



BUILDERS INSURANCE GROUP



Insuring the Foundation
of Your Business

2009 Annual Report



LETTER FROM THE CHAIRMAN & THE CEO

Through years of conservative fiscal management, careful risk selection and seizing the right opportunities at the right time, Builders Insurance Group has evolved into a strong and nimble company. As a result, we have been able to enhance our operations, deliver outstanding service and take strategic actions aimed at ensuring a solid financial future for our Company.

In 2009, premiums continued to decline. However, we marked the end of the year with good news – in December, premiums increased for the first time in three years, a positive indication that the market is stabilizing and our strategic initiatives to reposition the Company are taking root. Just as positive, our policy count remained steady throughout the year and by January of 2010, our policy count was actually higher than our total in January of 2009.

Our 2009 financial results, while certainly impacted by the economy, remained resilient. We closed 2009 with \$66.24 million in direct written premium, and the Company continued to maintain a strong policyholder surplus position, closing 2009 at \$138.25 million, an increase of over \$23 million from year end 2008. In the second quarter of 2009, we paid our 13th consecutive dividend payment to qualified policyholders of Builders Insurance (A Mutual Captive Company) and recently we announced our 14th dividend payout. Total dividends paid to policyholders since 1996 is an impressive \$43.2 million – a clear indication of our commitment to reward our safest and most loyal policyholders, even in harsh economic times.

During 2009, we continued expanding and diversifying the Company in a variety of ways. We began selling products in four new states: Indiana, Pennsylvania, Texas and Virginia. We expanded our portfolio of flexible and competitive products to existing markets – making our comprehensive General Liability solution available to trade subcontractors in Pennsylvania and Virginia. We also introduced Workers' Compensation to non-construction businesses in Florida, Pennsylvania, Virginia, North Carolina, South Carolina and Illinois.

Why are we taking these steps to spread our footprint and reach new audiences? It makes good business sense to protect the Company against the perils that accompany "placing all our eggs in one basket." Diversification enhances the Company's ability to withstand economic downturns or dips in select markets so that we can meet the needs of all our policyholders over the long term.

Technology continued its important function in our operations and our ongoing goal of making it easier for our policyholders to conduct business with us. Behind the scenes we converted more of our internal operations and agency tools from time-consuming manual and paper-driven processes to simple, secure online functions resulting in significant cost savings. We expanded our safe and flexible Online Monthly Self Reporting pay plan to policyholders in new markets. Plus, we made valuable information accessible online so that our partners can have easy, secure access just a mouse click away on any web-enabled device.



"Builders Insurance Group and our agent are dedicated to giving us the best value for our buck. We have enjoyed Builders Insurance Group's dividend program and if there is ever a claim, they stay on top of it to make sure our employees get back to work quickly."

TONIA HULL, TRH CONSTRUCTION CO., INC., POLICYHOLDER SINCE 1999

As the recovery begins, we feel confident that our actions over the last few years have well positioned the Company to take advantage of the many new opportunities that an improving marketplace presents.

We insure only the highest quality businesses managed by people who are as committed to fostering safe work environments as we are. We deliver great value for their premium dollars, not just in terms of coverage but also in service. We understand the value of loyalty and focus our efforts on providing the level of customer care that cultivates this loyalty.

Going forward, we will continue to carefully examine new markets for expansion and commit the resources to support these efforts. We will also explore new products that will complement our portfolio of offerings to meet the needs of our agents and policyholders. One new initiative that we will soon introduce is a Commercial Package Policy, which will provide a comprehensive product to cover GL, Property, Inland Marine and Crime. Our goal is to one day be your one-stop partner for all your commercial property and casualty insurance needs. We are confident we are headed in the right direction and we look forward to serving our valued partners for years to come.

Allen Richardson
Chairman



Patrick Mitchell
President & CEO



BOARD OF DIRECTORS

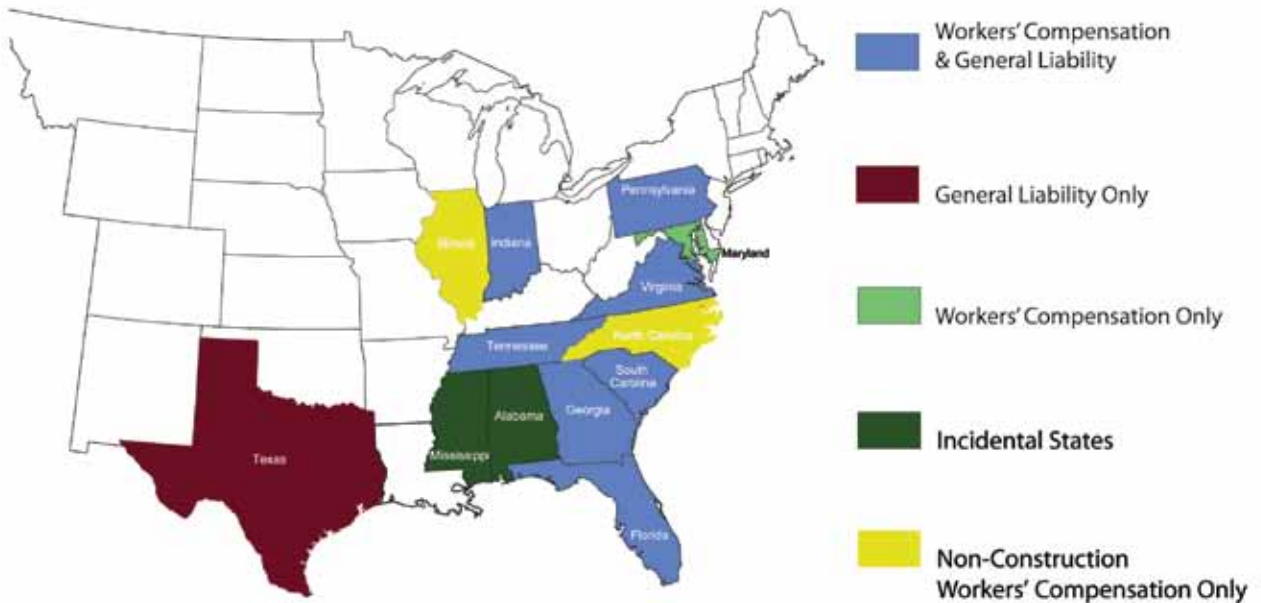
Chris Bowles
Charlie Eison
Fred Fisher
Gene Hill
David Jasmund
Jerry Kopp
Patrick Mitchell
Allen Richardson
Bill Schwanebeck



2009 MILESTONES

- Introduced products and services in Pennsylvania, Indiana and Texas.
- Online Monthly Self Reporting expanded to Florida, Pennsylvania, South Carolina, Tennessee and Virginia.
- Three more associations exclusively endorse Builders Insurance Group in Georgia: American Subcontractors Association, Hispanic Contractors Association of Georgia and the Remodeling Association of Georgia.
- Builders Insurance (A Mutual Captive Company) paid its 13th consecutive dividend and declared its 14th dividend payment.
- Workers' Compensation for non-construction markets became available in Florida, Pennsylvania and Virginia.
- Entered into strategic partnership to write non-construction Workers' Compensation in North Carolina, South Carolina and Illinois.
- eQuotes Instant Quote (IQ) launched for agents.

TERRITORY MAP





“The people at Builders Insurance Group work hard to build personal relationships and to foster meaningful dialogue. Because of this, they don't have a ‘cookie cutter’ program, instead they develop customized approaches to underwriting, claims management and audit services.”

SLOAN HOWARD, J. SMITH LANIER & COMPANY, PARTNER SINCE 1992

FINANCIAL POSITION AS OF DECEMBER 31, 2009

The summary consolidated financial statements presented, including Balance Sheet and Income Statement for Builders Insurance (A Mutual Captive Company) and its subsidiaries for the years ended December 31, 2009 and December 31, 2008, are presented in accordance with Generally Accepted Accounting Principles (GAAP).

Balance Sheet (\$'000)	2009	2008
Assets	Audited	Audited
Cash & invested assets	\$387,223	\$378,917
Reinsurance recoverables	37,910	30,983
Receivables	35,116	47,049
Tax assets	17,594	24,883
Other assets	15,278	15,249
Total assets	\$493,121	\$497,081
Liabilities & Members' Equity		
Liabilities		
Loss & loss adjustment expenses	\$226,673	\$228,344
Unearned premiums	45,622	54,913
Policyholder dividends payable	764	946
Other payables	40,888	48,919
Notes payable	48,275	49,816
Other liabilities	230	1,906
Total liabilities	362,452	384,844
Members' Equity		
Paid-in capital	200	200
Retained earnings	115,050	118,076
Accumulated other comprehensive income (loss)	15,419	(6,039)
Total members' equity	130,669	112,237
Total liabilities & members' equity	\$493,121	\$497,081

ASSETS

Total assets were \$493.1 million and \$497.1 million at December 31, 2009 and 2008, respectively. The change in the asset base includes increases in Cash and invested assets and Reinsurance recoverables of 2% and 22%, respectively, and decreases in receivables and tax assets of 25% and 29%, respectively.

LIABILITIES

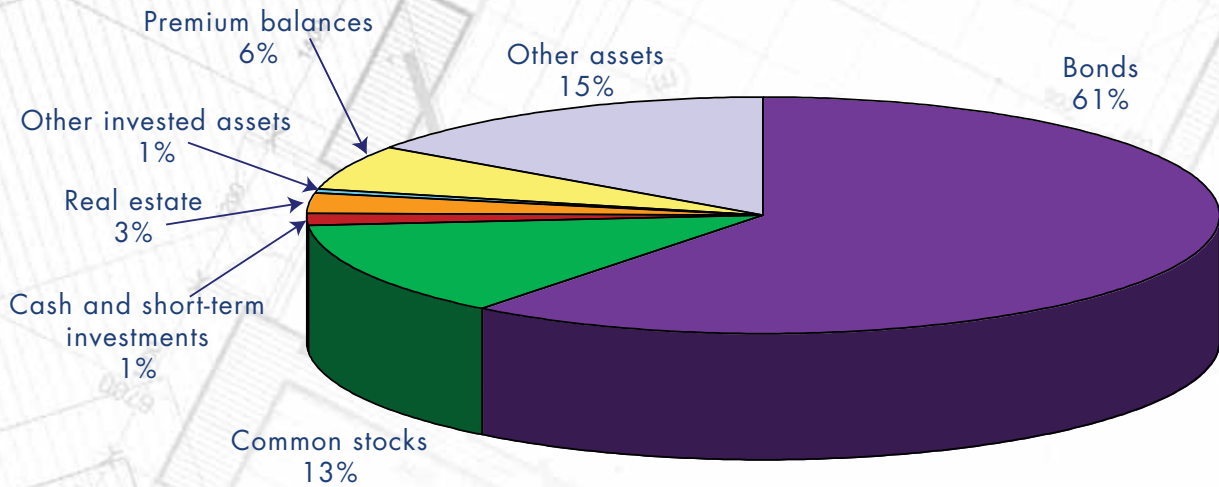
Total liabilities were \$362.5 million and \$384.8 million at December 31, 2009 and 2008, respectively. Contributing to the decline in liabilities were decreases in Unearned premium reserves and Other payables of 17% and 16%, respectively.

MEMBERS' EQUITY

Members' equity increased \$18.4 million, or 16%, to \$130.7 million from December 31, 2008 to December 31, 2009. The change is primarily a reflection of the increase in market values of investments during 2009.



ASSET MIX

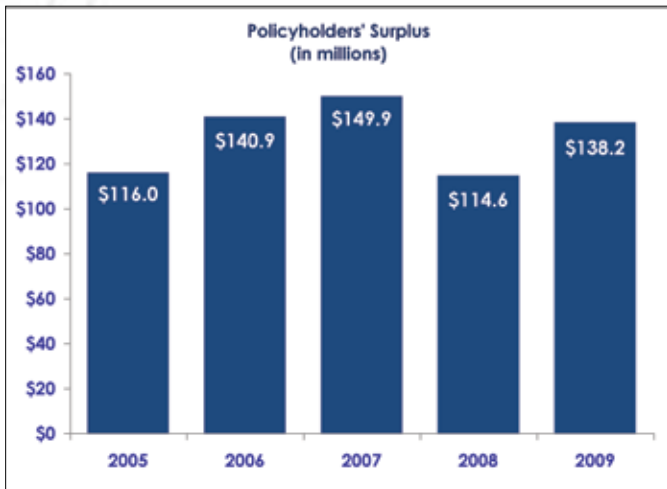


Invested assets	\$387m
Other assets	106m
Total assets	\$493m

RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2009

- Net income before net unrealized investment losses for the period was \$2.6 million and \$5.4 million for the years ending December 31, 2009 and 2008, respectively.
- Premium earned in 2009 was \$72.4 million compared to \$104.5 million in 2008. Declines in payroll exposures are the primary contributors of the overall decline in premium revenues, reflecting deterioration in economic conditions during 2009. This decline was offset by growth in new states.
- Net investment income was \$12.8 million and \$15.1 million for the years ending December 31, 2009 and 2008, respectively.
- Realized net gains (losses) on investment sales totaled \$2.8 million and \$(1.7) million for the years ending December 31, 2009 and 2008, respectively.
- Losses incurred were \$49.7 million and \$60.9 million for the years ended December 31, 2009 and 2008, respectively.
- Net (loss) income for the 2009 and 2008 periods include impairments and recognized losses on unsold securities, net of tax, of \$5.6 million and \$6.9 million, respectively. These adjustments reflect changes in market values on securities recorded during the year that are not expected to recover in value in the short-term and reflect general changes in the stock markets experienced during the first quarter of 2009 and fourth quarter of 2008.

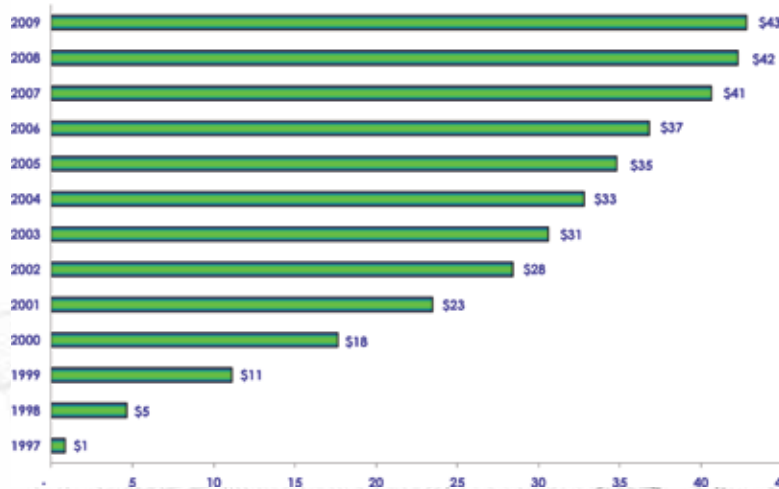
Income Statement (\$'000)	2009	2008
Revenue:	Audited	Audited
Premiums earned, net	\$72,443	\$104,549
Net investment income	12,800	15,053
Realized gains (losses) on investments, net	2,765	(1,676)
Other revenue	469	443
Total revenue	<u>88,477</u>	<u>118,369</u>
Expenses:		
Loss & loss adjustment expenses	49,699	60,917
Operating & administrative expenses	33,909	47,672
Interest expense & change in fair value of interest rate swap	2,050	2,235
Policyholder dividends	635	989
Total expenses	<u>86,293</u>	<u>111,813</u>
Income before income taxes & net unrealized investment losses	2,184	6,556
Income tax (benefit) expense	(411)	1,118
Net income before net unrealized investment losses	2,595	5,438
Net unrealized investment losses, net of tax	(5,621)	(6,946)
Net loss	<u>\$ (3,026)</u>	<u>\$ (1,508)</u>



Select Combined Statutory Financial Highlights,
For the twelve-month period and year ended December 31,

	2009	2008
Direct premium written	\$ 66,238,549	\$ 92,827,386
Net premiums earned	\$ 72,443,580	\$ 104,548,515
Underwriting (loss) income	\$ (10,154,080)	\$ 248,002
Combined ratio	122.2%	110.3%
Surplus as regards policyholders	\$138,246,648	\$114,607,537

Cumulative Policyholder Dividends Paid (millions)





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Atlanta, GA 31139

ABOUT BUILDERS INSURANCE GROUP

Insuring the Foundation of Your Business

More than 12,500 policyholders in residential and light commercial construction as well as a variety of non-construction fields rely on Builders Insurance Group to protect their most important assets – people and property. Over a span of nearly two decades of operation, the Company has evolved into a dynamic, financially secure and dedicated partner with a philosophy of providing outstanding products, backed by exceptional customer service and easy-to-use technology solutions. Headquartered in Atlanta, the Company delivers leading, innovative Workers' Compensation, General Liability and Property insurance through independent insurance agents to customers throughout the Southeastern, Mid-Atlantic and Midwestern states as well as Texas. Builders Insurance Group and all of its member companies are rated A- (Excellent) VIII by A.M. Best Company. For more information, please visit our Web site at www.bldrs.com.



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