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ACIG

news

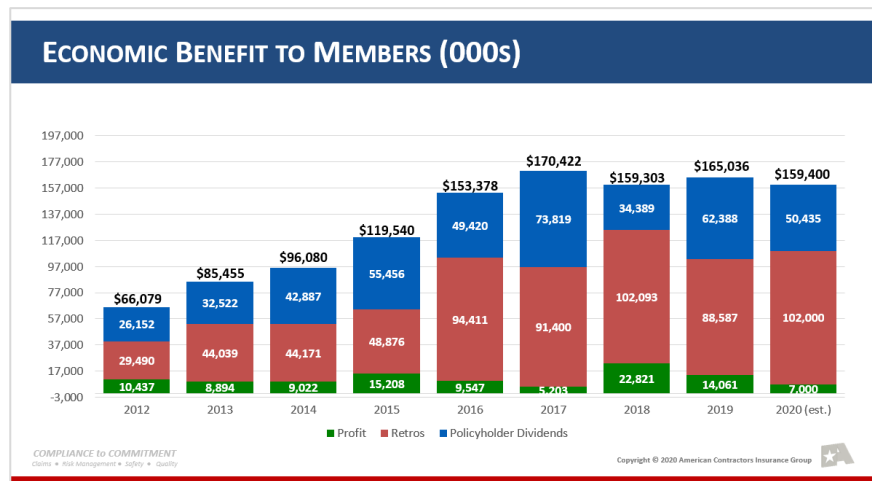
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ACIG's Top Key Performance Indicators

ACIG utilizes Key Performance Indicators to evaluate its performance in a number of key categories. While our number of KPIs is in the 20s, I thought you would like to review some of our top KPIs.

1. Member Economic Benefits



This illustrates the three layers that constitute our economic benefits, profits, return premiums, and policyholder dividends.

2. Underwriting Results by Program

	Core Program	CCIP Program
Premiums		
Standard Premiums	\$ 1,878,370	\$ 295,550
MSA/Retro Return	(893,706)	(130,189)
Net Premiums	984,664	165,361
Capital Management Transactions	(380,447)	(56,694)
Losses Incurred		
Known Losses	559,217	59,675
IBNR	102,032	37,038
Total Incurred Losses	661,249	96,713
Known Loss Ratio	29.8%	20.2%
IBNR Loss Ratio	5.4%	12.5%
Total Loss Ratio	35.2%	32.7%

Side-by-side comparison of underwriting results by program (e.g., Core Program and CCIP Program).

3. Pooled Layer Results

POOLED LAYER RESULTS (IN 000'S)		<u>2018/19 Policy Year</u>	
		<u>Actual as of 12/31/19</u>	
Workers Compensation		\$	15,012
Premiums			
Losses			
Known			428
IBNR			4,345
Total losses			4,773
Pre-tax underwriting profit			10,239
General Liability			
Premiums			39,246
Losses			
Known			5,705
IBNR			15,329
Total losses			21,034
Pre-tax underwriting profit			18,212
Grand total			
Premiums			54,258
Losses			
Known			6,133
IBNR			19,674
Total losses			25,807
Pre-tax underwriting profit		\$	28,451

Notes:
 1) Valuation date 12/31/19
 2) Numbers shown are net of reinsurance
 3) Includes CCIP projects

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This KPI summarizes the pooled layer results for the current year.

4. Workers Compensation Loss Frequency

WORKERS COMPENSATION LOSS FREQUENCY – COMBINED (DETAIL)			
Note 1: Includes shareholder manhours and PLS counts on CCIP projects. Note 2: Uses PLS reportable counts.			Valuation date: 12/03/19
Workers Compensation	Total Manhours	Claims PLS Threshold	PLS Reportable Loss Rate
2009-10 Rate	51,179,844	230	0.90
2010-11 Rate	50,598,846	233	0.92
2011-12 Rate	49,297,334	214	0.87
2012-13 Rate	54,604,729	217	0.79
2013-14 Rate	57,258,499	236	0.82
2014-15 Rate	64,041,044	279	0.87
2015-16 Rate	67,775,427	279	0.82
2016-17 Rate	70,166,411	316	0.90
2017-18 Rate	67,351,406	279	0.83
2018-19 Rate	68,857,218	251	0.73

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Metric for analyzing our workers compensation PLS claims per 200,000 manhours.



5. General Liability Loss Frequency

GENERAL LIABILITY LOSS FREQUENCY – COMBINED (DETAIL)			
<small>Note 1: Includes estimated manhours and actual shareholder PLS counts on CCIP projects. Note 2: Uses PLS reportable counts.</small>			<small>Valuation date: 12/03/19</small>
Workers Compensation	Total Manhours	Claims PLS Threshold	PLS Reportable Loss Rate
2009-10 Rate	55,494,380	79	0.28
2010-11 Rate	58,440,144	80	0.27
2011-12 Rate	56,296,366	76	0.27
2012-13 Rate	62,204,324	73	0.23
2013-14 Rate	64,710,603	71	0.22
2014-15 Rate	75,634,922	92	0.24
2015-16 Rate	79,662,364	75	0.19
2016-17 Rate	85,324,988	94	0.22
2017-18 Rate	87,342,938	86	0.20
2018-19 Rate	94,331,554	57	0.12

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General liability metric for analyzing our general liability PLS claims per 200,000 manhours.

We utilize an executive dashboard that provides the information, along with a color-coded indicator (green-yellow-red). In future newsletters, we will present another set of our Key Performance Indicators (KPIs). All of these categories are firmly in the green zone.



ACIG Financial Report December 31, 2019

Balance Sheet Profile (000's)

ACIG reported total assets of \$560,352 as of December 31, 2019 versus assets of \$498,518 reported at December 31, 2018. ACIG's shareholders' equity increased to \$199,512 as a result of strong investment performance (versus \$174,722 at December 31, 2018). ACIG adopted ASU 2016-01 effective January 1, 2019 and, as a result, holding gains for common stocks of \$16,437 (pretax) were recognized in income (versus recognition in prior years as net unrealized gains, a component of shareholders' equity). Effective January 1, 2019, ACIG reclassified \$9,145 (net of tax) of holding gains on common stocks from "net unrealized gains" to beginning retained earnings. The net unrealized appreciation for fixed income securities increased \$9,935 (net of tax) for 2019.

Operating Results for the Year Ended December 31, 2019 (000's)

ACIG reported pretax income of \$84,347 for the year ended December 31, 2019 before policyholder dividends and other return premiums of \$53,092 and related bonuses of \$9,296. ACIG accrued premium refunds of \$53,092 payable to the ACIG insureds pursuant to our capital management strategy versus budgeted transactions of \$40,173. Pretax income was \$21,959, \$17,466 more than budgeted as a result of recognizing \$16,437 of holding gains for common stocks. ACIG reported net income of \$17,497 for the year ended December 31, 2019 versus budgeted net income of \$3,938.

Update on Rating by A.M. Best Company

The current rating issued by A.M. Best Company as of February 20, 2020 follows:

1. ACIG, ACIGIC and ACICRRG carry an "A" (Excellent) rating.
2. A Financial Size Category ("FSC") "VIII" (\$100-250 million of policyholders' surplus) is assigned to American Contractors Insurance Group Ltd. ("ACIG"), ACIG Insurance Company ("ACIGIC") and American Contractors Insurance Company Risk Retention Group ("ACICRRG").

It is interesting to note that A.M. Best only rates 200 of more than 7,500 captive insurance companies. In recent discussions with A.M. Best, they provided a list of seventeen (17) Bermuda-based captives and their ratings; ACIG Ltd. is on that list. Today, there are 802 captives in operation with a Bermuda domicile.



ACIG's Investment Portfolio

Asset Allocation as of December 31, 2019

	Market Value	Percent of Total
Insurance Reserves Portfolio	\$ 330,650,770	61.4%
<i>Reserve Liabilities</i>	\$ 330,650,790	
BlackRock	\$ 289,544,525	
State Deposits	\$ 36,591,099	
Pending Transfer to Capital Portfolio	\$ 4,515,166	
Capital Portfolio	\$ 207,641,933	38.6%
Equities		
Dodge & Cox (Global)	\$ 10,990,512	2.0%
Vanguard PRIMECAP	\$ 45,716,633	8.5%
Vanguard – International Growth	\$ 10,348,336	1.9%
Wellington Global Perspectives	\$ 6,900,736	1.3%
Angeles GEO Fund Insurance Company	\$ 29,968,894	5.6%
Angeles GEO Fund Limited	\$ 6,781,273	1.3%
Absolute Return		
AIA Absolute Return Fund	\$ 27,485,064	5.1%
Fixed Income		
Western – Absolute Return	\$ 15,917,105	3.0%
T. Rowe Price High Yield Fund	\$ 6,152,502	1.1%
Angeles DIF Fund	\$ 36,213,772	6.7%
Crescent High Income	\$ 15,682,273	2.9%
Pending Transfer from Reserves Portfolio	\$ -4,515,166	-0.8%
TOTAL INVESTMENTS	\$ 538,292,723	100%

“\$538,292,723
in total investments”

Performance

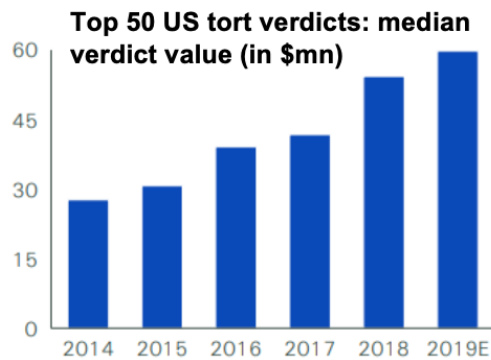
	1 Year	3 Years	5 Years	Since Inception
Total Portfolio	10.6	6.1	4.5	5.4



Social Inflation: What It Means to ACIG and Its Members

Social inflation is the word du jour given to the phenomenon of unexpected rising jury awards and the impact on insurance premiums. Insurance company CEOs are talking about how claim costs are increasing in ways that were not anticipated.

Recently SwissRe, one of the largest and oldest reinsurers, prepared some data on the unprecedented rise in single plaintiff jury awards. The graphic below illustrates the dramatic growth in jury awards for the top 50 cases, over a six-year period.



Source: *Shaub, Ahmuty, Citrin & Spratt*;
Swiss Re Institute estimate for 2019

These rising costs are fueled by trends in society that significantly increase jury awards against corporate defendants. Here are some of the leading drivers:

1. Litigation Financing – Certain Wall Street firms see this as an uncorrelated risk asset. Over \$12BB invested so far, but growing.
2. Erosion of Tort Reforms
3. Attorney advertising has grown by 300% over the past few years.
4. Jury Panel Make-up – Younger jury members do not trust corporations and, in fact, want to punish companies that have inflicted death and debilitating injuries against their fellow members of society.
5. Juries desensitization to large jury verdicts and settlements.
6. Income inequality issues driving larger verdicts and settlements.

This current state of jury panels requires a fresh and innovative approach by the ACIG Claims Department and our Members. Our goal is to utilize mediation as the venue to settle claims as opposed to letting a jury determine the value of a claim.



How can we combat the litigation funders and the plaintiff attorneys that utilize them?

1. At a minimum, the litigation financing arrangement should be disclosed at the onset of civil litigation.
2. In 2018, Wisconsin enacted a comprehensive litigation funding disclosure requirements.
3. The Federal Judiciary's Council on Civil Rules is actively considering a proposal to amend Federal Rule of Civil Procedure 26 and place the litigation financing agreements on the list of items that must be automatically disclosed.

The time for studying and observation has passed, and policymakers must now take concrete action to mitigate the abuses posed by litigation financing.

Contact your state representatives, U.S. Congressmen and Senators to ask for their support in preserving our civil justice system.

CCIP Report

Twelve of our Members are utilizing Contractor Controlled Insurance Programs (CCIPs) to insure their operations, the project owner, 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 December 31, 2019:

Total Projects	2,339
Total Construction Value	<u>\$24,242,678,324</u>
ACIG Premiums	
Workers Compensation	\$113,668,936
General Liability	<u>\$247,501,131</u>
Subtotal	\$361,170,067
Umbrella/Excess	<u>\$121,859,481</u>
Total	<u>\$483,029,548</u>

Our CCIP program underwriting results shows a 32.7% loss ratio, compared to 35.2% for our Core Program.

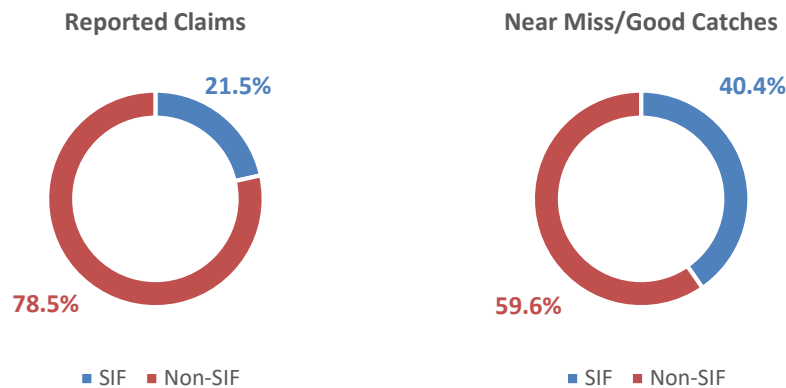


Serious Injury and Fatality Prevention Report

Your SIF committee met on February 19, 2020 to review the results of our efforts to eliminate serious injuries and fatalities from our operation. We are pleased to report that there have been no Member fatalities since October 22, 2019.

Near Miss/Good Catch Data Analytics

- 22 Members reporting
- 18 months
- 1,926 near miss/good catches



The data identified the areas we need to focus on to reduce SIF exposures.

Near Miss/Good Catch Top 5 SIF Categories

1	Falls \geq 6 Feet	14.9%
2	Struck By – Falling Objects	14.9%
3	Contact With Electricity	13.5%
4	Struck By – Mobile Equipment	9.8%
5	Loading/Unloading Material	<u>5.5%</u>
		58.6%

Our 2020 High-Impact Workshop will focus on Struck-By Equipment and Vehicles.

The graphic is a promotional poster for a workshop. At the top, it says 'ACIG's High-Impact STRUCK-BY WORKSHOP with Emphasis on Backing in Trucks'. Below this, the dates 'MAY 6-7, 2020' and location 'KANSAS CITY, MO' are listed. A list of 'Hands-On Exercises' includes: Mirrors and Blind Spots, Serpentine Backing, Backing While Distracted, ITC Planning and Design, Truck Technology, and Human Factors. The host is Superior Bowen and the instructor is Tim Sakry. The Superior Bowen logo is also present.





ACIG Contractors in the News

Graniterock is celebrating its 120-year anniversary.

The Haskell Company was selected as *Construction Dive's* Contractor of the Year.

J J White, Inc. is celebrating its 100-year anniversary.

Charles Nabholz, Chairman Emeritus of **Nabholz Construction Corporation**, was inducted into the Arkansas Business Hall of Fame. Click [here](#) to read the article.

Two of **Phillips Infrastructure Holdings, Inc.** project photos were chosen as *ENR's* Construction Photo Contest winners.



*American Electric Power
Uvalde to Campwood
69KV Upgrade Project*



*North Fork Spillway and
Embankment
Improvements Project*



Joel Stone, Chairman and CEO of **SpawGlass Employee Holding Company**, received the Distinguished Alumni Award from Texas State University.



Mike Crawford, CEO of **Sukut Construction, LLC**, is the 2020 President of The Beavers.



Robert C. "Bob" Lanham, Jr., President of **Williams Brothers Construction Co., Inc.**, will serve as the 101st President of the Associated General Contractors of America beginning with his officer installation dinner on March 12, 2020. Bob graduated from Texas A&M with a Civil Engineering degree. He served in the Army for eight (8) years as part of a Combat Construction Battalion. He joined Williams Brothers Construction Co., Inc. in 1984. He has been very active with the Texas Chapter and more recently at the national level. Congratulations, Bob!



ACIG News and Notables

Effective April 1, 2020, **James M. Shay** will be promoted to President. His promotion was approved at our February 27, 2020 Executive Committee Meeting. James joined ACIG in 2005 as a Risk Management Executive. He brought over a decade of construction risk management experience as the Corporate Risk Manager for Swinerton Incorporated, a large San Francisco, CA general contractor. He has had direct responsibility for our highly successful Contractor Controlled Insurance Program (CCIP) and our Subcontractor Default Insurance Program. In his previous position as Executive Vice President, he was responsible for our outward focused service departments: Claims, Risk Management, Safety and Quality.



James and his wife, Dana, have been married for 30 years. They have three adult children: Andrew who is the Risk Manager for Overhead Door Co., Doug who is working on his Masters Program in Architecture at the University of Texas and Maddie who is a sophomore at Texas A&M, majoring in Landscape Architecture.

ACIG Thought Leadership

Our team of insurance, risk management, safety, quality and claims professionals have written four (4) Lessons Learned Bulletins, newsletters and white papers since December 2, 2019.

“Rooftop Units Failure,” written by Karl Weber, Senior Quality Consultant. Click [here](#)* to read his Lessons Learned Bulletin.



“Overhead Line Strike,” written by Mike Dickerson, Safety Consultant. Click [here](#)* to read his Lessons Learned Bulletin.



“Quality News Network,” December 2019, written by the ACIG Quality team. Click [here](#)* to read the newsletter.

“Internal Risk Allocations,” written by Brad Porter, Executive Vice President/CFO. Click [here](#)* to read 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.



ACIG Education and Networking Calendar

2020

VCF	Vail Contractors Forum March 12-14, 2020 Four Seasons Vail Vail, Colorado
CCIP	CCIP Sponsor Meeting March 18-19, 2020 Westin Kierland Scottsdale, Arizona
LCF	In-House Legal Counsel Forum April 6-7, 2020 Grand Hyatt DFW Airport Dallas, Texas
ECM	Executive Committee Meeting <i>(By Invitation Only)</i> April 22-25, 2020 The Dolder Grand Zurich, Switzerland
BQS	Builders Quality Summit June 10-12, 2020 La Cantera Resort San Antonio, Texas
SCW	Safety/Claims Workshop September 16-18, 2020 Loews Vanderbilt Hotel Nashville, Tennessee
ARMW	Autumn Risk Management Workshop, CCIP Sponsor Meeting and Executive Committee October 14-17, 2020 Fairmont Pacific Rim Hotel Vancouver, British Columbia



Final Thoughts

The Bermuda Monetary Authority (BMA), which regulates the captive insurance companies domiciled in Bermuda, has informed us that ACIG Ltd. will be inducted into the Bermuda Captive Insurance Company Hall of Fame.

The induction ceremony will take place at the 2020 Bermuda Captive Conference on June 9, 2020.

In 1981, when ACIG Ltd. was formed, there were no U.S. captive domiciles, so the only options were off-shore, Bermuda, Cayman Islands and the Isle of Man to name a few. Some of the benefits that Bermuda offered were:

- Established regulatory body – Bermuda Monetary Authority
- English common law
- Solid banking arrangements
- Close proximity via U.S. gateway cities
- Azure blue water and pink sand beaches

Kidding aside, our decision to choose Bermuda has been a sound one, thirty-nine (39) years later.



President & CEO

