

TBG Board Meeting Agenda
Thursday September 12, 2019
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 1:30** Jeff Threlkeld, Senior VP, McGriff, Seibels, & Williams, Our Broker for the Cross Border Program
- IV. 1:30 to 2:20** Labor Laws update – Lenny Segal, Jon Schindel, SeilerSchindel
- V. 2:20 to 3:00** CEO Report (Partial)
 - 1. Midyear Actuarial Review and 2020 Rate Recommendation for Approval
 - 2. Dividend Discussion and Approval
 - 3. Investment Properties Update – Expecting an offer to discuss
- VI. 3:00 to 3:15** Break
- VII. 3:15 to 3:30** Financial Report – Jennifer Noble
 - 1. July 2019 Financial Report
 - 2. NPD payment issue
- VIII. 3:30 to 3:45** Marketing/Operations Update – Mitch Loewen
 - 1. Ops Report
 - 2. Sales Contest
- IX. 3:45 to 4:15** CEO Report – Stu Thompson
 - 1. Captive Update
 - 2. Board Retreat
 - 3. 2019 - 2020 Meeting Schedule thru May (tentative)
- X. 4:15 to 4:45** Committee Reports
 - 1. Executive Committee – Tom Corrigan
 - 2. Long Range Planning Committee – Craig Plekkenpol
 - a. 2020 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
- XI. 4:45** Board Only Session

THE BUILDERS GROUP
BOARD OF DIRECTORS MEETING
TBG Conference Room
July 18, 2019

Directors Present:

Sterling Black	Tom Corrigan	Richard Larson	Mark Meyer
Craig Plekkenpol	Lowell Pratt	Kristopher Scherer	Tom Solberg
Kurt Swanson			

TBG Staff Present:

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

Guests:

Eva Crawford & Phil Moosbrugger (Department of Commerce)

Call to Order: Tom Corrigan

Chairperson Tom Corrigan called the meeting to order at 1:12 PM.

Approval of Minutes: Kristopher Scherer

A request was made for a motion to approve the minutes of the 1st May 23rd Board Meeting. Lowell Pratt motioned to approve the minutes and Craig Plekkenpol seconded the motion. Motion carried.

A request was made for a motion to approve the minutes of the 2nd May 23rd Board Meeting. Richard Larson motioned to approve the minutes and Mark Meyer seconded the motion. Motion carried.

May 2018 Financial Report: Jennifer Noble

A complete review of the Fund's May 2019 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.

Operations/Marketing Report: Mitch Loewen

A review of the Fund's operations through May of 2019 was presented to the Board.

- The review included: Premium and payroll data, new business, and cancellations review.

Dividend Update and Recommendations: Discussion of Dividend policy and catch up amount due to shorting of payout years from 7 to 5 years. Dividend payout to be finalized at September meeting.

CEO Report: Stu Thompson

- Death Claim Update
- 401k Profit /Sharing Proposal- **Craig Plekkenpol moved to approve 401k Profit Sharing amended version. Lowell Pratt Seconded the motion. Motion Carried.**
- Information Technology Update: Joe Sherman
- Midyear Actuarial
- Captive Update
- Board Retreat Update: Dec4 – Dec 8; Potential speakers/topics/logistics noted.
- Discussion on Bond with Star insurance
- Real Estate Update: Tenants and Vacancies. Recommendation to sales nonoperational real estate over next the year.
- Alliance Bank Golf Outing: Aug 22

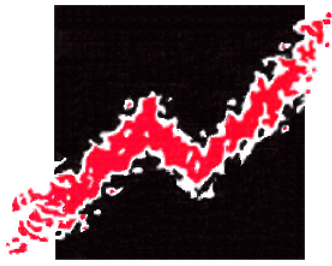
Committee Reports

- Executive Committee: Tom Corrigan
 - 2019-20 Board Committees
- Strategic Planning Committee: Craig Plekkenpol
- Finance Committee: Craig Plekkenpol
- Investment Committee: Lowell Pratt
- Nominating Committee: Tom Corrigan.
- Director Orientation Committee: open?
- TBG Education Foundation: Lowell Pratt – Intern program Rolling

Board Only Portion

Motion to adjourn at 4:21 PM by Lowell Pratt and seconded by Tom Solberg. Motion Carried.

Kristopher Scherer Board Secretary



Casualty Actuarial Consultants, Inc.

August 30, 2019

Mr. Stu Thompson, CEO
The Builders Group
2919 Eagandale Boulevard
Suite 100
Eagan, MN 55121-1214

Dear Mr. Thompson:

Attached is Casualty Actuarial Consultants, Inc.'s (CACI) required reserves estimate as of 6/30/19 for The Builders Group (TBG). The estimates that follow represent an update to the reserves estimated as of 12/31/18 and reflect the changes in the loss data since 12/31/18. This analysis can be used to update TBG's financial statement as of 6/30/19. Also included is an estimate of the reserves as of 12/31/19.

RESULTS

The results of this analysis are shown in the chart on the following page. As indicated in Section A of the chart, the undiscounted estimated required reserves as of 6/30/19 for all years combined are \$54,408,671. This amount has not been discounted to reflect the time-value of money and reflects losses at the expected loss level. In Section B, the chart shows the undiscounted expected estimated required reserves as of 6/30/19, after accounting for the LPT, to be \$34,124,155. The corresponding discounted reserves using a range of interest rates are also shown in Sections A and B. The SCF assessment accrual is shown on both undiscounted and discounted bases, along with the required security deposit as of 6/30/19, at the bottom of Section B. Tables 17-19 detail the estimated required reserves as of 12/31/19.

A comparison of the estimated ultimate incurred losses in this analysis to those in the analysis as of 12/31/18 is shown on page 3 for all years. As shown, the estimates in the current report are \$572,243 less than the estimates at 12/31/18. CACI is closely monitoring the development of all losses and will make adjustments to the estimating procedure and methodology as warranted. The comparison on page 4 only includes years remaining after loss portfolio transfers. As shown, the comparison shows an increase of \$136,167, or 0.3%, for these years.

**ESTIMATED LOSS AND ALAE RESERVES
INCLUDING IBNR FOR 5/12/97 - 6/30/19 AS OF 6/30/19**

(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	\$43,129,602	\$54,408,671	\$65,889,114
Disc. At 2.0%	40,680,000	51,319,047	62,150,000
Disc. At 3.0%	39,580,000	49,934,861	60,470,000
Disc. At 4.0%	38,560,000	48,643,634	58,910,000

B. AFTER LPT

	<u>Low</u>	<u>Expected</u>	<u>High</u>
Undiscounted	\$29,135,788	\$34,124,155	\$39,037,617
Disc. At 2.0%	27,690,000	32,431,274	37,100,000
Disc. At 3.0%	27,040,000	31,672,174	36,230,000
Disc. At 4.0%	26,440,000	30,963,338	35,420,000

SCF Assessment Accrual	\$ 4,024,042
Discounted SCF Assessment Accrual (2.0%)	3,795,535
Discounted SCF Assessment Accrual (3.0%)	3,693,161
Discounted SCF Assessment Accrual (4.0%)	3,597,662

Required Security Deposit (2.0%)	\$38,595,777
Required Security Deposit (3.0%)	\$37,661,903
Required Security Deposit (4.0%)	\$36,790,558

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 ¹	Prior Report ²	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	1,145,868	1,167,923	(22,055)	— 1.9%
1/1/01-02	605,723	605,723	0	+ 0.0%
1/1/02-03	2,891,562	2,894,226	(2,664)	— 0.1%
1/1/03-04	5,686,175	5,689,762	(3,587)	— 0.1%
1/1/04-05	8,425,980	8,436,038	(10,058)	— 0.1%
1/1/05-06	14,466,192	14,383,122	83,070	+ 0.6%
1/1/06-07	20,775,507	20,767,797	7,710	+ 0.0%
1/1/07-08	22,852,901	22,859,146	(6,245)	— 0.0%
1/1/08-09	21,679,546	21,719,174	(39,628)	— 0.2%
1/1/09-10	17,116,391	17,106,735	9,656	+ 0.1%
1/1/10-11	19,064,699	19,043,247	21,452	+ 0.1%
1/1/11-12	19,233,199	19,163,492	69,707	+ 0.4%
1/1/12-13	18,100,528	18,095,188	5,340	+ 0.0%
1/1/13-14	20,888,896	21,409,760	(520,864)	— 2.4%
1/1/14-15	26,252,896	26,398,815	(145,919)	— 0.6%
1/1/15-16	25,202,406	24,880,739	321,667	+ 1.3%
1/1/16-17	23,198,062	23,674,054	(475,992)	— 2.0%
1/1/17-18	24,989,683	25,205,365	(215,682)	— 0.9%
1/1/18-19	25,780,638	25,428,789	351,849	+ 1.4%
	\$318,811,469	\$319,383,712	(\$ 572,243)	— 0.2%

¹ From Table 9 of this report as of 6/30/19.

² From Table 9 of this report as of 12/31/18.

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 ¹	Prior Report ²	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	24,989,683	25,205,365	(215,682)	- 0.9%
1/1/18-19	25,780,638	25,428,789	351,849	+ 1.4%
	\$51,224,938	\$51,088,771	\$ 136,167	+ 0.3%

¹ From Table 10 of this report as of 6/30/19.

² From Table 10 of this report as of 12/31/18.

ASSUMPTIONS AND LIMITATIONS

It is important to note that there is inherent uncertainty when estimating ultimate incurred losses. Therefore, the estimates contained in this analysis cannot be warranted or guaranteed. The results are dependent, in part, upon the appropriateness of the loss development factors utilized in this analysis. Further, the results are dependent upon the accuracy of the data provided by TBG. Finally, all limitations and qualifications outlined in the 12/31/18 analysis also apply to this analysis.

Mr. Stu Thompson
August 30, 2019
Page 5

If you should have any questions concerning this report, please call or write. It is a pleasure to be of service to TBG.

Sincerely,

Handwritten signature of Thomas P. Langer in black ink.

Thomas P. Langer, FCAS, MAAA
Vice President

Handwritten signature of J. Edward Costner in black ink.

J. Edward Costner, ACAS, MAAA
President

Attachments

Table 20

THE BUILDERS GROUP**ESTIMATED SECURITY DEPOSIT AS OF 6/30/19 - AFTER LPT**

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

Estimated Required Reserves as of 6/30/19 Discounted at 3.0%	\$31,672,174
Estimated Required Reserves as of 12/31/19 Discounted at 3.0%	\$34,238,094
Estimated Maximum Required Reserves During 2019	\$34,238,094
Security Deposit Percentage	110.00%
Estimated Security Deposit as of 6/30/19	\$37,661,903

Table 21

THE BUILDERS GROUP**HISTORICAL PROFITABILITY ANALYSIS****DOLLARS**

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

A. ESTIMATED UNDERWRITING INCOME

Policy Period	Premium ¹	Operating Expenses ¹	Funds Available For Claims	Estimated Ultimate Incurred Losses	Estimated Underwriting Income
1/1/07-08	\$ 34,766,446	\$ 12,994,015	\$ 21,772,431	\$ 22,852,901	(\$ 1,080,470)
1/1/08-09	30,517,424	11,749,686	18,767,738	21,679,546	(2,911,808)
1/1/09-10	22,208,815	10,755,358	11,453,457	17,116,391	(5,662,934)
1/1/10-11	21,101,597	10,611,679	10,489,918	19,064,699	(8,574,781)
1/1/11-12	25,020,518	10,704,541	14,315,977	19,233,199	(4,917,222)
1/1/12-13	29,174,221	10,895,008	18,279,213	18,100,528	178,685
1/1/13-14	35,766,490	10,822,593	24,943,897	20,888,896	4,055,001
1/1/14-15	43,834,231	10,431,936	33,402,295	26,252,896	7,149,399
1/1/15-16	46,996,489	13,311,369	33,685,120	25,202,406	8,482,714
1/1/16-17	43,236,561	12,734,441	30,502,120	23,198,062	7,304,058
1/1/17-18	41,015,970	13,004,483	28,011,487	24,989,683	3,021,804
1/1/18-19	42,587,978	12,137,714	30,450,264	25,780,638	4,669,626
	\$416,226,740	\$140,152,823	\$276,073,917	\$264,359,845	\$11,714,072

B. ESTIMATED NET INCOME

Policy Period	Estimated Underwriting Income	Investment Income ¹	Estimated Net Income
1/1/07-08	(\$ 1,080,470)	\$ 3,852,345	\$ 2,771,875
1/1/08-09	(2,911,808)	(4,183,933)	(7,095,741)
1/1/09-10	(5,662,934)	2,415,938	(3,246,996)
1/1/10-11	(8,574,781)	1,700,702	(6,874,079)
1/1/11-12	(4,917,222)	1,092,723	(3,824,499)
1/1/12-13	178,685	1,112,429	1,291,114
1/1/13-14	4,055,001	2,163,607	6,218,608
1/1/14-15	7,149,399	671,785	7,821,184
1/1/15-16	8,482,714	907,347	9,390,061
1/1/16-17	7,304,058	1,359,713	8,663,771
1/1/17-18	3,021,804	1,434,600	4,456,404
1/1/18-19	4,669,626	2,209,337	6,878,963
	\$11,714,072	\$14,736,593	\$26,450,665

¹ Based on audited financials. 1/1/07-08, 1/1/08-09, and 1/1/11-12 premium provided by TBG.
Operating expenses include SCF assessment and bad debt expense.

Table 22

THE BUILDERS GROUP**HISTORICAL PROFITABILITY ANALYSIS****RATES PER \$100 PAYROLL**

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

A. ESTIMATED UNDERWRITING INCOME

Policy Period	Premium	Operating Expenses	Funds Available For Claims	Estimated Ultimate Incurred Losses	Estimated Underwriting Income
1/1/07-08	\$4.72	\$1.76	\$2.96	\$3.10	(\$0.14)
1/1/08-09	4.33	1.67	2.66	3.08	(0.42)
1/1/09-10	4.23	2.05	2.18	3.26	(1.08)
1/1/10-11	4.05	2.04	2.01	3.66	(1.65)
1/1/11-12	4.06	1.74	2.32	3.12	(0.80)
1/1/12-13	4.15	1.55	2.60	2.58	0.02
1/1/13-14	4.14	1.25	2.89	2.42	0.47
1/1/14-15	4.46	1.06	3.40	2.67	0.73
1/1/15-16	4.33	1.23	3.10	2.32	0.78
1/1/16-17	4.14	1.22	2.92	2.22	0.70
1/1/17-18	3.63	1.15	2.48	2.21	0.27
1/1/18-19	3.64	1.04	2.60	2.20	0.40

B. ESTIMATED NET INCOME

Policy Period	Estimated Underwriting Income	Investment Income	Estimated Net Income	Payroll (\$100) ¹
1/1/07-08	(\$0.14)	\$0.52	\$0.38	\$ 7,371,756
1/1/08-09	(0.42)	(0.59)	(1.01)	7,043,430
1/1/09-10	(1.08)	0.46	(0.62)	5,244,218
1/1/10-11	(1.65)	0.33	(1.32)	5,209,408
1/1/11-12	(0.80)	0.18	(0.62)	6,160,165
1/1/12-13	0.02	0.16	0.18	7,028,916
1/1/13-14	0.47	0.25	0.72	8,646,812
1/1/14-15	0.73	0.07	0.80	9,825,926
1/1/15-16	0.78	0.08	0.86	10,842,861
1/1/16-17	0.70	0.13	0.83	10,437,309
1/1/17-18	0.27	0.13	0.40	11,299,560
1/1/18-19	0.40	0.19	0.59	11,697,501

¹ Provided by TBG.

THE BUILDERS GROUP



ACTUARIAL REPORT

Rate Analysis for 1/1/20-21

August 30, 2019

Casualty Actuarial Consultants, Inc.

FINDINGS

The findings are the product of loss experience, actuarial assumptions, quantitative analysis, and professional judgment. The estimates are expressed in terms of a range that indicates the reliance on assumptions believed to be reasonable and are subject to all the limitations expressed in this report.

PREMIUM ANALYSIS

The indicated premium need and the indicated change from the estimated premium currently charged by TBG are shown in the following table on undiscounted and discounted for investment income bases.

PREMIUM INDICATION FOR 1/1/20-21

	Low	Expected Undiscounted	High
Ind. Premium Need	\$36,450,000	\$38,410,000	\$41,700,000
Indicated Change	-4.3%	+0.9%	+9.5%
Indicated Average LCM ¹	2.058	2.169	2.354
Discounted at 3.0%			
Ind. Premium Need	\$34,680,000	\$36,520,000	\$39,610,000
Indicated Change	-8.9%	-4.1%	+4.0%
Indicated Average LCM ¹	1.958	2.062	2.236

¹ Based on 1/1/20 MWCIA loss costs.

The indicated premium is the amount TBG needs to collect after rating tiers, experience modifiers, discounts, and schedule credits/debits. The current premium is an estimate of the amount TBG will collect for the 1/1/20-21 accident year under its current premium structure. The indicated average loss cost multiplier (LCM) is

Incurred loss development is the most widely used method of estimating ultimate incurred losses. By using the reserves on a claim-by-claim basis, the most recent claims adjusters' estimates are included in the analysis in addition to the cumulative paid losses. Inherent in the incurred loss development technique is the assumption that there are no significant changes in reserving practices.

A paid loss approach attempts to eliminate distortions that can occur in the incurred loss development method when there is a suspected change in reserving procedures. Inherent in paid loss development techniques is the assumption that there are no substantial changes in claims settlement practices.

The Bornhuetter-Ferguson techniques attempt to include provisions in ultimate incurred losses based on estimates of expected losses. A Bornhuetter-Ferguson method relies on the accuracy of the estimates. The incurred and paid Bornhuetter-Ferguson methods are subject to considerations similar to the incurred and paid methods discussed in the preceding paragraphs.

INCURRED LOSS DEVELOPMENT METHOD

The ultimate cost of claims incurred for a specific time period is usually not known until several years after the close of that period. Loss development factors project the additional cost expected on claims. These factors quantify the late developing aspects of certain losses, such as claims involving medical complications not recognized in the early stages of treatment or verdict values for litigated claims that are different than the amounts previously reserved. They also

account for losses that occurred during the accident year but are not reported until a later date.

Section A of Table 1 limits the incurred losses from the five most recent accident years to the anticipated retention of \$2,000,000. As of 6/30/19, there is one claim with incurred losses greater than \$2,000,000. In Section B of Table 1, loss development factors interpolated from Section C of Table 1 of the February, 2019 actuarial report are applied to the incurred losses as of 6/30/19 to estimate the ultimate value. For example, Table 1 shows that the incurred losses for the 1/1/18-19 accident year evaluated at \$16,241,986 on 6/30/19 are estimated to ultimately cost \$24,898,965 due to IBNR. The loss development factor of 1.533 means that the ultimate losses are expected to be 53.3% more than the incurred losses evaluated on 6/30/19.

PAID LOSS DEVELOPMENT METHOD

The paid procedure employs a similar analysis based on paid loss data. This estimation technique has the advantage of not being influenced by changes in the loss reserve estimates of the adjusters at the expense of requiring larger development factors at a given age than the incurred method. The analysis is shown in Table 2.

Table 1

THE BUILDERS GROUP**ESTIMATED ULTIMATE INCURRED LOSSES****INCURRED LOSS DEVELOPMENT**

(Losses Net of Non-Excess Recoveries)

A. LIMITATION OF LOSSES TO \$2,000,000 EXCLUDING ALAE

Accident Year	Unlimited Incurred Losses as of 6/30/19	Specific Retention	No. of Claims Incurred in Excess of Retentions	Losses Incurred in Excess of Retentions	Limited Incurred Losses as of 6/30/19
1/1/14-15	\$ 24,073,517	\$2,000,000	0	\$ 0	\$ 24,073,517
1/1/15-16	24,386,210	2,000,000	1	426,224	23,959,986
1/1/16-17	20,191,038	2,000,000	0	0	20,191,038
1/1/17-18	20,145,198	2,000,000	0	0	20,145,198
1/1/18-19	16,241,986	2,000,000	0	0	16,241,986
	\$105,037,949		1	\$426,224	\$104,611,725

B. ESTIMATED ULTIMATE INCURRED LOSSES

Accident Year	Limited Incurred Losses as of 6/30/19	Age of Policy Period in Months	Incurred Loss Development Factor ¹	Estimated Ultimate Incurred Losses
1/1/14-15	\$ 24,073,517	66.0	1.094	\$ 26,336,428
1/1/15-16	23,959,986	54.0	1.117	26,763,304
1/1/16-17	20,191,038	42.0	1.157	23,361,031
1/1/17-18	20,145,198	30.0	1.252	25,221,788
1/1/18-19	16,241,986	18.0	1.533	24,898,965
	\$104,611,725			\$126,581,516

¹ Based on factors selected in the February, 2019 actuarial report.

Table 2

THE BUILDERS GROUP**ESTIMATED ULTIMATE INCURRED LOSSES****PAID LOSS DEVELOPMENT**

(Losses Net of Non-Excess Recoveries)

A. LIMITATION OF LOSSES TO \$2,000,000 EXCLUDING ALAE

Accident Year	Unlimited Paid Losses as of 6/30/19	Specific Retention	No. of Claims Paid in Excess of Retentions	Losses Paid in Excess of Retentions	Limited Paid Losses as of 6/30/19
1/1/14-15	\$23,247,563	\$2,000,000	0	\$0	\$23,247,563
1/1/15-16	21,272,545	2,000,000	0	0	21,272,545
1/1/16-17	18,231,765	2,000,000	0	0	18,231,765
1/1/17-18	16,832,993	2,000,000	0	0	16,832,993
1/1/18-19	11,844,024	2,000,000	0	0	11,844,024
	\$91,428,890		0	\$0	\$91,428,890

B. ESTIMATED ULTIMATE INCURRED LOSSES

Accident Year	Limited Paid Losses as of 6/30/19	Age of Policy Period in Months	Paid Loss Development Factor ¹	Estimated Ultimate Incurred Losses
1/1/14-15	\$23,247,563	66.0	1.125	\$ 26,153,508
1/1/15-16	21,272,545	54.0	1.169	24,867,605
1/1/16-17	18,231,765	42.0	1.258	22,935,560
1/1/17-18	16,832,993	30.0	1.466	24,677,168
1/1/18-19	11,844,024	18.0	2.378	28,165,089
	\$91,428,890			\$126,798,930

¹ Based on factors selected in the February, 2019 actuarial report.

Table 5

THE BUILDERS GROUP**SELECTED ESTIMATED ULTIMATE INCURRED LOSSES**

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

Accident Year	Estimation Methods				Selected Estimated Ultimate Incurred Losses ¹
	Incurred Loss Development	Paid Loss Development	Incurred Bornhuetter- Ferguson	Paid Bornhuetter- Ferguson	
1/1/14-15	\$26,336,428	\$ 26,153,508	\$26,343,815	\$ 26,177,831	\$ 26,252,896
1/1/15-16	26,763,304	24,867,605	26,679,564	25,028,152	26,222,406
1/1/16-17	23,361,031	22,935,560	23,410,709	23,084,946	23,198,062
1/1/17-18	25,221,788	24,677,168	25,211,476	24,848,299	24,989,683
1/1/18-19	24,898,965	28,165,089	25,091,205	26,567,293	25,780,638
	\$126,581,516	\$126,798,930	\$126,736,769	\$125,706,521	\$126,443,685

¹ Selected judgmentally, with consideration given to the selected ultimate losses from the 6/30/19 reserve analysis update.

ADJUSTMENTS TO LOSSES & PAYROLLS

Cost level adjustment factors adjust the estimated ultimate losses and payroll to the level appropriate for the 1/1/20-21 projection year. For workers compensation losses, this adjustment has two parts: a benefit level change factor and a loss trend factor.

The benefit level change factors quantify increases and decreases in the benefit level attributable to changes in the Minnesota workers compensation law. These factors, developed from data compiled by the MWCIA, are shown in Section A of Table 6.

The loss trend factor models average changes in claim costs as reported in *Employment and Earnings and Survey of Current Business*. Shown in Section A of Table 6, the loss trend factor consists of two elements: increases in average hourly wages and medical care costs. These two elements are weighted according to a 40%/60% estimated ultimate distribution of indemnity and medical losses to determine the overall loss trend factor. The resulting loss trend factors are shown in the last column of Appendix B, Exhibit I. These factors adjust losses for each of the historical accident years to the projection year of 1/1/20-21. For example, the factor of 1.117 for the 1/1/14-15 accident year indicates that an average loss incurred during that year would cost 11.7% more during the 1/1/20-21 year. The benefit level change and loss trend factors are applied to the estimated ultimate incurred losses to adjust losses as shown in Section A of Table 6.

Table 6

THE BUILDERS GROUP**ADJUSTMENTS TO A 1/1/20-21 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 ¹	Loss Trend Factor ²	Adjusted Losses ³
1/1/14-15	\$ 26,252,896	1.007	1.117	\$ 29,529,756
1/1/15-16	26,222,406	1.005	1.101	28,802,213
1/1/16-17	23,198,062	1.003	1.082	25,175,604
1/1/17-18	24,989,683	1.001	1.062	26,565,582
1/1/18-19	25,780,638	1.000	1.038	26,760,302
	\$126,443,685			\$136,833,457

B. EXPOSURE ADJUSTMENTS

Accident Year	Payroll ⁴	Payroll Trend Factor ²	Class Code Adjustment Factor ⁵	Adjusted Payroll
1/1/14-15	\$ 993,727,704	1.173	0.982	\$1,144,661,030
1/1/15-16	1,083,704,254	1.145	0.993	1,232,155,481
1/1/16-17	1,046,364,335	1.113	0.994	1,157,615,884
1/1/17-18	1,130,160,542	1.087	0.980	1,203,914,819
1/1/18-19	1,169,750,103	1.051	0.992	1,219,572,099
	\$5,423,706,938			\$5,957,919,313

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

In Section B of Table 6, the payrolls are adjusted to a 1/1/20-21 wage level.

The payroll trend factors are shown in Appendix B, Exhibit I. A class code adjustment factor, which is calculated in Appendix B, Exhibit II, is also applied to the historical payroll to adjust for changes in the mix of business written by TBG from the historical years to the projection year.

LOSS PROJECTION

Having adjusted TBG's ultimate workers compensation losses and payrolls to a 1/1/20-21 level, the next step is to calculate pure loss rates based on the experience of TBG. As discussed earlier, the pure loss rate is defined as the expected dollar of loss per unit of exposure and is used as the basis of the premium calculation for the upcoming year. The adjusted losses from Section A of Table 6 are divided by the adjusted payroll from Section B of that table to yield pure loss rates in Section A of Table 7. Each of these historical pure loss rates is an estimate of the pure loss rate for the 1/1/20-21 accident year.

The pure loss rates are reviewed, and an expected pure loss rate of \$2.30 per \$100 payroll is selected in Section A of Table 7. In order to reflect the sensitivity of the selection, the expected pure loss rate is bracketed in Section B by low and high rates. Figure 2, a graph of the pure loss rates, illustrates the selection process.

Table 7

THE BUILDERS GROUP**LOSS PROJECTION FOR 1/1/20-21**

(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
1/1/14-15	\$ 29,529,756	\$1,144,661,030	\$2.58
1/1/15-16	28,802,213	1,232,155,481	2.34
1/1/16-17	25,175,604	1,157,615,884	2.17
1/1/17-18	26,565,582	1,203,914,819	2.21
1/1/18-19	26,760,302	1,219,572,099	2.19
	\$136,833,457	\$5,957,919,313	
		Average	\$2.30
		Wtd. Average	2.30
		3-Yr. Avg.	2.19
		Prior	2.40
		Expected	2.30

B. LOSS PROJECTION

Level	Selected Pure Loss Rate	Projected Payroll ¹	Projected Losses
Low	\$2.15	\$1,150,000,000	\$24,730,000
Expected	2.30		26,450,000
High	2.55		29,330,000

¹ See Section A of Appendix B, Exhibit II.

Company Rating Tier Guidelines

TBG's objective is to write and retain the larger more profitable risks that are the best in class. TBG's philosophy is to look at every risk on its own merits and not class underwrite.

Tier I

In general, these will be above average risks that have an excellent loss history, appropriate Safety Services, safety programs already in place, and the risk management techniques to mitigate losses.

The following guidelines must be met in order to determine if a risk is eligible for a preferred company rate:

- Premium Size: *\$50,000 manual premium using the preferred loss cost multiplier rates
- Four year, plus current loss ratio of 40% or less.
- In business for at least 3 years.
- Safety Services Programs in Place:
 - Written Safety program
 - Written Return to Work program with specific light duty jobs identified
- Approval from the Director of Insurance to quote.
 - **Exception** - \$25,000 manual premium for the following classes:
 - Electrical – low voltage / alarm
 - Carpentry – cabinet / trim
 - Sprinkler installer
 - Carpet flooring
 - Painting

Tier II – Standard

In general this tier will have the vast majority of the TBG business. The members in this tier will have most of the appropriate Safety Services and safety programs already in place. They will also have the ability to improve risk management techniques to mitigate losses.

Tier III

This tier will be used for members whose exposure is greater than premium available in other rating tiers but still can be priced to obtain a profit. The risk also may need help in putting various safety programs in place.

Tier IV

This tier will be used for members who may have a poor loss history and do not have adequate safety programs and/or claim practices in place. This tier allows TBG to adjust those members' premium upwards to cover expected increased safety and claim costs.

LCM information for a majority of the carriers TBG competes with on a regular basis. All information was gathered from the MN Workers' Comp Insurers Association (MWCIA) website.

Carrier	Rating Tier	LCM
SFM	Standard	2.110
	Preferred	1.670
Amerisure	Standard	1.700
	Preferred	1.500
Federated	Standard	2.085
	Preferred	1.872
Acuity	Standard	N/A
	Preferred	1.755
Selective	Standard	2.497
	Preferred	1.805
Travelers	Standard	1.958
	Preferred	1.780
Western National	Standard	2.600
	Preferred	1.900
Integrity	Standard	N/A
	Preferred	1.714
Hanover	Standard	2.700
	Preferred	1.780
United Fire	Standard	N/A
	Preferred	1.620
Secura	Standard	1.790
	Preferred	1.470
Accident Fund	Standard	N/A
	Preferred	1.860
Cincinnati	Standard	2.113
	Preferred	1.757
Zurich	Standard	1.978
	Preferred	1.648

TBG	LCM
Tier 4	2.600
Tier 3	2.400
Tier 2 = Standard	2.200
Tier 1 = Preferred	1.720

As of 9/3/2019

TBG 5yr Loss Ratio by Tier

Tier	Premium	Total Incurred	LR
T1-P	9,508,928	3,841,955	40.4%
T2-S	155,822,163	72,697,987	46.7%
T3	15,606,424	8,936,057	57.3%
T4	12,048,027	4,166,709	34.6%
Grand Total	192,985,542	89,642,708	46.5%

Rate Analysis and 2020 Recommendation

The actuarial Rate Making report estimates we can reduce our rates by 4.1% at our current 3% discount rate by adopting the 2020 pure premium rates using our current multipliers. Applying the new rates to our current book results in a 4.2% decrease in premiums – basically break even. In the report they are using a loss rate factor of \$2.30 while our 3 year average is \$2.19. This is conservative based on our recent history so includes a level of profit. I will explain the process the actuaries use at the Board meeting – hopefully in a manner that keeps you awake!

You have heard us talk about the soft market lately and the increased competition we are experiencing. Craig Marcotte did an analysis of the LCMs (Loss Cost Multipliers) of our competitors. We found we are higher than our competition and there was a huge gap between our Tier 1 and Tier 2 multipliers. This does not take into account our current payment of dividends however a new Member is not eligible for a dividend until their fifth year as a Member.

This has required us to use most of our 40% schedule credit in Tier 2 when quoting preferred accounts for new business. The problem this creates is that we have no schedule credits remaining for highly profitable accounts without moving them to Tier 1 which is 22% decrease.

The attached file shows the LCMs of various companies and TBGs four rate tiers. After studying the Rate Making report and our current LCMs the following is action is recommended for 2020.

Action Item: Adopt the 2020 MWCIA (Minnesota Workers Compensation Insurance Association) pure premium rates and have five rate tiers at 1.72, 1.92, 2.20, 2.40, and 2.60 LCMs for the 2020 fund year.

Exhibit II
The Builders Group
Dividend Calculation as of 12/31/18

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Grand Total All Years
Premium																							
(1) Gross Earned Premium	304,786	654,130	857,801	912,750	1,823,215	5,550,125	12,501,178	23,389,549	33,239,366	36,830,221	34,828,974	30,517,424	22,208,815	21,101,597	25,020,518	29,174,221	35,766,490	43,834,231	46,996,489	43,236,561	41,015,970	42,587,978	532,162,389
(2) Excess Insurance	0	93,264	76,249	75,825	206,773	445,816	597,187	1,215,410	1,886,904	2,224,138	2,101,451	2,365,673	2,275,634	2,534,267	1,515,643	1,447,540	1,902,909	1,902,909	2,468,492	2,064,977	2,064,977	932,177	30,398,215
(3) Net Earned Premium	304,786	560,866	781,552	836,925	1,616,442	5,104,309	11,903,991	22,174,139	31,352,462	34,606,083	32,527,523	28,151,751	19,933,181	18,567,330	23,504,875	27,726,681	33,863,581	41,931,322	44,527,997	41,171,584	38,950,993	41,655,801	501,754,174
Expenses																							
(4) Non Excess Insurance	145,333	156,861	292,316	304,734	661,751	1,691,526	3,543,347	5,820,156	9,081,430	10,335,838	10,893,964	9,746,827	7,757,754	8,183,257	9,163,415	8,463,565	8,331,458	8,529,027	10,842,877	10,669,464	10,939,506	11,205,537	146,749,943
(5) WCRA Assessment	0	0	0	0	0	0	0	0	0	0	0	0	728,084	202,374	465,229	465,229	465,229	0	0	0	0	0	2,326,145
(6) Subtotal	145,333	156,861	292,316	304,734	661,751	1,691,526	3,543,347	5,820,156	9,081,430	10,335,838	10,893,964	9,746,827	8,485,838	8,385,631	9,628,644	8,918,794	8,796,687	8,529,027	10,842,877	10,669,464	10,939,506	11,205,537	149,076,088
Loss and ALAE (net of excess insurance)																							
(7) Paid Through 12/31/18	85,789	130,069	238,759	923,307	599,702	2,729,243	5,090,980	8,045,080	13,229,700	18,963,057	19,800,369	19,749,309	15,657,335	16,773,428	17,022,877	15,735,415	18,635,851	22,189,557	20,179,294	17,830,756	16,832,993	11,844,024	262,286,883
(8) LPT Cost (Incl. Premium Tax)	0	0	0	99,106	44,309	196,551	474,764	756,593	1,587,594	2,613,856	3,826,575	2,847,637	2,100,000	2,450,000	1,800,520	1,995,069	2,933,580	3,350,000	4,205,084	5,294,916	0	0	36,576,154
(9) 12/31/18 Case Reserves	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	4,387,962
(10) 12/31/18 IBNR	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	14,383,137
(11) Subtotal	85,789	130,069	238,759	1,022,413	644,011	2,925,794	5,565,744	8,801,673	14,817,294	21,576,913	23,626,943	22,596,946	17,757,335	19,223,428	18,823,397	17,730,484	21,569,431	25,539,557	24,384,368	23,125,672	24,989,683	25,780,638	320,956,341
Investment Income																							
(12) Earned-To-Date	20,371	75,136	69,043	50,950	83,379	227,824	729,120	1,925,335	2,318,371	2,036,450	735,498	(454,263)	817,390	357,018	778,841	1,785,223	1,513,858	1,348,385	1,513,300	1,158,630	857,473	390,000	18,337,332
(13) Future Expected on Reserves	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	673,498	957,363	1,630,861
(14) Subtotal	20,371	75,136	69,043	50,950	83,379	227,824	729,120	1,925,335	2,318,371	2,036,450	735,498	(454,263)	817,390	357,018	778,841	1,785,223	1,513,858	1,348,385	1,513,300	1,158,630	1,530,971	1,347,363	19,968,193
Contribution from Subsidiaries																							
(15) Contribution from Subsidiaries																			396,881	(111,299)	(165,028)	212,421	332,975
Gross Available for Distribution																							
(16) Gross Available for Distribution	94,035	349,072	319,520	(439,272)	394,059	714,813	3,524,020	9,477,645	9,772,109	4,729,782	(1,257,886)	(4,646,285)	(5,492,602)	(8,684,711)	(4,168,325)	2,862,626	5,011,321	9,211,123	10,814,052	8,535,078	4,552,775	6,016,989	52,022,913
Distributions Declared and Paid (Including Those Declared in 2018 But Paid After 12/31/18)																							
(a) 2002	53,426	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	53,426
(b) 2003	0	200,000	225,000	0	278,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	703,000
(c) 2004	11,000	30,000	30,000	0	50,000	550,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	661,000
(d) 2005	16,574	25,000	30,000	0	0	0	1,200,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1,271,574
(e) 2006	0	0	0	0	50,000	150,000	600,000	2,400,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3,200,000
(f) 2007	12,000	80,000	16,000	0	0	0	974,000	700,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1,782,000
(g) 2008	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
(h) 2009	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
(i) 2010	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
(j) 2011	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
(j) 2012	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
(j) 2013	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
(j) 2014	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
(k) 2015	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
(l) 2016	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	653,023	0	0	0	0	0	0	653,023
(m) 2017	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	168,733	964,784	0	0	0	0	0	1,133,517
(n) 2018	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	317,577	538,193	1,848,687	0	0	0	0	2,704,457
(17) Subtotal	93,000	335,000	291,000	0	378,000	700,000	1,800,000	3,374,000	700,000	0	0	0	0	0	0	1,139,333	1,502,977	1,848,687	0	0	0	0	12,161,997
Net Available After Prior Distributions																							
(18) All Fund Years	1,035	14,072	28,520	(439,272)	16,059	14,813	1,724,020	6,103,645	9,072,109	4,729,782	(1,257,886)	(4,646,285)	(5,492,602)	(8,684,711)	(4,168,325)	1,723,293	3,508,344	7,362,436	10,814,052	8,535,078	4,552,775	6,016,989	39,860,916
Maximum Distributable Per Dividend Plan																							
(19) Maximum Distributable Per Dividend Plan																							6,977,325
2019 Dividend Declaration																							
(20) Distribution Percentage	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	55%	40%	30%	20%	0%	0%	0%	0%
(21) Total Gross Available by Year	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2,862,626	5,011,321	9,211,123	10,814,052	8,535,078	4,552,775	6,016,989	0	47,003,964
(22) Indicated 2019 Dividend Declaration	0	0	0	0	0	0	0	0	0	0	0	0	0	0	435,111	501,551	914,650	2,162,810	0	0	0	0	4,014,123
(23) 2019 Div. Declaration Subject to Max	0	0	0	0	0	0	0	0	0	0	0	0	0	0	435,111	501,551	914,650	2,162,810	0	0	0	0	4,014,123

Notes

- (1) Gross earned premium.
(2) Reinsurance expenses. This includes WCRA and other reinsurance costs.
(3) Net earned premium. (3) = (1) - (2)
(4) Non reinsurance expenses. This includes items such as commission, Special Comp Fund, claims administration, etc.
(5) WCRA assessments.
(6) Expenses subtotal. (6) = (4) + (5)
(7) Losses paid through 12/31/18. Paid accident year losses and ALAE as of 12/31/18 from 12/31/18 actuarial report. Paid losses for 1/1/00-01 through 1/1/07-08 are as of 6/30/11 and 1/1/08-09 as of 12/31/12 - the dates of the LPTs.
Losses paid through 12/31/15 for 1/1/09-10 and 1/1/10-11 reflect the approximate payments through 3/31/14 and 8/31/14, respectively, while paid losses for 1/1/11-12 through 1/1/13-14 and 1/1/14-15 reflect payments through 10/31/16 and 10/1/17, respectively, which are the dates of the LPTs.
For 1/1/15-16 and 1/1/16-17, paid losses equal paid losses as of 12/31/18, the date of the LPT.
(8) The total LPT cost, including premium taxes, of \$9,599,348, was allocated to 1/1/00-01 through 1/1/07-08 based on the discounted outstanding reserves as of 6/30/11 of \$10,126,339. The cost for 1/1/08-09 through 1/1/10-11 LPTs are from the audited financial statement.
The cost of the LPT for 1/1/11-12 through 1/1/13-14 of \$6,729,169 is allocated based on discount reserves as of 12/31/16. The cost of the LPT for 1/1/14-15 is \$3,350,000. LPT costs for 1/1/15-16 and 1/1/16-17 were \$4,205,084 and \$5,294,916, respectively.
(9) 12/31/18 case reserves. Accident year case reserve losses and ALAE as of 12/31/18 from 12/31/18 actuarial report. Reserves for 1/1/00-01 through 1/1/16-17 are set to \$0 since all liability as been transferred.
(10) 12/31/18 IBNR. Accident year IBNR losses and ALAE as of 12/31/18 from 12/31/18 actuarial report. Reserves for 1/1/00-01 through 1/1/16-17 are set to \$0 since all liability as been transferred.
(11) Losses subtotal. Ultimate accident year losses and ALAE. (11) = (7) + (8) + (9) + (10).
(12) Investment income earned to date. Current calendar year investment income is allocated by average accident year balance as shown in Exhibit I.
(13) Future expected investment income. Based on loss reserves; amount is from 12/31/18 actuarial report. No future investment on loss reserves for 1/1/00-01 through 1/1/16-17 because of the LPT.
(14) Investment income subtotal. (14) = (12) + (13).
(15) Provided by TBG.
(16) Gross available for distribution. (15) = (3) - (6) - (11) + (14) + (15).
(17) Distributions declared and paid by calendar and fund year. Provided by TBG.
(18) Gross available for distribution - all fund years. (18) = (16) - (17) + (15).
(19) Maximum Distributable Per Dividend Plan. Per dividend plan, the maximum total distributable dividend in a year equals the change in member distribution payable during the just ended year from the audited financial statement.
(20) Cumulative distribution percentage. A percentage of the available dividend is paid depending on the age of the fund year. Provided by TBG.
(21) Total gross available by year from (16). \$0 is entered for years prior to 2012.
(22) Indicated 2019 dividend declaration. (22) = (20) * (21) - (17).
(23) 2019 dividend declaration subject to maximum. If total (22) is greater than (19), yearly (22) is multiplied by factor so that total (23) equals (19). Otherwise, (23) = (22).

Exhibit II

The Builders Group
Dividend Calculation as of 12/31/18

	2012	2013	2014	2015	2016	2017	2018	Grand Total All Years
Premium								
(1) Gross Earned Premium	29,174,221	35,766,490	43,834,231	46,996,489	43,236,561	41,015,970	42,587,978	532,152,389
(2) Excess Insurance	1,447,540	1,902,909	1,902,909	2,468,492	2,064,977	2,064,977	932,177	30,398,215
(3) Net Earned Premium	27,726,681	33,863,581	41,931,322	44,527,997	41,171,584	38,950,993	41,655,801	501,754,174
Expenses								
(4) Non Excess Insurance	8,453,565	8,331,458	8,529,027	10,842,877	10,669,464	10,939,506	11,205,537	146,749,943
(5) WCRA Assessment	465,229	465,229	0	0	0	0	0	2,326,145
(6) Subtotal	8,918,794	8,796,687	8,529,027	10,842,877	10,669,464	10,939,506	11,205,537	149,076,088
Loss and ALAE (net of excess insurance)								
(7) Paid Through 12/31/18	15,735,415	18,635,851	22,189,557	20,179,284	17,830,756	16,832,993	11,844,024	262,286,883
(8) LPT Cost (Incl. Premium Tax)	1,995,069	2,933,580	3,350,000	4,205,084	5,294,916	0	0	36,576,154
(9) 12/31/18 Case Reserves	0	0	0	0	0	3,312,205	4,397,962	7,710,167
(10) 12/31/18 IBNR	0	0	0	0	0	4,844,485	9,538,652	14,383,137
(11) Subtotal	17,730,484	21,569,431	25,539,557	24,384,368	23,125,672	24,989,683	25,780,638	320,956,341
Investment Income								
(12) Earned-To-Date	1,785,223	1,513,858	1,348,385	1,513,300	1,158,630	857,473	390,000	18,337,332
(13) Future Expected on Reserves	0	0	0	0	0	673,498	957,363	1,630,861
(14) Subtotal	1,785,223	1,513,858	1,348,385	1,513,300	1,158,630	1,530,971	1,347,363	19,968,193
Contribution from Subsidiaries								
(15) Contribution from Subsidiaries				396,881	(111,299)	(165,028)	212,421	332,975
Gross Available for Distribution								
(16) Gross Available for Distribution	2,862,626	5,011,321	9,211,123	10,814,052	8,535,078	4,552,775	6,016,989	52,022,913
Distributions Declared and Paid (Including Those Declared in 2018 But Paid After 12/31/18)								
(a) 2002	0	0	0	0	0	0	0	53,426
(b) 2003	0	0	0	0	0	0	0	703,000
(c) 2004	0	0	0	0	0	0	0	661,000
(d) 2005	0	0	0	0	0	0	0	1,271,574
(e) 2006	0	0	0	0	0	0	0	3,200,000
(f) 2007	0	0	0	0	0	0	0	1,782,000
(g) 2008	0	0	0	0	0	0	0	0
(h) 2009	0	0	0	0	0	0	0	0
(i) 2010	0	0	0	0	0	0	0	0
(j) 2011	0	0	0	0	0	0	0	0
(j) 2012	0	0	0	0	0	0	0	0
(j) 2013	0	0	0	0	0	0	0	0
(j) 2014	0	0	0	0	0	0	0	0
(k) 2015	0	0	0	0	0	0	0	0
(l) 2016	653,023	0	0	0	0	0	0	653,023
(m) 2017	168,733	964,784	0	0	0	0	0	1,133,517
(n) 2018	317,577	538,193	1,848,687	0	0	0	0	2,704,457
(17) Subtotal	1,139,333	1,502,977	1,848,687	0	0	0	0	12,161,997
Net Available After Prior Distributions								
(18) All Fund Years	1,723,293	3,508,344	7,362,436	10,814,052	8,535,078	4,552,775	6,016,989	39,860,916
Maximum Distributable Per Dividend Plan								
(19) Maximum Distributable Per Dividend Plan								6,977,325
2019 Dividend Declaration								
(20) Distribution Percentage	55%	40%	30%	20%	0%	0%	0%	
(21) Total Gross Available by Year	2,862,626	5,011,321	9,211,123	10,814,052	8,535,078	4,552,775	6,016,989	47,003,964
(22) Indicated 2019 Dividend Declaration	435,111	501,551	914,650	2,162,810	0	0	0	4,014,123
(23) 2019 Div. Declaration Subject to Max	435,111	501,551	914,650	2,162,810	0	0	0	4,014,123

Exhibit II

The Builders Group
Dividend Calculation as of 12/31/18

Notes

- (1) Gross earned premium.
- (2) Reinsurance expenses. This includes WCRA and other reinsurance costs.
- (3) Net earned premium. (3) = (1) - (2)
- (4) Non reinsurance expenses. This includes items such as commission, Special Comp Fund, claims administration, etc.
- (5) WCRA assessments.
- (6) Expenses subtotal. (6) = (4) + (5)
- (7) Losses paid through 12/31/18. Paid accident year losses and ALAE as of 12/31/18 from 12/31/18 actuarial report. Paid losses for 1/1/00-01 through 1/1/07-08 are as of 6/30/11 and 1/1/08-09 as of 12/31/12 - the dates of the LPTs. Losses paid through 12/31/15 for 1/1/09-10 and 1/1/10-11 reflect the approximate payments through 3/31/14 and 8/31/14, respectively, while paid losses for 1/1/11-12 through 1/1/13-14 and 1/1/14-15 reflect approximate payments through 10/31/16 and 10/1/17, respectively, which are the dates of the LPTs. For 1/1/15-16 and 1/1/16-17, paid losses equal paid losses as of 12/31/18, the date of the LPT.
- (8) The total LPT cost, including premium taxes, of \$9,599,348, was allocated to 1/1/00-01 through 1/1/07-08 based on the discounted outstanding reserves as of 6/30/11 of \$10,126,339. The cost for 1/1/08-09 through 1/1/10-11 LPTs are from the audited financial statement. The cost of the LPT for 1/1/11-12 through 1/1/13-14 of \$6,729,169 is allocated based on discounted reserves as of 12/31/16. The cost of the LPT for 1/1/14-15 is \$3,350,000.
- (9) 12/31/18 case reserves. Accident year case reserve losses and ALAE as of 12/31/18 from 12/31/18 actuarial report. Reserves for 1/1/00-01 through 1/1/14-15 are set to \$0 since all liability as been transferred.
- (10) 12/31/18 IBNR. Accident year IBNR losses and ALAE as of 12/31/18 from 12/31/18 actuarial report. Reserves for 1/1/00-01 through 1/1/14-15 are set to \$0 since all liability as been transferred.
- (11) Losses subtotal. Ultimate accident year losses and ALAE. (11) = (7) + (8) + (9) + (10).
- (12) Investment income earned to date. Current calendar year investment income is allocated by average accident year balance as shown in Exhibit I.
- (13) Future expected investment income. Based on loss reserves; amount is from 12/31/18 actuarial report. No future investment on loss reserves for 1/1/00-01 through 1/1/14-15 because of the LPT.
- (14) Investment income subtotal. (14) = (12) + (13).
- (15) Provided by TBG.
- (16) Gross available for distribution. (15) = (3) - (6) - (11) + (14) + (15).
- (17) Distributions declared and paid by calendar and fund year. Provided by TBG.
- (18) Gross available for distribution - all fund years. (18) = (16) - (17) + (15).
- (19) Maximum Distributable Per Dividend Plan. Per dividend plan, the maximum total distributable dividend in a year equals the change in member distribution payable during the just ended year from the audited financial statement.
- (20) Cumulative distribution percentage. A percentage of the available dividend is paid depending on the age of the fund year. Provided by TBG.
- (21) Total gross available by year from (16). \$0 is entered for years prior to 2012.
- (22) Indicated 2019 dividend declaration. (22) = (20) * (21) - (17).
- (23) 2019 dividend declaration subject to maximum. If total (22) is greater than (19), yearly (22) is multiplied by factor so that total (23) equals (19). Otherwise, (23) = (22).

2020 Dividend Proposal

	2012	2013	2014	2015	
Total Available	2,862,626	5,011,321	9,211,123	10,814,052	
Paid to date	1,139,333	1,502,977	1,848,687	0	
	55%	40%	30%	20%	
2020 option1	435,111	501,551	914,650	2,162,810	2020 Div 4,014,123



To whom it may concern:

Attached is our proposal for the purchase of your 3 Retail Centers located at: 2110 Eagle Creek Ln (Eagle Valley Marketplace), Woodbury – 1754 Market Dr, Stillwater – 11565 Theater Dr N (Champlin Station), Champlin. Along with our purchase offer we're proposing that you carry the financing with the following terms: We'll put 10% down, you carry the remaining 90% at 4.5% fixed interest rate for a 7-year term, using a 20-year amortization schedule. That provides you with a solid ROI for the money you're carrying, along with it being secured with the real estate collateral – and it provides us with the time and flexibility to bring these assets to meet the minimum financing requirements of our lenders.

Our offer for all 3 Retail Centers and vacant lot in Champlin is \$4,600,000. That price is broken down as follows:

Eagle Valley Marketplace: Appraisal price is \$3,400,000. At that price and with our proposed financing this property would generate negative \$80,476 in cash flow, with a debt coverage ratio of 0.65. After reviewing leases, rent rolls and expenses provided, we're prepared to offer \$1,900,000 – that allows us \$22,013 in cash flow to start, and a debt coverage ratio of 1.17.

Market Dr, Stillwater: Appraisal price is \$1,880,000. At that price and with our proposed financing this property would generate \$3,498 in cash flow, with a debt coverage ratio of 1.03. After reviewing leases, rent rolls and expenses provided, we're prepared to offer \$1,450,000 – that allows us \$32,878 in cash flow to start, and a debt coverage ratio of 1.33.

Champlin Station: Appraisal price for both parcels are \$3,455,000. At that price and with our proposed financing this property would generate negative \$140,691 in cash flow, with a debt coverage ratio of .40. Assuming a lesser value for the vacant lot attached (\$250,000), appraisal value would be an estimated \$3,050,000. At that price and with our proposed financing this property would generate negative \$113,019 in cash flow, with a debt coverage ratio of .46. After reviewing leases, rent rolls and expenses provided, we're prepared to offer \$1,250,000 – that would generate \$9,968 in cash flow to start, and a debt coverage ratio of 1.12.


As you can see, our offers will still have all 3 properties in a debt coverage position that would make traditional bank financing difficult if not impossible, with minimal cash flow to start. We're prepared to commit to these purchase prices because with your agreement to hold the financing we can have the time needed to turn these into assets a bank would be willing to finance. We believe the offers reflect a very accurate representation of current value, and we are excited to move forward with the purchasing process!

A handwritten signature in blue ink, appearing to read "Mark McKinnon", is written in a cursive style.


Mark McKinnon, President

Skye Investments, LLC


The Opportunity Evaluator™ Premier - Commercial Edition

Property Photo		Acquisition Information		*7-Move Quick-Check Numbers				
		A1	Purchase Price*	1,880,000	A6 Price Per Square Foot			
		A2	- Mortgages (enter info below)	Combined LTV	90.0%	1,692,000	212.02	
		A3	+ Loan Points ()				A7 Price Per Unit	
		A4	+ Acquisition Costs					
		A5	= Initial Investment	188,000				
Financing Information / Assumptions								
	F6	F7	F8	F9	F10	F11	F12	F13
	Int. Only	Initial Loan	LTV	Pymts/Yr	Term (Yrs.)	Interest Rate	Am.Pd. (Yrs)	Periodic Pymt
F1	<input type="checkbox"/>	1,692,000	90.0%	12	7	4.500%	20	10,704.43
F2	<input type="checkbox"/>							
F3	<input type="checkbox"/>							
F4	<input type="checkbox"/>							
F5	<input type="checkbox"/>							
Physical Property Information		Income Calculator				Use Data From Rent Roll		
P1	Property Name	1754 Market Drive, LLC		Enter Known GPRI To Override All		Income Figures From Rent Roll		
P2	Property Type	Retail Center		I1	Other Calculations	149,550		
P3	Address	1754 Market Drive		I2	Calculated GPRI	149,550		
P4	City, State, Zip	Stillwater, MN		I3	Raise/Lower by %			
P5	Property Size (Rentable Sq.Ft.)	8,867	(Units)	I4	or by \$/Sq.Ft.			
P6	Lot Size	.6 acres	Year Built	I5	= Adjusted GPRI	149,550		
			2003			16 Suite #	17 # Sq.Ft.	18 \$/Sq.Ft./Yr.
						19 Ann. Rent		
Income Analysis		Enter \$ Total	\$/Sq.Ft./Mo.	\$ / Sq.Ft.	\$ / Month	% GPRI		
1	GROSS POTENTIAL RENTAL INCOME*	149,550	1.41	16.87	12,462.50			
2	- Vacancy & Credit Loss* () %							
3	- Other Income (affected by vacancy)							
4	= EFFECTIVE RENTAL INCOME	149,550	1.41	16.87	12,462.50	100.0%		
5	+ Other Income <input type="checkbox"/> Use other Income from Rent Roll	82,243	0.77	9.28	6,853.58	55.0%		
6	= GROSS OPERATING INCOME*	231,793	2.18	26.14	19,316.08	155.0%		
							RR Ttl Sq.Ft.:	8867
							GPRI:	149,550
Expense Analysis		Enter \$ Total	\$/Sq.Ft./Mo.	\$ / Sq.Ft.	\$ / Month	% GOI	% Op Exp	Comments
7	Real Estate Taxes	60,120	0.57	6.78	5,010.00	25.9%	60.2%	
8	Personal Property Taxes							
9	Property Insurance	1,500	0.01	0.17	125.00	0.6%	1.5%	
10	Management	9,000	0.08	1.01	750.00	3.9%	9.0%	
11	Payroll							
12	Payroll: Expenses / Benefits () %							
13	Payroll: Taxes / Worker's Comp () %							
14	Repairs and Maintenance: Materials							
15	Repairs and Maintenance: Labor	2,000	0.02	0.23	166.67	0.9%	2.0%	
16	Utilities: Phone							
17	Utilities: Gas							
18	Utilities: Electric	4,740	0.04	0.53	395.00	2.0%	4.7%	
19	Utilities: Water							
20	Utilities: Sewer							
21	Accounting and Legal	1,200	0.01	0.14	100.00	0.5%	1.2%	
22	Licenses / Permits							
23	Advertising							
24	Supplies							
25	Contract Services: Trash	9,000	0.08	1.01	750.00	3.9%	9.0%	
26	Contract Services: Lawn care	4,200	0.04	0.47	350.00	1.8%	4.2%	
27	Contract Services: Landscaping							
28	Contract Services: Snow removal	2,500	0.02	0.28	208.33	1.1%	2.5%	
29	Replacement Reserves							
30	Other/Misc: Grounds maint	1,835	0.02	0.21	152.92	0.8%	1.8%	
31	Other/Misc: HVAC	1,200	0.01	0.14	100.00	0.5%	1.2%	
32	Other/Misc: Irrigation	250	0.00	0.03	20.83	0.1%	0.3%	
33	Other/Misc: Protective Services	1,872	0.02	0.21	156.00	0.8%	1.9%	
34	Other/Misc: Building Maint	425	0.00	0.05	35.42	0.2%	0.4%	
35	TOTAL OPERATING EXPENSES*	99,842	0.94	11.26	8,320.17	43.1%	100.0%	
Financial Operations Summary								
36	NET OPERATING INCOME*	131,951	1.24	14.88	10,995.92	42 DCR-B	44 CAP Rate	
37	- Annual Debt Service	128,453	1.21	14.49	10,704.43	1.03	7.0%	
38	- Funded Reserves/Escrow					43 DCR-I	45 C-on-C	
39	- Leasing Commissions/Tenant Improv.					1.03	1.9%	
40	- Capital Additions					Gross Rent Multiplier		
41	= CASH FLOW BEFORE TAXES	3,498	0.03	0.39	291.49	12.57		
Notes								Re-Fi Int Rate
								Re-Fi Am. Pd.
								DCR-B
								Clear Data
								Set As Active Scenario
								Create Scenario


The Opportunity Evaluator™ Premier - Commercial Edition

Property Photo		Acquisition Information		*7-Move Quick-Check Numbers				
		A1	Purchase Price*	1,450,000	A6 Price Per Square Foot			
		A2	- Mortgages (enter info below)	Combined LTV	90.0%	1,305,000		
		A3	+ Loan Points ()			A7 Price Per Unit		
		A4	+ Acquisition Costs					
		A5	= Initial Investment	145,000				
Financing Information / Assumptions								
	F6	F7	F8	F9	F10	F11	F12	F13
	Int. Only	Initial Loan	LTV	Pymts/Yr	Term (Yrs.)	Interest Rate	Am.Pd. (Yrs)	Periodic Pymt
F1	<input type="checkbox"/>	1,305,000	90.0%	12	7	4.500%	20	8,256.07
F2	<input type="checkbox"/>							
F3	<input type="checkbox"/>							
F4	<input type="checkbox"/>							
F5	<input type="checkbox"/>							
Physical Property Information		Income Calculator				Use Data From Rent Roll		
P1	Property Name	1754 Market Drive, LLC		Enter Known GPRI To Override All		Income Figures From Rent Roll		
P2	Property Type	Retail Center		I1	Other Calculations	149,550		
P3	Address	1754 Market Drive		I2	Calculated GPRI	149,550		
P4	City, State, Zip	Stillwater, MN		I3	Raise/Lower by %			
P5	Property Size (Rentable Sq.Ft.)	8,867	(Units)	I4	or by \$/Sq.Ft.			
P6	Lot Size	.6 acres	Year Built	I5	= Adjusted GPRI	149,550		
Income Analysis		Enter \$ Total	\$/Sq.Ft./Mo.	\$ / Sq.Ft.	\$ / Month	% GPRI		
1	GROSS POTENTIAL RENTAL INCOME*	149,550	1.41	16.87	12,462.50			
2	- Vacancy & Credit Loss* () %							
3	- Other Income (affected by vacancy)							
4	= EFFECTIVE RENTAL INCOME	149,550	1.41	16.87	12,462.50	100.0%		
5	+ Other Income <input type="checkbox"/> Use other Income from Rent Roll	82,243	0.77	9.28	6,853.58	55.0%		
6	= GROSS OPERATING INCOME*	231,793	2.18	26.14	19,316.08	155.0%		
Expense Analysis		Enter \$ Total	\$/Sq.Ft./Mo.	\$ / Sq.Ft.	\$ / Month	% GOI	% Op Exp	
7	Real Estate Taxes	60,120	0.57	6.78	5,010.00	25.9%	60.2%	
8	Personal Property Taxes							
9	Property Insurance	1,500	0.01	0.17	125.00	0.6%	1.5%	
10	Management	9,000	0.08	1.01	750.00	3.9%	9.0%	
11	Payroll							
12	Payroll: Expenses / Benefits () %							
13	Payroll: Taxes / Worker's Comp () %							
14	Repairs and Maintenance: Materials	2,000	0.02	0.23	166.67	0.9%	2.0%	
15	Repairs and Maintenance: Labor							
16	Utilities: Phone							
17	Utilities: Gas							
18	Utilities: Electric	4,740	0.04	0.53	395.00	2.0%	4.7%	
19	Utilities: Water							
20	Utilities: Sewer							
21	Accounting and Legal	1,200	0.01	0.14	100.00	0.5%	1.2%	
22	Licenses / Permits							
23	Advertising							
24	Supplies							
25	Contract Services: Trash	9,000	0.08	1.01	750.00	3.9%	9.0%	
26	Contract Services: Lawn care	4,200	0.04	0.47	350.00	1.8%	4.2%	
27	Contract Services: Landscaping							
28	Contract Services: Snow removal	2,500	0.02	0.28	208.33	1.1%	2.5%	
29	Replacement Reserves							
30	Other/Misc: Grounds maint	1,835	0.02	0.21	152.92	0.8%	1.8%	
31	Other/Misc: HVAC	1,200	0.01	0.14	100.00	0.5%	1.2%	
32	Other/Misc: Irrigation	250	0.00	0.03	20.83	0.1%	0.3%	
33	Other/Misc: Protective Services	1,872	0.02	0.21	156.00	0.8%	1.9%	
34	Other/Misc: Building Maint	425	0.00	0.05	35.42	0.2%	0.4%	
35	TOTAL OPERATING EXPENSES*	99,842	0.94	11.26	8,320.17	43.1%	100.0%	
Financial Operations Summary								
36	NET OPERATING INCOME*	131,951	1.24	14.88	10,995.92	42 DCR-B	44 CAP Rate	
37	- Annual Debt Service	99,073	0.93	11.17	8,256.07	1.33	9.1%	
38	- Funded Reserves/Escrow					43 DCR-I	45 C-on-C	
39	- Leasing Commissions/Tenant Improv.					1.33	22.7%	
40	- Capital Additions					Gross Rent Multiplier		
41	= CASH FLOW BEFORE TAXES	32,878	0.31	3.71	2,739.84	9.70		
Notes						Re-Fi Int Rate	Re-Fi Am. Pd.	
						DCR-B		
						Clear Data	Set As Active Scenario	
						Create Scenario		

The Opportunity Evaluator™ Premier - Commercial Edition

Property Photo		Acquisition Information				*7-Move Quick-Check Numbers			
		A1	Purchase Price*		3,400,000	A6 Price Per Square Foot			
		A2	- Mortgages (enter info below)		Combined LTV	90.0%	3,060,000 172.71		
		A3	+ Loan Points ()					A7 Price Per Unit	
		A4	+ Acquisition Costs					377,777.78	
		A5	= Initial Investment		340,000				
Financing Information / Assumptions									
		F6	F7	F8	F9	F10	F11	F12	F13
		Int. Only	Initial Loan	LTV	Pymts/Yr	Term (Yrs.)	Interest Rate	Am.Pd. (Yrs)	Periodic Pymt
F1	<input type="checkbox"/>		3,060,000	90.0%	12	7	4.500%	20	19,359.07
F2	<input type="checkbox"/>								
F3	<input type="checkbox"/>								
F4	<input type="checkbox"/>								
F5	<input type="checkbox"/>								
Physical Property Information		Income Calculator							
P1	Property Name	Eagle Valley Marketplace		Enter Known GPRI To Override All		Income Figures From Rent Roll			
P2	Property Type	Retail Center		I1	Other Calculations				
P3	Address	2110 Eagle Creek Ln		I2	Calculated GPRI	290,488			
P4	City, State, Zip	Woodbury, MN		I3	Raise/Lower by %				
P5	Property Size (Rentable Sq.Ft.)	19,686	(Units)	9	or by \$/Sq.Ft.				
P6	Lot Size	2.08 acres	Year Built	2002	= Adjusted GPRI	290,488			
				I5					
Income Analysis		Enter \$ Total	\$/Sq.Ft./Mo.	\$ / Sq.Ft.	\$ / Month	% GPRI			
1	GROSS POTENTIAL RENTAL INCOME*	290,488	1.23	14.76	24,207.33				
2	- Vacancy & Credit Loss* () %								
3	- Other Income (affected by vacancy)								
4	= EFFECTIVE RENTAL INCOME	290,488	1.23	14.76	24,207.33	100.0%			
5	+ Other Income <input type="checkbox"/> Use other income from Rent Roll	44,676	0.19	2.27	3,723.03	15.4%			
6	= GROSS OPERATING INCOME*	335,164	1.42	17.03	27,930.36	115.4%			
						RR Ttl Sq.Ft.:		19686	GPRI: 290,488
Expense Analysis		Enter \$ Total	\$/Sq.Ft./Mo.	\$ / Sq.Ft.	\$ / Month	% GOI	% Op Exp	Comments	
7	Real Estate Taxes	125,402	0.53	6.37	10,450.17	37.4%	68.4%		
8	Personal Property Taxes								
9	Property Insurance	2,300	0.01	0.12	191.67	0.7%	1.3%		
10	Management	17,900	0.08	0.91	1,491.67	5.3%	9.8%		
11	Payroll								
12	Payroll: Expenses / Benefits () %								
13	Payroll: Taxes / Worker's Comp () %								
14	Repairs and Maintenance: Materials								
15	Repairs and Maintenance: Labor	6,000	0.03	0.30	500.00	1.8%	3.3%		
16	Utilities: Phone								
17	Utilities: Gas								
18	Utilities: Electric	8,000	0.03	0.41	666.67	2.4%	4.4%		
19	Utilities: Water								
20	Utilities: Sewer								
21	Accounting and Legal	1,200	0.01	0.06	100.00	0.4%	0.7%		
22	Licenses / Permits								
23	Advertising								
24	Supplies								
25	Contract Services: Trash	4,800	0.02	0.24	400.00	1.4%	2.6%		
26	Contract Services: Lawn care	4,100	0.02	0.21	341.67	1.2%	2.2%		
27	Contract Services: Landscaping	400	0.00	0.02	33.33	0.1%	0.2%		
28	Contract Services: Snow removal	4,000	0.02	0.20	333.33	1.2%	2.2%		
29	Replacement Reserves								
30	Other/Misc: Building Maint	450	0.00	0.02	37.50	0.1%	0.2%		
31	Other/Misc: Security	1,800	0.01	0.09	150.00	0.5%	1.0%		
32	Other/Misc: Grounds Maint.	3,430	0.01	0.17	285.83	1.0%	1.9%		
33	Other/Misc: Irrigation	400	0.00	0.02	33.33	0.1%	0.2%		
34	Other/Misc: HVAC	3,150	0.01	0.16	262.50	0.9%	1.7%		
35	TOTAL OPERATING EXPENSES*	183,332	0.78	9.31	15,277.67	54.7%	100.0%		
Financial Operations Summary								"What If..."	
36	NET OPERATING INCOME*	151,832	0.64	7.71	12,652.70	42 DCR-B	44 CAP Rate	W1 Cap Rate* is:	
37	- Annual Debt Service	232,309	0.98	11.80	19,359.07	0.65	4.5%	8.0%	
38	- Funded Reserves/Escrow					43 DCR-I	45 C-on-C	W2 Value is:	
39	- Leasing Commissions/Tenant Improv.					0.65		1,897,905	
40	- Capital Additions					Gross Rent Multiplier		W3 Sale Cash Out (pre-tax)	
41	= CASH FLOW BEFORE TAXES	(80,476)	(0.34)	(4.09)	(6,706.37)	11.70		(1,162,096)	
Notes								Re-Fi Int Rate	Re-Fi Am. Pd.
								DCR-B	
								Clear Data	Set As Active Scenario
								Create Scenario	

The Opportunity Evaluator™ Premier - Commercial Edition

Property Photo		Acquisition Information				*7-Move Quick-Check Numbers				
		A1	Purchase Price*		1,900,000	A6 Price Per Square Foot				
		A2	- Mortgages (enter info below)		Combined LTV	90.0%	1,710,000			
		A3	+ Loan Points ()					A7 Price Per Unit		
		A4	+ Acquisition Costs					211,111.11		
		A5	= Initial Investment		190,000					
Financing Information / Assumptions										
		F6	F7	F8	F9	F10	F11	F12	F13	
		Int. Only	Initial Loan	LTV	Pymts/Yr	Term (Yrs.)	Interest Rate	Am.Pd. (Yrs)	Periodic Pymt	
F1	<input type="checkbox"/>		1,710,000	90.0%	12	7	4.500%	20	10,818.30	
F2	<input type="checkbox"/>									
F3	<input type="checkbox"/>									
F4	<input type="checkbox"/>									
F5	<input type="checkbox"/>									
Physical Property Information		Income Calculator								
P1	Property Name	Eagle Valley Marketplace		Enter Known GPRI To Override All		Income Figures From Rent Roll				
P2	Property Type	Retail Center		I1	Other Calculations	290,488				
P3	Address	2110 Eagle Creek Ln		I2	Calculated GPRI	290,488				
P4	City, State, Zip	Woodbury, MN		I3	Raise/Lower by %					
P5	Property Size (Rentable Sq.Ft.)	19,686	(Units)	9	or by \$/Sq.Ft.					
P6	Lot Size	2.08 acres	Year Built	2002	= Adjusted GPRI	290,488				
				I5						
Income Analysis		Enter \$ Total	\$/Sq.Ft./Mo.	\$ / Sq.Ft.	\$ / Month	% GPRI				
1	GROSS POTENTIAL RENTAL INCOME*	290,488	1.23	14.76	24,207.33					
2	- Vacancy & Credit Loss* () %									
3	- Other Income (affected by vacancy)									
4	= EFFECTIVE RENTAL INCOME	290,488	1.23	14.76	24,207.33	100.0%				
5	+ Other Income <input type="checkbox"/> Use other Income from Rent Roll	44,676	0.19	2.27	3,723.03	15.4%				
6	= GROSS OPERATING INCOME*	335,164	1.42	17.03	27,930.36	115.4%				
						RR Ttl Sq.Ft.:		19686	GPRI: 290,488	
Expense Analysis		Enter \$ Total	\$/Sq.Ft./Mo.	\$ / Sq.Ft.	\$ / Month	% GOI	% Op Exp	Comments		
7	Real Estate Taxes	125,402	0.53	6.37	10,450.17	37.4%	68.4%			
8	Personal Property Taxes									
9	Property Insurance	2,300	0.01	0.12	191.67	0.7%	1.3%			
10	Management	17,900	0.08	0.91	1,491.67	5.3%	9.8%			
11	Payroll									
12	Payroll: Expenses / Benefits () %									
13	Payroll: Taxes / Worker's Comp () %									
14	Repairs and Maintenance: Materials	6,000	0.03	0.30	500.00	1.8%	3.3%			
15	Repairs and Maintenance: Labor									
16	Utilities: Phone									
17	Utilities: Gas									
18	Utilities: Electric	8,000	0.03	0.41	666.67	2.4%	4.4%			
19	Utilities: Water									
20	Utilities: Sewer									
21	Accounting and Legal	1,200	0.01	0.06	100.00	0.4%	0.7%			
22	Licenses / Permits									
23	Advertising									
24	Supplies									
25	Contract Services: Trash	4,800	0.02	0.24	400.00	1.4%	2.6%			
26	Contract Services: Lawn care	4,100	0.02	0.21	341.67	1.2%	2.2%			
27	Contract Services: Landscaping	400	0.00	0.02	33.33	0.1%	0.2%			
28	Contract Services: Snow removal	4,000	0.02	0.20	333.33	1.2%	2.2%			
29	Replacement Reserves									
30	Other/Misc: Building Maint	450	0.00	0.02	37.50	0.1%	0.2%			
31	Other/Misc: Security	1,800	0.01	0.09	150.00	0.5%	1.0%			
32	Other/Misc: Grounds Maint.	3,430	0.01	0.17	285.83	1.0%	1.9%			
33	Other/Misc: Irrigation	400	0.00	0.02	33.33	0.1%	0.2%			
34	Other/Misc: HVAC	3,150	0.01	0.16	262.50	0.9%	1.7%			
35	TOTAL OPERATING EXPENSES*	183,332	0.78	9.31	15,277.67	54.7%	100.0%			
Financial Operations Summary										
36	NET OPERATING INCOME*	151,832	0.64	7.71	12,652.70	42 DCR-B	44 CAP Rate			
37	- Annual Debt Service	129,820	0.55	6.59	10,818.30	1.17	8.0%			
38	- Funded Reserves/Escrow					43 DCR-I	45 C-on-C			
39	- Leasing Commissions/Tenant Improv.					1.17	11.6%			
40	- Capital Additions					Gross Rent Multiplier				
41	= CASH FLOW BEFORE TAXES	22,013	0.09	1.12	1,834.39	6.54				
Notes										
							Re-Fi Int Rate	Re-Fi Am. Pd.	DCR-B	
							Clear Data	Set As Active Scenario		
Create Scenario										

Consolidated Income Statement, 12/31/2018 audited

Category	Group Name	Sum of TBG	Sum of TPA	Sum of MAL	Sum of Champlin	Sum of Eagle Valley	Sum of 1754 Market	Sum of Elim Entries	Sum of Consol Audit
Revenue	PREMIUM	(42,044,657)	(543,321)	0	0	0	0	0	(42,587,978)
	INVESTMENT INCOME	(1,392,473)	(10,013)	0	14,598	(56,337)	(78,327)	0	(1,522,552)
	REALIZED GAINS ON INVESTMENTS	(816,864)	0	0	0	0	0	0	(816,864)
	OTHER INCOME	(36,200)	(3,238,980)	(285,095)	0	0	0	3,388,980	(171,295)
Revenue Total		(44,290,194)	(3,792,314)	(285,095)	14,598	(56,337)	(78,327)	3,388,980	(45,098,689)
Expenses	LOSSES & LAE INCURRED	21,313,749	236,179	0	0	0	0	0	21,549,928
	SCF ASSESSMENT	1,686,415	0	0	0	0	0	0	1,686,415
	COMMISSIONS	3,211,192	27,166	0	0	0	0	0	3,238,358
	BAD DEBT	142,888	0	0	0	0	0	0	142,888
	DEPRECIATION	9,132	149,759	95,665	0	0	0	0	254,556
	OTHER ADMINISTRATIVE EXPENSES	1,177,611	1,400,982	138,637	0	0	0	(150,000)	2,567,230
	PROFESSIONAL FEES	235,029	267,982	0	0	0	0	0	503,010
	REINSURANCE	1,052,177	130,484	0	0	0	0	0	1,182,661
	SALARIES	591,649	1,441,579	0	0	0	0	0	2,033,228
	SERVICE FEES	4,178,280	7,582	0	0	0	0	(3,238,980)	946,882
Expenses Total		33,598,122	3,661,712	234,303	0	0	0	(3,388,980)	34,105,156
Tax Provision	TAXES	(48,413)	0	0	0	0	0	0	(48,413)
Tax Provision Total		(48,413)	0	0	0	0	0	0	(48,413)
Member Distr. Total	MEMBER DISTRIBUTION	10,740,485	130,603	50,793	(14,598)	56,337	78,327	0	11,041,946
Grand Total		10,740,485	130,603	50,793	(14,598)	56,337	78,327	0	11,041,946
		0	1	0	(0)	0	(0)	0	1
		Accrual Basis							
		Cash Basis							
		(14,598)							
		(79,427)							
		56,337							
		19,653							
		78,327							
		28,252							
		(31,522)							

2017 \$ 8,735,000

2018 \$ 7,980,000

~\$600,000 take down



The Builders Group

Interim Financial Statements
Consolidated

July 31, 2019



YTD July 2019 Financial Report

Executive Summary

Revenue

The Builders Group premium revenue year-to-date through July is \$23.3 million and total revenue is \$25 million, with earnings on investments accounting for \$1.2 million of revenue, cross border revenue of \$313K, and other income of \$125K. The other income represents \$78.8K rental revenue (for the Eagan building - Formula and Meadowbrook), \$10K interest income on Sentry security deposit, \$22.9K late fees, \$12.8K safety services revenue, \$18K early withdrawal penalties, \$4.7K finance charge on large additional premium audit, and \$5K interest income (contract for deed).

July YTD premium earned of \$23.3 million compared to July YTD 2018 of \$22.2 million is a 4.8% increase year-over-year. We budgeted July YTD premium earned at \$21.4 million, which puts us 8.9% ahead of budget for the year.

Claims

July YTD 2019 net paid claims of \$10.9 million are 3.2% lower than July YTD 2018 net paid claims of \$11.3 million. For 2019, we are accruing total claims paid, reserved and IBNR at 61% of premium earned.

YOY Comparison

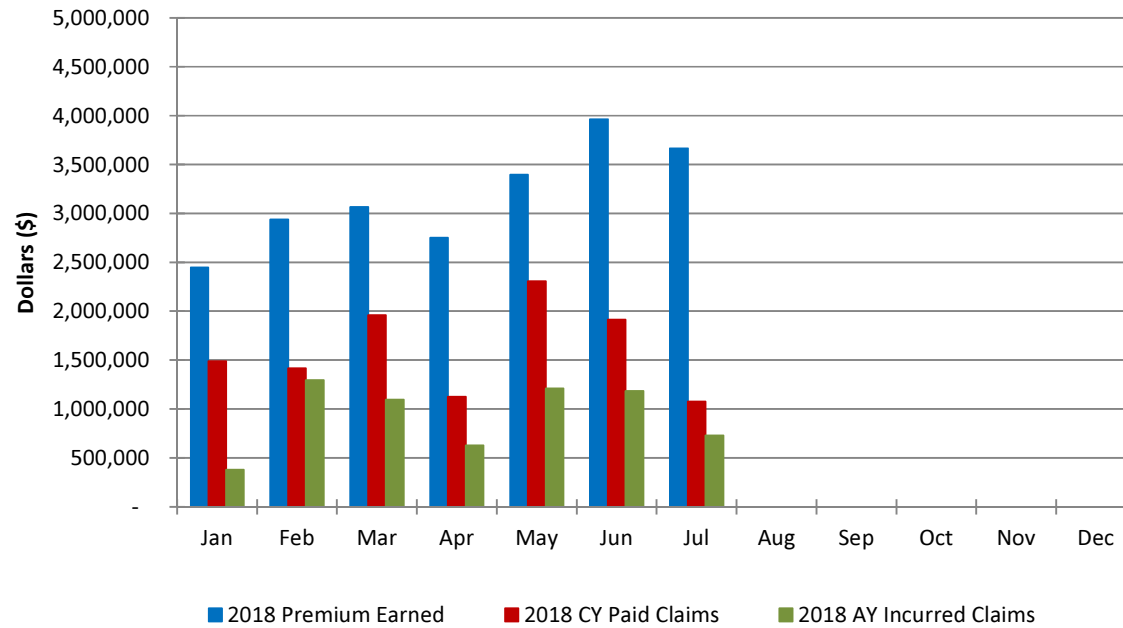
- July YTD investment income comparison
 - 2018 – CD interest \$238K, dividend income \$369K and realized gain(loss) \$573K.
 - 2019 – CD interest \$314K, dividend income \$627K and realized gain(loss) \$261K.
- July 2019 - Unrealized Gain (Loss) on Investments \$2.5 million.

Cash Flows & Projection

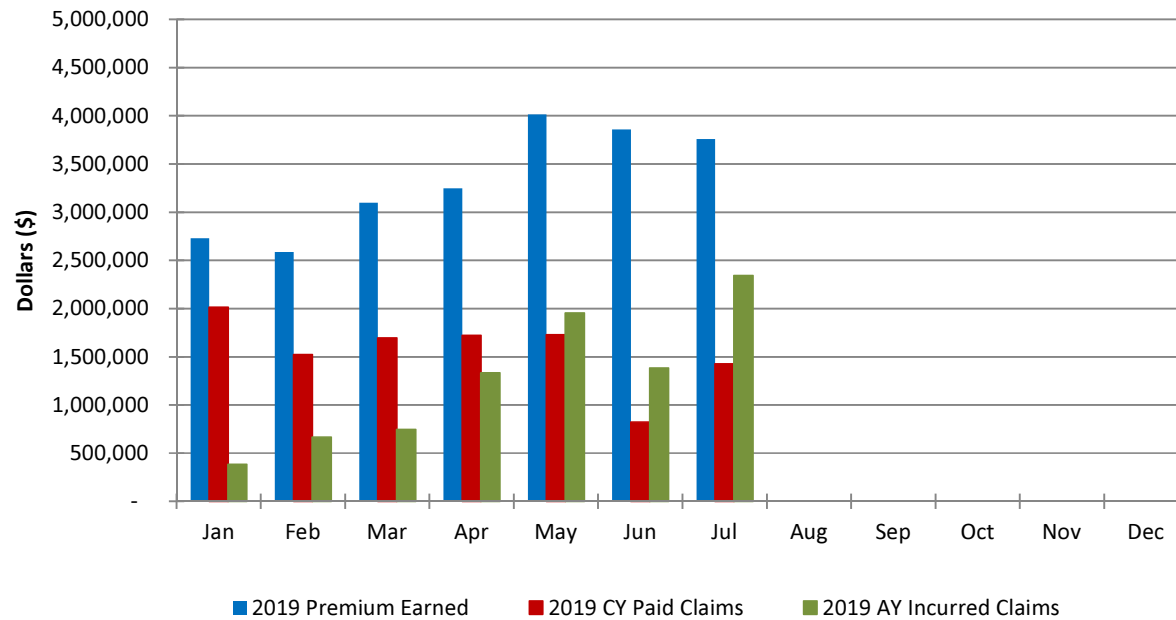
Year-end 2019 cash forecast as of 7/31/2019, is a cash increase \$9.7 million compared to a forecasted cash increase of \$6.1 million. The difference is driven by premiums-cash \$2.3 million higher than forecast, other payments \$837K lower than forecast, reinsurance/employers liability \$586K net lower than forecast (reinsurance \$486K lower due to audit lower than forecast, EL \$100K lower than forecast due to timing, partially offset by audit), other cash receipts \$282K higher than forecast (proceeds for selling office bldg), claims recoveries \$289K higher than forecast, security deposits received \$143K higher than forecast, and investment earnings \$65.6K higher than forecast, partially offset by LPT claims reimbursements \$394K lower than forecast, commission payments \$196K higher than forecast, member refunds \$144K higher than forecast, salaries & payroll taxes \$95K higher than forecast, and claims paid \$93K lower than forecast.

The 2019 “budget forecast” uses the year-end 2018 actuarial report to estimate total claims paid and LPT reimbursements with the monthly forecasts using a 5-year average paid each month.

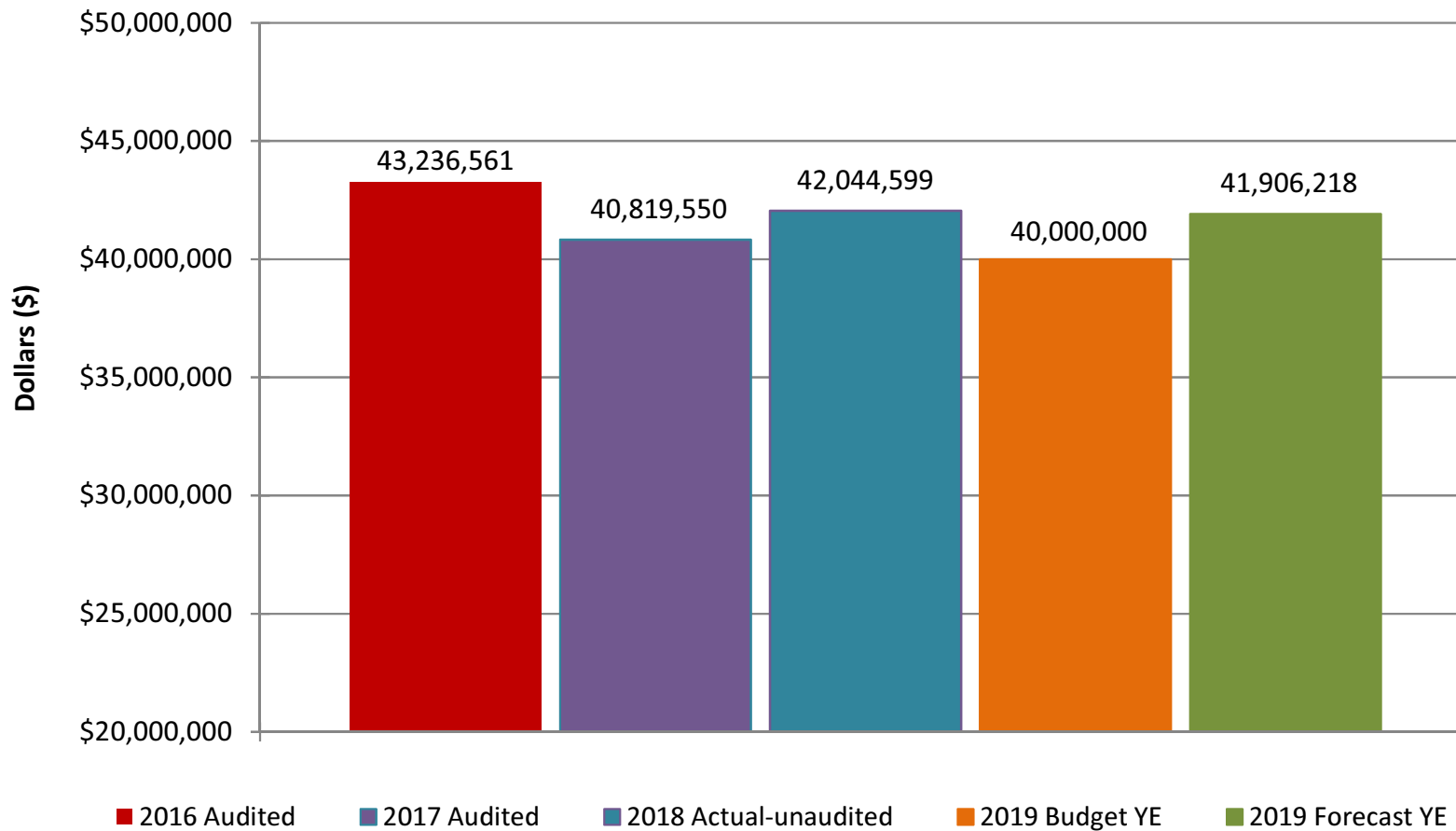
2018 Premium and Claims History



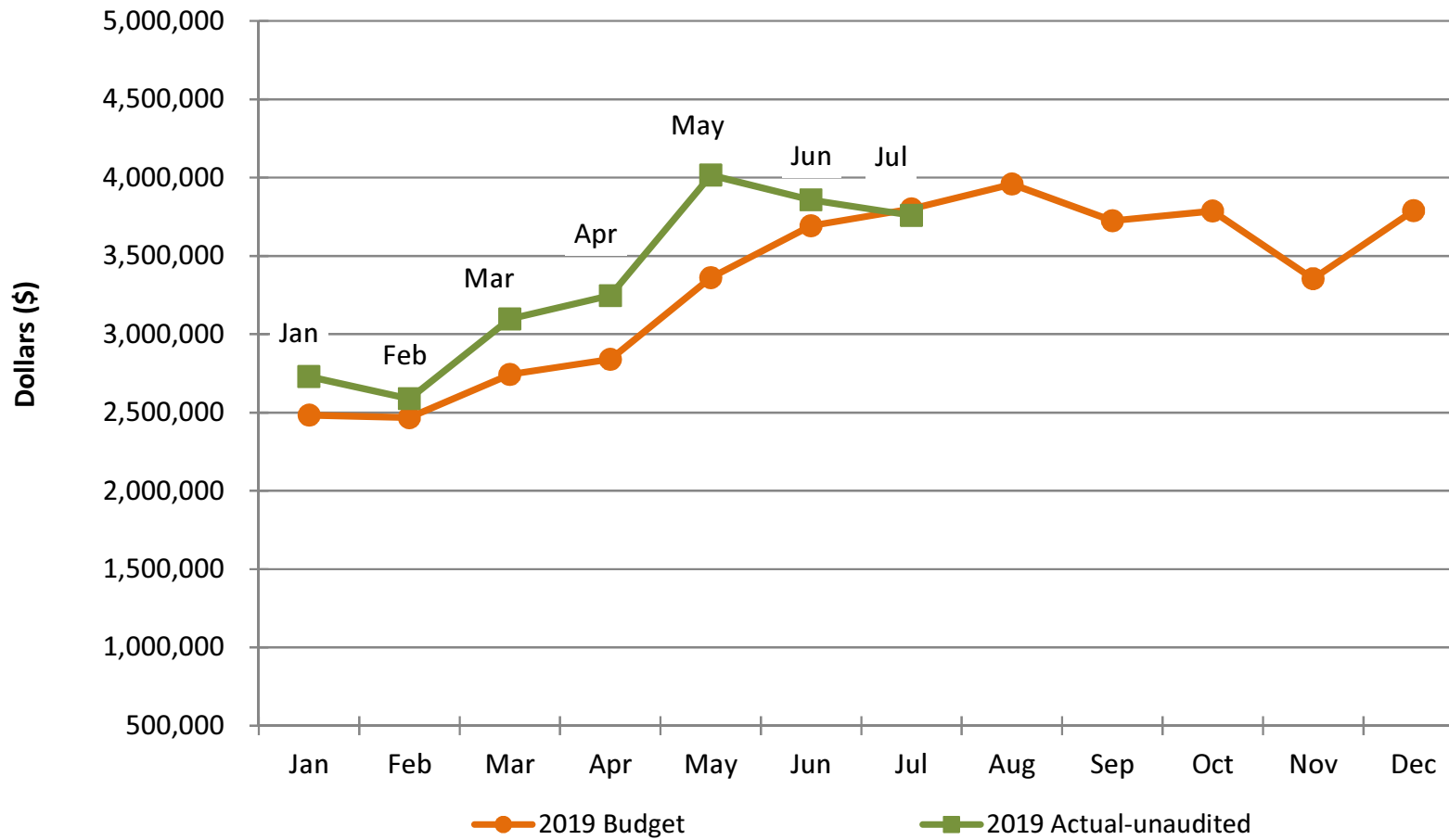
2019 Premium and Claims History



TBG Premium History, Annual Totals, 2016-2019



2019 TBG Premium Budget vs Actual by Month



The Builders Group

Cash Projections

as of 7/2019 book close

	Actual 2018	Budget 2019	Forecast 2019
Premium Earned - Inc Stmt TBG	42,044,599	40,000,000	41,906,218
Premium Earned - Inc Stmt CB	543,320	1,000,000	730,074
Investment Earnings - Inc Stmt	2,201,509	1,398,984	1,779,491
Cash Inflows			
Premiums - Cash	42,754,632	40,466,471	42,773,820
Investment Earnings - Cash	188,418	188,000	253,550
Other Income	178,954	158,001	189,165
Security Deposits received	613,398	360,000	503,107
Other Cash Receipts	185,183	60,000	342,063
Total Cash Inflows	43,920,585	41,232,472	44,061,705
Cash Disbursements			
Claims paid	18,177,126 ^a	21,371,191 ^a	21,568,816 ^a
Special Comp Fund	1,385,328	1,032,121	1,032,121
Reinsurance/Empl Liability	975,615	1,554,089	968,495
Commission payments	3,179,318	3,048,650	3,244,713
Claims administration payments	939,300	987,851	965,440
Salaries and payroll taxes	1,967,801	2,033,000	2,128,143
Member refunds	556,978	550,000	694,331
Tax payments (refunds)	-	-	-
Other payments	4,554,855	4,554,855	3,718,247
Fixed assets purchases	54,264	-	2,904
Total Cash Disbursements	31,790,585	35,131,757	34,323,209
Change in Cash			
Plus: Cash Inflows	43,920,585	41,232,472	44,061,705
Less: Cash Disbursements	(31,790,585)	(35,131,757)	(34,323,209)
Change in Cash	12,130,000	6,100,715	9,738,496
Posting Requirement	40,960,855	42,954,615	35,525,566
Collateral Surplus (Deficit)	17,565,862	14,752,344	26,845,140
Cash Surplus (Deficit)	15,075,658	18,499,909	18,369,606

Notes:

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

The Builders Group
Consolidated Balance Sheet

	<u>July 2019</u>	<u>June 2019</u>	<u>Audited December 2018</u>
Assets			
Cash & Cash Equivalents	38,155,253	36,815,495	45,999,715
Premium Receivables (Net)	3,719,608	3,956,563	3,396,832
Intercompany Receivable	234,914	252,853	772,363
Investments (Market Value)			
Accrued Interest-CD's	107,998	91,937	70,310
Investment Securities	36,009,061	35,751,768	31,604,546
Investment in Real Estate	9,468,340	9,468,340	7,980,000 *
Deferred Income Taxes	803,061	803,061	803,061
Fixed Assets (Net)	3,344,531	3,365,015	3,485,551
Prepaid Expenses & Other Assets	2,195,306	2,006,754	1,931,724
Total Assets	<u><u>94,038,072</u></u>	<u><u>92,511,786</u></u>	<u><u>96,044,103</u></u>
Liabilities			
Claim Reserves & IBNR	30,828,009	29,975,927	37,130,522
Security Deposit Payable	8,996,632	9,033,656	8,742,456
Member Distribution Payable	41,301,472	41,301,472	43,403,786
Special Compensation Fund Reserve	3,668,372	3,665,534	3,648,507
Accounts Payable & Accrued Expenses	3,075,208	3,205,659	3,144,921
Unrealized Gain (Loss) on Investments			
Investments - Securities	2,482,226	2,259,660	(140,510)
Investments in Real Estate	<u>114,420</u>	<u>114,420</u>	<u>114,420</u>
Total Liabilities	<u>90,466,339</u>	<u>89,556,327</u>	<u>96,044,103</u>
 Retained Earnings-Current Year	<u>3,571,733</u>	<u>2,955,459</u>	<u>-</u>
Total Equity	<u>3,571,733</u>	<u>2,955,459</u>	<u>0</u>
 Total Liabilities and Equity	<u><u>94,038,072</u></u>	<u><u>92,511,786</u></u>	<u><u>96,044,103</u></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 2019				Year to Date July				YTD Mix	
	Actual	Budget	F/(U) vs. Budget		Actual	Budget	F/(U) vs. Budget		Actual	Budget
			\$	%			\$	%		
Revenue										
Premium Revenue	3,759,719	3,801,493	(41,774)	(1.1%)	23,293,630	21,387,412	1,906,218	8.9%	100.0%	100.0%
Reinstatement & Late Fee Revenue	3,300	4,000	(700)	(17.5%)	22,855	28,000	(5,145)	(18.4%)	0.1%	0.1%
Total Member Revenue	3,763,019	3,805,493	(42,474)	(1.1%)	23,316,485	21,415,412	1,901,073	8.9%	100.1%	100.1%
Other Income										
Earnings on Investments, net	87,029	74,507	12,523	16.8%	1,160,555	760,046	400,510	52.7%	5.0%	3.6%
Cross Border Premium	47,310	83,333	(36,023)	(43.2%)	313,407	583,333	(269,927)	(46.3%)	1.3%	2.7%
Other Income	20,315	12,249	8,066	65.8%	124,951	93,788	31,164	33.2%	0.5%	0.4%
Total Revenue	3,917,673	3,975,582	(57,909)	(1.5%)	24,915,398	22,852,578	2,062,820	9.0%	107.0%	106.9%
Claims Expense										
Claims Paid, Reserved & IBNR	2,298,160	2,327,638	29,479	1.3%	14,240,711	13,107,414	(1,133,297)	(8.6%)	61.1%	61.3%
Reinsurance & Employer Liability	135,631	113,403	(22,227)	(19.6%)	816,051	793,821	(22,230)	(2.8%)	3.5%	3.7%
Special Comp Fund	88,848	88,848	0	0.0%	621,935	621,935	0	0.0%	2.7%	2.9%
Claims Administration	80,137	81,683	1,546	1.9%	565,978	570,334	4,356	0.8%	2.4%	2.7%
Total Claims Expense	2,602,775	2,611,572	8,797	0.3%	16,244,675	15,093,505	(1,151,170)	(7.6%)	69.7%	70.6%
Administrative Expenses										
Agent Commission Expense	281,720	287,477	5,757	2.0%	1,746,921	1,625,834	(121,087)	(7.4%)	7.5%	7.6%
Cross Border Program Expenses	19,167	20,167	1,000	5.0%	139,892	141,167	1,274	0.9%	0.6%	0.7%
Salary & Benefits Expense	227,509	233,612	6,103	2.6%	1,636,772	1,649,170	12,398	0.8%	7.0%	7.7%
General & Administrative Expenses	149,744	169,577	19,833	11.7%	1,431,481	1,536,631	105,151	6.8%	6.1%	7.2%
Depreciation Expense	20,484	20,755	271	1.3%	143,924	146,044	2,120	1.5%	0.6%	0.7%
Total Administrative Expenses	698,624	731,588	32,963	4.5%	5,098,990	5,098,845	(144)	(0.0%)	21.9%	23.8%
Total Expenses	3,301,399	3,343,159	41,761	1.2%	21,343,665	20,192,350	(1,151,315)	(5.7%)	91.6%	94.4%
Net Income (Loss) Before Taxes	616,274	632,422	(16,148)	(2.6%)	3,571,733	2,660,228	911,505	34.3%	15.3%	12.4%
Admin. Expense, % of Premium	19.3%	19.8%			22.7%	24.8%				
Claims Expense, % of Premium	68.1%	67.7%			68.6%	69.4%				
Combined Ratio	87.4%	87.6%			91.3%	94.2%				

The Builders Group
Consolidated Income Statement
Year-Over-Year

	July				Year to Date July			
	2019	Mix	2018	Mix	2019	Mix	2018	Mix
Revenue								
Premium Revenue	3,759,719	100.0%	3,666,401	100.0%	23,293,630	100.0%	22,223,873	100.0%
Reinstatement & Late Fee Revenue	<u>3,300</u>	0.1%	<u>2,400</u>	0.1%	<u>22,855</u>	0.1%	<u>19,300</u>	0.1%
Total Member Revenue	3,763,019	100.1%	3,668,801	100.1%	23,316,485	100.1%	22,243,173	100.1%
Other Income								
Earnings on Investments, net	87,029	2.3%	78,498	2.1%	1,160,555	5.0%	1,149,070	5.2%
Cross Border Premium	47,310	1.3%	61,549	1.7%	313,407	1.3%	318,337	1.4%
Other Income	<u>20,315</u>	0.5%	<u>12,274</u>	0.3%	<u>124,951</u>	0.5%	<u>98,459</u>	0.4%
Total Revenue	3,917,673	104.2%	3,821,122	104.2%	24,915,398	107.0%	23,809,039	107.1%
Claims Expense								
Claims Paid, Reserved & IBNR	2,298,160	61.1%	2,237,948	61.0%	14,240,711	61.1%	13,561,661	61.0%
Reinsurance & Employer Liability	135,631	3.6%	103,749	2.8%	816,051	3.5%	705,416	3.2%
Special Comp Fund	88,848	2.4%	144,121	3.9%	621,935	2.7%	1,008,846	4.5%
Claims Administration	<u>80,137</u>	2.1%	<u>79,210</u>	2.2%	<u>565,978</u>	2.4%	<u>557,924</u>	2.5%
Total Claims Expense	2,602,775	69.2%	2,565,029	70.0%	16,244,675	69.7%	15,833,847	71.2%
Administrative Expenses								
Agent Commission Expense	281,720	7.5%	274,391	7.5%	1,746,921	7.5%	1,653,049	7.4%
Cross Border Program Expenses	19,167	0.5%	13,014	0.4%	139,892	0.6%	89,119	0.4%
Salary & Benefits Expense	227,509	6.1%	211,140	5.8%	1,636,772	7.0%	1,504,956	6.8%
General & Administrative Expenses	149,744	4.0%	132,879	3.6%	1,431,481	6.1%	1,433,391	6.4%
Depreciation Expense	<u>20,484</u>	0.5%	<u>21,083</u>	0.6%	<u>143,924</u>	0.6%	<u>147,756</u>	0.7%
Total Administrative Expenses	698,624	18.6%	652,508	17.8%	5,098,990	21.9%	4,828,272	21.7%
Total Expenses	3,301,399	87.8%	3,217,536	87.8%	21,343,665	91.6%	20,662,118	93.0%
Net Income (Loss) Before Taxes	<u>616,274</u>	16.4%	<u>603,586</u>	16.5%	<u>3,571,733</u>	15.3%	<u>3,146,921</u>	14.2%
Admin. Expense, % of Premium	19.3%		18.3%		22.7%		22.4%	
Claims Expense, % of Premium	68.1%		69.1%		68.6%		70.3%	
Combined Ratio	87.4%		87.4%		91.3%		92.7%	

The Builders Group
G&A Expense Variance Report - Consolidated
July 2019

Department	Year to Date July				2019 Budget
	Year to Date July	Budget	Variance \$	Variance %	
<i>Underwriting</i>	159,457	162,828	3,371	2%	278,737
<i>Marketing</i>	443,982	430,122	(13,861)	(3%)	703,953
<i>Safety Services</i>	466,537	483,800	17,264	4%	831,968
<i>Accounting</i>	304,945	313,941	8,996	3%	478,780
<i>Member Audits</i>	234,768	247,582	12,813	5%	391,960
<i>Information Services</i>	507,937	531,036	23,098	4%	905,473
<i>Corporate Office</i>	943,108	1,006,769	63,661	6%	1,706,895
<i>Associations</i>	127,360	131,800	4,440	3%	194,175
<i>Claims</i>	24,082	23,968	(114)	(0%)	40,483
Total	3,212,177	3,331,845	119,668	4%	5,532,424
<i>Salary & Benefits Expense</i>	1,636,772	1,649,170	12,398	1%	2,832,745
<i>General & Administrative Expenses</i>	1,431,481	1,536,631	105,151	7%	2,449,859
<i>Depreciation Expense</i>	143,924	146,044	2,120	1%	249,820
Total	3,212,177	3,331,845	119,668	4%	5,532,424

Comments

<i>Underwriting</i>	YTD fav variance driven by set up fees subs ins cert admin, payroll taxes & employee expenses lower than budget.
<i>Marketing</i>	YTD unfav variance driven by printing, mktg sporting events (3M Open), salaries & profit sharing higher than budget, partially offset by mktg advisory council, prof. fees & employee expenses lower than budget.
<i>Safety Services</i>	YTD fav variance driven by safety demo rm/training expenses, dues & subscriptions, education & seminars, office supplies & personal protection, auto gas, salaries and health insurance lower than budget, partially offset by marketing, cell phones, internet & travel higher than budget.
<i>Accounting</i>	YTD fav variance driven by prof fees, employee expenses, 401K contribution & temp/contract labor lower than budget.
<i>Member Audits</i>	YTD fav variance driven by prof fees, employee expenses, salaries & benefits lower than budget.
<i>Information Services</i>	YTD fav variance driven by professional fees, computer support & service, education & seminars and internet lower than budget, partially offset by computer software & IT supplies and travel higher than budget.
<i>Corporate Office</i>	YTD fav variance driven by insurance, board travel, prof. fees, bank charges, charitable contrib., emp. expenses, dues & subscriptions, office equip leases, postage, payroll taxes (UI refund) and Mallard expenses lower than budget, partially offset by legal, license fees & InterCo higher than budget.
<i>Associations</i>	YTD fav variance driven by assoc. events lower than budget, partially offset by assoc. sponsor fees higher than budget.
<i>Claims</i>	YTD unfav variance driven by internet higher than budget, partially offset by office supplies & postage lower than budget.

**Total TPA
Cross Border Program Report
July 2019**

	July 2019				Year to Date July				Program
	Actual	Budget	F/(U) vs. Budget		Actual	Budget	F/(U) vs. Budget		to Date
			\$	%			\$	%	Actual
Revenue									
Cross Border Premium	47,310	83,333	(36,023)	(43%)	313,407	583,333	(269,927)	(46%)	1,053,148
Expenses									
Claims Paid	2,498	8,333	5,836	70%	18,129	58,333	40,205	69%	261,331
Claims Fee	2,233	394	(1,839)	(467%)	13,212	2,759	(10,453)	(379%)	20,824
Reinsurance	18,917	18,917	(0)	(0%)	132,419	132,417	(2)	(0%)	666,583
Agent Commission	3,501	6,167	2,666	43%	23,192	43,167	19,975	46%	60,181
Fronting Fee	15,000	15,000	-	0%	105,000	105,000	-	0%	280,002
Broker Fee	4,167	4,167	(0)	(0%)	29,169	29,167	(2)	(0%)	129,177
Premium Tax	-	700	700	100%	4,717	4,900	183	4%	15,569
Subsequent/2nd Injury fund/other WC pmt	-	300	300	100%	1,006	2,100	1,094	52%	2,783
Total Expenses	46,316	53,977	7,662	14%	326,844	377,842	50,998	13%	1,436,449
Net Income (Loss)	994	29,356	(43,685)	(149%)	(13,437)	205,491	(320,925)	(156%)	(383,301)
Broker Fee									



WE MAKE WORKERS' COMP WORK

Premium Data

YTD Through July 2019

	July 2015	July 2016	July 2017	July 2018	July 2019
Active Members	871	783	721	708	690
Written Premium	\$41,169,824	\$39,467,084	\$38,616,708	\$38,182,235	\$39,212,979
Average Premium	\$47,267	\$50,405	\$53,560	\$53,930	\$56,830

Revenue

YTD Through July 2019

	July 2015	July 2016	July 2017	July 2018	July 2019
Reported Payroll	\$592,117,888	\$562,217,139	\$550,763,433	\$615,039,837	\$646,826,559
Reported Premium	\$25,709,037	\$23,021,899	\$20,822,528	\$21,508,198	\$22,232,887
Net Rate	4.34	4.09	3.78	3.50	3.44

New Business

YTD Through July 2019

	July 2015	July 2016	July 2017	July 2018	July 2019
Members	43	24	34	40	34
Premium	\$2,063,529	\$1,014,650	\$1,421,766	\$2,487,780	\$1,753,667
Average Premium	\$47,989	\$42,277	\$41,817	\$62,195	\$51,578

Cancellations

	July 2015	July 2016	July 2017	July 2018	July 2019
Members	50	98	79	50	52
Premium	\$1,545,213	\$3,500,444	\$1,631,902	\$1,121,611	\$1,978,933
Average Premium	\$30,904	\$35,719	\$20,657	\$22,432	\$38,056

Lost Business

Through July 2019

SUMMARY		
Number	Reason	Written
3	\$5,000 Minimum Premium	\$ 15,000
17	Business Closed	\$ 623,710
6	TBG Cancelled	\$ 149,497
13	Agency Lost Business	\$ 988,351
13	Agency Moved Business	\$ 202,375
TOTALS		
52		\$ 1,978,933
PROSPECT LIST		
Number	Reason	Written
7	Agency Lost Business	\$ 701,414
3	Agency Moved Business	\$ 115,714
10		\$ 817,128

Lost Business

Through July 2019

Business Closed / Sold		
914	Davis Drywall, Inc.	\$ 229,980
1917	Ron Boelter Windows & Siding	\$ 73,952
1731	Expert Insulation of Brainerd Inc.	\$ 64,001
2026	Wellington Home Improvement	\$ 52,064
1937	Expert Insulation of Brainerd Inc.	\$ 51,688
1999	Advanced Construction Services LL	\$ 31,161
456	Bradbury Stamm Construction Wink	\$ 15,430
1499	Norman Moe Construction	\$ 12,993
2044	Landmark Homes Co LLC	\$ 11,304
1472	Lakeside Lawn & Landscape Inc	\$ 7,051
510	Erickson Plumbing & Heating of Blo	\$ 6,495
1278	SJI Inc	\$ 5,073
1902	Tristan Fabricators	\$ 5,000
1083	Curtiss Construction, Inc.	\$ 5,000
286	Curt's Custom Decks	\$ 5,000
100	Gustafson Construction	\$ 5,000
\$5000 Minimum Premium		
1797	Quality Farm & Industrial Building Co	\$ 5,000
783	Complete Electric	\$ 5,000
1992	Trestle Homes LLC	\$ 5,000
TBG Cancelled - Loss Experience or Nonpayment of Premium		
1107	J Lorenz Concrete & Masonry	\$ 82,172
1811	Garfield Builders Incorporated	\$ 39,303
533	Bob's Construction, Inc.	\$ 12,428
1671	AirCorps	\$ 8,064
1758	Ready Construction	\$ 5,000
190	FGS of Rochester LLC	\$ 2,530

Lost Business

Through July 2019

Agency Lost Account		
1663	NPD, Inc	\$ 377,988
1437	Nuss Truck Group	\$ 313,381
1885	Crow Wing Recycling, Inc.	\$ 200,735
303	Allied Blacktop Company	\$ 116,711
1830	Curbside Landscape and Irrigation, Inc.	\$ 96,234
1878	St Germain's Cabinet	\$ 68,694
1846	North Metro Companies, LLC	\$ 44,152
1670	SB Restoration Services, Inc.	\$ 37,206
1965	Merickel Lumber Mills, Inc.	\$ 25,036
1988	Dream It, Inc	\$ 12,406
795	Chip Bauer Construction	\$ 9,266
125	Glacial Ridge, Inc	\$ 6,243
1944	Parent Custom Homes	\$ 5,000
Agency Moved Account		
1904	Fitzgerald Excavating & Trucking, Inc.	\$ 87,110
1930	Cloud Contracting	\$ 45,825
945	Blueline Coatings	\$ 32,329
1961	Modeen Company	\$ 27,738
1925	Damaged Demo	\$ 18,885
362	Peterson Drywall	\$ 18,785
1931	Bergstrom Wood Product	\$ 13,189
379	Byrne Construction	\$ 12,395
1970	Solar Connection	\$ 9,719
1709	Aulik & Associates	\$ 8,320
945	Blueline Coatings LLC	\$ 7,136
968	Koosman Construction Company	\$ 5,899
1478	Accurate Concrete Sawing Inc.	\$ 5,045

New Business

Member #	Member	Effective	MOD	Written Prem
2114	Summit Grain Construction	09/20/2019	1.50	\$35,935
2113	Rise Modular, Inc	08/20/2019	N/A	\$17,234
2112	Kiellmeyer Construction Inc	08/01/2019	1.53	\$34,497
2108	Davids Hydro Vac Inc.	07/01/2019	0.74	\$77,078
2110	M & N Equipment Services Inc.	07/01/2019	2.12	\$50,848
2111	Benson-Claugherty Contracting, Inc.	07/01/2019	N/A	\$38,666
2096	Rocket Oil Inc.	06/29/2019	0.96	\$6,080
2109	Livit Site + Structure LLC	06/21/2019	N/A	\$7,862
2104	Rothmeyer Construction Inc.	06/15/2019	N/A	\$11,712
2105	Minority Owned Insulation & Drywall	06/15/2019	0.80	\$58,730
2106	Voeller Insulation, Inc.	06/15/2019	0.78	\$20,369
2103	Quickway Rigging & Transfer, Inc.	06/09/2019	0.97	\$40,559
2097	Valley Paving, Inc.	06/01/2019	0.88	\$121,681
2098	Disaster Restoration Services	06/01/2019	1.27	\$14,613
2099	Goliath Fabricators LLC	06/01/2019	N/A	\$19,266
2101	DSS Commercial Inc.	06/01/2019	0.89	\$19,347
2102	Ray Barth Construction LLC	06/01/2019	1.22	\$36,371

New Business

Member #	Member	Effective	MOD	Written Prem
2100	Williams Group, Inc.	05/28/2019	1.05	\$22,094
2095	Great Northern Landscapes Inc.	05/26/2019	0.76	\$35,951
2094	Subsurface, Inc.	05/16/2019	0.76	\$37,165
2091	Whitcomb Brothers Grain Systems	05/04/2019	1.00	\$24,306
2092	Viking Demolition & Specialty Svs	05/01/2019	N/A	\$50,401
2090	Dakota Glass and Glazing LLC	04/20/2019	1.56	\$36,368
2085	Schoenfelder Renovations, Inc.	04/01/2019	0.96	\$85,989
2086	Joe's Window Cleaning, Inc.	04/01/2019	1.20	\$100,632
2087	Ohana Construction, Inc.	04/01/2019	NA	\$5,008
2088	Northdale Construction Co Inc.	04/01/2019	1.08	\$84,610
2089	Advanced Irrigation Inc.	04/01/2019	1.04	\$45,396
2084	Spray Foam Insulation System, Inc.	03/23/2019	1.50	\$22,558
2083	Rusciano Group, Inc.	03/15/2019	1.11	\$64,147
2081	Gruber Pallets, Inc.	03/01/2019	1.56	\$114,895
2082	Wysan Precast Services LLC	03/01/2019	N/A	\$295,223
2080	Restore 24 LLC	02/17/2019	1.66	\$29,345
2079	J. Taylor LLC	01/29/2019	1.75	\$66,881
2074	Industrial & Environmental Concepts	01/01/2019	1.15	\$25,787
2076	J & A Glass & Mirror Inc.	01/01/2019	1.20	\$32,491

Claims Report

YTD Through July 2019

	July 2015	July 2016	July 2017	July 2018	July 2019
Incurring (AY)*	\$5,977,468	\$7,887,580	\$6,433,497	\$6,514,646	\$8,801,372
Incurring (CY)*	\$11,633,817	\$15,023,436	\$11,949,088	\$12,808,907	\$15,455,059
Loss Ratio (AY)*	23.3%	34.3%	30.9%	30.3%	39.6%
Loss Ratio (CY)*	45.3%	65.3%	57.4%	59.6%	69.5%
Med Only Claims	802	718	670	806	755
Indemnity Claims	209	208	164	154	191
Total Number of Claims	1011	926	834	960	946
Average Claim Value	\$5,912	\$8,518	\$7,714	\$6,786	\$9,304
Closed No Pay Claims	76	65	76	282	312

* AY: claims with accident dates in the current year

* CY: claims with accident dates in all years

CROSS BORDER PROGRAM

12 Month Review

August 2019

Quotes	
Total	98
New Business:	41
Bound:	18
Hit Ratio:	44%
Renewal:	57
Bound:	55
Retention:	96%

CROSS BORDER PROGRAM

12 Month Review

August 2019

Category	Policies	Other States' Premium	MN Premium
Renewals	55	\$ 433,065	\$ 6,501,831
Returning Members	1	\$ 1,820	\$ 108,915
New Members	6	\$ 131,547	\$ 532,568
New Sentry Policy for Existing Members	11	\$ 29,272	\$ 1,308,539
Total Program	73	\$ 595, 704	\$ 8,451,853

CROSS BORDER PROGRAM

12 Month August 2019

<u>Loss Date</u>	<u>Claim Status</u>	<u>Coverage</u>	<u>Paid Loss</u>	<u>Paid Expense</u>	<u>Reserve</u>	<u>Incurred</u>
3/26/2019	Open	Medical	\$80,427.74	\$1,405.48	\$6,345.65	\$88,178.87
7/3/2019	Open	Medical	\$3,922.00	\$0.00	\$40,578.00	\$44,500.00
7/3/2019	Open	Indemnity	\$3,652.54	\$0.00	\$19,531.13	\$23,183.67
3/26/2019	Open	Indemnity	\$12,215.19	\$0.00	\$5,581.02	\$17,796.21
4/29/2019	Open	Indemnity	\$2,774.99	\$0.00	\$7,385.01	\$10,160.00
4/29/2019	Open	Medical	\$1,115.52	\$8.59	\$5,784.48	\$6,908.59
3/4/2019	Closed	Medical	\$1,717.00	\$2.60	\$0.00	\$1,719.60
7/23/2019	Open	Medical	\$941.90	\$5.00	\$108.10	\$1,055.00
8/23/2019	Open	Medical	\$0.00	\$0.00	\$1,050.00	\$1,050.00
8/21/2019	Open	Medical	\$0.00	\$0.00	\$1,050.00	\$1,050.00
1/11/2019	Open	Medical	\$725.33	\$5.68	\$0.00	\$731.01
10/4/2018	Closed	Medical	\$0.00	\$14.30	\$0.00	\$14.30
8/1/2019	Closed	Medical	\$0.00	\$0.00	\$0.00	\$0.00
5/13/2019	Closed	Medical	\$0.00	\$0.00	\$0.00	\$0.00
						\$196,347.25



DO YOU HAVE THE DRIVE... ...TO WIN THE AGENT OPEN?

The invitations are out. The field is set. The Agent Open is now in full swing. It's time to step up and take your shot at winning valuable prizes by doing what you do best—selling TBG.

Start booking business and accruing points to be one of the TBG Agents to grab some once-in-a-lifetime opportunities along with lots of other valuable prizes and experiences.

All new business with a policy effective date from 9/1/2019 to 6/15/2020 qualifies your entry into the Agent Open.

♦ AGENT OPEN PRIZES ♦



Play with the Pros – This is a once in a lifetime opportunity to tee it up with a pro in a tournament setting. You and three of your peers will spend the afternoon with an elite PGA player. Plus you get access to the exclusive ProAm draw party at Top Golf, VIP treatment at the tournament and a valuable ProAm Players gift package (HINT: this alone is worth winning).



VIP Concert Experience – World class entertainment with the best seats in the house along with VIP access to amazing food and beverages. You and your guest will be among an elite group to have VIP credentials for this showcase event. Keep your ears open for the 2020 performer announcement.



Honorary Walk Along Observer – Get inside the ropes on a tournament day to walk alongside a featured pro pairing. You'll be among a small group of people to have inside the ropes tournament access and walk the course just like a pro.



King's Club Tickets – Named in honor of the King, Arnold Palmer, this is an exclusive lounge open to a small group of VIP's. You could make the list! The King's Club features a collection of top shelf liquors along with an extraordinary menu to graze while enjoying one of the best viewing vantage points on the course.



Any Day Tickets – We will also be awarding daily tickets that can be used at any time throughout the tournament.

Captive Update

On 9-10 I had a conference call with Larry Shores, Ed Costner, Tom Langer, John Liston and Randy Squires for AJ Gallagher, and Jeff Kurz from Arte Risk on the captive. After bringing the actuaries up to date and letting them know what we are trying to accomplish we cannot go any further without a feasibility study.

The feasibility study is done at a cost of \$15,000. The study will determine if the captive will meet the IRS requirements of diversity (at least 12 policies) and risk transfer. There is case law allowing a master policy with the Members of the group as additional insureds that meet this requirement. The actuary has to do an analysis to determine risk transfer, premiums necessary, and the loss pick. Once completed we will know if forming a captive is feasible or not.

I have asked for an estimate of the annual costs of the captive if we form one.

If the decision is to go forward with the feasibility study I want it to be contingent on receiving an estimate of the annual costs.

TBG Committee Meeting Schedule for 2019 - 2020

Board Meeting Schedule (1:00 pm start)

July 18th – TBG Board Room

September 12, 2019 – TBG Board Room

December 4 – 8, 2019 TBG Board Retreat – Marriott Key Largo Bay Resort

April 2, 2020 – TBG Board Room

May – Board Meeting and Annual Meeting - TBD

Executive Committee Meeting Schedule for (12:00 pm start)

June 20, 2019 – TBG Board Room

August 22, 2019 – Tentative Alliance Bank – Stonebridge

October 10, 2019 – TBG Board Room

November, 21, 2019 – TBG Board Room – 9:00 am start

January 16, 2020 – TBG Board Room

February 13, 2020 – TBG Board Room - **10:00 start with Scott Butler and Finance Committee**

Investment Committee Schedule (12:00 pm start)

October 17, 2019 – Conference Call

December 18, 2019 – Conference Call

February 6, 2020 – Site TBD

April 2, 2020 – TBG Board Room