

POWER BROKER: CAPTIVES



Josh Clark, ACI

**Area Vice President
Gallagher, Brentwood, Tenn.**

No Stone Unturned

Cash flow is the lifeblood of every business. Josh Clark's new client was severely impaired by the deductible adjustments it had to make after its prior policy year loss funds were entirely exhausted. Clark knew he had to take immediate action.

He approached the market to see if other carriers could provide more competitive rates or structures. Having determined his client's incumbent was the most competitive, Clark looked at the option of forming a captive.

While the captive was a feasible alternative, the collateral obligations and initial investment required made it less favorable than traditional insurance. Instead, Clark negotiated a premium reduction of almost \$400,000 with the existing carrier while moving the client to a paid deductible program.

The end result was that the client transitioned to a monthly payment system, thus increasing its engagement with quarterly claims reviews. The loss picks derived from both the traditional and captive evaluations were also instrumental in guiding the finance department in accruing funds appropriately for impending payments.

Above all, however, Clark's forward-thinking solution has expedited the likelihood of his client adopting a captive in the foreseeable future. The client said: "Josh is excellent to work with, as is his knowledge base. He always takes a positive approach and is sensitive to time constraints, even during the holiday season."



Greg Jarrell, AINS

**Account Executive
Lockton, Los Angeles**

Art of the Deal

Acquisitions can be difficult at the best of times. But where a captive is concerned, they can be even more tricky. When a private equity client approached Greg Jarrell for help with such a deal, he faced a host of challenges. The client was acquiring multiple companies, one of which was already part of a captive.

Jarrell accessed the captive, ensuring the best option and creating significant value for his client. The upshot was that Jarrell not only reduced initial costs by integrating the new companies but also preserved the client's collateral posting, thereby saving it around \$400,000 annually. Additionally, the captive's \$2 million primary limits simplified the placement of umbrella coverage.

For another client that runs a chain of convenience stores and retail fueling centers, Jarrell incorporated a newly acquired IT firm into its captive program at minimal cost. The client later diversified into a wholesale fuel division, posing a unique risk profile challenge that it hadn't initially anticipated. By championing a tailored rating structure, Jarrell ensured that it wasn't charged higher retail rates, resulting in substantial cost savings.

JC Haning, VP at Captive Resources, who has worked with Jarrell on captive deals, said, "Greg is always presenting well in front of clients and knows what makes sense for them from a loss and premium standpoint, as well as having a strong knowledge of the insurance industry."



Steven Norton, CPCU, ARM

**Executive Vice President
Marsh McLennan Agency, Newnan, Ga.**

Troubleshooter

Steven Norton's client Alta Refrigeration was installing a refrigeration compressor for a cold storage warehouse, and in the process, some piping was damaged. Ammonia was released, several employees were injured, and there was significant property damage.

Alta's customer paid the loss with its insurance and then subrogated against it, despite the accident being caused by its own employee. As a result, Alta's primary and umbrella coverage paid almost \$11 million to settle the claim. This made the next renewal extremely hard for Norton's client.

At the time, he was in the process of forming a new heterogeneous group captive and was able to explain the circumstances of the loss and the low likelihood of a recurrence to its reinsurers. Subsequently, his client joined the captive as a founding member.

James Bacon, CFO at Sunbelt Marketing, who worked as a controller with Alta at the time, said, "Steven is super responsive. He will drive wherever needed to meet and discuss issues."

Another client, J Trucking, was paying high premiums on its auto liability despite having a loss ratio under 25%. Norton worked with the owner to put together a group captive program using the Marsh Fleet Solutions captive that priced the risk based on its own merits rather than market forces. The result was a lower premium for the fleet, and even if the client had a poor loss year, the captive premium in addition to a maximum assessment would have been about the same as its traditional renewal.



Julie Patel, ARM

**Senior Vice President
Marsh, Houston**

Adopting a Holistic Approach

There's almost no aspect of captive insurance that Julie Patel hasn't dealt with. When her client Knife River Corporation, a construction materials and contracting provider, was spun off by its parent company, Patel, having led the captive efforts pre-spin-off, was engaged to discuss the various options with her client and its tax advisors and weigh up the pros and cons of each.

She carried out a captive feasibility study outlining the financial and operational benefits, cost and tax considerations, and program structure, as well as a domicile analysis. Knife River decided to form a new captive in Utah, and Patel coordinated discussions between the client, the regulators and other service providers, such as the actuary and local attorney, to ensure it was swiftly established given the time sensitivity of the spin-off.

The captive services provided proved to be an integral part of the client's insurance program and strategy. Joshua Jeffers, risk manager at Knife River, said: "Julie's customer service is top notch. She always comes up with timely and thoughtful responses."

Patel was also instrumental in leading a captive feasibility study for another client, Toyota Financial Services, looking at other ways that it could best utilize its captive. The results have provided her client with the support needed to expand its use of the captive.

Chad Jenkins, dealer lending and insurance manager at Toyota Financial Services, said that "Julie's knowledge is exceptional. She can answer most of my questions off the top of her head, and she's also well versed in exactly what we do as a company."



Tony Spina

**Commercial Lines Producer
IOA, Elgin, Ill.**

Crunching the Numbers

Construction temp and staffing agency Tradeco Construction's insurance was previously written directly by an underwriter. The problem, however, was that its coverage didn't meet its specific needs.

So the company approached Tony Spina to look at some options. After assessing Tradeco's insurance requirements, Spina proposed switching to a captive account and provided a comparative analysis to show the equity that would have been gained if it had established a captive policy five years earlier.

Another client, employment agency HyR-Up Solutions, decided to engage Spina's services to help it maximize the equity in its captive program. He worked closely with the client to ensure its profits were being maximized and renewed its client list, finding many class codes that had been incorrectly applied. After fixing the errors, his client achieved considerable annual premium savings. Erin Jarnebro, risk manager at HyR-Up, said, "Tony is absolutely fantastic at showing up and helping us along the way, making sure that we understand the best way to do something."

There is seemingly no end to Spina's talents. He also helped Jeffrey Kubas, president of Wage Solutions, to use the company's captive to establish a new entity that would ensure a seamless transition for any future transition of ownership.

Moving forward, the entity will accumulate equity while the family business will retain its historical equity and liabilities.



Anne Marie Towle

**CEO, Global Risk and Captive Solutions
Hylant, Indianapolis**

Educating the Client

Facing a hard market and capacity constraints, Topco Associates, a member-owned cooperative of 45 grocery chains, needed to relieve financial pressure and leverage purchasing power for its members to drive savings and remain competitive.

It called on Anne Marie Towle to deliver a solution. In collaboration with Milliman, the actuarial firm, Towle presented a proposal to her client that used a sponsored captive structure to aggregate purchasing power and pass savings on to members within the insurance arena. Topco decided to run with her idea and launched a feasibility study.

Key to the captive's success was the member engagement and education process throughout the study. Recognizing that the long-term success of a captive depends on the education of its members, Towle built in an educational element to the study, explaining to members how using a captive compares to buying traditional insurance.

By doing so, she was able to ensure a strong, long-term captive strategy that was understood and supported by its members.

The net result was that the captive enhanced operational efficiencies by making sure members were properly accruing savings for future losses.

Another client said: "Anne Marie is always readily available. She's always bringing new ideas on how we can further improve our risk financing programs and is a renowned thought leader within the risk management and insurance industry."