

## POWER BROKER: CAPTIVES



**Amy DeJong, ARM, CWCS, AIS, ACI**

**Vice President, Risk Management  
HUB International, Sioux Falls, S.D.**

### **Alternative Solutions**

Excess auto liability is one of the hardest markets right now. That's what Norfolk Iron and Metal discovered during its latest insurance renewal, which threatened to bring about a significant rate increase for its transportation fleet.

When the company approached Amy DeJong about the problem, she immediately sought out alternative cost-effective solutions. One measure she proposed was a new excess auto liability group captive. By making the model simple to understand and helping the firm navigate the application process, DeJong enabled her client to quickly and seamlessly join the captive. The new program also made it possible to lower its insurance cost.

"Amy is the ultimate professional and continues to bring new ideas and solutions to us each year," said Brad Noel, CFO, EVP, Norfolk Iron and Metal. "In addition to always being available as a resource to us, she also brings extensive knowledge and a broad network base to continually provide value-added services to our company."

Having previously worked on the client side dealing with large self-funded programs and single-parent captives, DeJong knows what insureds need and where she can add value.

Another client, Michelle Killoran, CFO, VP of finance, Scheels, said: "Amy has played an integral role for several years in the risk management practices for Scheels. Her industry knowledge, coupled with her customer service and persistence, give us the peace of mind that she always has our best interests in mind and is a true strategic partner."



**Jason Flaxbeard, CPCU**

**Alternative Risk Leader  
Brown & Brown, Greenwood Village, Colo.**

### **Problem Solver**

Problem-solving is all in a day's work for Jason Flaxbeard. When waste management firm Recology came to him, it was struggling to monitor the performance of the various coverages within its captive. Flaxbeard recommended looking at each one separately. Going back 10 years, he ran a month-by-month analysis of each line to see which were profitable and which were underperforming. Then, the company was able to decide which ones it wanted to keep, expand or reduce its exposure to. "Jason is so well connected across the industry that he seems to know everyone and always knows exactly who to go to for any issue we need help with," said William Lyons Jr., vice president and senior director of risk management at Recology. "He also gets everything done in a timely manner and follows up to make sure that we're happy. Above all, he's just a highly professional and personable guy."

For another client, Flaxbeard met with management to define the material risks affecting the enterprise. After looking at all potential risks in one-, five- and ten-year increments, he was able to develop risk financing plans for each.

Early on, Flaxbeard realized that insurance would react to only a fraction of these risks, so he advised his client to use its captive to assume as much risk as it was comfortable with.

The captive also bought reinsurance to protect its regulatory capital, and any surplus was used to develop a financing strategy that enabled development of best-in-class techniques to understand and model emerging risks.



**Patrick Miller**

**Senior Client Executive  
Marsh, Albany, Ga.**

### **Strong Track Record**

Even with an exceptional loss history, companies may face difficulty in securing the right coverage at an affordable price in certain markets. That was Rainey Used Cars' recent experience. As one of the largest used automobile dealers in the Southeast, it has sought to capitalize on its strong claims record and robust risk and safety controls, which range from cameras on premises

and walk-through inspections to driver training and fleet manager interviews and job descriptions. But due to many carriers pulling coverage, insurance options were limited.

That all changed when Patrick Miller introduced the company to Marsh's alternative risk finance team and the group captive option. After carrying out a profitability analysis, he determined that the firm would be turning its insurance program into a profit center, enabling it to take control of its own program and make premium cost savings. "When Patrick first became our broker in 2020, he saved us about \$110,000 per year on insurance," said Thomas Rainey, CFO of Rainey Used Cars. "With our recent swap to the captive, our up-front premium remained about the same, but we should now earn back about \$160,000 of our premium if our loss rate stays consistent with our five-year average."

An expert in several different fields, Miller is also working with Georgia's Accountable Care Organization/Management Services Organization group of physicians, of which his client Albany Internal Medicine is a part, to develop a captive solution that will drastically reduce medical malpractice premium costs for the group.



**Justin Felker, ARM, CRM, AAI, AIT**

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

### **Premiums Saving**

A key benefit of captives is their ability to lower insurance premiums. That's something Justin Felker also has a track record of helping companies to achieve.

For Warehouse Services' September 1 renewal, he fully marketed all aspects of its casualty/captive program and 15-year captive relationship with its provider, PMA, including the fronting carrier, TPA and umbrella tower. He also proposed options to include coverage for a large trucking operation it had recently acquired within its enterprise program and captive.

After sourcing complete program options from four different carriers and seven different TPAs, Felker helped the firm achieve more than \$700,000 in fixed-cost savings on the primary casualty/captive program while keeping the same per-claim retention. Within the umbrella/excess program, he also moved the primary \$2 million layer into a transportation umbrella group captive. In the worst-case scenario, it would cost the same as renewing at a fully insured guaranteed cost rate. At best, it may provide an additional \$315,000 to \$780,000 in fixed-cost savings.

Felker's approach to client service is to seek out and leverage all possible resources, strategies and relationships in order to put together the optimal risk management program to both protect their balance sheets and enable them to grow their businesses. One client said, "He also takes advantage of every opportunity to read up on and learn through meetings and interactions about new strategies, risks, products and clients."



**Lauri Floresca**

**Senior Vice President, Management Liability  
Woodruff Sawyer, San Francisco**

### **Meta Versed**

Getting appropriate insurance coverage can be difficult, particularly if you're one of the largest companies in the world. That was exactly the challenge facing Meta's D&O program.

By early 2022, Meta — which had incurred several major claims since its initial public offering in 2012 and, as a high-profile company, was under a significant amount of international regulatory scrutiny — found that D&O coverage was becoming increasingly expensive and hard to come by. Lauri Floresca recognized that this unique challenge required a unique solution, so she designed a custom insurance program using a captive.

After a cross-industry group was successful in changing the law to allow Delaware-domiciled companies to use captives for Side A D&O coverage, Meta was keen to take advantage of the new flexibility it was afforded. So Floresca established a whole new market for the coverage, crafting what she calls a "Laser DIC" (difference in conditions) solution to cover the narrow area that wasn't protected by either traditional insurance or the captive, using \$100 million in capacity provided by a consortium of 13 D&O insurers.

As a result of her work, other companies can now benefit from the new market too. "Lauri does a nice job of managing our expectations and providing a balanced view of what to expect with our renewals and the pros and cons associated with each of the insurance options we are considering," said Janaize Markland, director of business risk and insurance, Meta. "She never feels shy about bringing ideas to the table."



**Nate Reznicek, ACI**

**Head of U.S. Distribution  
I-RE Miami, Miami**

### **Troubleshooter**

Convenience store operator Spinx Companies' captives were in a bad place. The previous structure was unfit for its purpose, and a degrading experience with its captive manager necessitated an immediate change. Enter troubleshooter Nate Reznicek, who was brought in to completely redesign the migration of the firm's captives to a new captive manager, successfully guiding his

client through the evaluation and selection process. The new design has eliminated the potential risks related to the tax deductibility of insurance premiums paid to the captives, reduced the amount of liability retained by the insured and resulted in the client retaining approximately 65% of its property and casualty policies' gross written premiums.

"Nate has essentially guided us in restructuring our program and enabled us to reap the benefits of leveraging our captives," said Chuck Yates, risk manager, Spinx. "We anticipate that, as a result of doing this, it has saved us somewhere in excess of \$500,000 annually."

Reznicek also extricated Royal Waste from an insolvent Cayman-domiciled captive insurance arrangement. The original transaction involved significant allegations of negligence and fraud by previous captive managers and consultants. Reznicek brought the transaction through liquidation in Cayman, novating the assets and liabilities into a Delaware-domiciled insurance company. He also commuted existing fraudulent policies, resulting in more than \$2 million in premiums being returned to his client, while the captive transaction enabled it to retain an additional \$4 million in premiums for the current year.