

POWER BROKER: CAPTIVES



Frank Baer

CEO
AssuredPartners, Charleston, W. Va.

The Captive Makeover Artist

When a struggling captive group approached Frank Baer in 2011 to audit and produce a report on its program, little did he know that seven years later he would have turned around its fortunes.

The group was having problems with the structure of its rental-captive program that it had only set up two years earlier, as well as being saddled with an inequitable collateral formula. It also had a single provider acting as retail broker, captive manager, actuary and claims consultant.

Baer uncovered a multitude of problems within the program, and the group appointed him as its retail broker. Over the next six years he reformed the program, restructuring its risk sharing methodology and collateral allocation. Baer also improved the group's overall loss performance, focusing on its safety and risk control and active claims management.

Last year, he moved five of the group's six participants to a mature member-owned group captive, negotiating stair-stepped collateral requirements. As a result, each of their collateral positions was stabilized and their losses were reduced by 30 percent.

Baer also helped move client Kanawha Stone Company and its sister organization TERRADON Corporation into a captive program for property and casualty lines, enabling them to make significant cost savings and benefit from knowledge sharing within the group.

Kanawha Stone Company's president Tom Kittredge said: "As a lawyer who is also a broker, Frank is able to blend the arenas of contracts and insurance. This is extremely rare in our marketplace and has served our companies well."



DeAnna Buck, AFSB

Principal
EPIC, San Mateo, Calif.

Customized Captive Solutions

Logistics and distribution firm Performance Team had grown to become one of the largest members of its group captive, building \$3.5 million in equity and making millions of upfront cost savings in the space of just seven years.

But DeAnna Buck was convinced there was more she could do for her client. So she looked at the group's operating expenses and performance during that period and concluded that it should employ a cell captive that would maximize its funding and provide it with the flexibility to add other lines it was currently self-funding. It would also give the company greater control of its total cost of risk outside of the group model.

In her final summary, Buck presented her client with an option to layer a high deductible policy with its own captive, thus reducing the expenses associated with its program. It also enabled the client to customize its program to include its deductibles on fully insured policies, as well as to reduce its collateral drastically under the group model.

Another client of 10 years, Greystone Plastering, who Buck convinced to join a group captive, has also reaped the benefits of her experience.

"DeAnna is a great problem solver," said company president Mike Stonehocker. "She listens to the needs of the customer but is patient in allowing us to make the right decisions for our company. [She] is a smart individual who shows a great deal of applied talent in the area of captive insurance programs."



Ellen Charnley, CA

President, Managing Director
Marsh, Las Vegas

Unsurpassed Leadership on Captives

As president of Marsh Captive Solutions, spanning 50 domiciles and 400 employees servicing more than 1,200 captives, Ellen Charnley has a lot on her plate. Her role is to ensure that the right brokers with relevant expertise are matched to the right clients. In the past year she has focused on training those brokers to equip them with the right tools for the job.

On the client side, Charnley has also prioritized bringing innovative solutions and products to market, delivering benchmarking data and analysis to enable her clients to make informed decisions, and providing networking and educational opportunities.

Last year, she hosted Marsh's third annual captive lunch at RIMS to give clients a platform to discuss the latest trends and developments and meet with senior leadership. Charnley also launched a set of captive owner forums throughout the year to listen to clients' concerns and address their needs. In addition, she has worked directly with clients on everything from choosing domiciles to strategically reviewing their captive utilization.

Bill Baxley, SVP of finance and treasurer for Freeman, which has two captives in Texas and Hawaii that Charnley services, said: "Ellen understands our corporate culture, what will and will not be acceptable to our management team, and she helps us design solutions for the long run, knowing we must take baby steps when we begin a new product journey. Her experience in the industry gives her the breadth of knowledge to implement solutions that make sense for us while not wasting time pitching everything under the sun."



Kathryn Christensen

Senior Consultant, Risk Finance and Captive Consulting
Aon, Los Angeles

The One Clients Turn to for Captive Answers

A digital asset exchange approached Aon's Kathryn Christensen to do a feasibility study into using a captive to insure the assets it holds online. That entailed looking at a host of potential onshore and offshore domiciles and finding underwriters willing to write such hard-to-insure risks.

The client said: "Kathryn is very good at listening and understanding what our needs are. That, along with her industry knowledge and contacts, has enabled her to provide us with an array of potential solutions."

Another client, a consumer credit reporting agency, also engaged Christensen to carry out a captive feasibility study focused on its professional liability lines.

Through asking the right questions of the client, she was able to provide multiple options for where the company could deploy a captive.

The client said: "What impressed me the most was Kathryn's ability to quickly understand our business and then ask all of the right questions. Her inquisitiveness led us to consider the different ways to structure a captive and different utilities we can derive from having one that we've not considered before."

"Deploying a captive in different layers of our insurance tower is not a typical solution. But what blew us away was that she not only found and explained the layers where a captive could be utilized, but she already ran pro-forma financial statements to show us what the premium and expense would look like for the captive over the next four years."



Justin Felker, CIC, ARM, AAI

Area Assistant Vice President
Gallagher, Greenville, S.C.

Leveraging Captives to Maximize Success

Described by one client as "the best insurance broker I have ever worked with," Justin Felker is at the forefront of the captive market.

Five years ago, he helped wholesale and retail grocery firm W. Lee Flowers & Company implement a captive strategy that has stabilized its overall cost of risk and enabled it to be more flexible with its insurance coverage.

Despite some big losses and a tough renewal season, Felker negotiated lower operational costs and expanded the primary auto limit within the captive, allowing the company to create savings in its umbrella program.

W. Lee Flowers & Company's CFO Michael Weathersbee said: "Justin really goes above and beyond the call of duty. He makes multiple visits to our facility on an eight-hour round trip to keep up to date with the latest issues. His deep knowledge and experience of the industry have enabled him to quickly come to grips with the complex and multi-faceted business structure that we operate here."

Felker also helped client Warehouse Services extend its captive program by analyzing loss trends in-house for new acquisitions. He is also assisting the company in moving from its existing rental-cell captive to a single-parent structure.

His versatility also extends to putting together a captive program for another client, a group of New York horse trainers that was struggling to find coverage in the traditional market.



Jason Flaxbeard, CA, CPCU

Executive Managing Director
Beecher Carlson, Greenwood Village, Colo.

A Captive Expert Who Delivers

Global brands don't come much bigger than Coca-Cola, so when the company asked Jason Flaxbeard to help restructure its entire captive program, he knew he'd have his work cut out for him.

But he took it in his stride, helping the company to implement a cutting-edge program, streamlining its on and offshore captives to maximize its tax efficiency and capital usage, as well as educating the markets about its reinsurance requirements.

Stacy Apter, Assistant Treasurer at Coca-Cola, said: "Jason is a truly strategic partner who delivers on the complete package — from the thought process to engagement with all levels of stakeholder. He feels just like a natural extension of our risk management team."

Flaxbeard worked with another client, Vail Resorts, to review, amend and implement the fronting carrier arrangement in its ski pass captive program, resulting in an annual \$200,000-plus cost saving.

He also helped Marriott International combine its two captives, guiding the transaction team through all the financial, legal and regulatory hurdles, delivering large cost savings and efficiencies for the parent company. Michael Owens, vice president, risk finance at Marriott International Risk Management, said: "The captives were located in different domiciles and Jason's considerable knowledge of and contacts in both domiciles were critical success factors in planning and completing the effort. He is also just a terrific resource for us in raising and evaluating new product offerings and the strategic use of our captives."