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ACIG

news

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Motor Vehicle Accidents in Workers Compensation

Today's cutting-edge technology allows cars and trucks to steer themselves, maintain safe following distances, brake automatically and warn drivers of nearby vehicles and other obstacles. Yet, despite these safety improvements, motor vehicle accidents (MVAs) have been on the rise.

This trend is negatively impacting workers compensation results. The frequency and severity of on the job MVAs has spiked. These MVAs can be very severe and are responsible for a significant number of fatal workers compensation claims.

Factors Affecting MVA Frequency

Vehicle Miles Driven – As we came out of the recession, vehicle miles traveled have increased to their highest level, 3,100 (billion) vehicle miles driven.

Vehicle Safety Improvements

Auto and truck manufacturers have made great strides in improving vehicle safety through cutting-edge technologies. Today's vehicles are often equipped with a multitude of features such as:

- Adaptive cruise control
- Automatic braking
- Lane centering assists
- Warning for front and rear vehicles and objects
- Blind spot detection
- Rearview cameras and proximity warning systems.

Improvements in vehicle safety contributed to a historical decline in traffic accidents, despite the increase in vehicle miles driven...That all changed in 2011.

Smartphone Usage

In 2006, smartphones made up 3% of all mobile phones in the U.S. The release of Apple's iPhone in 2007 resulted in smartphones doubling by the end of the year. By the end of 2010, 27% of all cell phones were smartphones.

In 2011, mobile data speeds and data access increased exponentially due to the introduction of Long-Term Evolution (LTE) networks, ten times faster than the previous 3G network. All the American carriers, AT&T, Sprint, T-Mobile and Verizon, announced free mobile-to-mobile calling and texting. By the end of 2011, smartphones grew to 47%.

In 2016, 95% of U.S. adults owned a mobile phone with over 90% being smartphones.

According to the National Safety Council, a minimum of 27% of MVAs involve drivers talking, viewing or texting on smartphones. The report also stated that there is strong evidence to suggest an underreporting of smartphone use in crashes.

Motor Vehicle Accident Severity

Since MVAs commonly involve far more serious injuries to the head, neck and spine, they have an 80% to 100% increase in severity and the resulting claim costs.

Motor Vehicle Accident Fatalities

For the last five years, MVAs accounted for 41% of all occupational fatalities. An MVA is 12 times more likely to result in a fatality than a non-MVA claim.

A Call to Action

- Develop and enforce a distracted driving policy.
- Educate your employees, family members and loved ones on the dangers of distracted driving.
- Utilize current technology to block smartphone usage, calls or texts while a vehicle is in motion.



ACIG Financial Report June 30, 2018

Balance Sheet Profile

ACIG reported total assets of \$502,545,000 as of June 30, 2018 versus assets of \$488,632,000 reported at December 31, 2017. ACIG's shareholders' equity was \$175,809,000 (versus \$177,416,000 at December 31, 2017). ACIG posted net unrealized gains on investments (net of tax) of \$25,913,000 at June 30, 2018, an increase of \$1,170,000 from December 31, 2017.

Operating Results for the Six Months Ended June 30, 2018

ACIG reported pretax income of \$24,413,000 for the six months ended June 30, 2018 before policyholder dividends and other return premiums of \$19,234,000 and related bonuses of \$3,368,000. ACIG accrued premium refunds of \$19,234,000 payable to the ACIG insureds pursuant to our capital management strategy versus budgeted transactions of \$24,500,000. ACIG reported net income of \$2,184,000 for the six months ended June 30, 2018 versus budgeted net income of \$972,000.

Member Withdrawals at June 30, 2018

Two long-tenured Members, Herzog Contracting Corp. and The Weitz Company, LLC, withdrew from ACIG as shareholders effective June 30, 2018. Both have been inactive Members for an extended period, but reached their mandatory withdrawal dates at June 30. The repurchase transactions will be recorded during the quarter ending September 30, 2018, and will reduce ACIG's shareholders' equity by \$2.7 million. Both Herzog and Weitz have been highly supportive of ACIG's business and mission over the years, and we wish them the best.



ACIG's Investment Portfolio

Asset Allocation as of June 30, 2018

	Market Value	Percent of Total
Insurance Reserves Portfolio	\$ 297,130,881	61.8%
<i>Reserve Liabilities</i>	\$ 297,130,881	
BlackRock	\$ 255,281,458	
State Deposits	\$ 33,009,408	
Western-Absolute Return	\$ 8,840,016	
Capital Portfolio	\$ 183,767,681	38.2%
Equities		
Dodge & Cox (Global)	\$ 11,137,511	2.3%
Vanguard PRIMECAP	\$ 38,113,211	7.9%
Vanguard – International Growth	\$ 10,802,413	2.2%
Wellington Global Perspectives	\$ 6,659,221	1.4%
Angeles GEO Fund Insurance Company	\$ 26,185,108	5.4%
Angeles GEO Fund Limited	\$ 5,925,089	1.2%
Absolute Return		
AIA Absolute Return Fund	\$ 25,063,566	5.2%
Fixed Income		
Western – Absolute Return	\$ 9,878,536	2.1%
T. Rowe Price High Yield Fund	\$ 7,412,321	1.5%
PIMCO – Income Fund	\$ 23,860,168	5.0%
Crescent High Income	\$ 18,730,538	3.9%
TOTAL INVESTMENTS	\$ 480,898,563	100%

“\$480,898,563
in total investments”



Life-Saving Commitments Correlation Study

The United States Department of Labor, Bureau of Labor Statistics recently released its national census of fatal occupational injuries in 2016.

There were a total of 5,190 fatal work injuries in the calendar year 2016, a 7% increase from the 4,836 fatal injuries reported in 2015. This is the third consecutive increase in annual workplace fatalities.

Some key take-aways from the report:

- The construction industry experienced 991 fatalities in 2016, and this accounted for 19.09% of the total.
- Workers age 55 and older had 1,848 fatal injuries, the highest number for this cohort since its inception in 1992. They accounted for 36% of fatalities, the highest for any age group.

We took the data points from the National Census of Fatal Occupational Injuries and prepared a correlation study based on ACIG's Life-Saving Commitments. For the 991 construction industry fatalities, 852, or 86%, were correlated to our Life-Saving Commitments, which validates that we are attacking the key drivers of construction industry fatalities.

Please click [here](#) to view the detailed breakdown.

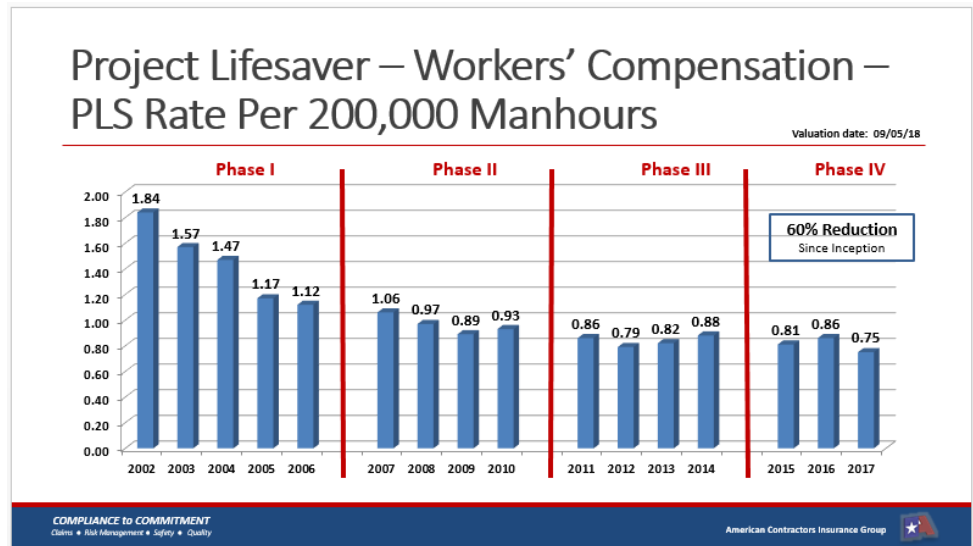


Project Lifesaver Breaking the Plateau

ACIG launched its Project Lifesaver Initiative in 2003 to reduce the frequency of Workers Compensation, General Liability and Auto Liability claims.

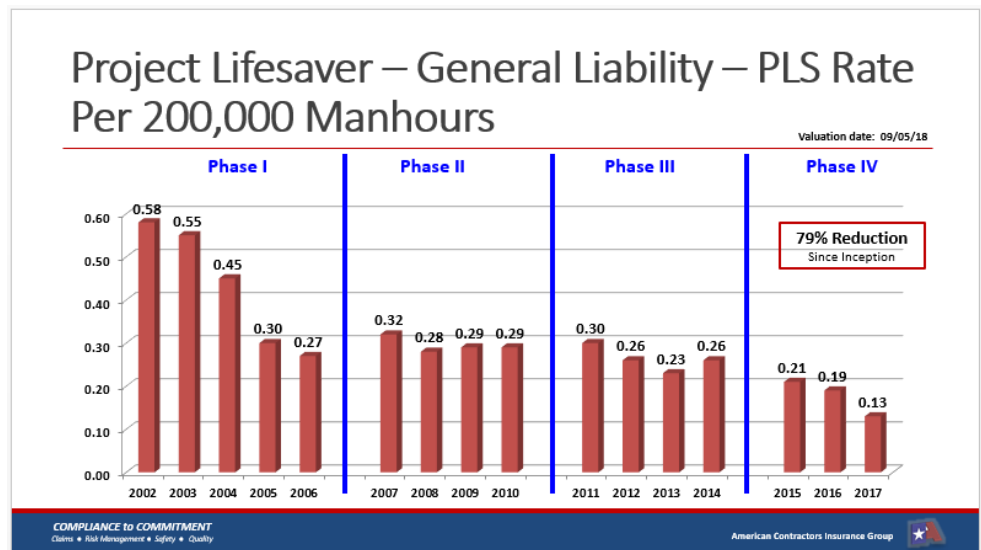
Workers Compensation

Since our baseline year of 2002, we have achieved a 60% reduction in our PLS rate per 200,000 manhours. Our 2017-18 results were the best since inception of the initiative. Year-over-year, we experienced a 15% reduction.



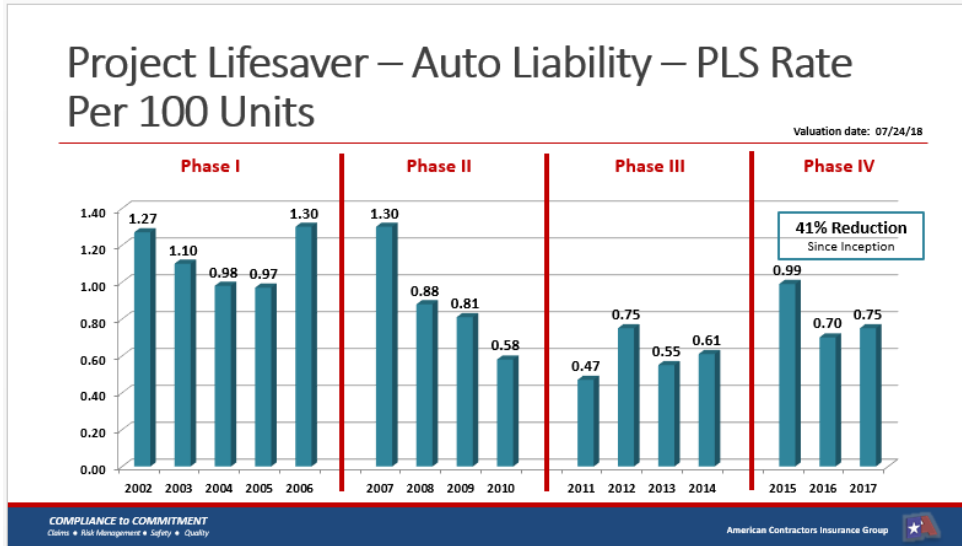
General Liability

2017 results were very impressive. Our Members reported only 40 General Liability losses greater than \$5,873.



Auto Liability

Auto Liability continues to be our most difficult line of business in maintaining a year-over-year reduction. Annually, ACIG conducts a Fleet Management Workshop to present best practices for auto/vehicle safety.



**Workers Compensation
Medical Cost Containment**

Medical benefit costs associated with treating injured workers have taken on a progressively more prominent role, partly resulting from higher medical inflationary trends as compared to wages.

ACIG has utilized a medical cost containment program for many years. Annually, we audit the results and communicate them to our Members.

<u>Bills Submitted</u>	<u>Billed Amounts</u>	<u>Paid Bills</u>	<u>Savings</u>
9,836	\$19,636,732	\$6,268,131	\$13,359,601

The fees associated with our medical cost containment program totaled \$509,132. Our net savings amounted to 65.4% of billed amounts.



SWAT Investigations

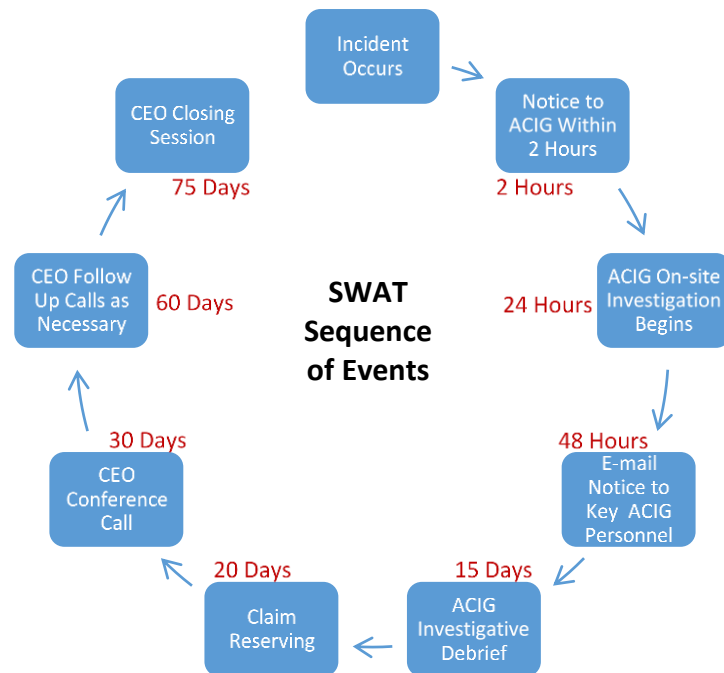
ACIG conducted six (6) SWAT investigations during the June 1, 2017 to 2018 policy period.

There were four (4) death cases investigated:

1. Member employee was backed over by an asphalt delivery truck.
2. Supplier employee was crushed while delivering electrical spools.
3. Subcontractor employee was killed when a large limestone header fell when the lifting device failed.
4. Trespasser at the project-site was beaten to death. Police investigation determined no liability on the part of our contractor.

The other two (2) investigations involved a non-fatal motor vehicle accident and a non-fatal scaffold collapse.

The following exhibit illustrates our SWAT investigation sequence of events.



Unique ACIG Contractor Projects

Goodfellow Bros., Inc. to the Rescue

The Kilauea volcano eruptions on the Big Island, caused major damage and the evacuation of thousands of residents.



GOODFELLOW BROS. INC.
ESTABLISHED 1921

On May 30, 2018, the Big Island Region started work on clearing an emergency route for the residents of Lower Puna. Goodfellow Bros., Inc. (GBI) mobilized in one (1) day and completed the work in four (4) days, removing a 0.7 mile section of solidified lava to create an alternative route through Hawaii Volcano National Park. The project scope included:

- Rough grading of 0.7 miles of roadway 24 feet wide.
- Excavation of 14,000 cubic yards of solid basalt.
- Crushing 4,000 cubic yards of basalt.



ACIG Contractors in the News

Twenty-one ACIG Members were listed on the 2018 *Engineering News Record* Top 400 List.



J.D. Abrams, L.P. has been recognized by the Associate General Contractors of America (AGC) and the Associated General Contractors of Texas (AGC TX) for outstanding achievements in safety.



Clarkson Construction Company received an Excellence in Safety Award from the Association of General Contractors of America.



Graycor Services L.L.C. raised \$46,000+ for the American Brain Tumor Association by participating in its Third Annual Tough Mudder.



Toni Carroll, **Graniterock's** Director of Quality is the first female in the 60 year history of the California Asphalt Pavement Association (CALAPA) to serve on its Executive Committee.



LeChase Construction Services, LLC was named the 2018 General Contractor of the Year at the Hispanic Contractors Association of the Carolinas.



Lexicon Holding Company is celebrating its 50 year anniversary.



Kristen Erickson, **Pepper Construction Company**, was recognized at the 2018 Constructech Women in Construction Awards.



Sellen Construction Co., Inc. collaborated with Vulcan and the AGC to build 3 tiny homes for the homeless in one day. Each 96 square foot tiny house includes heating, insulation, windows, locking doors and electricity. They will be located in a tiny house village and will have shared access to kitchens, laundry and restroom facilities.



Sukut Construction, LLC is celebrating its 50 year anniversary.



ACIG News and Notables

Carl Heinlein, Senior Safety Consultant, was one of the AGC's Safety Excellence Award Panelists.



Micah Bellow has been named Chief Risk Officer. In this role he will be responsible for and interface with our various state regulators. In addition, he will be responsible for the development and implementation of our Enterprise Risk Management (ERM) program. He will work closely with Mike O'Neill and Brad Porter in presenting our ERM program to A.M. Best, our insurance rating organization.



Mike O'Neill, President & CEO, was featured in an article that appeared on www.captive.com. Click [here](#) to read the article on their website.



Rob Berryman, Safety Consultant, was a keynote presenter at the Construction Financial Management Association (CFMA) Conference. His presentation was "Active Shooter: Are you prepared?"



ACIG Thought Leadership

Our team of insurance, risk management, safety, quality and claims professionals have written Four (4) Lessons Learned Bulletins and White Papers since June 1, 2018.

“Legalization of Marijuana and its Impact on Drug-Free Workplace Policies” written by Rene Pinson, General Counsel. Click [here](#)* to read her white paper.

“Acid-Based Drain Cleaners” written by Michael Overholt, Vice President – Safety & Quality. Click [here](#)* to read his Lessons Learned Bulletin.

“Road Based Aggregate Hardness Failure” written by Karl Weber, Quality Consultant. Click [here](#)* to read his Lessons Learned Bulletin.

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

**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

Event	Location	Dates
2018		
Autumn Risk Management Workshop and Executive Committee	Laguna Beach, CA	October 25-27
2019		
ACIG University	Dallas, TX	January 23-25
Annual Meeting, Best Practices and Executive Committee	Manalapan, FL	February 20-23
Vail Contractor Forum	Vail, CO	March 14-16
CCIP Sponsor Meeting	Scottsdale, AZ	March 20-21
In-House Legal Counsel Forum	Dallas, TX	April 8-9
Safety/Claims Workshop	Austin, TX	September 2019
Autumn Risk Management Workshop and Executive Committee	Boston, MA	October 24-26



Final Thoughts

Greg Schmidt, Saunders Construction Co., Inc.'s CEO, was ACIG's Safety/Claims Workshop keynote speaker in Denver.

This year's workshop had 220 attendees representing our Members and select service providers. Greg identified three (3) key elements in the ACIG program:

1. Knowledge sharing amongst the Members via CEO Forum, benchmarking and best practices.
2. Access to ACIG's resources in the areas of claims, risk management, safety and quality.
3. Accountability of each Member to one another. CEO's report out on fatalities, including lessons learned and risk mitigation steps implemented.

These elements support our mission, "to save lives, prevent injuries and reduce the overall cost of risk for our Members."



President & CEO

