



December 1, 2016, Issue 40

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

ACIG *news*

**“We were going by the book,
...but the damned mountain couldn’t read.”**

INSIDE THIS ISSUE

- 2** ACIG Financial Report – September 30, 2016
- 3** ACIG’s Investment Portfolio
- 4** Positive Workforce Drug Tests Reach 10 Year High
- 5** FAA’s New Regulation for Commercial Use of Drones
- 6** ACIG SWAT Team Investigates
- 7** ACIG Contractors In the News
- 9** Autumn Risk Management Workshop
- 10** ACIG Thought Leadership
- 10** ACIG News and Notables
- 11** ACIG Education and Networking Calendar
- 11** Concluding Thoughts

The Eisenhower Memorial Tunnel (west bound) went under construction on March 15, 1968. Straight Creek Constructors, a joint venture comprised of Al Johnson Construction, Gibbons and Reed, Kemper Construction and Western Paving, was chosen based on their low bid of \$54,140,486. The contractors encountered several problems, rock conditions did not duplicate those of the pilot tunnel, the tunneling equipment operating at over 11,000 feet was unable to meet its production goals. Due to these and other factors, the lump sum contract was converted to a cost plus contract. The final project cost was \$108,000,000 and it took 5 years to complete.

The Edwin C. Johnson Memorial Tunnel (east bound), the second bore through the Rocky Mountains sixty miles west of Denver was awarded to Kiewit/Brown Root, a joint venture on August 8, 1975. Their lump sum bid of \$102,800,000 was \$8 million under the engineer’s estimate. Construction of the second bore saw its own share of weak rock and shifting load pressures within the mountain. These difficulties stretched the completion date to December 21, 1979, a full year beyond its targeted completion date.

The completed tunnels are an engineering marvel, at the time of their completion they were the world’s two highest tunnels at an elevation of 11,155 feet. The tunnels measure 8,941 and 8,906 feet in length and in 2015 handled an average of over 36,000 vehicles per day. The tunnel saves a 9.1 mile trip on U.S. Highway 6, Loveland Pass that is frequently closed during the winter.

Despite the joint venture’s best safety efforts, three workers were killed boring the first tube and four in boring the second.



Technical Data

- Approximately 1,000,000 cubic yards of material cleared from each bore.
- 190,000 cubic yards of concrete were used for each tunnel.
- Maximum excavated height of 48 feet and a 40 feet width.

Approximately 90% of the funds were paid by the federal government with the State of Colorado paying the rest. At the time, this project set the record for the most expensive federally aided project.

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

ACIG reported total assets of \$480,582,000 as of September 30, 2016 versus assets of \$438,636,000 reported at December 31, 2015. ACIG's shareholders' equity was \$168,002,000 (versus \$152,223,000 at December 31, 2015). ACIG posted net unrealized gains on investments (net of tax) of \$22,549,000 at September 30, 2016, an increase of \$10,851,000 from December 31, 2015, which accounted for a significant portion of the capital growth.

Operating Results for the Nine Months Ended September 30, 2016

ACIG reported pretax income of \$43,013,000 for the nine months ended September 30, 2016 before policyholder dividends and other return premiums of \$31,594,000 and related bonuses of \$5,532,000. ACIG accrued premium refunds of \$31,594,000 payable to the ACIG insureds pursuant to our capital management strategy versus budgeted transactions of \$24,157,000. ACIG reported net income of \$3,517,000 for the nine months ended September 30, 2016 versus budgeted net income of \$3,016,000, primarily because underwriting income was higher than budgeted.

ACIG recognized an operating loss for the quarter ended September 30. Policyholder dividends and other return premiums were increased to reduce ACIG's capital. Favorable investment market valuations caused ACIG's capital to grow more than planned.



ACIG's Investment Portfolio

Asset Allocation as of September 30, 2016

	Market Value	Percent of Total
Insurance Reserves Portfolio	\$ 238,997,928	55.6%
BlackRock	\$ 205,020,928	
State Deposits	\$ 33,977,000	
Capital Portfolio	\$ 200,436,249	44.4%
Equities		
Dodge & Cox (Global)	\$ 11,420,664	2.4%
Vanguard Primecap	\$ 31,876,530	6.8%
Wellington Global Perspectives	\$ 10,859,252	2.4%
Vanguard – International Growth	\$ 9,898,714	2.1%
Angeles Global Equity Opportunities	\$ 11,324,768	2.5%
Absolute Return		
Angeles Absolute Return Fund	\$ 18,202,125	4.1%
Convertibles		
Zazove	\$ 25,188,283	5.7%
Allianz	\$ 15,618,087	3.5%
Fixed Income		
Western – Absolute Return	\$ 17,502,625	4.0%
T. Rowe Price High Yield Fund	\$ 6,801,220	1.5%
PIMCO – Income Fund	\$ 21,895,824	5.0%
Crescent High Income	\$ 11,557,454	2.6%
Real Assets		
Harvest MLP Income Fund	\$ 8,290,700	1.9%
TOTAL INVESTMENTS	\$ 439,434,177	100%

*“\$439,434,177
in total investments”*

The total portfolio returned 2.9% for Q3 2016, and 4.9% for the nine months ended September 30, 2016.



Positive Workforce Drug Tests Reach 10 Year High

Based on the results of the November 2016 election, 28 states and the District of Columbia allow comprehensive medical use of marijuana or its active ingredient, tetrahydrocannabinol (THC). Eight states now permit recreational use: Alaska, California, Colorado, Maine, Massachusetts, Oregon, Nevada and Washington.

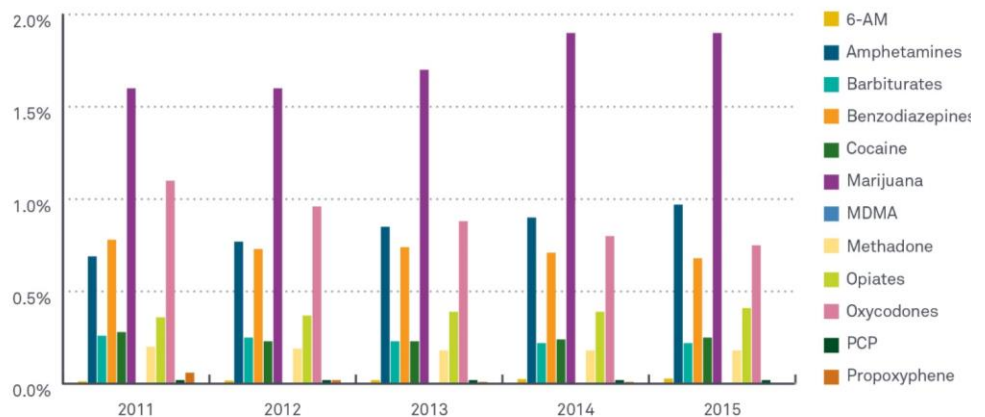
No states permit marijuana use in the workplace, while a number of federal laws and regulations bar its use in and out of the workplace setting.

An analysis of over 11 million workforce drug tests in 2015 reveals a 10-year high in positive test results, according to Quest Diagnostics Drug Test Index (DTI).

- The percentage of employees in the U.S. workforce testing positive for drugs has reached a ten-year high of 4.0%.
- The positivity rate of amphetamine, marijuana and heroin has increased annually for the past five years.

Positivity Rates by Drug Category

Urine Drug Tests – For Combined U.S. Workforce, as a Percentage of All Such Tests



More than 9.5 million tests from January to December 2015

Source: Quest Diagnostics



FAA's New Regulation for Commercial Use of Drones

The much anticipated U.S. regulatory framework relating to how businesses can use small-sized unmanned aircraft system (UAS) came into effect on August 29, 2016.

FAA Regulation Part 107 addresses UAS weighing less than 55 pounds is geared toward routine commercial drone use. Part 107 was created to respond to the huge increase in commercial UASs.

Key Operational Limitations

- Must weigh less than 55 pounds
- Visual line of site only
- Daylight operations only
- Maximum ground speed – 100 mph
- Maximum altitude – 400 feet
- Minimum weather visibility – 3 miles
- Requires preflight inspection

This [link](#) will take you to the FAA website.



If your company is operating drones on your projects, make sure that you are familiar with FAA Regulation Part 107. If you are using an outside party, your contract agreement should include a requirement that they comply with the FAA regulations. It should also include an enforceable indemnity provision and specific insurance requirements. ACICRRG amended our GL coverage effective August 29, 2016, to align with the 55 pound limit set out in the FAA regulations.

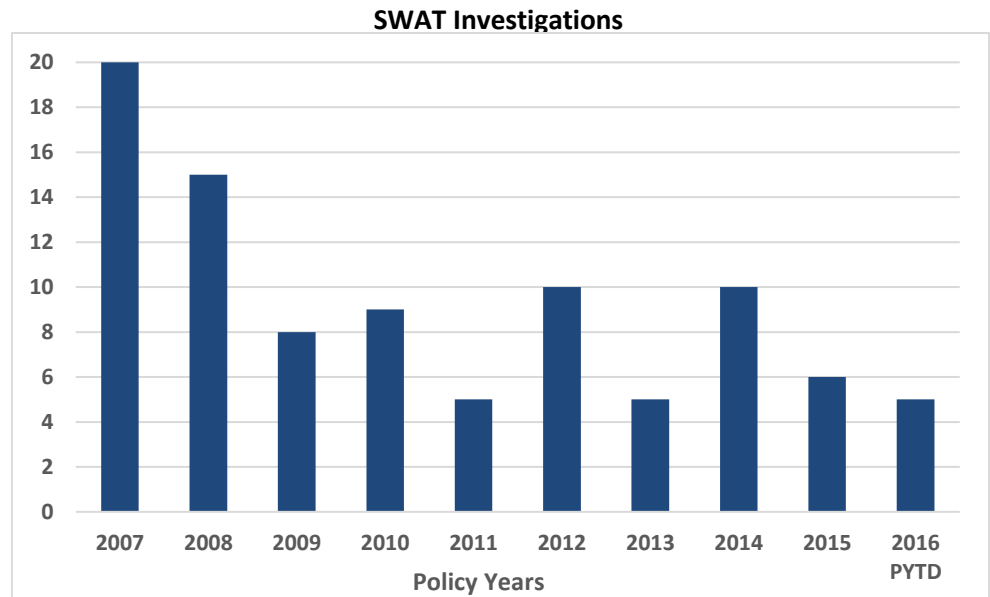


ACIG SWAT Team Investigations

One of the pillars of our ACIG claim management process is our fast response SWAT team. The SWAT team responds to catastrophic accidents reported by the Members.

The SWAT Team is comprised of the ACIG Member's Senior Leadership, ACIG's Claims Consultant, Legal Counsel and Accident Reconstruction Specialist. The goal is to be on the scene of the accident within 24 hours to review the site, take pictures and video evidence, identify witnesses and determine the facts of the accident. We conduct a CEO SWAT Team teleconference within 30 days of the accident to review the facts and to discuss our future claims strategy. Our SWAT Team has been successful in mitigating the financial risks on catastrophic claims by identifying other culpable parties and aggressively pursuing them.

The accompanying graph shows the number of SWAT team investigations by policy year.



ACIG Contractors in the News

Three ACIG Members were listed in *Engineering News Records* Top 600 Specialty Contractors:

- #74 **The Hill Group**
- #86 **Murphy Corporation**
- #99 **Danella Companies, Inc.**

Construction Users Roundtable (CURT) 2016 Safety Award Recipients:

- General Building > 3,000,000 workhours
 - **Graycor Industrial Contractors**
- Heavy Construction
 - **Cajun Industries, LLC** > 3,000,000 workhours
 - **BMWC Constructors, Inc.** > 3,000,000 workhours

ENR California's Best Projects

- **Graycor Services L.L.C.** – Aldi Regional Headquarters and Distribution Center
- **Charles Pankow Builders, Ltd.** – San Francisco War Memorial Project
- **Shimmick Construction Co., Inc.** – Transbay Transit Center

16th Annual Zero Injury Safety Awards:

- **BMWC Constructors, Inc.** – ExxonMobil – 1,289,230 workhours
- **BMWC Constructors, Inc.** – Bailly Generating Station – 605,794 workhours
- **Graycor Industrial Constructors Inc.** – AK Steel – 326,229 workhours

Berglund Construction Company won an Award of Excellence at the International Concrete Repair Institute's Award Banquet. The award recognized Berglund's work as construction manager on the Cascade Rehabilitation Project at Wheaton Center Apartments, a 20-story residential tower.

Graycor Services L.L.C. is celebrating its 95th year in business. From its humble beginnings in 1921 as a specialty contractor, it has grown to become one of the largest full-service industrial and commercial construction firms in North America.

Pepper Construction Company was selected by the Chicago Tribune as Top Workplace 2016.

The Association for Talent Development 2016 Best Award Winner was presented to **Saunders Construction, Inc.**





J.T. Vaughn Construction, LLC projects won five of AGC Houston Project Excellence Awards:

- Gold Award
 - University of Texas MD Anderson Cancer Center
 - University of Texas MD Anderson Cancer Center Redevelopment
- Silver Award
 - University of Texas Medical Center Galveston
 - University of Houston Welcome Center and Garage
- Bronze Award
 - Texas A&M University, Jack K. Williams Building Renovation



American Road and Transportation Builders Association (ARTBA) awarded its prestigious "Contractor Safety Award" to **Wagman Heavy Civil, Inc.**, 500,000 to 1 million workhours.



Autumn Risk Management Workshop

We conducted a very productive and thought provoking Risk Management Workshop on October 13-14 at the Four Seasons Biltmore, Santa Barbara.

The Workshop began on Thursday afternoon with our Chairman's, CEO, CFO, Operations and Enterprise Risk Management Forums. Each forum has a Member led steering committee that plans their session with staff support.

Tom Squeri, CEO, Graniterock made the Member presentation. His focus was on the sudden, unexpected death of Bruce Wolpert and its impact on the organization. He made the analogy of fixing an airplane in mid-flight.

Rob Berryman, ACIG Safety Consultant, presented the Serious Injury and Fatality Decision Logic and Processes Developed by our SIF Community of Practice with assistance from Behavioral Science Technology (BST).

We were honored to have Sergeant Matt Eversmann (retired) as our Keynote Speaker. He is a true "American Hero," he played a major role as part of the United Nations peacekeeping operation in Mogadishu, Somalia. Our Blackhawk Helicopters were shot down, and Matt and his team of Rangers and Delta Force soldiers fought side-by-side, outnumbered and surrounded for 18 hours in the most hostile district of Mogadishu. Dedication, Pride and Commitment: Leadership Lessons from Blackhawk Down for Business and Life really resonated with our group.

Friday afternoon we conducted ACIG's Board of Directors Meeting.



ACIG Thought Leadership

Our team of insurance, risk management, safety, quality and claims professionals have written five (5) white papers or Lessons Learned Bulletins since September 1, 2016.

“Avoiding Conflicts of Interests in CCIP Claims” written by Ron Arthur, Vice President – Claims. [Click here](#)* to read his article.

“Use of Unmanned Aircraft Systems (UAS) in the Construction Industry” written by Jack Florence, Risk Management Executive and Charlie Baxley, Associate General Counsel, Hoar Construction, LLC. [Click here](#)* to read this article.

“Nanotechnology” written by Larry Owen. [Click here](#)* to read his article.

“Insulated Metal Panels Installation” written by Larry Owen, Manager – Quality Division. [Click here](#)* to read his Quality Lessons Learned Bulletin.

“Serious Incidents Tied to Working from Heights and the Financial Exposures to the Contractor and ACIG” written by Ron Arthur, Vice President – Claims. [Click here](#)* to read his Claims Lessons Learned Bulletin.

ACIG News and Notables



Bill McIntyre, ACIG’s Chairman, serves as Co-Chairman at International Risk Management Institute’s 36th Annual Construction Risk Conference. He moderated the “Lessons Learned in Construction Risk Management” session. Over 1,500 attended this year’s Construction Risk Conference.



James Shay, Vice President – Risk Management Services and Karl Weber, Senior Quality Consultant, were IRMI Construction Risk Conference presenters. Their session, “Best Practices for Quality Management” attracted many attendees.



Mike O’Neill, President and CEO, was a panelist at the Property and Casualty Insurance Association’s (PCIA) annual meeting in Dallas. The topic was Regulatory Overreach by State Departments of Insurance.

*Username and Password: ac1g



ACIG Education and Networking Calendar

Event	Location	Dates
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 CCIP Meeting	Scottsdale, AZ	March 29-30
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

26 – 43 – 48 – 54, the ages of four (4) ACIG Member's employees who died on the job in late 2015 and 2016. According to the Bureau of Labor Statistics, the three (3) age groups with the highest fatal death rates are: 45 to 54, 55 to 64 and 65 and older. Routine work, complacency and ignoring established safety procedures were contributing factors in these tragic workplace deaths.

All the best,



President & CEO

Copyright © 2016 American Contractors Insurance Group

