

ANNUAL REPORT

2016



**WE MAKE WORKERS' COMP WORK**



[www.tbgn.com](http://www.tbgn.com)

# MESSAGE FROM STU THOMPSON



Members, Agents and Friends,

First off, it has been an honor serving as your CEO and Fund Manager for the past decade. I have had the pleasure of working with a staff dedicated to providing you with a workers comp solution designed specifically for your needs. Since our humble beginnings back in 1997 we have grown from the original 56 members to almost 800 today. Their vision of creating a premier workers' compensation fund for the Minnesota construction industry has become a reality with premiums exceeding \$40,000,000 over the last few years. When you consider that in 1997 the premiums were \$450,000, I am sure we have exceeded the original Members expectations.

As TBG begins our 20th year, the Fund has never been stronger financially. 2016 was another good year and on September 21st, it got even better. That was the day that the TBG Board of Directors approved the first dividend distribution for the 2012 Fund Year. We couldn't be more thrilled to be in the position to pay a dividend to our members for the first time in 10 years.

In addition to our dividend distribution, other highlights of 2016 include:

- Reported payroll over \$1,000,000,000 for the second straight year
- Member Distribution Payable (MDP) increased to \$27,767,792
- Premiums were \$43,236,561



During the last 20 years, we have continued to refine our safety services and elevate our claims management process to be the best in the industry. We survived the great recession without assessing our members, began offering aggressive, proactive claims management, built a state-of-the-art safety services training center and continued a "pay as you go" premium plan to help our members free up cash flow.

At the tail end of 2016, we took a hard look at the TBG brand and realized we could do better telling our story. We then began repositioning ourselves with a new logo, an all new user friendly website and new sales materials — all focused on our redefined messaging precisely representing what we do.

## WE MAKE WORKERS' COMP WORK.

In 2016, we have also advanced our commitment to building a stronger future for the construction industry with The TBG Education Foundation. This 501(c)(3) organization has one objective: promote and support initiatives that inspire men and women to discover the broad scope of viable career options available across the building trade spectrum.

As we begin to celebrate our 20th year, we couldn't be more proud of all that we have accomplished together. Thank you for your continued loyalty to The Builders Group and for letting us make workers' comp work — for you.

Sincerely,

A handwritten signature in black ink that reads "Stu Thompson". The signature is written in a cursive, flowing style.

Stu Thompson, CEO

# OUR MISSION



## WHAT WE DO.

We provide work comp solutions tailored exclusively to the construction trades to help them lower costs by working safer, smarter and more profitably.

## HOW WE DO IT BETTER.

As a member-owned, self-insured fund, we partner with members to mitigate risk through training, education and services. Our proactive approach to claims delivers personal, compassionate attention — assuring the worker gets the right care at the right time.

## WHY WE MATTER.

The construction trades have access to affordable, high-quality workers' comp that is tailored specifically to their unique needs. They have a partner who fully understands their risks and is committed to helping them lower costs, create safer work places and take care of their workers.

## ETHOS:

- We are passionate about the construction trades
- We are zealous about job site safety
- We are compassionate champions of injured workers
- We embrace innovation
- We build reliable relationships with healthcare professionals
- We are committed to earning our partners trust



# UNDERSTANDING YOUR DIVIDEND

For over 20 years we've been making workers' comp work for our member partners in the construction trades by providing expert level safety training and cost saving proactive claims management. We've held true to our founding principal "If responsible people acted responsibly, everyone would win" and as a result we were able to begin distributing dividends to our members. Together we made this happen, but getting here wasn't always easy.

The Great Recession was tough on everyone in the construction trades. So, we tightened our belts and looked for ways to improve. We poured ourselves into improving claims management, safety services, customer service and technology. When the dust settled we were better, stronger, and making workers' comp really work for you, paving the way for dividend distributions. Plus, even in the toughest of times we never assessed our members—in fact, we never have!

Today our fund is healthier than ever and built around safety conscious business owners who truly get it and have always acted responsibly. That constant dedication to the safety first

mindset has helped keep workers safe, reducing claims costs and providing you with a financial return on your work comp investment. This is rock solid proof that our work comp insurance is not just another profit draining cost — it's an investment in your business. With TBG you have a partner with the tools and understanding to help you reduce risk, efficiently manage claims and get workers back to work. You've become a stakeholder with like minded business owners spreading the risk of insurance and reaping the rewards of a well managed fund.

Yes, our goal of paying a dividend has been achieved, but we're not going to rest on our laurels and declare mission accomplished—we're just getting warmed up! We want to keep paying dividends, larger dividends to our members. To do this, we're going to continue to partner with you to keep your workers safe and make claim services work for you. Together we'll help make your company more profitable and our fund even stronger. When that happens, you'll be holding a dividend check in your hand and you'll see the value of investing in yourself, the value in partnering with The Builders Group and you'll know that we made workers' comp work for you.



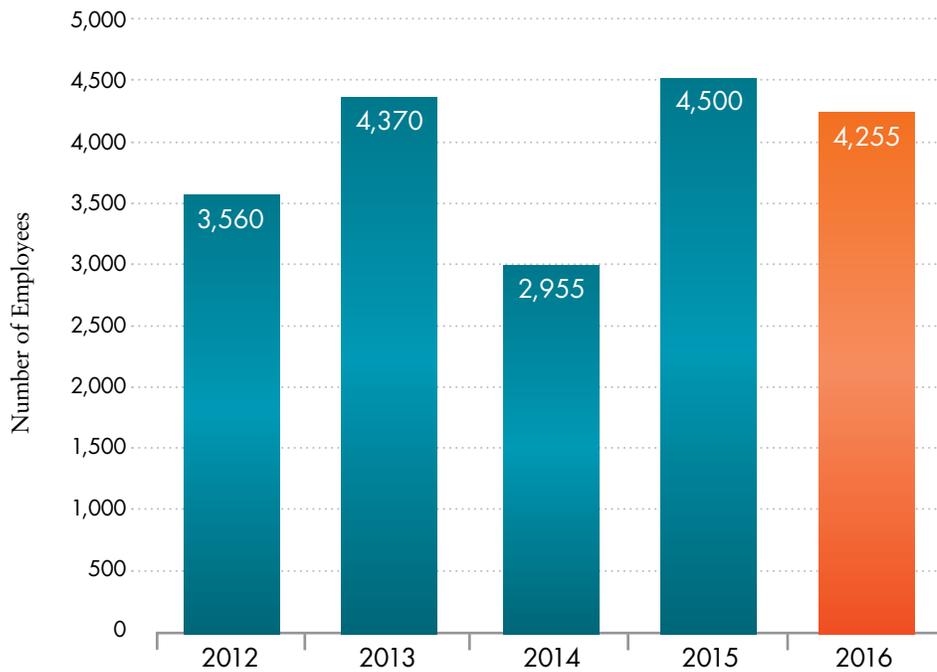
Members are jointly and severally liable for their proportionate share of obligations for the group and will be assessed on an individual and proportionate share basis for any deficit created by the group. Dividends are not guaranteed.

# CONSOLIDATED FINANCIAL STATEMENTS

	2016	
<b>BALANCE SHEET</b>	<b>Assets</b>	
	Cash and Equivalents	18,398,528
	Certificate of Deposit	23,085,543
	Investment in Securities	16,432,736
	Investment in Real Estate	8,735,000
	Premium Receivables	3,925,231
	Other Receivables	347,094
	Reinsurance Recoverable	1,327,199
	Deferred Income Taxes	888,578
	Fixed Assets	3,575,877
	Other	1,223,692
		<b>77,939,478</b>
	<b>Liabilities</b>	
Unpaid Losses and Loss Adjustments	35,453,821	
Security Deposits	8,664,222	
Special Compensation Fund Reserve	4,578,526	
Member Distribution Payable	27,767,792	
WCRA Deficiency Assessment Payable	454,668	
Reinsurance Premiums Payable	26,753	
Accounts Payable and Accrued Liabilities	993,696	
	<b>77,939,478</b>	
<b>INCOME STATEMENT</b>	<b>Revenues</b>	
	Premium Earned	43,236,561
	Investment Income	918,375
	Realized Gains (losses) on Investments	441,338
	Other Income	195,800
		<b>44,792,074</b>
	<b>Expenses</b>	
	Losses and Loss Adjustments	26,385,836
	Reinsurance	2,179,977
	Special Compensation Fund	3,087,573
	Commissions	3,215,865
	Depreciation	133,631
	Salary & Benefits Expense	1,964,317
General & Administrative Expenses	3,248,396	
	<b>40,215,595</b>	
	<b>(Increase) Decrease in Member Distributions</b>	
	(4,707,209)	
	<b>Provision for Income (Tax) Benefit</b>	
	130,729	
	<b>Net Income (Loss)</b>	
	0	

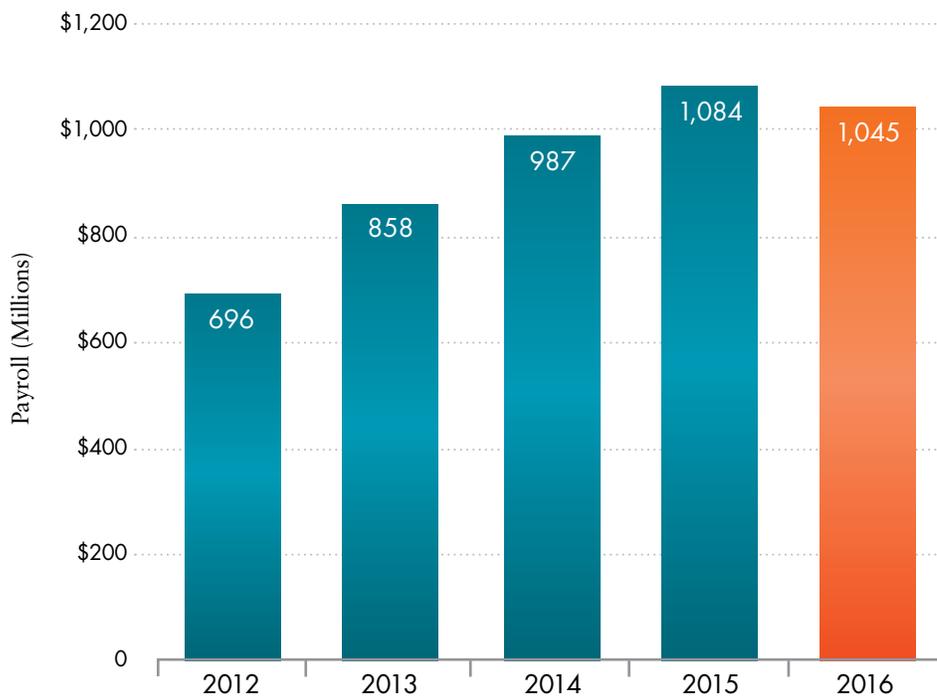
The financial statements above are taken from the independent auditors' reports.

## EMPLOYEES TRAINED AT TBG



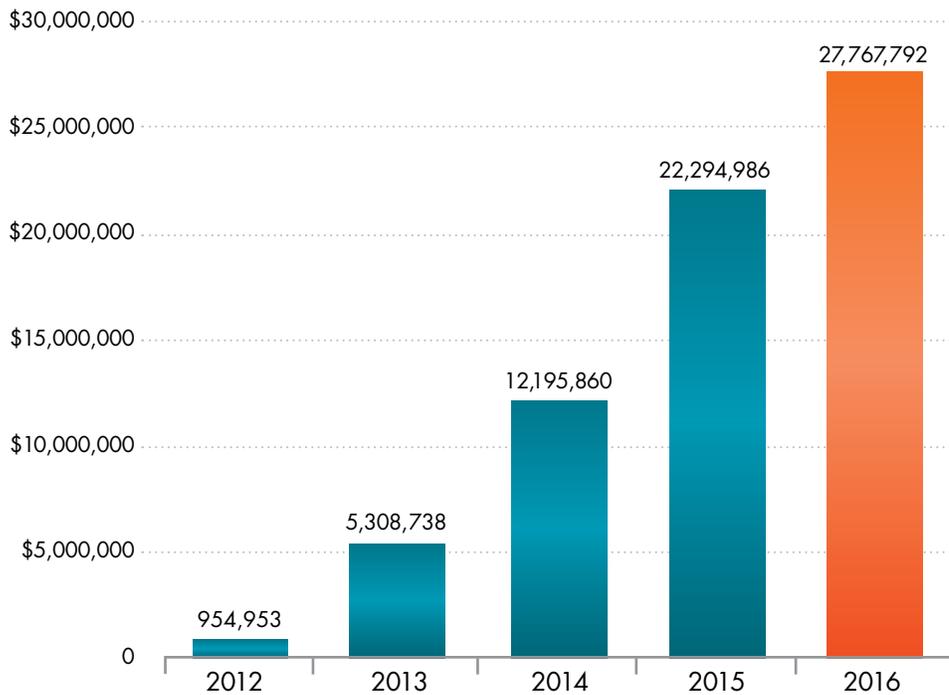
Our Safety Team has trained over 18,000 construction workers in the past 5 years.

## MEMBER REPORTED PAYROLL



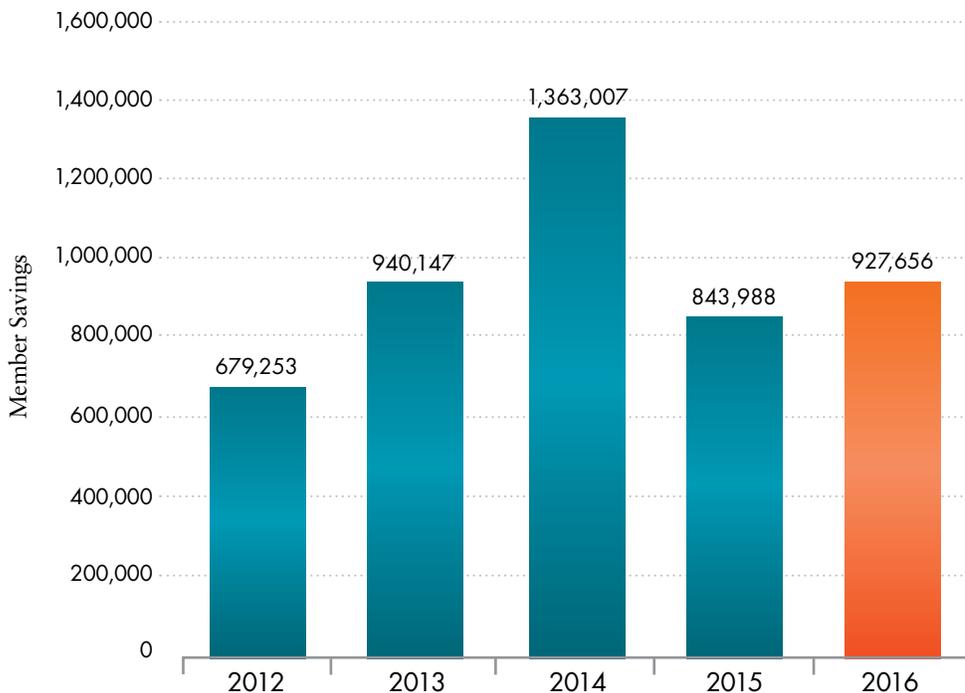
We now insure over \$1 billion in annual payroll.

## MEMBER DISTRIBUTION PAYABLE BALANCE



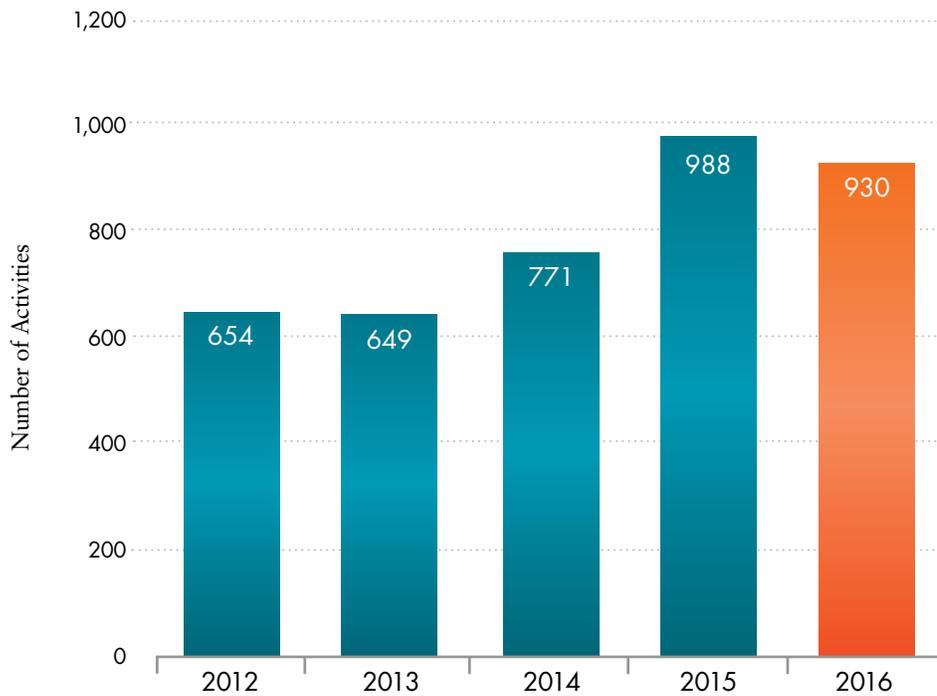
Member Distribution Payable is the account from where future dividends are paid.  
(Dividends are not guaranteed.)

## NET MEMBER SAVINGS FROM REDUCED EXPERIENCE MODS



We have averaged a reduction of 2 Experience MODs for every 1 that increased.  
This has resulted in a net savings of \$4.7 million to our members in the last 5 years.

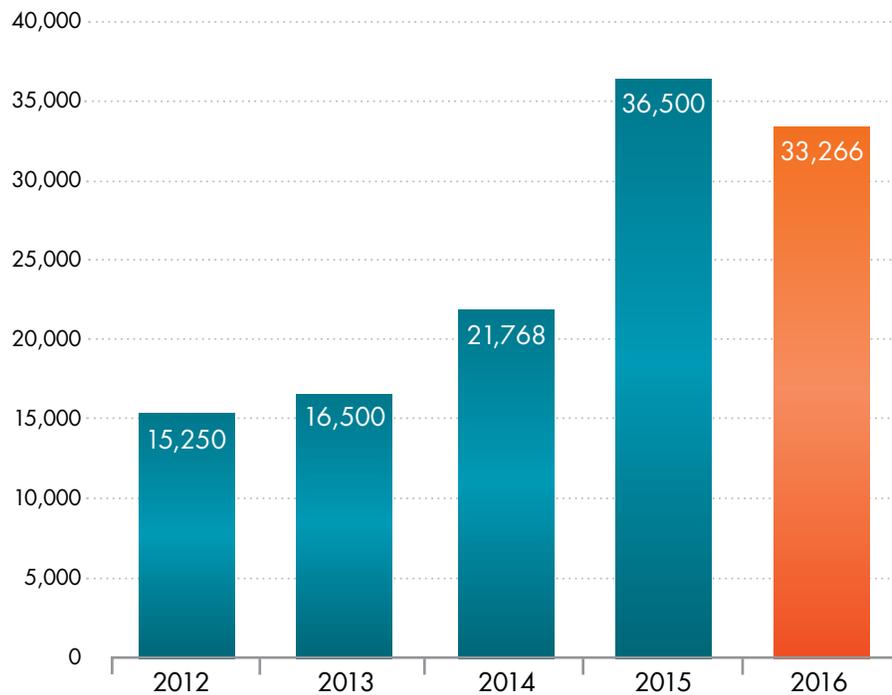
## SAFETY SERVICES MEMBER ACTIVITIES



Our Safety Team has visited over 3,500 job sites in the past 5 years.

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## EMPLOYEES INSURED AT TBG



TBG currently insures over 33,000 construction workers in Minnesota.



# TBG EDUCATION FOUNDATION



This was the year that we advanced our commitment to building a stronger future for the construction industry with — The TBG Education Foundation. The objective of which is to promote and support initiatives that direct and inspire young men and women to discover the broad scope of viable career options that are available across the building trade spectrum.

This 501(c)(3) organization unites a wide variety of trades stakeholders to pool resources, combine efforts, stir imaginations and build awareness for trade careers. As an unbiased organization we are uniquely positioned to bring unity to a diverse group of stakeholders for the good of all. We wholeheartedly believe in the viability of trade careers for future generations.

TBG Education Foundation’s mission is to encourage students to pursue a career in Minnesota’s construction industry. When you contribute to the foundation you help us:

- Invest in much-needed skilled-trade training programs in schools statewide
- Promote a range of rewarding construction careers to students
- Help identify promising students for future careers at Minnesota construction firms
- Work to tackle our state’s construction workforce shortages head-on





**WE MAKE WORKERS' COMP WORK**

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