



# **PROTECT & ADVANCE**

**ANNUAL REPORT 2022**

# **BUILDERS MUTUAL HAS EVOLVED.**

WE HAVE ADAPTED TO WORKING IN A MORE DYNAMIC ENVIRONMENT, WHERE **CHANGE IS CONSTANT AND EXPECTED.**

BY EMBRACING THIS CHANGE, WE'VE CREATED MORE OPPORTUNITIES TO **PROTECT OUR CUSTOMERS AND ADVANCE THEIR UNIQUE INTERESTS.**

IN 2022, WE MODERNIZED HOW WE SUPPORT OUR POLICYHOLDERS WITH **NEW RESOURCES AND NEW PARTNERSHIPS.**

EVEN AS BUILDERS MUTUAL GROWS, WE WILL REMAIN SINGULARLY

# **FOCUSED ON CONSTRUCTION**

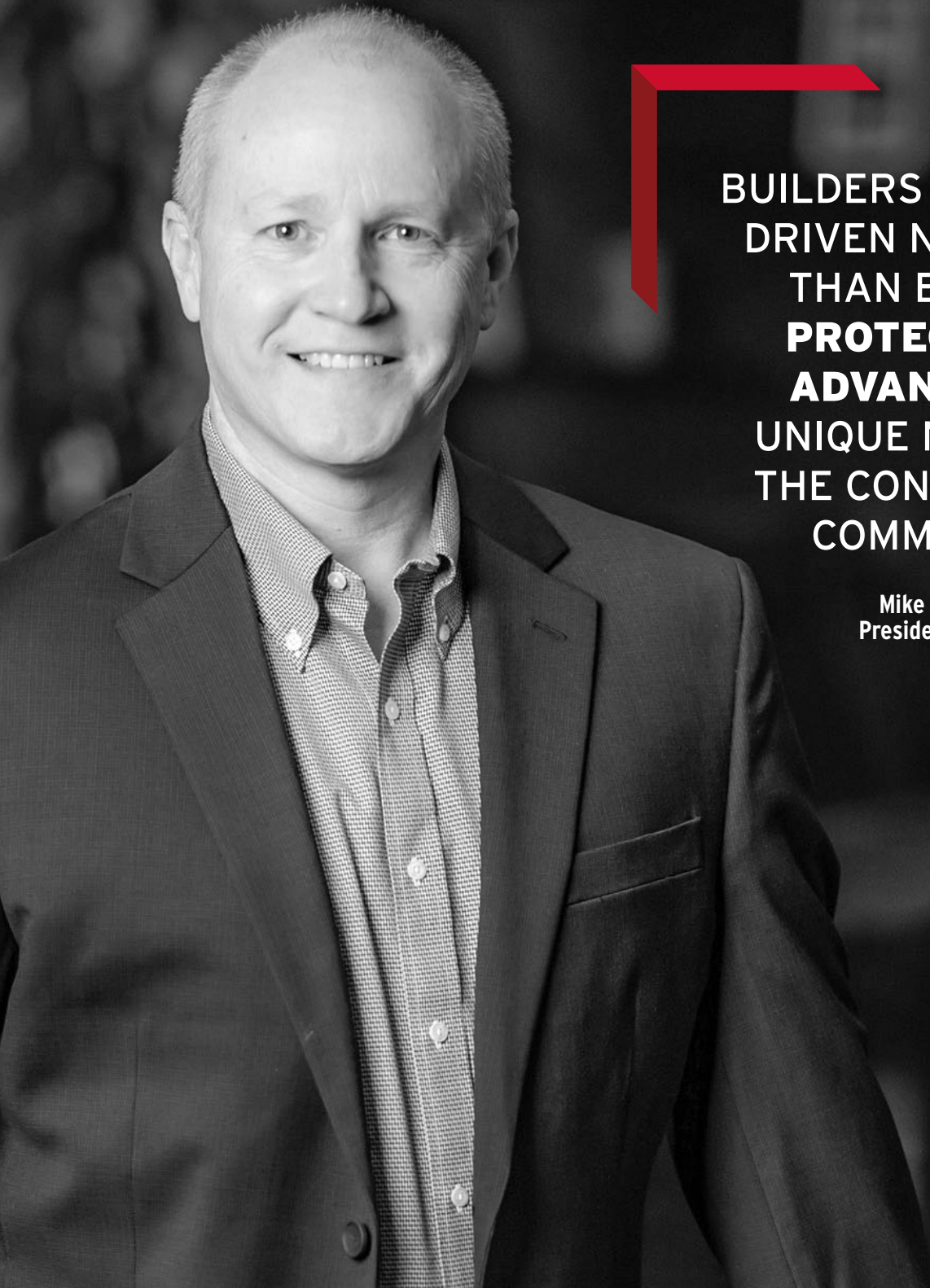
AS WE HAVE FOR NEARLY 40 YEARS, RELYING ON

# **OUR COMPETITIVE EDGE:**

# **EXPERTISE AND RELATIONSHIPS.**

THESE ADVANTAGES WILL CONTINUE TO SUPPORT OUR PURPOSE, CONNECT US MORE CLOSELY TO OUR CUSTOMERS, AND PAVE THE WAY FOR

# **OUR MUTUAL SUCCESS.**



BUILDERS MUTUAL IS  
DRIVEN NOW MORE  
THAN EVER TO  
**PROTECT AND  
ADVANCE** THE  
UNIQUE NEEDS OF  
THE CONTRACTOR  
COMMUNITY.

Mike Gerber  
President & CEO

## PROTECTING YOUR UNIQUE NEEDS

Construction – it’s not just all we do, it’s all we choose to do. In 2022, our local business teams re-engaged on policyholder job-sites and in agent offices allowing us to strengthen longstanding relationships and gain an even deeper understanding of the changes in the industry and opportunities for us to address them. While contractors faced the ongoing challenges of labor shortages, supply chain delays, and climbing interest rates, we introduced new ways for our customers to work with us. Enhanced bill payment features include storing payment information, scheduling payments in advance for a later date, and paying multiple policies together through a shopping cart feature. Electronic claims payment options, through Commerce Bank, allow for streamlined and more timely payments. Resources shared via the Builders Mutual blog, Building Progress podcast, and Builders University help builders address trends and events impacting the industry. And, new telemedicine services for injured workers, offered through our partnership with MedCall, allow increased efficiencies and cost-savings for select workplace injuries.

We are committed to evolving our products and value-added services to provide our policyholders with the tools they need to get the job done right. Our highly engaged team of nearly 450 industry experts provides tailored coverage options, job-site safety consultations and training, audit support, and claims handling to create a caring, knowledgeable, and dependable experience. This year’s strong customer retention of 85.5% along with new business production of \$67.3M led to \$461M in direct premium written, representing 7.4% growth over the prior year. Amid significant market volatility and rising inflation, we achieved a 62.9% loss ratio and net income of \$25.7M. In recognition of workplace safety and our positive results, we proudly declared a \$3M dividend to eligible workers’ compensation policyholders. Builders Mutual is driven now more than ever to protect and advance the unique needs of the contractor community.

**85.5%**

**CUSTOMER  
RETENTION RATE**

**\$461M**

**TOTAL PREMIUM**

**\$25.7M**

**NET INCOME**



**MIKE GERBER  
PRESIDENT & CEO**

## 2022 CONSTRUCTION MARKET SNAPSHOT

Homebuilding activity was at its highest level since 2006, driven by a severe housing supply shortage that has pushed up home prices. With residential construction costs rising, single family construction weakened while remodeling expanded. Inflation and mortgage rate increases impacted housing affordability. Companies invested in more warehousing to combat supply chain disruptions, and more distribution facilities to support e-commerce growth.

### WORKER SAFETY

**1 IN 5** DEATHS AMONG U.S. WORKERS IS IN CONSTRUCTION INDUSTRY (OSHA 2020)



Construction companies **SAVE \$4-\$6 FOR EVERY \$1** spent on safety (OSHA)

Companies continue to prioritize job-site safety. [Listen](#) to how one company is building a culture of safety.

### LABOR DEMOGRAPHICS



**42** AVERAGE AGE OF WORKER



Male labor participation rates are **DECLINING**, while female rates are **INCREASING**

**3.4%** Unemployment rate—lowest level since 1969 (Jan. 2023)

### HOUSING COSTS



Non-residential construction spending **SURPASSED** residential in 2022.



**44%** Drop in lumber prices (Dec. 2022)



**11%** Increase in gypsum board prices (Dec. 2022)



**12%** Decrease in median sales of new single family homes (Oct. 2022–Feb. 2023)

Builders are experiencing ongoing challenges of fluctuating materials prices, supply chain delays, and labor shortages. Read about these challenges [here](#).

## ELEVATING THE BUILDERS MUTUAL EXPERIENCE

Builders Mutual is committed to modernizing the way we work by launching new technology, enhancing our workflows, and expanding expertise. In 2022, we worked to leverage processes, tools, and technology to further improve our service. And we are excited to launch several programs in the year ahead.

### HERE'S A LOOK AT OUR 2022 FOCUS:

We introduced a new billing and payment solution that modernizes the payment platform and provides policyholders expanded payment flexibility. Powered by **InvoiceCloud**, we now provide text-to-pay, payment scheduling, a shopping-cart payment experience, and other features.

**InvoiceCloud**<sup>®</sup>

We introduced a Claims partnership with **MedCall** to offer 24/7, on-demand, phone and video-based emergency medical services to Builders Mutual policyholders.

**MedCall**

We launched a partnership with **Commerce Bank**, which offers claimants and vendors more flexible claims payment options. When claimants and vendors choose to enroll, they can expect more timely reimbursements. They will also have the option to receive payments directly to a debit account, ACH, or electronic check.

  
**Commerce  
Bank**<sup>™</sup>

## RISK MANAGEMENT

The risk management team completed a total of 4,825 surveys in 2022, a 12% increase from 2021. Our consultants provide safety training and resources to our policyholders, including job-site-specific training during OSHA Stand-Down in May, Trench Safety Stand-Down in June, and Guardrail Safety Week in October.

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Builders Mutual consultants help our policyholders create the best-protected job-sites. With Builders Mutual Focus Four, we help them focus efforts on workers' most frequent and severe injuries. Our WorkSafe program introduces basic job-site safety training for newly hired workers, while our Return-to-Work resources help policyholders develop an effective plan to get injured workers back to work when accidents do happen.

### Focus Four

We have identified our top four claim types in terms of frequency and severity. With the Builders Mutual Focus Four, we make it easy for you to focus efforts to prevent unnecessary injuries and fatalities.

To learn more, visit [buildersmutual.com/focusfour](https://buildersmutual.com/focusfour)



### Return-To-Work

A Return-to-Work (RTW) program allows employees to be productive within their abilities during the injury recovery process and is a key component for containing and minimizing the cost of Workers' Compensation claims. We assembled the tools you need to establish an effective RTW program.

To learn more, visit [buildersmutual.com/returntowork](https://buildersmutual.com/returntowork)



### WorkSafe

Safety is everyone's responsibility. Too many workers are injured in preventable accidents. To promote a culture of safety on every job-site, we have developed WorkSafe, a compact but critical introduction to best practices.

To learn more, visit [buildersmutual.com/worksafe](https://buildersmutual.com/worksafe)



### Dedication to Safety

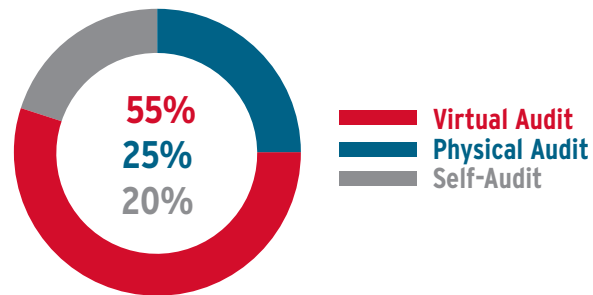
In 2022, we promoted the 3rd annual Guardrail Safety Week and recognized five Builders Mutual policyholders for their leadership in guardrail safety. The 2022 campaign reached nearly 24,000 contractors.

We also participated in OSHA's National Safety Stand-Down for fall protection for the tenth consecutive year. During the two-week period of Stand-Down, our team visited 202 job-sites in eight states and the District of Columbia, and trained nearly 2,300 workers.

STATES	# OF STAND-DOWNS	# OF PARTICIPANTS BY STATE
DC	2	28
FL	48	605
GA	2	83
MD	12	215
MS	8	55
NC	71	674
SC	19	213
TN	11	82
VA	29	344
<b>Total</b>	<b>202</b>	<b>2,299</b>

### AUDIT

We strive to make the audit process as easy as possible for our policyholders. That's why we offer three options to gather and review the details needed to complete an audit – physical, virtual, and self-audit. In 2022, we completed five times more physical audits than in 2021, emphasizing the difference our audit team makes on the ground.



### CLAIMS

Total claims handled in 2022 totaled 19,706. We provide unparalleled service, speed, and individual attention to our policyholders, offering several ways to submit claims. The claims department issued 226,315 payments in 2022 to help injured workers, insureds, and/or claimants after a loss/claim.

## CUSTOMER CONTACT CENTER

At the Customer Contact Center, our industry experts are standing by to respond to any policyholder inquiries and provide personalized service.



### 10<sup>th</sup> Anniversary of the Customer Contact Center

**114,554**  
CALLS RECEIVED



**01:19**  
AVERAGE TIME TO ANSWER



**91%**  
SERVICE LEVEL  
Calls that reached a live voice



**9,725**  
FNOL CLAIM SUBMISSIONS

**1,816**  
CHATS RECEIVED



# DEMONSTRATING EXPERTISE

## OUR PEOPLE

**440** Team Members

**500** Total participants in DEI experiences

**317** Leaders and employees completed 1,523 training sessions

**47%** Have earned a Certified Builders Insurance Agent (CBIA) designation



## INDUSTRY REACH

**The Builders Mutual blog** has grown to house over 100 original thought-leader articles and experienced over 19,000 page views in 2022. In 2022, the **Builders Mutual website** received over 2.5M page views. A mix of sponsorships and marketing efforts allowed us to connect with approximately **100,000 contractors in 2022**. In 2022, we launched our second season of **Building Progress podcast** with new host Katie Mariani, External Engagement Manager at Builders Mutual, and a series of new topics related to the construction industry. To date, we have had more than 2,254 listens, and we're excited to bring new topics and industry expertise from builders and partners throughout our footprint.

**30K+** INBOXES RECEIVED  
OUTREACH MESSAGES

### SELECT 2022 PODCAST EPISODES

1. [Return-to-Work: Getting a Plan in Place](#)
2. [Building a Culture of Safety](#)
3. [Supply Chain Issues and Construction: Industry Impact and Response](#)

## SOCIAL METRICS

Builders Mutual continues to build awareness and engagement, enhancing social touchpoints to broaden our industry impact.



**756**  
TOTAL POSTS

**32%**  
INCREASE

**16K+**  
ENGAGEMENTS

**25%**  
INCREASE

**9K+**  
TOTAL FOLLOWERS

**14%**  
INCREASE

**441K+**  
IMPRESSIONS

**10%**  
INCREASE

## PARTNERSHIPS

The **Job-Site Safety Institute (JSI)** grant to Michigan State University (MSU), “Fatalities and Preventions in Residential Building Construction,” was completed in 2022. The project analyzed the national Census of Fatal Occupational Injuries database from the U.S. Bureau of Labor Statistics. Notable conclusions from the study will help JSI formulate programs for research, innovation, education, and training in the future. What’s the cause behind common job-site fatalities? Find out in our [blog](#).

JSI also supported a pilot project from the **National Association of Home Builders (NAHB)** and **North Carolina Home Builders Association (NCHBA)** focused on mental health, “A Blueprint for Worker Well-Being.” This program aims to gather input from NCHBA members in order to help leading experts develop tools to identify and learn more about issues related to mental health and well-being.

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As the Official Safety Sponsor of NAHB, we’re continuing to partner with NAHB on the **Safety 365** initiative, which provides resources to help keep construction workers safe and eliminate preventable accidents, injuries, and deaths.

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We’re expanding our partnership with NAHB through their **Workforce Development Program** where they partner with educators, members, and state and local HBAs to address the housing industry’s labor shortages and develop a skilled workforce for the future.



Builders Mutual booth at the 2022 International Builders' Show

**INDUSTRY RECOGNITION AND CONNECTIONS**



**AM BEST REAFFIRMED  
OUR A (EXCELLENT) RATING**



**BECAME RECERTIFIED AS  
A GREAT PLACE TO WORK**



**NAMED IN FORTUNE'S  
BEST SMALL AND MEDIUM  
WORKPLACES**



**NAMED AS A TOP PERFORMING  
COMPANY FOR THE  
FOURTH CONSECUTIVE YEAR**



**ELITE 50 INTERNSHIPS WINNER**

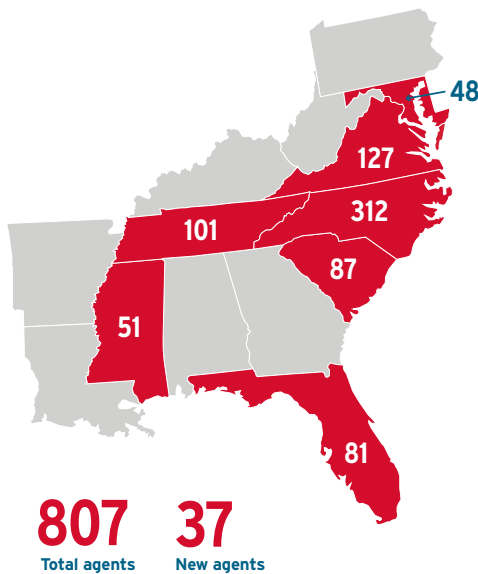
## GROWTH FACTORS FOR SUCCESS

Building strong partnerships with our agents is the key to our success in the market. Visibility in the local community is critical, and our sales team ramped up interactions through agency visits, association events, charitable outreach, and other touchpoints. We've also enhanced our education initiatives in 2022, offering virtual Certified Builder Insurance Agent (CBIA) classes to 619 agents, with 222 new CBIA designations conferred, and a new Master Class series that drew 370 attendees.

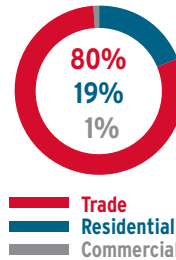
### DISTRIBUTION MANAGEMENT SYSTEM (DMS)

We implemented a Distribution Management System (DMS), a new self-service portal for our agency partners. DMS manages the entire agency life cycle with features to automate and streamline appointments and licensing requirements.

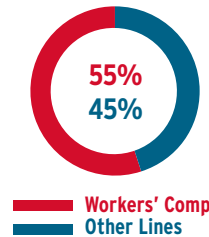
### AGENCY GROWTH



### WC PREMIUM MIX



### PREMIUM BREAKDOWN



### BUILDERS RISK ONE-SHOT

	YOY GROWTH (12/31/22)
Policy Count	12.6%
Premium	32.3%

### LARGE MARKET PRODUCTION

	YOY GROWTH (12/31/22)
Policy Count	5.3%
Premium	6.9%

### GROWTH FACTORS

**85.5%**  
CUSTOMER RETENTION

**\$67M**  
NEW BUSINESS PREMIUM

**\$461.7M**  
DIRECT WRITTEN PREMIUM

**53,726**  
TOTAL POLICIES

**28,648**  
INSURED GENERAL AND TRADE CONTRACTORS

**\$3.1M**  
DIVIDENDS DISTRIBUTED TO OVER 11,700 ELIGIBLE WC POLICYHOLDERS

## FINANCIAL POSITION



### ASSETS

Total admitted assets ended 2022 at \$1.4B, representing a \$66M increase over the prior year end. Bonds and common stocks represent 70.8% of the Company's admitted assets. Other invested assets, including both Direct Lending and Private funds, increased an additional \$15.5M from new investments and returns. Cash and short-term investments increased by \$17.3M from insurance operations. Premium balances, both current and deferred, remain at less than 10% of total assets.



### LIABILITIES

Liabilities include all known and potential reserves for current and future claims. Total unpaid loss and loss adjustment expense reserves increased \$61.3M this year as the portfolio continued to grow from exposure on new business written, and increased exposures on our existing business. The favorable loss development on our prior accident years was over \$13M, which offsets the current year growth in reserves to net to the overall increase. This continuing favorable loss development reflects the underwriting strength coupled with safe working conditions created by our policyholders with guidance and assistance from our Risk Management consultants. Unearned premiums increased \$8.4M from the growth in written premiums.



### POLICYHOLDERS SURPLUS

The strength of a mutual insurance company is not only measured by premium growth and asset growth, but most importantly in policyholder surplus growth. The Company ended 2022 with policyholder surplus of \$561.2M, down \$13.3M from the amount reported last year. Net income for the year is \$25.7M; however this is reduced from unrealized losses on our equity portfolio totaling \$33.8M and \$5.1M from other miscellaneous reductions.

## RESULTS OF OPERATIONS



### PREMIUM

The Company is reporting net income of \$25.7M for 2022. With over 750 dedicated agents ready to assist policyholders, and more than 450 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. While Workers' Compensation continues to be our major product line at over 57% of the total premium, premium from our other product lines continues to increase to offer competitive products across our geographic footprint. In 2022, we expanded our licenses for both subsidiary companies, Builders Premier Insurance Company and Builders Alliance Insurance Company, to include in our core eight states plus the District of Columbia. This expansion will allow for future risk segmentation options throughout those territories.



### LOSSES

Losses and loss expenses incurred increased \$33M from 2021, ending the year with a loss ratio of 62.9%. The current year increase in the loss ratio is from continued rate reductions on our Workers' Compensation line as well as some claim severity. Builders Mutual remains dedicated to providing critical risk management resources that not only result in financial benefits, but more importantly, reduce the chances of injuries or fatalities on construction sites.



### EXPENSES

As premium grows, expenses will increase due to commissions and premium taxes being directly tied to premium. In addition, as the need for servicing increases, other general expenses will increase as we push to modernize our servicing processes as well as being impacted by the inflation of 2022. The Company continues to focus on utilizing our resources in ways to best serve our policyholders, agents, and claimants.

Net investment income before capital gains was \$31.6M, an increase of \$6.1M over prior year. This increase is from new investment classes and the reinvestment of fixed income at higher interest rates. Net capital gains of \$1M were recognized in 2022 from the sale of investments.

Our Safety dividend was declared in December 2022 by the Board of Directors to be \$3.1M and was paid in February 2023 to all eligible policyholders.

## BALANCE SHEET

ASSETS	2022	2021
Bonds	\$786,200	\$737,195
Common and preferred stocks	174,117	205,394
Real estate held for income	12,423	12,202
Cash and short-term investments	59,108	41,800
Premium balances	130,358	127,694
Other assets	195,218	166,817
<b>Total Assets</b>	<b>\$1,357,424</b>	<b>\$1,291,102</b>

LIABILITIES AND POLICYHOLDERS SURPLUS	2022	2021
Unpaid losses and loss adjustment expenses	\$587,194	\$525,898
Unearned premium	122,184	113,772
Other liabilities	86,868	77,043
<b>Total Liabilities</b>	<b>796,249</b>	<b>716,712</b>
<b>Total Policyholders Surplus</b>	<b>561,175</b>	<b>574,389</b>
<b>Total Liabilities and Policyholders Surplus</b>	<b>\$1,352,450</b>	<b>\$1,291,102</b>

All figures represented in thousands (,000).



**\$1.35B**  
TOTAL ASSETS



**10%**  
INCREASE  
OVER 2021

## STATEMENT OF INCOME

<b>UNDERWRITING INCOME</b>	<b>2022</b>	<b>2021</b>
Premiums earned	\$420,318	\$393,738
Losses and LAE incurred	264,367	231,413
Underwriting expenses	145,318	132,598
Underwriting gain	10,632	29,727
<b>INVESTMENT INCOME</b>	<b>2022</b>	<b>2021</b>
Investment income, net of interest expense	\$31,553	\$25,409
Rental income	115	87
Realized capital gains	770	12,487
Other expenses	(961)	(1,116)
Income before dividends & income taxes	42,111	66,594
Policyholder dividends	8,788	8,634
Federal income tax expense	7,623	14,844
<b>Net Income</b>	<b>\$25,699</b>	<b>\$43,116</b>
<b>CHANGES IN POLICYHOLDERS SURPLUS</b>	<b>2022</b>	<b>2021</b>
Unassigned surplus, beginning of year	\$574,399	\$506,563
Net income	25,699	43,116
Net unrealized gains	(33,804)	21,930
Change in net deferred income tax	1,766	3,483
Change in non-admitted assets	(4,334)	(1,208)
Change in provision for reinsurance	(2,551)	(23)
Adjustment for prior year premium tax	–	527
<b>Unassigned Surplus, End of Year</b>	<b>\$562,174</b>	<b>\$574,399</b>



**\$10M**  
UNDERWRITING  
GAIN



**\$25M**  
NET INCOME

All figures represented in thousands (,000).



**PROFITABILITY ANALYSIS**

UNDERWRITING INCOME	2022	2021	CHANGE
Loss Ratio	62.9%	58.8%	4.1%
Expense Ratio	33.9%	33.0%	.9%
Dividend Ratio	2.1%	2.2%	-0.1%
Combined Ratio	98.9%	93.9%	5.0%
Operating Ratio	91.4%	87.5%	3.9%

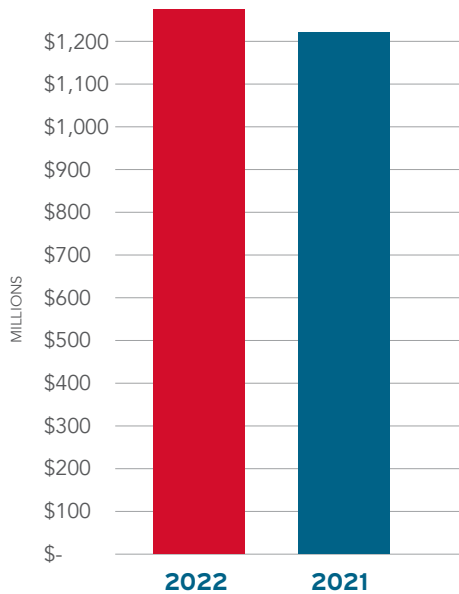


**91.4%**  
OPERATING RATIO

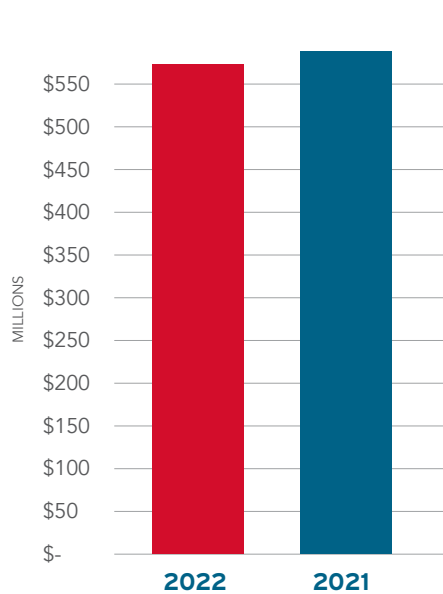


**\$561M**  
POLICYHOLDERS SURPLUS

**TOTAL ASSETS**



**TOTAL POLICYHOLDERS SURPLUS**



## INFLUENCING PROGRESS



### DIVERSITY, EQUITY, & INCLUSION

We are proud to advance our journey of being an inclusive company that embraces and encourages our employees' differences and strengths to build stronger teams. The work we do ensures that every employee, without exception, is valued and given the same opportunity to succeed and belong at Builders Mutual.

In 2022, we launched two experiences to grow and strengthen our cultural element of inclusion: Built Huddles and Built Circles. Both experiences create intentional cross-departmental connections and authentic dialogue to unite employees in a safe space where they can find common interests and share perspectives. Our partner, The Diversity Movement, led an inclusive leader workshop for 90% of our leadership team. Additionally, we focused on three key events to celebrate diversity: **Black History Month** in February, **Geek Week** in July, and **Hispanic Heritage Month** in September.

Builders Mutual also celebrated **Women's Equality Day** with a panel of Builders Mutual female industry experts who shared ideas for how to break and overcome biases. We are proud to share that the total number of participants for DEI experiences this year was more than 500.



Black History Month celebration



Hispanic Heritage event



## GIVE BACK

Each year Builders Mutual supports local and national nonprofits through financial means and employee involvement, as well as matching employee charitable donations. There is a long-standing relationship between Builders Mutual and **Habitat for Humanity**, the **Susan G. Komen foundation** for breast cancer, food banks in various locations throughout our footprint, and the **American Heart Association**.

In 2022, we donated over 700 hard hats to various high schools and community college construction programs in NC, and supported The Salvation Army's Angel Tree Initiative during the holiday season to provide clothing and gifts to children in need.

Additionally, Builders Mutual donated \$10,000 to the Florida Home Builders Association's disaster relief fund for Hurricane Ian relief.



## BUILDERS MUTUAL'S GREEN TEAM

Our internal Green Team, with representation from nine different departments, keeps employees aware of opportunities for making environmentally wise choices whether on-site, in the home office, or remote. The Company continues to reduce paper usage wherever possible, use recycle-friendly paper, and maintain composting bins on all floors of the building. The Green Team organized several volunteering events throughout 2022, both in our home community of Raleigh, and across our footprint. These volunteering events included park cleanups and supporting the Carolina Tiger Rescue with a 30+ person volunteering event and \$1,000 donation.



Angel Tree donation



Green Team volunteering at Carolina Tiger Rescue

# LEADERSHIP

## BOARD OF DIRECTORS

### **Rick Judson, Chairman**

Evergreen Group, LLC  
Charlotte, NC

### **David Stormont, Vice Chairman**

Storm Coast Homes, LLC  
Kitty Hawk, NC

### **Erik A. Anderson, Secretary**

Anderson-Moore Builders  
Winston-Salem, NC

### **Andy Betts**

Business Consultant  
Raleigh, NC

### **Mike Carpenter**

General Counsel, North Carolina  
Home Builders Association  
Raleigh, NC

### **Michael S. Enscore**

The Veritas Group, Inc.  
Kernersville, NC

### **Gary Emblar**

Niblock Development Corp.  
Concord, NC

### **Willard "Buddy" Hughes**

Insulated Concrete, Inc.  
Lexington, NC

### **Mark Martin**

Sandmark Custom Homes, Inc.  
Kitty Hawk, NC

### **Brian Pace**

Pace Development Group  
Charlotte, NC

### **Randy Screen**

Business Consultant  
Raleigh, NC

## SENIOR LEADERSHIP

### **Mike Gerber, CBIA**

President/Chief Executive Officer

### **Tom Lockard, CPA, CGMA**

Vice President/  
Chief Financial Officer

### **Ross Fowler, CPCU, CBIA**

Vice President/Underwriting

### **Brad Moock, 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**

Assistant Vice President/  
Actuarial Services

### **Melissa Williard, CIC, CBIA**

Assistant Vice President/  
Underwriting

### **Bill Schaffner, CBIA**

Executive Advisor

### **Susan Lenhart**

Assistant Secretary



**In 2022, our local business teams re-engaged on policyholder job-sites and in agent offices allowing us to strengthen longstanding relationships and gain an even deeper understanding of the changes in the industry and opportunities for us to address them.**

**Mike Gerber  
President & CEO**