



**BUILDERS
MUTUAL**



COMMITMENT TO EXCELLENCE

ANNUAL REPORT 2023

IN 2024, BUILDERS MUTUAL TURNS 40.

Over these four decades, construction has changed significantly. But our singular focus on this industry has not. And neither has our **commitment to excellence**. In 2023, we surged forward on our path of growth, achieving results for our business while **protecting and advancing** the unique needs of the contractor community. We fostered new ways of thinking and working to improve our policyholders' claims and audit experience, and to help keep even more workers **safe on the job-site**. As we begin our fifth decade, we stand committed to confronting change head-on so our customers, agents, employees, and industry can **continue to thrive**.



ADVANCING BEYOND EXPECTATIONS

In 2023, our team rallied together to address another unprecedented year of volatility in the insurance industry. From persistent inflation to high interest rates to the most difficult insurance market cycle in decades, it was a year full of change and adaptation. We navigated through these challenges by taking a future-focused view of the business, and stayed dedicated to the contractors we serve. Embracing new ways of thinking, we worked tirelessly throughout the year to achieve results.

As we look at our 2023 results, overall direct written premium reached \$544.1M, representing 14.8% year-over-year growth. We surpassed our new business production goal by \$12.5M and wrote a record amount of \$83.5M by attracting new contractors and cross-selling other lines to existing accounts. Net Investment Income outperformed plan, delivering \$43.7M. And, we were able to grow policyholders surplus, exemplifying our financial strength.

Our commitment to safety continued to thrive with our Risk Management team providing more than 500 training sessions, impacting 9,474 workers' lives — an 85% increase over 2022! We continued to enhance our Audit and Claims service capabilities throughout the year to deliver an overall experience that's caring, knowledgeable, and dependable. These efforts, along with those of our dedicated service representatives, led to steady customer retention in this very competitive insurance cycle.

2024 marks our 40th year in business and is expected to be a pivotal time for Builders Mutual as we continue with our vision to be the leading provider of construction insurance. For four decades we've been committed to excellence — excellence for our policyholders, for our agents, for the industry, and for our company. We remain committed to you and to our purpose of protecting and advancing the unique needs of the contractor community.



MIKE GERBER
PRESIDENT & CEO

14.8%
YEAR-OVER-YEAR
GROWTH

\$544.1M
TOTAL PREMIUM

\$43.7M
NET INVESTMENT
INCOME



“Builders Mutual is driven now more than ever to **protect and advance the unique needs of the contractor community.”**

2023 CONSTRUCTION SNAPSHOT



HOUSING COSTS

Due to inflation, material costs, and supply chain delays, residential construction costs continued to rise, growing 5% in 2023. A sustained rise in mortgage rates also created a lack of houses coming to market, leading to an increase in home remodeling. Read about renovating safely [here](#).



5% increase in residential construction costs

EXPANDING THE LABOR POOL

The industry continued to experience labor shortages, with job openings in construction increasing by 58%. This has prompted a growing emphasis on recruiting young people, especially women, to construction. The topic of women's role in construction was discussed at length at the NCHBA's "Breaking the Concrete Ceiling" panel, which was recorded as part of our Building Progress podcast. [Listen now](#).



58% increase in job openings in construction

INDUSTRY INNOVATION

New technological advances, as well as a focus on sustainability, are pushing the industry to drive productivity and move towards using more renewable materials in the future. [Hear how](#).

MENTAL HEALTH

The industry continued to draw attention to mental health, with a specific focus on the [opioid epidemic](#), which has had a particularly strong impact on construction.

ELEVATING THE BUILDERS MUTUAL EXPERIENCE

CLAIMS

Our team handled 10,577 claims in 2023. We continue to provide unparalleled service, speed, and individual attention to make the claims process as easy for our policyholders as possible. In 2023, the claims department issued 241,003 payments to help injured workers, insureds, and/or claimants after a loss/claim. In addition, the claims team began implementing the Assure Claims system, which will help streamline our claims processes.

At Builders Mutual, we want our policyholders to know they can always count on us, in everything we do together. In 2023, we worked to improve our service and launched several programs to enhance the customer experience.



A new partnership with **Safelite** offers 24/7 dedicated service for auto glass claims, helping to expedite the claims process.

Paradigm

Our partnership with **Paradigm** assists our team with catastrophic claims. The partnership brings elevated service levels, highly skilled nurse case managers, family support, and other services to severely injured workers through their initial phases of care.



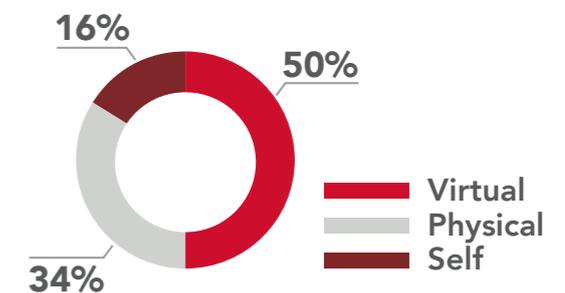
We added **Lyft** to our rideshare program that previously included only Uber. The program provides transportation to injured workers to and from medical appointments.



AUDIT

In 2023, we completed 40,433 audits, a 4% increase over the previous year. And for all of them — whether they be physical, virtual, or self audits — we aim to make the process as smooth as possible for our policyholders. That's why we expanded our internal audit team and began rolling out a new virtual audit team that will help audits run even more efficiently.

40,433
TOTAL AUDITS



RISK MANAGEMENT

Our consultants continued to provide safety training and resources to our policyholders, including job-site-specific training during OSHA Stand-Down in May, and Guardrail Safety Week in October. The team completed nearly 5,000 surveys and more than 500 trainings.

In addition, the team enhanced our WorkSafe training materials, which educate workers on the basics they need to know before stepping on a job-site. In 2023, a **video library** launched that covers these topics in both English and Spanish.



Dedication to Safety

188
STAND-DOWNS

In 2023, we promoted the 4th annual Guardrail Safety Week and recognized eight Builders Mutual policyholders for their leadership in guardrail safety. The 2023 campaign reached more than 200 workers and over 22,000 people via our social media channels.

3,221
PARTICIPANTS

We led 541 policyholder safety training courses, educating 9,474 participants. The most-delivered safety topics included Driver Safety, Stand Down-Fall Protection, and Fall Prevention for Construction.

We also participated in OSHA's National Safety Stand-Down for fall protection for the 11th consecutive year. During Stand-Down, our team visited 188 job-sites in seven states and the District of Columbia, and trained more than 3,200 workers.



CUSTOMER CONTACT CENTER HIGHLIGHTS

120,790
CALLS RECEIVED

5.4%
INCREASE IN CALLS FROM 2022

90%
OF CALLS REACHED A LIVE VOICE

40%
REDUCTION IN AVERAGE SPEED OF ANSWER IN MAIN QUEUE

DEMONSTRATING EXPERTISE

OUR PEOPLE



453 employees

57 new hires in 2023.



39 employees received a Certified Builders Insurance Agent (CBIA) designation

Nearly 250 employees now hold this designation.



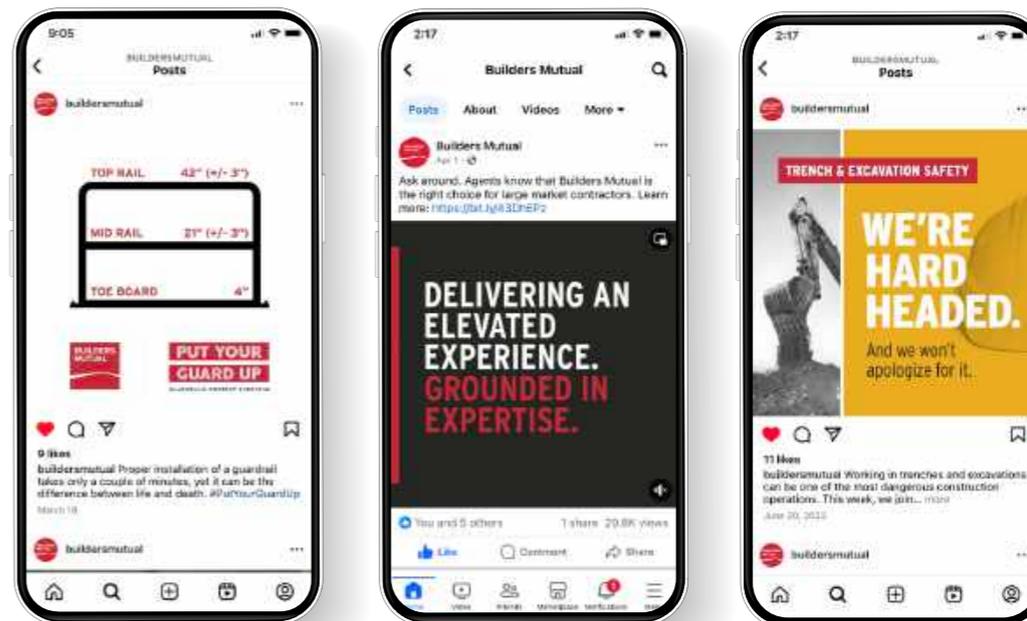
48% of employees participated in a diversity, equity, and inclusion (DEI) event or experience

INDUSTRY REACH

A new **Builders Mutual website** created an improved online experience for our customers, receiving **more than two million page views**. A mix of sponsorships and marketing efforts allowed us to connect with approximately **100,000 contractors in 2023**. Plus, more than 23,000 inboxes received email messaging campaigns that highlighted onboarding for agents and policyholders, quarterly loyalty messages, and our Workers' Compensation and Builders Risk efforts. **The Builders Mutual blog** added to its growing library of thought-leader articles and industry insights.

SOCIAL MEDIA METRICS

Builders Mutual's social media presence continues to drive our business and expand our industry impact. Social campaigns — including our Hard-Headed campaign — and those highlighting Guardrail Safety Week and Large Market Accounts generated more than 185,000 impressions and nearly 1,100 clicks.



Click on the images above to visit our social media pages.



2M+
PAGE VIEWS

570
NEW FOLLOWERS

9,276 → **6.5%**
TOTAL FOLLOWERS INCREASE

541K+ → **22.8%**
IMPRESSIONS INCREASE



Job-Site Safety Institute

JOB-SITE SAFETY INSTITUTE (JSI)

JSI funded a new innovative research project with the **University of Utah** on ladder safety. With more than 5,000 construction workers across the U.S. injured while using ladders each year, this study looks to address the disconnect between recommended ladder setup practices and construction workers' actual performance, and identify barriers that interfere with ensuring workers are protected from injury while climbing and using ladders.

JSI continued Video Toolbox Talks, a series of short videos that present relevant and timely information on safety hazards in the residential construction industry. Because construction workers represent about 25% of fatal opioid overdoses among all workers, JSI partnered with **SAFE Project** and the **National Association of Home Builders (NAHB)** to **create a lifesaving video on how to administer naloxone**, which is an over-the-counter nasal spray that can instantly reverse the effects of an opioid overdose. The Video Toolbox Talks series now totals 52 safety videos covering 26 topics — in both Spanish and English — that have 1.9 million total views on YouTube.

In addition, JSI provided grant funding to NAHB to develop the first-of-its-kind online training course that covers the basics and best practices of fall protection. The free, four-hour, on-demand course is available in both English and Spanish on **NAHB's website**.

NAHB PARTNERSHIPS

The **Safety 365** initiative provides resources to help keep construction workers safe and eliminate preventable accidents, injuries, and deaths.

The NAHB **Workforce Development Program** works with educators, members, and state and local HBAs to address the housing industry's labor shortages and develop a skilled workforce for the future.



The Job-Site Safety Institute provided grant funding to the National Association of Home Builders to develop the first-of-its-kind online training course that covers the basics and best practices of fall protection.

INDUSTRY RECOGNITION AND CONNECTIONS



AM BEST REAFFIRMED
OUR A (EXCELLENT) RATING



RECERTIFIED AS
A GREAT PLACE TO WORK



NAMED FORTUNE'S
BEST WORKPLACES IN
FINANCIAL SERVICES & INSURANCE



NAMED AS A TOP PERFORMING
COMPANY FOR THE
FIFTH CONSECUTIVE YEAR



ELITE 50
INTERNSHIPS WINNER



AMERICAN HEART ASSOCIATION:
2023 A CULTURE OF HEALTH AND
WELL-BEING SILVER AWARD

GROWTH FACTORS FOR SUCCESS

Sustained growth takes an ongoing commitment to excellence in every facet of our business. From strong partnerships with our agents to caring relationships with our customers, we know our growth in the marketplace is tied to the success of those who count on us to deliver.

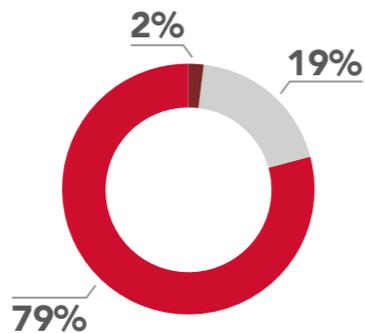
TOP 5 WORKERS' COMP GOVERNING CLASSES

- 1. Carpentry
- 2. Roofing
- 3. Excavating
- 4. Landscaping
- 5. Masonry

54%
OF ALL NEW WC PREMIUM

WC PREMIUM MIX

- █ Trade
- █ Residential
- █ Commercial



AGENCY GROWTH

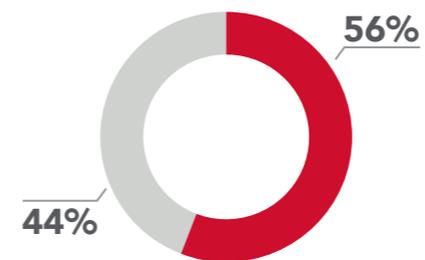
826
TOTAL AGENTS

45
NEW AGENTS



ANNUAL IN-FORCE PREMIUM

- █ Workers' Comp
- █ Other Lines



GROWTH FACTORS

84%

CUSTOMER RETENTION

\$83.5M

NEW BUSINESS PREMIUM

55,147

TOTAL POLICIES

29,135

INSURED
GENERAL AND TRADE
CONTRACTORS

FINANCIAL POSITION

ASSETS

Total admitted assets ended 2023 at \$1.45B, representing a \$96M increase over the prior year end. Invested assets, which represent 86% of total admitted assets, grew by \$60.1M or 5.1% over the previous year. This growth was driven primarily by strong returns from the investment portfolio and a strong cash position.

LIABILITIES

Loss and loss adjusting expense (LAE) reserves include all unpaid amounts on incurred claims, both reported and unreported. Total unpaid loss and LAE reserves increased \$70.1M over the prior year, primarily driven by an increase in premiums written. Unearned premiums increased \$19.6M, also due to the growth in written premiums. As the Company continues to grow its premium, corresponding growth in liabilities such as loss reserves and unearned premiums is expected in the normal course of business. The Company continues to focus on managing loss exposure through underwriting discipline and championing best practices in job-site safety.

POLICYHOLDERS SURPLUS

Policyholders surplus best represents the strength and solvency of a mutual insurance company. Surplus growth is an enhancement in a company's resources that can be used to pay claims and grow premiums. The Company ended 2023 with policyholders surplus of \$565.9M, a \$4.7M increase over the prior year. The Company's unrealized gains on its investment portfolio were the primary driver of the surplus increase.

BALANCE SHEET

ASSETS	2023	2022
Bonds	\$817,614	\$786,200
Common and preferred stocks	179,852	174,117
Real Estate held for income	12,083	12,423
Cash and short-term investments	70,611	59,108
Premium balances	164,806	130,358
Other	208,501	195,218
TOTAL	\$1,453,469	\$1,357,424

LIABILITIES AND POLICYHOLDERS SURPLUS	2023	2022
Unpaid losses and loss adjustment expenses	\$657,190	\$587,097
Unearned premiums	141,806	122,184
Other liabilities	88,585	86,968
Total liabilities	887,581	796,249
Total policyholders surplus	565,887	561,175
TOTAL	\$1,453,469	\$1,357,424

All figures represented in thousands (,000).



\$1.45B

TOTAL ADMITTED ASSETS



\$96M

INCREASE

\$4.7M

SURPLUS GROWTH

RESULTS OF OPERATIONS

PREMIUM

The Company wrote \$544M direct premiums in 2023, a 14.8% increase over the prior year. With more than 800 dedicated agents ready to assist policyholders, and over 440 employees available to service customers, we remain focused 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. Workers' Compensation continues to be our lead product line at 53% of the total premium. Premium from our other commercial lines continues to grow as we seek to round-out accounts and offer competitive products across our geographic footprint.

LOSSES

Net losses and loss expenses incurred increased \$63.7M from 2022, resulting in a loss ratio of 68.7%. For any given year, our loss ratio describes the amount of incurred losses and LAE for each dollar of premium earned by the Company. The current year's increase in the Company's loss ratio reflects the impact of continued rate decreases in Workers' Compensation, an uptick in large losses and inflationary pressures, as well as an increase in the cost of the Company's reinsurance. Builders Mutual remains dedicated to providing critical risk management resources to reduce injuries and fatalities on job-sites.

OTHER INCOME AND EXPENSES

As premiums grow, underwriting expenses such as commissions and premium taxes will increase due to the variable nature of these costs and their direct relation to written premium. Underwriting expenses in 2023 were \$57.3M higher relative to 2022. This change was driven primarily by the Company's decision to pay down outstanding lease obligations, taking advantage of strong appreciation in its investment portfolio in 2023. The Company continues to focus on utilizing our resources in the most efficient and effective ways to best serve our policyholders and agents.

Net investment income before capital gains was \$43.7M, an increase of \$12.1M over the prior year. This increase is from the reinvestment of fixed income at higher interest rates and strong performance of floating-rate investment vehicles. Net capital gains of \$13.1M were recognized in 2023 from the sale of investments. Our Safety dividend was declared in December 2023 by the Board of Directors to be \$3.3M, and eligible Workers' Compensation policyholders received checks in February 2024. Returning a dividend to policyholders recognizes their focus on safety in the workplace and the positive results of our company.

STATEMENT OF INCOME

UNDERWRITING INCOME	2023	2022
Premiums earned	\$477,463	\$420,318
Losses and LAE incurred	328,036	264,368
Underwriting expenses	202,619	145,318
Underwriting gain	(53,192)	10,633

INVESTMENT INCOME	2023	2022
Investment income, net of interest expense	\$43,662	\$31,553
Rental income	363	115
Realized capital gains / (losses)	13,105	770
Other expenses	(5,547)	(961)
Income before dividends & income taxes	(1,608)	42,111
Policyholder dividends	8,112	8,788
Federal income tax expense	(2,570)	7,623
NET INCOME	(\$7,149)	\$25,699

CHANGES IN POLICYHOLDERS SURPLUS	2023	2022
Unassigned surplus, beginning of year	\$561,174	\$574,399
Net income	(7,149)	25,699
Net unrealized capital gains	8,296	(33,804)
Change in net deferred income tax	2,624	1,766
Change in non-admitted assets	(1,391)	(4,334)
Change in provision for reinsurance	(2,385)	(2,551)
Aggregate write-ins for gains and losses in surplus	4,718	–
UNASSIGNED SURPLUS, END OF YEAR	\$565,887	\$561,174

All figures represented in thousands (,000).

PROFITABILITY ANALYSIS

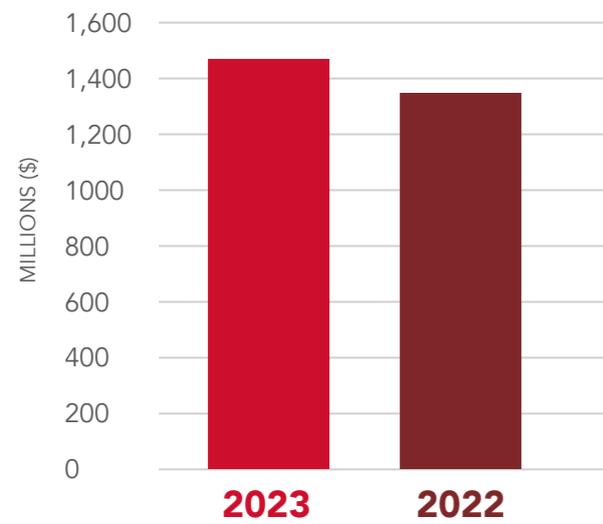
UNDERWRITING INCOME	2023	2022	CHANGE
Loss Ratio	68.7%	62.9%	5.8%
Expense Ratio	40.8%	33.9%	6.9%
Dividend Ratio	1.7%	2.1%	-0.4%
Combined Ratio	111.2%	98.9%	12.3%
Operating Ratio	102.0%	91.4%	10.6%



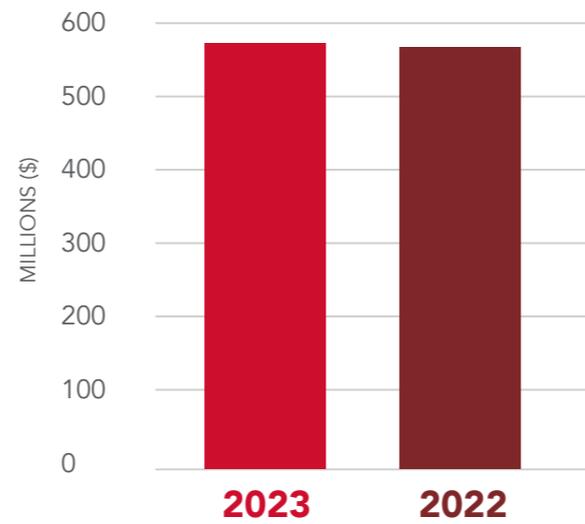
\$3.3M

DIVIDENDS DISTRIBUTED TO OVER 13,200 ELIGIBLE WC POLICYHOLDERS

TOTAL ASSETS



TOTAL POLICYHOLDERS SURPLUS



\$566M

POLICYHOLDERS SURPLUS

\$1.45B

TOTAL ASSETS

All figures represented in thousands (,000).

INFLUENCING PROGRESS



Susan G. Komen Race for the Cure



Black History Month Celebration



Habitat for Humanity

GIVE BACK PROGRAM

In 2023, our Give Back program contributed \$190K to the communities where we live and operate. Our focus areas for Give Back include promoting home ownership, advancing health and well-being, offering paid volunteer opportunities, and building the next generation of industry experts to align with who we are. We have established relationships with organizations such as Habitat for Humanity, the Susan G. Komen Foundation for Breast Cancer, the American Heart Association, and more than 15 other organizations throughout our footprint to help build stronger communities.

DIVERSITY, EQUITY, AND INCLUSION

We continue to progress toward diversity, equity, and inclusion with an aim to give every employee equal opportunities to grow and feel valued. We organize three events annually to celebrate diversity: Black History Month in February, Geek Week in July, and Hispanic Heritage Month in September. These events were attended by 217 employees, which represents a participation rate of 48%. Additionally, we hosted several "Built Huddles" to encourage employees from different departments to connect and engage in authentic dialogue and find common interests and perspectives.

GREEN TEAM

Our internal Green Team focuses on ensuring that all Builders Mutual employees are aware of opportunities to make environmentally wise choices, whether they work inside the home office or remotely. They push to reduce paper usage, and the use of recycle-friendly paper, while maintaining compost bins at the office building. The team also stocked breakrooms at the office with flatware and shared kitchen supplies to reduce single-use plastic at office events. The team led volunteer efforts through local park cleanups and organized a donation drive for household items and clothing for three charitable organizations: Goodwill, Habitat for Humanity, and Note in the Pocket.

LEADERSHIP

BOARD OF DIRECTORS

David Stormont, Chairman

Storm Coast Homes, LLC
Kitty Hawk, NC

Erik A. Anderson, Vice Chairman

Anderson-Moore Builders
Winston Salem, NC

Mark Martin, Secretary

Sandmark Custom Homes, Inc.
Kitty Hawk, NC

Andy Betts

Business Consultant
Raleigh, NC

Mike Carpenter

General Counsel, North Carolina
Home Builders Association
Raleigh, NC

Michael S. Ensore

The Veritas Group, Inc
Kernersville, NC

Gary Emblar

Niblock Development Corp.
Concord, NC

Willard "Buddy" Hughes

Insulated Concrete, Inc.
Lexington, NC

Brian Pace

Pace Development Group
Charlotte, NC

Randy Screen

Business Consultant
Raleigh, NC

Jennifer Taylor

Business Consultant
Raleigh, NC

SENIOR LEADERSHIP

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President/Chief Executive Officer

Keith Goad, MBA, CVA

Vice President/
Chief Financial Officer

Ross Fowler, CPCU, CBIA

Vice President/Underwriting

Brad Mook, CPCU, CLU, CBIA

Vice President/
Business Development

Ken Bunn, AIC, PMP

Vice President/Claims

Michele Hemric, SPHR, PCC, CBIA

Assistant Vice President/
Human Resources and
Organizational Effectiveness

Sherman McCoy

Assistant Vice President/
Business Operations

Jesus Unzueta

Assistant Vice President/
Information Technology

Jodi Vedelli, CBIA

Assistant Vice President/Strategy

Chris Wetzel, FCAS, MAAA

Assistant Vice President/
Actuarial Services

Melissa Williard, CIC, CBIA

Assistant Vice President/
Underwriting

Susan Lenhart

Assistant Secretary

“ 2024 marks our 40th year in business and is expected to be a pivotal time for Builders Mutual as we continue with our vision to be the leading provider of construction insurance.”

Mike Gerber, President & CEO