"WE ARE DEDICATED TO SETTING YOU AND YOUR EMPLOYEES UP FOR SUCCESS. THAT’S WHY WE ARE PROVIDING THIS QUICK REFERENCE TOOL THAT YOU CAN USE WHEN TRAINING NEW EMPLOYEES."

PREVENT LADDER ACCIDENTS THROUGH SAFETY TRAINING
An infographic from the industry experts at Builders Mutual.

KEEP READING >
From new business premium to policies written and policyholders acquired, 2017 was another year of records at Builders Mutual. We exceeded our goals with a total of $53.3 million in new business production and a total revenue just above $336 million. We stand at a record number of 37,953 policies across 22,477 policyholders. In these competitive times, 8% revenue growth certainly outperforms the industry. We are producing quality business and serving our customers to improve workplace safety and minimize overall losses. These are outstanding milestones along our company’s journey.

As a result of our financial operations, the Board of Directors declared a $2.1 million dividend for eligible workers’ compensation policyholders, demonstrating that Builders Mutual continues to place our policyholders first.

Our success in 2017 goes beyond the numbers. We established more ways to be at work with you. In addition to our variety of resources, including online tools, classroom and job-site training, and personalized audit and claims support, we launched a blog featuring posts from the industry experts at Builders Mutual. Throughout this annual report, you will see excerpts from our thought leadership articles that showcase the variety of topics and formats available online for your use. Each of these resources provide ways to protect our policyholders’ businesses, workers, and equipment.

The past year’s strong results reflect our commitment to staying connected to our policyholders and the industry. Together, we can get the job done right.

John K. Boggs
CPA, CGMA, FLMI
President/Chief Executive Officer
“REGARDLESS OF YOUR BUSINESS PLAN, YOUR BUILDERS MUTUAL AGENT CAN HELP YOU FIND THE RIGHT COVERAGE.”

CUSTOMER-CONSCIOUS: AVOIDING THE HAZARDS OF REMODELS AND RENOVATIONS
Part of an ongoing accident prevention series from the industry experts at Builders Mutual.

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AT BUILDERS MUTUAL, WE ARE COMMITTED TO BEING THE LEADER IN CONSTRUCTION INSURANCE IN THE SOUTHEAST AND MID-ATLANTIC. THAT’S WHY WE STAY CONNECTED TO YOU, OUR POLICYHOLDERS, AND LISTEN TO YOUR FEEDBACK ON WAYS TO ENHANCE OUR SERVICES.

CUSTOMER CONTACT CENTER
We continue to answer nearly 90% of all calls with a live voice and with an average time to answer under 2 minutes across all phone queues. This year, a total of 96,992 calls were answered—a 3.6% increase from 2016.

ONLINE ENHANCEMENTS
Our online claims reporting has been enhanced to improve the user experience for policyholders reporting claims from desktop and mobile devices. Some new features include allowing attachment uploads, populating data, and providing smart validation for users entering addresses. This enhancement allowed us to reduce the abandon rate by automatically saving claims during the process, which allows users to resume their submissions later without losing information already keyed. It also allows our Customer Service Representatives to pick up where a policyholder or agent left off.

PAYMENT HISTORY
Thirty-six percent of our policyholders pay online through Builders Online Business (BOB). Policyholders can now easily view their payment history within BOB for each policy.

RISK MANAGEMENT TRAINING
In the past decade, Builders University has provided free OSHA training and certifications for roughly 5,000 workers. This year, risk management consultants reached 1,444 workers through various training programs, assisting 11% of policyholders.
“FINDING AND HIRING DEPENDABLE WORKERS HAS PROVED TO BE A CHALLENGE FOR MOST BUILDERS. MANY HAVE HAD TO TRAIN UNSKILLED WORKERS FROM THE GROUND UP.”

THE LABOR SHORTAGE: INDUSTRY BEST PRACTICES FOR TRAINING AND ONBOARDING NEW HIRES

Part three of an ongoing labor series from the industry experts at Builders Mutual.

KEEP READING >
NEW BUSINESS

$53.3M IN NEW BUSINESS PRODUCTION

$3.3M ABOVE THE PLAN FOR 2017

TOTAL REVENUE FOR 2017

$336M

8% REVENUE GROWTH

MARKET FOOTPRINT

721 TOTAL AGENCIES SERVING OUR CUSTOMERS ACROSS OUR FOOTPRINT

34 NEW AGENCIES APPOINTED IN 2017

POLICIES

A RECORD 37,953 TOTAL POLICIES WERE WRITTEN FOR 22,477 POLICYHOLDERS

57% OF OUR POLICYHOLDERS ARE TRADE CONTRACTORS

19% Commercial GC

24% Residential GC

57% Trade

Planned New Business Production $50M

Welcome Service Growth Financials Leadership
"WHEN SAFETY IS A TOP PRIORITY, WE CAN BE MORE PRODUCTIVE AND PROFITABLE."

WORKSAFE: KNOW THE BASICS

Protect your business with tips from the industry experts at Builders Mutual.

KEEP READING >
In 2017, we were “At Work With You,” our customers, and we are pleased to report that 2017 was another exceptional year for Builders Mutual, as we delivered stellar results by expanding on our successes of prior years. Our Company is reporting its highest net income of $42.0 million, with a supporting net underwriting gain of $43.4 million. We continue to achieve balanced growth, while maintaining profitability and giving back to our customers through an annual dividend. Builders Mutual is pleased to report direct premium written totaling $336.3 million, representing an increase of $26.0 million, or an 8.4% increase over 2016. Total policyholder surplus, the very foundation of every mutual insurance company, is $358.2 million at year-end 2017, an increase of 15.5% from 2016.

While we still face challenges related to an economy demonstrating steady improvement, the construction market continues to rebound after its prolonged downturn. A $2.1 million policyholder dividend has been paid to our eligible workers’ compensation policyholders, demonstrating that Builders Mutual continues to place our policyholders first and that we remain committed to building meaningful, long-term partnerships with our policyholders and agents. We continue to strengthen our position as a niche insurance carrier providing complete protection to the construction industry in the footprint we serve, by investing in all our customers, people, and key processes to further develop the expertise that makes us the leading choice in the Southeast and Mid-Atlantic.

The following are statements of financial position and results of operations of Builders Mutual Insurance Group for the fiscal year ended December 31, 2017. The financial statements are presented in accordance with statutory accounting principles as required by the North Carolina Department of Insurance.
FINANCIAL POSITION

ASSETS
Total assets increased $80.0 million, or 10.3%, to $859.7 million. Bonds and common stocks represent 81.1% of the Company’s assets and increased during the year by $73.8 million from additional investment contributions from our strong insurance operations and changes in market values. The Company continues to invest heavily in fixed-income securities, which are $525.2 million, or 61.1% of total assets. Cash and short-term investments decreased by $5.0 million, as we transferred more into longer-term bond securities. In anticipation of our continued growth as a Company, we have purchased an investment property adjacent to our building, and rental income from the current tenants contributes to our overall revenue growth. Premium balances receivable increased $8.1 million due to the growth in written premium noted above.

LIABILITIES
Total liabilities increased by $31.8 million, or 6.8%, in 2017. Total unpaid loss and loss adjustment expense reserves increased $23.9 million this year due to the exposure growth in our business. Included in the loss and loss adjustment expense reserves is $15.0 million of favorable loss development on prior accident years. This favorable loss development reflects the safe working conditions created by our policyholders with guidance and assistance from our Risk Management consultants. Unearned premium reserves increased $6.3 million, from the growth in written premiums. Other liabilities increased slightly, the result of an increase in agent commission payable, offset by decreases in other items, including policyholder deposits. The $2.1 million dividend is included in other liabilities, and was paid to our policyholders in early 2018.

POLICYHOLDER SURPLUS
Policyholder surplus grew $48.2 million in 2017 to $358.2 million. This large growth in our surplus is mainly from the net income generated of $42.0 million. Builders Mutual’s continued ability to grow its policyholder surplus in this improving economy and expanding construction market is a solid indication of our underlying foundational financial strength and is also a key factor in maintaining our A.M. Best “A” (Excellent) rating.

### BALANCE SHEET

All figures represented in thousands (,000).

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds</td>
<td>$525,248</td>
<td>$488,343</td>
</tr>
<tr>
<td>Common and preferred stocks</td>
<td>171,736</td>
<td>134,830</td>
</tr>
<tr>
<td>Real Estate held for income</td>
<td>13,638</td>
<td>-</td>
</tr>
<tr>
<td>Cash and short-term investments</td>
<td>27,316</td>
<td>32,355</td>
</tr>
<tr>
<td>Premium balances</td>
<td>91,207</td>
<td>83,140</td>
</tr>
<tr>
<td>Other assets</td>
<td>30,579</td>
<td>41,129</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>$859,742</strong></td>
<td><strong>$779,798</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES AND POLICYHOLDERS SURPLUS</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unpaid losses and loss adjustment expenses</td>
<td>$374,698</td>
<td>$350,820</td>
</tr>
<tr>
<td>Unearned premiums</td>
<td>77,578</td>
<td>71,279</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>49,284</td>
<td>47,667</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td><strong>501,560</strong></td>
<td><strong>469,766</strong></td>
</tr>
<tr>
<td><strong>Total Policyholders Surplus</strong></td>
<td><strong>358,182</strong></td>
<td><strong>310,032</strong></td>
</tr>
<tr>
<td><strong>Total Liabilities and Policyholders Surplus</strong></td>
<td><strong>$859,742</strong></td>
<td><strong>$779,798</strong></td>
</tr>
</tbody>
</table>

All figures represented in thousands (,000).
The Company is reporting net income of $42.0 million for 2017. Net premiums earned increased by $24.0 million, or 8.6%, during the year, reflecting higher levels of building activity and continued improvement in the construction industry. While workers’ compensation premium represents 72.0% of total premiums, we continue to implement strategies to further diversify our book of business to provide complete coverage. Our focus remains on providing a high-quality insurance product at a fair price to our policyholders, without sacrificing any of the underwriting discipline needed to grow profits and sustain financial strength.

Losses and LAE incurred decreased by $12.0 million, and our calendar year loss ratio improved to 54.8% as a percentage of premiums earned. The loss ratio came in lower than was planned and is the result of successful risk management and underwriting discipline, even as our overall exposures continue to grow.

Total underwriting expenses incurred are $92.5 million for 2017, compared to $84.2 million in 2016. The growth in the Company’s operating expenses is consistent with the growth in current-year premium and supports our continuing investment in and dedication to all of our customers, people, and key processes.

Despite a continued low-interest-rate environment, net investment income increased by $2.1 million in 2017. This increase is largely due to the increased funding of investment contributions during the year and includes net rental income from our investment property. Adding to overall investment income, sales of investments generated realized capital gains of $2.6 million.
STATEMENT OF INCOME
All figures represented in thousands ($,000).

UNDERWRITING INCOME

<table>
<thead>
<tr>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premiums earned</td>
<td>$300,873</td>
</tr>
<tr>
<td>Losses and LAE incurred</td>
<td>165,025</td>
</tr>
<tr>
<td>Underwriting expenses</td>
<td>92,449</td>
</tr>
<tr>
<td>Underwriting gain/(loss)</td>
<td>$43,399</td>
</tr>
</tbody>
</table>

INVESTMENT INCOME

<table>
<thead>
<tr>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment income, net of interest expense</td>
<td>$18,279</td>
</tr>
<tr>
<td>Rental income</td>
<td>127</td>
</tr>
<tr>
<td>Realized capital gains/(losses)</td>
<td>2,625</td>
</tr>
<tr>
<td>Other expenses</td>
<td>1,864</td>
</tr>
<tr>
<td>Income before dividends and income taxes</td>
<td>62,566</td>
</tr>
<tr>
<td>Policyholder dividends</td>
<td>2,844</td>
</tr>
<tr>
<td>Federal income tax expense</td>
<td>17,699</td>
</tr>
<tr>
<td>Net Income</td>
<td>$42,023</td>
</tr>
</tbody>
</table>

CHANGES IN POLICYHOLDERS SURPLUS

<table>
<thead>
<tr>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unassigned surplus, beginning of year</td>
<td>$310,032</td>
</tr>
<tr>
<td>Net income</td>
<td>42,023</td>
</tr>
<tr>
<td>Net unrealized capital gains</td>
<td>15,591</td>
</tr>
<tr>
<td>Change in net deferred income tax</td>
<td>(8,710)</td>
</tr>
<tr>
<td>Change in non-admitted assets</td>
<td>(1,651)</td>
</tr>
<tr>
<td>Change in provision for reinsurance</td>
<td>-</td>
</tr>
<tr>
<td>Adjustment for prior period changes</td>
<td>897</td>
</tr>
<tr>
<td>Unassigned Surplus, End of Year</td>
<td>$358,182</td>
</tr>
</tbody>
</table>

PROFITABILITY ANALYSIS

<table>
<thead>
<tr>
<th>LOSS RATIO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Losses + LAE/Net Premiums Earned</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EXPENSE RATIO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other Underwriting Expenses/Net Premiums Written</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>DIVIDEND RATIO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Policyholders Dividends/Net Premiums Earned</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>COMBINED RATIO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loss Ratio + Expense Ratio + Dividend Ratio</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>OPERATING RATIO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Combined Ratio - (Net Investment Income Earned/Net Premiums Earned)</td>
</tr>
</tbody>
</table>
“WHEN IT COMES TO FALL PROTECTION, DON’T WAIT UNTIL YOU NEED IT TO USE IT. WE TURN TO THREE EXPERTS AT BUILDERS MUTUAL FOR A Q&A TO ENSURE YOUR FALL PROTECTION IS PREPARED TO SAVE LIVES ON YOUR JOB-SITE.”

DOES YOUR FALL PROTECTION FALL SHORT?
Ask the industry experts at Builders Mutual.

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Charlotte, NC

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Vice Chairman
Storm Coast Homes, LLC
Kitty Hawk, NC

Erik A. Anderson,
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Anderson-Moore Builders
Winston-Salem, NC

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Evans Coghill Homes
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Andy Betts
Business Consultant
Raleigh, NC

David Creech
Creech Construction Co., Inc.
Raleigh, NC

Gary Embler
Niblock Development Corp.
Concord, NC

Jerry Hartsell
Business Consultant
Midland, NC

Willard “Buddy” Hughes
Insulated Concrete, Inc.
Lexington, NC

Brian Pace
Pace Development Group
Charlotte, NC

Phil Warrick
Piedmont Wholesale
Greensboro, NC

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Front Row: Gary Embler, Andy Betts, Willard “Buddy” Hughes
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