



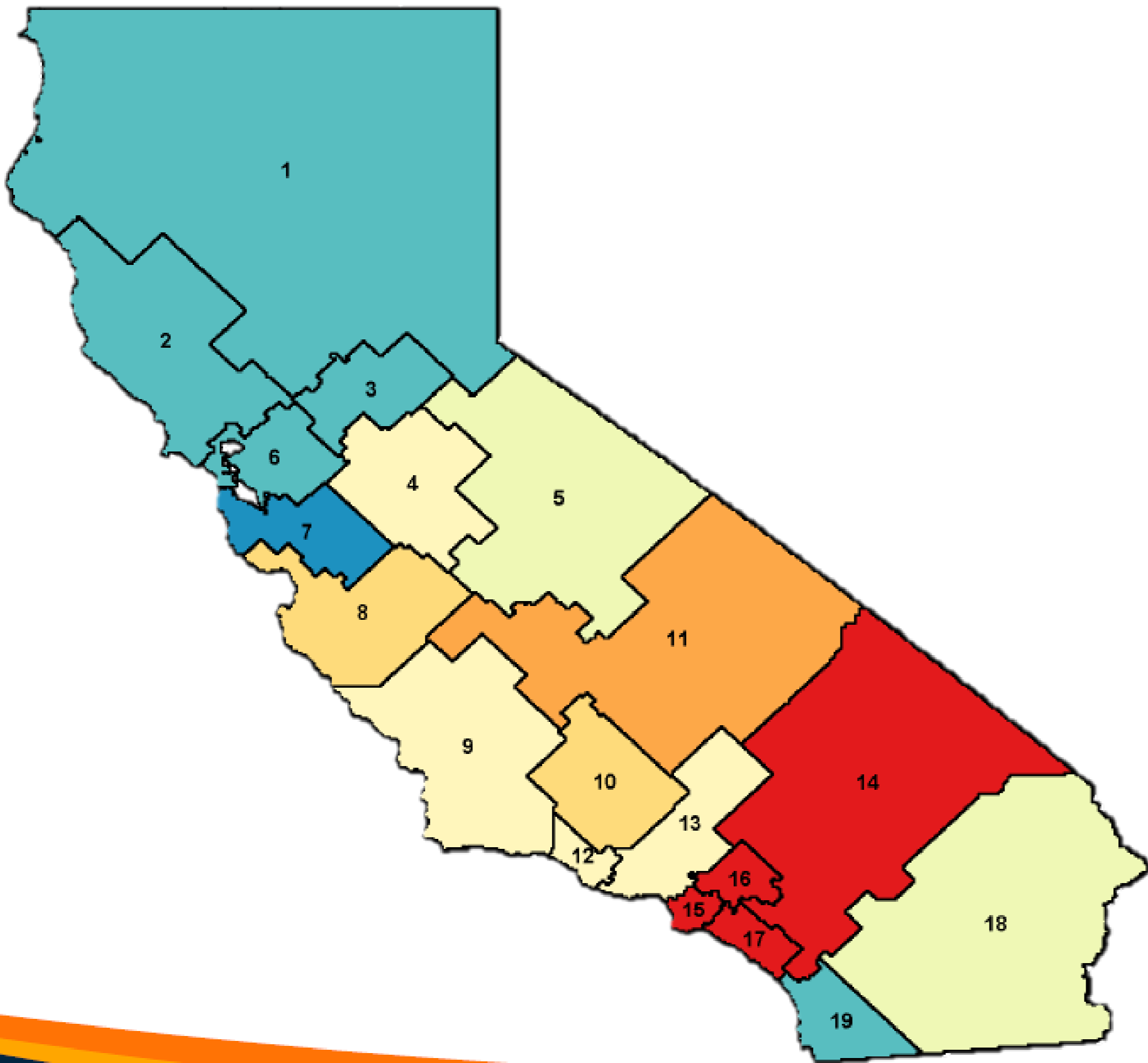
TBG Board Retreat Agenda
Wednesday, November 29, 2023
Westin San Diego Gaslamp Quarter
San Diego, California

9:00 to 9:10	Welcome to the 2022 TBG Board Retreat – Tom Corrigan Introduction of Guests – Aaron Cocking, President/CEO Insurance Federation of Minnesota, Angela Mudge, Owner/CEO ALC Claims Collaborations, Inc.
9:10 to 10:00	Aaron Cocking – the MN Insurance climate and dealing with the current legislative environment
10:00 to 10:50	Angela Mudge – Claims analysis benchmarking of California funds with TBG’s claims
10:50 to 11:10	Break
11:10 to 12:00	Mitch Loewen – Suicide in construction and depression with claimants
12:00 to 1:00	Lunch
1:00 to 1:50	Stu Thompson – TBG’s Captive overview
1:50 to 2:00	Break
2:00 to 2:50	Stu Thompson/Joe Sherman – Review TBG’s LPTs
2:50 to 3:00	Break
3:00 to 4:00	Review of D&O and TBG Cyber Liability – Shaun Irwin, CPCU, RPLU, CWCA



CALIFORNIA WORKERS' COMPENSATION SYSTEM
UNIQUE FACTORS

Chart 13: Regional Differences in Non-COVID-19 Indemnity Claim Frequency



- 01 – Yuba City/Redding/Far North
- 02 – Sonoma/Napa
- 03 – Sacramento
- 04 – Stockton/Modesto/Merced
- 05 – Fresno/Madera
- 06 – Bay Area
- 07 – Peninsula/Silicon Valley
- 08 – Santa Cruz/Monterey/Salinas
- 09 – SLO/Santa Barbara
- 10 – Bakersfield
- 11 – Tulare/Inyo
- 12 – Ventura
- 13 – Santa Monica/San Fernando Valley
- 14 – San Bernardino/West Riverside
- 15 – LA/Long Beach
- 16 – San Gabriel Valley/Pasadena
- 17 – Orange County
- 18 – Imperial/Riverside
- 19 – San Diego

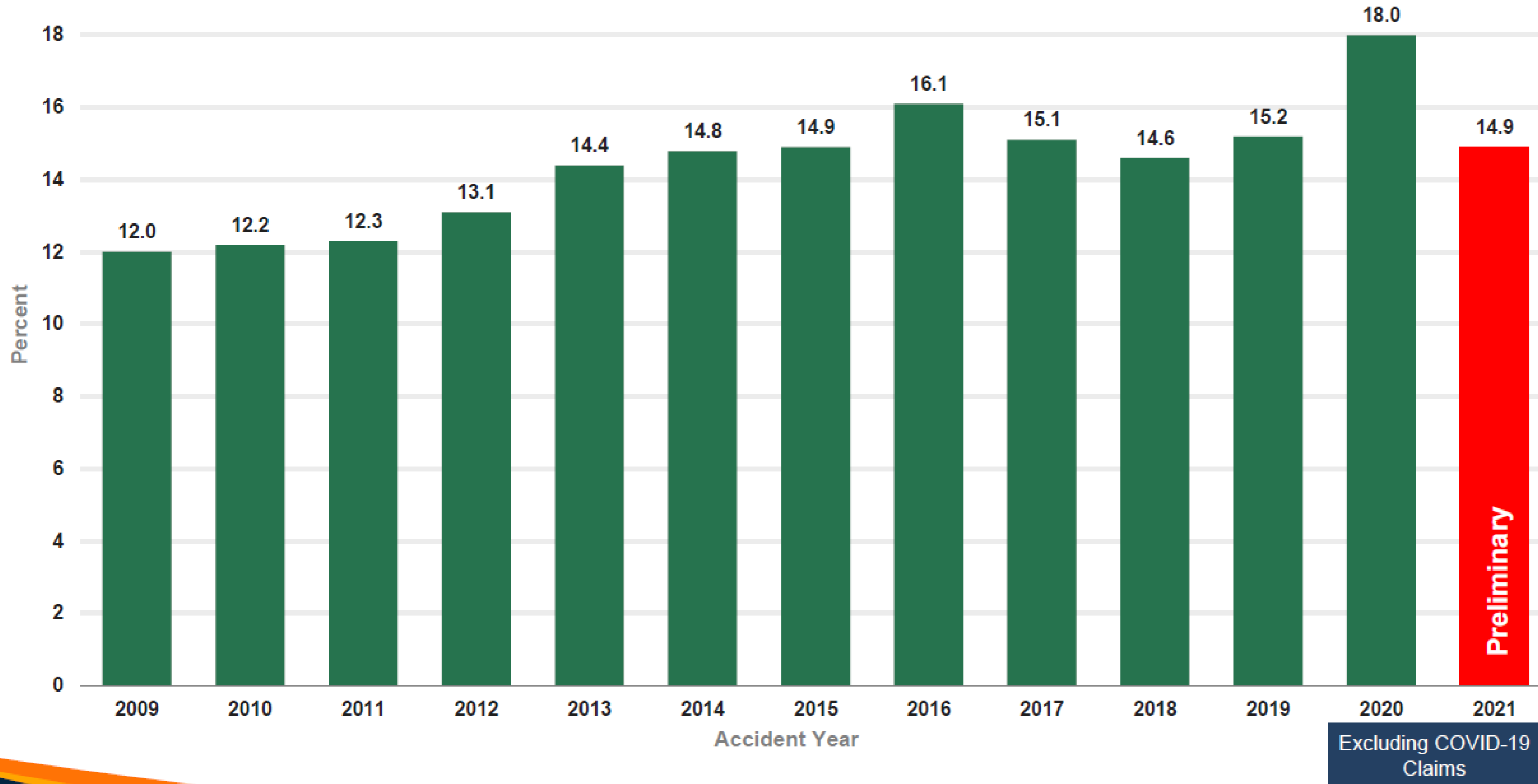
There are significant differences in frequency rates across California, even after adjusting for regional differences in industrial mix and wage levels for the 2020 policy year.

The Los Angeles (LA)/Long Beach region has the highest claim frequency, about one-third above the statewide average, while the Peninsula/Silicon Valley region has the lowest frequency, about one-quarter below the statewide average.

Among the factors driving higher claim frequency in Southern California is a higher proportion of CT claims [\(Chart 15\)](#).

More Info and Source Data 

Chart 14: Percent of Indemnity Claims Involving Cumulative Trauma



CT claim rates increased gradually through 2014 but remained relatively steady up until the pandemic.

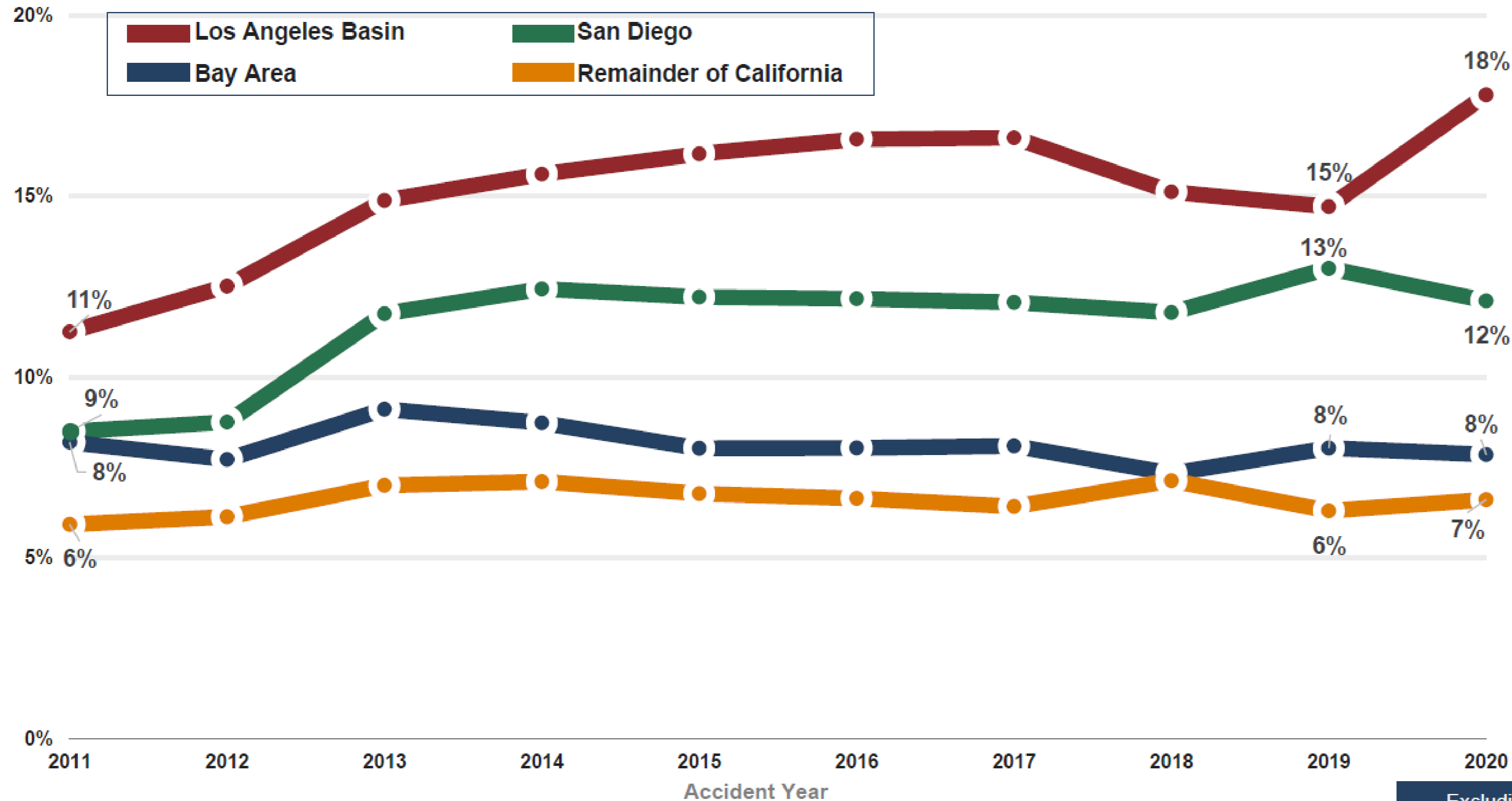
The sharp increase in the CT claim rate in 2020 is likely related to the economic slowdown resulting from the pandemic and the reduction in the number of smaller non-CT claims filed in 2020.

In 2021, the CT claim rate returned to approximately the pre-pandemic level.

The vast majority of CT claims are in the LA Basin and San Diego, and approximately 40% are filed following termination of the employee.

[More Info and Source Data](#) →

Chart 15: Percent of Cumulative Trauma Claims by Region



From 2012 through 2019, the vast majority of the increase in CT claims came from the Los Angeles Basin and San Diego areas.

In 2020, the percentage of CT claims increased significantly in the Los Angeles Basin region. However, this is expected to come down in 2021 as the overall percentage of CT claims in 2021 is closer to the pre-pandemic level ([Chart 14](#)).

More Info and
Source Data →

Excluding
COVID-19 Claims

Chart 16: Permanent Partial Disability Claims per 100,000 Employees

Permanent Partial Disability (PPD) Claims per 100,000 Employees

577

34

California

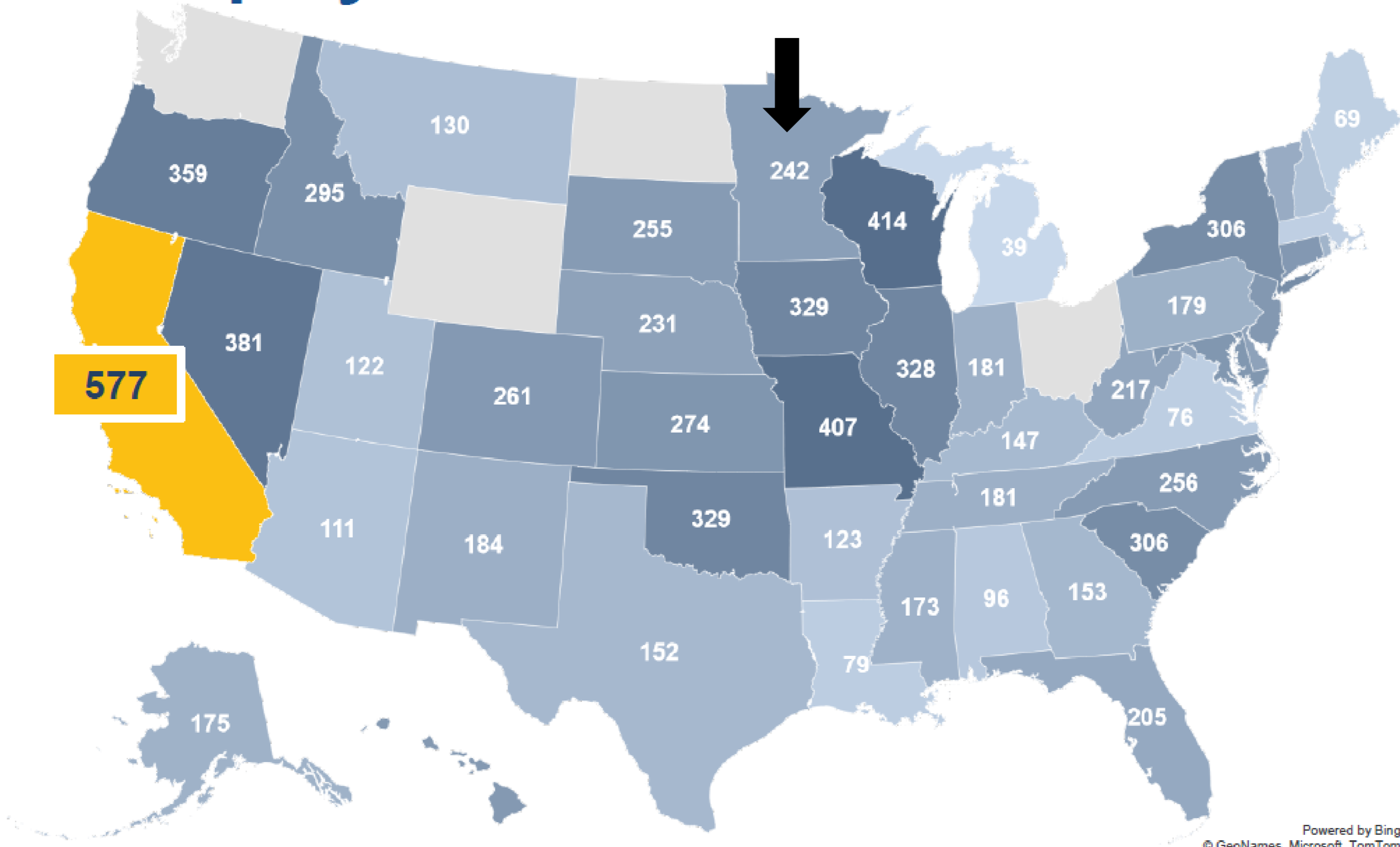
577

 PPD Claims per 100,000 Employees

Median

205

 PPD Claims per 100,000 Employees



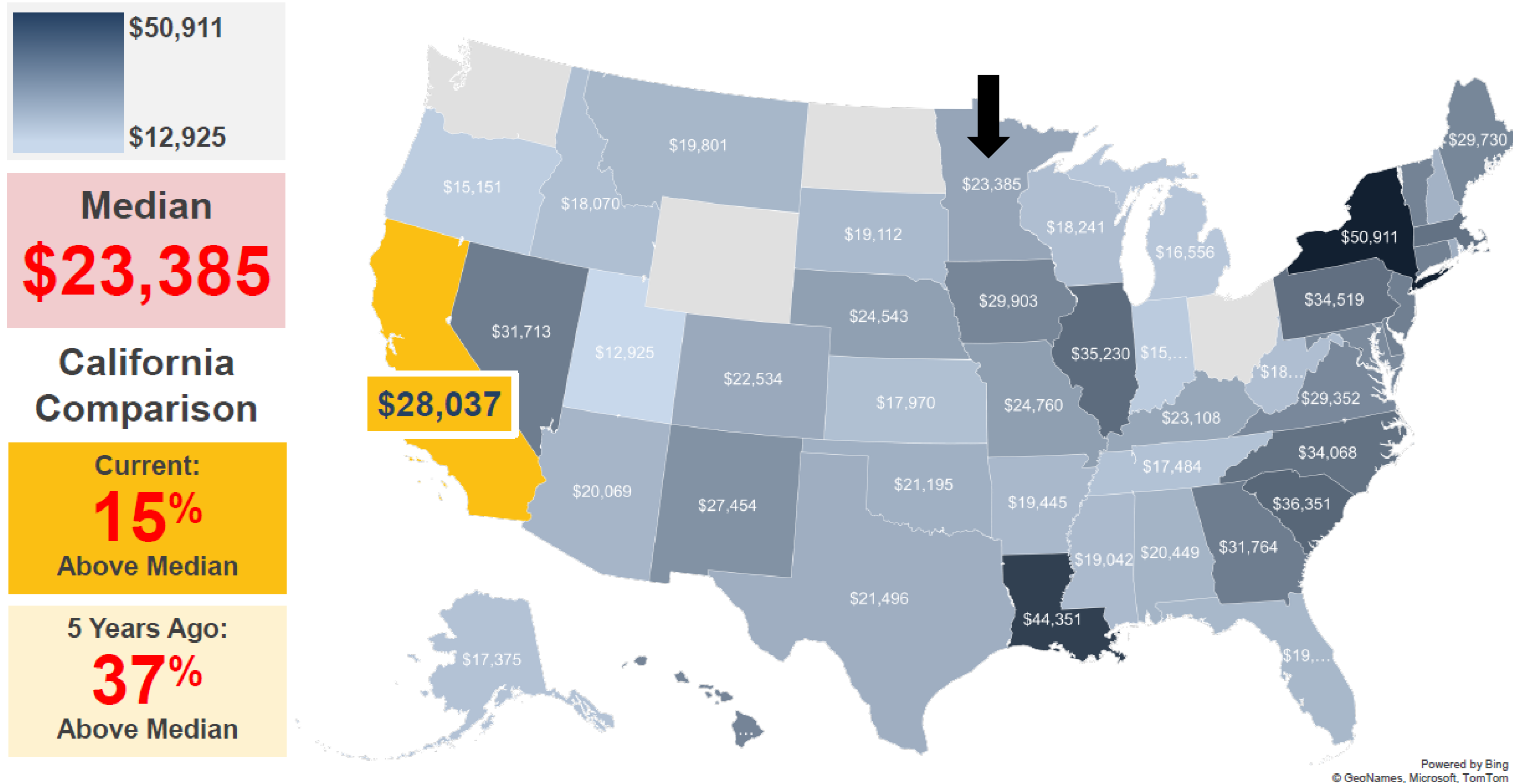
California has by far the highest permanent partial disability (PPD) claim frequency in the country, almost three times the countrywide median.

California's high frequency of PPD claims is not driven by a more hazardous industrial mix or the number of very severe injuries, which are comparable to those from other lower-frequency states.

PPD claim frequency is significantly higher in the Los Angeles Basin area than in the rest of the state.

More Info and Source Data →

Chart 19: Indemnity Cost per Indemnity Claim by State



Average indemnity costs in California are more consistent with other states compared to other system components but are still about 20% above the countrywide median.

Higher-than-average indemnity costs in California are largely driven by the high proportion of indemnity claims involving permanent disability ([Chart 16](#)) and higher wage levels.

Over the last five years, driven by a period of modest indemnity cost growth ([Chart 18](#)), California average indemnity costs have moved closer to the median state.

More Info and Source Data →

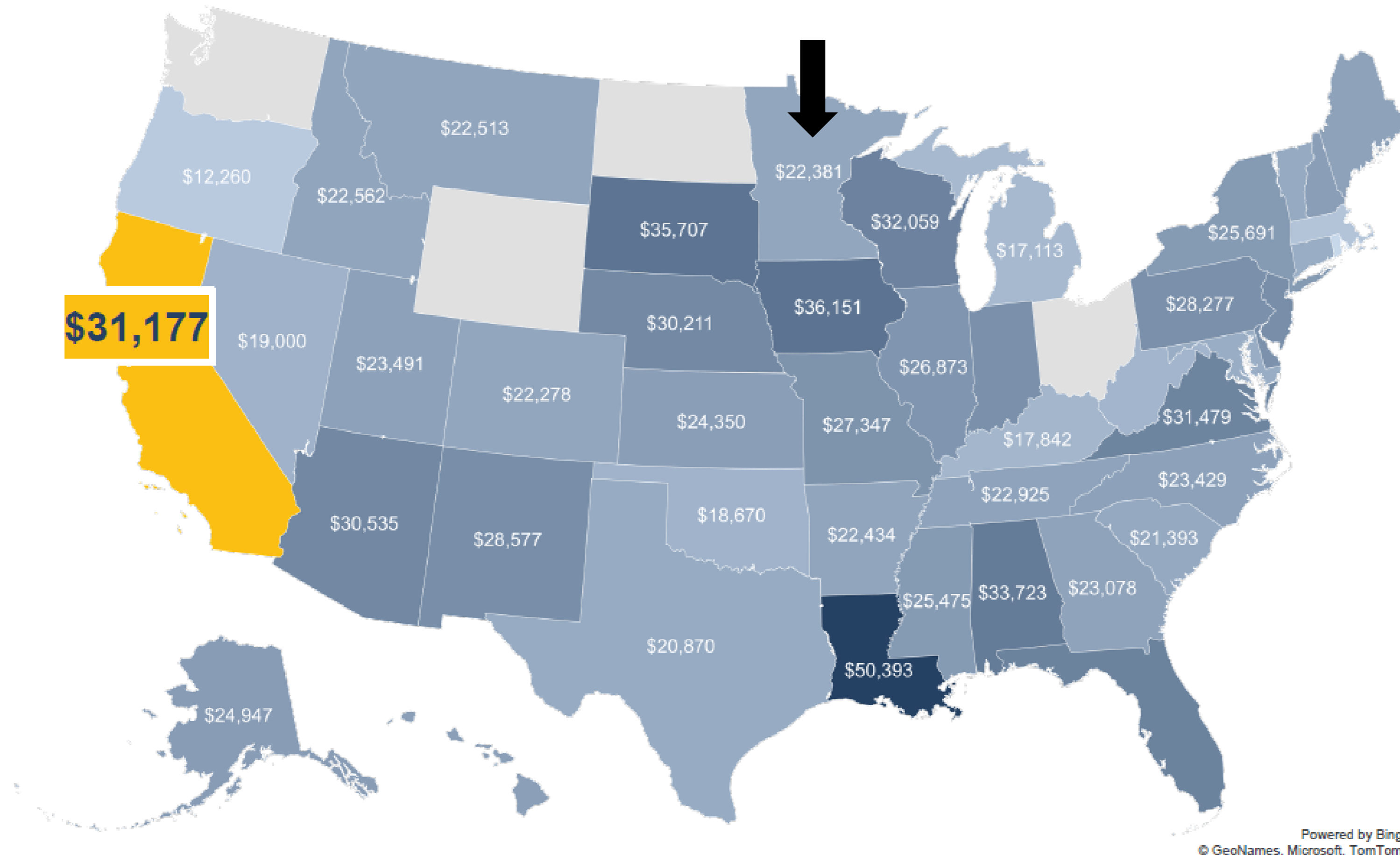


Category	Count
Vaccinated	50,393
Not vaccinated	8,469

Median
\$23,491

California Comparison

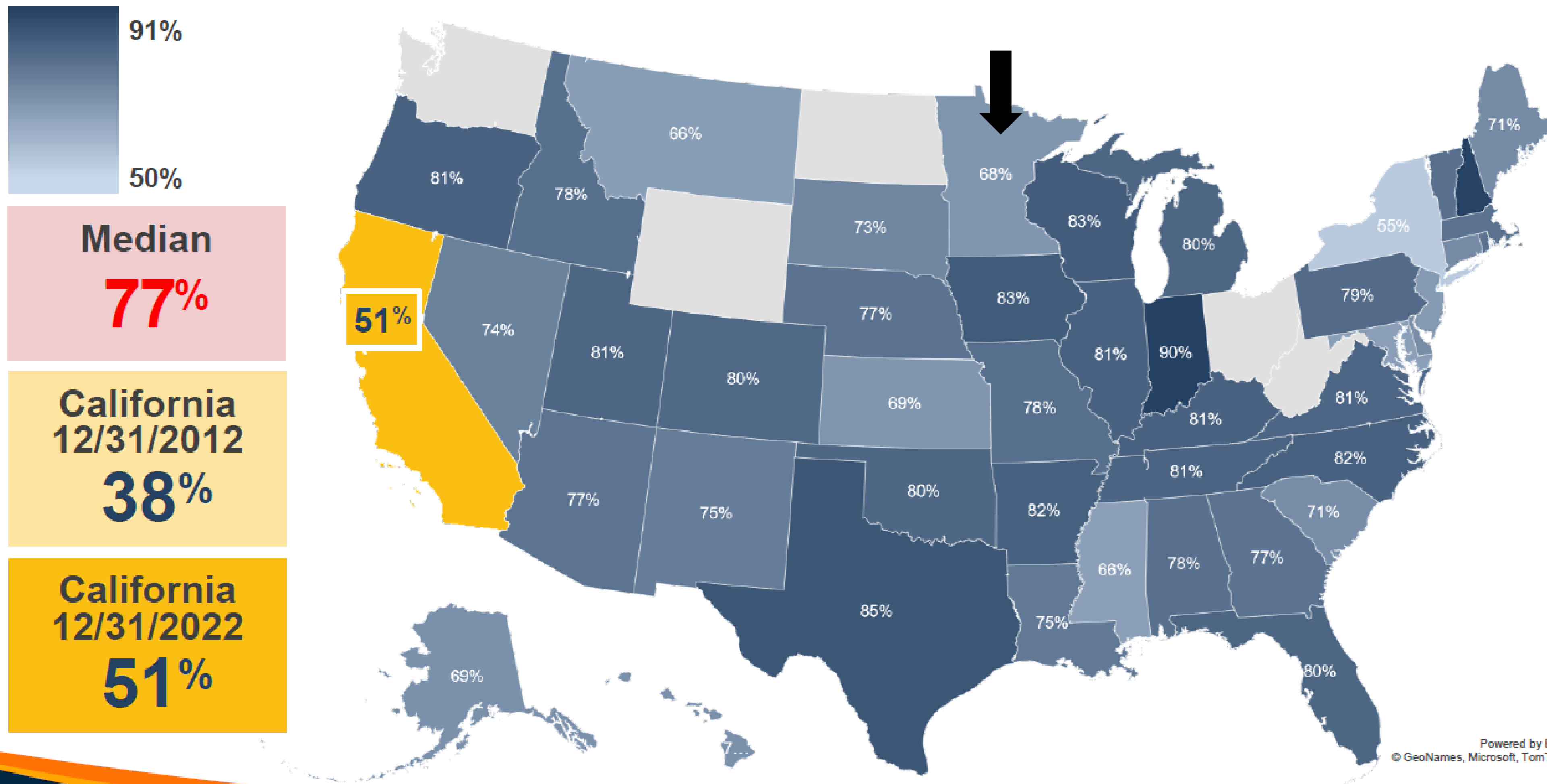
Current:
33%
Above Median



Even with recent medical cost reductions in California and continued medical inflation in other states (Chart 21), California's average medical per indemnity claim is still 33% above the median state.

More Info and Source Data ➔

Chart 30: Percent of Ultimate Medical Cost Paid at 3 Years



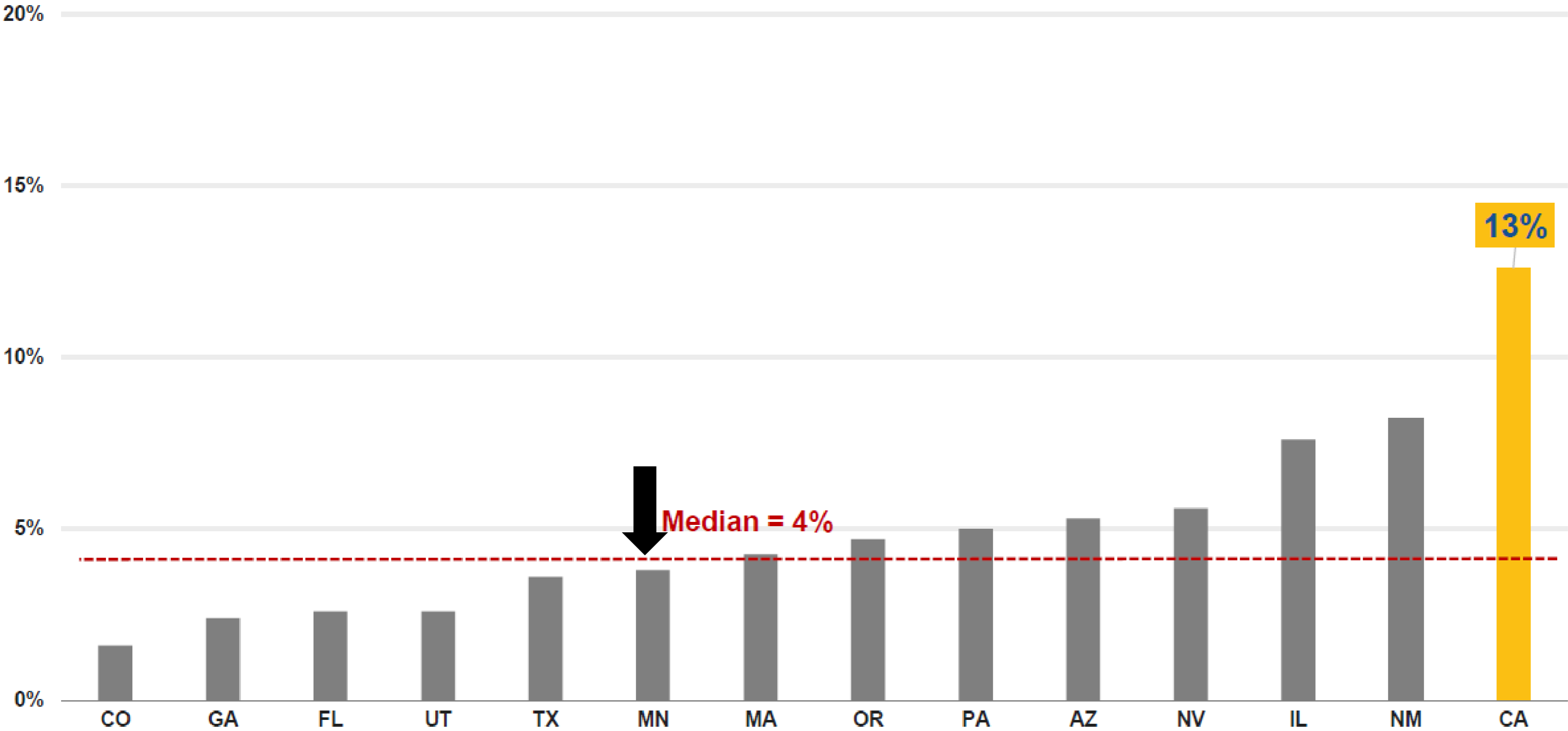
The percentage of ultimate medical paid at three years increased from 38% in 2012 to 51% in 2022, driven largely by the SB 863 reforms.

California still has longer duration of medical payments compared to the rest of the country, driven by:

- The time it takes to report claims ([Chart 32](#))
- The length of time claims stay open ([Chart 33](#))
- A high proportion of permanent disability claims ([Chart 16](#)) and cumulative trauma claims ([Chart 14](#))
- High frictional costs ([Chart 35](#))

More Info and Source Data →

Chart 33: Percent of Indemnity Claims Open at 60 Months



The percent of California indemnity claims open at 60 months is approximately three times the comparison state median, despite a post-SB 863 increase in claim closure rates in California.

The slower rate of claim closure in California is due to:

- A high proportion of CT claims filed, which settle slower than other claims [\(Chart 14\)](#)
- Medical lien filings [\(Chart 42\)](#)
- Higher rates of permanent disability claim frequency [\(Chart 16\)](#)
- Greater complexity in handling and settling claims

More Info and Source Data →

Chart 35: Cost to Deliver \$1 of Benefits

Medicare
\$0.02



Workers' Compensation
Median State
\$0.25



Private Group
Health
Insurance
\$0.19



California
Workers'
Compensation
\$0.46

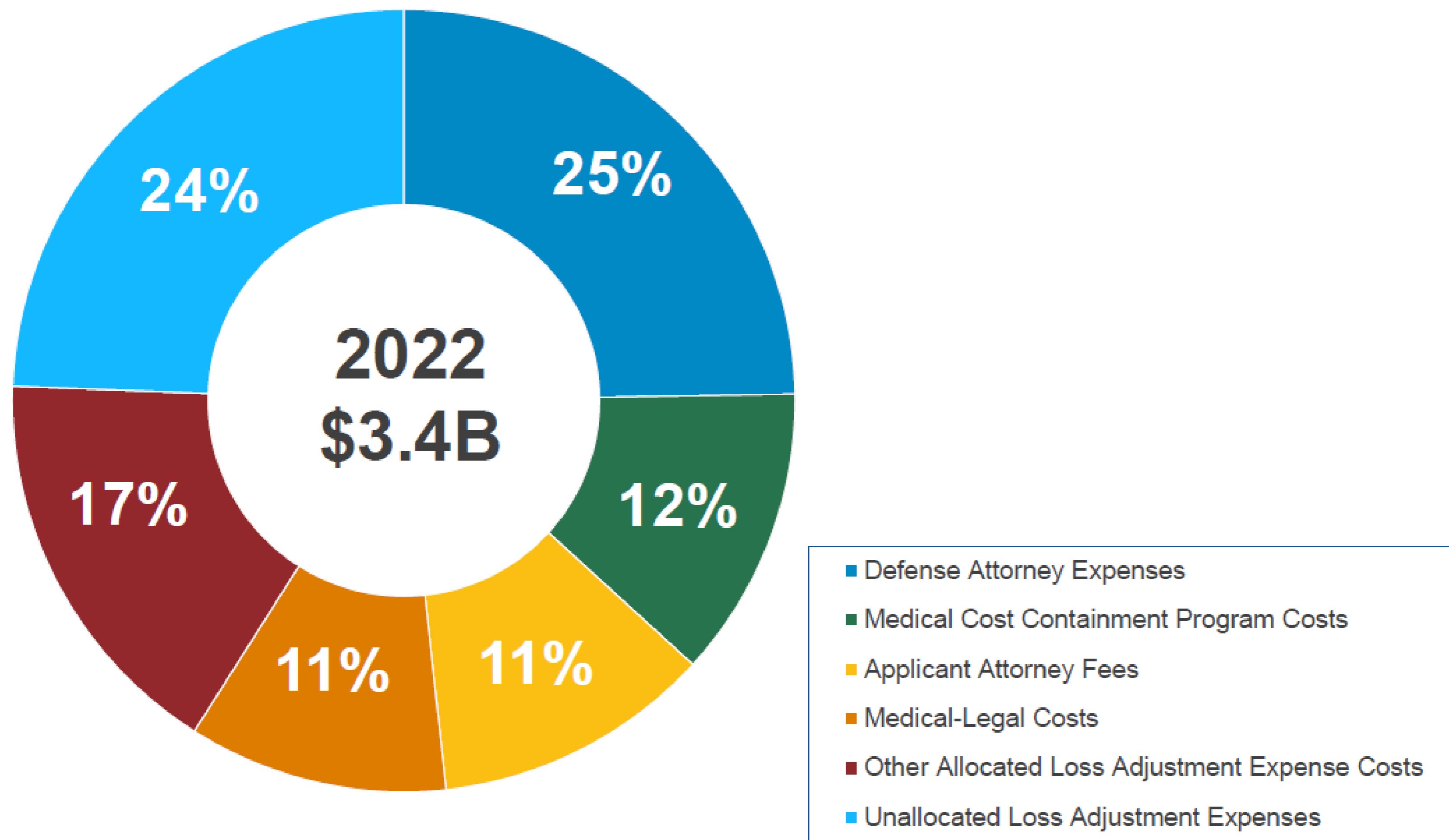


California claims' administrative costs are multiples higher than other medical benefit systems such as Medicare and the average for private group health insurance.

Although there have been some reductions in average claims administrative costs in California in recent years, the cost to provide \$1 of benefits in California remains almost double that of the median state workers' compensation system.

**More Info and
Source Data** →

Chart 36: Distribution of 2022 Paid Frictional Costs



The majority of frictional costs paid are for the handling of claims and the resolving of claim disputes.

The distribution of frictional costs paid in 2022 is generally consistent with recent years.

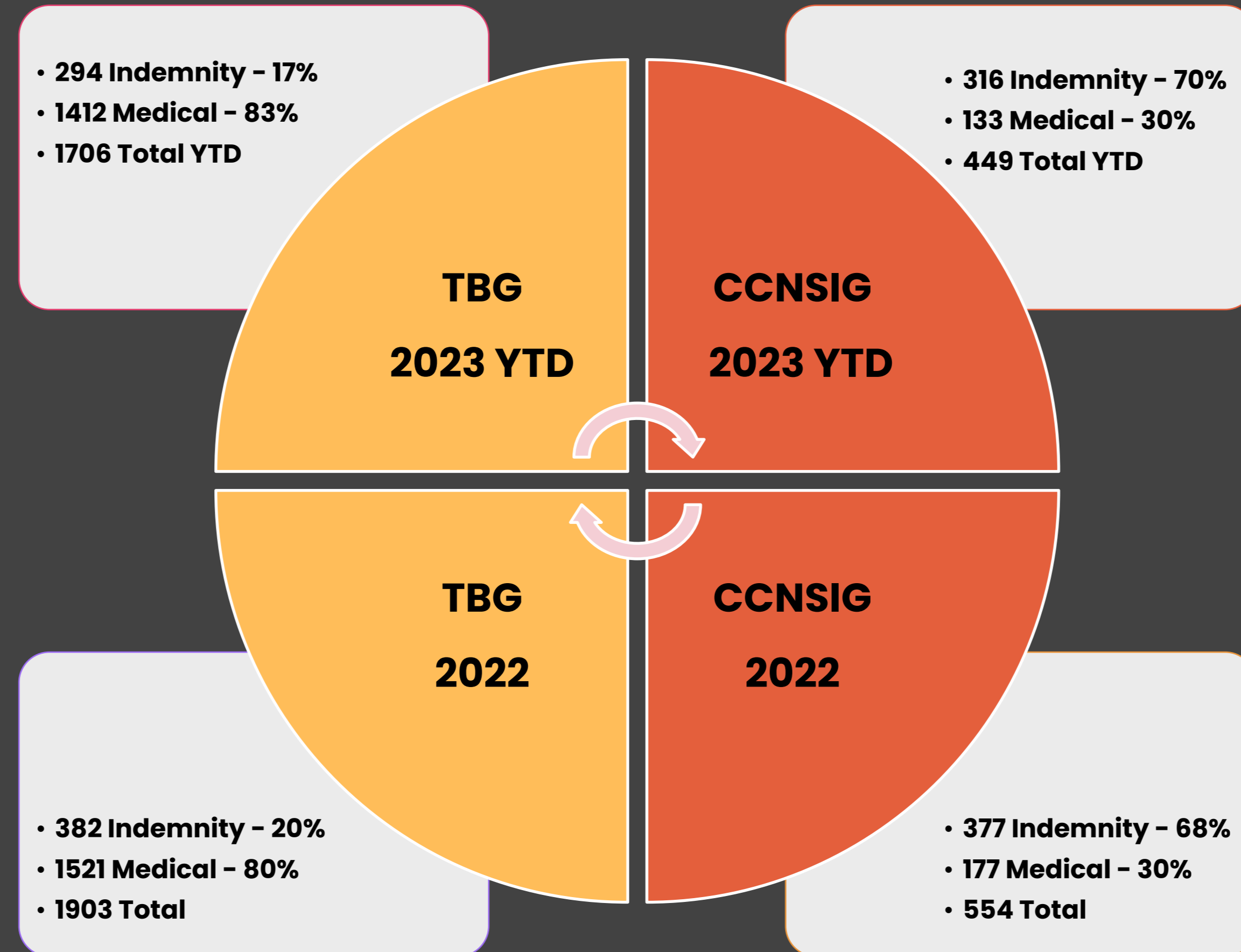
More Info and Source Data →



CLAIMS DATA BENCHMARKING

TBG VS. CCN NEW CLAIMS ANALYSIS

2022 VS. 2023 YTD (BASED UPON RECEIVED DATE)



Closed Claims Analysis

PAYMENTS 2023 YTD

COMPARISON CHART

TBG

VS

CCN

\$8,726,642 | 36%

INDEMNITY

\$3,772,061 | 36%

\$13,788.215 | 57%

MEDICAL

\$4,147,022 | 39%

\$1,856,535 | 8%

LEGAL & EXPENSE

\$2,670,578 | 25%

+ \$2,408,758

COMPARISON TO
PRIOR YEAR - DOLLARS

+ \$2,527,611

11%

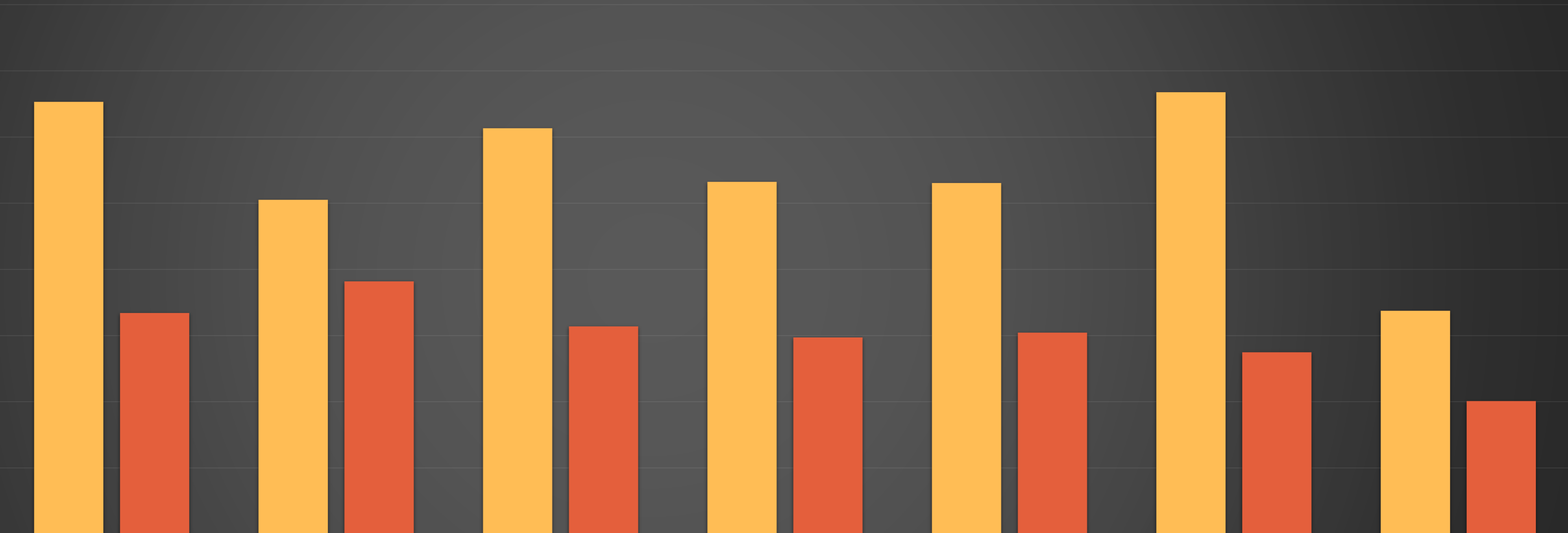
COMPARISON TO
PRIOR YEAR - %

31%

TBG VS CCN INDEMNITY CLAIMS

TOTAL INCURRED AVERAGES

\$80,000
\$70,000
\$60,000
\$50,000
\$40,000
\$30,000
\$20,000
\$10,000
\$0

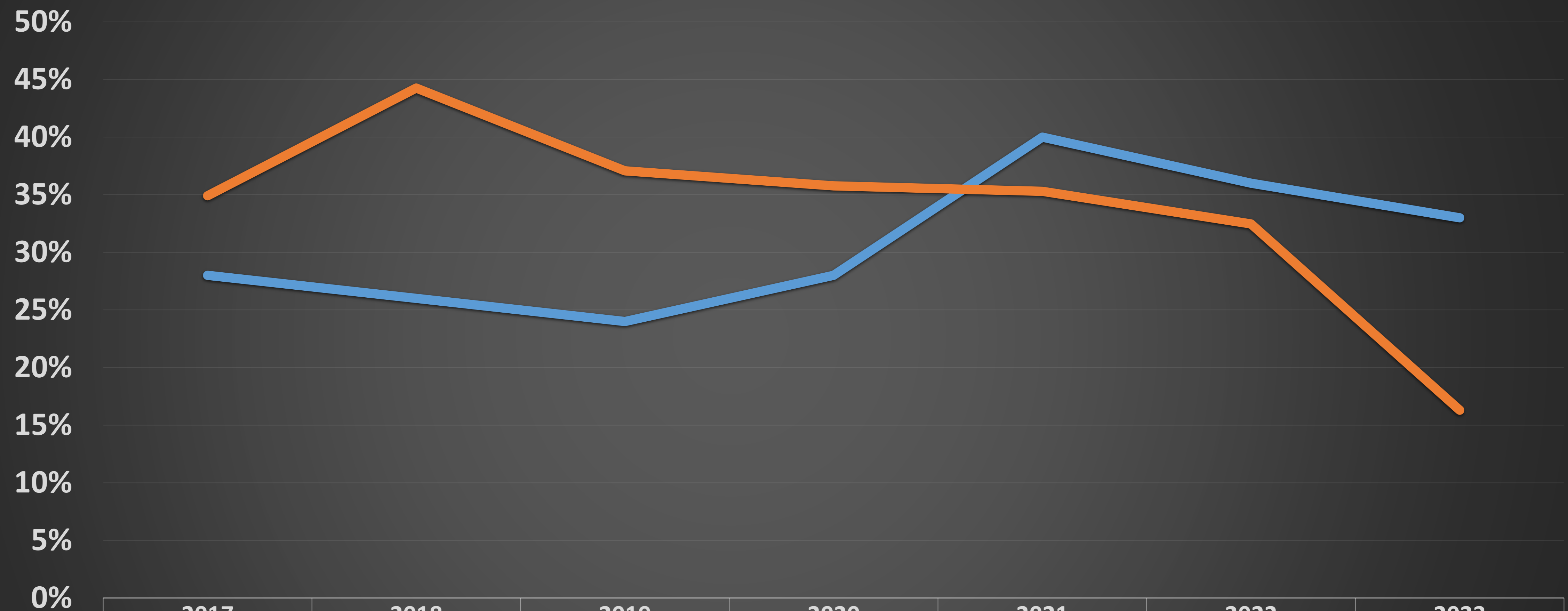


TBG TI Averages
CCN TI Averages

	2017	2018	2019	2020	2021	2022	2023
TBG TI Averages	\$65,312	\$50,512	\$61,326	\$53,226	\$53,056	\$66,780	\$33,751
CCN TI Averages	\$33,417	\$38,192	\$31,384	\$29,725	\$30,442	\$27,482	\$20,097

TBG TI Averages CCN TI Averages

TBG VS CCN INDEMNITY LITIGATION TRENDS



TBG TI Averages

CCN TI Averages

TBG TI Averages CCN TI Averages



TRANSPARENCY STATEMENT

FOUNDED IN 2009, ALC IS A PRIVATELY HELD COMPANY WITH 100% OF THE COMPANY OWNED BY ANGELA MUDGE. ALC IS COMPLETELY INDEPENDENT AND IS NOT AFFILIATED WITH ANY PROGRAM MANAGER, BROKER, THIRD PARTY ADMINISTRATOR, VENDOR OR OTHER ENTITY USED ON THE CLAIMS. ALC DERIVES 100% OF ITS REVENUE FROM THE SELF-INSURED GROUPS AND AUDIT CLIENTS WITH WHOM WE ARE CONTRACTED. WE DO NOT RECEIVE ANY COMPENSATION, REFERRAL FEES OR RENUMERATION FROM **ANY** OTHER FIRMS. WHILE WE STRIVE TO PARTNER OUR CLIENTS WITH VENDORS THAT PROVIDE THE HIGHEST LEVEL OF SERVICE AND BEST RESULTS, AT COMPETITIVE RATES, THEY CAN ALWAYS USE PARTNERS OF THEIR OWN CHOOSING.

2023 Board of Directors Retreat

Stu Thompson
November 29, 2023





TBG Captive



Captive Information on TBG IC, Inc.

1. Why did TBG decide to form a captive?

The captive Insurance company was formed to cover a deficit that may occur in a fund year.

Other reasons captives are formed:

- Inconsistent pricing
- Lack of capacity or limited coverages available
- General safety services – need for industry-specific safety services

2. What is the name of the captive and where is it domiciled?

The captive's name is The Builders Group IC (Independent Cell), Inc., is organized as an incorporated cell of Alternative Risk Transfer Insurance Company, Inc. (ARTIC), and is domiciled in the state of Vermont. Vermont is probably the premier or gold standard for captives due to the length of time and expertise they have.

3. Are there different types of captives?

There are many captive forms – domestic, off-shore, single cell, etc. depending on the reason the captive is formed. TBG chose an 831B captive where the maximum annual premium is \$2.3 million. This type is for smaller risks and has some tax advantages. TBG IC, Inc. is a segregated or protected cell captive within ARTIC. Even though there are other captives within ARTIC, the assets of each captive are protected from each other, hence the name protected cell.



Captive Information on TBG IC, Inc.

4. **Won't our surplus cover any deficit if one occurs?**

Since we declare each year that all surplus funds in that year will be returned to the members as a policyholder dividend, the tax regulations require each year to stand on its own. Therefore, TBG cannot transfer money from Member Distribution Payable from one year to another to eliminate a deficit. For example, if there is a \$100,000 deficit in a year, that deficit can be eliminated three ways:

- By an assessment of the Members – the worst choice!
- A joint assessment and dividend at the same time – there are never the same exact members in each fund year
- Form a captive and pay the deficit from the captive – this virtually eliminated the possibility of an assessment, was the easiest method to eliminate the deficit, and offered the option to write other coverages in the captive as the surplus grows



Captive Information on TBG IC, Inc.

5. Who owns TBG IC, Inc. and Why?

TBG cannot own an 831B captive because our assets exceed the maximum requirement. The 831B captive option has been abused with many instances of fraud.

The IRS has audited many 831B captives with the result being there must be two items to qualify.

- The first is there must be a true transfer of risk. The risk in our captive is the possibility of a future assessment – from closing out a year and a claim reopens, another WCRA assessment, etc. and there are insufficient funds in that year to pay the deficit.
- The second requirement is there must be at least 12 owners of the captive to show a spread of the risk. The easiest way to meet this requirement is to have an association own the captive. That is one reason TBG Safety Services, Inc. was formed. ,



Captive Information on TBG IC, Inc.

6. Are there other coverages that can be written in the captive?

Yes, once there is sufficient surplus to cover the additional risk. An example is writing a layer of reinsurance for our Cross Border program above our retention of \$1,000,000.

7. Is there a captive Manager?

The captive is managed by Risk Services, LLC in Sarasota, Florida. They specialize in managing captives and risk retention groups which both total 150 entities.

Risk Services handles everything required by the Vermont Captive Insurance Department for our captive. These requirements include an audited financial statement (completed by TBG's CPA), an actuarial report (completed by TBG's actuary), Investment Policy Statement (investments are handled by TBG's advisor), the required annual Board meeting, and any other items that Vermont requires.

8. Does TBG IC, Inc. pay taxes?

An 831B captive pays taxes only on investment income earned during the year.



Board of Directors
11/29/23

Westin San Diego
Gaslamp Quarter



Who is on the Board of TBG IC, Inc?

- Stu Thompson - President
- Lowell Pratt – Treasurer
- Tom Corrigan – Secretary
- Kris Scherer
- Craig Plekkenpol
- Michael Rogers – represents ARTIC, the Parent Company



Summary and Overview

Principal Business and Insurance Products

In accordance with the captive laws of the State of Vermont, The Builders Group IC, Inc. ("TBGIC" or "Cell") is being organized as an incorporated cell of Alternative Risk Transfer Insurance Company, Inc. ("ARTIC").

The Cell will insure TBG Safety Services ("Association") and its members, who are insureds of The Builders Group ("the Group"), which is a Minnesota workers' compensation self-insurance fund that was established in 1997. The Group has grown from 52 initial members to currently having over 800 members. The Group has annual premiums in the range of \$43M and has in excess of \$100M in assets, \$53M in liabilities, and \$SOM of pending member's distributions payable. The Group ensures members throughout Minnesota with a heavier concentration in the Twin City seven-county metro area, and its members include all types of contractors and construction-related risks, except asbestos contractors. The Group's workers' compensation annual member premiums range from a \$5,000 minimum premium to over \$1,000,000, with an average member of approximately \$60,000 in annual premium.

Board of Directors
11/29/23

Westin San Diego
Gaslamp Quarter





Summary and Overview

The Cell is being formed to provide a unique insurance solution to cover and fund potential future annual member assessments for the Group. Per the Minnesota statutes under which the Group operates, it must assess members in any year that the fund operates at a deficit, regardless of the Group's overall financial position. Additionally, the State of Minnesota can issue joint assessments on its registered self-insurance funds, which can result in member assessments. These potential member assessments create issues for the Group for several reasons, including but not limited to:

- Deficit years require a mandatory member assessment. So, for example, if the Group's 2020 underwriting year results produced a \$10K deficit, the Group would have to proportionately assess the members for \$10K despite the fact that the Group currently has \$50M of pending member distributions payable on other years.
- Politically an "assessment" has a negative impact on the members and membership.
- The administrative burden of invoicing and collecting assessments from 800+ members. Uncollectable assessments from prior members that are no longer in operation.



Summary and Overview

The Cell will issue a manuscript Deficit Protection Insurance Policy which will reimburse members in the event they are subject to an assessment by the Group. The program will have a total annual aggregate of \$1,500,000, for program years 2020 and forward. The Cell will also provide similar coverage with respect to program years 2012 through 2019, but the aggregate limit for each of those years will be \$250,000.

Ownership

TBGIC will be wholly owned by TBG Safety Services ("Association"). Initial capitalization will be \$1,500,000, in the form of cash from the Association.

THANK
YOU!



TBG's History of Loss Portfolio Transfers (LPTs)

Advantages:

- Eliminates all future liabilities
 1. Section 111 liabilities
 2. Medicare Set Aside (MSA) liabilities
 3. Any employer liability claims that arise
- Locks in profit for that year(s)
- Eliminates Joint & Several liabilities to the Members for those year(s)
- Potentially adds to surplus

Disadvantages:

- Loss of Investment Income
- Loss of positive claims development
- Possible reduction in surplus

The decision to enter into an LPT comes down to whether the advantages outweigh the disadvantages. When the investment income was virtually zero the decision was easier. In today's investment environment the future investment income must be considered as well as potential positive claim development.

Investment Income History:

<u>Year</u>	<u>Investment Income</u>	<u>Realized Gains</u>	<u>Total</u>
2011	\$573,761	\$ 320,264	\$ 894,025
2012	\$403,586	\$ 506,866	\$ 910,452
2013	\$361,146	\$1,602,482	\$1,963,628
2014	\$590,622	-\$ 111,582	\$ 479,040

<u>Year</u>	<u>Investment Income</u>	<u>Realized Gains</u>	<u>Total</u>
2015	\$ 641,597	\$ 68,785	\$ 710,382
2016	\$ 918,316	\$ 44,338	\$ 962,654
2017	\$ 805,981	\$ 621,174	\$1,427,155
2018	\$1,522,552	\$ 816,864	\$2,339,416
2019	\$ 956,546	\$ 450,731	\$1,407,277
2020	\$1,469,800	\$ 897,057	\$2,366,857
2021	\$1,312,582	\$1,479,633	\$2,792,215
2022	\$2,055,281	\$1,063,591	\$3,118,872
2023 Sept.	\$2,532,000	\$ 776,000	\$3,308,000

For the first few LPTs the investment income was so small it was not a consideration in the decision. When the bond/interest rates started increasing in 2020, we started moving out of equities into bonds. This lessened the risk in the portfolio and increased our investment income. Our goal was to have investment income of at least \$4 million each year.

The investment income in the 2024 budget is a little over \$4 million so we should reach the goal in 2024. The bond portfolio has roughly a 5–7 year average maturity. Most of our claims are paid within 7 years which is one of the reasons for keeping the bond maturity at 7 years.

Increasing the investment income is important to protect against a future potential decrease in underwriting income and to continue to grow assets/MDP. The premium rates have continued to decrease over the past few years so this proved to be a good decision.

Claims Year	Sold To	Sale Date	Limited Paid	OS Reserves	LPT Premium	TBG Final Paid	Liabilities Xfered	Gain/Loss
2000	Star	10/1/2011	\$925,735	\$92,421	\$90,001	\$1,015,736	\$97,306	\$7,305
2001	Star	10/1/2011	\$599,734	\$0	\$40,238	\$639,972	\$43,504	\$3,266
2002	Star	10/1/2011	\$2,741,398	\$33,658	\$178,493	\$2,919,891	\$192,981	\$14,488
2003	Star	10/1/2011	\$5,232,988	\$109,175	\$431,146	\$5,664,134	\$466,141	\$34,996
2004	Star	10/1/2011	\$8,054,691	\$170,709	\$687,082	\$8,741,773	\$742,851	\$55,770
2005	Star	10/1/2011	\$13,484,716	\$377,099	\$1,441,735	\$14,926,451	\$1,558,760	\$117,024
2006	Star	10/1/2011	\$19,303,610	\$755,202	\$2,373,710	\$21,677,320	\$2,566,382	\$192,672
2007	Star	10/1/2011	\$20,015,363	\$1,440,036	\$3,475,012	\$23,490,374	\$3,757,075	\$282,064
2008	Safety National	12/31/2012	\$19,962,411	\$1,394,262	\$2,847,637	\$22,810,048	\$2,951,821	\$104,184
2009	Safety National	3/31/2014	\$15,799,640	\$573,331	\$2,100,000	\$17,899,640	\$2,178,405	\$78,405
2010	Safety National	8/30/2014	\$16,937,486	\$980,040	\$2,450,000	\$19,387,486	\$2,511,787	\$61,787
2011	Safety National	10/31/2016	\$17,022,877	\$726,545	\$1,857,388	\$18,880,264	\$1,857,929	\$541
2012	Safety National	10/31/2016	\$15,735,415	\$630,266	\$1,859,384	\$17,594,799	\$1,859,926	\$542
2013	Safety National	10/31/2016	\$18,635,851	\$822,272	\$3,012,397	\$21,648,249	\$3,013,275	\$878
2014	Safety National	9/30/2017	\$22,189,537	\$838,668	\$3,350,000	\$25,539,537	\$3,622,773	\$272,773
2015	Safety National	12/31/2018	\$20,179,284	\$3,568,976	\$4,205,084	\$24,384,368	\$4,200,393	-\$4,691
2016	Safety National	12/31/2018	\$17,830,756	\$1,760,556	\$5,294,916	\$23,125,672	\$5,288,997	-\$5,919
2017	Safety National	9/30/2020	\$18,533,017	\$2,317,632	\$5,200,000	\$23,733,017	\$4,909,306	-\$290,694
2018	Safety National	1/31/2021	\$17,744,210	\$1,187,925	\$4,750,000	\$22,494,210	\$4,838,306	\$88,306
2019	Safety National	12/31/2021	\$20,498,779	\$1,884,082	\$5,800,000	\$26,298,779	\$5,765,429	-\$34,571
			\$291,427,499	\$19,662,852	\$51,444,221	\$342,871,720	\$52,423,347	\$979,126

	Ultimate	Ultimate Date	Limited Paid	Ultimate	As of Date		Δ Limited Paid	Δ Ultimate
	\$1,058,577	12/31/2011	\$1,147,077	1,146,268	12/31/2022		\$221,342	\$87,691
	\$599,734	12/31/2011	\$605,723	605,723	12/31/2022		\$5,988	\$5,989
	\$2,729,428	12/31/2011	\$2,812,588	2,886,129	12/31/2022		\$71,189	\$156,701
	\$5,594,165	12/31/2011	\$5,347,648	5,528,784	12/31/2022		\$114,660	-\$65,381
	\$8,890,715	12/31/2011	\$8,460,574	8,643,392	12/31/2022		\$405,883	-\$247,323
	\$15,050,618	12/31/2011	\$14,396,680	14,556,574	12/31/2022		\$911,964	-\$494,044
	\$21,946,988	12/31/2011	\$20,759,270	20,831,883	12/31/2022		\$1,455,660	-\$1,115,105
	\$24,024,393	12/31/2011	\$22,915,198	23,104,120	12/31/2022		\$2,899,836	-\$920,273
	\$23,247,219	12/31/2012	\$21,253,669	21,484,530	12/31/2022		\$1,291,258	-\$1,762,689
	18,220,254	12/31/2013	\$16,787,825	16,916,682	12/31/2022		\$988,184	-\$1,303,572
	19,373,013	12/31/2014	\$17,894,353	18,554,486	12/31/2022		\$956,867	-\$818,527
	18,942,048	12/31/2016	\$18,887,749	19,871,114	12/31/2022		\$1,864,872	\$929,066
	17,883,393	12/31/2016	\$17,005,515	17,698,290	12/31/2022		\$1,270,100	-\$185,103
	21,809,646	12/31/2016	\$19,871,246	20,815,776	12/31/2022		\$1,235,394	-\$993,870
	26,576,517	12/31/2017	\$23,633,409	24,838,242	12/31/2022		\$1,443,872	-\$1,738,275
	24,880,739	12/31/2018	\$22,856,821	24,830,777	12/31/2022		\$2,677,537	-\$49,962
	23,674,054	12/31/2018	\$21,080,683	23,313,292	12/31/2022		\$3,249,927	-\$360,762
	23,512,685	12/31/2020	\$19,900,338	22,778,399	12/31/2022		\$1,367,321	-\$734,286
	22,579,618	12/31/2020	\$19,415,441	22,461,090	12/31/2022		\$1,671,231	-\$118,528
	26,772,657	12/31/2021	\$22,325,284	27,195,076	12/31/2022		\$1,826,505	\$422,419
	\$347,366,461		\$317,357,091	\$338,060,627			\$25,929,592	-\$9,305,834

LPT RESULTS AS OF DATE:

9/30/2023

	Coverage	Transaction	Open Claims	Current	Premium	Paid Losses	Paid Losses	Net Paid	Incurred Losses	TPA Case Reserve
LPT Name	Dates	Date	At Inception	Open Claims	Amount	At Inception	As of Today	As of Today	As of Today	As of Today
The Builders Group 2000-2007	1/1/2000-12/31/2007	10/1/2011	114	26	\$8,717,415	\$69,541,476	\$ 76,627,833	\$ 7,086,357	\$77,244,921	\$617,088
The Builders Group-2008	1/1/2008-12/31/2008	2/1/2013	30	9	\$2,847,637	\$19,613,421	\$21,296,538	\$ 1,683,117	\$21,441,332	\$144,794
The Builders Group 2009	1/1/2009-12/31/2009	4/1/2014	15	4	\$2,100,000	\$15,722,258	\$16,757,519	\$ 1,035,262	\$16,842,320	\$84,801
The Builders Group 2010	1/1/2010-12/31/2010	8/31/2014	26	8	\$2,450,000	\$16,854,870	\$18,079,315	\$ 1,224,444	\$18,267,263	\$187,948
The Builders Group 2011, 2012, 2013	1/1/2011-12/31/2013	10/31/2016	57	13	\$6,729,169	\$51,394,143	\$55,931,256	\$ 4,537,113	\$56,917,787	\$986,531
The Builders Group 2014	1/1/2014-12/31/2014	9/30/2017	25	6	\$3,350,000	\$22,189,557	\$23,698,853	\$ 1,509,296	\$24,314,662	\$615,809
The Builders Group 2015-2016	1/1/2015-12/31/2016	12/31/2018	68	17	\$9,500,000	\$38,010,248	\$44,670,138	\$ 6,659,890	\$46,317,410	\$1,647,272
The Builders Group 2017	1/1/2017-12/31/2017	9/30/2020	22	12	\$5,200,000	\$18,572,768	\$20,163,962	\$ 1,591,194	\$21,981,280	\$1,817,318
The Builders Group 2018	1/1/2018-12/31/2018	1/31/2021	40	12	\$4,750,000	\$17,536,211	\$19,713,062	\$ 2,176,851	\$21,046,135	\$1,333,073
The Builders Group 2019	1/1/2019-12/31/2019	12/31/2021	44	14	\$5,800,000	\$20,499,441	\$23,305,609	\$ 2,806,168	\$24,426,314	\$1,120,705

The Builders Group 2000-2007

LPT Premium \$8,717,415

<u>As of date</u>	<u>Paid</u>	<u>Incurred</u>	<u>O/S</u>	<u>IBNR</u>	<u>LPT Ultimate</u>	<u>LPT LR</u>
6/30/2011	\$ 69,541,475.82	\$ 72,939,854.79	\$ 3,398,378.97	\$ 7,136,595.84	\$ 10,534,974.81	121%
9/30/2011	\$ 70,249,060.72	\$ 73,227,359.52	\$ 2,978,298.80	\$ 6,849,091.11	\$ 10,534,974.81	121%
3/31/2012	\$ 71,187,086.68	\$ 73,729,533.24	\$ 2,542,446.56	\$ 6,204,111.20	\$ 10,392,168.62	119%
8/31/2012	\$ 72,058,044.53	\$ 74,089,786.89	\$ 2,031,742.36	\$ 4,766,810.12	\$ 9,315,121.19	107%
8/31/2013	\$ 72,962,266.08	\$ 74,472,234.49	\$ 1,509,968.41	\$ 3,203,872.48	\$ 8,134,631.15	93%
12/31/2013	\$ 73,091,365.89	\$ 74,301,007.16	\$ 1,209,641.27	\$ 2,475,923.47	\$ 7,235,454.81	83%
3/31/2014	\$ 73,187,519.24	\$ 74,317,141.96	\$ 1,129,622.72	\$ 2,249,648.52	\$ 7,025,314.66	81%
8/31/2014	\$ 73,373,746.58	\$ 74,384,123.18	\$ 1,010,376.60	\$ 1,917,149.07	\$ 6,759,796.43	78%
11/30/2014	\$ 73,460,741.36	\$ 74,456,119.45	\$ 995,378.09	\$ 1,833,013.60	\$ 6,747,657.23	77%
2/28/2015	\$ 73,731,601.48	\$ 74,458,746.33	\$ 727,144.85	\$ 1,298,829.56	\$ 6,216,100.07	71%
6/30/2015	\$ 73,855,590.08	\$ 74,632,887.13	\$ 777,297.05	\$ 1,330,122.40	\$ 6,421,533.71	74%
9/30/2015	\$ 74,147,148.85	\$ 74,757,617.58	\$ 610,468.73	\$ 1,010,121.52	\$ 6,226,263.28	71%
12/31/2015	\$ 74,488,408.99	\$ 75,118,647.11	\$ 630,238.12	\$ 1,007,193.54	\$ 6,584,364.83	76%
6/30/2016	\$ 74,585,247.89	\$ 75,148,283.64	\$ 563,035.75	\$ 836,809.64	\$ 6,443,617.46	74%
9/30/2016	\$ 74,665,698.89	\$ 75,241,005.81	\$ 575,306.92	\$ 822,514.25	\$ 6,522,044.24	75%
10/31/2016	\$ 74,676,340.73	\$ 75,247,666.38	\$ 571,325.65	\$ 805,935.77	\$ 6,512,126.33	75%
12/31/2016	\$ 74,731,684.03	\$ 75,349,778.16	\$ 618,094.13	\$ 848,734.00	\$ 6,657,036.34	76%
3/31/2017	\$ 74,818,017.04	\$ 75,457,797.82	\$ 639,780.78	\$ 902,090.90	\$ 6,818,412.90	78%
6/30/2017	\$ 75,004,010.03	\$ 75,518,977.28	\$ 514,967.25	\$ 726,103.82	\$ 6,703,605.28	77%
9/30/2017	\$ 75,165,288.01	\$ 75,691,562.07	\$ 526,274.06	\$ 742,046.42	\$ 6,892,132.67	79%
12/31/2017	\$ 75,211,387.78	\$ 75,729,635.07	\$ 518,247.29	\$ 730,458.00	\$ 6,918,617.25	79%
3/31/2018	\$ 75,270,364.96	\$ 75,987,353.24	\$ 716,988.28	\$ 956,883.75	\$ 7,402,761.17	85%
6/30/2018	\$ 75,389,457.97	\$ 76,148,540.92	\$ 759,082.95	\$ 955,583.43	\$ 7,562,648.53	87%
9/30/2018	\$ 75,440,778.36	\$ 76,330,003.55	\$ 889,225.19	\$ 1,051,341.09	\$ 7,839,868.82	90%
12/31/2018	\$ 75,619,685.52	\$ 76,374,031.88	\$ 754,346.36	\$ 834,123.92	\$ 7,666,679.98	88%
2/28/2019	\$ 75,659,350.92	\$ 76,386,260.00	\$ 726,909.08	\$ 768,097.68	\$ 7,612,881.86	87%
3/31/2019	\$ 75,670,039.98	\$ 76,397,510.00	\$ 727,470.02	\$ 749,924.99	\$ 7,605,959.17	87%

6/30/2019	\$ 75,813,826.39	\$ 76,559,706.81	\$ 745,880.42	\$ 712,424.04	\$ 7,730,655.03	89%
9/30/2019	\$ 75,918,649.30	\$ 76,592,826.37	\$ 674,177.07	\$ 592,325.85	\$ 7,643,676.40	88%
12/31/2019	\$ 75,943,443.46	\$ 76,904,042.75	\$ 960,599.29	\$ 770,435.89	\$ 8,133,002.82	93%
3/31/2020	\$ 76,009,621.86	\$ 76,945,221.30	\$ 935,599.44	\$ 679,539.54	\$ 8,083,285.02	93%
6/30/2020	\$ 76,202,456.68	\$ 76,976,330.05	\$ 773,873.37	\$ 503,476.22	\$ 7,938,330.45	91%
9/30/2020	\$ 76,225,093.57	\$ 76,951,698.99	\$ 726,605.42	\$ 417,099.34	\$ 7,827,322.51	90%
12/31/2020	\$ 76,235,063.50	\$ 76,960,097.74	\$ 725,034.24	\$ 360,693.00	\$ 7,779,314.92	89%
3/31/2021	\$ 76,252,968.72	\$ 76,977,029.11	\$ 724,060.39	\$ 398,233.21	\$ 7,833,786.50	90%
6/30/2021	\$ 76,302,104.44	\$ 76,973,530.58	\$ 671,426.14	\$ 369,284.38	\$ 7,801,339.14	89%
9/30/2021	\$ 76,382,508.40	\$ 76,943,914.76	\$ 561,406.36	\$ 308,773.50	\$ 7,711,212.44	88%
12/31/2021	\$ 76,399,771.42	\$ 76,939,910.61	\$ 540,139.19	\$ 297,076.55	\$ 7,695,511.34	88%
3/21/2022	\$ 76,413,287.96	\$ 76,942,986.81	\$ 529,698.85	\$ 317,819.31	\$ 7,719,330.30	89%
6/30/2022	\$ 76,468,656.89	\$ 76,982,483.28	\$ 513,826.39	\$ 385,369.79	\$ 7,826,377.25	90%
9/30/2022	\$ 76,533,820.57	\$ 77,039,372.72	\$ 505,552.15	\$ 404,441.72	\$ 7,902,338.62	91%
12/31/2022	\$ 76,547,620.18	\$ 77,030,171.15	\$ 482,550.97	\$ 433,048.00	\$ 7,921,743.33	91%
9/30/2023	\$ 76,627,832.83	\$ 77,244,920.47	\$ 617,087.64	\$ 339,874.00	\$ 8,043,318.65	92%



SELF-INSURED GROUPS EXECUTIVE PROTECTION

Presented by:

Shaun J. Irwin, CPCU, CWCA, RPLU

Business Practice Leader

Presented: November 29, 2023

- A Reason To Smile



Agenda

November 29, 2023

During this session we will touch upon:

- Why do I need so many types of insurance?
- One Claim Can Lead To Another
- Biggest Current Trends
 - Best Practices Leads To Guidance, Leads To Rules
 - Ransomware – Multi Factor Authentication Requirements
 - Hiring Headaches
 - Fiduciary Liability Excessive Fee Coming To Health and Welfare Funds
- Most Likely Culprits
- Insurance Market Looking Ahead

Executive Protection

Why So Many Types of Insurance?

- Directors and Officers Liability
- Employment Practices Liability:
- Professional Liability
- Cyber Liability
- Fiduciary Liability



One Claim Or Another

- How does one type of claim lead to other claims?
 - Directors and Officers Liability
 - Employment Practices Liability
 - Professional Liability
 - Cyber Liability
 - Fiduciary Liability
 - SolarWinds cyber breach 2019, shareholder suit in 2020 settled for \$26m, October 30, 2023, SEC sues SolarWinds and CISO Tim Brown.
 - Private Company terminates employee, sued for wrongful termination and settles. The next year is sued because an Officer disparaged the separated employee to a potential employer.
 - Private school is sued for negligent hiring of a teacher with a previous conviction, director sued for knowledge of conviction, teacher sues for breach of privacy and confidentiality.
 - Third Party Administrator cyber breach, directors and officers sued for not notifying regulatory agencies or customers in timely fashion, Cyber, D &O, and Fiduciary Liability
-
- Shared Limits or Separate Limits

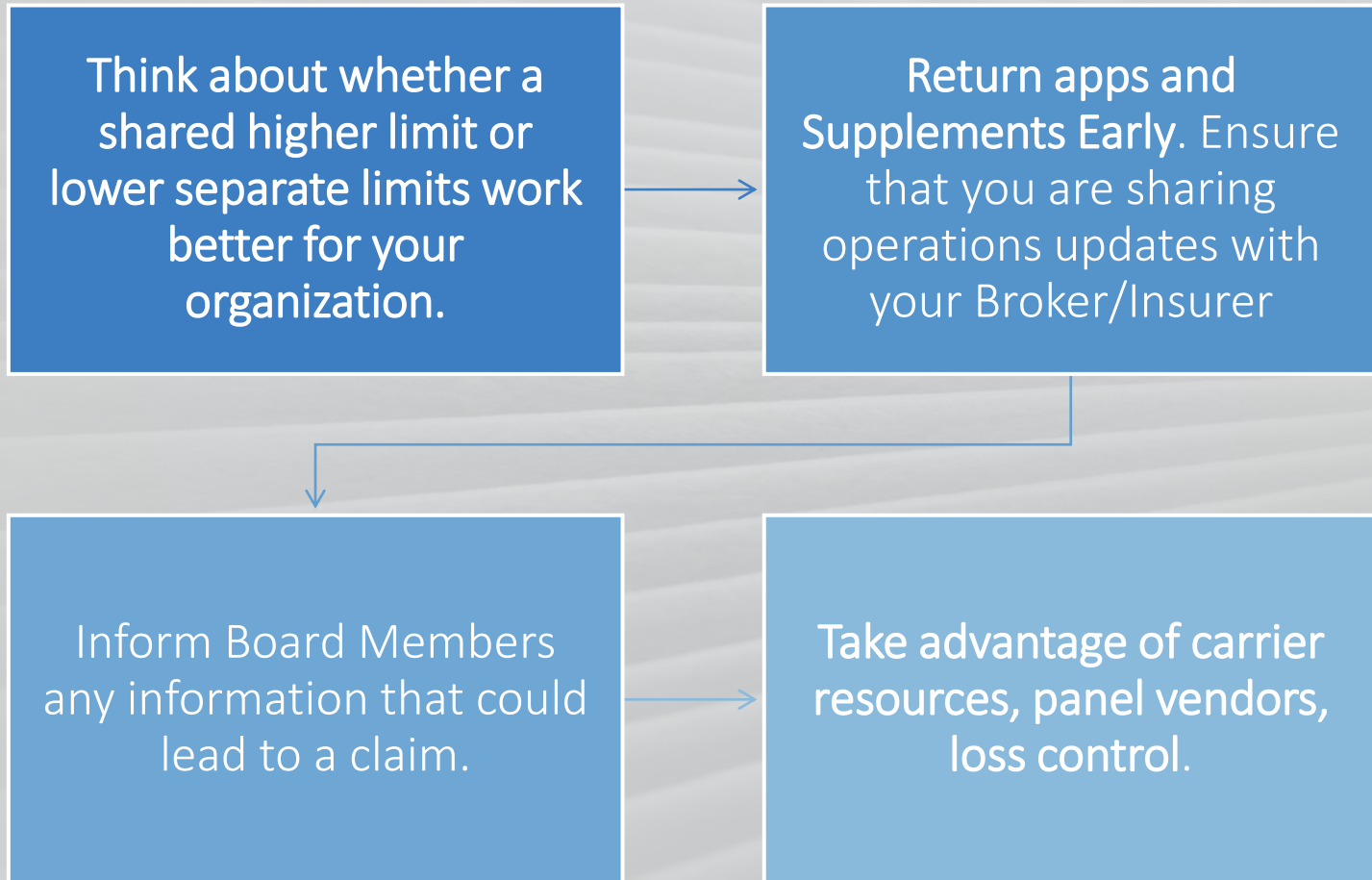
Most Likely Culprits

Most Likely Culprits

- Non-Profit and Privately Held Claimants
 - Regulators
 - **Employees**
 - Banks
 - Members
 - Vendors
 - Competitors



Tactical Steps



Biggest Current Trends...

Ransomware

- Cyber Claims are still the bogeyman that companies are and should be worried about.
- Attackers are finding people to be an even more attractive target for ransomware attacks, especially as they are working more virtually or are experimenting with hybrid environments due to COVID-19.

Regulators Willingness To Investigate and Bring Actions

- Department of Labor – Cyber Guidance
- SEC – Bringing action against SolarWinds.
- Expectation organizations will know what their vendors are doing.
- Plaintiff attorneys more aggressively than ever trying to write the law.
- Hiring too fast

Questions?

Executive Protection Market Update

Market Update and Rate Forecast

Product Line/Market Update*	Q4 2023	Q1 2023-2024 (YOY)
Directors and Officers Liability	Flat	Down 5%
Employment Practices Liability	Down 5%	Flat to Up 5%
Professional Liability	Up 10 – 25%	Up 10 - 30%
Fiduciary Liability	Flat	Flat
Cyber – Excellent Risk	Flat to Down 10%	Flat To Down 10%
Cyber – Moderate Risk	Up 15%	Up 15%

- Capacity Issues
- Additional Underwriting Requirements
- Policy Wording Restrictions
- Insurer Appetite Changes

Key Takeaways...

- Much more stable pricing
- Get verification of your Providers Cyber Liability limits.
- Legal review of legislation semi-annually. Example, What does marijuana legalization mean to you as an employer and an insurance fund?
- Report Circumstances That Could Give Rise To A Claim on renewal applications.





Northside Risk / BMS Re

Excess vs Reinsurance Market

11/09/2022



Property & Casualty Reinsurance Market

Casualty Reinsurance:

- Working Layers (GL/AL): Reinsurers remain concerned about Social Inflation and certain legal jurisdictions
 - Reinsurers are applying aggressive Loss Trend factors, resulting in higher Loss Picks on all Casualty Business
- Umbrella (GL/Excess AL): Less capacity available, reinsurers preferring to support condensed/ventilated limits
- Rate discipline is highly scrutinized

Property Reinsurance:

- Risk/Multi-Line: While retentions usually remained flat for Multi lines, AADs and other features to achieve best pricing
- Catastrophe: risk-adjusted loss free +12.5-30% and loss impacted 25%-100%+; Exposure Dependent
- Heavy emphasis on rate attainment and Insurance-To-Value (ITV)

Property & Casualty Net Combined Ratio

P&C Industry Net Combined Ratio

Private Carriers

Line of Business	2021 (%)	2022p (%)	Difference From 2021
Personal Auto	101	112	
Homeowners	104	104	
Other Liability (Incl. Product Liability)	97	96	
Commercial Auto	99	105	
Commercial Multi-Peril	106	106	
Fire & Allied Lines (Incl. Earthquake)	99	96	
Workers Compensation	87	84	-3
All Other Lines	92	87	
Total P&C Industry	99	102	3

p Preliminary

Source: NAIC's Annual Statement data for individual carriers prior to consolidation of affiliated carriers

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AIS
2023

Workers' Compensation Reinsurance Market

Great performance, but concerns are wide-spread

What's Great:

- NCCI reports an 84% Combined in 2022
 - \$17Bn in “reserve redundancy”
 - 11% Increase in Net Written Premiums
- COVID having a much smaller effect than expected
- Labor Market balancing out following tight post-COVID Market
 - AVG of 226K New jobs, along with a 4.2% wage increase to support WC Premium Growth
- Continued reduced frequency, muted severity
 - Claim frequency down 4% in 2022

Direct impact of COVID-19 (AY 2020 – 2022):

- Source: NCCI + 9 Rating Bureaus (45 States)
- 118k COVID-19 claims
- Avg. incurred of \$5.3K
- Incurred \$628M
- 1% of Industry WC Claims

What's Concerning:

- Rate adequacy, how low can rating bureaus go?
- Inflation:
 - Employment market – The Great Resignation
 - Medical technology costs - Good/Bad
 - Resulting interest rate activity -> Carrier Performance

Workers' Compensation Reinsurance Market

QUOTA SHARE

Capacity holding steady, though there is concern that industry will underperform in coming years.

- Excellent industry results spark market interest, but loss cost reductions are scaring markets simultaneously.
 - Reinsurers have concern that loss cost reductions are over-done, happening due to strong CY results (due to reserve releases), but AY performance is not as good
- Interest rate environment starting to help
 - Historically has provided a 10%-20% boost in operating ratios

Major Quota Share reinsurance markets are looking for “differentiation” in deals.

- What makes a deal “differentiated”?
 - Advantages in: Underwriting/Distribution/Claims, particularly when technology is involved – Sounds like SIG's Pools and Niche Opportunities!

Workers' Compensation Reinsurance Market

WORKING LAYER

Traditional dominant players continue to push rate (as % of subject premium) and limit sideways cover. One market is reducing large share sizes to let the market catch up.

- Severity is creeping up while NCCI loss costs continue to wane
 - Medical inflation and technological advancements for injured workers driving up claim costs
 - Per NCCI in 2022: Indemnity Severity is up 6%, and Medical Severity is up 5%
- On the positive front, new markets are now able to participate alongside the traditional large players. This is particularly true when \$9m xs \$1m layers are broken up into 2-3 separate layers.
- Rate change is more subdued than in past couple of years.
 - Some of rate change is being “Traded-off” by reductions in aggregate limits or introduction of paid reinstatements

Workers' Compensation Reinsurance Market

CAT EXCESS OF LOSS:

WC Cat experienced a very wide range on pricing, but final terms are flat to softening on a risk adjusted basis). Plenty of capacity in this space:

- London and key Bermuda markets provided competitive terms
- Domestic markets quoted terms that were much higher than expiring, to then support firm orders with little rate change to expiring
- Max Any One Life (MAOL) limits are holding at \$10M. \$15M to \$20M MAOLs are being quoted, but coverage is expensive
- Per Person Coverage bought up to \$15M for smaller carriers. More available for larger insurers.

Workers' Compensation Reinsurance Market

TERMS AND CONDITIONS:

Communicable Disease (CD) remains main concern

- Most widely acceptable language is LMA 5504 (96 Hours, sudden and accidental OD/CT).
 - Best coverage in market, but COVID could be challenging to prove in a tight window
 - Some sub-limiting, but less of an issue than in prior 2 years.
 - Potential room to negotiate the sub-limits upward
- Other approach is to treat CD strictly on per person basis
- Fewer markets requiring outright COVID exclusion, though some of the competitive Cat XOL markets are quoting on that basis
- Clients prefer pandemic specific language – Communicable Disease is too broad and will limit coverage on diseases typically covered under a comp contract
- Discussion on whether COVID is “Endemic” will have an effect on Primary and Reinsurance markets

Excess vs Reinsurance

We do both, but they have their major differences.

Excess Workers Comp Carriers – 5? 6?

- Dominated by SNCC and MVEC
- Arch? Chubb? In the game or not? Reliable?
- All US domiciled
- Only Provide Excess – Will not support Fronting, Quota Share or Cat

Reinsurance Market

- QS and XOL and Cat – Over 300 Markets.
- Safety National Re / Berkely Re / Hannover Re / London / Ambridge Re / Markel Re / Waypoint UWs....and many more.
- Will support “other states” program. Fronts and other Risk Sharing mechanics.

Capital Management

Evaluating Complex Capital Solutions to Drive Profitable Growth

Rating Agency & Regulatory Advisory

- Providing rating agency advice to clients through the ratings lifecycle
- Understanding methodology updates and data requests
- Initial ratings and start up ratings advisory
- Trusted advice on capital solutions and M&A in order to make concrete decisions without rating agency concerns
- Structured Re analysis
- Regulatory solvency

+

Financial Analysis & Capital Strategy

- Peer benchmarking
- Profitability analysis
- Market entry: macro competitor, LOB, risk/return assessment
- Counterparty risk guidelines and policy statements
- ERM advisory
- Growth and M&A strategy to achieve profitable growth
- Collaboration with BMS capital advisory on efficient capital adequacy and allocation

=

Capital Management