

TBG Board Meeting Agenda  
Thursday September 17, 2020  
1:00 pm TBG Boardroom

- I.     **1:00 to 1:01**   Call to Order – Tom Corrigan
- II.    **1:01 to 1:05**   Approval of Minutes – Kris Scherer
- III.   **1:05 to 1:25**   Brad Baker, TBG Claims Manager, Review of death claims and subrogation
- IV.    **1:25 to 1:45**   Financial Report – Jennifer Noble
  - 1.   July 2020 Financial Report
  - 2.   Budget Timeline
- V.     **1:45 to 2:00**   Marketing/Operations Update – Mitch Loewen
  - 1.   Ops Report
- VI.    **2:00 to 2:30**   CEO Report
  - 1.   Midyear Actuarial Review and 2021 Rate Recommendation for Approval
  - 2.   Review of statute on “Posting requirements”
- VII.   **2:30 to 2:45**   Break
- VIII.  **2:45 to 3:45**   CEO Report – Stu Thompson - continued
  - 1.   Captive Update
  - 2.   LPT Discussion
  - 3.   Safety Services Association concept
  - 4.   Sentry Premium/Loss by year
  - 5.   Project Build update/discussion
  - 6.   December Board Meeting
- IX.    **3:45to 4:30**   Committee Reports
  - 1.   Executive Committee – Tom Corrigan
  - 2.   Long Range Planning Committee – Craig Plekkenpol
    - a.   2021 Strategic Plan Update
  - 3.   Finance Committee – Craig Plekkenpol
  - 4.   Investment Committee – Lowell Pratt
  - 5.   Nominating Committee – Tom Corrigan
  - 6.   Director Orientation Committee
  - 7.   TBG Education Foundation – Lowell Pratt, Stu Thompson
    - a.   Golf outing
    - b.   Requests
- XI     **4:30**   Board Only Session

THE BUILDERS GROUP  
BOARD OF DIRECTORS MEETING  
TBG Board Room July 23, 2020

Directors Present:

Tom Solberg  
Tom Corrigan  
Lowell Pratt  
Mark Meyer  
Kristopher Scherer

Sterling Black  
Curt Swanson  
Ricard Larson  
Craig Plekkenpol

TBG Staff Present:

Stu Thompson – CEO  
Jennifer Noble - Director of Finance  
Mitch Loewen – Director of Insurance  
Joe Sherman – Director of Information Technology

Guests Present:

Leo Lucas- Mesaba Range College  
Brad Baker- Mackinaw  
John Schindel- Schindel Segal

Call to Order: Tom Corrigan

Chairperson Tom Corrigan called the meeting to order at 1:06 PM.

Approve Minutes: Kristopher Scherer

A request was made for a motion to approve the minutes of the May 21st, 2020 Board Meeting. Lowell Pratt motioned to approve the minutes and Mark Meyer seconded the motion. Motion carried.

Financial Report: Jennifer Noble

A complete review of the Fund's First 5 months Financials was presented to the Board.

The review included total revenue, premium earned, claims, YOY investment income comparison and cash flows and cash flow projections.

A motion was made to approve the Revised 2020 Budget by Tom Solberg and Lowell Pratt seconded. Motion carried.

Operations/Marketing Report: Mitch Loewen

A review of the Fund's operations through May of 2020 was presented to the Board. The review included: Premium and payroll data, new business, cancellations and claims review. The Board was also updated on the Cross Border Program and sales contest.

CEO Report: Stu Thompson

Sterling Black moved to accept the actuarial reconciliation and investment policy. \$5,524,946 dividend is to be paid to members in 2021. Seconded by Craig Plekkenpol. Motion carried.

Stu updated the Board on the follow items:

The Captive Insurance program language is written. CPA and Actuary approved the language.

Board retreat - Most likely move December meeting to an ordinary meeting. Reschedule Board retreat to early next year, Covid situation dependent.

Tom Solberg submitted his resignation.

Lowell PRATT MOVED THAT John Lloyd fill Tom Solberg's directorship. Craig Plekkenpol seconded the motion. There was discussion. Motion Passed

Committee Reports:

Nominating committee; Blake Palmer is the new Director intern. He will begin in September

Adjourn:

Motion to adjourn at 3:35PM by Curt Swanson and seconded by Lowell Pratt . Motion Carried.

Kristopher Scherer Board Secretary

THE BUILDERS GROUP  
BOARD OF DIRECTORS MEETING  
TBG Board Room July 23, 2020

Directors Present:

Tom Corrigan  
Lowell Pratt  
Mark Meyer  
Kristopher Scherer  
Sterling Black

Curt Swanson  
Ricard Larson  
Craig Plekkenpol  
John Lloyd

Guests Present:

John Schindel- Schindel Segal

Call to Order: Tom Corrigan

Chairperson Tom Corrigan called the meeting to order at 4:16 PM.

Executive Committee Members:

The following Directors were suggested for the Executive committee continuing their current positions:

- Tom Corrigan – Chair
- Lowell Pratt – Vice Chair
- Kristopher Scherer- Secretary
- Craig Plekkenpol – Treasurer

Mark Meyer moved that the slate be elected. Richard Larson seconded. Motion carried.

There was no other business at this time.

Adjourn:

A Motion was made to adjourn at 4:42PM by Craig Plekkenpol and seconded by Sterling Black . Motion Carried.

Kristopher Scherer Board Secretary



The Builders Group

Interim Financial Statements  
Consolidated

July 31, 2020



## ***July 2020 Financial Report***

### ***Executive Summary***

#### Revenue

The Builders Group ended the month of July with premium revenue of \$4.74 million and total revenue of \$4.89 million, with earnings on investments accounting for \$96K of revenue, cross border revenue of \$35K, and other income of \$14K. The other income represents \$11K rental revenue (for the Eagan building - Formula and Meadowbrook) and \$3K late fees.

July's premium earned of \$4.74 million compared to July 2019 of \$3.76 million is a 26.2% increase year-over-year. We budgeted July premium earned at \$4.18 million, which puts us 13.5% ahead of budget for the month. July YTD premium earned of \$25.3 million compared to budgeted July YTD premium earned of \$23.8 million puts us 6.5% ahead of budget for the year.

#### Claims

July 2020 net paid claims of \$1.45 million are 2% higher than July 2019 net paid claims of \$1.42 million. July 2020 YTD claims paid of \$13.6 million are 24.9% higher than July 2019 YTD claims paid of \$10.9 million. For 2020, we are accruing total claims paid, reserved and IBNR at 61% of premium earned.

#### YOY Comparison

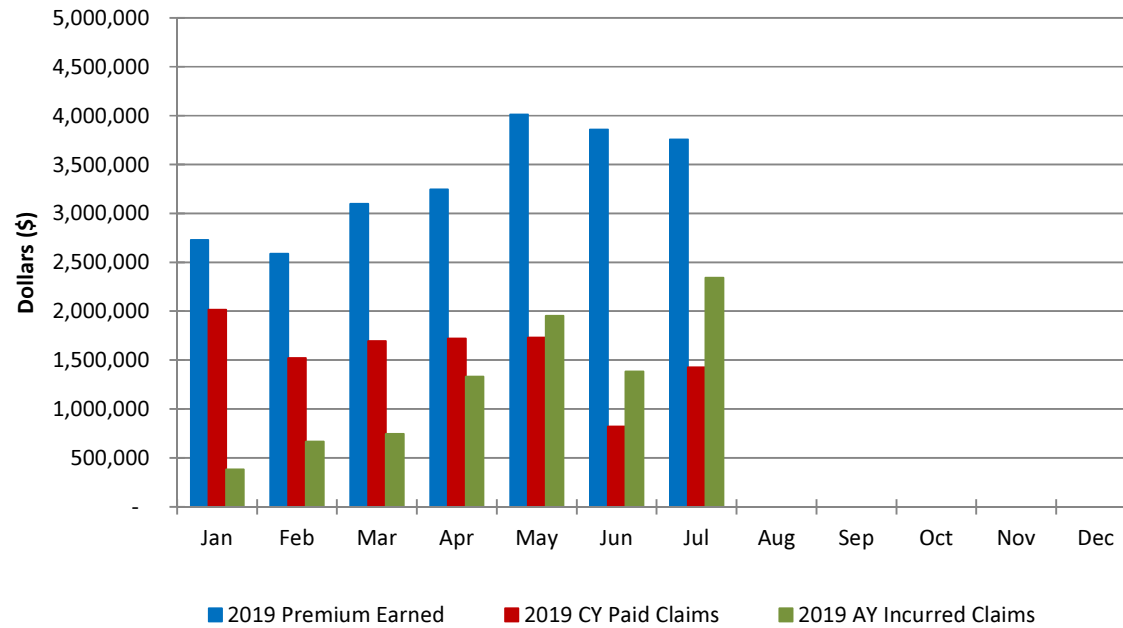
- July YTD investment income comparison
  - 2019 – CD interest \$314K, dividend income \$627K and realized gain(loss) \$261K.
  - 2020 – CD interest \$337K, dividend income \$627K and realized gain(loss) \$816K.
- July 2020 - Unrealized Gain (Loss) on Investments \$2.46 million.

#### Cash Flows & Projection

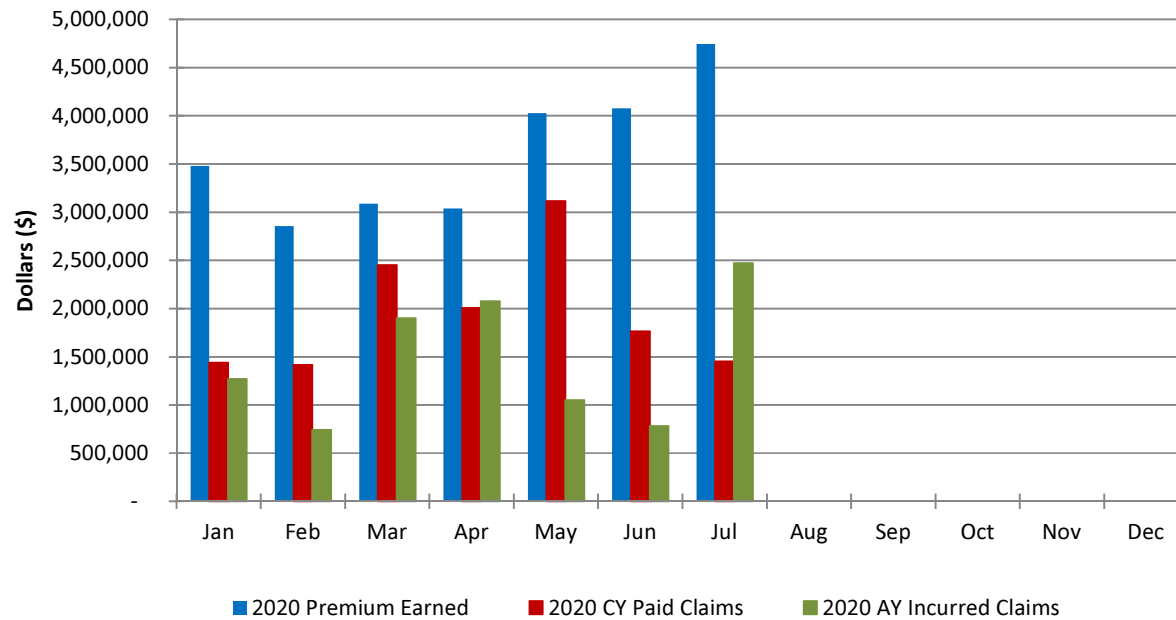
In the first seven months of 2020, our cash increased by \$3.26 million compared to a forecasted cash increase of \$1.83 million. The difference is driven by premiums cash \$1.37 million higher than forecast, claims recoveries \$492K higher than forecast, claims LPT recoveries \$476K higher than forecast, security deposits received \$167K higher than forecast, member refunds \$119K lower than forecast, and investment earnings-cash \$74K higher than forecast, partially offset by other payments \$512K higher than forecast (includes \$250K add'l security deposit for Sentry), commission payments \$146K higher than forecast and claims paid \$120K higher than forecast.

The 2020 "budget forecast" uses the year-end 2019 actuarial report to estimate total claims paid and LPT reimbursements with the monthly forecasts using a 5-year average paid each month.

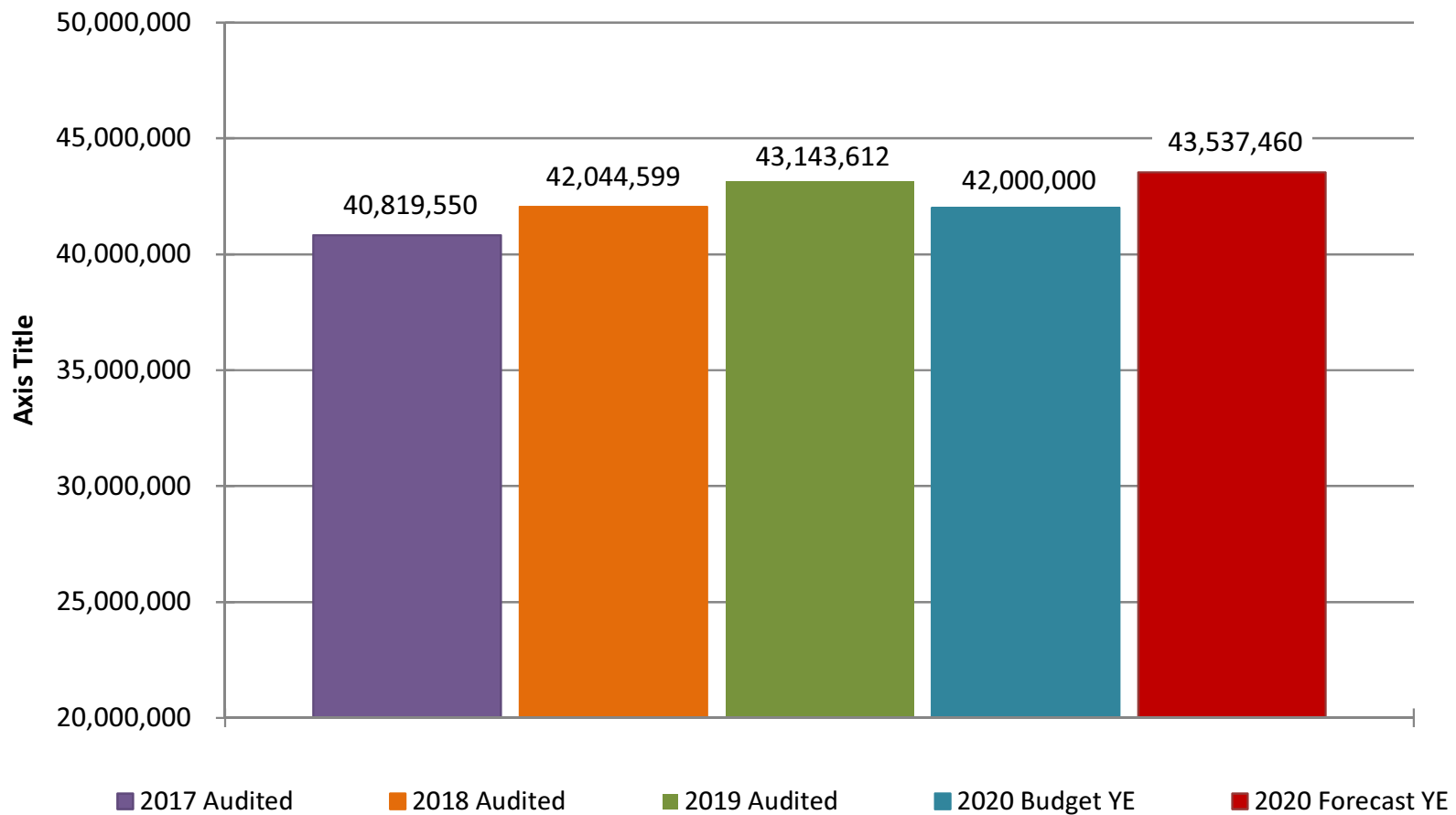
## 2019 Premium and Claims History



## 2020 Premium and Claims History

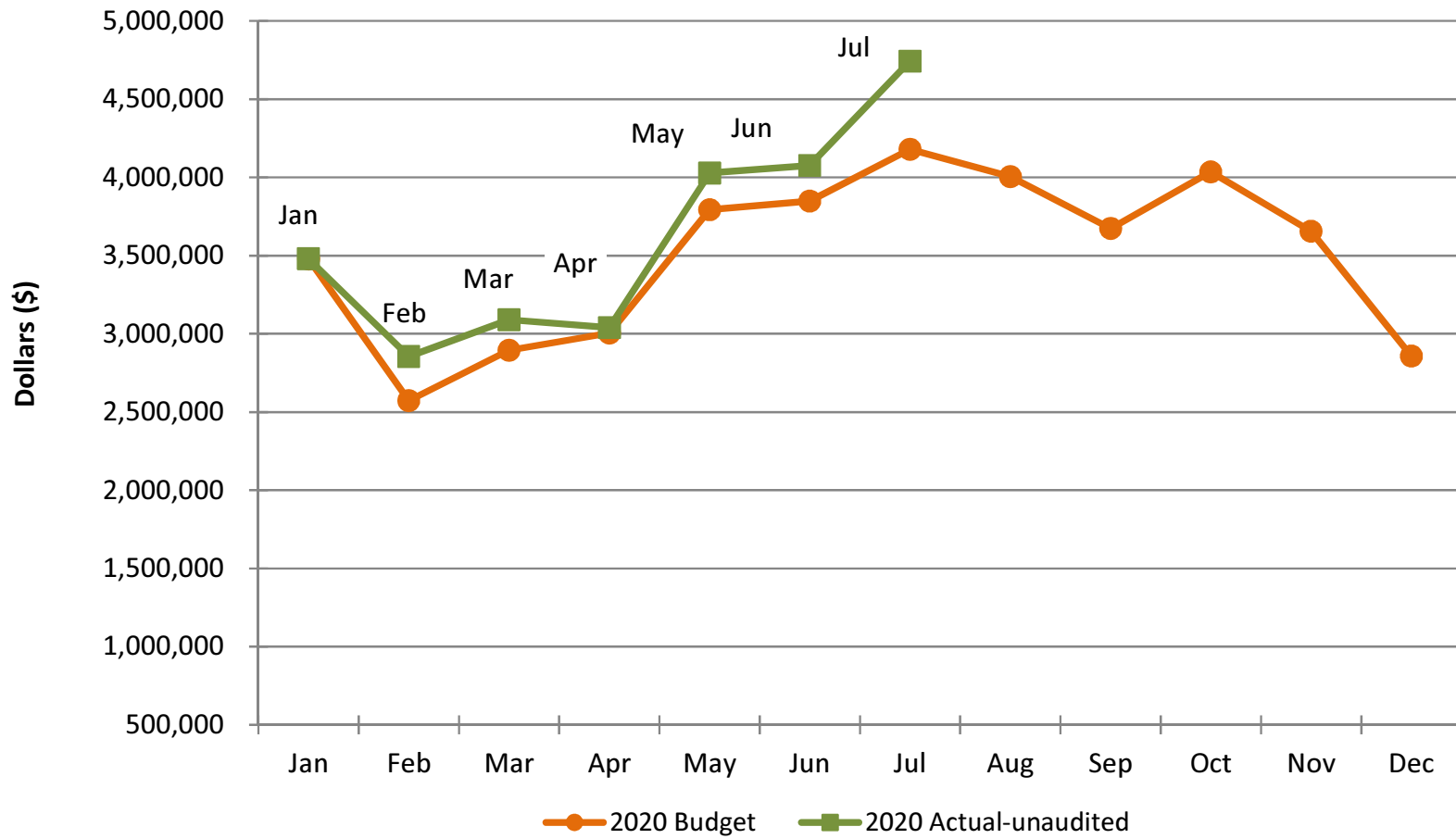


## TBG Premium History, Annual Totals, 2017-2020





## 2020 TBG Premium Budget vs Actual by Month



## The Builders Group

### Cash Projections

as of 7/2020 book close

	Actual 2019	Budget 2020	Forecast 2020
Premium Earned - Inc Stmt TBG	43,032,572	42,000,000	43,537,460
Premium Earned - Inc Stmt CB	547,564	600,000	684,831
Investment Earnings - Inc Stmt	2,083,354	1,560,700	2,422,268
<b>Cash Inflows</b>			
Premiums - Cash	44,301,814	43,056,122	44,424,732
Investment Earnings - Cash	319,067	324,000	398,026
Other Income	188,192	146,000	165,576
Security Deposits received	708,951	560,000	726,550
Other Cash Receipts	365,479	90,000	113,991
<b>Total Cash Inflows</b>	45,883,503	44,176,122	45,828,876
<b>Cash Disbursements</b>			
Claims paid	20,135,045 <sup>a</sup>	23,963,524 <sup>a</sup>	23,114,703 <sup>a</sup>
Special Comp Fund	1,033,808	1,034,819	974,135
Reinsurance/Empl Liability	848,496	1,084,915	1,084,915
Commission payments	3,358,921	3,217,921	3,363,664
Claims administration payments	939,300	948,696	943,215
Salaries and payroll taxes	2,151,637	2,210,000	2,214,358
Member refunds	712,468	755,000	635,866
Tax payments (refunds)	-	-	-
Other payments	3,570,158	3,570,158	4,081,779
Fixed assets purchases	15,956	-	26,256
<b>Total Cash Disbursements</b>	32,765,789	36,785,033	36,438,892
<b>Change in Cash</b>			
Plus: Cash Inflows	45,883,503	44,176,122	45,828,876
Less: Cash Disbursements	(32,765,789)	(36,785,033)	(36,438,892)
Change in Cash	13,117,714	7,391,089	9,389,983
<b>Posting Requirement</b>	35,525,566	42,320,359	42,320,323
<b>Collateral Surplus (Deficit)</b>	28,335,835	14,628,962	21,765,333
<b>Cash Surplus (Deficit)</b>	22,120,576	17,038,453	20,687,620

#### Notes:

a) Claims paid is net of recoveries and LPT reimbursements.

**The Builders Group**  
**Consolidated Balance Sheet**

	<u>July 2020</u>	<u>June 2020</u>	<u>Audited</u> <u>December 2019</u>
<b>Assets</b>			
Cash & Cash Equivalents	46,804,925	45,750,474	47,757,350
Premium Receivables (Net)	4,719,676	4,021,086	3,237,879
Intercompany Receivable	19,942	(278,610)	239,093
Investments (Market Value)			
Accrued Interest-CD's	116,944	95,216	102,583
Investment Securities	37,739,718	37,010,562	37,676,828
Investment in Real Estate	8,715,051	8,715,051	7,080,000 *
Deferred Income Taxes	855,730	855,730	855,730
Fixed Assets (Net)	3,226,440	3,245,680	3,343,304
Prepaid Expenses & Other Assets	1,769,586	1,580,850	2,427,577
<b>Total Assets</b>	<u>103,968,012</u>	<u>100,996,039</u>	<u>102,720,343</u>
<b>Liabilities</b>			
Claim Reserves & IBNR	36,858,729	35,437,943	35,835,964
Security Deposit Payable	9,531,082	9,509,435	9,064,117
Member Distribution Payable	43,616,980	43,616,980	46,792,135
Special Compensation Fund Reserve	3,993,911	3,991,073	3,974,046
Accounts Payable & Accrued Expenses	2,814,646	2,895,157	3,612,713
Note Payable - PPP Loan	362,700	362,700	-
Unrealized Gain (Loss) on Investments			
Investments - Securities	2,841,556	2,148,203	4,080,238
Investments in Real Estate	(638,869)	(638,869)	(638,869)
<b>Total Liabilities</b>	<u>99,380,734</u>	<u>97,322,621</u>	<u>102,720,343</u>
<b>Equity</b>			
Retained Earnings-Current Year	<u>4,587,278</u>	<u>3,673,418</u>	<u>-</u>
<b>Total Equity</b>	<u>4,587,278</u>	<u>3,673,418</u>	<u>0</u>
<b>Total Liabilities and Equity</b>	<u>103,968,012</u>	<u>100,996,039</u>	<u>102,720,343</u>

\* The difference between the year-end audited and the interim monthly financials is the year-end audited includes the real estate properties financials and interim monthly does not.

**The Builders Group**  
**Consolidated Income Statement**  
**Actual vs. Budget**

	July 2020				Year to Date July				YTD Mix	
	Actual	Budget	F/(U) vs. Budget		Actual	Budget	F/(U) vs. Budget		Actual	Budget
			\$	%			\$	%		
Revenue										
Premium Revenue	4,743,108	4,179,397	563,711	13.5%	25,310,236	23,772,777	1,537,459	6.5%	100.0%	100.0%
Reinstatement & Late Fee Revenue	3,000	4,000	(1,000)	(25.0%)	13,200	28,000	(14,800)	(52.9%)	0.1%	0.1%
Total Member Revenue	4,746,108	4,183,397	562,711	13.5%	25,323,436	23,800,777	1,522,659	6.4%	100.1%	100.1%
Other Income										
Earnings on Investments, net	96,191	83,558	12,633	15.1%	1,729,552	869,908	859,644	98.8%	6.8%	3.7%
Cross Border Premium	35,470	50,000	(14,530)	(29.1%)	434,830	350,000	84,830	24.2%	1.7%	1.5%
Other Income	11,250	11,250	-	0.0%	106,326	96,750	9,576	9.9%	0.4%	0.4%
Total Revenue	4,889,020	4,328,205	560,815	13.0%	27,594,145	25,117,435	2,476,710	9.9%	109.0%	105.7%
Claims Expense										
Claims Paid, Reserved & IBNR	2,914,968	2,579,932	(335,036)	(13.0%)	15,705,814	14,714,894	(990,920)	(6.7%)	62.1%	61.9%
Reinsurance & Employer Liability	119,974	119,974	(1)	(0.0%)	839,437	828,957	(10,480)	(1.3%)	3.3%	3.5%
Special Comp Fund	89,073	89,073	0	0.0%	623,510	623,511	1	0.0%	2.5%	2.6%
Claims Administration	81,465	83,459	1,993	2.4%	576,738	590,761	14,023	2.4%	2.3%	2.5%
Total Claims Expense	3,205,481	2,872,437	(333,043)	(11.6%)	17,745,499	16,758,123	(987,376)	(5.9%)	70.1%	70.5%
Administrative Expenses										
Agent Commission Expense	353,615	312,975	(40,639)	(13.0%)	1,906,316	1,785,085	(121,231)	(6.8%)	7.5%	7.5%
Cross Border Program Expenses	13,981	14,167	186	1.3%	98,618	99,167	549	0.6%	0.4%	0.4%
Salary & Benefits Expense	233,999	242,798	8,799	3.6%	1,686,383	1,720,485	34,102	2.0%	6.7%	7.2%
General & Administrative Expenses	147,571	175,693	28,122	16.0%	1,425,927	1,684,480	258,553	15.3%	5.6%	7.1%
Depreciation Expense	20,513	20,169	(343)	(1.7%)	144,124	143,668	(456)	(0.3%)	0.6%	0.6%
Total Administrative Expenses	769,679	765,803	(3,876)	(0.5%)	5,261,368	5,432,885	171,517	3.2%	20.8%	22.9%
Total Expenses	3,975,160	3,638,240	(336,919)	(9.3%)	23,006,867	22,191,008	(815,859)	(3.7%)	90.9%	93.3%
Net Income (Loss) Before Taxes	913,860	689,965	223,895	32.5%	4,587,278	2,926,427	1,660,851	56.8%	18.1%	12.3%
Admin. Expense, % of Premium	16.6%	18.9%			21.5%	23.7%				
Claims Expense, % of Premium	66.7%	67.8%			69.1%	69.4%				
Combined Ratio	83.4%	86.7%			90.6%	93.1%				

**The Builders Group**  
**Consolidated Income Statement**  
**Year-Over-Year**

	July				Year to Date July			
	2020	Mix	2019	Mix	2020	Mix	2019	Mix
Revenue								
Premium Revenue	4,743,108	100.0%	3,759,719	100.0%	25,310,236	100.0%	23,293,630	100.0%
Reinstatement & Late Fee Revenue	<u>3,000</u>	0.1%	<u>3,300</u>	0.1%	<u>13,200</u>	0.1%	<u>22,855</u>	0.1%
Total Member Revenue	4,746,108	100.1%	3,763,019	100.1%	25,323,436	100.1%	23,316,485	100.1%
Other Income								
Earnings on Investments, net	96,191	2.0%	87,029	2.3%	1,729,552	6.8%	1,160,555	5.0%
Cross Border Premium	35,470	0.7%	47,310	1.3%	434,830	1.7%	313,407	1.3%
Other Income	<u>11,250</u>	0.2%	<u>20,315</u>	0.5%	<u>106,326</u>	0.4%	<u>124,951</u>	0.5%
Total Revenue	4,889,020	103.1%	3,917,673	104.2%	27,594,145	109.0%	24,915,398	107.0%
Claims Expense								
Claims Paid, Reserved & IBNR	2,914,968	61.5%	2,298,160	61.1%	15,705,814	62.1%	14,240,711	61.1%
Reinsurance & Employer Liability	119,974	2.5%	135,631	3.6%	839,437	3.3%	816,051	3.5%
Special Comp Fund	89,073	1.9%	88,848	2.4%	623,510	2.5%	621,935	2.7%
Claims Administration	<u>81,465</u>	1.7%	<u>80,137</u>	2.1%	<u>576,738</u>	2.3%	<u>565,978</u>	2.4%
Total Claims Expense	3,205,481	67.6%	2,602,775	69.2%	17,745,499	70.1%	16,244,675	69.7%
Administrative Expenses								
Agent Commission Expense	353,615	7.5%	281,720	7.5%	1,906,316	7.5%	1,746,921	7.5%
Cross Border Program Expenses	13,981	0.3%	19,167	0.5%	98,618	0.4%	139,892	0.6%
Salary & Benefits Expense	233,999	4.9%	227,509	6.1%	1,686,383	6.7%	1,636,772	7.0%
General & Administrative Expenses	147,571	3.1%	149,744	4.0%	1,425,927	5.6%	1,431,481	6.1%
Depreciation Expense	<u>20,513</u>	0.4%	<u>20,484</u>	0.5%	<u>144,124</u>	0.6%	<u>143,924</u>	0.6%
Total Administrative Expenses	<u>769,679</u>	16.2%	<u>698,624</u>	18.6%	<u>5,261,368</u>	20.8%	<u>5,098,990</u>	21.9%
Total Expenses	3,975,160	83.8%	3,301,399	87.8%	23,006,867	90.9%	21,343,665	91.6%
Net Income (Loss) Before Taxes	<u>913,860</u>	19.3%	<u>616,274</u>	16.4%	<u>4,587,278</u>	18.1%	<u>3,571,733</u>	15.3%
Admin. Expense, % of Premium	16.6%		19.3%		21.5%		22.7%	
Claims Expense, % of Premium	66.7%		68.1%		69.1%		68.6%	
Combined Ratio	83.4%		87.4%		90.6%		91.3%	

**The Builders Group**  
**G&A Expense Variance Report - Consolidated**  
**July 2020**

Department	Year to Date July				2020 Budget
	Year to Date July	Budget	Variance \$	Variance %	
<i>Underwriting</i>	164,548	167,707	3,159	2%	287,472
<i>Marketing</i>	392,043	500,740	108,696	22%	783,276
<i>Safety Services</i>	485,190	506,515	21,325	4%	868,221
<i>Accounting</i>	316,948	348,828	31,880	9%	534,338
<i>Member Audits</i>	230,853	246,262	15,409	6%	378,247
<i>Information Services</i>	526,984	575,734	48,750	8%	965,298
<i>Corporate Office</i>	990,118	1,041,617	51,499	5%	1,796,936
<i>Associations</i>	123,707	135,200	11,493	9%	191,200
<i>Claims</i>	26,042	26,030	(12)	(0%)	43,889
<b>Total</b>	<b>3,256,433</b>	<b>3,548,633</b>	<b>292,199</b>	<b>8%</b>	<b>5,848,876</b>
<i>Salary &amp; Benefits Expense</i>	1,686,383	1,720,485	34,102	2%	2,950,347
<i>General &amp; Administrative Expenses</i>	1,425,927	1,684,480	258,553	15%	2,654,015
<i>Depreciation Expense</i>	144,124	143,668	(456)	(0%)	244,515
<b>Total</b>	<b>3,256,433</b>	<b>3,548,633</b>	<b>292,199</b>	<b>8%</b>	<b>5,848,876</b>

**Comments**

<i>Underwriting</i>	Favorable variance driven by employee expenses & payroll taxes lower than budget.
<i>Marketing</i>	Favorable variance driven by prof fees (timing), printing, marketing agency, marketing sporting events, marketing promotional items, marketing advisory council (trip cancelled), salaries, benefits, taxes & employee expenses lower than budget.
<i>Safety Services</i>	Favorable variance driven employee expenses, safety demo rm/training expenses & health insurance lower than budget, partially offset by salaries higher than budget.
<i>Accounting</i>	Favorable variance driven by prof fees, temp/contract labor, payroll taxes & travel lower than budget.
<i>Member Audits</i>	Favorable variance driven by prof fees, employee expenses, salaries & 401K contributions lower than budget.
<i>Information Services</i>	Favorable variance driven by prof fees, computer support & service, computer software & IT supplies, employees expenses & internet lower than budget.
<i>Corporate Office</i>	Favorable variance driven by prof fees, prof fees actuary, postage, office supplies, multi-state/SIAA, meetings expense, board travel, legal, travel expense, meals & entertainment, dues & subscriptions, intercompany & Mallard expenses lower than budget, partially offset by insurance & telephone higher than budget.
<i>Associations</i>	Favorable variance driven by assoc. events, assoc. sponsor fees & dues & subscriptions lower than budget.
<i>Claims</i>	No variance. Office supplies & internet higher than budget, offset by postage lower than budget.

**Total TPA  
Cross Border Program Report  
July 2020**

	July 2020				Year to Date July				Program
	Actual	Budget	F/(U) vs. Budget		Actual	Budget	F/(U) vs. Budget		to Date
			\$	%			\$	%	Actual
Revenue									
Cross Border Premium	35,470	50,000	(14,530)	(29%)	434,830	350,000	84,830	24%	1,722,135
Expenses									
Claims Paid	17,500	29,057	11,557	40%	247,050	203,401	(43,648)	(21%)	1,253,019
Claims Fee	4,137	1,443	(2,694)	(187%)	19,485	10,099	(9,387)	(93%)	75,145
Reinsurance	18,917	18,917	(0)	(0%)	121,559	121,558	(1)	(0%)	837,199
Agent Commission	2,625	3,700	1,075	29%	33,359	25,900	(7,459)	(29%)	111,772
Fronting Fee	9,000	9,000	-	0%	63,000	63,000	-	0%	337,998
Broker Fee	4,167	4,167	(0)	(0%)	29,169	29,167	(2)	(0%)	179,181
Premium Tax	68	700	632	90%	4,769	4,900	131	3%	21,597
Subsequent/2nd Injury fund/other WC pmt	746	300	(446)	(149%)	1,680	2,100	420	20%	8,415
Total Expenses	57,160	67,283	10,124	15%	520,071	460,125	(59,947)	(13%)	2,824,325
Net Income (Loss)	<u>(21,689)</u>	<u>(17,283)</u>	<u>(24,653)</u>	143%	<u>(85,241)</u>	<u>(110,125)</u>	<u>144,777</u>	(131%)	<u>(1,102,190)</u>



**WE MAKE WORKERS' COMP WORK**



# Membership

## Year to Date

	MEMBERS	PREMIUM	AVERAGE PERMIUM
2016	771	\$41,922,359	\$54,374
2017	717	\$41,290,758	\$57,588
2018	710	\$41,728,577	\$58,773
2019	693	\$41,653,339	\$60,106
2020	707	\$42,833,438	\$60,580

# Revenue

## Month of July

	PAYROLL	PREMIUM	NET RATE
2016	\$97,011,341	\$4,260,111	4.39
2017	\$86,617,450	\$3,576,428	4.13
2018	\$96,249,439	\$3,560,254	3.70
2019	\$101,995,750	\$3,708,495	3.64
2020	\$130,822,039	\$4,662,230	3.56

# Revenue

## Year to Date

	PAYROLL	PREMIUM	NET RATE
2016	\$576,652,867	\$23,560,137	4.09
2017	\$573,213,538	\$21,842,386	3.81
2018	\$619,767,952	\$21,670,548	3.50
2019	\$657,116,263	\$22,745,661	3.46
2020	\$735,629,502	\$24,762,613	3.37

# Lost Business

## Year to Date

	#	PREMIUM	AVERAGE PERMIUM
2016	98	\$3,285,531	\$33,526
2017	84	\$1,633,566	\$19,447
2018	50	\$1,078,542	\$21,571
2019	52	\$1,701,661	\$32,724
2020	25	\$695,250	\$27,810

# Claims Report

## Year to Date

Year	Inc (AY)	Inc (CY)	L/R (AY)	L/R (CY)	Med	Ind	Tot#	Avg\$	NOC
2016	\$7,887,580	\$15,023,436	33.5 %	63.8 %	718	208	926	\$8,518	65
2017	\$6,433,497	\$11,949,088	29.5 %	54.7 %	670	164	834	\$7,714	76
2018	\$6,514,646	\$12,808,907	30.1 %	59.1 %	806	154	960	\$6,786	282
2019	\$8,801,372	\$15,455,059	38.7 %	67.9 %	755	200	955	\$9,216	342
2020	\$10,290,692	\$15,046,888	41.6 %	60.8 %	695	113	808	\$12,736	231

\* AY: claims with accident dates in the current year

\* CY: claims with accident dates in all years

# Claims Report

## YTD Losses over \$100,000

Date	Insured	Cause of Injury	Body Part	Incurred
1/15/2020	Allstar Holdings LLC		BRAIN	\$2,390,068
6/26/2020	Marshall Concrete Products	CHEMICALS		\$879,698
3/7/2020	Bob Hecimovich Mechanical		MULTIPLE	\$853,000
7/1/2020	Deutsch Construction, Inc.	FALL/SLIP ENTER/EXIT VEHICLE	HIP	\$186,200
1/15/2020	Northwest Asphalt, Inc.	FALL/SLIP AT RECREATIONAL AREA	WHOLE BODY	\$184,317
5/29/2020	Green Horizons, Inc.	SLIP/FALL FROM OTHER SURFACE	LOWER RIGHT LEG	\$122,480
4/24/2020	Retka Enterprises, Inc.	FALL/SLIP/TRIP LADDER/SCAFFOLD	FOOT	\$110,700

## Large Losses Over \$25,000

Accident Date	Insured Name	Cause of Injury	Body Part	Incurred
1/15/2020	Allstar Holdings LLC		BRAIN	\$2,390,068
6/26/2020	Marshall Concrete Products, Inc.	CHEMICALS		\$879,698
3/7/2020	Bob Hecimovich Mechanical Contracting, Inc.		MULTIPLE BODY PARTS	\$853,000
7/1/2020	Deutsch Construction, Inc.	FALL/SLIP ENTER/EXIT VEHICLE	HIP	\$186,200
1/15/2020	Northwest Asphalt, Inc.	FALL/SLIP AT RECREATIONAL AREA	WHOLE BODY	\$184,317
5/29/2020	Green Horizons, Inc.	SLIP/FALL FROM OTHER SURFACE	LOWER RIGHT LEG	\$122,480
4/24/2020	Retka Enterprises, Inc.	FALL/SLIP/TRIP LADDER/SCAFFOLD	FOOT	\$110,700
5/13/2020	Scherer Brothers Lumber		RIGHT SHOULDER	\$94,103
3/11/2020	Krech Exteriors, Inc.	FALL/SLIP/TRIP LADDER/SCAFFOLD	MULTIPLE BODY PARTS	\$93,500
5/9/2020	Zablocki Roofing Inc.	FALL/SLIP/TRIP ELEVATION	LOWER LEFT LEG	\$93,201
5/18/2020	Dan Larson Enterprises, Inc.	MOTOR VEHICLE NOC	LOWER LEG	\$87,500
8/20/2020	J.M.E. of Monticello, Inc	INDUSTRIAL VEHICLE UPSET	MULTIPLE BODY SYSTEMS	\$86,200
1/20/2020	Siwek Lumber & Millwork Inc.		NECK DISC	\$85,673
2/12/2020	Nexstep System LLC	FALL/SLIP/TRIP ON ICE OR SNOW	LEFT KNEE	\$82,000
2/5/2020	Stillwater Towing, Inc.	FALL/SLIP/TRIP ON ICE OR SNOW	MULTIPLE NECK INJURY	\$81,500
3/31/2020	Nor-Son, Inc.		LOWER BACK AREA	\$81,363
7/23/2020	RSBS Management, Inc.	CAR OR TRUCK COLLISION	INSUFFICIENT INFO/UNCLASSIFIED	\$81,200
7/2/2020	Schadegg Mechanical, Inc.	FALL/SLIP/TRIP NOC	RIGHT KNEE	\$80,648
4/23/2020	Zablocki Roofing Inc.	FALL/SLIP/TRIP NOC	SHOULDER(S)	\$77,700
2/26/2020	Gage Bros. Caulking, Inc.	FALL/SLIP/TRIP LADDER/SCAFFOLD	MULTIPLE BODY PARTS	\$76,600
5/12/2020	New Look Contracting, Inc.	MOTOR VEHICLE NOC	MULTIPLE BODY PARTS	\$75,200
5/22/2020	TreHus Builders, Inc.	POWERED HAND TOOL, APPLIANCE	LEFT HAND	\$74,500
5/11/2020	Premium Carpet Installations, Inc.	CAUGHT IN, UNDER, BETWEEN / NOC	LEFT FOOT	\$73,200
6/22/2020	LJP Waste Solutions, LLC		LOWER BACK AREA	\$72,701
3/2/2020	Capital Granite and Marble, Inc.	OBJECT HANDLED	LOWER LEG	\$72,700
2/20/2020	Designed Cabinets, Inc.		RIGHT SHOULDER	\$72,000
1/21/2020	TR Concrete, Inc.	STRUCK/INJ OBJECT LIFTED/HANDLED	LOWER ARM	\$71,000
8/4/2020	R & H Management Co.	STRAIN/INJURY REPETITIVE MOTION	SHOULDER(S)	\$69,200
3/7/2020	Bob Hecimovich Mechanical Contracting, Inc.	ABSORB/INJEST/INHALE NOC	CHEST	\$65,214
1/28/2020	Scherer Brothers Lumber		LEFT SHOULDER	\$65,135
2/12/2020	Nor-Son, Inc.		LOWER BACK AREA	\$64,882
5/14/2020	M & M Home Contractors, Inc.	FALL/SLIP/TRIP NOC	MULTIPLE BODY PARTS	\$63,899
4/17/2020	Schoenfelder Renovations, Inc.	STRAIN/INJURY BY LIFTING	MULTIPLE BODY PARTS	\$63,700
5/18/2020	Schadegg Mechanical, Inc.	STRAIN/INJURY NOC	RIGHT SHOULDER	\$62,116
7/2/2020	Everstrong Construction Inc.	SLIP/FALL FROM OTHER SURFACE	SHOULDER(S)	\$60,341
8/14/2020	Prestige Drywall, Inc.		RIGHT SHOULDER	\$57,450
2/11/2020	Midwest Specialty Maintenance, Inc.	COLLAPSING MATERIALS	LOWER LEFT LEG	\$57,332
2/10/2020	Schmidt Siding and Window, Inc.	FALL/SLIP/TRIP NOC	RIGHT ARM (UPPER)	\$57,000
1/8/2020	Scherer Brothers Lumber		LOWER BACK AREA	\$56,994
2/5/2020	Granite Tops, LLC	FALL/SLIP/TRIP ON ICE OR SNOW	LOWER BACK AREA	\$56,836

Accident Date	Insured Name	Cause of Injury	Body Part	Incurred
1/28/2020	Premier Marine Inc.		SHOULDER(S)	\$55,700
8/24/2020	Highmark Companies, Inc.	STRUCK/INJ FALLING/FLYING OBJECT	FOOT	\$54,051
4/15/2020	Ed Lunn Construction Inc.	FALL/SLIP/TRIP LADDER/SCAFFOLD	ABDOMEN	\$54,000
8/4/2020	Twin Cities Specialties, Inc.	OTHER/MISCELLANEOUS NOC	ELBOW	\$51,554
2/12/2020	Nitti's Contracting and Trucking Services, Inc.	STRAIN/INJURY BY TWISTING	KNEE	\$49,912
1/22/2020	M P Johnson Construction, Inc.	OBJECT BEING LIFTED OR HANDLED	LEFT ARM (UPPER)	\$47,623
1/8/2020	Sheridan Sheet Metal Co., Inc.	CONTACT WITH SHARP OBJECT	WRIST	\$47,529
1/6/2020	Budget Plumbing Corporation	FALL/SLIP/TRIP LADDER/SCAFFOLD	SKULL	\$47,232
4/21/2020	Lake Air Products LLC	STRAIN/INJURY NOC	RIGHT ANKLE	\$46,084
8/31/2020	Granite Tops, LLC	FALL/SLIP/TRIP NOC	FINGER	\$45,782
5/18/2020	C and S Management Company Inc.	STRUCK/INJ OBJECT HANDLED BY OTHERS	SKULL	\$45,750
5/27/2020	Ostvig Tree, Inc.	STRUCK/INJ HAND TOOL OR MACHINE	LEFT THUMB	\$45,700
7/14/2020	Premier Marine Inc.		HAND	\$45,500
1/9/2020	Capstone Homes, Inc.	STRUCK OR INJURED NOC	FOOT	\$45,359
4/1/2020	Climate Makers Inc	FALL/SLIP/TRIP NOC	SHOULDER(S)	\$44,110
3/13/2020	D & R Vinge Inc.	STRAIN/INJURY BY LIFTING	LOWER BACK AREA	\$44,000
8/26/2020	Lambert Commercial Construction, LLC	FALL/SLIP/TRIP NOC	RIGHT WRIST	\$43,200
5/18/2020	Julianne Siehndel	FALL/SLIP/TRIP NOC	LOWER RIGHT LEG	\$42,579
8/4/2020	Davids Hydro Vac Inc.	FALL/SLIP/TRIP LADDER/SCAFFOLD	MULTIPLE BODY PARTS	\$42,000
6/8/2020	Senoma Inc.	CAUGHT IN, UNDER, BETWEEN / NOC	FINGER	\$41,700
1/11/2020	Cross Creek Construction, LLC	FALL/SLIP/TRIP ON STAIRS	LOWER RIGHT LEG	\$41,678
3/5/2020	MDS Remodeling	CUT, PUNCTURE, SCRAPE, NOC	HAND	\$41,200
4/14/2020	Northway Irrigation, Inc.	STRAIN/INJURY BY PUSHING/PULLING	RIGHT ARM (UPPER)	\$40,500
7/3/2020	Total Export, Inc.		RIGHT KNEE	\$40,200
3/5/2020	Steinkraus Plumbing Inc.		FINGER(S) RIGHT	\$40,200
3/9/2020	CST Transportation, Inc.		LEFT SHOULDER	\$39,998
1/23/2020	Energy Economics Inc.	STRAIN/INJURY BY PUSHING/PULLING	RIGHT ARM (UPPER)	\$38,604
2/5/2020	Cullen's Home Center of Alexandria, Inc.	FALL/SLIP/TRIP ON ICE OR SNOW	KNEE	\$38,500
5/19/2020	Blaine Brothers Maintenance, Inc.	STRUCK OR INJURED NOC	WRIST(S) AND HANDS(S)	\$38,200
2/6/2020	Amerect, Inc.		RIGHT SHOULDER	\$37,200
4/20/2020	Right-Way Caulking Inc.	OTHER/MISCELLANEOUS NOC	KNEE	\$37,000
7/30/2020	ABRA Landscaping Grass So Green LLC	CAUGHT IN, UNDER, BETWEEN / NOC	RIGHT HAND	\$36,750
6/4/2020	Impact Flooring Inc		KNEE	\$36,500
4/30/2020	Trade Access, LLC	FALL/SLIP/TRIP ELEVATION	UPPER RIGHT LEG	\$36,200
6/19/2020	Nexstep System LLC	OTHER PHYSICAL CAUSE OF INJURY	GROIN	\$35,700
6/24/2020	Wencl Plumbing, Inc.	FALL/SLIP/TRIP LADDER/SCAFFOLD	NECK VERTEBRAE	\$35,320
1/30/2020	TRI Construction, Inc.	STRAIN/INJURY BY LIFTING	FINGER	\$35,274
8/27/2020	Quickway Rigging & Transfer, Inc.	CAUGHT IN BETWEEN MOVING OBJECTS	TOE(S) LEFT	\$35,042
7/29/2020	Senoma Inc.	STRAIN/INJURY BY LIFTING	LOWER BACK AREA	\$33,700
5/5/2020	Royal Tire Inc.	OBJECT BEING LIFTED OR HANDLED	SHOULDER(S)	\$33,002



## Large Losses Over \$25,000

Accident Date	Insured Name	Cause of Injury	Body Part	Incurred
5/20/2020	TruSeal America, LLC	FALL/SLIP/TRIP NOC	KNEE	\$31,336
4/27/2020	West Central Sanitation, Inc.	CAUGHT IN, UNDER, BETWEEN / NOC	LEFT FOOT	\$29,700
6/29/2020	DDK Construction Inc.	SLIP/FALL FROM OTHER SURFACE	LEFT SHOULDER	\$28,900
6/3/2020	Livit Site + Structure LLC	CAUGHT IN, UNDER, BETWEEN / NOC	FINGER	\$28,700
2/3/2020	LJP Waste Solutions, LLC	CAUGHT IN BETWEEN MOVING OBJECTS	LEFT ARM (LOWER)	\$28,700
2/11/2020	Hawk Construction, Inc.	COLLISION OR SIDESWIPE	MULTIPLE BODY PARTS	\$28,307
3/24/2020	Solid-Employees, LLC	STRAIN/INJURY NOC	LEFT KNEE	\$27,200
8/4/2020	Blaine Brothers Maintenance, Inc.	OTHER PHYSICAL CAUSE OF INJURY	KNEE	\$26,700
7/17/2020	Prescription Landscape, Inc.	STRIKING/STEPPING MOVING PART	TEETH	\$26,200
7/2/2020	Premiere Restoration LLC		ABDOMEN	\$26,000
5/11/2020	NIH Homes, LLC	POWERED HAND TOOL, APPLIANCE	HAND	\$26,000
3/23/2020	Blaine Brothers Maintenance, Inc.	CAUGHT IN, UNDER, BETWEEN / NOC	FINGER(S) RIGHT	\$26,000
2/5/2020	Hendley's, Inc.		HAND	\$25,500
4/29/2020	Kelbro Inc.	STRAIN/INJURY BY JUMPING	LOWER BACK AREA	\$25,422
6/24/2020	Royal Tire Inc.	STRUCK/INJ MOVING PARTS	ANKLE	\$25,388
3/16/2020	Crow River Construction LLC	CAUGHT IN, UNDER, BETWEEN / NOC	MULTIPLE BODY PARTS	\$25,200
4/15/2020	ABM Equipment & Supply, LLC	STRUCK/INJ HAND TOOL OR MACHINE	SOFT TISSUE	\$25,000
			<b>Total</b>	<b>\$9,289,437</b>

# Sentry<sup>TM</sup>

## Year to Date

Company	Count	Written
Sentry	85	\$692,278
TBG	84	\$9,496,741
Sentry-New	15	\$184,475
TBG-New	9	\$924,696

# Agency Ranking

## Platinum

Agency	Written as of Sept 2020	Premium 2019 EOY	Difference in Premium	
Osborn (Kraus Anderson)	\$ 5,468,425	\$ 4,144,236	\$ 1,324,189	32%
Associated Financial Group	\$ 4,010,200	\$ 4,659,773	\$ (649,573)	-14%
CSDZ	\$ 3,887,065	\$ 3,122,951	\$ 764,114	24%
Choice Insurance	\$ 3,455,048	\$ 2,877,801	\$ 577,247	20%
Ross Nesbit Agencies	\$ 2,997,531	\$ 3,181,219	\$ (183,688)	-6%
North Risk Partners, LLC	\$ 2,810,959	\$ 2,782,220	\$ 28,739	1%
Marsh USA, Inc.	\$ 2,283,525	\$ 1,866,136	\$ 417,389	22%
AssuredPartners	\$ 2,278,769	\$ 2,367,434	\$ (88,665)	-4%
Brown & Brown	\$ 1,634,660	\$ 1,349,942	\$ 284,718	21%
The Christensen Group, Inc.	\$ 1,321,610	\$ 1,058,584	\$ 263,026	25%
Heartman Insurance	\$ 1,127,973	\$ 1,008,700	\$ 119,273	12%
Maguire Agency	\$ 1,030,411	\$ 792,172	\$ 238,239	30%

# Agency Ranking

## Gold

Agency	Written as of Sept 2020	Premium 2019 EOY	Difference in Premium	
Rooke Johnson & Renslow Ins	\$974,321	\$792,172	\$182,149	23%
J.A. Price Agency, Inc.	\$677,602	\$643,074	\$34,528	5%
CBIZ Insurance Services Inc	\$594,586	\$522,408	\$72,178	14%
USI Insurance Services, LLC.	\$570,029	\$412,912	\$157,117	38%
Willis of Minnesota, Inc.	\$524,428	\$443,557	\$80,871	18%
Corporate 4 Insurance Agency, Inc.	\$519,708	\$483,561	\$36,147	7%
Primary Source Insurance Agency, Inc.	\$514,451	\$221,025	\$293,426	133%

**COMPARISON OF ESTIMATED ULTIMATE INCURRED LOSSES - ALL YEARS**  
(Losses Limited to Prior Specific and Aggregate Retentions, Net of Non-Excess Recoveries)  
(Expected Loss Level)

Policy Period	CACI Report <sup>1</sup>	Prior Report <sup>2</sup>	Change	Percent Change
5/12-12/31/97	\$ 85,789	\$ 85,789	\$ 0	+ 0.0%
1/1/98-99	130,069	130,069	0	+ 0.0%
1/1/99-00	238,759	238,759	0	+ 0.0%
1/1/00-01	1,146,268	1,146,268	0	+ 0.0%
1/1/01-02	605,723	605,723	0	+ 0.0%
1/1/02-03	2,884,273	2,887,557	( 3,284)	— 0.1%
1/1/03-04	5,594,371	5,600,571	( 6,200)	— 0.1%
1/1/04-05	8,633,438	8,611,609	21,829	+ 0.3%
1/1/05-06	14,493,288	14,490,953	2,335	+ 0.0%
1/1/06-07	20,815,462	20,829,440	( 13,978)	— 0.1%
1/1/07-08	23,039,691	22,993,828	45,863	+ 0.2%
1/1/08-09	21,724,073	21,766,669	( 42,596)	— 0.2%
1/1/09-10	17,098,178	17,137,126	( 38,948)	— 0.2%
1/1/10-11	19,044,190	19,068,688	( 24,498)	— 0.1%
1/1/11-12	19,857,220	19,517,552	339,668	+ 1.7%
1/1/12-13	18,542,929	18,532,491	10,438	+ 0.1%
1/1/13-14	21,074,283	21,161,716	( 87,433)	— 0.4%
1/1/14-15	25,691,170	25,865,646	( 174,476)	— 0.7%
1/1/15-16	25,239,360	25,070,384	168,976	+ 0.7%
1/1/16-17	23,030,868	23,189,167	( 158,299)	— 0.7%
1/1/17-18	23,700,728	24,333,101	( 632,373)	— 2.6%
1/1/18-19	23,018,472	23,606,392	( 587,920)	— 2.5%
1/1/19-20	29,202,804	28,661,413	541,391	+ 1.9%
	\$344,891,406	\$345,530,911	(\$ 639,505)	— 0.2%

<sup>1</sup> From Table 9 of the report as of 6/30/20.

<sup>2</sup> From Table 9 of the report as of 12/31/19.

**COMPARISON OF ESTIMATED ULTIMATE INCURRED LOSSES - AFTER LPT**  
(Losses Limited to Prior Specific and Aggregate Retentions, Net of Non-Excess Recoveries  
(Expected Loss Level)

Policy Period	CACI Report <sup>1</sup>	Prior Report <sup>2</sup>	Change	Percent Change
5/12-12/31/97	\$ 85,789	\$ 85,789	\$ 0	+ 0.0%
1/1/98-99	130,069	130,069	0	+ 0.0%
1/1/99-00	238,759	238,759	0	+ 0.0%
1/1/00-01	0	0	0	+ 0.0%
1/1/01-02	0	0	0	+ 0.0%
1/1/02-03	0	0	0	+ 0.0%
1/1/03-04	0	0	0	+ 0.0%
1/1/04-05	0	0	0	+ 0.0%
1/1/05-06	0	0	0	+ 0.0%
1/1/06-07	0	0	0	+ 0.0%
1/1/07-08	0	0	0	+ 0.0%
1/1/08-09	0	0	0	+ 0.0%
1/1/09-10	0	0	0	+ 0.0%
1/1/10-11	0	0	0	+ 0.0%
1/1/11-12	0	0	0	+ 0.0%
1/1/12-13	0	0	0	+ 0.0%
1/1/13-14	0	0	0	+ 0.0%
1/1/14-15	0	0	0	+ 0.0%
1/1/15-16	0	0	0	+ 0.0%
1/1/16-17	0	0	0	+ 0.0%
1/1/17-18	23,700,728	24,333,101	( 632,373)	— 2.6%
1/1/18-19	23,018,472	23,606,392	( 587,920)	— 2.5%
1/1/19-20	29,202,804	28,661,413	541,391	+ 1.9%
	\$76,376,621	\$77,055,523	(\$ 678,902)	— 0.9%

<sup>1</sup> From Table 10 of the report as of 6/30/20.

<sup>2</sup> From Table 10 of the report as of 12/31/19.

**ESTIMATED LOSS AND ALAE RESERVES  
INCLUDING IBNR FOR 5/12/97 - 6/30/20 AS OF 6/30/20**

(Losses Limited to Prior Specific and Aggregate Retentions, Net of Non-Excess Recoveries)

**A. ALL YEARS**

	<u>Low</u>	<u>Expected</u>	<u>High</u>
Undiscounted	\$46,352,596	\$57,683,873	\$69,994,831
Disc. At 2.0%	43,700,000	54,385,358	65,990,000
Disc. At 2.5%	43,100,000	53,633,179	65,080,000
Disc. At 3.0%	42,510,000	52,907,046	64,200,000
Disc. At 4.0%	41,410,000	51,527,767	62,520,000

**B. AFTER LPT**

	<u>Low</u>	<u>Expected</u>	<u>High</u>
Undiscounted	\$33,486,575	\$39,524,332	\$45,973,909
Disc. At 2.0%	31,740,000	37,465,830	43,580,000
Disc. At 2.5%	31,350,000	36,997,055	43,030,000
Disc. At 3.0%	30,960,000	36,544,679	42,510,000
Disc. At 4.0%	30,230,000	35,685,743	41,510,000

SCF Assessment Accrual	\$ 4,217,611
Discounted SCF Assessment Accrual (2.0%)	3,976,437
Discounted SCF Assessment Accrual (2.5%)	3,921,441
Discounted SCF Assessment Accrual (3.0%)	3,868,349
Discounted SCF Assessment Accrual (4.0%)	3,767,501

Required Security Deposit (2.0%)	\$44,569,311
Required Security Deposit (2.5%)	\$43,997,049
Required Security Deposit (3.0%)	\$43,444,907
Required Security Deposit (4.0%)	\$42,396,820

Table 20

**THE BUILDERS GROUP****ESTIMATED SECURITY DEPOSIT AS OF 6/30/20 - AFTER LPT**  
(Losses Limited to Prior Specific and Aggregate Retentions, Net of Non-Excess Recoveries)

Estimated Required Reserves as of 6/30/20 Discounted at 2.5%	\$36,997,055
Estimated Required Reserves as of 12/31/20 Discounted at 2.5%	\$39,997,317
Estimated Maximum Required Reserves During 2020	\$39,997,317
Security Deposit Percentage	110.00%
Estimated Security Deposit as of 6/30/20	\$43,997,049



## Appendix C, Exhibit V

**THE BUILDERS GROUP****AVERAGE SEVERITIES**

(Losses Limited to Prior Specific and Aggregate Retentions, Net of Non-Excess Recoveries)  
 (Excluding Claims Closed Without Cost)

**B. AVERAGE SEVERITIES**

Policy Period	Paid Severity as of 6/30/20	Incurred Severity as of 6/30/20	Estimated Ultimate Incurred Severity
5/12-12/31/97	\$ 2,200	\$ 2,200	\$ 2,200
1/1/98-99	1,478	1,478	1,478
1/1/99-00	2,274	2,274	2,274
1/1/00-01	9,381	9,396	9,396
1/1/01-02	3,522	3,522	3,522
1/1/02-03	9,326	9,346	9,582
1/1/03-04	8,951	9,256	9,371
1/1/04-05	7,424	7,540	7,600
1/1/05-06	8,030	8,127	8,138
1/1/06-07	10,580	10,618	10,642
1/1/07-08	12,338	12,448	12,515
1/1/08-09	12,930	13,047	13,271
1/1/09-10	15,892	16,081	16,315
1/1/10-11	17,206	17,673	18,418
1/1/11-12	15,080	16,152	16,757
1/1/12-13	12,439	13,262	13,787
1/1/13-14	11,926	12,260	12,866
1/1/14-15	11,816	12,104	12,969
1/1/15-16	11,577	12,396	13,326
1/1/16-17	10,876	11,786	13,027
1/1/17-18	11,671	13,078	15,010
1/1/18-19	9,010	10,138	12,668
1/1/19-20	7,655	10,522	15,940
1/1-6/30/20	4,917	10,923	19,282

**PREMIUM INDICATION FOR 1/1/21-22**

	Low	Expected	High
		Undiscounted	
Ind. Premium Need	\$39,410,000	\$41,630,000	\$45,310,000
Indicated Change	-9.5%	-4.4%	+4.1%
Indicated Average LCM <sup>1</sup>	1.923	2.031	2.211
		Discounted at 2.5%	
Ind. Premium Need	\$37,870,000	\$39,970,000	\$43,470,000
Indicated Change	-13.0%	-8.2%	-0.2%
Indicated Average LCM <sup>1</sup>	1.848	1.950	2.121

<sup>1</sup> Based on 1/1/21 MWCIA loss costs.

Table 6

**THE BUILDERS GROUP****ADJUSTMENTS TO A 1/1/21-22 LEVEL**

(Losses Limited to \$2,000,000 Retention, Net of Non-Excess Recoveries)

**A. LOSS ADJUSTMENTS**

Accident Year	Estimated Ultimate Incurred Losses	Benefit Level Change Factor <sup>1</sup>	Loss Trend Factor <sup>2</sup>	Adjusted Losses <sup>3</sup>
1/1/15-16	\$ 26,259,360	1.004	1.129	\$ 29,498,373
1/1/16-17	23,030,868	1.002	1.108	25,569,238
1/1/17-18	23,700,728	1.000	1.089	25,810,093
1/1/18-19	23,018,472	0.999	1.062	24,421,172
1/1/19-20	29,902,804	1.000	1.038	31,039,111
	\$125,912,232			\$136,337,987

**B. EXPOSURE ADJUSTMENTS**

Accident Year	Payroll <sup>4</sup>	Payroll Trend Factor <sup>2</sup>	Class Code Adjustment Factor <sup>5</sup>	Adjusted Payroll
1/1/15-16	\$1,083,704,254	1.183	0.974	\$1,248,689,557
1/1/16-17	1,046,364,335	1.149	0.973	1,169,811,260
1/1/17-18	1,130,160,542	1.123	0.960	1,218,403,477
1/1/18-19	1,169,750,103	1.085	0.970	1,231,103,496
1/1/19-20	1,238,453,572	1.050	0.992	1,289,973,241
	\$5,668,432,806			\$6,157,981,031

<sup>1</sup> Based on information compiled by MWCIA.<sup>2</sup> See Appendix B, Exhibit I.<sup>3</sup> Losses greater than \$2,000,000 are not adjusted.<sup>4</sup> Provided by TBG.<sup>5</sup> See Appendix B, Exhibit II.

Table 7

**THE BUILDERS GROUP****LOSS PROJECTION FOR 1/1/21-22**

(Losses Limited to \$2,000,000 Retention, Net of Non-Excess Recoveries)

**A. PURE LOSS RATES**

Accident Year	Adjusted Losses	Adjusted Payroll	Pure Loss Rate per \$100 Payroll
1/1/15-16	\$ 29,498,373	\$1,248,689,557	\$2.36
1/1/16-17	25,569,238	1,169,811,260	2.19
1/1/17-18	25,810,093	1,218,403,477	2.12
1/1/18-19	24,421,172	1,231,103,496	1.98
1/1/19-20	31,039,111	1,289,973,241	2.41
	\$136,337,987	\$6,157,981,031	
		Average	\$2.21
		Wtd. Average	2.21
		3-Yr. Avg.	2.17
		Prior	2.30
		Expected	2.25

**B. LOSS PROJECTION**

Level	Selected Pure Loss Rate	Projected Payroll <sup>1</sup>	Projected Losses
Low	\$2.10	\$1,291,070,133	\$27,110,000
Expected	2.25		29,050,000
High	2.50		32,280,000

<sup>1</sup> See Section A of Appendix B, Exhibit II.

Table 8

**THE BUILDERS GROUP****PREMIUM INDICATION FOR 1/1/21-22**

(Losses Limited to \$2,000,000 Retention, Net of Non-Excess Recoveries)

		Low	Expected	High
A.	Projected Losses.....	\$27,110,000	\$29,050,000	\$32,280,000
B.	SCF Assessment <sup>1</sup> ..... 13.730%	1,489,000	1,595,000	1,773,000
C.	Fixed Expenses <sup>2</sup> ..... \$7,818,017			
D.	Variable Expense Pct <sup>2</sup> ..... 7.6%			
E.	Undiscounted Premium Need.....	\$39,410,000	\$41,630,000	\$45,310,000
	$\frac{A + B + C}{1 - D}$			
F.	Estimated Premium <sup>3</sup> ..... \$43,543,202			
G.	Undiscounted Indicated Premium Change.....	-9.5%	-4.4%	+4.1%
	$\frac{E - F}{F}$			
H.	Loss Present Value <sup>4</sup> ..... 0.938			
I.	Premium Present Value <sup>5</sup> ..... 0.988			
J.	Expense Present Value <sup>6</sup> ..... 0.990			
K.	Discounted Premium Need (at 2.5%).....	\$37,870,000	\$39,970,000	\$43,470,000
	$\frac{(A + B) * H + C * J}{I - D * J}$			
L.	Discounted Indicated Premium Change.....	-13.0%	-8.2%	-0.2%
	$\frac{K - F}{F}$			

<sup>1</sup> Equal to current assessment rate. SCF Assessment only applies to indemnity losses which are assumed to equal 40.0% of all losses.

<sup>2</sup> See Appendix B, Exhibit IV.

<sup>3</sup> See Section B of Appendix B, Exhibit III using 1/1/2021 loss costs.

<sup>4</sup> See Appendix B, Exhibit V.

<sup>5</sup> See Appendix B, Exhibit VI.

<sup>6</sup> See Appendix B, Exhibit VII.

## **Differences in the MN Self-insured Statutes**

### **MN Statute 79A.01 to 79A.18**

#### **Self-Insurers' Security Fund (SISF) Requirements:**

- Each new member is approved by the Department of Commerce.
- Certified or reviewed financial statements are required.
- Two or more employers can form a group.
- 65% of revenues must be available for claim payments.
- Covers both Individual and groups that want to self-insure.
- An individual self-insured after 5 years can have an actuarial report every 2 years.
- An insolvent entity's liabilities are assessed to all Members of SISF if the posting was insufficient to cover the claim liabilities of the insolvent Member.

### **MN Statute 79A.19 to 79A.32**

#### **CSIG Requirements**

- Consist of two or more employers in **similar** industries.
- CSIG may only admit employers who meet the eligibility requirements established by the group.
- Financial requirements include a complied statement or tax return in addition to a certified or reviewed statement.
- New Members are approved by a Membership Committee or Executive Committee
- There is a process to set up a guarantee fund in the event of an insolvency but is has not been set up or funded. In the event of an insolvency all CSIG's are responsible for the liabilities of the insolvent fund. There is one other CSIG that TBG could absorb if needed. I do not expect any other CSIG's to form due to this requirement.

The CSIG statutes were written to allow smaller businesses the ability to self-insure. With Member approval of new Members and the initial financial requirements, it is easier for a CSIG group to attain new members than a SISF group.

**79A.24 COMMERCIAL SELF-INSURANCE GROUP SECURITY DEPOSIT.**

Subdivision 1. **Annual securing of liability.** Each year every commercial self-insurance group shall secure its estimated future liability for the payment of compensation and the performance of the obligations of its membership imposed under chapter 176. A new deposit must be posted in the following manner: within 30 days of the filing of the annual report, the security posting for all prior years plus one-third of the posting for the current year; by July 31, one-third of the posting for the current year; by October 31, the final one-third of the posting for the current year.

Subd. 2. **Minimum deposit.** The minimum deposit is 125 percent of the commercial self-insurance group's estimated future liability for the payment of compensation as determined by an actuary. If the group has been in existence for three years, this minimum deposit shall be 110 percent of the commercial self-insurance group's estimated future liability for the payment of workers' compensation as determined by an actuary. Each actuarial study shall include a projection of future losses during a one-year period until the next scheduled actuarial study, less payments anticipated to be made during that time. Deduction should be made for the total amount which is estimated to be returned to the commercial self-insurance group from any specific excess insurance coverage, aggregate excess insurance coverage, and any supplementary benefits which are estimated to be reimbursed by the special compensation fund. Supplementary benefits will not be reimbursed by the special compensation fund unless the special compensation fund assessment pursuant to section 176.129 is paid and the required reports are filed with the special compensation fund. In the case of surety bonds, bonds shall secure administrative and legal costs in addition to the liability for payment of compensation reflected on the face of the bond. In no event shall the security be less than the group's selected retention limit of the Workers' Compensation Reinsurance Association. The posting or depositing of security under this section shall release all previously posted or deposited security from any obligations under the posting or depositing and any surety bond so released shall be returned to the surety. Any other security shall be returned to the depositor or the person posting the bond.

Subd. 2a. **Exceptions.** Notwithstanding the requirements of subdivisions 1 and 2, the commissioner may, until the next annual securing of liability, adjust this required security deposit for the portion attributable to the current year only, if, in the commissioner's judgment, the self-insurer will be able to meet its obligations under this chapter until the next annual securing of liability.

Subd. 3. **Type of acceptable security.** The commissioner may only accept as security, and the commercial self-insurance group shall deposit as security, cash, approved government securities as set forth in section 79A.04, subdivision 3a, surety bonds or irrevocable letters of credit in any combination in accordance with the requirements under section 79A.04, subdivision 3.

Subd. 4. **Custodial accounts.** (a) All surety bonds, irrevocable letters of credit, and documents showing issuance of any irrevocable letter of credit shall be deposited in accordance with the provisions of section 79A.071.

(b) Upon the commissioner sending a request to renew, request to post, or request to increase a security deposit, a perfected security interest is created in the commercial self-insurance group's and member's assets in favor of the commissioner to the extent of any then unsecured portion of the commercial self-insurance group's incurred liabilities. The perfected security interest is transferred to any cash or securities thereafter posted by the commercial self-insurance group with the commissioner of management and budget and is released only upon either of the following:

(1) the acceptance by the commissioner of a surety bond or irrevocable letter of credit for the full amount of the incurred liabilities for the payment of compensation; or



(2) the return of cash or securities by the commissioner. The commercial self-insurance group loses all right, title, and interest in and any right to control all assets or obligations posted or left on deposit as security. In the event of a declaration of bankruptcy or insolvency by a court of competent jurisdiction, or in the event of the issuance of a certificate of default by the commissioner, the commissioner shall liquidate the deposit as provided in this chapter, and transfer it to the commercial self-insurance group security fund for application to the commercial self-insurance group's incurred liability.

(c) No securities in physical form on deposit with the commissioner of management and budget or the commissioner or custodial accounts assigned to the state shall be released or exchanged without an order from the commissioner. No security can be exchanged more than once every 90 days.

(d) Any securities deposited with the commissioner of management and budget or with a custodial account assigned to the commissioner of management and budget or letters of credit or surety bonds held by the commissioner may be exchanged or replaced by the depositor with any other acceptable securities or letters of credit or surety bond of like amount so long as the market value of the securities or amount of the surety bonds or letter of credit equals or exceeds the amount of the deposit required. If securities are replaced by surety bond, the commercial self-insurance group must maintain securities on deposit in an amount sufficient to meet all outstanding workers' compensation liability arising during the period covered by the deposit of the replaced securities.

**Subd. 5. Purchase of insurance policy from an authorized insurer.** A commercial self-insurance group may purchase an insurance policy from an insurer authorized to transact workers' compensation insurance in this state which provides coverage of all claims for compensation arising out of injuries occurring during the entire period or during a portion of the period of time in which the commercial self-insurance group has been in existence. While the insurance policy remains in effect, it discharges the obligation of the commercial self-insurance group to maintain a security deposit for the claims covered under the policy. A policy described in this subdivision may not be issued by an insurer unless it has previously been approved as to the insurer, form, and substance by the commissioner.

**Subd. 6. Insolvency of a commercial self-insurance group insurer.** In the event of the insolvency of the insurer that issued a policy under subdivision 5 to a commercial self-insurance group, eligibility for chapter 60C coverage under the policy is determined by applying the requirements of section 60C.09, subdivision 2, clause (3), to each commercial self-insurance group member separately, rather than to the net worth of the commercial self-insurance group entity or aggregate net worth of all members of the commercial self-insurance group.

**History:** 1995 c 231 art 2 s 33; 1998 c 339 s 7-9; 1999 c 168 s 5; 2000 c 483 s 36; 2003 c 112 art 2 s 50; 2008 c 250 s 17; 2009 c 101 art 2 s 109; 2009 c 178 art 1 s 47,48; 2011 c 108 s 42,43



**ESTIMATED LOSS AND ALAE RESERVES  
INCLUDING IBNR FOR 5/12/97 - 12/31/19 AS OF 12/31/19**

(Losses Limited to Prior Specific and Aggregate Retentions, Net of Non-Excess Recoveries)

**A. ALL YEARS**

	<u>Low</u>	<u>Expected</u>	<u>High</u>
Undiscounted	\$44,795,654	\$56,244,911	\$67,377,842
Disc. At 2.0%	42,210,000	53,001,143	63,490,000
Disc. At 2.5%	41,620,000	52,261,627	62,610,000
Disc. At 3.0%	41,050,000	51,547,774	61,750,000
Disc. At 4.0%	39,970,000	50,191,978	60,130,000

**B. AFTER LPT**

	<u>Low</u>	<u>Expected</u>	<u>High</u>
Undiscounted	\$31,632,266	\$36,821,960	\$41,611,654
Disc. At 2.0%	30,000,000	34,919,526	39,460,000
Disc. At 2.5%	29,630,000	34,486,150	38,970,000
Disc. At 3.0%	29,270,000	34,067,871	38,500,000
Disc. At 4.0%	28,580,000	33,273,476	37,600,000

SCF Assessment Accrual	\$ 4,276,940
Discounted SCF Assessment Accrual (2.0%)	4,030,279
Discounted SCF Assessment Accrual (2.5%)	3,974,046
Discounted SCF Assessment Accrual (3.0%)	3,919,763
Discounted SCF Assessment Accrual (4.0%)	3,816,667

Required Security Deposit (2.0%)	\$42,879,459
Required Security Deposit (2.5%)	\$42,320,363
Required Security Deposit (3.0%)	\$41,781,014
Required Security Deposit (4.0%)	\$40,757,515

The above chart summarizes the range of reserves for all years (Section A) and for years remaining after the loss portfolio transfer (LPT – Section B) of the liabilities from the 2000-2016 years. The special compensation fund (SCF) assessment accrual is based on unlimited loss reserves, gross of all recoveries, using an assessment percentage of 14.35% applied to the indemnity portion of reserves only.

**79A.22 COMMERCIAL SELF-INSURANCE GROUP OPERATING REQUIREMENTS.**

Subdivision 1. **Board of directors.** (a) A commercial self-insurance group shall elect a board of directors who shall have complete authority over and control of the assets of the commercial self-insurance group. The board of directors will also be responsible for all of the operations of the commercial self-insurance group.

(b) The majority of the board of directors shall be owners, officers, directors, partners, or employees of members of the commercial self-insurance group. No third-party administrator or vendor of risk management services shall serve as a director of the commercial self-insurance group.

(c) The directors shall approve applications for membership in the commercial self-insurance group.

Subd. 2. **Financial standards.** Commercial self-insurance groups shall have and maintain:

(1) combined net worth of all of the members in an amount at least equal to ten times the group's selected retention level of the Workers' Compensation Reinsurance Association. For purposes of this clause, the amount of any retained surplus by the group is considered part of the combined net worth of all the members;

(2) sufficient assets and liquidity in the group's common claims fund to promptly and completely meet all obligations of its members under this chapter and chapter 176.

Subd. 3. **New membership.** The commercial self-insurance group shall file with the commissioner the name of any new employer that has been accepted in the group within five business days of the initiation date of membership along with the member's signed indemnity agreement and evidence the member has deposited sufficient premiums with the group as required by the commercial self-insurance group's bylaws or plan of operation. The security deposit of the group shall be increased quarterly to an amount equal to 50 percent of the new members' premiums for that quarter. If the total increase of new members' premiums for the first quarter is less than five percent of the total annual premium of the group, no quarterly increase is necessary until the cumulative quarterly increases for that calendar year exceed five percent of the total premium of the group. The commissioner may, at the commissioner's option, review the financial statement of any applicant whose premium equals 25 percent or more of the group's total premium.

Subd. 4. **Commercial self-insurance group common claims fund.** (a) Each commercial self-insurance group shall establish a common claims fund.

(b) Each commercial self-insurance group shall, not less than ten days prior to the proposed effective date of the group, collect cash premiums from each member equal to not less than 20 percent of the member's annual workers' compensation premium to be paid into a common claims fund, maintained by the group in a designated depository. The remaining balance of the member's premium shall be paid to the group in a reasonable manner over the remainder of the year. Payments in subsequent years shall be made according to the business plan.

(c) Each commercial self-insurance group shall initiate proceedings against a member when that member becomes more than 30 days delinquent in any payment of premium to the fund.

(d) There shall be no commingling of any assets of the common claims fund with the assets of any individual member or with any other account of the service company or fiscal agent unrelated to the payment of workers' compensation liabilities incurred by the group.

Subd. 5. **Joint and several liability.** Each member of a commercial self-insurance group shall be jointly and severally liable for the obligations incurred by any member of the same group under chapter 176 for any fund year in which the member was a participant of the commercial self-insurance group.

Subd. 6. **Annual audit.** The accounts and records of the common claims fund shall be audited in the manner required under section 79A.03, subdivision 10.

Subd. 7. **Investments.** (a) Any securities purchased by the common claims fund shall be in such denominations and with dates of maturity to ensure securities may be redeemable at sufficient time and in sufficient amounts to meet the fund's current and long-term liabilities.

(b) Cash assets of the self-insurers' fund may be invested as provided in section 60A.11 for a casualty insurance company, provided that investment in real estate of or indebtedness from a member company or affiliates is prohibited. In addition, investment in the following is allowed:

(1) savings accounts or certificates of deposit in a duly chartered commercial bank located within the state of Minnesota and insured through the Federal Deposit Insurance Corporation;

(2) share accounts or savings certificates in a duly chartered savings association or savings bank located within the state of Minnesota and insured through the Federal Deposit Insurance Corporation;

(3) direct obligations of the United States Treasury, such as notes, bonds, or bills;

(4) a bond or security issued by the state of Minnesota and backed by the full faith and credit of the state;

(5) a credit union where the employees of the self-insurer are members if the credit union is located in Minnesota and insured through the National Credit Union Administration; or

(6) real estate, common stock, preferred stock, or corporate bonds listed on the New York, American Stock Exchange or NASDAQ Stock Market, so long as these investments are not issued by any member company or affiliate and the total in all other allowable categories make up at least 75 percent of the total required in the common claims fund.

Subd. 8. **Administration.** (a) The commercial self-insurance group shall be required to secure administrative services through a service company which maintains an office in the state of Minnesota. Services provided by the service company or its subcontractor should at a minimum include claim handling, safety and loss control, and submission of all required regulatory reports.

(b) The service company must demonstrate it has the capability to provide, through its employees or by contract, services which are necessary to administer the self-insurance group and it must employ or have under contract a claims adjuster with at least three years of Minnesota specific workers' compensation claim handling experience.

(c) The service company retained by a commercial self-insurance group to administer workers' compensation claims shall estimate the total accrued liability of the group for the payment of compensation for the commercial self-insurance group's annual report to the commissioner and shall make the estimate both in good faith and with the exercise of a reasonable degree of care.

Subd. 9. **Marketing and communications.** A commercial self-insurance group's applications, coverage documents, quotations, and all marketing materials must prominently display information indicating that the commercial self-insurance group is a self-insured program, that members are jointly and severally liable

for the obligations of the commercial self-insurance group, and that members will be assessed on an individual and proportionate basis for any deficits created by the commercial self-insurance group.

Subd. 10. **Reinsurance.** (a) A commercial self-insurance group shall be required to purchase specific excess coverage with the Workers' Compensation Reinsurance Association at the lower retention level for its first three years of operation. After that time it may select the higher or super retention level with prior notice given to and approval of the commissioner.

(b) The commissioner may require a commercial self-insurance group to purchase aggregate excess coverage. Any reinsurance or excess coverage purchased other than that of the Workers' Compensation Reinsurance Association must be secured with an insurance company or reinsurer licensed to underwrite such coverage in Minnesota and maintains at least an "A" rating with the A.M. Best rating organization.

Subd. 11. **Disbursement of fund surplus.** (a) Except as otherwise provided in paragraphs (b) and (c), 100 percent of any surplus money for a fund year in excess of 125 percent of the amount necessary to fulfill all obligations under the Workers' Compensation Act, chapter 176, for that fund year may be declared refundable to eligible members at any time.

(b) Except as otherwise provided in paragraph (c), for groups that have been in existence for five years or more, 100 percent of any surplus money for a fund year in excess of 110 percent of the amount necessary to fulfill all obligations under the Workers' Compensation Act, chapter 176, for that fund year may be declared refundable to eligible members at any time.

(c) Excess surplus distributions under paragraphs (a) and (b) may not be greater than the combined surplus of the group at the time of the distribution.

(d) When all the claims of any one fund year have been fully paid, as certified by an actuary, all surplus money from that fund year may be declared refundable.

(e) The commercial self-insurance group shall give ten days' prior notice to the commissioner of any refund. The notice must be accompanied by a statement from the commercial self-insurer group's certified public accountant certifying that the proposed refund is in compliance with this subdivision.

Subd. 12. **Satisfaction of fund deficit.** In the event of a deficit in any fund year, such deficit shall be paid up immediately, either from surplus from a fund year other than the current fund year, or by assessment of the membership. The commissioner shall be notified within ten days of any transfer of surplus funds. The commissioner, upon finding that a deficit in a fund year has not been satisfied by a transfer of surplus from another fund year, shall order an assessment to be levied on a proportionate basis against the members of the commercial self-insurance group during that fund year sufficient to make up any deficit.

Subd. 13. **Common claims fund; five-year exception.** For commercial group self-insurers who have been in existence for five years or more, a level of funding in the common claims fund must be maintained at not less than the greater of either:

(1) one year's claim losses paid in the most recent year; or

(2) one-third of the security deposit posted with the Department of Commerce according to section 79A.24, subdivision 2.

This provision supersedes any requirements under subdivisions 11 and 12 and Minnesota Rules, part 2780.5000.

Subd. 14. **All states coverage.** Policies issued by commercial self-insurance groups pursuant to this chapter may also provide workers' compensation coverage required under the laws of states other than Minnesota, commonly known as "all states coverage." The coverage must be provided to members of the group which are temporarily performing work in another state.

**History:** 1995 c 231 art 2 s 31; 1998 c 339 s 3,4; 1999 c 168 s 3; 2000 c 483 s 30-32; 2005 c 132 s 34,35; 2008 c 344 s 50,51

**THE BUILDERS GROUP IC, INC.**

**A Cell Within**

**ALTERNATIVE RISK TRANSFER INSURANCE COMPANY, INC.**

**VERMONT DIVISION OF FINANCIAL REGULATION**

**Application to Form and Operate a Protected Cell Captive  
in the State of Vermont**

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## 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 \$50M of pending member's distributions payable. The Group insures members throughout Minnesota with a heavier concentration in the Twin City seven county metro area, and its members includes 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.

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's distributions payable on other years.
- Politically an "assessment" has a negative impact on the members and membership.
- Administrative burden of invoicing and collecting assessments from 800+ members.
- Uncollectable assessments from prior members that are no longer in operations.

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 \$150,000.

### **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.

**Premium and Loss Pick**

J. Edward Costner of Casualty Actuarial Consulting, Inc. ("CACI") has been engaged to provide an actuarial rating analysis and feasibility study for TBGIC. CACI currently provides actuarial services to the Group.

**Service Providers**

Policyholder and claims services including policy issuance and maintenance, premium billing and collection and claims handling will be provided by internally by the Group.

Risk Services- Vermont, Inc. will provide captive administrative services, including but not limited to financial reporting and regulatory compliance.

J. Edward Costner, ACAS, MAAA, of CACI will act as independent consulting actuary, responsible for the actuarial feasibility study as well as annual actuarial opinion certifications of loss and loss adjustment expense reserves.

State of Vermont legal counsel will be Peter McDougall of Paul, Frank & Collins P.C.

Shores, Tagman & Butler, P.A. will act as certified public accountant, providing annual audit attestation and federal tax return preparation services.

**Conclusion**

Based on anticipated business and loss ratios in the actuarial feasibility study prepared by CACI, TGBIC to develop a book of business that will be more than adequate to cover expected losses and operating expenses, and produce a profit, which along with the capital contributions from Hoovestol, shall enable an accumulation of surplus over a five year period as demonstrated through the five year financial projections.



# Sentry Premium Loss Information

Contract Year Starting 4/1	Number of Policies	Total Premium	Number of Claims	Incurred	Loss Ratio
2017	47	\$477,017	19	\$237,659	49.8%
2018	80	\$572,392	30	\$379,113	66.2%
2019	88	\$697,999	23	\$376,922	54.0%
2020	25	\$204,127	3	\$859	0.4%
Totals		\$1,951,535		\$994,553	51.0%



# **The Builders Group**

## **Five Year Strategic Plan**

**Updated September 2020**

## **TBG Mission Statement & Core Values**

**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.”

### **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.

# SWOT Analysis for Strategic Plan

## Strengths:

- Strong Board of Directors with a healthy mix of Commercial and Residential Construction Backgrounds
- Diverse Membership within the construction and related industries
- Exposure to national issues and contacts through SIIA, Multistate, and WC conferences
- Relationship with our Regulator
- Experienced lobbyist and lobbying efforts
- Members and Prospects (MAP) review process
- Strong Local and National Industry Reputation and leadership
- Cross Border Program for Members who have exposures in other states
- MIIAB 2017 Company of the year
- Affiliations with Industry Associations and Minnesota Self Insurance Group
- TBG Education Foundation
- Dividend Policy and Payment History
- **Management/Leadership**
  - a. Industry Experienced Management Team
  - b. Five-year Plan
  - c. Succession Plan
  - d. Employee Development and Training
- **Claims Management**
  - a. An adjuster case load that facilitates early intervention and proactive injury management
  - b. Strong attorney relationships
  - c. Strong relationship with our outside claims TPA
  - d. Analytics scoring/analysis of claims, trends, and adjusters
  - e. Claim vendors/partners who agree with our early intervention philosophy
  - f. TBG Nurse Care Line
- **Safety Services**
  - a. Construction specialization
  - b. Individual Member need focus
  - c. Viewed by Members as a trusted partner
  - d. Experienced and cross trained staff promotes flexibility
  - e. OSHA grant assistance
  - f. Jobsite consultation
  - g. Written program assistance
  - h. Partnerships with 3<sup>rd</sup> party vendors to provide services to our members
  - i. Continue setting and fulfilling goals focusing on value provided to the team and members alike
  - j. Mobile Safety Trailer
- **Training by Safety Services – Multiple Methods**
  - a. Classroom and training facilities at TBG
  - b. Remote site Member training availability with mobile safety trailer

- c. Online training resources
- d. Joint seminars/services with construction associations
  - a. ABC, MSA, Project Build, Arrowhead
- e. Customized presentation content
- f. Provide OSHA 10 training for high school students to expose them to the trades
- g. Relationship with Mesabi Range College and Leo Lukas for OSHA 10 class space and instructor for Northern MN
- **Underwriting**
  - a. Use of Analytics for risk assessment and pricing
  - b. Strong underwriting guidelines
  - c. Excellent knowledge and understanding of construction exposures
  - d. Underwriting authorities delineated for each underwriting staff member
  - e. Strong agency relationships
  - f. Experienced, knowledgeable staff
  - g. Member Relationships – connecting with our Members and providing them information they need.
- **Interdepartmental Team Approach**
  - a. Claims Department – ability to connect in person with our claims adjuster to discuss large claims, RTW, safety and hiring issues
  - b. Safety Services Department – Strong relationships with SS, pre inspects review of operational changes, UW approval for OSHA grants
  - c. Audit Department – working with audit to discuss class code issues, Member and agency audit issues
- **Marketing**
  - a. Strong Agency Relationships
  - b. One Industry concentration allows TBG to be viewed as the “Expert”
  - c. Positive industry reputation
  - d. Available to attend Pre-Surveys with Safety Services
  - e. Resource for Safety Services to better understand the market with prospects, members, and agency relationships
  - f. Utilizes the training facility as a marketing tool
  - g. Relationship with Industry Associations
  - h. Cross Border Program for retention and new business
  - i. Outside ad consultant to help with consistent marketing message
  - j. Experienced Business Development Coordinator
  - k. Value Added Member Benefits
    - 1. Dedicated Adjuster with lower case loads than the industry
    - 2. “Pay As You Go”
    - 3. Dedicated Safety Services Rep.
    - 4. Online Reporting of payroll and payment
    - 5. TBG Nurse Care Line
    - 6. Training Facility
- **Operations**
  - a. Robust software system that integrates policy, claims, billing, and portal
  - b. Experienced and knowledgeable IT and Accounting staff
  - c. Strong outside vendor relationships
  - d. Business Intelligence system that develops Key Performance Indicator’s (KPI’s) in real time.
  - e. IV Desk Cloud Infrastructure

- f. Data Analysis Technologies/Predictive Analytics
- g. Long term banking relationship with Alliance Bank
- h. Long term employee retention
- i. Employee benefit package
- j. Ability of employees to work remotely
- **Financial Safeguards**
  - a. Use of outside actuary and CPA that specializes in self-insurance
  - b. Annual financial audit
  - c. Posting requirement – 110% of total estimated claim liabilities
  - d. Annual Rate Adequacy Review
  - e. Specific reinsurance coverage
  - f. Outside investment advisor that oversees a diversified investment portfolio
  - g. TBG's Debt Free Status
  - h. Security Deposit protection
  - i. TBG's Investment Policy Statement
  - j. Use of LPTs to eliminate future liabilities
  - k. Member Distribution Payable (MDP) to Premium Ratio
- **Audit**
  - a. Experienced and customer friendly staff
  - b. Positive feedback from Members and Agents
  - c. Strong relationship with Underwriting – confer on class codes, election of coverage, class code exceptions, and problem solve together
  - d. Strong member relationships, assisting members with reporting and audit questions regularly
  - e. Strong relationship with Claims
  - f. Reclassification of claim class codes at audit which effect the Emod
  - g. Make sure claims are on the correct policy for affiliated members
  - h. Catch misuse of class codes through review of loss runs at audit, especially 5606
  - i. Adding E-audits to our audit process increasing efficiency
  - j. Strong Vendor relationships including multiple outside auditors
  - k. We are the "last look" at the policy and communicate/correct any issues we find
  - l. Positive WCRA Audit

## **Weaknesses:**

- **Claims Management**
  - a. Perception of analytics by claims department
  - b. Use of metrics to measure performance
  - c. Experienced and knowledgeable staff that will retiring over the next 5 – 7 years
- **Underwriting**
  - a. Use of metrics to measure performance
  - b. Retirement of an underwriter within the next 2 years
  - c. Open rating state/class code exceptions and how they transfer to other states where the exceptions are not allowed
  - b. Inconsistent internal documentation of underwriting files
  - c. Cumbersome Enrollment Process
    - 1. Complete Agent Application Checklist

2. Membership Application in a CSIG
  3. Financial Verification Form
  4. Indemnity Agreement Form
  5. MN WC Election Form
  6. Member Contact Form
  7. Subcontractor Requirements Form
  8. Guarantee of Payment of WC Liabilities Form
  9. Corporate Board Resolution Form
- **Marketing**
    - a. Overcoming the perception of Joint and Several liability
    - b. Negative publicity of other SIG assessments
    - c. Agents not fully understanding self-insurance
    - d. Need for more robust Agency Reports
    - e. Security Deposit requirement
    - f. Lack of an AM Best's rating
    - g. Necessity of two policies for Cross Border exposures
    - h. 3<sup>rd</sup> party marketing material sometimes needs multiple rounds of revisions depending on the document
  - **Operations**
    - a. Inability of Agents to obtain a premium indication via the website
    - b. No agency contingency/profit plan
    - c. Analytics not being able to "read" ImageRight
  - **Audit**
    - a. No TBG portal option for members to upload documents
    - b. No fax number currently for members to send documents
    - c. Time it takes to audit smaller members, more back and forth trying to get documents/audit info
    - d. Need to request additional information to balance the audit from Minimum Premium Members since they do not report monthly
  - **Safety**
    - a. Member/Rep ratio is much higher than consultant companies or agency safety teams
    - b. Time available to develop documents and resources

## **Opportunities:**

- **Safety Services**
  - a. Pursue Safety Services Partnerships/Strategies
  - b. Develop a "Safety Certification Program" - based on Supervisor training
  - c. Create a safety services outsourcing network for TBG Members to access on a fee basis – short term project manager, environmental specialist, etc.
  - d. Continue working with IT to develop member and claim trending/analysis tools
  - e. Pursue building remodeling project to accommodate up to 90 people in the large training room due to writing larger members
  - e. Develop resources for General Industry (GI) members of TBG as we have the capabilities to perform GI OSHA 10s
  - f. Educate Members and Agents that Safety Services is here to help not to find fault or compete with Agencies that offer safety services to their clients
- **Marketing**

- a. Scholarship/Grant Program with TBG Education Foundation
- b. Agency Sales/Mergers – new business from Agency/Merger fallout
- c. New business proposals presented to prospects at TBG
- d. Promoting/Educating Members/Agents on the benefits of self-insurance
- e. Markets leaving the construction space or causing agency frustrations – Amerisure and Travelers
- **Operations**
  - a. Business Intelligence Module/Data Analysis/Dashboards
  - b. Other SIG's Merge with TBG
  - c. Using Predictive Analytics to improve Underwriting and Claim results
  - d. Identify and develop benchmarks for comparison to the industry
  - e. Utilizing staff retirements and new hires to obtain a fresh perspective
  - f. Continue the development of an app for Members and Agents
  - g. Develop a rating system for Members
  - h. Continue to build out remote work policies and resources
  - i. Research a paperless automated accounting system
  - j. Migrate out of ImageRight to another paperless system
- **Total TPA**
  - a. Fee income from administration of other SIG's
  - b. Explore the purchase of Formula Corporation
  - c. Captive formation to cover potential future assessments
  - d. The ability to write USL&H coverage through a third party

#### **Threats:**

- **Marketing**
  - a. Misinformation about SIGs and other SIGs assessing their Members
  - b. Competition Leveraging Other Lines of Business
  - c. National Brokers buying local agencies
  - d. Lack of ability to write USL&H coverage
  - e. Carriers not willing to have their umbrella go over TBG Employers Liability policy
- **Operations**
  - a. Technological disruption – data breach, viruses, etc.
  - b. Data security – encryption of emails/attachments
- **Industry/ Market Factors**
  - a. Legislature expanding WC benefits/regulatory overreach
  - b. Insurance Cycle – soft market
  - c. Professional Employment Organizations (PEOs) more aggressive writing WC
  - d. Future Downturn in the Construction Industry
  - e. Unknown occupational disease
  - f. Cost of new medical devices/procedures
  - g. Competitor developing an analytics based alternative WC program
  - h. Pure premium rate reduction from the MWCIA
  - i. Insurance companies leveraging other lines to write WC
  - j. Potential loss of experience/knowledge due to upcoming retirements
  - k. Aging and/or stressed work force
  - l. New markets entering the MN construction market and looking for business – Hanover and Arch
  - m. Future pandemics including COVID



- **Safety Services**
  - a. Members that do not value safety
  - b. Lack of member buy-in to safety or avoidance by members to our repeated contact attempts

## **Strategic Plan**

### **Financial Objectives**

- Achieve an accident year loss ratio of 35% or less and an expense ratio (expenses except reinsurance and special comp fund) of 20% or less
- Attain a 4% minimum annual rate of return on investments following TBG's investment policy
- Add a minimum of 10% of Net Premium to Member Distribution Payable on an annual basis
- Maintain Member Distribution Payable (MDP) as a ratio to net premium of approximately \$1 of MDP for every \$1 of premium
- Manage/monitor posting, collateral, and MDP to ensure the continuation of dividend payments
- Attain a 25% policy count penetration in the Cross Border program by 2025

### **Business Objectives**

- Continue to seek other revenue opportunities that compliments the TBG Mission Statement.
- Cultivate and develop a strong Board of Directors that represents all sectors of the construction industry.
- Continue to seek and develop new products/services that add value to the Members.
- Annual review of the Investment Policy and update when needed
- Monitor and analyze real estate investments for profitability.
- Provide support for the TBG Education Foundation.
- Enhance and maintain the relationship with our regulators.
- Enhance existing association relationships both locally and nationally
- Review and update the Data Breach Policy and the safeguard of TBG data with all our data vendors/resources

### **Operational Objectives**

- Continue to refine processes/procedures to improve efficiencies and utilizations of the operating system.
- Work with gradient A.I. to develop/enhance reports that identify issues and opportunities.
- Cultivate and develop employees
- Review HR manual/procedures annually to ensure compliance.
- Continue to update the Succession Plan to ensure future stability
- Maintain and revise the Strategic Plan annually.

- Review/update all department policies and procedures to ensure procedural continuity.
- Further identify and develop financial and operational controls to ensure financial integrity.
- Develop benchmarks for comparisons where feasible
- Annually review the marketing strategy to support the marketing goals that:
  - a. Delineates the TBG message frequently and clearly
  - b. Promotes the added value of TBG's low adjuster case load, Safety Services, and facilities
  - c. Identifies the unique advantages of TBG and self-insurance over the competition
  - d. Continually promotes the Safety Services on-line training library to the membership
  - e. Continues to promote the TBG Nurse Care Line
- Continue to promote and expand Safety Services capabilities and facilities to the benefit of our Members.
- Monitor the adjuster case load to maintain an average of 100 open indemnity claims or less per loss time adjuster.

### **Legislative Objectives**

- Work with the Minnesota Self Insurance Group and other entities on legislative issues regarding Workers Compensation and Workers Compensation self-insurance
- Educate legislators on Workers Compensation issues and Workers Compensation self-insurance issues
- Educate Members, Industry Associations, and Agents on legislative issues concerning workers' compensation
- Partner with industry associations for the use of their legislative alert groups to contact legislative representatives when needed

### **2021 Goals**

- **Marketing**
  1. Develop a plan that defines a market share goal, the characteristics of "quality" business, the future size of the Fund, that ensures our continued success
  2. Develop a non-3M Open sales contest
  3. Increase the TBG cross Border policy count to 16% penetration
  4. Increase the TBG premium related to the Cross Border program to 20%
  5. Develop a marketing plan emphasizing Safety Services is here to help the Members and Agents with their clients
  6. Develop a plan to market the TBG mobile app to our Members and Agents
  7. Find an United States Longshore & Harbor (USL&H) coverage solution for our Members
  8. Develop a marketing plan for the Safety Services Association

- **Information Services**
  1. Continue the Insurity Users group with the other states
  2. Review and enhance if necessary the security for our systems and data
  3. Research an alternative to Insurity and ImageRight and decide to change or continue as is
  4. Enhance remote cyber security due to remote working
- **Operations**
  1. Begin to execute the CEO Succession Plan and hire a COO
  2. Develop benchmarks/metrics for claims and Safety Services
  3. Finalize the cost of the office remodel and proceed if feasible
  4. Develop a rating system of our Members
  5. Implement the outsourcing of claims payments with ECHO
  6. Explore an LPT for feasibility
  7. Develop a five year capital expenditure budget
  8. Attain a 15% penetration on claim count with the TBG Nurse Care Line
  9. Review and update if needed the employee handbook and manager guide
  10. Promote professional/educational training and encourage a professional development plan for each employee
  11. Conduct another communication survey to monitor progress
  12. Determine what additional coverages can be written in the captive and when
  13. Explore and choose a telemedicine vendor
- **Safety Services**
  1. Develop analytic tools with IT to target/analyze Members based on injury trends, industry trends, changes in regulatory requirements,
  2. Safety Summit 2.0
  3. Explore the feasibility to expand services provided by SS in the areas of wearables and Drone Deployment
  4. Finalize the supervisor training program and determine if it leads to a Supervisor Certification Program
  5. Expand the training to include the OSHA 10 hour general industry course
- **Audit**
  1. Look for an additional back up audit vendor
  2. Review and revise the audit manual
- **Underwriting**
  1. Work with Gradient AI to better understand predictive analytics in our underwriting process
  2. Update the underwriting succession plan
  3. Require a completed drug policy verification form on renewal to receive the drug testing credit

## **2022 Goals**

- Work with the COO to develop relationships with our vendors, companies, associations, etc.
- Review the Data Breach Policy for updates (technology rapidly evolving)
- Review and refine the benchmarks/metrics of each department and TBG
- Increase the Cross Border policy count to 19% penetration
- Increase the TBG premium related to the Cross Border program to 22%
- Host a 25 year TBG celebration at TBG world headquarters

- Depending on Member growth vs. attrition, add new SS Rep. or Resource development position
- Integrate the new operational program and alternative to ImageRight if new vendors were chosen
- Implement the Supervisor Training program
- If feasible, add an additional coverage to the captive
- Implement a telemedicine option in claims
- Prepare for adjuster retirements and hire if necessary

### **2023 Goals**

- Review writing another line of coverage in the captive
- Increase the Cross Border policy count to 22% penetration
- Increase the TBG premium related to the Cross Border program to 25% penetration
- Hire another adjuster if needed

### **2024 Goals**

- Increase the Cross Border policy count to 25% the overall goal
- Review Claims TPA for personnel changes due to retirements or claim counts

### **2025 Goals**

- Review captive ownership and state of domicile