



ANNUAL REPORT | 2019



WE MAKE WORKERS' COMP WORK

WWW.TBGMN.COM



Dear Members, Agents and Friends,

Once again, it is my honor to be the bearer of great news regarding your partnership with TBG. Throughout 2019 we were able to build on the last several years of success and create positive momentum for the years ahead. During the last 5 years we surpassed many benchmarks and set new records for the fund. Today, I feel TBG has become the established, reliable fund — the one considered Blue Chip in our industry.

Of course no one person can take credit for all of this because the TBG Fund belongs to all of us. We did this together. Our faithful members, our hardworking agents, our board, the underwriters, claims, safety services, marketing, finance... the list goes on and on. Together we've built a fund that has become the bellwether in the industry. Work comp funds from all over the country are looking to TBG for best practices. They look to us for our experience and expertise in managing a work comp fund in the construction industry while, steadily growing the value of the fund and creating sustainability year over year.

As we enter the dividend season, I am excited to say we will set another record in early May when we send our largest dividend distribution in the history of the fund.. But perhaps more importantly, our ability to survive a catastrophic financial event has never been greater because as of 12-31-19 member distribution payable exceeds \$50 million – which contributes greatly to our positive outlook for the fund.

We are also supporting the construction industry through our Foundation. The TBG Education Foundation's sole mission is to help young men and women experience the trades through hands-on learning and education. 2019 was a record year for the Foundation in fund raising and scholarships/ grants awarded to students and programs. We really can't think of a better way to support the industry than the work of the Foundation. Of course we continue to support the industry through many trade associations, but helping these young men and women experience the trades is one of my personal highlights each year.

In closing, I thank all of you for your individual efforts in making this a great year.

Sincerely,

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

Stu Thompson, CEO

2019 | AT A GLANCE

\$1.2 BILLION

A new high-water mark
in member payroll

5 YEARS

Consecutive years posting
a billion+ in insured payroll

\$50 MILLION

A new high in our
Member Distribution Fund

\$4 MILLION

Member distribution is an all time high

10%

The percent of members who
elected other states coverage

97%

Member retention rate

25,000

Employees receive safety training in 5 years

22

Eagan High School Students participated
in our local safety partnership

25%

In additional grants and scholarships given
through the TBG Education Foundation

THERE'S A GRANT FOR THAT

In 2019, TBG's Safety Services team helped 11 members write and submit Safety Grant applications to MNOSHA and secure a combined \$68,000 in matching funds. Your organization could also qualify for a grant up to \$10,000 for safety or health equipment, training, tuition, equipment maintenance, rentals and much more. TBG Members have the added benefit of our team of Safety experts at their disposal to help write and submit grant applications.





■ We built our training center to facilitate demonstrations in a variety of safety situations, including confined spaces, electrical and scaffolding.



■ Understanding and fitting the wide variety of fall protection is key to safety.



■ From our classroom, TBG hosts training, seminars and OSHA 10s facilitated by safety experts and industry leaders from all over Minnesota.



■ We provide trainees with the hands-on, experiential safety training you just can't simulate in a classroom.

SAFETY SERVICES

It's safe to say 2019 was an eventful year for TBG's Safety Services department! From hosting an interactive Safety Summit for self-insured groups, to welcoming another Safety Specialist onto our team, this past year has undoubtedly had its fair share of highlights.

TBG's Safety Summit, which was held in May of 2019, was a huge success that brought together several insurance and safety professionals from self-insured groups across the United States. Attendees came from as far away as Hawaii and Florida to participate in an incredible event focused on improving workplace health and safety. The Summit provided an

environment for collaboration, learning, networking among industry experts, and gave participants the opportunity to share ideas on how to position self-insurance as a top choice for workers' comp insurance.

We live in an ever-changing world, and as TBG's Safety Specialists continue to work with our members to build safer work environments, it's evident that construction safety isn't immune to significant advancements and changes such as, new manufacturer safety requirements, an emphasis on job site safety, updates to safety regulations, and new technological advancements in the world of safety.



■ This unlucky mannequin helps us demonstrate confined space training like trench collapse.



■ Every year about 4,000 workers participate in 4-to-8 hour sessions at our facility. And the numbers are growing.



■ TBG's state-of-the-art mobile safety trailer brings hands-on safety training to its members and their sites throughout Minnesota.

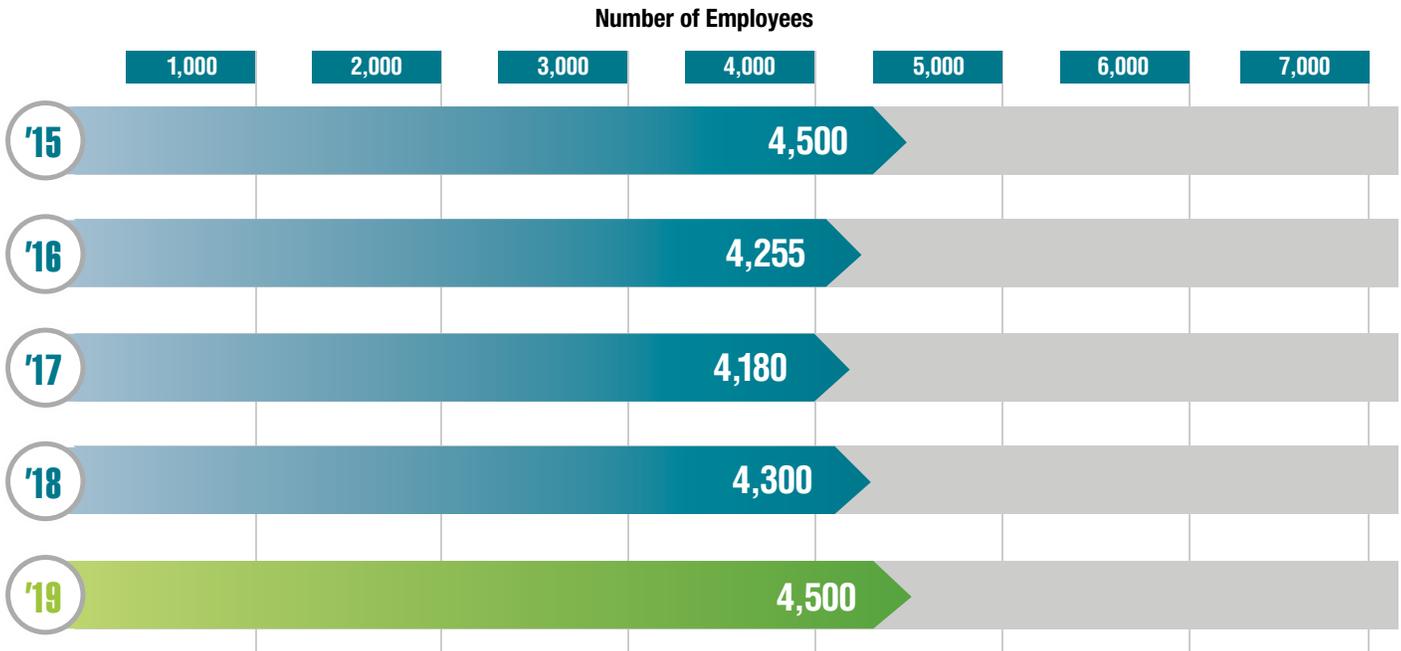
In 2019 two more TBG safety specialists attained their Certified Safety Professional (CSP) designation, and all specialists participated in specific safety courses to ensure they are able to provide our members with the strongest safety support possible. We also focused on improving and developing additional resources for our members and continue our partnerships with numerous associations, local high schools, and college construction classes in order to support current and future generations of construction workers.

With 2020 already in full swing, and the challenges we all are facing with COVID-19, we've had to pivot from our normal calendar full of spring member meetings and trainings to working remotely with the goal of providing many of the same safety services from afar. Although this is less than ideal, we are excited to continue helping our members navigate these difficult times regardless the exposure. We look forward to transitioning back to normal operations and once again, partnering up in person soon.

	2019	2018	
BALANCE SHEET	Assets		
	Cash and Equivalents	18,339,308	17,596,473
	Certificate of Deposit	31,483,218	30,965,587
	Investment in Securities	35,441,126	28,889,069
	Investment in Real Estate	7,080,000	7,980,000
	Premium Receivables	3,668,321	3,648,310
	Other Receivables	239,093	508,748
	Reinsurance Recoverable	926,007	2,334,846
	Deferred Income Taxes	855,730	803,061
	Fixed Assets	3,343,304	3,485,551
	Other	1,924,799	2,167,624
		103,300,905	98,379,269
	Liabilities		
	Unpaid Losses and Loss Adjustments	35,835,964	39,371,901
	Security Deposits	9,064,117	8,742,456
	Special Compensation Fund Reserve	5,691,227	5,111,652
	Member Distribution Payable	50,233,504	43,377,696
Reinsurance Premiums Payable	60,392	22,901	
Accounts Payable and Accrued Liabilities	2,415,702	1,752,662	
	103,300,905	98,379,269	
INCOME STATEMENT	Revenues		
	Premium Earned	43,691,175	42,587,978
	Investment Income	3,998,536	1,523,047
	Realized Gains (losses) on Investments	466,069	816,864
	Other Income	173,755	170,800
		48,329,535	45,098,689
	Expenses		
	Losses and Loss Adjustments	26,486,128	21,549,928
	Reinsurance	1,200,689	1,182,661
	Special Compensation Fund	1,613,382	1,686,415
	Commissions	3,285,125	3,238,358
	Depreciation	246,499	254,556
	Salary and Benefits Expense	2,334,542	2,173,001
	General and Administrative Expenses	4,066,865	4,020,237
		39,233,231	34,105,156
	(Increase) Decrease in Member Distributions	(9,148,973)	(11,041,946)
	Provision for Income (Tax) Benefit	52,669	48,413
Net Income (Loss)	–	(0)	

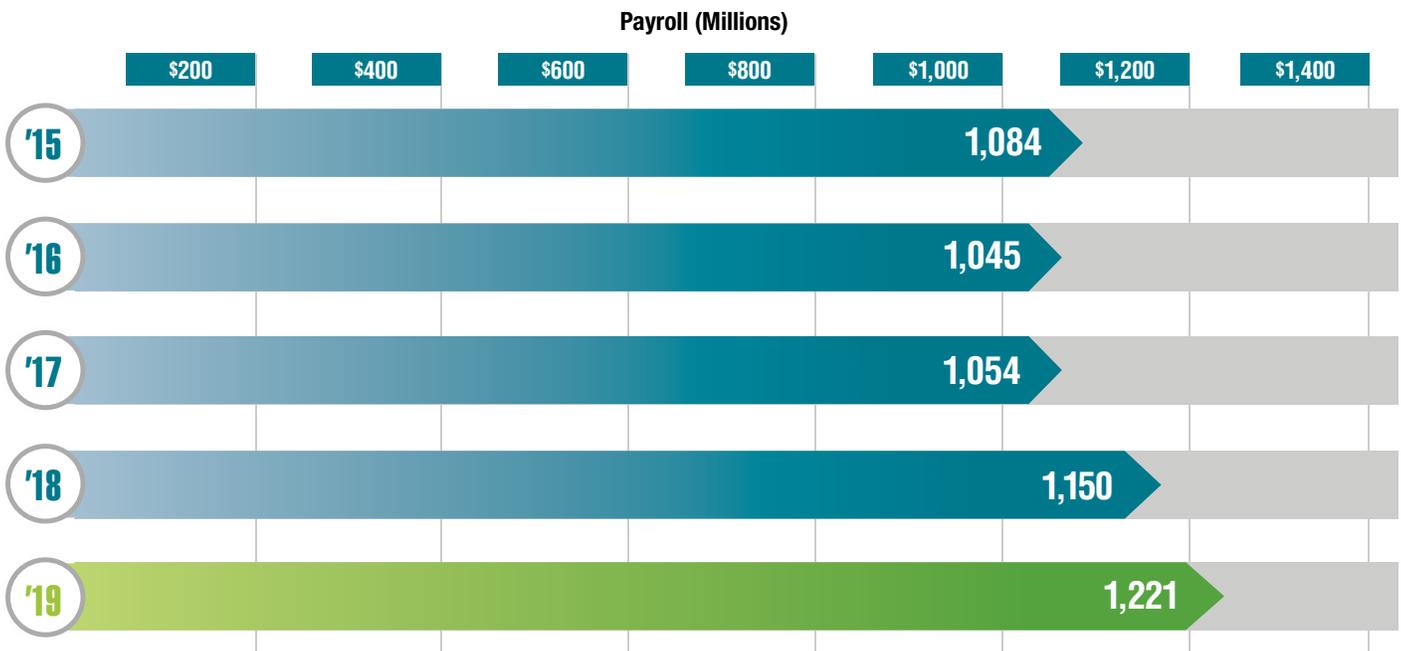
The financial statements above are taken from the independent auditors' reports.

EMPLOYEES TRAINED AT TBG



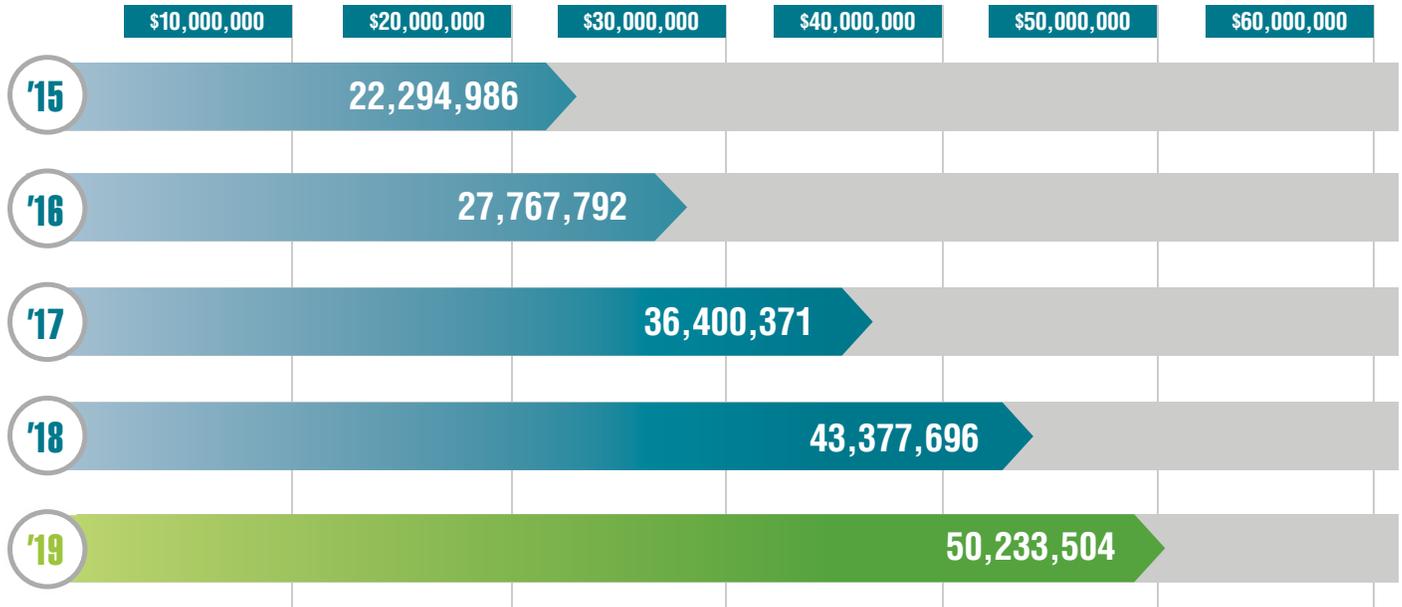
Our Safety Team has trained over 25,000 construction workers in the past 5 years.

MEMBER REPORTED PAYROLL



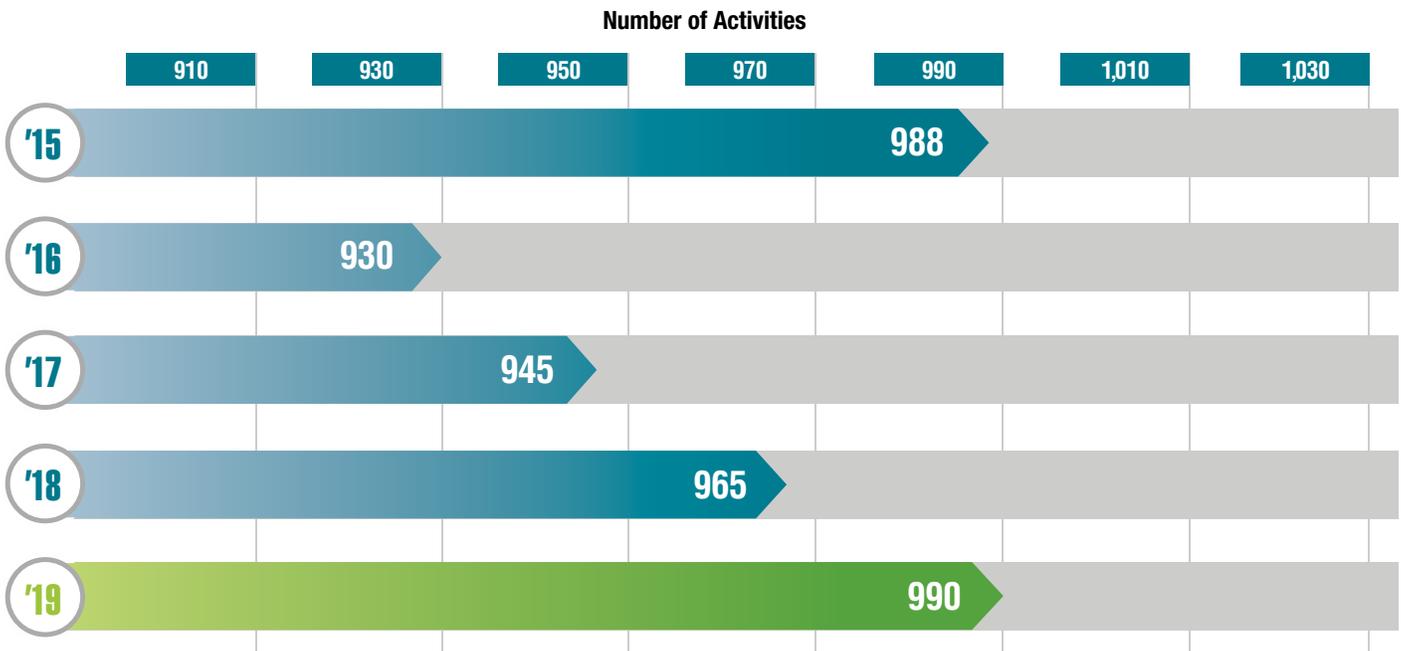
We now insure over \$1 billion in annual payroll.

MEMBER DISTRIBUTION PAYABLE BALANCE



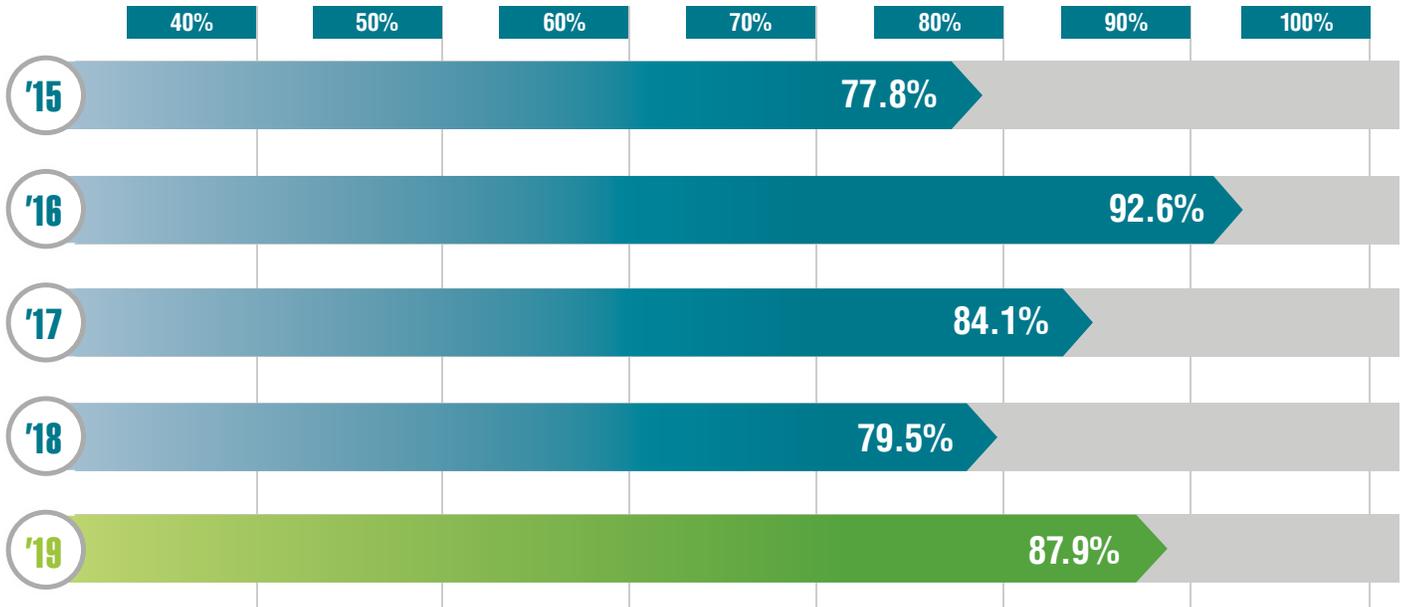
Member Distribution Payable is the account from where future dividends are paid.
(Dividends are not guaranteed.)

SAFETY SERVICES MEMBER ACTIVITIES



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

COMBINED RATIO BY YEAR



YOUR CONTRIBUTIONS MATTER

'19

Each year, we have the chance to help build the future of the construction trades through the TBG Education Foundation Golf Outing. The funds we raise at the annual TBG Golf Outing provide grants, scholarships and internships for Minnesota's youth. Here's a snapshot of where your support went last year.

2019

\$56,000
DONATED

2019

\$25,500
AWARDED FOR SCHOLARSHIPS
IN THE TRADES

Most of which is matched by partner associates in the construction industry.

2019

30
STUDENTS LIVES
AFFECTED

'20

For 2020 we are doubling down on our commitment to building a bigger and brighter future for the construction trades. With your support, here's what we hope to do this year through the Golf Outing.

2019

\$30,000
AWARDED IN GRANTS

Most of which is matched by partner associates in the construction industry.

2020

\$67,000
COMMITTED

Most of which is matched by partner associates in the construction industry.

2020

\$33,000
FOR EDUCATIONAL
GRANTS

Most of which is matched by partner associates in the construction industry.



We're lucky to work with a variety of associations and groups to distribute funds and boost their impact. Are you ready to inspire a new generation of young men and women? Together we can help build the future one putt at a time. This year's outing is on 8/20/20 at Willinger's with a 12:30 Shotgun start.

2020

\$26,500
COMMITTED TO
SCHOLARSHIPS

2020

\$10,000
MESABI RANGE
INTERNSHIP

2020

\$8,000
TOOLS FOR SCHOOLS

Contact Ashley Putnam for more details - aputnam@tbgmn.com or 651-389-1149



CROSS BORDER UPDATE

During the great recession many TBG members were forced to expand their geographic territory to find work. In many cases this required them to take on projects out of state. This trend continued and actually amplified as the recovery created new opportunities. New projects were coming in from all over, plus with the rapid expansions, mergers and acquisitions that followed, our members were getting larger and their footprints getting bigger. Members were taking on more and more work in other states which also meant exposure to risks not anticipated under the TBG agreement. The process to address these out of state exposures was cumbersome and a lot of times very expensive. So much so that a number of quality members had no choice but to leave the fund for traditional workers' compensation policies.

As a member owned fund, we developed an easy cost effective solution that extends home state coverage across the border to other states. This is particularly important for members who may have workers who live and work in neighboring states. But this coverage is only as good as our ability

to get it in front of members. It's important that members understand that nearly all companies have some level of other states risk and the risk is greater for companies that do business outside of their home state.

To say this program has been a success would be a very modest assessment. Currently, just over 10% of TBG Members are covered with Cross Border Coverage. That 10% represents a number of returning members who had to leave due to other states exposure and over 30 million in TBG member payroll we were able to retain with a simple, cost-effective Cross Border solution.

Our job is not done as we believe over half of our members have the potential for some sort of exposure in other states. For our agent partners, Cross Border coverage is a sure way to keep clients out of sticky work comp situations in other states and retain clients. For members, this is a low cost way to have peace of mind wherever the job takes them. This is just one more tool we've developed to make sure the value and security of being a TBG member doesn't stop at the border.

TRANSITIONING THE AUDIT DEPARTMENT

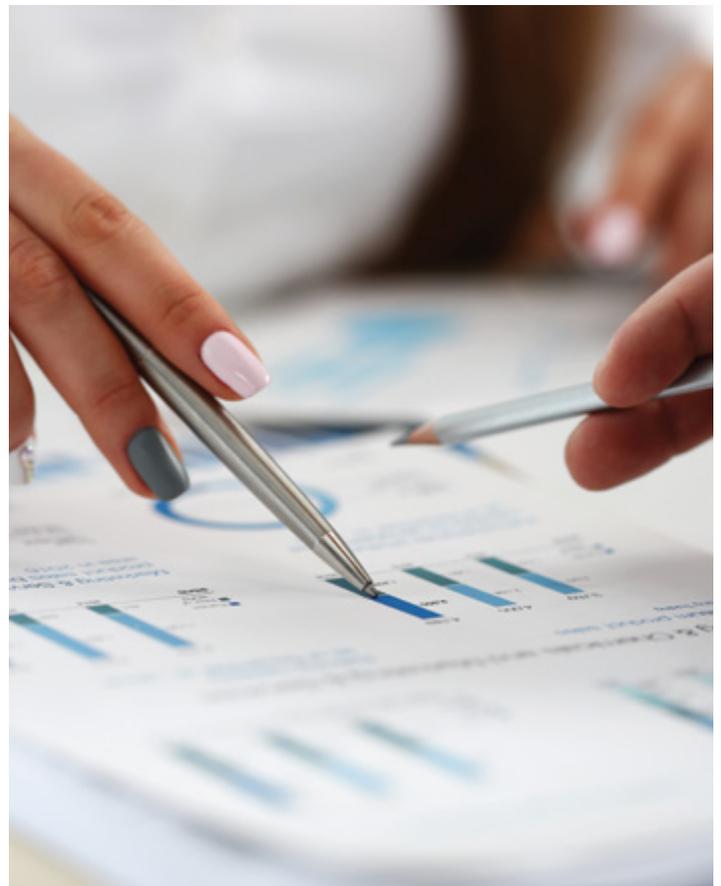
In 2019, Jim Walerius, the man who built the TBG Audit Department from the ground up decided it was time to retire. Thankfully we had plenty of notice and were able to work alongside Jim to develop a seamless succession plan. Anne Blessing, a member of the audit team and one of Jim's proteges was chosen as his successor. In addition Jim committed to assume the role of senior auditor, consultant and mentor to Anne on a part time basis in his retirement.

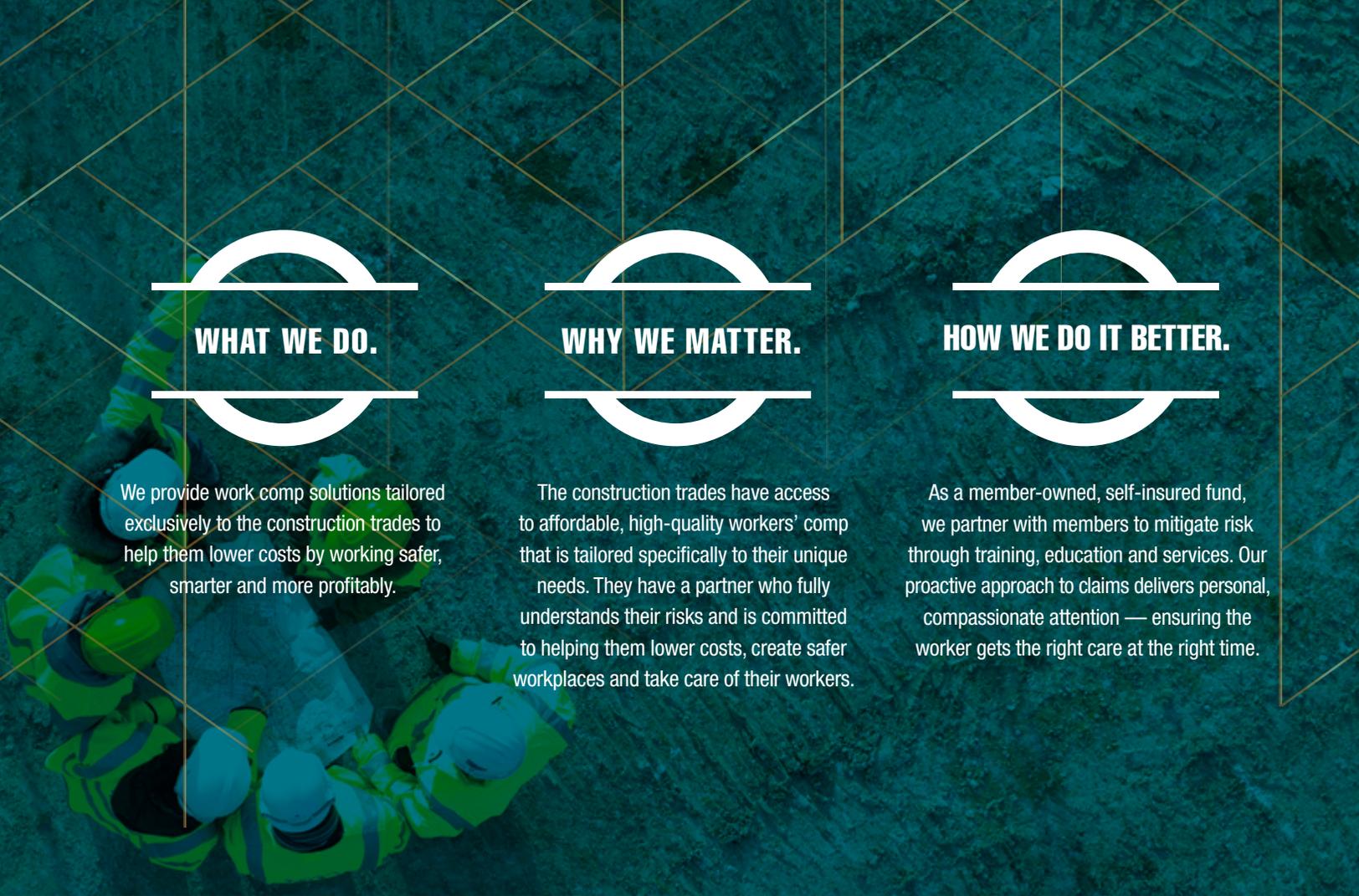
One of the challenges Anne was presented with as she started her new role was to review the labor intensive audit process and identify potential ways to streamline that process. To that end she opened up conversations with TBG's field audit partners to review the current process and explore alternative ways to conduct both our field audits and self-audits. Then within months all the pieces fell into place and the opportunity presented itself to fulfill this TBG bucket list item. However, the window was narrow. It would take either an all hands on deck effort to finish in time for the year end renewal cycle... or slowly implement the process throughout 2020. Anne and her team opted to shoot for the narrow window and spent the month of December planning, testing and rolling out the new audit process. This new process was custom designed for TBG members to give them the convenience of:

- Submitting their audit on their own schedule.
- The freedom to collect and send the documentation when it's convenient for them.
- No commitment to in person audits and less time out of their busy schedule.

After a month of long days, countless meetings and emails, TBG launched a combination of remote physical audits using technology to eliminate in person visits along with telephonic audits which replaced the time consuming self-audit process for members with annual premiums under \$15,000.

The timing couldn't have been better and the decision to implement the process full scale on January 1st turned out to be somewhat fortuitous. With the advent of COVID-19 many carriers and self-insured funds are scrambling to convert their audit process from physical to remote physical audits. Embracing and developing a streamlined audit process is just one more example of how TBG strives to adopt new technologies that benefit our members, agents and the fund.





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.