston Haskell Named ENR Southeast's Legacy Award Honoree

One of the leading proponents and pioneers of the modern design-build construction industry, Preston Haskell has spent the vast majority of his storied career advocating the alternative delivery method now so commonly utilized today. After earning a civil engineering degree from Princeton University in 1960, and an MBA from Harvard two years later—and also after continuing his studies in Building Engineering and Construction at the Massachusetts Institute of Technology—the young Haskell, in 1965, founded The Preston H. Haskell Company, now known simply as Haskell.



The company he founded promoted design-build project delivery for a time with its former slogan of being “America’s Design-Build Leader.” The phrase could have applied to Haskell the man as well, as the design-build evangelist continued to advocate for the design-build method’s adoption—and legalization—helping to found the Design-Build Institute of America in 1993, fittingly serving as its founding chairman.

Mr. Haskell hasn’t stopped working, either, still maintaining an office in the company’s Jacksonville, Fla., headquarters building. Earlier this year, Haskell spoke to ENR about his company’s evolution over its 55-year history, including its increasing use of the engineer-procure-construct (EPC) delivery method, which it utilizes with many of its industrial projects. To him, the trend toward more EPC contracts is an extension of the firm’s original focus as a design-builder.

“Perhaps the most important feature of EPC is guaranteeing the outcome, and guaranteeing the process capability,” Haskell says. “If we said they would produce 10,000 bottles an hour and it only produces 9,000, it’s up to us to make things right and bring every project up to the specified productivity. That’s because we can control everything—we control not just the four walls of the building but everything inside of those four walls.”

Self-performing more of the work brings the obvious benefit of increased income. “We are rewarded for being smart and attentive and capable,” Haskell says of the EPC method. “So it’s been a good business for us and most importantly, it’s good for our customers. We want our clients to be happier because they chose Haskell.”

There’s much more to report about Preston Haskell’s stellar career and construction industry legacy, though, and ENR Southeast will provide readers with more of Preston Haskell’s “story” in our upcoming Legacy Award feature profile in our upcoming January 2021 print edition.

Source: *ENR.com*





## ACIG Contractors in the News



**Ajax Paving Industries, Inc.** was selected to design/build a new racetrack for the Concours Club in Miami, Florida. The club called for the design and construction of a two plus mile road course track to be built with multiple configurations. This private track will only be available for its members and their guests.



**The Haskell Company** ranked #1 in *Engineering News Record's (ENR)* ranking for construction of manufacturing facilities in the food and beverage industry.



**Murphy Corporation** attended this years' AGCMO Construction Keystone Awards virtually and received four awards.

Congratulations to Murphy's project teams on their achievements in construction excellence, innovation, and skill.

- **1<sup>st</sup> Place Keystone Award** – Enterprise Center Quad D AHU Replacement – General Contractor/Construction Manager/Prime Contractor Building Construction/Under \$5 Million
- **1<sup>st</sup> Place Keystone Award** – Centene Community Ice Center – Specialty/Subcontractor Building Construction \$5-10 Million
- **1<sup>st</sup> Place Keystone Award** – Centene Urban Campus Clayton High Rise – Specialty/Subcontractor Building Construction \$10-\$20 Million
- **2<sup>nd</sup> Place** – Mercy Northwest Arkansas – Specialty/Subcontractor Building Construction Over \$20 Million



**Rogers-O'Brien Construction Company, LLC** was selected as one of the Best Places to Work in the Dallas Fort Worth Metroplex by *The Dallas Business Journal*.



The California edition of *Engineering News Record* selected its Best Project winners.

- **Kitchell Contractors, Inc.**  
University of California Irvine Medical Center Central Utility Plan  
Energy/Industrial
- **The PENTA Building Group, LLC**  
The Thacker School Dining Hall  
K-12 Education
- SPSG Partners, LLC, comprised of **Sukut Construction, LLC**  
(managing partners), California Dept. of Resources, Recycling and  
Recovery Paradise, CA Pacific States and **Goodfellow Bros. LLC**  
Water and Environment



In *Engineering News Record (ENR)* Top 600 Specialty Contractors listing, we have three ACIG Members:

- Danella Companies, Inc. #81
- Hill Mechanical Corp. #87
- Murphy Corporation #88



## ACIG News and Notables



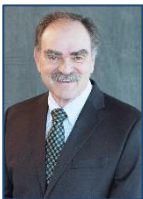
On November 16<sup>th</sup>, we received written confirmation from A.M. Best Rating Services, Inc. that our A.M. Best rating is affirmed as “A” (Excellent) with a Financial Size Rating of VIII (\$100-250MM) in capital and surplus. This is a combined rating for American Contractors Insurance Group Ltd., our Bermuda company, ACIG Insurance Company, our Illinois company that underwrites our Workers Compensation and American Contractors Insurance Co Risk Retention Group, and our Texas company that underwrites our Auto and General Liability Insurance.

Their stochastic rating model included a review of our balance sheet (strongest), operating performance (strong), business profile (neutral), enterprise risk management (appropriate), and outlook (stable). While there are over 7,000 captives in operations worldwide, only around 200 have A.M. Best ratings. Since we are solely devoted to the U.S. Construction Market, it is imperative that we have an A.M. Best rating that complies with the requirements set out in your construction contracts.

If for whatever reason our A.M. Best rating is not acceptable, we have negotiated an automatic fronting arrangement with CNA, A.M. Best rating “A” (Excellent) Financial Size Rating XV (over \$2BB) in capital and surplus.



American Contractors Insurance Group has been a member and active participant in the American Property and Casualty Insurance Association (APCIA) for 25 years. APCIA’s mission is to advance private competitive insurance markets to protect consumers, businesses and communities. APCIA represents nearly 60% of the U.S. property casualty insurance market. **Mike O’Neill** is a member of their Executive Council.



**Larry Owen** is a contributing author and editor of the Malcolm Baldrige 2019-20 Excellence Framework. Larry joined ACIG in 2008 to head up our quality program. He will be retiring from his full-time position on December 31, 2020. Thanks for all your commitment and passion in improving our Member’s quality programs.



**Mackenzie Lofland** received her Construction Health Safety Technician (CHST) designation.



## ACIG Thought Leadership

Our team of insurance, risk management, safety, quality and claims professionals have written eight (8) Lessons Learned Bulletins, Legal Bulletins and newsletters since July 31, 2020.

“Struck-by Projectile from Jack Hammer,” written by Rob Berryman, Safety Consultant. [Click here](#)\* to read his Lessons Learned Bulletin.



“Vinyl Flooring Substrate Marking Bleed-Through Telegraphing,” written by Karl Weber, Senior Quality Consultant. [Click here](#)\* to read his Lessons Learned Bulletin.



“Quality News Network,” September 2020, written by the ACIG Quality team. [Click here](#)\* to read the newsletter.

“ACIG Life-Saving Commitments Newsletter,” October 2020, written by the ACIG Safety team. [Click here](#)\* to read the newsletter.

“ACIG Legal Bulletin: Builders Risk Coverage,” November 2020, written by Mary Kilany, General Counsel. [Click here](#)\* to read her bulletin.



“ACIG Program Elements” by James Shay. [Click here](#)\* to view his white paper.



“ACIG Cyber Program: Fraudulent Instruction/Social Engineering” by Merle Jones. [Click here](#)\* to view his white paper.



“Subcontractor Default Insurance Marketplace Overview” by Brian Callaghan. [Click here](#)\* to view his white paper.



*\*Please use your ACIG provided login to access the link to ACIG’s SharePoint system. Your login is specific to your company and is shared by your staff companywide. ACIG has previously provided this information to your company’s gatekeeper.*

*If you have any login questions, you may contact [spSupport@ACIG.com](mailto:spSupport@ACIG.com).*



## ACIG Education and Networking Calendar

### 2021

ACIGU	<b>ACIG University</b> Postponed until 2022 Grand Hyatt DFW Airport Dallas, Texas
AGM	<b>Annual Meeting, Best Practices and Executive Committee</b> February 24-27, 2021 Virtual
VCF	<b>Vail Contractors Forum</b> Postponed until 2022 Four Seasons Vail Vail, Colorado
CCIP	<b>CCIP Sponsor Meeting</b> March 2021 Scottsdale, Arizona
LCF	<b>In-House Legal Counsel Forum</b> April 2021 Grand Hyatt DFW Airport Dallas, Texas
ECM	<b>Executive Committee Meeting</b> <i>(By Invitation Only)</i> April 21-24, 2021 Rosewood, Bermuda
BQS	<b>Builders Quality Summit</b> June 2021 La Cantera Resort San Antonio, Texas
SCW	<b>Safety/Claims Workshop</b> September 2021 Nashville, Tennessee
ARMW	<b>Autumn Risk Management Workshop, CCIP Sponsor Meeting and Executive Committee</b> October 20-23, 2021 Four Seasons Chicago Chicago, Illinois



## Final Thoughts

Annually, the *Dallas Business Journal* publishes a list of the 50 largest privately owned businesses headquartered in the Dallas Fort Worth area. We did not submit our information to be included in the rankings, but if we did, we would be the 35<sup>th</sup> largest privately owned company with revenues/premiums totaling \$272,000,000. While that is an impressive figure, “Our Mission: Saving lives, preventing injuries, and reducing the overall cost of risk for our Members” is our Number 1 priority and guides our activities.



Chief Executive Officer

