



WE MAKE WORKERS' COMP WORK

**TBG Board Retreat Meeting Agendas
January 15-16, 2025
Marriott Hollywood Beach
2501 N. Ocean Dr., Hollywood, FL 33019
Sunset Key Boardroom, Penthouse level**

Wednesday, Jan. 15, 2025

8 to 8:30 a.m. – Breakfast served in Sunset Key Boardroom

8:30 to 9:30 – Sarah Porter, Senior Associate, Spencer Fane – Cyber Risk Management

9:30 to 9:40 – Break

9:40 to 10:10 – Jon Schindel – Marketing and Underwriting Review

10:10 to 10:45 – Stu Thompson – Review of TBG Board Manual

10:45 to 11 – Break

11 a.m. to 12 p.m. – Michael Sharkey, Esq. – Sharkey Law, PLLC – Work Comp Subrogation and OSHA Issues: Protecting Your Bottom Line

Lunch – 12 to 1 p.m.

1 p.m. Board Only Session

Thursday, Jan. 16, 2025

8 to 8:30 a.m. – Breakfast served in Sunset Key Boardroom

8:30 to 9:20 – Bill Laak, Partner – McCollum Crowley – Legal Seminar – Statute Changes, Case Law Update, Settlement Analysis, and MN WC Climate

9:20 to 10 – Stu Thompson – How a Risk is Written by TBG from the Application to Binding Coverage

10 to 10:10 – Break

10:10 to 11 – Ben Brun, AAI – Territorial Manager, Choice Insurance – Other States Coverage, Agency Business Development/Sales/Prospecting, and MN WC Competitors

11 to 11:45 – Stu Thompson – Review of MN Self-Insured Statutes

MEMBERSHIP



January through
November 2024



MEMBERSHIP

	MEMBERS	PREMIUM	AVERAGE PREMIUM
2020	705	\$45,434,386	\$64,446
2021	704	\$48,870,279	\$69,418
2022	685	\$49,025,487	\$71,570
2023	668	\$47,104,566	\$70,516
2024	667	\$44,315,165	\$66,440

NEW
BUSINESS



January 1 through
December 31.



ANNUAL NEW BUSINESS

	Quoted	Issued	Written	HitRatio	AvgPrem
2020	228	55	\$4,532,887	24.1 %	\$82,416
2021	193	34	\$2,621,323	17.6 %	\$77,098
2022	116	28	\$1,967,936	24.1 %	\$70,283
2023	67	17	\$1,327,187	25.4 %	\$78,070
2024	80	32	\$1,795,233	40.0 %	\$56,101

LOST
BUSINESS



January 1 through
December 31.



LOST BUSINESS

	#	PREMIUM	AVERAGE PREMIUM
2020	45	\$1,228,086	\$27,291
2021	35	\$1,354,339	\$38,695
2022	48	\$1,461,746	\$30,453
2023	34	\$1,805,937	\$53,116
2024	34	\$1,845,655	\$54,284

NEW
BUSINESS



JANUARY 1st NEW BUSINESS

	Quoted	Issued	Written	HitRatio	AvgPrem
2021	44	8	\$891,148	18.2 %	\$111,394
2022	25	10	\$954,790	40.0 %	\$95,479
2023	13	1	\$126,562	7.7 %	\$126,562
2024	7	4	\$103,511	57.1 %	\$25,878
2025	9	3	\$845,559	33.3 %	\$281,853

January (year over year)





Marketing Update

- January 1, 2025 Returning Members
 - **Big Wood Timber Frames:** coverage placed elsewhere (2013); \$16,978 premium;
 - **Walter's Recycling and Refuse:** coverage placed elsewhere (2017): \$441,694 premium.
- **Top 3 Agencies YOY**

▪ 2024:	Kraus Anderson	\$5,695,766	52 policies
	Holmes Murphy	\$4,830,866	39 Policies
	USI	\$4,416,959	47 Policies
▪ 2025	Kraus Anderson	\$5,350,121 (-9%)	53 policies
	USI	\$5,263,007 (+19%)	53 policies
	Holmes Murphy	\$5,011,036 (+4%)	36 policies



Marketing Update

- JCW Creative Summit + WCX Meeting – Feb 20, 21
- LinkedIn – Increased presence; follow
- Electronic Security Deposits Active (2 new members)
- Updated marketing collateral examples

The Builders Group: A Partner, Not a Commodity.

We provide workers' comp insurance to over 25% of the industry's workers.

When you choose TBG you will experience working with the most comprehensive workers' compensation carrier in Minnesota.

TBG Program Highlights

- 35,000 MN construction workers covered in 2023
- 97% Member retention rate
- \$40M+ in dividends, for 8 straight years paid to Members'
- Pay-as-You-Go premium payments
- Personalized Minnesota-based claims department Brad, Daren, Janet, Katie, Peggy, Rosy, Sandy, and Shawn are here to help

TBG's Internal Safety Services Association

- Over 7,500 of our Members' employees received no-cost safety training in 2023
- 2 Free OSHA 10 trainings provided to our Members' each year

Industry Commitment

- \$200,000 in sponsorships provided to MN-based construction associations
- \$360,000 in scholarships provided by the TBG Education Foundation

**Don't settle for mediocre workers' comp insurance,
reach out to your agent to explore your options.**



The Builders Group
2919 Eagandale Boulevard, Suite 100
Eagan, MN 55121-1214
Phone: (888) 824-3923
TBGMN.com

Members are jointly and severally liable for their proportionate share of obligations for the group and will be assessed on an individual and proportionate share basis for any deficit created by the group. Dividends are not guaranteed.



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PROGRAM HIGHLIGHTS

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- Pay-as-you-go premium payments
- Personalized Minnesota-based claims department

TBG'S INTERNAL SAFETY SERVICES ASSOCIATION

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- Two free OSHA 10 trainings provided to our Members each year

INDUSTRY COMMITMENT

- \$200,000 in sponsorships provided to MN-based construction associations
- \$360,000 in scholarships provided by the TBG Education Foundation



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[TBGMN.COM](https://www.tbgmnc.com)

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SPONSORED CONTENT

The Builders Group:

A PARTNER, NOT A COMMODITY

You probably don't know this, but The Builders Group provides workers comp insurance to over 25% of the construction industry's workers. So, who is The Builders Group?

OUR BACKSTORY IS ROOTED IN THE MINNESOTA TRADES

In 1997, a community of Minnesota construction companies decided to do something about the high cost of workers' comp insurance in the industry. The plan was simple: join together to create a self-insured workers' comp fund focusing exclusively on the Minnesota construction industry. A better solution created by the trades, for the trades. Today we insure over 25% of the Minnesota construction labor force: **over 35,000 workers!**

SAFETY FIRST, SECOND, AND THIRD

TBG's safety services success stories rarely get told because **success is the job site injury that doesn't happen**. In 2023 our team provided safety training to over 7,500 Minnesota construction workers, both at the job site and in our state-of-the-art training facility in Eagan. In 2025, we will be growing those training capabilities by expanding the training space in our building to accommodate 170 attendees, and the addition of a custom-equipped van than can bring safety training to our members.

A HISTORY OF FINANCIAL STRENGTH

We have distributed over \$42M of surplus to our members, and our board of directors recently approved an additional \$8.5M to be paid out in 2025. Like many in the industry, we encountered some financial headwinds in the Great Recession but pulled through it with a



renewed conviction and understanding of where we needed to be financially. For example, in 2017 we expanded our coverage footprint by offering a cross-border policy for our members who have employees who work outside of Minnesota.

TBG EDUCATION FOUNDATION: WALKING THE WALK FOR THE TRADES.

The labor market in Minnesota is as tight as it has ever been. TBG Education Foundation's mission is to help close that gap. In 2024 TBG Education Foundation donated over \$63,000 as part of Its Tools for Schools program which helps fund school and community trades-based programming. In addition, \$39,000 was given to Minnesota trade associations in matching funds for scholarships that enable more young people to get the education/training they need to start a career. A job in the trades can lead to a great career, and TBG Education Foundation is doing its part to make sure young people are exposed that path.

Our 97% member retention rate proves that **The Builders Group is a partner, not a commodity**. Give your insurance agent a call and find out what being part of The Builders Group looks like for your company. 📞



The Builders Group members are jointly and severally liable for their proportionate share of obligations for the group and will be assessed on an individual and proportionate share bases for any deficit by the group. Dividends are not guaranteed.



Marketing Update

- Video Examples
 - TBG Overview: <https://youtu.be/CjTJS2fAuuM>
 - Member Highlights
 - Dorglass – Penny Lindblom: [The Value of TBG's Safety Team: Supporting Member Compliance and Employee Wellbeing](#)
 - Allie Lloyd: [Member Testimonial: Providing Lloyd's Construction Services with Personalized Expertise](#)
- Agent Highlights
 - Ben Brunn – Choice/Vizance Agent: [Choice Insurance Agency on Why TBG is the Top Provider for Minnesota's Construction Industry](#)
 - Mark Kramer – USI Agent: <https://youtu.be/41jCDnW2W98>



INTRODUCTION

- 1 INTRODUCTION & HISTORY**
- 2 TBG CERTIFICATE OF AUTHORITY**
- 3 BOARD VISION, PRINCIPLES & RESPONSIBILITIES**
- 4 BOARD OF DIRECTORS**
- 5 BOARD POLICIES**
- 6 TBG STRUCTURE**
- 7 TBG STAFF**
- 8 GLOSSARY**

INTRODUCTION & HISTORY

BOARD OF DIRECTORS MANUAL

INTRODUCTION

TBG MISSION STATEMENT

"TBG is committed to promote and develop strategic workers compensation products/solutions that benefit the construction industry of Minnesota and reinforce our reputation as the provider of choice."

TBG CORE VALUES

➤ Stewardship

We recognize our fiduciary responsibility to our Members and act as good stewards of their resources.

➤ Problem Solvers

Seeking to understand with curiosity and vulnerability. With empathy and humility, we seek win-for-all solutions.

➤ Own It

We hold ourselves accountable for outcomes, good and bad.

➤ Be Exemplary

Honoring our word and choosing candor, respect, and kindness.

➤ Find A Better Way

A culture of innovation and continuous improvement. Constantly seeking personal and professional growth.

➤ Share Joy

Laugh. Be grateful, positive and hospitable. Make people feel good.

We are pleased to welcome you to the exciting and creative place called The Builders Group of Minnesota (TBG)!

We strive to constantly set new standards for quality, creativity and client service. We are proud of our reputation of providing the highest quality of claims management, safety, and underwriting services to our Members. To maintain and enhance that reputation, we continually strive to offer new services to our Members and Agents.

This document has been developed to familiarize new Board Members, and keep informed existing Board Members with Board Member responsibilities. These are working documents, intended to be referred to and used on a regular basis as part of each Board Member's process to complete assigned activities.

OVERVIEW

The Board of Directors are elected from the membership of TBG. There are currently 9 Directors on the Board that exclusively represent the TBG membership. Each Board Member has a fiduciary responsibility to TBG. When a Director comes into the meeting room they are asked to conduct business on behalf of all the TBG Members. It is this perspective that guides our Board through its decision making process.

TBG HISTORY



TBG HISTORY

The Builders Group was established on May 12, 1997 as an unincorporated association to operate as a Commercial Self Insurance Group, (CSIG), workers' compensation program pursuant to applicable Minnesota statutes 79A.19 to 79A.32. A coalition of contractors from four sponsoring associations: St. Paul Builders Exchange, Builders Association of Minnesota, Builders Association Twin Cities, and Minneapolis Builders Exchange, joined together to meet the premium threshold of forming a CSIG. The purpose of TBG was to provide a competitive, long term workers compensation insurance plan at favorable rates for the members of the four associations.

TBG started small with 52 members and \$450,000 in annual premium. There were no employees and the Builders Association of Minnesota served as the marketing arm of the program. Since the beginning TBG has continued to grow in both members and premiums.

During these years, TBG went from outsourcing services such as underwriting, safety, marketing, and audit to hiring employees to perform these functions.

This includes taking claims in house in 2024 under the name of TBG Claims Services. This focus has led to TBG providing safety and claims management services that are specifically oriented to the construction industry.

Today TBG continues to meet the needs of the construction industry by constantly improving and adding services for our Members and the industry. In 2007, TBG moved to its current facility with the objective of providing state of the art safety training areas and programs designed for our Members. This along with our proactive claims management gives TBG the basis for continued growth into the future.

As a self-insured fund, any excess profits are given back to the Member/Owners in the form of dividends. The TBG Board determines at the July Board meeting whether it is appropriate to authorize a dividend payment or not.



CERTIFICATE OF AUTHORITY

BOARD OF DIRECTORS MANUAL

CERTIFICATE of AUTHORITY

No. CG-2

STATE OF MINNESOTA



Department of Commerce

The Undersigned
COMMISSIONER OF COMMERCE
 for the State of Minnesota
 hereby certifies that

THE BUILDERS GROUP

(Including Attachment "A")

has made application, paid the fees required and in all other respects complied with the laws of the State of Minnesota and is hereby authorized to transact the business of self-insurance for liability under the Workers' Compensation Laws of Minnesota pursuant to Minnesota Statutes Sections 176.181, 79A.19-79A.32 and Minnesota Rules Chapter 2780.

at: 570 Asbury St., Suite 301, St. Paul, MN 55104

unless this authority be suspended, revoked, or otherwise legally terminated.

This certificate shall be in effect until further order of the Commissioner.



IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the official seal of the Department of Commerce, of the State of Minnesota at my office in the City of St. Paul,

Minnesota, this 12th day of

May, 19 97


 Commissioner of Commerce

BOARD VISION, PRINCIPLES & RESPONSIBILITIES

BOARD OF DIRECTORS MANUAL

VISION and PRINCIPLES

BOARD VISION

The Board's Objectives are to:

- Develop and periodically review TBG's Core values and Mission Statement to ensure the organization is moving towards its mission successfully.
- Provide sufficient direction, policies, procedures, and financial resources to achieve the mission.
- Provide workers compensation coverage to its Members at the greatest possible value.
- Provide a state of the art safety program for TBG Members and the construction industry of Minnesota.

- Clear distinction of Board and Chief Executive roles
- Collective rather than individual decisions
- The future rather than the past or present
- Proactive rather than reactive
- Foster change as required to achieve our mission

The Board will cultivate a sense of group responsibility and will be responsible for excellence in governing. The Board shall not merely react to staff initiatives, but govern by following the established Bylaws and Plan of Operation.

GUIDING PRINCIPLES

Our ethical standards guide every business decision. Integrity, honesty, and equality are values that are integral to our success and business culture.

Our respect for and development of people creates a great work environment. We encourage new ideas, support innovation and risk-taking to build on the strengths and talents of every individual.

Our passion for Workers' Compensation Insurance solutions drives excellence in our services. We exceed customers' expectations by combining our industry experience with emerging trends.

Our culture of continuous improvement fosters an environment of change. We are never satisfied with the status quo. We continually review our products and practices to ensure our Members receive the best possible value.

The Board will not use the expertise of individual members to substitute for the judgment of the Board, although the expertise of individual members may be used to enhance the understanding of the Board as a body.

The Board will direct, control and inspire the organization through the creation and updating of the Bylaws and Plan of Operation reflecting the Board's values and perspectives. The Board's major policy focus will be on the intended long-term impacts outside the operational organization, not on the administrative means of attaining those effects.

The Board will enforce upon itself whatever discipline is needed to govern with excellence. Discipline will apply to matters such as attendance, preparation for meetings, policymaking principles, respect of roles, and ensuring the continuance of governance capability. Although the Board can change its governance process policies at any time, it will scrupulously observe those currently in force.

Continued Board development will include orientation of new Board members in the Board's governance process and periodic Board discussions of process improvement.

The Board will allow no officer, individual or committee of the Board to hinder or be an excuse for not fulfilling group obligations.

STATEMENT OF COMMITMENT

The Board will serve by placing emphasis on:

- Outward vision rather than an internal preoccupation
- Encouragement of diversity in viewpoints
- Strategic leadership more than administrative detail

BOARD RESPONSIBILITIES

CONFLICT OF INTEREST

TBG Board Members are prohibited from engaging in any conduct, activity, practice, or act which conflicts with or appears to conflict with the interests of TBG, its customers, or its suppliers. The Board commits itself and its members to ethical, businesslike, and lawful conduct, including proper use of authority and appropriate decorum when acting as Board Members.

Board Members must have loyalty to the Members of TBG and be unaffected by loyalties to staff, other organizations, and/or any personal interest.

Board Members must avoid conflict of interest with respect to their fiduciary responsibility:

- There will be no business conducted by a Board Member with the organization except to the extent expressly permitted by law and appropriately disclosed. At the first Board meeting of each fiscal year, Board Members will disclose their involvements with other organizations, with vendors, and/or with any associations which might be or might reasonably be seen as a conflict.
- When the Board is to decide upon an issue about which a member has an unavoidable conflict of interest, that Board Member shall excuse himself/ herself from the discussion and any voting.
- Board Members will not use their Board position to obtain employment in the organization for themselves, family members, or close associates. Should a Board Member apply for employment, he/ she must first resign from the Board.

Board Members may not attempt to exercise individual authority over the organization:

- Board Members' interaction with the Chairman or with staff must recognize the lack of authority vested in individuals except when explicitly Board- authorized.

- Except for participation in Board deliberation, about whether the Chairman has achieved a reasonable interpretation of Board policy, Board Members will not express individual judgments of performance of the Chairman or staff.

Members will protect confidentiality appropriate to issues of a sensitive nature including matters discussed in executive session.

CODE OF CONDUCT

TBG Board Members are not to receive or give monetary or non-monetary gifts, favors, entertainment, payments, or anything of more than limited value from, to, or for the benefit of any competitor, customer, supplier or other person seeking to do or doing business with TBG. Such gifts and the like can impair Board Members' abilities to perform their duties or exercise their judgment in a fair and unbiased manner.

There must be no unreported business relationship with any enterprise that supplies to, buys from, or competes with TBG. These relationships may include the receipt of gifts, money, or favors of more than nominal value from such an enterprise particularly in situations where business judgment may be influenced.

Payments or services considered to be payoffs, kickbacks, bribes, or otherwise illegal are unacceptable and if accepted, will lead to expulsion from the Board. These payments or services are generally substantially in excess of usual or customary charges.

Gifts, favors, or other business courtesies may be received or given only under the following conditions:

- They are of limited value and are received or given when no help or obligation is assumed. Monetary and/or non-monetary business gifts or favors with a value in excess of \$50 must be reported to the CEO. If and when the total value of business gifts or favors exceeds \$100 in a given calendar year, this must also be reported to the CEO and reported to the Board of Directors.

BOARD RESPONSIBILITIES

- They are legal, in accord with accepted business practices, and do not contradict any policies of TBG.
- Public disclosure of the receipt or giving of the gift, favor, or business courtesy would not be embarrassing to TBG.

Board Members may not use a business opportunity in which TBG has or might be expected to have an interest for an individual's personal benefit.

Board Members are prohibited from making a direct or indirect contribution from TBG funds either to or on behalf of a political party, committee, candidate, or official.

Examples of acceptable practices are as follows:

- Payment of minor gratuities for services which the company is entitled to receive such as gratuities to clerks or similar personnel to expedite paperwork, miscellaneous permits, or similar functions; the delay in performance of which could adversely affect normal business operations.
- Business oriented courtesies in the form of "tips," petty gifts, or similar favors of a usual and customary nature.
- Business courtesies such as usual and customary payments for meals or similar accommodation in connection with a business meeting.

Each Board Member is responsible for reporting any questionable activity to the CEO.

Board Members are also prohibited from accepting full-time, part-time, temporary, or contractual employment with any organization that does business with or is a competitor of TBG. This includes serving as an advisor or consultant to any such organization unless that activity is conducted as a representative of TBG or otherwise authorized by an executive of TBG.

PERFORMANCE POLICY

This policy is intended to support full contribution of all Board Members. It is essential that each and every Board Member is available to fully participate and has the prerequisite capabilities to complete the tasks of their assigned role(s). A failure to perform will be deemed to have occurred when a Board Member:

- Fails to attend the required meetings (Board, committee, project)
 - Without notifying their chairperson or CEO of anticipated absence(s); emergencies not withstanding
 - In excess of 1 unexcused Board meeting within a one year period
- Fails to complete assigned work activities in the timeframe afforded; not withstanding extenuating circumstances
- Fails to uphold the responsibilities of a Board Member and/or officer as described in The Builders Group section of this manual

Failure shall mean expulsion by a majority vote of the Board.

BOARD MEMBER COMPENSATION

The Board may establish compensation for Board activities, including board meetings, committee meetings and other meetings authorized by the Board.

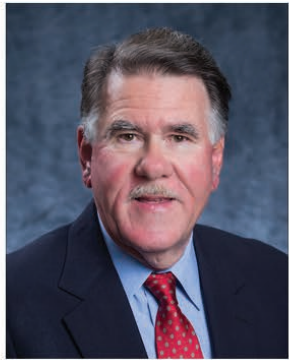
DIRECTORS AND OFFICERS EMPLOYMENT PRACTICES AND FIDUCIARY LIABILITY

TBG has purchased Directors, and Officers, liability and Fiduciary Dishonesty (ERISA) policies for the TBG Board and Board Members.

BOARD of DIRECTORS

BOARD OF DIRECTORS MANUAL

BOARD of DIRECTORS



Chairman
Tom Corrigan
Midwest Fence & Mfg. Co.



Vice Chairman
Lowell Pratt
Pratt Construction



Secretary
John Lloyd
Lloyd's Construction
Services



Treasurer
Kris Scherer
Scherer Brothers Lumber



Sterling Black
LS Black Construction, Inc.



Ben Edwards
Edwards/LaPlant
Construction



Brandon Romsdahl
Romsdahl Companies



Blake Palmer
Pro Drywall & Painting
Inc.



Curt Swanson
Curt Swanson Homes LLC

BOARD of DIRECTORS

			<u>Term Exp</u>
Black, Sterling Spouse - Meghan	LS Black Construction, Inc. - #1250	Phone: (651) 789-2900 Cell: (612) 363-2929 Fax: (651) 774-9695 Email: sterling@lsblack.com	2024
Corrigan, Tom (Chair) Spouse - Geri	Midwest Fence & Mfg. Co. - #0003	Phone: (651) 451-2221 Cell: (651) 214 - 7038 Fax: (651) 451-6939 Email: tomc@midwestfenceco.co	2025
Edwards, Ben Spouse - Nicole	Edwards/LaPlant Construction - #0947	Phone: Cell: (218) 259-8598 Fax: (218) 999-9355 Email: info@edwardslaplant.com	2025
Lloyd, John (Secretary) Spouse - Stephanie	Lloyd's Construction Services - #1074	Phone: (952) 567-7630 Cell: (612) 363-0618 Fax: Email: jllloyd@lloydsmn.com	2024
Palmer, Blake Spouse - Jennifer	Pro Drywall & Painting Inc. - #0856	Phone: (763) 424-3314 Cell: (612) 685-2499 Fax: (763) 424-5296 Email: bpalmer@prodrywall.com	2024
Pratt, Lowell (Vice Chair) Spouse - Wendy	Pratt Construction - #0364	Phone: (651) 429-8032 Cell: (612) 816-8650 Fax: (651) 429-0255 Email: lopratt@pratthomes.com	2024
Romsdahl, Brandon Spouse - Meagan	Romsdahl Companies	Phone: (507) 736-2187 Cell: (507) 381-1339 Fax: (507) 736-2189 Email: brandon.r@romsdahlcompanies.com	2026
Scherer, Kris (Treasurer) Spouse - Georgy	Scherer Brothers Lumber - #1505	Phone: (612) 627-0886 Cell: (612) 919 2730 Fax: (612) 627-0691 Email: kscherer@scherebros.com	2025
Swanson, Curt Spouse - Kym	Curt Swanson Homes LLC - #2023	Phone: (763) 478-0320 x110 Cell: (612) 388-5135 Fax: (763) 478-0321 Email: curt@swansonhomes.com	2026

BOARD POLICIES

BOARD OF DIRECTORS MANUAL

BOARD STIPEND and REIMBURSEMENT POLICY

STIPEND SCHEDULE

Each Board Member shall be paid a stipend for their service on the TBG Board. The stipend is determined by the Board and based on the responsibilities required by them.

Payments will be made in May at the Annual Meeting. If a Board Member is not able to attend a meeting, a notice must be given to the Board Chair or CEO prior to the meeting.

In the event of a resignation of a Board member prior to the end of a full year, the stipend due the Board Member will be prorated based on the number of meetings attended to the total number scheduled. The same method will apply to a new Board Member replacing someone who has resigned mid year.

TRAVEL REIMBURSEMENT

Any Board member who travels more than 50 miles one way to attend a meeting will be reimbursed mileage at the current IRS rate as well as reasonable lodging and meal expenses.

BOARD PREMIUM PAYMENT POLICY

PREMIUM PAYMENTS

As a TBG Board Member it is expected that monthly premium payments will be made in a timely manner while serving on the TBG Board of Directors. If a TBG Board Member receives a second notice of cancellation within a 12-month period, that Board Member will be asked to resign from the TBG Board. We encourage you to communicate the importance of timely premium payments to the appropriate counting personnel within your company.

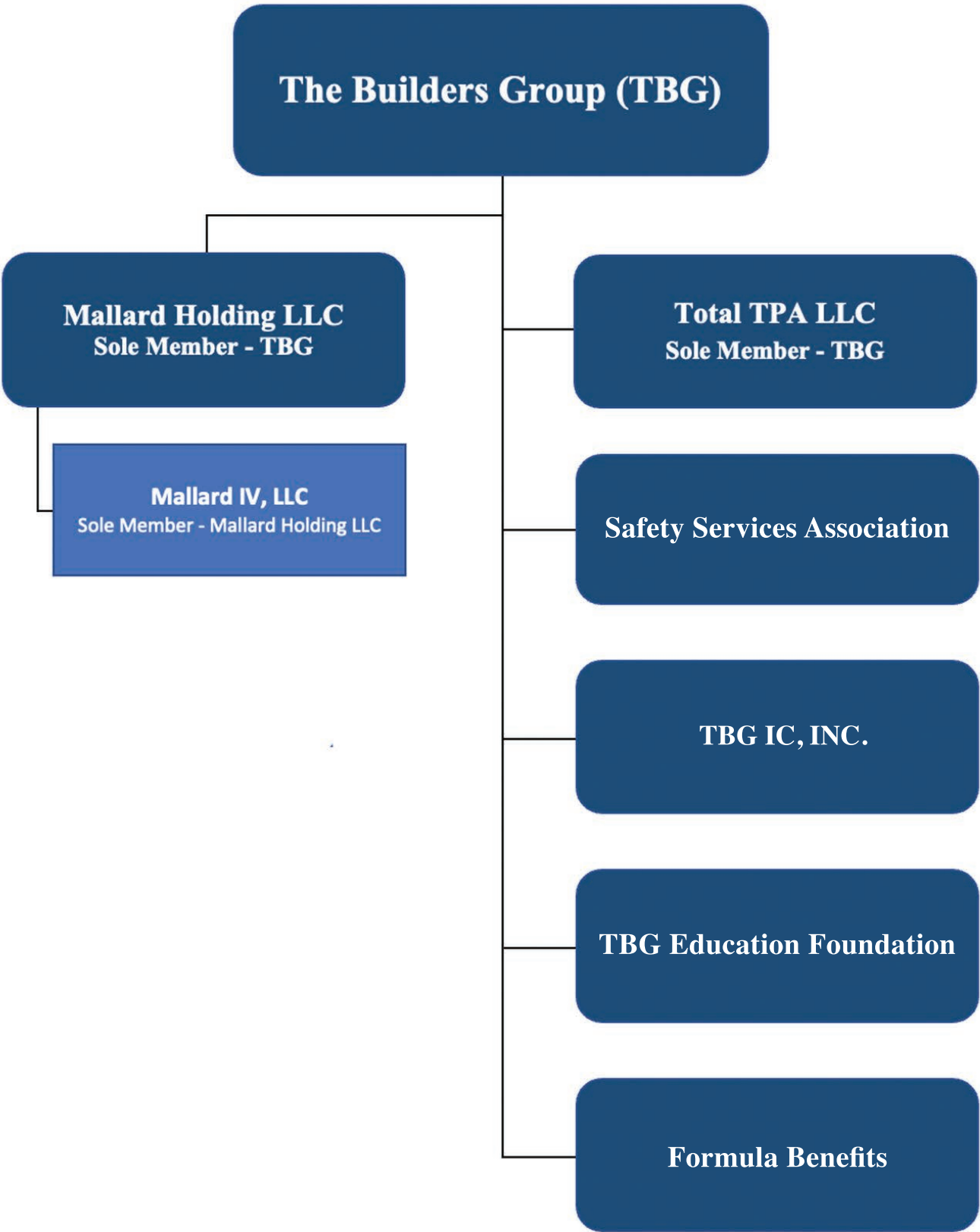
The cancellation process is as follows:

- Your monthly report and payment is due the 15th of each month for the preceding month. Even if you have no payroll in a given month, you must still submit your monthly payroll report.
- A \$100 late fee is charged if not paid by the 20th of the month. TBG staff will contact the Board member if a late fee is charged, as a courtesy.
- Notice of cancellation for non-payment is processed on, or about, the 25th of the month to be effective in 35 days.
- The Chair and CEO will be notified when a notice of cancellation is processed for a Board Member.
- If the Board Member refuses to resign from the Board, the Board, by majority vote, can terminate.

TBG STRUCTURE

BOARD OF DIRECTORS MANUAL

TBG STRUCTURE



TBG STAFF

BOARD OF DIRECTORS MANUAL

STAFF

Members

Board Of Directors

TBG

CEO

Stu Thompson

HR Manager

Kristy Vang

COO

Jon Schindel

Formula Benefits

TBG Claim Services

Total TPA

VP of Operations
Stephanie
Greeninger

Asst. Dental Claims
Mai Xee Her

Sales & Marketing
Todd Crane

Billing & Accounting
Julie Ryberg

Admin / MRP
Emily Graves

TCBW & MBUPF
Vicki Galvin

LeadProcessor
Tori Johnson

Group Processing
Kellie Bunnell

Medical Claims & C/S
Tiffany Avery

Front Desk/Admin
Britny Welter

Claims Manager
Brad Baker

Sr. Claims Specialist
Peggy Adermann

Sr. Claims Specialist
Sandy Marten

Sr. Claims Specialist
Rosie Allen

Sr. Claims Specialist
Darren Stigman

Sr. Claims Specialist
Katie Deno

Claims Specialist
Shawn Kringstad

Claims Administrator
Cyndi Pauley

Director of Finance
Jennifer Noble

Accounting
Halima Ahmed

Accounting
Logan Mero

Office Administrator
Emily Cutts

Administrative Asst
Vivian McKewin

Audit / Underwriting

Audit Manager
Anne Blessing

Auditor
Sarah Miller

Auditor
Erica Sasseville

Sr. Underwriter
Jeanne Cunningham

Sr. Underwriter
Lesley Pyle

Asst. Underwriter
Matt Kampf

Marketing
Sue Monson

Associate Underwriter
Jen Branson

Director of Safety Services
Adam Tripp

Sr. Safety Specialist
Chris Flegel

Sr. Safety Specialist
John Grayson

Sr. Safety Specialist
Lana Steck

Sr. Safety Specialist
Louie Moritz

Safety Specialist
Scott Huberty

Safety Specialist
Marty Breimhurst

MIS Director
Joe Sherman

Technical Specialist
Bethany Nelson

Technical Support
Jackson Roach

STAFF

DEPARTMENT OVERVIEW

The following positions/departments report to the Chief Executive Officer:

- Chief Operating Officer
- Formula Benefits

The following positions/departments report to the Chief Operating Officer:

- Director of Finance
- Director of Information Services
- Director of Safety Services
- Audit Manager
- TBG Claim Services
- Marketing Department
- Underwriting Department

DEPARTMENT REPORTS

Marketing Department - is responsible for all marketing activities for The Builders Group. Agency Marketing responsibilities include training the agents in representing TBG, the proper forms necessary to place coverage, making sales presentations with producers, conducting agency reviews with staff, and any agency related activity. Association responsibilities include attending various social and educational activities.

Underwriting Department - is responsible for determining whether a new account or an existing account is acceptable to join or continue as a member of TBG. The evaluation reviews the individual risk characteristics of a prospect or Member which include the hiring practices, loss history, whether there is a drug policy in place, are safety meetings conducted on a

formal basis, and the loss control inspection report to name a few. If accepted a price is determined based on the risk characteristics.

Safety Services Department - this department is responsible is assisting the Members of The Builders Group in identifying potential hazards in their operations and helping them find ways to reduce or eliminate those hazards. This includes individual loss assessments, development of an annual plan, job site inspections, seminars on various topics of interest, etc. Seminars that are hosted by The Builders Group not only are presented by the Safety Services staff but can be in conjunction with various sponsors, OHSA, or for individual members. TBG has the advantage of having the classroom and loss control demonstration rooms which is unique in the business.

Audit Department - this department is responsible for the annual audit function which is handled by staff and an outside service. This is the last check and balance to ensure the proper premium is collected for the proper exposure.

TBG Claims Services - this is the department that performs the claims adjusting function. This function will be in-house as of 2-1-2024.

Director of Finance - is responsible for all the financial aspects of TBG. This includes overseeing the accounting department, developing monthly financial data for review by the Board, developing the annual budget with the TBG management team and Finance Committee, working with our outside auditor on the annual audit and taxes, and oversees the HR activities of the company.

STAFF

Director of Information Systems - is responsible for the development and management of all the information systems of TBG. This includes the operating software program, the system infrastructure and communications technology analytics, programs department specific, telecommunications systems and hardware, and coordination of the system with our TPA.

BOARD/STAFF COMMUNICATION

Common sense should be used in communication to the TBG staff. The CEO is the main contact but any Director on the management team can be contracted directly if it relates to their area of responsibility. If staff contacts a Board Member directly with any allegations of improper conduct, those allegations need to be reported immediately to the Chair for proper handling. All other contact can be handled as the Board of Director see fit.

TBG BYLAWS & PLAN OF OPERATION

BOARD OF DIRECTORS MANUAL

TBG BYLAWS

July 26, 2023

The Builders Group Commercial Self Insurance Group Third Amended and Restated Bylaws

This group self-insured workers' compensation program has been created pursuant to Minnesota Statutes § 79A.19-79A.32, and is governed by Minnesota Statutes §§ 79A.19 et seq.; 176.181, Subd. 2, and Minnesota Rules Revised Chapter 2780.

ARTICLE I NAME AND EFFECTIVE DATE

1. Name. The name of this group will be:

The Builders Group, Workers' Compensation Self Insurers Group, commonly known as The Builders Group ("TBG").

2. Commencement Date. TBG commenced operations on May 12, 1997.

ARTICLE II PURPOSE

1. Purpose. The purpose of TBG is to operate a group self-insured workers' compensation program pursuant to applicable Minnesota statutes and regulations as an unincorporated association. Said program shall be operated through:

- A. The appointment of a Fiscal Agent to receive, maintain and administer the funds of TBG and other duties as may be assigned to it by the Board of Directors, hereinafter referred to as the Board.
- B. The appointment of a Licensed Service Company to adjust and settle claims and assure compliance with all applicable laws and regulations of the State of Minnesota. Where permitted by law, employees and agents of TBG may perform any of the above-mentioned services or functions and such other duties which may be assigned to them by the Board.
- C. The language of the current TBG Plan of Operation is hereby incorporated into these Bylaws by reference

TBG BYLAWS

ARTICLE III DEFINITIONS

1. Manual Premium – “Manual Premium” shall mean a sum no less than the total exposure base defined in the Minnesota Workers' Compensation Insurers Association's (MWCIA) rating manual of rules and classifications multiplied by pure premium rates issued by the MWCIA and approved for use in Minnesota by the Commissioner of Commerce. These rates are multiplied by a loss cost multiplier that is approved annually by the TBG Board of Directors.
2. Member – “Member” shall mean a member that meets the Qualifications in Article IV (1).
3. Modified Premium – “Modified Premium” shall mean the total manual premium as defined in the Minnesota Workers' Compensation Insurers Association's manual of rules, classifications, and rates approved for use in Minnesota, above modified by an experience rating plan approved by the Commissioner of Commerce.
4. Net Deposit Premium – “Net Deposit Premium” shall mean the modified premium reduced by discounts which may be applied in accordance with the credit schedule based on the Member's individual risk characteristics.

ARTICLE IV MEMBERSHIP

1. Qualifications: Every Member of TBG must be in sound financial condition, have ongoing payroll and sales, and accept joint and several liability for all losses sustained by this group self-insured fund. An applicant for membership shall submit a written application, consent to a safety inspection by loss control representatives, provide workers' compensation loss history consisting of information regarding its workers' compensation premium and losses for a period up to 5 years for review by TBG underwriters, and a reviewed or audited financial statement completed within the previous 12 months; or, if allowed by law, the Board may allow other alternatives.
2. Admission for Membership. Admission to membership shall be by majority vote of a Membership Committee established by the Board for that purpose. The Executive Committee shall be the Membership Committee unless the Board creates a separate Membership Committee. In the event of a tie vote, the Chairman shall cast an additional vote to decide the issue. Consideration of new Members shall be based upon information submitted by the underwriter(s) that meets the Qualifications in Article IV (1).
3. Commencement of Coverage. Coverage shall commence on the effective date of the Member's agreement, provided, however, membership in TBG shall not be effective until the required deposit premium has been paid.

TBG BYLAWS

4. Rights of Members: No Member shall have any right, title or interest whatsoever, either legal or equitable, in the assets of TBG except at such time as a dividend distribution has been authorized by the Board in accordance with the provisions of Minnesota Statute Chapter 79A.22 Subd. 8. Each approved Member shall have the right, with other Members of TBG having a common interest, of obtaining workers' compensation coverage through TBG, as required by Minnesota Statutes and Minnesota Rules.
5. Meetings: An Annual Meeting of Members shall be held on or before the final day of May of each Fund Year, for the purpose of electing Director(s), reviewing TBG's prior years' performance, and conducting such other business as may come before the Members. Each Member shall receive 30 calendar days written notice of the time and place of such meetings. The written notice shall be effective at the time of mailing. Other meetings of the Members may be held after 7 calendar days-notice. Such notice, including an agenda of the meeting shall be given to all Members.
6. Voting: Each Member is entitled to one vote on all matters coming before the Members at all annual or special meetings of the Members.
7. Quorum and Voting: A quorum for the conduct of business at a meeting of Members shall be 10% of the total Members of the Fund. Members may appear in person, or by a revocable written appointment of a proxy, appointing the Chairperson or Vice-chairperson to vote the proxies as directed by the Board. A majority of those present at a meeting, either in person or by revocable proxy, is necessary to approve motions at the meeting.
8. Members not voting in person, by ballot, or by proxy, will be deemed to have authorized the proxy holders designated by the TBG Board of Directors to vote on their behalf on any matters voted on at the Annual Meeting.

ARTICLE V GOVERNANCE

1. Powers and Duties of Board of Directors: The affairs of TBG shall be managed by or under the direction of a Board of Directors consisting of at least seven (7) members (the "Board"). The Board shall have all of the powers, authority, duties and responsibilities which are necessary for general supervision and operation of TBG and are in accordance with these Bylaws. The Board, at its sole discretion, shall:
 - A. Appoint or terminate the appointment of a Fiscal Agent who shall serve for such period and shall be delegated such powers and duties as may be set forth in an Agreement signed by the Board and the Fiscal Agent.
 - B. Appoint, or terminate the appointment of a Licensed Service Company who shall serve for such period and shall be delegated such powers and duties as may be set forth in an agreement and signed by the Board and the Licensed Service Company.

TBG BYLAWS

- C. The Board shall have authority to hire employees and agents of TBG. The Board may delegate to the Fiscal Agent, Licensed Service Company and TBG employees the day to day management of TBG. Directors shall not be liable for the willful and malicious acts of the Fiscal Agent, the Licensed Service Company, TBG employees or other TBG agents unless and to the extent that such Director shall have actual prior knowledge of such willful and malicious acts.
 - D. The Board shall have the power to elect the following standing committees: Nominating Committee, Membership Committee, Investment Committee, Bylaws Committee and such other committees as it deems appropriate. Any decision made by any committee may be reviewed by the Board and can be vacated by majority vote of the Board.
 - E. The Board shall carry out those duties imposed upon them by TBG's bylaws, except to the extent that such duties are delegated to the Fiscal Agent, the Licensed Service Company, and employees, committees and agents of TBG as set forth above.
 - F. The Board shall approve all contracts except where it has delegated that authority to others.
 - G. The Board shall be responsible for TBG's compliance with the Minnesota workers' compensation law and the related rules and regulations of the State of Minnesota.
2. Election and Termination: The Board shall consist of at least seven (7) persons. No Member may have more than one representative on the Board.
 3. Director Qualification and Term. The Board shall be made up of natural persons who are officers, Directors, partners or employees of Members in TBG. The Member must have been in the Fund at least three (3) years, be in good standing, and have ongoing payroll and sales. No Third-Party Administrator or vendor of risk management services shall serve as a Director of TBG. A Director shall hold office for a term of three (3) years for which he/she was elected, unless his/her holding of office terminates earlier on account of death, resignation, disqualification or removal. A director shall be elected by a simple majority vote of the Members of TBG in attendance at the annual meeting.
 4. Vacancies. Any vacancy occurring before the expiration of a Director's term will be filled by a representative elected by a majority vote of the Board for the remainder of the term. If a Director becomes unqualified to continue as a Director, the Director may continue as a Director until a replacement has been found or to the next annual meeting at the discretion of the Board. A Director may be removed at any time, with or without cause, by action of the Members at a special meeting called under the provisions of Article IV, 5 and 6.
 5. Meetings of the Board: An annual meeting of the Board shall be held by the last day of May of each year in conjunction with the Annual Meeting of Members. Meetings of the

TBG BYLAWS

Board may be held at any place that the Board selects. A conference among Directors, by means of communication through which the Directors may simultaneously hear each other during the conference, constitutes a Board meeting.

Any two Directors may call a Board meeting with two business days' written notice to all other Directors. A majority of the Board must be present to constitute a quorum.

Directors may appear in person or by a written appointment of a proxy appointing another Director to cast a vote on behalf of the non-attending Director. All Meetings of Members and/or the Board shall be conducted in accordance with Robert's Rules of Order, as revised.

6. Agenda for Meetings of the Board. The Board may review such matters as may be appropriate including but not limited to the following items for the purpose of determining whether these areas of concern are being adequately provided for:
 - A. Service company performance.
 - B. Loss control and safety engineering.
 - C. Investment policies.
 - D. Collection of delinquent debts
 - E. Expulsion procedures
 - F. Initial Member review
 - G. Fiscal agent performance
 - H. Claims handling and claims reporting
 - I. Marketing plan
 - J. Excess Policies
7. Officers of The Board. The Directors shall elect a Chairperson to act in all matters of TBG and perform such other functions as the Board may determine; a Vice Chairperson to act in the absence of the Chairperson; a Secretary to record minutes of meetings, send necessary notices to Directors and Members, and keep such other records that may be required for the function of the Board; and a Treasurer who shall oversee the financial affairs of TBG. All officers shall serve for a term of one year.
8. Action Without Meeting: The Chairperson, Vice Chairperson, Secretary, and Treasurer shall constitute the Executive Committee of the Board and shall have full power to act on behalf of the Board between Board meetings. In the event of a tie vote by the Executive Committee, the side on which the Chairperson votes shall prevail. Alternatively, any action required or permitted to be taken at a Board meeting may be taken by written action signed by all of the Directors.
9. Rights and Obligations: A Director shall discharge the duties of the position of a Director in good faith, in a manner the Director reasonably believes to be in the best interests of TBG and with the care an ordinarily prudent person in a like position would exercise under similar circumstances. A Director is entitled to rely on information, opinions, reports, or statements prepared by the Fiscal Agent, Licensed Service Company, employees and agents of TBG, counsel, public accountants and other persons as to

TBG BYLAWS

matters that the Director reasonably believes are within the person's competence.

10. Indemnification: TBG shall indemnify and have a duty to defend a Director or former Director made or threatened to be made a party to a proceeding to her/his former or present Director against liability, judgments, penalties, fines, attorney's fees, and disbursements incurred by the Director or former Director complained of in the proceeding; provided, however that the Director or former Director:
 - A. acted in good faith;
 - B. received no improper personal benefit;
 - C. had no reasonable cause to believe that his/her conduct was unlawful; and
 - D. had reason to believe that his/her conduct was in the best interest of TBG.

Indemnification shall be made only to the extent the Director or former Director has not been indemnified by another organization for the expenses with respect to the same acts or omissions. In fulfilling its duty to defend the Director, TBG has the right to appoint counsel of its own choosing and direct litigation. The Director may hire his or her own attorney in addition to that assigned by TBG but the Director is solely responsible for the costs associated with hiring said counsel.

11. Compensation and Reimbursement of Directors: The Board may establish, from time to time, compensation for Board activities, attendance at Board meetings and other meetings authorized by the Board, and also reimbursement for reasonable actual expenses incurred in connection therewith.

ARTICLE VI FISCAL AGENT

1. Appointment. The Board shall appoint a Fiscal Agent for TBG. The Fiscal Agent shall not be an owner, officer, employee or affiliate of the Licensed Service Company. Duties of the Fiscal Agent shall be:
 - A. To maintain and administer under the direction of the Board, an account(s) assigned by TBG;
 - B. To receive into the accounts all funds paid to TBG from whatever source.
 - C. The Fiscal Agent shall not commingle any of the assets of the self-insurers fund with assets of any individual Member of TBG.
 - D. To make available to the Licensed Service Company or TBG, as required, a revolving fund from which the Licensed Service Company or TBG shall pay compensation benefits and other related operating expenses which may be paid by the Licensed Service Company or TBG, including, but not necessarily limited to, WCRA insurance premiums, aggregate reinsurance premiums, Special Compensation Fund assessments, commercial Self-Insurers' Security Fund

TBG BYLAWS

assessments, legal defenses costs and Fiscal Agent and Licensed Service Company fees, as set out in their contracts for service.

- E. Except to the extent not prohibited by law, to perform such additional functions as may be agreed upon by TBG and the Fiscal Agent.

ARTICLE VII SERVICE COMPANY

1. Appointment. The Board shall appoint a service company for TBG who is licensed in accordance with Minn. Stat. § 60A.23, Subd. 8 that must employ or have under contract a claims adjuster with at least three years of Minnesota specific workers' compensation claim handling experience and licensed under Minn. Stat. § 72B. The Board may assign, either in whole or in part, any or all of the duties of the Licensed Service Company to TBG employees or agents, to the extent allowed by Minn. Stat. §§ 60A and 79A
2. Duties. Duties of the service company shall be:
 - A. To receive and investigate all claims for compensation benefits, make initial determination of compensability and set loss reserves;
 - B. To work with TBG staff to pay claims in accordance with Minn. Stat. § 176 or other related expenses of TBG from the revolving fund provided by the Fiscal Agent;
 - C. To maintain books and records in the office of the service company in the State of Minnesota and file, on behalf of TBG, reports required by the laws and regulations of the State of Minnesota. Such books and records shall be available for inspection by the Board upon reasonable notice to the service company;
 - D. To comply with all laws and regulations of the State or Minnesota, including provisions of Minnesota Statute Chapter 72A, as they relate to the licensing and duties of service companies;
 - E. All program specific data information, books and records maintained by the service company shall be the sole property of TBG; and
 - F. To perform such additional functions as may be agreed upon by TBG and the licensed service company, where not prohibited by law.

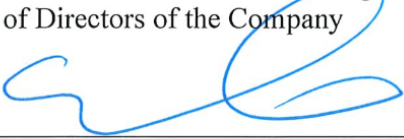
ARTICLE VIII AMENDMENT OF BYLAWS

Amendments to the bylaws, if necessary, shall be made by a vote of a simple majority of the Board at a meeting held in accordance with the provisions of Article V Subp. 5.

TBG BYLAWS

IN WITNESS WHEREOF, the undersigned have hereunto affixed their signatures.

IN WITNESS WHEREOF, the undersigned have hereunto affixed their signature, constituting a simple majority of Directors of the Company


Sterling Black

DATED: 7/26/23


Curt Swanson


DATED: 7/26/23


Tom Corrigan

DATED: 7/26/2023


Ben Edwards

DATED: 7/26/23


Mark Meyer

DATED: 7-26-23


Lowell Pratt

DATED: 7/26/2023


Kris Scherer

DATED: 7/26/2023


John Lloyd

DATED: 7-26-2023


Blake Palmer

DATED: 7/26/23

TBG PLAN of OPERATION

Plan of Operation – Effective Date July 26, 2023

1. DEPOSIT, PREMIUM PAYMENTS AND FINANCIAL REQUIREMENTS

A. Deposit: At the inception of a new Member's coverage, that Member shall pay a deposit to TBG in an amount equal to 20% of the Member's annualized premium for workers' compensation liability coverage. The deposit may be adjusted periodically by TBG to maintain the deposit at approximately 20% of the annual premium level. The deposit shall not be interest-bearing.

The other options are prepaying 25% of the annualized premium of each agreement year which will be applied to the final three months of the agreement or providing an irrevocable letter of credit.

B. Premium: The premium shall be reported and paid monthly based on actual payroll from the preceding month and is due on the 15th day of each month of the agreement year. If there is no payroll to report in a given month, the Member must still submit a monthly report indicating zero payroll in order to avoid a late fee.

A Member (the "Guarantor") who is a parent, subsidiary or affiliate of another Member serves as a guarantor of such other Member's obligations to make any payment due TBG hereunder on a joint and several basis with the parent, subsidiary or affiliate. Any such parent, subsidiary or affiliate's failure to comply with any term or condition of this Plan of Operation shall be considered a breach thereof by the Guarantor.

- **Experience Modification Factor:** In determining the annual modified premium of each Member, TBG shall calculate an experience modification factor according to the methods and rules used by the Minnesota Workers' Compensation Insurance Association (MWCIA).
- **Audit:** Following the expiration of each agreement period, we will conduct an audit, which is a review of your records and operations to ensure that the coverage and reported payroll information is correct. The audit may result in an additional or return premium.
- **Failure to Comply With Policy Termination Audit.** Upon termination of a Member's coverage for whatever reason, should the Member fail to comply with the requirement that a final audit be conducted TBG shall be entitled to retain the Deposit, as defined in Section 1(A) in this Plan of Operation.
- **Minimum Premium:** All coverage is subject to an initial policy written minimum premium of \$5,000 effective 7-1-2012.

C. Additional Requirements: Minnesota Statutes for commercial self-insurance groups require TBG to file a financial compilation report with the Minnesota Department

TBG PLAN of OPERATION

of Commerce. To prepare this report and file it timely, we will request that you forward a copy of your most recent financial statements (compiled, reviewed or audited financial statements, including the signed CPA letter, or most recent federal income tax returns with schedules filed by your company). If, in any Fund Year, any TBG Member comprises over 25 percent of the total premiums paid by all TBG Members, that Member's financial statement must be reviewed or independently audited. The statement must be submitted to the Commissioner of the Minnesota Department of Commerce by May 1st of the following year.

D. Non-Renewal of Coverage: If a Member does not renew its workers' compensation liability coverage with TBG or if the coverage is canceled or terminated by either TBG or the Member, an audit shall be performed and the final annualized premium for the Member shall be determined. After an audit, any overpayment of premium shall be refunded to the Member. Any balance owed by the Member to TBG shall be first deducted from the deposit with any remaining balance of the deposit refunded to the Member. If there remains a balance owed to TBG, the Member shall make full payment to TBG within 30 days of receiving notice of the deficiency.

2. TBG DIVIDEND DISTRIBUTION POLICY

Original Date:	12-01-2007
Last Change:	07-26-2023
Last Review:	07-26-2023

A. Dividend Distribution Policy Background: The objective of this policy is to develop a method based on solid insurance principles, is fiscally responsible, and returns the dividends to the Members on a basis that minimizes the chance of an assessment. It is intended that all surplus funds be returned to the Members. The surplus funds that arise during a Fund Year should be recorded on the income statement with the unpaid portion of these amounts added to the liabilities on the balance sheet. The Board believes that these are binding, enforceable, and unconditional obligations to return the monies to the policyholders. The applicable dividend policy is the policy in place when a dividend is paid, not the dividend policy which was in place during the Fund Year from which the dividend is being calculated and paid.

B. General: Dividend distributions are paid from Member Distribution Payable (MDP) which consists of investment income and excess underwriting income. The policy was developed based on the following considerations:

- **The WC Claim Tail** – Dividend distributions will be paid on a basis that coincides with the timeframe the majority of the WC claims are paid. Once an initial distribution of a Fund year has been dispersed the balance of the distribution payout will occur per the payout schedule and TBG Board approval.
- **Timing of Dividend Distribution Payment** – After dividend distribution has been approved, the payments will be made at the TBG Board's discretion and may be made at any time during a Fund Year.

TBG PLAN of OPERATION

- A Member that leaves the Fund forfeits all future dividends. However, if a former Member returns to TBG after an absence, that member will be eligible to receive any remaining dividends for those Fund Years they were a Member of TBG
- C. Eligibility:** A TBG Member is eligible to receive a dividend distribution if they were a TBG Member during the Fund year designated by TBG's Board of Directors for dividend distribution and are still a Member of TBG on the date(s) when the authorized dividend distribution is paid or credited to the Eligible Member.
- D. Ownership Transfer of a TBG Member:** If all, or substantially all of the assets or ownership interests of a Member are sold to a third-party ("Third-Party Buyer"), and that Third-Party Buyer maintains the selling Member's FEIN and membership in TBG, that Third-Party Buyer shall be Eligible to receive dividend distributions of the Member as defined under 2(C) above. If all, or substantially all of the assets or ownership interests of a Member are sold to a Third-Party Buyer and that Third-Party Buyer does not maintain the Member's FEIN the Third Party-Buyer shall be eligible to receive dividend distribution of the Member post-sale provided that (1) the Third Party Buyer demonstrates a continuity of operations, payroll and sales of the Member as determined at the sole discretion of TBG; and (2) the Third Party Buyer agrees in writing to accept joint and several liability for all the years the dividend distribution is derived from.
- E. Dividend Distribution and Eligibility Determination:** The TBG Board of Directors will determine if a dividend distribution is warranted, the amount of the dividend distribution if any, and the Fund Years' that are eligible at the first Board meeting conducted after July first of each Fund Year.
- F. Dividend Distribution Approval:** Any dividend distribution from Member Distribution Payable must be approved by the TBG Board of Directors and the Minnesota Department of Commerce.
- G. Member Distribution Payable:** The goal is to maintain MDP in an amount that reduces the possibility of an assessment to the Members and complies with MN Statute 79A.22 Subd.11.
- H. Dividend Distribution Payment:** If a dividend distribution is authorized, the payment to the Eligible Members will be made on a date determined by the TBG Board of Directors. The dividend distribution payment(s) are based on the following criteria:
- The amount of profit an individual Member has contributed to the Fund in a Fund Year.
 - The Expense Ratio of each Fund Year will be calculated to determine the breakeven loss ratio of that Fund Year. The Expense Ratio is the result of totaling all of the expenses for that Fund Year (except reinsurance) and dividing that number by the net premium (audited premium less reinsurance expense). The Expense Ratio is subtracted from 1.00 and the result is the breakeven loss ratio.
 - The profit for a Fund Year(s) is the total MDP for that Fund Year(s).
 - Once the breakeven loss ratio and profit amount are known the individual Member distribution is calculated based on the Member's loss ratio in comparison

TBG PLAN of OPERATION

to the breakeven loss ratio of the Fund. Members with a loss ratio greater than the breakeven loss ratio will not be eligible for a distribution. Members with a loss ratio less than the breakeven loss ratio will be eligible to receive a dividend in proportion to the amount of their contribution to profit.

- After an initial dividend has been paid out for a Fund year, the results are recalculated annually to take into account any future change in the claim development of that Fund Year, either positive or negative. The annual recalculation protects the Fund against any adverse claim development that may occur.
- Any dividend distribution check not cashed by a Member after one year will be cancelled and the funds will be returned to the Fund's Member Distribution Payable.
- The earliest a Member is eligible for a dividend is during the third year of membership.

Dividend Payment Schedule

Once a dividend distribution has been authorized, the TBG Board of Directors will determine the amount of the annual dividend paid subject to the following maximum percentage payout each year.

- 1st Year – 10% of the total authorized dividend
- 2nd Year – 20% of the total authorized dividend less amounts previously paid
- 3rd Year – 40% of the total authorized dividend less amounts previously paid
- 4th Year – 60% of the total authorized dividend less amounts previously paid
- 5th Year – 80% of the total authorized dividend less amounts previously paid
- 6th year – 90% maximum of the total dividend less amounts previously paid if a Fund Year has open claims or at discretion of TBG Board of Directors after a Fund Year has been closed with no future claim liabilities

3. FUND DEFICIT

- A. **Assessment of Deficit:** When, in accordance with applicable laws and regulations of the State of Minnesota, a deficit for any Fund Year exists, the TBG Board of Directors may make up such deficit as follows:
- Payment for a deficit in a Fund Year will first be made from TBG IC, a captive created for the purpose to fund a deficit which occurs in a Fund Year
 - If the payment from TBG IC is inadequate to cover the deficit the Board may order an assessment of every Member from the deficit Fund Year, whether or not the Member continues to be a Member at the time of the assessment. Such assessment will be pro-rata in the ratio of the Audited Premium of each Member bears to the total Audited Premium of all the Members during the deficit Fund Year. Additional assessments may be made as necessary.

TBG PLAN of OPERATION

4. PENALTIES: In the event that any additional compensation pursuant to M.S. Chap. 176.225, or similar statute, or damages pursuant to M.S. Chap. 176.82, or similar statute, or any similar damages are assessed against TBG, the Board, after authorizing payment of such penalty or damages, shall pursue recovery in full from the Members, former Members, person and/or persons whose actions gave rise to the assessment of such penalty or judgment.

5. DISCIPLINE OF MEMBERS

A. Expulsion of Members: The Board may expel Members from TBG for the following reasons:

- **Non-payment of Premium or Assessments:** In the event that the monthly payroll report and premium payment due to the program by a Member are not paid by the 15th of the month, a late fee penalty of \$100 will be charged after five (5) days of delinquency. A written notice of termination shall be sent via U.S. Mail to said Member after ten (10) days of delinquency. If after thirty (30) days from the date of notice, all past due amounts are not paid, its membership in TBG shall terminate, effective at twelve o'clock midnight on the thirtieth day from the date notice of the termination was given. Additional liability may exist after the termination date which would be determined by an audit. Any payments received from a former Member after the termination of workers' compensation coverage shall not result in an automatic reinstatement or continuation of workers' compensation coverage. The payment will be applied to any outstanding liability owed by the former Member to TBG and any additional liability that may exist as may be determined by audit. The balance of the payments will then be returned to the former Member.

At the discretion of TBG, a Member may be reinstated if all premium has been paid to date, if the member has no past due obligations owed to TBG, if the Member has had no known losses since the time coverage was cancelled, and if the Member pays a \$100 reinstatement fee and complies with any other TBG requirements for reinstatement.

- **Adverse Loss Experience:** If in any two year period of TBG, a Member incurs losses in excess of his/her premium for that two year period; a detailed analysis of that Member's losses shall be undertaken by the TBG underwriting staff. After reviewing this analysis, TBG underwriting may terminate the Member's membership in TBG upon thirty (30) days written notice.
- **Noncompliance with Safety Recommendations:** If in the opinion of the TBG Staff, any Member has failed to comply with the safety and loss control recommendations provided by TBG Loss Control, its membership in TBG may be terminated upon thirty (30) days written notice.
- **Failure to Submit Financials:** Failure to submit the latest financial statement by August 15th of each year when asked. The information is necessary to complete a

TBG PLAN of OPERATION

required Department of Commerce report. Non-compliance with this requirement may result in expulsion from the Fund.

- **Other Reasons:** Membership in this Group may be terminated upon thirty (30) days written notice for any of the following reasons:
 - i. Failure to report losses promptly.
 - ii. Failure to cooperate in an investigation and/or defense of claims.
 - iii. Failure to maintain, on a continuing basis, the membership qualifications outlined in Article IV Paragraph 1 of TBG's bylaws.
 - iv. Misrepresentation or fraud made by or with the knowledge of the Member in obtaining or continuing membership
 - v. Substantial change in the risk assumed
 - vi. Refusal of the Member to eliminate known conditions that increase the potential for loss after notification by TBG Safety Services, that the condition must be removed.
 - vii. Based on the recommendation of the Minnesota Department of Commerce Commissioner.
 - viii. Any other regulatory basis permitted by the applicable law and rule of the State of Minnesota.
 - ix. Failure to provide the TBG Audit Department, it's agents or employees, with requested information to perform the annual audit.
 - x. Failure to maintain, on a continuing basis, the payroll requirements that produce the minimum premium of \$5,000.

6. WITHDRAWAL FROM MEMBERSHIP: Once accepted for membership, a Member must belong to TBG for at least one year. If a Member voluntarily terminates its membership in TBG during the second or third year of their annual membership, TBG may assess the Member the following penalties: 25% of the previous year's annual audited premium due from that Member if termination occurs within the second year of membership, and 15% of the previous year's annual audited premium due from that Member if termination occurs within the third year.

No penalty shall be required if an employer's withdrawal is due to merger, dissolution, sale of the company, or change in the type of business so that it is no longer engaged in the same industry as the rest of the employers of TBG. Any additional deficit determined after withdrawal to be attributable to the withdrawn Member shall be paid to TBG by the withdrawn Member upon demand by TBG.

7. MEMBER DISPUTES: Any dispute between Members regarding any matter concerning TBG shall be resolved by the determination of a simple majority from the Board.

8. MEMBER RIGHT OF SUBROGATION: Each Member shall assign to TBG its right to subrogation under Minn. Stat. § 176.061 in connection with any injury occurring during its period of membership.

TBG PLAN of OPERATION

9. COSTS AND FEES: If a Member owes money to TBG due to non-payment of premiums, assessments, withdrawal from membership or any other reason, and the Member fails to promptly pay those fees, the Member must reimburse TBG for any and all costs, disbursements and fees, including attorney's fees, expended by TBG in its efforts to collect the money owed by the Member.

10. INVESTMENTS OF THE FUND: The investments of the Fund must comply with Minnesota statute 79A.22. The Investment Committee shall choose an Investment Advisor to develop an Investment Policy Statement subject to Investment Committee approval. The Investment Advisor will oversee the investments of the Fund and make recommendations to the Investment Committee. The Investment Committee will meet with the Investment Advisor(s) on a periodic basis to ensure the IPS is being followed and to make any changes as needed.

11. LOSS CONTROL SERVICES: Loss control services will be provided to the Members of the Fund on an as needed basis and be available to all Members of the Fund.

GLOSSARY

BOARD OF DIRECTORS MANUAL

GLOSSARY

INSURANCE TERMS

Accident Year Experience - The matching of all losses occurring (regardless of when the losses are reported) during a given twelve-month period of time, beginning January 1, with all premium earned (regardless of when the premium was written) during the same time period. The trigger is the loss date, not when the losses are ultimately paid. In other words, the total value of all losses occurring during the defined twelve-month time period is divided by the earned premium for this same exposure period.

Actuary - An individual, often holding a professional designation, e.g., Fellow of the Casualty Actuarial Society (FCAS), who computes statistics relating to insurance, typically estimating loss reserves and developing premium rates.

Admitted Company - An insurer of another state or country that is licensed under the law of a state to do business in that state.

Advisory Organization - The new designation for what were formerly known as Rating Bureaus (such as the NCCI). This new term, recently coined by the National Association of Insurance Commissioners, is meant to reflect more accurately the role of NCCI and other such organizations (like Insurance Services Office) which compile rating data and file policy forms for use by member insurance companies.

Aggregate Stop-Loss Reinsurance - A form of excess of loss reinsurance which, subject to a specified limit, indemnifies the ceding company for the amount by which all of the

ceding company's losses (either incurred or paid) during a specific period (usually 12 months) exceed either 1) a predetermined dollar amount or 2) a percentage of the company's subject premiums (loss ratio) for the specific period.

Allocated Loss Adjustment expense (ALAE) - Loss adjustment expenses that are assignable or allocable to specific claims. Fees paid to outside attorneys, experts, and investigators used to defend claims are examples of ALAE.

Assessment - The additional monies collected from members of a self-insured group to make up a deficit of the group

Assigned Risk Plan - A method of providing insurance required by state insurance codes for those risks that are unacceptable in the normal insurance market. Every state with the exception of those which are monopolistic has a workers compensation assigned risk plan which is either a stand-alone entity or part of the competitive state fund. All insurers writing workers compensation coverage in the voluntary insurance market must also participate in the plan.

Audit - A verification or determination of actual exposures for the purpose of computing actual premiums. An interim audit is an audit that occurs prior to the termination of the policy period. A final audit is an audit that occurs after the end of the policy period.

Audit Workpapers - Prepared by the premium auditor which shows how the auditor arrived at the payroll numbers that are used to determine the audited premium.

GLOSSARY

Audited Premium - The final premium for the policy term, produced by auditing actual payroll exposures.

Average Weekly Wage (AWW) - An employee's pre-injury earning capacity, based on earnings in the period directly preceding a work-related injury or illness. The formula for calculating average weekly wage varies by state.

Calendar Year Experience - The matching of all losses incurred (paid and reserves not necessarily occurred) within a given twelve month period, beginning January 1, with all premium earned within the same period of time. The trigger here is the date the claim is paid, not when the claim occurred.

Captive - A limited-purpose insurance company established with the specific objective of financing risks emanating from its parent group(s), or risks emanating from the parent company's customers.

Alternatively, a company whose charter permits it to offer insurance to its parent or sister subsidiaries in return for premiums. In most cases, captives are started because of general dissatisfaction with existing insurance coverage and/or costs.

Claims Frequency - Number of claims per unit of exposure. It is obtained by dividing the number of claims by the exposures.

Claims Reserve - An estimated amount of loss payment.

Claims Severity - The loss amount per claim during a specified period of time.

Collected Premium - The actual premium received from a member of TBG on a monthly basis during a particular fund year.

Commercial Self-Insurance Groups (CSIG) - Minnesota Statutes 79A.19-79.32 that allow businesses in "similar" industries to form a CSIG to cover their statutory workers compensation obligations.

Contracted Agents - Independent Insurance Agencies who are contracted with TBG to sell TBG's Workers Compensation product

Direct Writer - An insurance company that does not work through independent insurance agents. The largest direct writer of workers' compensation insurance is Liberty Mutual. Agents for direct writers are employees of the insurance company.

Dispute Resolution Examination (DRE) - Neutral examination performed by a doctor from the approved list of the Union Construction Workers Compensation Program. This determination is binding under this program. This exam is to assist with a treatment plan and clarification of MMI and PPD issues.

Dividend - A return of premium, calculated after policy expiration, based on the overall performance of the insurance company or a group of insureds. Dividends are not guaranteed.

Drug Free Credit - Additional credits given to a TBG member who has a drug testing program that consists of pre-hire, post accident testing, and reasonable suspicion training.

GLOSSARY

Earned Premium - That portion of a policy's premium that applies to the expired portion of the policy. Although insurance premiums are often paid in advance, insurers typically "earn" the premium at an even rate throughout the policy term. The unearned portion of the premium that has been paid is kept in the "unearned premium reserve."

Employers Liability - This coverage is provided by Coverage B of the basic workers compensation policy and pays on behalf of the insured (employer) all sums that the insured shall become legally obligated to pay as damages because of bodily injury by accident or disease sustained by any employee of the insured arising out of and in the course of his employment by the insured.

Estimated Premium - A preliminary figure that may be adjusted to reflect the extent of coverage provided under a given contract.

Experience Modification Factor - An adjustment to manual premium calculated by an advisory organization (also known as a rating bureau) such as NCCI or the MWCIA and based on historic loss and payroll data of a particular insured.

Experience Period - The window of time from which loss and payroll data is used to calculate an experience modification factor for an employer. Normally this window is a three-year period, starting four years prior to the effective date of the experience modifier.

First Report of Injury (FROI) - A form (report) that must be completed by an employer and submit it to the employers worker's compensation insurance carrier or third party

claim administrator within seven (7) days after the date of a work-related injury which causes permanent or temporary disability resulting in compensation for lost time. The employers insurance carrier or the third-party claims administrator may request that this form also be used to immediately report any injury requiring medical treatment, even though it does not involve lost work time. For any work injury resulting in a fatality the employer must also submit this form directly to the Department of Workforce Development with 24 hours of the fatality.

Fronting - An arrangement between two insurance companies to produce an insurance policy (usually workers' compensation) for a third party wherein one insurance company produces the official policy (for a fee) but cedes all losses from that policy to the other insurer. This kind of arrangement is used in situations where the insurer writing the risk is not an admitted company in a particular state and the coverage needs to be written by an admitted carrier. In order to meet the statutory requirements, the first insurer pays the second (admitted) insurer to "front" the policy, even though the first insurer remains responsible for paying all losses arising from the policy. This kind of arrangement is often used by captive insurers when they are not admitted carriers in a particular state.

Governing Classification - The classification code on an employer's workers' compensation insurance policy that generates the most payroll aside from standard exception classifications such as clerical or outside sales (unless there is no other workplace classification applicable other than a standard exception).

GLOSSARY

Guaranteed Cost - A workers' compensation insurance policy that is not subject to adjustment due to losses that occur during the policy term. In a guaranteed cost policy, the only variable affecting premium that should change between policy inception and audit is payroll. This is in contrast to the various kinds of loss sensitive plans such as retrospective rating, retention plans, or sliding scale dividend plans, where there is a premium adjustment made based on losses incurred during the policy term.

Incurred But Not Reported (IBNR) - An estimate of the amount of an insurer's (or self-insurer's) liability for claim-generating events that have taken place but have not yet been reported to the insurer or self-insurer. The sum of IBNR losses plus incurred losses provide an estimate of the insurer's eventual liabilities for losses during a given period.

Incurred Losses - Paid losses plus loss reserves for estimated future claim costs.

Indemnity - To make compensation to an entity, person, or insured for incurred injury, loss, or damage.

Independent Medical Evaluation (IME) - A medical or psychiatric evaluation to determine the current status of an employee's medical condition or to determine if the condition is related to employment.

Interstate Rating - An experience modification factor that applies across more than one state. Interstate ratings are calculated by NCCI for employers whose past workers' compensation insurance policies show payroll in more than one state. Most, but not all, states participate in the interstate rating system. A few states

such as Michigan, Pennsylvania, and Delaware do not participate in interstate rating but instead continue to calculate separate experience ratings for employers who operate in their jurisdictions even if those employers also qualify for interstate rating. Those employers have one experience modifier applying to their operations in most states but a separate modifier calculated by the stand-alone state rating bureau. The separate stand-alone modifier would apply only to workers' compensation insurance premiums developed for the employer's operations in that stand-alone state.

Joint and Several Liability - A legal doctrine that makes each of the parties who are responsible for an injury liable for all of the damages awarded in a lawsuit if the other parties responsible cannot pay. Under a self-insured group, members are liable for one another and for the group. If one group member goes bankrupt, the rest of the group must cover any outstanding unreserved claims and uncollateralized liabilities.

Letter of Credit (LOC) - A legal commitment issued by a bank or other entity stating that, upon receipt of certain documents, the bank will pay against drafts meeting the terms of the letter of credit. Letters of credit are frequently used for risk financing purposes to collateralize monies owed by an insured under various cash flow programs such as: incurred but not paid losses in paid loss retrospective rating programs, a means of meeting the capitalization requirements of captives, and to satisfy the security requirements of the excess insurer in "fronted" deductible or retention programs. For captives, LOCs serve two possible purposes: they may be used in lieu of or in addition to cash or other securities as capital, and/or to securitize the fronting insurer's reinsurance receivable created by a non-admitted reinsurer (i.e., the captive).

GLOSSARY

Light Duty - A policy to encourage your injured employees to return to work as soon as medically possible. Temporary light duty assignments in many cases provide the appropriate transition back to full duty. Light duty assignments accommodate medical limitations. Assignments may or may not be within the employee's regular department. They are arranged on a temporary basis.

Loss Portfolio Transfer (LPT) - A financial reinsurance transaction in which loss obligations that are already incurred and will ultimately be paid are ceded to a reinsurer. The cedant's statutory surplus increases by the difference between the premium and the amount that had been reserved. An insurer seeking to withdraw from writing workers compensation coverage in a given state could, for example, use a loss portfolio transfer to meet its obligations under policies it has written, without the need to continue the day-to-day management of the claims resolution function.

Loss Ratio - A percentage arrived at by dividing the amount of the losses by the amount of the earned premium.

Managing General Agency (MGA) - A wholesale insurance intermediary with the authority to accept placements from (and often to appoint) retail agents on behalf of an insurer. Managing general agents generally provide underwriting and administrative services, such as policy issuance, on behalf of the insurers they represent. These arrangements are most common in the surplus lines marketplace. Typically, MGAs market

more unusual coverage, such as professional liability, for which specialized expertise is required to underwrite policies. MGAs benefit insurers because such expertise is not always available within the company and would be more costly to develop on an in-house basis.

Managing General Underwriter (MGU) - Used in life and health companies instead of managing general agent. The terms have been used interchangeably, and there is little real distinction.

Manual Premium - Workers' compensation premium calculated by multiplying payrolls by appropriate rates, before application of Experience Modifier, Schedule Credit, or Premium Discount.

Maximum Medical Improvement (MMI) - Term used in Minnesota worker's compensation law to indicate that the injured employee has reached his/ her maximum healing as it relates to the injury and its treatment thereof.

Medical-Only Claims - Claims for which the only cost is medical care without any lost-time benefits being paid.

Member Distribution Payable - The account of the TBG Financial Statement that contains potential future dividends payable to TBG member subject to the TBG dividend policy, TBG Board approval and MN Department of Commerce approval.

Merit Rating - A premium adjustment used in some NCCI states for employers too small to qualify for an experience modification factor. It provides either a premium credit or debit for such employers based on prior claims (or lack of them).

GLOSSARY

Minnesota Contractors Premium Adjustment Program (MCPAP) - Provides for a premium credit for up to one year for a policy that contains one or more contracting classifications. Employers who paid the qualifying average hourly wage in at least one contracting classification during the calendar year are eligible.

Minnesota Department of Commerce - The responsibility of this department is to ensure equitable commercial and financial transactions and reliable utility services by: regulating and licensing business activity in more than twenty industries, including insurance, investigating and resolving consumer complaints, advocating the public's interest before the Public Utilities Commission, and administering various state programs. The Workers' Compensation Self-Insurance unit grants the authority for private companies or groups of companies to self-insure their workers' compensation obligations in the State of Minnesota, subject to the requirements in Minnesota Stat. §79A.01-.18 or the CSIG Stat. §79A.19-.32. The process includes, but is not limited to, review of the application, financial position, actuarial study, and loss history of the applicants) to ensure they are in compliance with the law. The section also monitors and regulates existing individual and group self-insurers on an ongoing basis to assure that requirements are maintained. This department also has the authority to deny applications and to revoke the existing authority to self-insure according to the provisions in the law.

Minnesota Department of Labor and Industry - It is the responsibility of the Department of Labor and Industry to ensure widespread compliance with state workplace safety laws. This department is responsible for Workers' compensation administration, occupational safety and health enforcement and consultations, apprenticeship registration and program development, labor standards enforcement, boiler and high-pressure-piping code, and boats-for-hire services and licensing. The mission of the Department of Labor and Industry is to promote a safe and productive environment for Minnesota's workplaces. The department serves employees and employers by regulating workplaces through education and enforcement. The department's Workers' Compensation Division administers Minnesota's workers' compensation law. The division units maintain all records necessary to monitor the handling of workers' claims, audit claims to ensure compliance with the law, provide legal and judicial assistance, monitor rehabilitation and medical services, resolve workers' compensation disputes both informally and formally, and provide for a number of special types of workers' compensation benefits.

MWCIA - The Minnesota Workers' Compensation Insurers Association is a non-profit corporation licensed by the State of Minnesota as a Data Service Organization. Minnesota law requires that insurers doing business in the state belong to a Data Service Organization. MWCIA collects policy, claims, and financial data from all member insurers licensed to sell workers' compensation insurance in Minnesota. This information is used to develop MWCIA's Annual Ratemaking Report, calculate employer experience modifications, and perform other duties under its license. MWCIA also provides underwriting and related services on behalf of the Minnesota Assigned Risk Plan.

GLOSSARY

Modified Premium - Workers' compensation premium calculated after application of Experience Modification Factor. Similar to Standard Premium, but does not reflect any schedule credits or debits.

NCCI - The National Council on Compensation Insurance is the organization responsible in many states for determining proper workers' compensation classifications and Experience Modification Factors and collecting data used for ratemaking. NCCI also writes the manuals used in many states to calculate workers' compensation premiums and administers the Assigned Risk Plan in many jurisdictions. NCCI is a private organization, not connected with government, although it is often mistakenly thought to be a governmental agency.

North American Industry Classification System (NAICS) - A system for classifying entities (including businesses, governmental entities, and private households), by type of economic activity.

Occupational Disease - Any abnormal condition or disorder, other than one resulting from an occupational injury, that is caused by, or alleged to be caused by, exposure to environmental factors associated with employment, including acute and chronic illnesses or diseases that may be caused by inhalation, absorption, ingestion, or direct contact.

Occurrence - An individual accident occurring at one identifiable time and place. Use interchangeably with the term "accident".

Permanent Partial Disability (PPD) - A workers compensation disability level in which the injured employee is still able to work but not with the skill and efficiency demonstrated prior to the injury. As a result, the earning capability of the worker is affected. Most workers compensation statutes provide for scheduled benefits based on the percentage of disability.

Permanent Total Disability (PTD) - A class of workers compensation disability in which the injured employee is incapable of ever working again at any employment. Under most statutes, the employee will receive weekly wages for life.

Policy Limits - The maximum amount of loss dollars that a particular policy will cover as designated in the policy limits.

Posting - The methods - bond, irrevocable letter of CSIG's; credit, cash, approved government securities or any combination to secure a CSIG'S obligation of the total estimated claim liabilities with the MN Department of Commerce. For any CSIG in existence over 3 years the requirement is 110 percent of total estimated future claim liabilities.

Premium Auditor - The premium auditor determines actual exposure (remuneration) for a policy period, in order to determine the final audited premium.

Premium Discount - A premium credit based on the size of the premium paid. It is normally given automatically on voluntary market policies, although Retrospective Rating or Sliding Scale Dividend policies usually do not have a premium discount. The TBG policy does not offer a premium discount.

GLOSSARY

Pure Premium - Also called "loss cost," the actual or expected cost to an insurer of indemnity payments and allocated loss adjustment expenses. Loss costs do not include overhead costs or profit loadings. Historical loss costs reflect only the costs and allocated loss adjustment expenses associated with past claims. Prospective loss costs are estimates of future loss costs, which are derived by trending and developing historical loss costs. The organizations that used to be called rating bureaus now develop and publish loss costs instead of insurance rates. Insurers add their own expense and profit loadings to these loss costs to develop rates which are then filed with regulators.

Qualified Rehabilitation Consultant (QRC) - This person assists with medical case management, modified return-to-work, and job retraining/ placement. This person is required by statute if the injured employee is going to be off work more than 10 weeks.

Reinsurance - An agreement between insurance companies under which one accepts all or part of the risk or loss of the other.

Remuneration - Primarily payroll but may also include other forms of employee compensation. Workers' compensation premium is computed by applying varying rates for different classifications (per hundred dollars of remuneration).

Residual Market - Workers' compensation written through an Assigned Risk Plan.

Retention Plan - Similar to retrospective rating, this is a workers' compensation policy format that adjusts the premium, up or down, based on losses (and associated costs) that occur during the policy period.

Retrospective Rating - A workers' compensation insurance policy that makes a subsequent adjustment to premium, after policy expiration, based on losses generated during the policy period. The adjustment can go up or down, within set parameters, based on the losses generated during the policy period.

Return-To-Work Program (RTW) - One of the best ways to control the amount paid out on a claim is to implement a return-to-work (RTW) program. This involves light-duty work in the field or office. This has proven to be directly related to the time that an injured person needs to recover from an injury. The claims payments for injured employees approved for light-duty work are reduced by the wages paid for light-duty. It also reduces the TPD that is paid.

Risk Retention Group - A corporation or other limited liability association functioning as a captive insurance company and organized for the primary purpose of assuming and spreading the liability risk exposures of its group members. (Presently workers' compensation can not be written in a risk retention group.) It must be chartered and licensed as a liability insurance company in one of the fifty states or the District of Columbia; the structuring of the organization must conform to the laws of the chartering state. The legislation establishing risk retention groups was the Liability Risk Retention Act of 1986. Members of a risk retention group must be engaged in businesses and activities which are similar or related in regards to the liability exposures created by virtue of common business or trade practices, products, services, premises, or operations. Owners of a risk retention group must be both members of and insured by the group. The ownership interests of a risk retention group are exempt from the filing registration statements under Federal Securities Law and State Blue Sky Laws.

GLOSSARY

Schedule Credit/Debit - A discretionary premium adjustment which is based on an underwriter's evaluation of special characteristics of a risk not reflected in the Experience Modifier.

Scopes Manual - Manual produced by NCCI which details what kinds of workplace exposures belong in particular workers' compensation classification codes.

Self-Insurance Group - A fund created by a group of similar employers that remains in the group's control and exists to protect those members against workers' compensation claims. Any funds not spent to cover claims or operation costs are retained by the group's members.

Sliding Scale Dividend - A return of premium based on the actual loss experience of the insured business paid at some determined period after the policy expiration. The size of the dividend varies with the actual loss ratio of the insured business.

Special Compensation Fund - The fund created by MN statute that pays for work related injuries of employees of an employer who did not purchase WC insurance. All writers of Workers Compensation insurance in MN contribute to this fund. See MN Statutes 176.129 Creation of Special Compensation Fund.

Specific Reinsurance (Facultative Reinsurance) - A form of reinsurance whereby each exposure which the ceding company wishes to reinsure is offered to the reinsurer and is contained in a single transaction. The submission, acceptance, and resulting agreement is

required on each individual risk that the ceding company seeks to reinsure. That is, the ceding company negotiates an individual reinsurance agreement for every policy it will reinsure. However, the reinsurer is not obliged to accept every or any submission.

Standard Exception - Classifications which are normally not included in the governing classification. These are clerical, outside sales, and often (but not always) drivers.

Standard Industrial Classification (SIC) - An obsolete system for classifying entities by type of economic activity. See North American Industry Classification System (NAICS).

Standard Premium - Premium after application of experience modifier and schedule credit or debit, but before premium discount

Subrogation - Upon payment of a loss to the insured, the insurance company is entitled to the insured's legal and equitable rights against third parties. These rights are only those related to the loss and the resulting damages.

Surplus - The amount by which an insurer's assets exceed its liabilities. It is the equivalent of "owners' equity" in standard accounting terms. The ratio of an insurer's premiums written to its surplus is one of the key measures of its solvency.

Temporary Partial Disability (TPD) - A workers compensation disability level in which the injured worker is temporarily precluded from performing a certain set of job skills but who can still work at a reduced level. Since the condition is temporary, compensation is based on the difference between the two earning levels.

GLOSSARY

Temporary Total Disability (TTD) - One of the four divisions of disability compensable under workers compensation. This level of disability reflects an injury that has rendered the employee completely unable to perform any job functions on a temporary basis. The employee is expected to make a full recovery and return to work. In the interim, compensation paid is usually a percentage of weekly wages until the worker returns to the job.

Third Party Administrator (TPA) - A firm that handles various types of administrative responsibilities, on a fee-for-services basis, for organizations involved in cash flow programs. These responsibilities typically include claims administration, loss control, risk management information systems, and risk management consulting.

Unallocated Loss Adjustment Expense (ULAE) - All external, internal, and administrative claims handling expenses, including determination of coverage, that are not included in allocated loss adjustment expenses (ALAE).

Union Construction Workers Compensation Program (UCWCP) - This program was created to allow unions and signatory employers to administer their own workers' compensation benefits. This alternative provided by the Union program is a facilitation, mediation, and arbitration style that brings closure to workers' compensation issues much quicker than the traditional method. The program offers an Exclusive Provider Organization (EPO) for Doctors, QRC's, chiropractors, etc.

Voluntary Compensation - An endorsement to the standard workers' compensation insurance policy which extends coverage to employees not required to be covered under the state's statutory workers' compensation provisions.

Voluntary Market - Workers' compensation insurance written outside of the Assigned Risk Plan.

WCRA - The Minnesota Workers' Compensation Reinsurance Association (WCRA) was created by the State Legislature in 1979. The WCRA is a nonprofit organization that reinsures all workers' compensation insurers and self-insured employers in Minnesota. Minnesota law requires all insurers and self-insurers to purchase workers' compensation reinsurance through the WCRA. Workers' compensation reinsurance is designed to protect an insurer or self-insurer against catastrophic losses from work-related injuries. The insurer or self-insurer is responsible for indemnity and medical benefits up to a selected deductible level or "retention limit." Once the retention limit is reached, the WCRA reimburses the insurer or self-insurer for all statutory benefits above that limit. WCRA coverage applies only to Minnesota jurisdiction claims, and claim costs are covered on a per occurrence basis. The exception is occupational disease claims which are covered on a per employee basis.

Written Premium - This is the premium registered on the books of an insurer or a reinsurer at the time a policy is issued and paid for.



TBG Board Retreat Legal Seminar 2025

Presented by Bill Laak from McCollum Crowley P.A.

| Statutory Benefit and Attorney Fee Changes

Fees went up. Will there be new law firms pursuing work comp claims?

| Case Law Update

A review of recent cases of interest.

| Settlement Analysis

Sample case analysis and review of how/why TBG settles cases.

| Minnesota Workers' Compensation Climate

How are things in the court trenches?

| Questions and Open Forum

Board of Directors Retreat

Stu Thompson
January 13, 2025





Underwriting a Potential New Member Application to Coverage Bound



Prospective Member Underwriting Process

Underwriting a Prospective New Member – From Application to Coverage Bound

■ Step 1: Gathering Information

- Underwriting requirements for offering a quote
 - A fully completed Workers' Compensation Application (Acord 130)
 - Five-year loss runs valued within the last ninety (90) days
 - The most recent promulgated Experience Rating Modification Worksheet
 - A detailed description of the prospect's operation
 - TBG Supplemental Application
 - Confirmation that the prospect has a written Safety and AWAIR program
 - Confirmation that the prospect has a formal Return-To-Work program with light-duty positions identified, or a willingness to implement a formal Return-To-Work program

The underwriter will try to get an idea of the pricing to write the account (target pricing).



Prospective Member Underwriting Process

■ Step 1: Gathering Information (continued)

- The underwriter decides to quote or decline
 - Declinations include the target premium is too low
 - The prospect has a poor or no safety program
 - There is no Return-to-Work policy nor are they willing to implement one
 - They have a poor five-year loss history
 - Management was not cooperative with Safety Services on the pre-survey
- If a quote is offered, an email of the quote is sent to the agency with instructions to call with any questions. The underwriter follows up with the CSR/Agent to answer questions and asks “how do we look”.



Prospective Member Underwriting Process

■ Step 2: Binding Coverage

- To bind coverage with TBG there are 8 items the Agent must provide:
 - Any of the Accepted Financial Statements – audited, reviewed, compiled, or tax return
 - Signed Financial Verification Form
 - Signed Indemnity Agreement
 - Member Contact Information Form
 - Signed Minnesota Workers' Compensation Form
 - Signed Subcontractor Requirements Form
 - Current WC Declarations Page from Current WC Policy
 - Check for 20% Security Deposit (online payment)
- Coverage is bound after the Membership Committee approves the Applicant (voting form)



Prospective Member Underwriting Process

■ Step 2: Binding Coverage (continued)

- Recent changes have simplified the process for the Agent and new Member
 - Notary requirement has been eliminated
 - Forms can be signed by DocuSign
 - Security Deposit can be electronically sent to TBG

These changes have been well received by Agents and Members

- A competitor requires the same information as TBG does from an agent to receive a quote. The difference is in binding coverage, the Agent only informs the company on which date coverage should be bound with no additional forms to complete.



Prospective Member Underwriting Process

■ Step 3: After Coverage is Bound

- Once the underwriter receives the information to bind coverage they:
 - Email the following information to the Department of Commerce:
 1. The new Member name and inception date of coverage
 2. Signed Financial Verification Form
 3. Signed Indemnity Agreement
 4. WC Declarations Page from Previous WC Policy
 5. Proof the 20% Security Deposit was received
- TBG has 5 business days to inform the Department of Commerce of a new Member



Prospective Member Underwriting Process

■ Step 3: After Coverage is Bound (continued)

- A welcome email is sent to the new Member. The email includes the following information:
 1. Information on how to set up their online portal access
 2. Monthly reporting and payment information
 3. The Safety Service representative and claims specialist contact information
 4. A NurseCare Line kit is mailed to the new Member

*The TBG onboarding process is being revised to provide an improved experience for new Members.

THANK
YOU!



TBG BOARD RETREAT

JANUARY 2025



Topics

Other States Coverage

Agency Sales/Prospecting

Work Comp Market

Other States Coverage

Importance To Members

Importance to Agency

Agency Sales/Prospecting

Existing Clients

Developing Target Accounts

Client Referrals

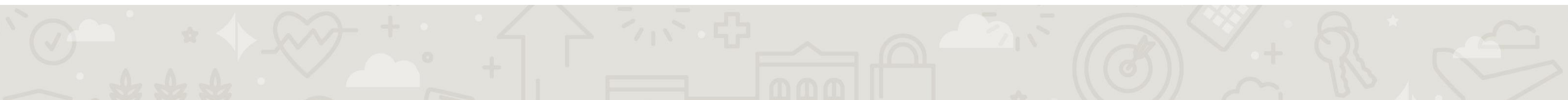
TBG Member Referrals

Work Comp Market

Current Market

Market Concerns

Package Insurance Companies





Board of Directors Retreat

Stu Thompson
January 13, 2025





Review of Commercial Self-Insurance Status



Review of Commercial Self-Insurance Statutes 79A.19 to 79A.32

- **79A.19 is a List of Definitions**

“Commercial Self-Insurance Group” (CSIG) means a group of employers that are self-insured for workers’ compensation under Chapter 176 and elects to operate under sections 79A.19 to 79A.32 rather than sections 79A.01 to 79A.32.

- **79A.20 – Group Eligibility**

1. A CSIG consists of two or more employers in **similar industries**.

Membership Eligibility – A CSIG may only admit employers who meet the eligibility criteria established by the group stated in the CSIG’s Bylaws or Plan of Operation.

- **79A.22 – Operating Requirements**

1. Board of Directors – the Board of Directors has complete authority and control over the assets and are responsible for all of the operations of the CSIG.

a. The majority of the Board shall be owners, officers, directors, partners, or employees of the Members.

b. No TPA or vendor of risk management can serve on the Board.

c. The Directors shall approve new Members to the CSIG.



Review of Commercial Self-Insurance Statutes 79A.19 to 79A.32

- **79A.22 – Operating Requirements** (continued)
 - 2. Financial Standards –
 - a. The combined net worth of all Members must be at least 10 times the CSIG's WCRA's retention or \$20,000,000 for TBG
 - b. Have enough liquidity to pay obligations promptly
 - 3. New Membership –
 - a. New Members must be filed with the DoC within 5 business days of the inception date with the indemnity agreement and proof the deposit premium was paid.
 - 4. Joint and Several Liability – each Member is jointly and severally liable for obligations incurred by any Member of the group for any fund year the Member was a participant of the CSIG.
 - 5. An annual audit of the CSIG is required
 - 6. Investments –
 - a. Securities purchased must be at redeemable at a time and amount to meet the fund's current and long-term obligations
 - b. The following investments are allowed:
 - 1. CDs/savings accounts



Review of Commercial Self-Insurance Statutes 79A.19 to 79A.32

- **79A.22 – Operating Requirements** (continued)
 - 2. US Treasuries
 - 3. Real estate, common stock, preferred stock, bonds listed on the New York or NASDAQ exchange as long as the total in all allowable categories make up at least 75% of the total required in the common claims fund
- 7. Administration –
 - a. The CSIG must obtain administrative services through a Minnesota service company (TPA). The minimum services provided are claims handling, safety and loss control, and all required regulatory reports.
 - b. The claims adjuster must have at least three years of MN-specific WC experience.
- 8. Marketing and Communications –
 - a. A CSIG's applications, coverage documents, quotations, marketing materials – any communications – must prominently display information that the CSIG is a self-insured group, members are jointly and severally liable for the obligations of the group, and members will be assessed on an individually and proportionate basis for any deficits created by the CSIG



Review of Commercial Self-Insurance Statutes 79A.19 to 79A.32

- **79A.22 – Operating Requirements** (continued)

- 9. Reinsurance –

- a. The CSIG must buy specific reinsurance from the WCRA at the lower limit (\$500,000) for the first three years of operation. After that time a higher limit can be purchased with prior approval of the Commissioner.

- 10. Disbursement of Fund Surplus –

- a. For funds less than five years old, 100% of any surplus greater than 125% of the amount to fulfill all WC obligations can be returned to the Members.
 - b. For funds more than five years old the threshold is 110%
 - c. Disbursements cannot be greater than the combined surplus of the group at the time of disbursement.
 - d. The CSIG shall give ten day's prior notice to the commissioner of any refund. (If we follow our dividend policy which has been approved by the DoC we did not have to give notice. However, it is good policy to do so.)



Review of Commercial Self-Insurance Statutes 79A.19 to 79A.32

- **79A.22 – Operating Requirements** (continued)

11. Common Claims Fund – for CSIG's who have been in existence for five years or more must maintain the greater of:

- a. One year's paid claim losses in the most recent year (depending on interpretation from \$8,000,000 to 22,000,000); or
- b. One-third of the security deposit posted with the DoC (about \$15,000,000 for TBG)

- **79A.23 – CSIG Reporting Requirements**

1. An actuarial report by March first of each year showing total liabilities and an estimate of collateral requirements for the coming year.
2. An annual certified financial audit report to the Commissioner by April first of each year.
3. Reports to submit 45 days after a quarter –
 - a. List of Members with inception date or withdrawal date
 - b. List of Members added during the quarter.



Review of Commercial Self-Insurance Statutes 79A.19 to 79A.32

3. Reports to submit 45 days after a quarter – (continued)
 - c. Interim financial statement
 - d. An officer must attest under oath of the accuracy of the reports.
 - e. Submit a copy of the tax return by September 15th.
 - f. List of claims over \$50,000 during the quarter
 - g. By May first submit a list of Members and the percentage of premium of each member to the total premium.
 - h. By October 15th submit a “Combined Financial Report” with the combined net worth, assets, and net income of the group.

Board of Directors
1/13/2025

Hollywood Beach
Florida





Review of Commercial Self-Insurance Statutes 79A.19 to 79A.32

- **79A.23 – CSIG Reporting Requirements** (continued)
 4. Required Reports from the Members to the CSIG –
 - a. Each Member must submit a financial statement by September 15th
 - b. For CSIG's in existence for at least three years the Member can submit a compiled, reviewed, audited financial statement of the most recent tax return to comply with this requirement.
 - c. For CSIG's in existence for at least five years this requirement can be satisfied from Members representing at least 50% of the CSIG's premium.
 5. Operational Audit – The Commissioner may conduct an operational audit to ensure the CSIG is following the CSIG's bylaws and plan of operation. The Commissioner can renew or revoke the CSIG's authority to self-insure after the audit.



Review of Commercial Self-Insurance Statutes 79A.19 to 79A.32

- **79A.24 – CSIG Security Deposit**

1. Every year the CSIG must secure its WC obligations with a deposit to cover those obligations.
2. Minimum Deposit –
 - a. For CSIG's in existence less than three years 125% of the future estimated future liabilities.
 - b. For CSIG's in existence more than three years 110% of future estimated liabilities.
 - c. The Commissioner may adjust the security if considered necessary to ensure there collateral covers the future liabilities.
3. Acceptable security is cash, government securities, surety bonds, or irrevocable letters of credit.
4. A CSIG can purchase an insurance policy (LPT) that transfers all or some fund year claim liabilities. The company must use an approved policy form which is covered by the Guaranty Fund.



Review of Commercial Self-Insurance Statutes 79A.19 to 79A.32

- **79A.25** – Covers the default of a CSIG. This is not relevant to TBG so will not cover this section.
- **79A.26** – CSIG Security Fund – This section allows for the formation of a CSIG security fund in the event a CSIG becomes insolvent. This fund has not been established. This section allows the other CSIG's to be assessed to make up any shortfalls of the insolvent CSIG.
- **79A.27** – This is the Individual and Proportionate Indemnity Form – the required joint and several liability form every member of a CSIG must sign.
- **79A.28** – This states the Board of the CSIG is not subject to the Open Meeting Law 13D, Open Appointment Law, Minnesota Government Data Practices Act, chapter 13, and the Administrative Procedure Act, except where specifically set forth.
- **79A.29** – Gives the Commissioner the authority to adopt, amend, and repeal rules necessary to carry out the purposes of this chapter. MN Rules chapter 2780, apply to CSIG's unless otherwise specified by rule.

Board of Directors
1/13/2025

Hollywood Beach
Florida





Review of Commercial Self-Insurance Statutes 79A.19 to 79A.32

- **79A.30** – States if there is an inconsistency between sections 79A.19 to 79A.32 and any other statute or rule, the provisions of sections 79A.19 to 79A.32 shall govern with respect to CSIG's. This is an important section and gives a CSIG a strong basis if a situation arises.
- **79A.31** – Discusses CSIG Group Security Fund which is not in existence.
- **79A.32** – Allows a CSIG to report to Licensed Data Service Organizations but it is not mandatory. This is the Minnesota Workers Compensation Insurance Association (MWCIA) and we do not report our data to them.

Board of Directors

1/13/2025

Hollywood Beach
Florida





Minnesota Rules – Sections 2780.0100 to 2780.9920 – Highlights:

1. Section 2780.0100 subp.9 – states the Fund year and fiscal year must be the same.
2. Section 2780.2500 – States each SIG shall contract with a TPA or **hire personnel** to administer the program. They has sole authority to make claim and reserve determinations.
3. Section 2780.2800 –
 - a. States an employer must stay in the fund for at least one year. If the employer leaves the group after one year, there is a 25% of premium due from the Member and 15% penalty if the employer leaves in the second year. TGB uses audited premium as the basis of the penalty. Exceptions are merger, dissolution, sale of company, or change of business so longer eligible for the group.
 - b. Prohibits a self-insurer from accepting a Member into their group if that employer has as an outstanding debt to previous group self-insurer.
3. Section 2780.2900 – Bylaws and Plans of Operation
 - a. Subp. 2. – Lists the what the Bylaws and Plans of Operation must include at a minimum. TBG's Bylaws and Plan of Operation complies with the requirements.



Minnesota Rules – Sections 2780.0100 to 2780.9920 – Highlights:

3. Section 2780.2900 – Bylaws and Plans of Operation (continued)
 - b. Subp. 3. – Requires the Board to annually review service company performance, loss control, investment policies, collection of delinquent debts, expulsion procedures, initial member review, administrator performance, and claims handling and reporting.
 - c. Subp. 4. – The Bylaws and Plan of Operation need to be filed with the Commissioner 30 days prior to taking effect for approval.
4. 2780.3100 – Noncompliance – if an employer leaves the group and does not purchase WC insurance elsewhere, they are subject up to a \$1,000 fine per employee per week.
5. 2780.4300 – Administrators, Directors, and Fiscal Agents
 - a. Subpart 1. The CSIG must designate a Fiscal Agent and/or Administrator to administer the financial affairs of the fund. Such Fiscal Agent or Administrator cannot be an owner, officer, or employee of the service company.



Minnesota Rules – Sections 2780.0100 to 2780.9920 – Highlights:

- Section 2780.0100 subp.9 – states the Fund year and fiscal year must be the same.
 5. 2780.4300 – Administrators, Directors, and Fiscal Agents (continued)
 - b. Subpart 2. – All funds must remain in the control of the CSIG or authorized administrator. Revolving funds for payment to cover obligations may be established for the use of the service company but control stays with the CSIG.
 - c. Subpart 3. – No Director, Fiscal Agent, or administrator shall use the funds for any purpose other than workers' compensation insurance.
 6. 2780.4600 – Any securities purchased shall be in denominations and maturity to ensure to meet the CSIG's current and long-term liabilities.
 7. 2780.6100 – this section lists the requirements for a TPA
 8. 2780.9920 – Again, is the Indemnity Agreement all Members of the CSIG have to sign.

THANK
YOU!

