

ANNUAL REPORT | 2018



WE MAKE WORKERS' COMP WORK

From Stu Thompson

Dear Members, Agents and Friends,

What a privilege it is for me to tell you for the third year in a row the TBG Work Comp Fund has had one of its best years ever! Together we've made workers' comp work and the health and security of the fund has never been better.

Even though I get to be the one to break this great news to you, there are so many people that are worthy of this privilege. It begins with a group of agents who understand the construction industry and the nuances of a Self Insured Group. It continues with nearly 700 members doing their part to work safe. Our Safety Services Team does wonders in reaching out to members and helping them bring safety and protection to their employees. The Underwriting Team continues to do a great job vetting members, setting premium and gate keeping for the fund. Then there is our Claims Department that is hands down the best in the industry along with our Auditing Team that deserves far more recognition for all they do.

As you can see there are a lot of moving parts to a Self Insured Group, and when we all work together and get a little help from a thriving economy, everyone wins. Here's a brief breakdown of 2018.

- TBG reported over 1.1 billion in insured payroll for the 4th year in a row.
- In 2018 we added 90 million dollars in insured payroll.
- We were able to reduce premiums for the 5th year in a row. Our average member is now enjoying a 20% reduction in their work comp premium.
- The average cost of claims is down nearly 20%.
- For the third year in a row TBG will be distributing dividends for qualifying members — this year's amount is \$2,704,456.

As you can see, 2018 was a great year and surpassed our previous accomplishment. So where do we go from here? That's easy — we continue to improve. At the heart of TBG has always been a spirit of innovation. We will continue to rely on that to dig deeper into safety products and training as well as claims services and new technologies that serve our members and agents better.

Thank you all for your continued support and allowing us all to make workers' comp work.

Sincerely,



Stu Thompson, CEO



TBG Winning New Members with Personalized Service

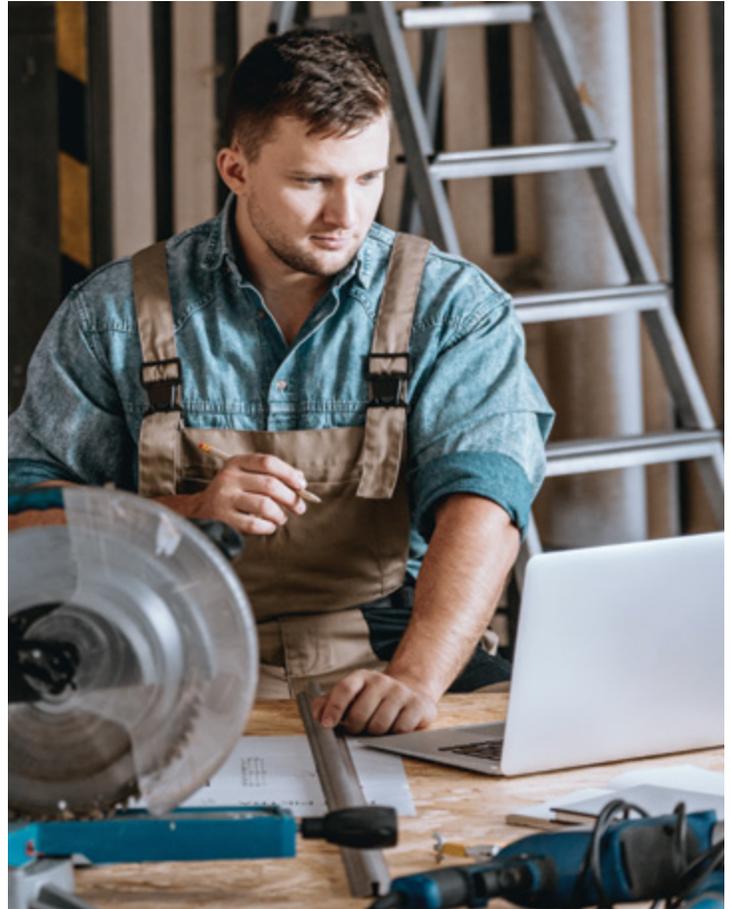
One of the reasons TBG enjoys a 97% customer retention rate is due to our personalized service and attention to detail. A great example of this is Jim Walerius and our Premium Auditing Team. Jim and his team review member payroll submissions from time to time to ensure members are reporting accurately and that they are paying the lowest rate possible.

Jim recently was able to work with a member who had been misclassified by their previous work comp carrier. This misclassification drove up their experience mod which resulted in the organization being eliminated from certain projects. After Jim and his team got the member classified correctly, they were able to start bidding on more projects and their work comp premium accurately reflected their corrected classification.

TBG makes surprise audits a worry of the past with Pay-As-You-Go premiums.

Calculating your monthly premiums according to your company's cash flow is a benefit designed by the construction industry, for the construction industry. Pay-As-You-Go premiums make work comp payments simple and easier than ever to cover payroll and fixed expenses. With Pay-As-You-Go premiums, you're assured accuracy in your work comp premium.

If you think your work comp filings could benefit from the expertise and oversight of TBG, Jim and his team would love to take a look at your filings. Then you can rest easy, knowing your payroll comp submissions are accurate and are saving you capital.



2018 AT A GLANCE

97%

Member Retention Rate

79.5%

Combined Ratio

\$1 Billion+

Insured Payroll for 4th Consecutive Year

20,000+

Workers Received Safety Training From TBG in 5 Years

Need Safety Equipment? There's a Grant for That.

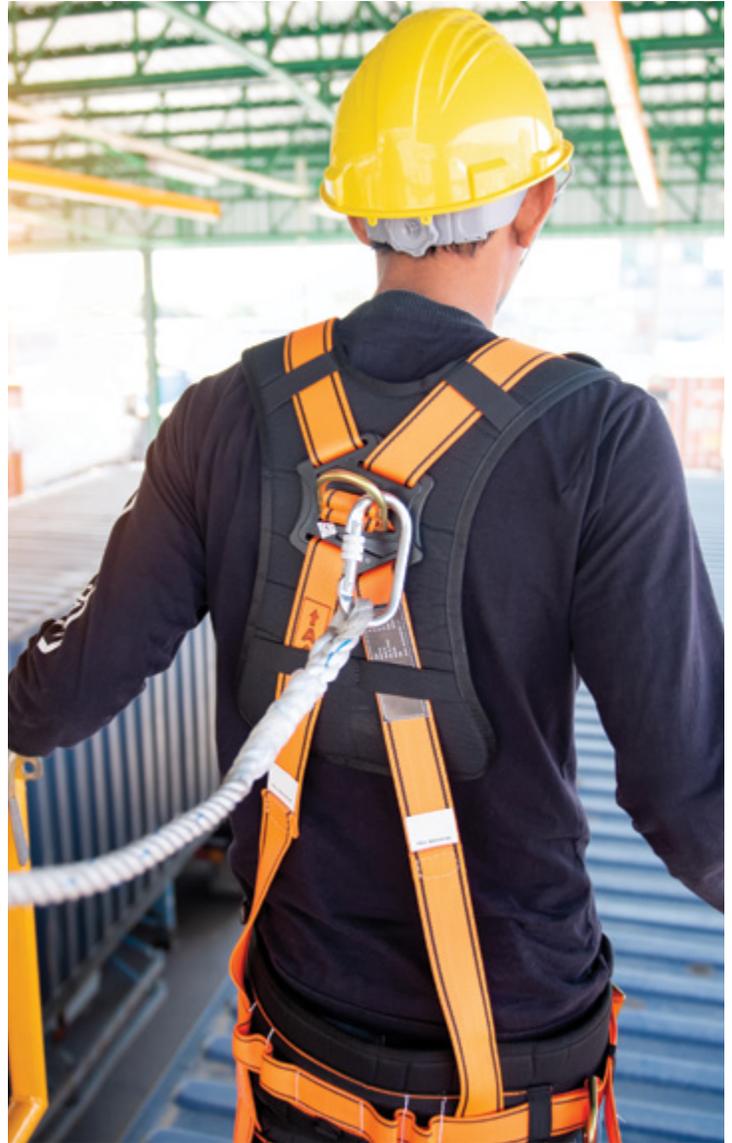
Did you know that MNOSHA has thousands of dollars available to help make your worksite the safest it can be? Not many people know about this incredible benefit, but MNOSHA's safety funds are allocated specifically to help offset the cost of purchasing the safety systems and equipment you need to prevent injury to your employees.

In calculating a project's budget, materials and man-hours often take precedent, while the expense of safety equipment can be easily overlooked. When it's time to supply your employees with proper safety equipment, the additional expenses can be shocking. This is where we come in: TBG's Safety Specialists are your advocates in navigating MNOSHA's grant process.

Our Safety Services Specialists can help you identify what equipment is eligible for grants based on its ability to increase safety and protect employees from injury. We help you determine what additions could make your construction site safer and can even conduct hazard assessment surveys to assist you in preparing a strong case for the safety equipment systems you need, in the technical language MNOSHA can understand. Properly preparing grants is key to the likelihood of getting grants approved.

Once your proposal is approved, your company could receive matching grants for as much as \$10,000 to make your worksite safe and up to code. Companies who successfully make a case for much needed safety improvements are required to match an awarded grant, dollar for dollar—an investment in your company that could make a real difference in submitting more competitive bids, keeping worksite expenses low and, most importantly, keeping your employees safe and healthy.

Last year, our Safety Services Team assisted numerous TBG members through grant proposals for construction companies just like yours. We understand how navigating any government website can be difficult and time consuming. Leave the heavy lifting up to us. TBG's Safety Specialists make government guesswork simple and easy, just one of the many ways we make workers' comp work for you.



SAFETY SERVICES

Our Safety Services is an Unrivaled Benefit



Our extensive resources for safety training are one of the most valuable benefits we offer at TBG. Our Safety Specialists and training courses help reduce the frequency of worksite injuries with on-demand help and customized instructional plans for businesses and their employees. Virtually every month TBG Safety Services offers MNOSHA required courses for Construction Safety Outreach, Excavating/Trenching and Confined Spaces awareness. Plus we can customize curriculum to the individual needs of your organization and employees.

From our state of the art classrooms and hands-on training center, your crew can learn from live demonstrations and real-life safety activities specifically tailored to your industry. Here are just a few of the topics we're experts at training you and your crew on:

- Fall protection
- Comprehensive electrical safety
- Excavation safety
- Safety equipment training
- Hand/power tools safety
- Ladder safety

In addition to our safety training center and on-demand video resources, TBG goes beyond the traditional classroom with a mobile safety services trailer for onsite visits and safety assessments. Your company has access to one of six Safety Experts (covering all of Minnesota) who are available to assist you in creating your own customized programs that provide the framework and policies for your company's own safety committee.

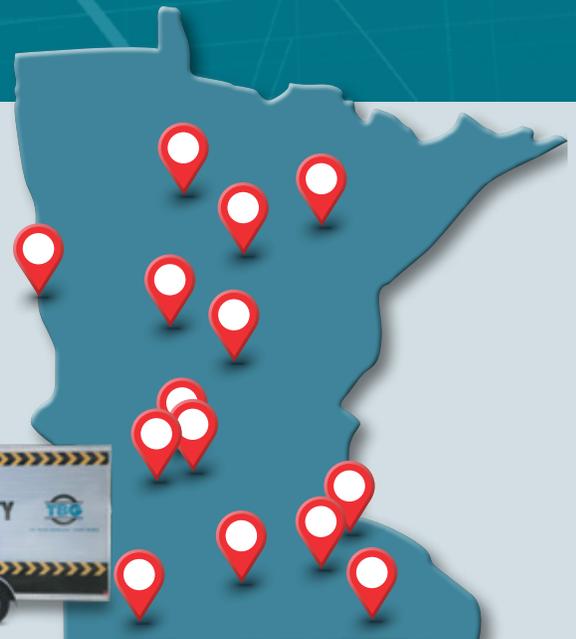
Don't miss out on this valuable resource. If you have yet to tour our safety training center and classrooms, you owe it to yourself and your employees to see what we offer. There is truly no better safety training center in the state and it's yours free as a member. Contact us to take advantage of our customized training services and safety resources.



For a couple years now, TBG has been bringing safety services to members in outstate Minnesota with our Safety Services Trailer. Some locations TBG visited in 2018 were North Mankato, Worthington, Rochester, Willmar, New London and Spicer, just to name a few. The Safety Trailer let's us showcase different products for fall protection, confined space entry, personal protective equipment, scaffold, ladders, ladder safety devices, and many more safety related items. TBG could even set up a small training room in the trailer.

We also showcased the Safety Trailer at our annual board meeting in the spring of 2018 and at the TBG Education Foundation Golf Event in July. We're looking forward to a busy 2019 and putting lots of miles on this rig, as we bring safety to more outstate members.

Please contact your safety services representative or contact TBG at 651-389-1140 to schedule training at your facility.

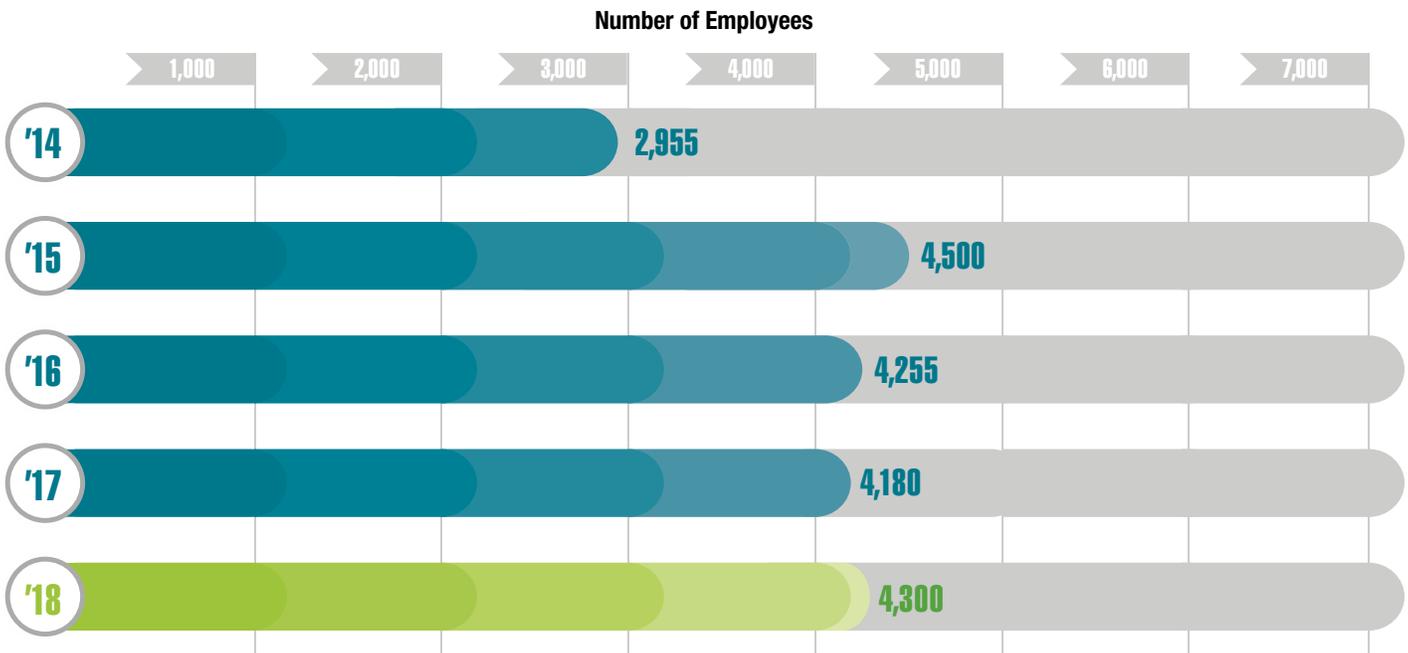


Consolidated Financial Statement

	2018	2017	
BALANCE SHEET	Assets		
	Cash and Equivalents	17,596,473	13,916,395
	Certificate of Deposit	30,965,587	27,185,293
	Investment in Securities	28,889,069	25,233,725
	Investment in Real Estate	7,980,000	8,735,000
	Premium Receivables	3,648,310	3,657,961
	Other Receivables	508,748	349,527
	Reinsurance Recoverable	2,334,846	1,077,802
	Deferred Income Taxes	803,061	754,648
	Refundable Reinsurance Premiums	—	51,888
	Fixed Assets	3,485,551	3,609,856
	Other	2,167,624	1,387,760
		98,379,269	85,959,855
	Liabilities		
	Unpaid Losses and Loss Adjustments	39,371,901	34,904,570
	Security Deposits	8,742,456	8,456,122
	Special Compensation Fund Reserve	5,111,652	4,810,566
	Member Distribution Payable	43,377,696	36,400,371
	WCRA Deficiency Assessment Payable	—	483,763
Reinsurance Premiums Payable	22,901	—	
Accounts Payable and Accrued Liabilities	1,752,662	904,463	
	98,379,269	85,959,855	
INCOME STATEMENT	Revenues		
	Premium Earned	42,587,978	41,015,970
	Investment Income	1,523,047	806,030
	Realized Gains (losses) on Investments	816,864	621,174
	Other Income	170,800	170,100
		45,098,689	42,613,274
	Expenses		
	Losses and Loss Adjustments	21,549,928	22,228,417
	Reinsurance	1,182,661	1,333,602
	Special Compensation Fund	1,686,415	1,878,032
	Commissions	3,238,358	2,977,830
	Depreciation	254,556	195,258
	Salary and Benefits Expense	2,173,001	2,119,232
	General and Administrative Expenses	4,020,237	4,013,077
		34,105,156	34,745,448
	(Increase) Decrease in Member Distributions	(11,041,946)	(7,274,475)
	Provision for Income (Tax) Benefit	48,413	(593,352)
	Net Income (Loss)	(0)	—

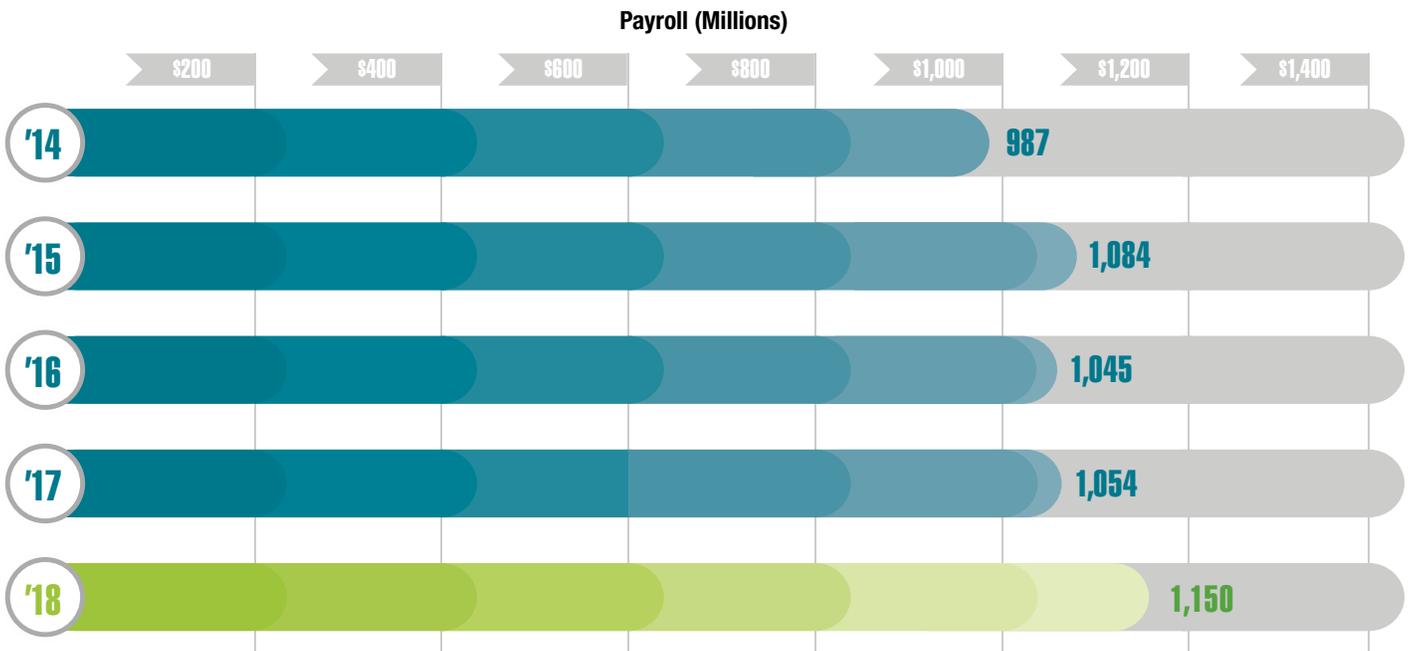
The financial statements above are taken from the independent auditors' reports.

Employees Trained at TBG



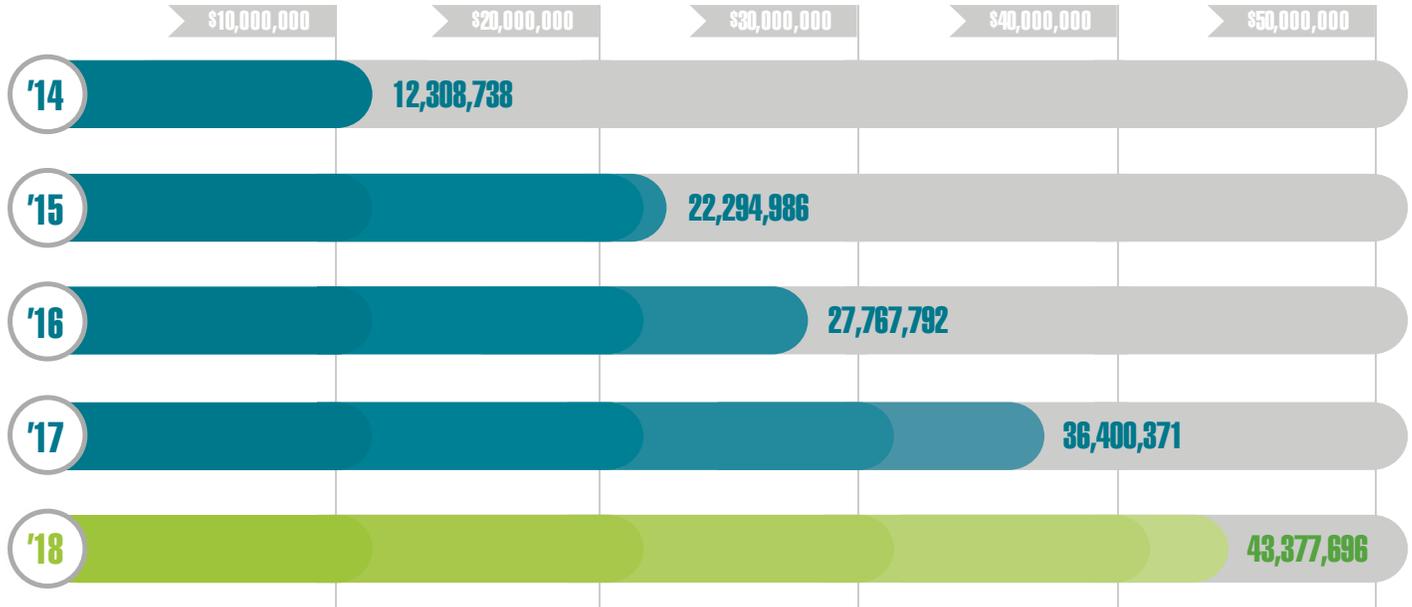
Our Safety Team has trained over 20,000 construction workers in the past 5 years.

Member Reported Payroll



We insure over \$1 billion in annual payroll.

Member Distribution Payable Balance



Safety Service Member Activities



Our Safety Team has visited over 4,200 member activities in the past years.

Combined Ratio By Year



Hands On Safety Training Center



Our safety services classroom and hands on training center have been one of our premier sales tools. Whenever prospective members are given the chance to tour the facility they come away with a greater appreciation of the benefits of being a member and our commitment to safety. If you haven't had a chance to tour TBG or haven't visited us lately, we urge you to come and see what you're missing. From the board room and classroom to our training center, it's all at your disposal and we're always updating and improving. Recently we re-organized the training center and brought in more equipment for training demos and added new signage. It's looking great and we'd love to show it off.



The Benefits of Dedicated Claims

When employees experience an injury or illness, getting them on track to rehabilitation is our top priority. TBG's proactive approach to injury management is the best step toward fostering healthy employees and a happy and productive workforce.

The secret to our claims service:

- Members receive personalized service—incident to completion—from a dedicated claim expert
- Low caseload per adjuster allows our claims team to focus on the details and provide outstanding service
- Our claims team has a rich history working with Minnesota's statutes and providers
- Our NurseCare Hotline is always open to provide on the job nurse support

Delivering personal, compassionate attention for the injured worker is not only how we should treat others, it makes good business sense returning employees to their work as soon as possible without sacrificing quality of care.



Cross Border Program

As exciting opportunities continued to lure members to capture business in other states, the demand for cross border insurance grew and we responded to the call. In 2017, we began our Cross Border Program to assist members who need to venture away from the friendly confines of Minnesota Construction Market.

Since then this has not only been a major benefit to our existing members, it's another reason many companies are coming back to the fund.

Now, when our members take advantage of out of state contracts, they no longer have to risk costly, out-of-state claims exposures. With just one call to their TBG work comp agent, Cross Border Coverage is added to their existing policy and, best of all, the cost to the member is minimal. To date, nearly 10% of our members have added Cross Border Coverage to their policy and enjoyed the peace of mind of having TBG work comp with them wherever they work.

With our Cross Border Coverage, members are always traveling with the work comp coverage that works for them — another reason why partnering with TBG is simply good for business, wherever business may take you.



TBG Education Foundation



TBG has built a stronger future for the construction industry with our Education Foundation. It is the mission of our 501(c)(3) organization to inspire tomorrow's diverse workforce, to stir their imagination to discover the wide variety of careers in the building and construction industry.

Since 2015, our Education Foundation has:

- Helped identify and nurture promising recruits for Minnesota's construction firms
- Tackled our state's 79% construction workforce shortages
- Invested in schools statewide with skilled-trade training programs
- Promoted a range of rewarding construction careers to students

In 2017, Dennis Medo was instrumental in raising awareness of these careers options with Project Build, an offshoot of the Education Foundation. Project Build is dedicated to sharing career opportunities in the construction field and taking the lead in rejuvenating Minnesota's rich heritage of craftsmanship and skilled labor.

With Project Build working hard conducting outreach through conferences and exhibitions, the Education Foundation has been free to redefine their mission, focusing exclusively on raising money for students and schools – providing them with the scholarships, grants and educational opportunities they need to build a future in the trades.

Supporting TBG's Education Foundation helps to provide the best opportunities for young men and women. When we work to build a better, brighter future for the trades, we make Minnesota a leader in building and construction – something that can benefit the entire country.



80%

Of construction companies can't find enough hourly workers

SOURCE: ASSOCIATED GENERAL CONTRACTORS OF AMERICA

\$135,000

Raised by the TBG Education Foundation since 2015

50%

Of the U.S. workforce will be made up of millennials by 2020

SOURCE: PEW RESEARCH CENTER

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.

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 workplaces and take care of their workers.

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 — ensuring the worker gets the right care at the right time.



Proactive Claims Management



Safety Training Services



NurseCare Hotline



Pay-As-You-Go Premiums



Member Retention Rate



WE MAKE WORKERS' COMP WORK

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.