

TBG Board Meeting Agenda
Thursday May 23, 2024
1:00 pm TBG Board Room

- I. **1:00 to 1:01** Call to Order – Tom Corrigan
- II. **1:01 to 1:05** Approval of 3-21-24 Minutes – John Lloyd
- III. **1:05 to 1:15** Visit to Formula – Stephanie Greeninger
- IV. **1:15 to 1:25** Financial Report – Jennifer Noble
 - 1. 1st Quarter Financial Report
- V. **1:25 to 2:15** COO Report – Jon Schindel
 - 1. 1st Quarter Ops Report
 - 2. Marketing Update
 - 3. Cancellation Report
 - 4. Origami Update
 - 5. Agent Advisory Council Meeting Overview
 - 6. Safety Services Update
- VI. **2:15 to 2:30** Break
- VII. **2:30 to 3:15** CEO Report
 - 1. Board Sponsor a Hole at TBG EF Golf Outing
 - 2. 2024 Dividend Distributions
 - 3. TBG Education Foundation
 - a. Project Build Meeting at TBG
 - 4. Total TPA, LLC – Administrating other funds
 - 5. Meeting with John Janssen at Commerce
 - 6. Fiscal Agent
 - 7. Investment Properties
 - 8. 2025 Board Retreat – Hollywood Beach Marriott – Hollywood, Florida – January 13, 2005 – January 17, 2025 – See attached List of Topics
- VIII. **3:15 to 3:45** Committee Reports
 - 1. Executive Committee – Tom Corrigan
 - 2. Long Range Planning Committee – John Lloyd
 - 3. Finance Committee – Kris Scherer
 - 4. Investment Committee – Lowell Pratt
 - 5. Nominating Committee – Lowell Pratt
 - 6. TBG Education Foundation – Stu Thompson
 - Update on golf outing
- XI. **3:45** Adjourn for Annual Meeting
- XII. **4:30** New Board Elects Officers

MINUTES

THE BUILDERS GROUP BOARD OF DIRECTORS MEETING

TBG Board Room | March 21, 2024

Directors Present

Tom Corrigan (Chair)
Lowell Pratt (Vice Chair)
Kristopher Scherer (Treasurer)
John Lloyd (Secretary)

Sterling Black
Curt Swanson
Mark Meyer
Ben Edwards
Blake Palmer

TBG Staff Present

Stu Thompson (CEO)
Jennifer Noble (Director of Finance)
Mitch Loewen (Director of Insurance)
Jon Schindel (COO)

Joe Sherman (Director of Information Technology)
Adam Trip (Director of Safety Services)
Stephanie Greeninger (Formula)

Guests Present

Ed Costner (Casualty Actuarial Advisors)
Nick McNeely (McNeely Consulting)

Tom Langer (Casualty Actuarial Advisors)

Call to Order | Tom Corrigan

Chair Tom Corrigan called the meeting to order at 1:25PM.

Approve Minutes | John Lloyd

A request was made for a motion to approve the minutes of the November 30, 2023 Board Meeting. Kris Scherer motioned to approve minutes and Lowell Pratt seconded the motion. Motion carried without dissent.

Agenda Items

Actuarial Report | Ed Costner

Report was presented as of December 31, 2023 by Ed ending at 2:00PM.

Larry Shores Independent Auditors Report | Tom Langer

Independent audit report was presented to board by Tom ending at 2:20PM.

Financial Report | Jennifer Noble

A review was presented to the Board of the Fund's financials. The review included: total revenue, premium earned, claims, YOY investment income comparison & cash flows, and cash flow projections. 2024 operating budget was discussed and put to the board for approval. Kris Scherer motioned to approve the budget and Lowell Pratt seconded the motion. Motion carried without dissent.

Legislative Action Plan | Nick McNeely

The Board discussed the opportunity to work with McNeely Consulting on a bill to allow 16 & 17 year-olds to work on active construction sites in Minnesota.

Operations & Marketing Report | Jon Schindel

A review of the Fund's operations was presented to the Board as well as some current year to date information which included a review of entities. It was also discussed that new member documentation will be signed by TBG employees in the future, namely Stu or Jon.

CEO Report | Stu Thompson

An update was given on Origami which indicates it could still be on track for December completion.

Committee Reports

Investment

Long Range Planning

Finance

Nominating

TBG Educational Foundation

New Business

Meetings were held with Alliance & Stonebridge

Putting Champlin Property on market soon.

Branden Romsdahl will be running for a board position in May.

January 6th Meeting will be held in Fort Lauderdale.

Bell Bank is a new Foundation Sponsor.

Golf outing will be held in Hastings.

Motion was made for \$20,000; \$30,000; \$40,000 structure for board compensation by Kris Scherer and was seconded by John Lloyd. Motion carried without dissent.

Adjourn

Motion to adjourn was made at 4:40PM by Ben Edwards and seconded by Mark Meyer. Motion carried without dissent.

John Lloyd | Board Secretary

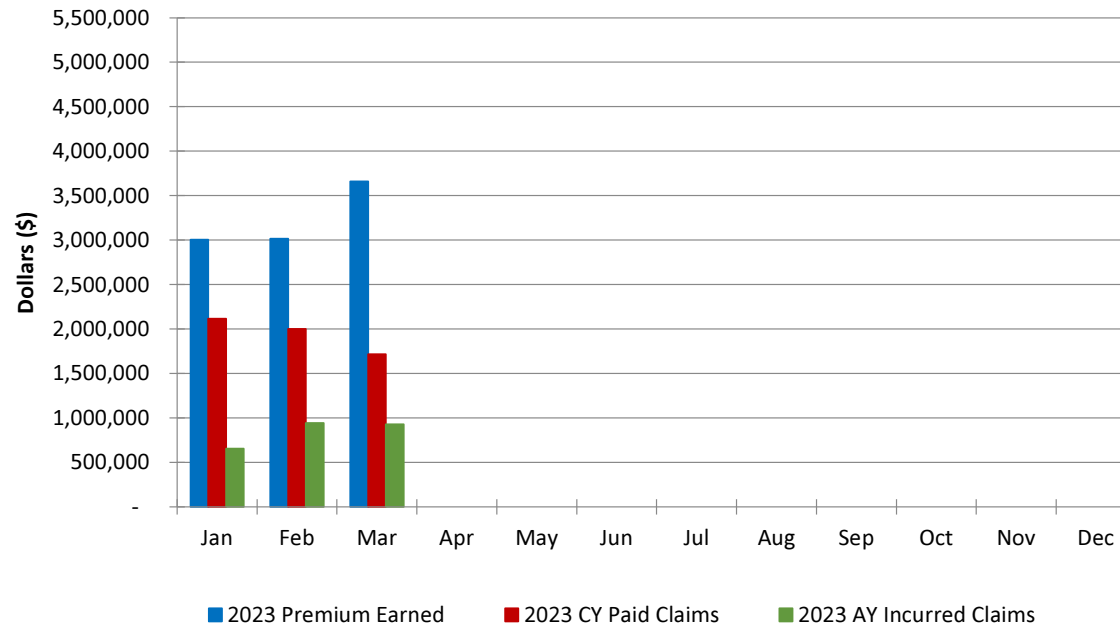


The Builders Group

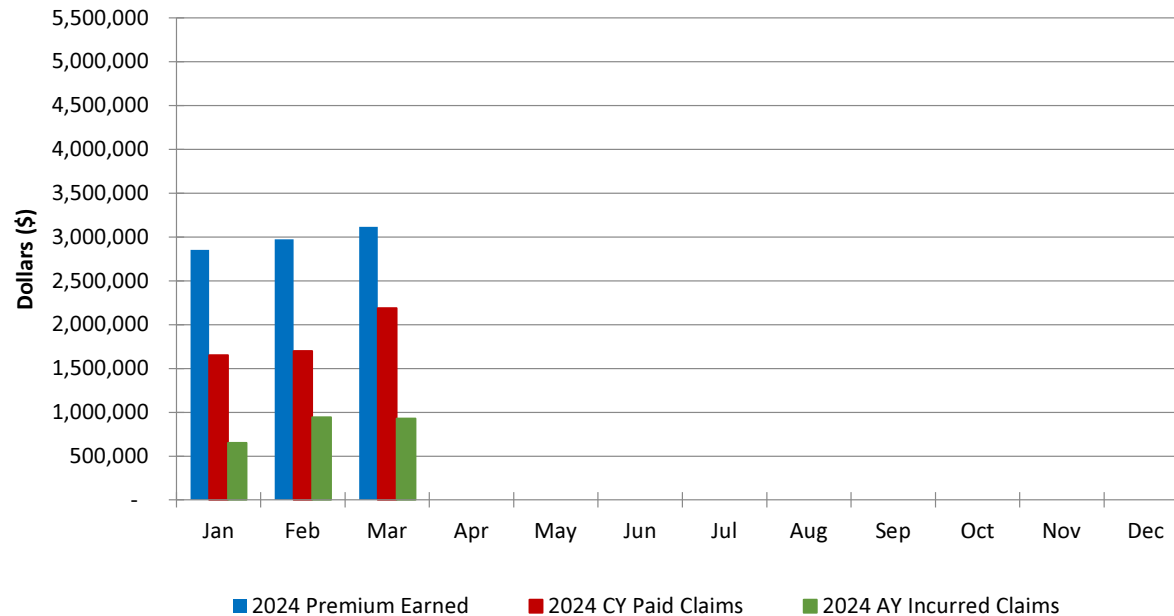
Interim Financial Statements
Consolidated

March 31, 2024

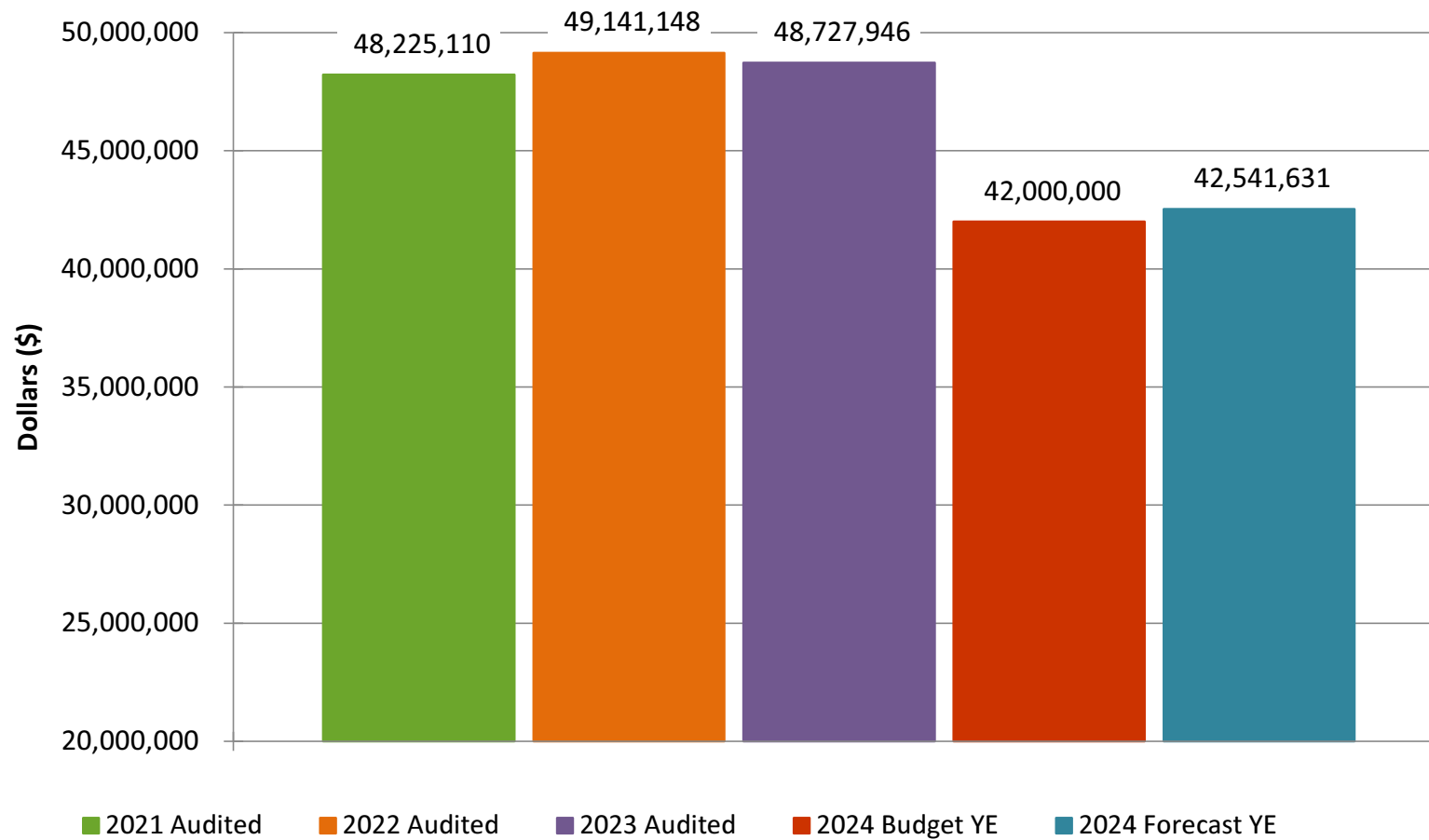
2023 Premium and Claims History



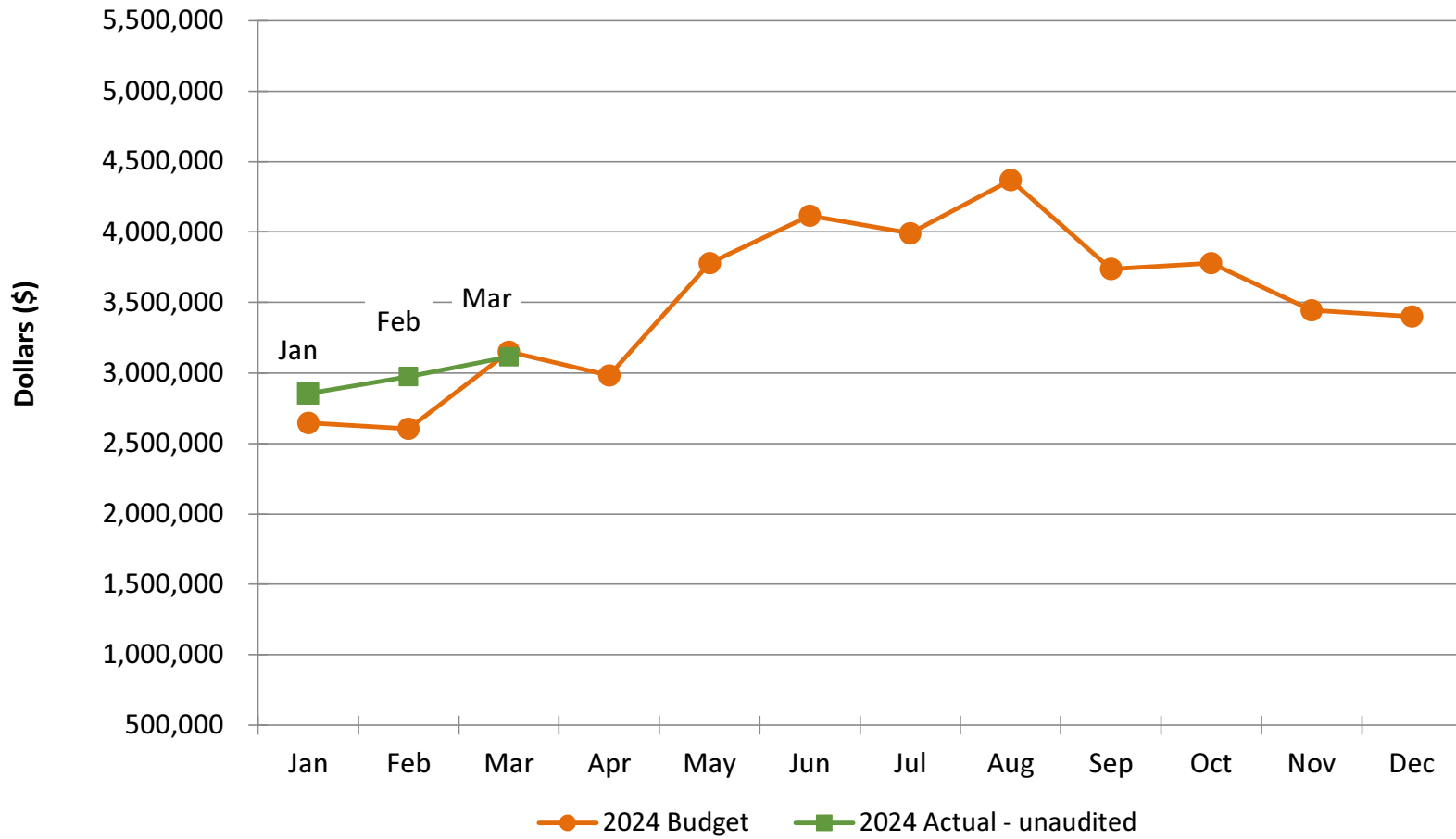
2024 Premium and Claims History



TBG Premium History, Annual Totals, 2020-2023



2024 TBG Premium Budget vs Actual by Month



The Builders Group

Balance Sheet - Comparative

As of March 31, 2024

December 31,

2024

2023

Assets

Cash & Cash Equivalents	35,791,953	35,857,163
Premium Receivables, net	2,859,229	3,796,068
Investments (market value)	87,228,811	83,973,526
Intercompany Receivable	6,601,586	6,425,360
Fixed Assets, net	4,856,547	4,782,998
Prepaid Expenses	9,761,638	10,036,157
Total Assets	147,099,763	144,871,271

Liabilities

Claim Reserves & IBNR	40,908,478	40,995,625
Security Deposit Payable	9,883,955	10,183,826
Member Distribution Payable	73,708,082	73,708,082
Special Compensation Fund Reserve	2,689,620	2,689,620
Intercompany Payable	6,583,418	6,408,485
Premium Payable	220,276	220,276
Accounts Payable	6,444,430	7,139,659
Notes Payable	156,779	273,340
Unrealized Gains on Investments	5,540,293	3,252,358
Total Liabilities	146,135,331	144,871,271

Equity

Retained Earnings - Current Year	964,432	0
Total Equity	964,432	0

Total Liabilities and Equity	147,099,763	144,871,271
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The Builders Group
Profit & Loss
As of March 31, 2024

	Actual YTD	Budget YTD	Variance	Variance %
Revenue				
Premium Revenue	8,941,631	8,400,000	541,631	6.45%
Cross Border Premium	402,630	308,000	94,630	30.72%
Total Member Revenue	9,344,261	8,708,000	636,261	7.31%
Other Income				
Earnings on Investments, net	1,373,497	1,051,190	322,308	30.66%
Other Income	92,204	66,800	25,404	38.03%
Total Revenue	10,809,962	9,825,990	983,972	10.01%
Claims Expense				
Claims Paid, Reserved & IBNR	5,675,841	5,293,400	382,441	7.22%
Reinsurance & Employer Liability	457,411	464,600	-7,189	-1.55%
Special Comp Fund	290,589	290,589	0	0.00%
Claims Administration	251,877	250,075	1,802	0.72%
Total Claims Expense	6,675,718	6,298,664	377,055	5.99%
Administrative Expenses				
Commission Expense	765,022	713,132	51,890	7.28%
Cross Border Program Expenses	80,209	64,570	15,639	24.22%
Salaries & Benefits Expense	1,188,736	1,198,393	-9,657	-0.81%
Professional Expenses	306,824	312,747	-5,922	-1.89%
Insurance	196,743	194,530	2,213	1.14%
Office and Supplies	533,115	648,343	-115,228	-17.77%
Depreciation and Amortization	97,403	96,951	452	0.47%
Net Interest Expense/Income	-1,759	1,759	-3,518	-200.00%
Total Administrative Expenses	3,169,812	3,226,907	-57,096	-1.77%
Total Expenses	9,845,530	9,525,571	319,959	3.36%
Net Income (Loss) Before Taxes	964,432	300,419	664,013	221.03%

The Builders Group
Profit & Loss
As of March 31, 2024

	Actual YTD	Prior Year YTD	Variance	Variance %
Revenue				
Premium Revenue	8,941,631	9,675,769	-734,138	-7.59%
Cross Border Premium	402,630	246,147	156,483	63.57%
Total Member Revenue	9,344,261	9,921,916	-577,655	-5.82%
Other Income				
Earnings on Investments, net	1,373,497	1,394,322	-20,825	-1.49%
Other Income	92,204	93,950	-1,746	-1.86%
Total Revenue	10,809,962	11,410,188	-600,226	-5.26%
Claims Expense				
Claims Paid, Reserved & IBNR	5,675,841	6,042,349	-366,508	-6.07%
Reinsurance & Employer Liability	457,411	436,695	20,715	4.74%
Special Comp Fund	290,589	249,028	41,561	16.69%
Claims Administration	251,877	238,708	13,170	5.52%
Total Claims Expense	6,675,718	6,966,780	-291,062	-4.18%
Administrative Expenses				
Commission Expense	765,022	784,461	-19,440	-2.48%
Cross Border Program Expenses	80,209	56,566	23,643	41.80%
Salaries & Benefits Expense	1,188,736	1,020,788	167,948	16.45%
Professional Expenses	306,824	308,430	-1,606	-0.52%
Insurance	196,743	191,201	5,542	2.90%
Office and Supplies	533,115	399,966	133,149	33.29%
Depreciation and Amortization	97,403	80,845	16,557	20.48%
Net Interest Expense/Income	-1,759	-5,200	3,441	-66.17%
Total Administrative Expenses	3,169,812	2,847,458	322,354	11.32%
Total Expenses	9,845,530	9,814,239	31,292	0.32%
Net Income (Loss) Before Taxes	964,432	1,595,950	-631,517	-39.57%

Formula Corporation

Balance Sheet

As of March 31, 2024

		TOTAL
ASSETS		
Current Assets		
Bank Accounts		
1100 Checking		235,060.04
Total Bank Accounts		\$235,060.04
Accounts Receivable		
1200 Accounts Receivable		11,161.62
Total Accounts Receivable		\$11,161.62
Total Current Assets		\$246,221.66
Other Assets		
1900 Goodwill		1,799,660.68
Total Other Assets		\$1,799,660.68
TOTAL ASSETS		\$2,045,882.34
LIABILITIES AND EQUITY		
Liabilities		
Current Liabilities		
Accounts Payable		
2000 Accounts Payable {123}		20,663.58
Total Accounts Payable		\$20,663.58
Credit Cards		
2016 American Express CC		5,989.84
Total Credit Cards		\$5,989.84
Other Current Liabilities		
2195 Deferred Revenue		97,262.95
Total Other Current Liabilities		\$97,262.95
Total Current Liabilities		\$123,916.37

Formula Corporation

Balance Sheet

As of March 31, 2024

	TOTAL
Long-Term Liabilities	
3500 MDP	-255,313.10
Total Long-Term Liabilities	\$ -255,313.10
Total Liabilities	\$ -131,396.73
Equity	
2500 Common Stock	2,154,531.00
3900 Retained Earnings	0.00
Net Income	22,748.07
Total Equity	\$2,177,279.07
TOTAL LIABILITIES AND EQUITY	\$2,045,882.34

Formula Corporation

Budget vs. Actuals: Budget_FY24_P&L - FY24 P&L

January - March, 2024

	TOTAL			
	ACTUAL	BUDGET	OVER BUDGET	% OF BUDGET
Income				
4000 Consulting Income	286,584.89	280,500.00	6,084.89	102.17 %
4010 Commission	32,500.66	32,250.00	250.66	100.78 %
Total Income	\$319,085.55	\$312,750.00	\$6,335.55	102.03 %
GROSS PROFIT	\$319,085.55	\$312,750.00	\$6,335.55	102.03 %
Expenses				
Insurance	938.00	3,600.00	-2,662.00	26.06 %
Office and Supplies	45,633.65	25,965.57	19,668.08	175.75 %
Professional Fees	14,290.52	19,618.00	-5,327.48	72.84 %
Salaries and Benefits	231,277.44	272,479.00	-41,201.56	84.88 %
Travel & Ent	4,197.87	4,260.00	-62.13	98.54 %
Total Expenses	\$296,337.48	\$325,922.57	\$ -29,585.09	90.92 %
NET OPERATING INCOME	\$22,748.07	\$ -13,172.57	\$35,920.64	-172.69 %
NET INCOME	\$22,748.07	\$ -13,172.57	\$35,920.64	-172.69 %



COO Report

MEMBERSHIP



January through
April 2024



MEMBERSHIP

	MEMBERS	PREMIUM	AVERAGE PREMIUM
2020	704	\$45,420,891	\$64,518
2021	703	\$48,850,893	\$69,489
2022	684	\$48,951,002	\$71,566
2023	667	\$44,274,155	\$66,378
2024	661	\$43,482,725	\$65,783

REVENUE



January through
April 2024



REVENUE

	PAYROLL	PREMIUM	NET RATE
2020	\$374,503,368	\$12,013,887	3.21
2021	\$402,178,643	\$12,250,839	3.05
2022	\$437,314,570	\$12,698,018	2.90
2023	\$462,587,095	\$12,700,077	2.75
2024	\$427,491,473	\$10,643,713	2.49

NEW
BUSINESS



January through
April 2024



NEW BUSINESS

	Quoted	Issued	Written	HitRatio	AvgPrem
2020	122	29	\$2,985,585	23.8 %	\$102,951
2021	102	20	\$1,904,638	19.6 %	\$95,232
2022	67	21	\$1,432,921	31.3 %	\$68,234
2023	34	8	\$654,138	23.5 %	\$81,767
2024	26	9	\$274,742	34.6 %	\$30,527

LOST BUSINESS



January through
April 2024



LOST BUSINESS

	#	PREMIUM	AVERAGE PREMIUM
2020	14	\$510,926	\$36,495
2021	16	\$694,084	\$43,380
2022	26	\$922,380	\$35,476
2023	11	\$538,915	\$48,992
2024	16	\$1,029,676	\$64,355

CLAIMS REPORT



CLAIMS REPORT

	Inc (AY)	Inc (CY)	L/R (AY)	L/R (CY)	Med	Ind	Tot#	Avg\$
2020	\$5,988,368	\$9,541,415	49.8 %	79.4 %	342	64	406	\$14,750
2021	\$4,835,572	\$7,238,067	39.5 %	59.1 %	338	68	406	\$11,910
2022	\$4,645,707	\$7,321,496	36.6 %	57.7 %	343	70	413	\$11,249
2023	\$3,736,273	\$7,558,333	29.4 %	59.5 %	413	70	483	\$7,736
2024	\$3,267,416	\$7,251,542	30.7 %	68.1 %	371	45	416	\$7,854

January through
April 2024



CROSS
BORDER



January through
April 2024



CROSS BORDER

Company Count	Count	Written
Sentry	111	\$799,603
TBG	111	\$12,121,732
Sentry-New	8	\$17,682
TBG-New	2	\$67,794

Lost Members



Lost Members (1/1/23 – 3/1/24)

- 47 total lost members across 14 months
 - Member was purchased – 6 (\$340K)
 - Agency Lost the Business – 11 (\$1.146M)
 - Member closed/retired/fell below min premium – 14 (\$567K)
 - TBG terminated – 6 (\$285K)
 - Pricing/Package Requirement – 9 (\$1.038M)
 - (Newly written premium same period - \$1.598M)

January through
April 2024





Marketing Update

- Areas of Emphasis
 - Agency Visits
 - Agents: Legacy and New Producers
 - Customer Service Reps
 - Member touches
 - Creating relevant marketing materials

January through
April 2024





Marketing Update (Materials)

4 New Ways TBG Is Helping Our Agent Partners

Did you know that TBG insures nearly 35,000 construction workers in Minnesota?

This is over 25% of the construction market. Yes! You read that right. Well, we're not done yet! TBG is making major changes to our processes and incentives to make the job of our agents easier. Below is just the start of the changes we are making.

1. Electronic Enrollment Forms

No more original signatures or notaries; just a simple set of enrollment documents that can be electronically signed.

2. Fit-for-Duty Safety Incentive

Your clients can now qualify for a 3% credit two ways: committing to drug testing or implementing a reasonable suspicion program. (Details coming soon.)

3. Dividend Eligibility

Reduced from 5 years to 3 years for new members.

4. New Business Incentive

Receive an extra 5% in commission on policies written for new members or returning members who previously left TBG. Incentive Promotion runs through January 31, 2025.

On the Horizon:

- Electronic security deposit payment.
- Condensed marketing materials for member meetings.
- Amended quotes to include fund highlights to help you get the close.

January through
April 2024



The Builders Group
2919 Eagandale Boulevard, Suite 100
Eagan, MN 55121-1214
Phone: (651) 389-1140
TBGMN.com



January through
April 2024



Marketing Update (Materials)

A Partner, Not a Commodity.

The Builders Group provides workers' comp to over 25% of the industry's workers.

The Builders Group works hard to stand out as a pillar in Minnesota's construction industry to prepare you and your customers for the challenges in the industry.

TBG Provides Coverage to 35,000

MN Construction Industry Workers

\$40M+ in Dividends, For 8 Straight Years

Paid to Members

Three Layers of Protection Against Member Assessment

- Earnings on Reserves
- Liability Transfer of All Fund Years Through 2020
- Captive Insurance Fund to Insure Against Assessment

7,572 TBG Member Employees

Trained in 2023

2 Free OSHA-10 Training Sessions

Per Year, per Member

Pay-As-You-Go Premiums

According to Cash Flow

Dedicated

Minnesota-Based Claims Department



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2919 Eagandale Boulevard, Suite 100
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Phone: (651) 389-1140
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.



January through
April 2024



Marketing Update (Materials)

The Builders Group: A Partner, Not a Commodity.

TBG provides workers’ comp insurance to over 25% of the industry’s workers.

We work hard to stand out as a pillar in Minnesota’s construction industry to prepare you for the challenges in the industry. When you choose TBG, we are dedicated to providing you and your crew with the most comprehensive workers’ comp on the market, along with access to state-of-the-art training facilities and one-on-one services.

35,000 MN Construction Workers

Covered by TBG in 2023

\$40M+ in Dividends, For 8 Straight Years

Paid to Members

TBG Helps Your Cashflow

Through Monthly Pay-as-You-Go Premium Payments
Based on Your Fluctuating Payroll

Dedicated

Minnesota-Based Claims Department

**TBG’s Internal Safety
Services Association**

Provided Training, Free-Of-Charge, to Over 7,500
Employees of Our Members in 2023

2 Free OSHA-10 Training Sessions

For TBG Members per Year

\$200,000 in Sponsorships

Provided to MN-Based Construction Associations

\$360,000 in Scholarships

& Tools-for-Schools Grants Provided by the TBG
Education Foundation To Help Encourage Young People
to Explore a Career in the Trades

A Few of the Organizations We Support



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Marketing Update (Materials)



Member Dividend Eligibility Calculation Tool

Enter TBG Join Date:



05/14/2024

Eligibility date to receive
1st TBG dividend check:



May - 2027

1. Member must be in good standing.
2. Member must have contributed to the profit of the fund.
3. Returning Members must be a current Member as of 4/1 in the current payout year.

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.

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 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 canceled 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 the discretion of TBG Board of Directors after a Fund Year has been closed with no future claim liabilities

January through
April 2024



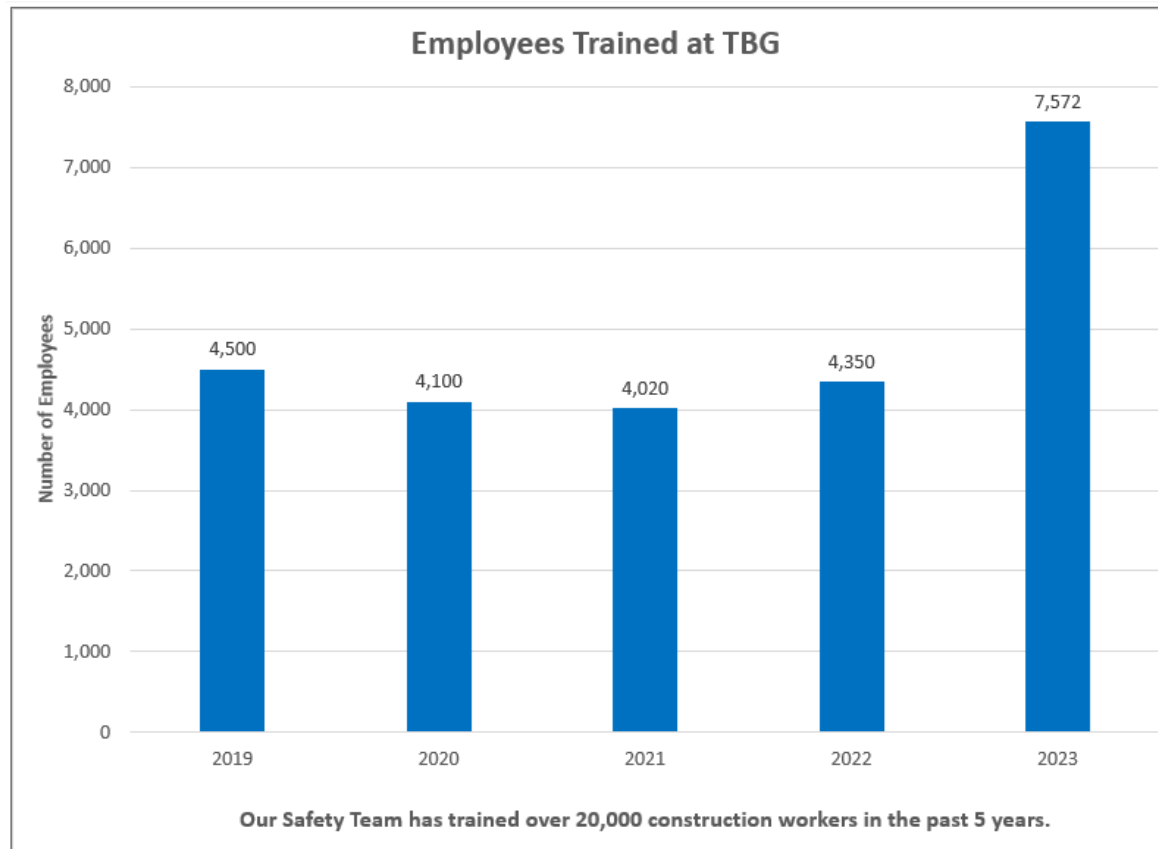


Safety Services



Safety Service Association Update

- People trained by SSA and our resources
 - Member Focused
 - OSHA 10's - 180+



Board of Directors
Thursday, 5/23/24





Board of Directors
Thursday, 5/23/24



Safety Service Association Update

- Dunwoody/MNCAP Update
 - Trained 160+ students
 - Goal: Fall semester





Board of Directors
Thursday, 5/23/24



Safety Service Association Update

- Looking ahead
 - MN Construction Teachers Conference
 - Construction OSHA 10 in Spanish
 - Deployment of matching funds for accepted MN OSHA grants
 - Purchase of TBG SSA van
 - Competent person fall protection class
 - Out-state training
 - Focusing on industry trends, best practices, OSHA activity, injury trends, etc.



SAFETY SERVICES



We Are Here to Help

Adam Tripp / atripp@tbgmn.com /C: 651-303-6326

Lana Steck
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Louie Moritz
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John Grayson
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Martin Breimhurst
mbreimhurst@tbgmn.com
C:651-478-9867

Board of Directors
Thursday, 5/23/24



Thank you!



2024 Dividends

- Total dividends paid in 2024: \$8,294,122
- Dividends paid for FY 2013 - 2021
- Total members receiving a dividend: 623
- Smallest dividend \$38; Largest \$210,845
- Total dividends since FY2012: \$34,537,706
- Total dividends since Inception: \$42,208,706

Hollywood Beach Marriott
Hollywood, Florida
January 13, 2025 – January 17, 2025

Board Retreat Topics:

- Cyber Liability – Sarah Porter – Jon – confirmed
- Mike Sharkey – WC Subrogation – Stu – confirmed
- Bill Laak – MN WC Climate, Statute Changes, Recent Court Cases, Settling WC Cases – Stu – confirmed
- Review the Board Manual at the Retreat – Stu
- Review the Strategic Plan – Jon
- How a risk is underwritten from receipt of the application to the binding of the coverage – Stu
- When does a Member need other states coverage and how does an agency develop new construction accounts – Stu – Ben Brun – Minnesota Territorial Leader, Choice Insurance – confirmed