

# Capitalize on your Superior Risk Management Program In a Captive

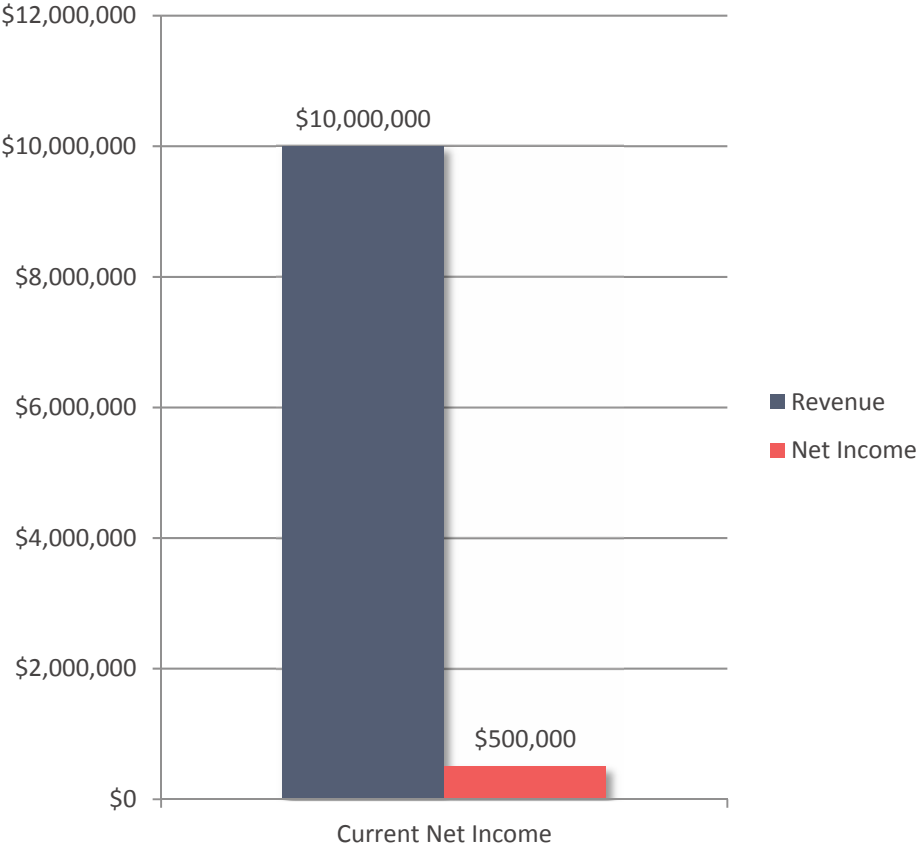
November 16, 2016

Presented By | Danny Badovinac, Captive Development Coordinator

Cottingham & Butler

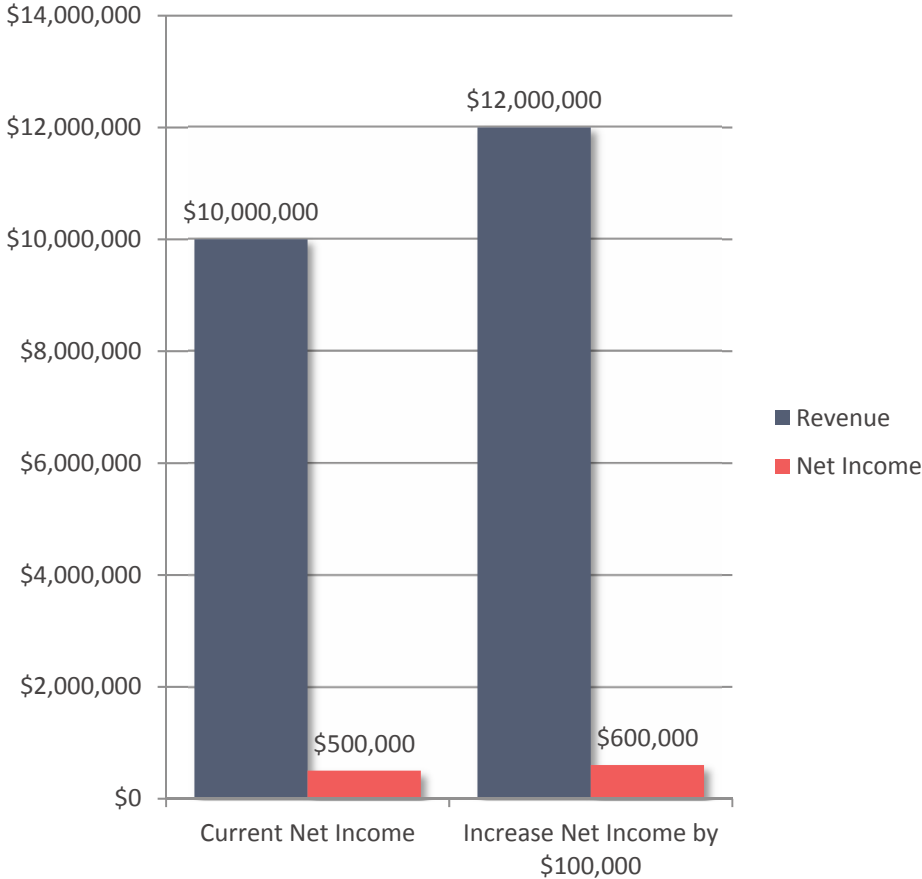
# INCREASING YOUR BOTTOM LINE

How much additional revenue would you need to earn to add \$100,000 to your bottom line?



# INCREASING YOUR BOTTOM LINE

At a 5% profit margin, you would need \$2,000,000 in additional revenue.



## YOUR BUSINESS' TOP EXPENSES

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**Payroll**

**Employee Benefits**

**Employee Recruitment**

**Equipment/  
Depreciation**

**Cost of Goods Sold**

**Fuel**

**Advertising**

**Overhead**

**Taxes**

**Insurance**

# YOUR BUSINESS' TOP EXPENSES

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## HOW CAN YOU IMPROVE YOUR BOTTOM LINE?

**Payroll**

**Employee Benefits**

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**Equipment/  
Depreciation**

**Cost of Goods Sold**

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**Advertising**

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**Taxes**

**Insurance**

# C&B CAPTIVE CREDENTIALS

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- 7 Member-Owned Group Captives since 1993
- Currently 215+ members
- More than \$170 million of premium
- \$115,000,000 in dividends returned
- Administer the two largest transportation captives in the world
- 99% Retention
- Expert claims administration
- Proven safety services
- Network of resources



# Captives As A Profit Center

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# BUILDING EQUITY IN YOUR INSURANCE PROGRAM

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## GUARANTEED COST/LOW DEDUCTIBLE PROGRAM

- Premium paid is all sunk cost. An uncontrollable expense.



## CAPTIVE PROGRAM

- Portion of premium is allocated to operating costs. Other portion is allocated to loss funds.





## SAMPLE MEMBER

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SAMPLE MEMBER IS PAYING \$550,000 IN TOTAL PAY-IN PREMIUM

**OPERATING COSTS**  
**\$250,000**

### OPERATING COSTS

- Reinsurance
- Claims handling fees
- Broker commissions
- Other administrative expenses

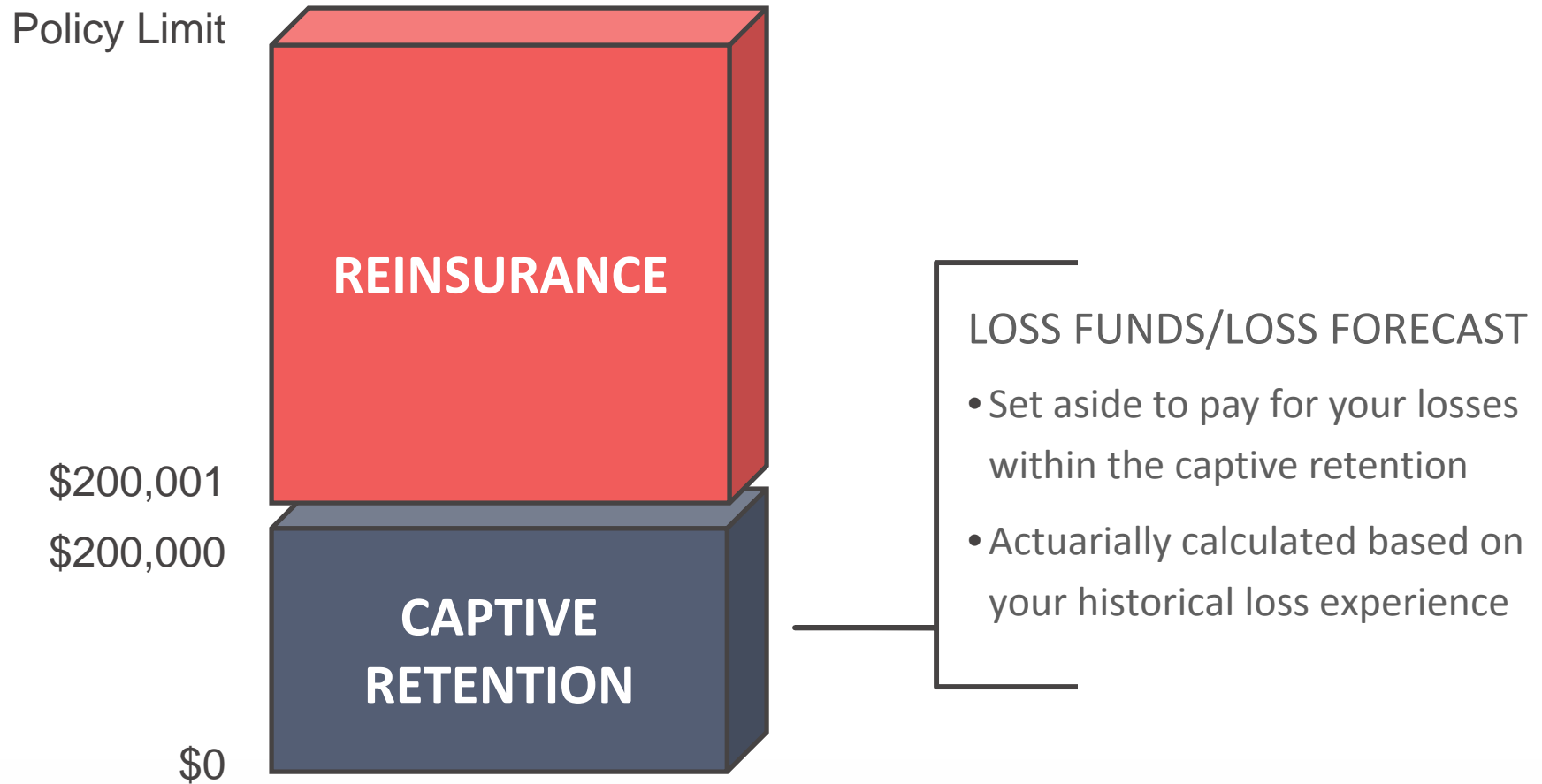
**LOSS FUNDS**  
**\$300,000**

### LOSS FUNDS

- Loss forecast determines \$300,000 is needed to cover losses that fall within captive retention.

# LOSS FUNDS AND CAPTIVE RETENTION

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## SAMPLE MEMBER: A TYPICAL LOSS YEAR

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SAMPLE MEMBER INCURS \$200,000 OF CLAIMS WITHIN THE CAPTIVE RETENTION



### LOSS FUND ACCOUNTING

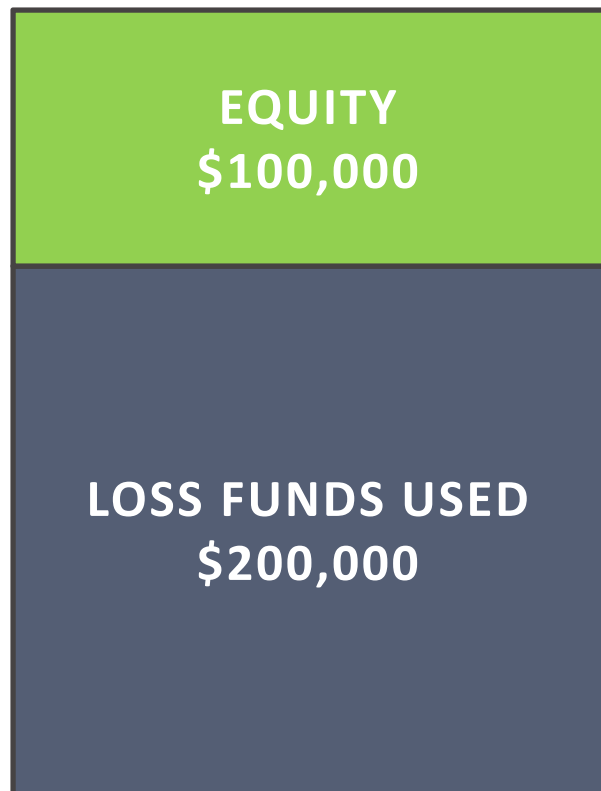
\$300,000 Beginning Balance

- \$200,000 Losses Incurred within Captive Retention

## SAMPLE MEMBER: A TYPICAL LOSS YEAR

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SAMPLE MEMBER INCURS \$200,000 OF CLAIMS WITHIN THE CAPTIVE RETENTION



### LOSS FUND ACCOUNTING

\$300,000 Beginning Balance

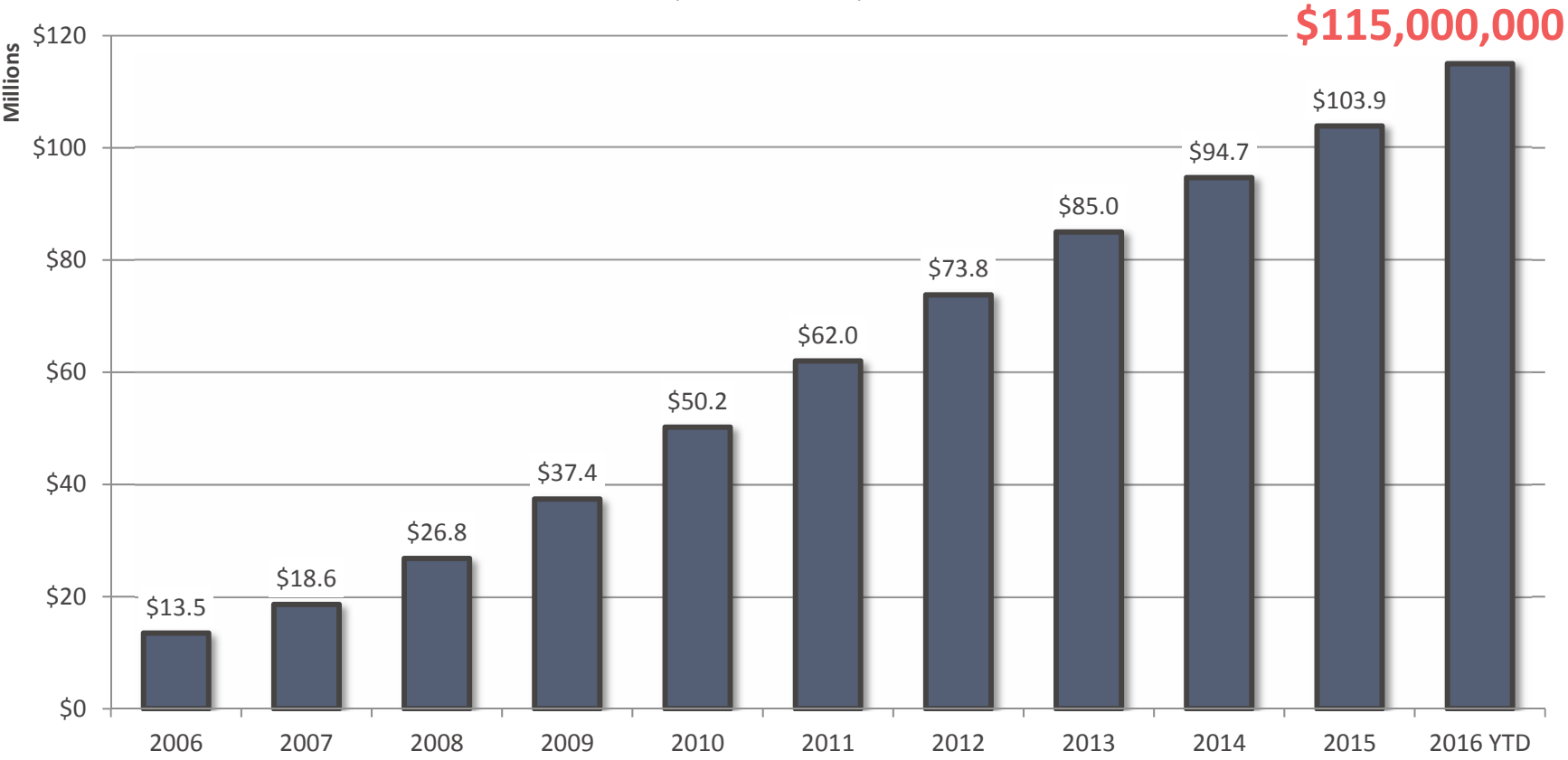
- \$200,000 Losses Incurred within Captive Retention

**\$100,000 Remaining Equity**

*This is previously what your insurance carrier would claim as profit.*

# HISTORICAL DIVIDENDS

Cumulative Dividend History  
(Last 10 Years)



Over **\$164,000,000** in shareholder's equity not yet declared as dividends



# Captive Services To Increase Equity

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## AGGRESSIVE CLAIM COST REDUCTION TECHNIQUES

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- Intensive claim fact discovery and subsequent firm denial

**37.9%** of liability claims closed with \$0 payment to claimants over the last five years

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- Medical Bill Reviews reduce claims costs and pass the savings on to you

Net Medical Bill Review savings of **43.5%**

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- Nurse Case Management ensures appropriate and necessary treatment

Average ROI of **6:1** per NCM engagement

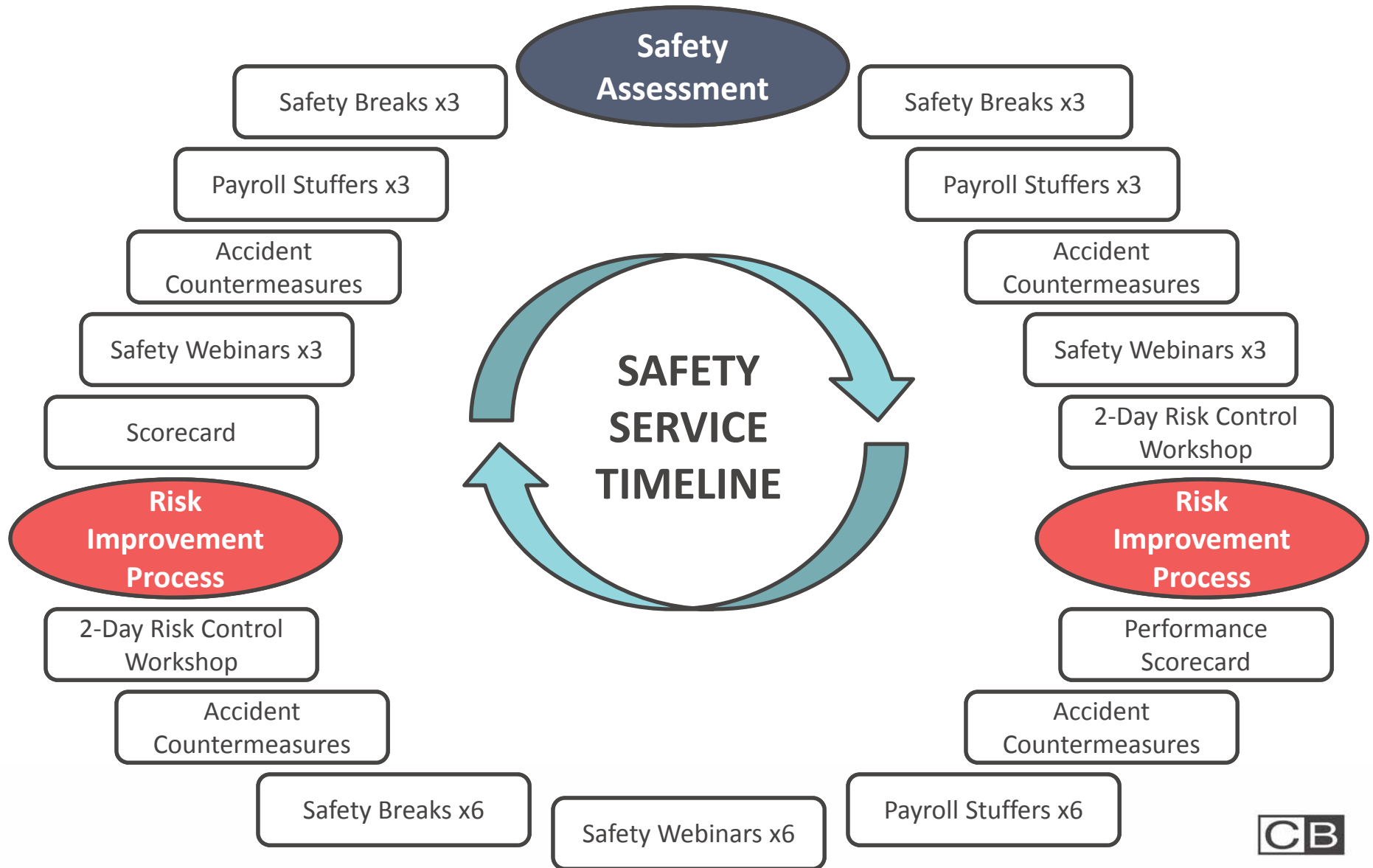
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- Subrogation/Recoveries pursued and achieved at no additional cost

Over **\$7,000,000** in claim recoveries from at fault parties over the last five years



# INDUSTRY LEADING SAFETY CONSULTATION



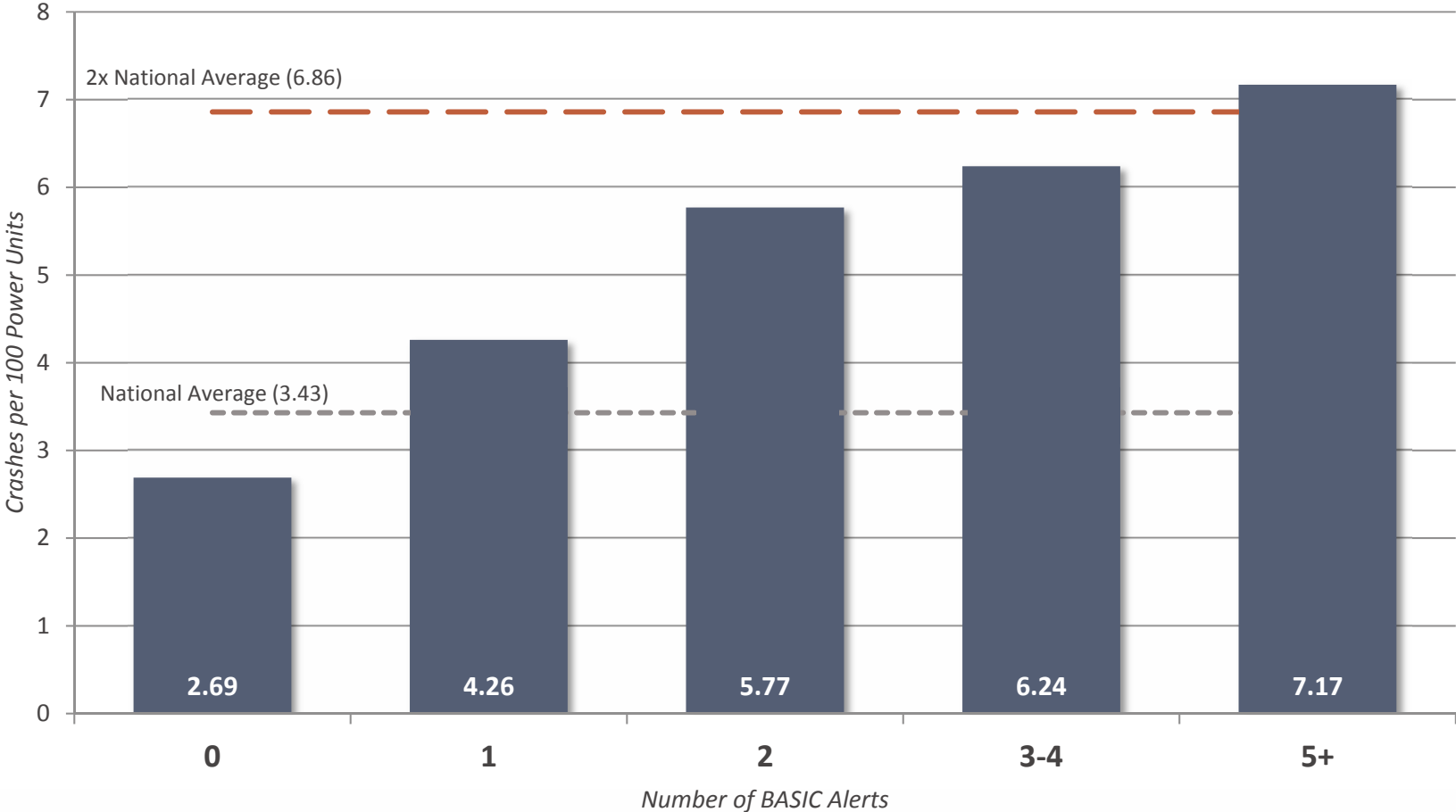


# Increasing ROI On Your Other Investments

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# CORRELATION OF SMS BASIC ALERTS AND CRASHES

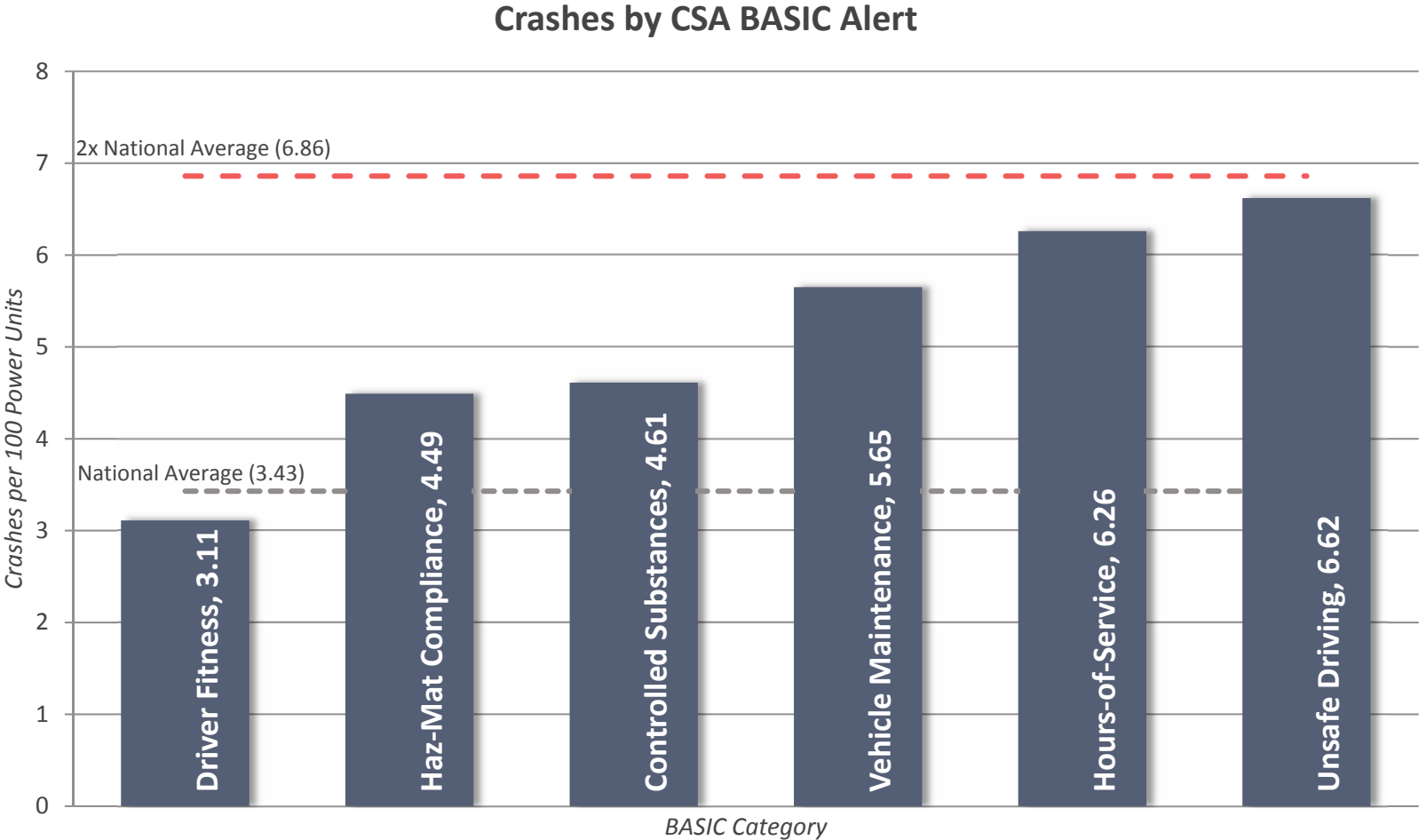
### Crash Rate by Number of BASIC Alerts



Source: CSMS Effectiveness Test by BASICS; January 2014



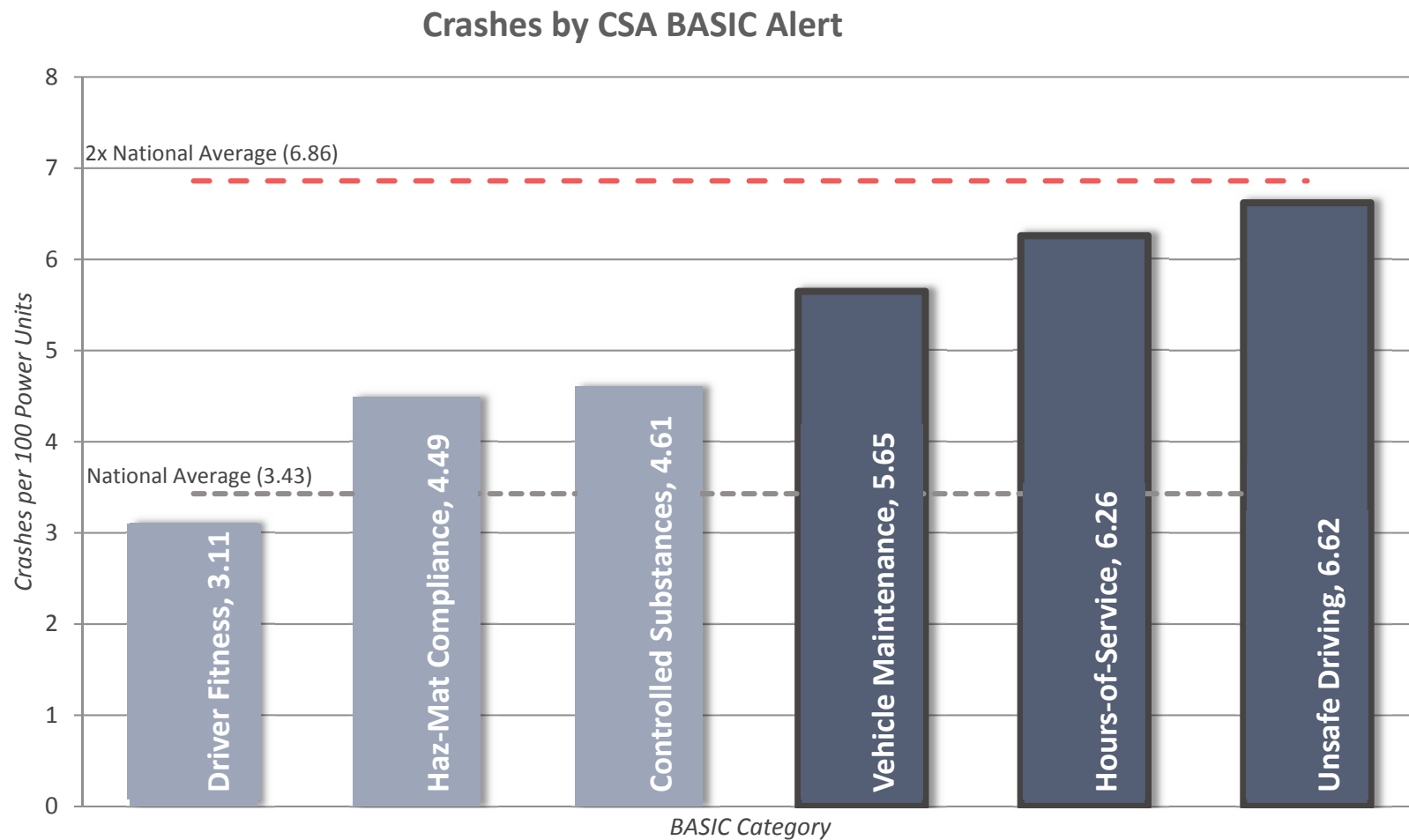
# CORRELATION OF BASIC SCORES AND CRASHES



Source: CSMS Effectiveness Test by BASICS; January 2014



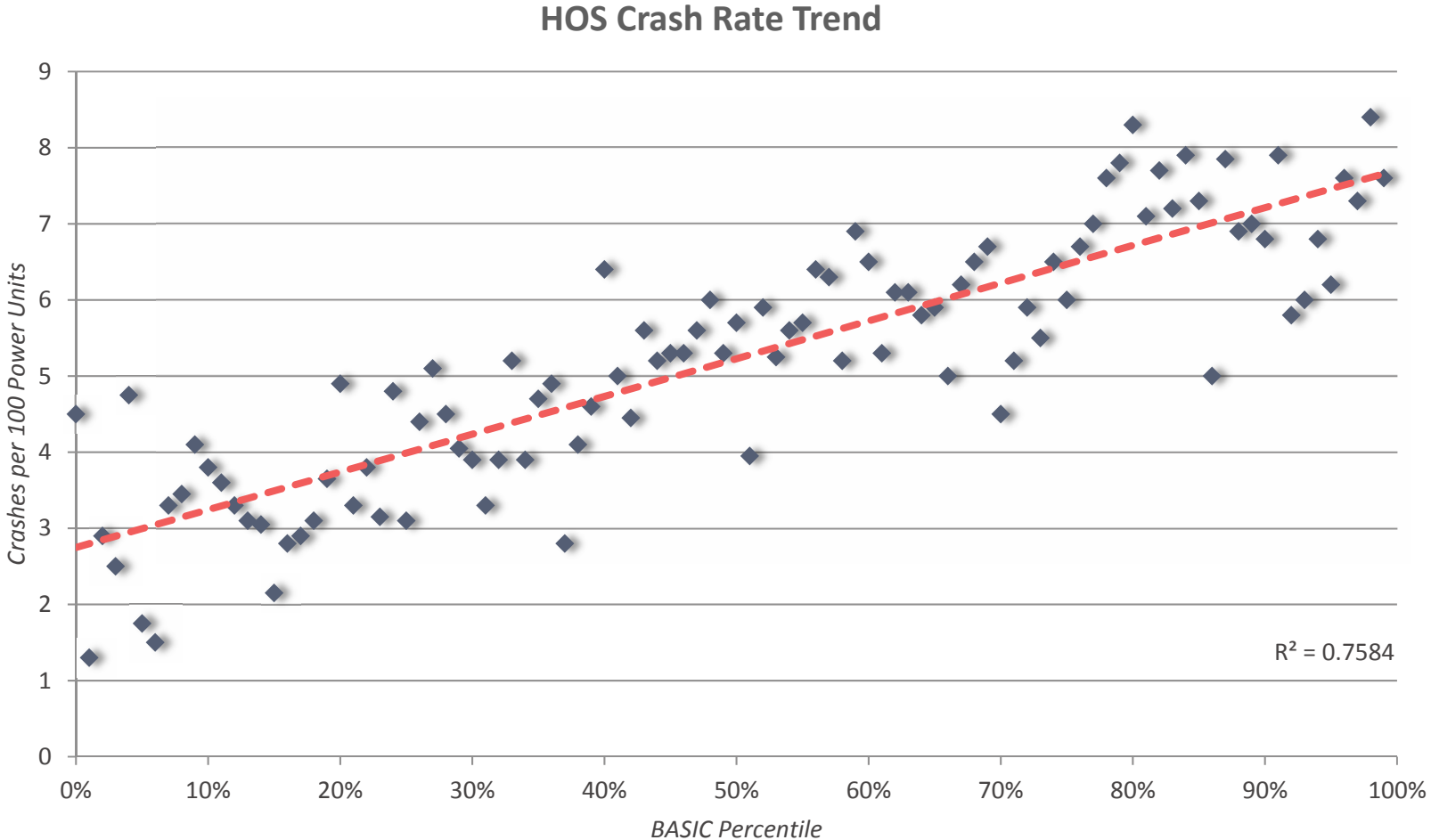
# CORRELATION OF BASIC SCORES AND CRASHES



Source: CSMS Effectiveness Test by BASICS; January 2014



# HOURS-OF-SERVICE COMPLIANCE CRASH CORRELATION



Source: Carrier SMS Effectiveness Test by BASICs; January 2014



# IMPLEMENTATION OF E-LOGS

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## Greater Efficiencies

- Reduced downtime
- Decreased fuel costs
- Increased driver satisfaction

*Approximate cost of  
\$500 per vehicle.*

## ROI in a Captive Insurance Program

- Lower crash frequency and loss rates, capture of underwriting profits.

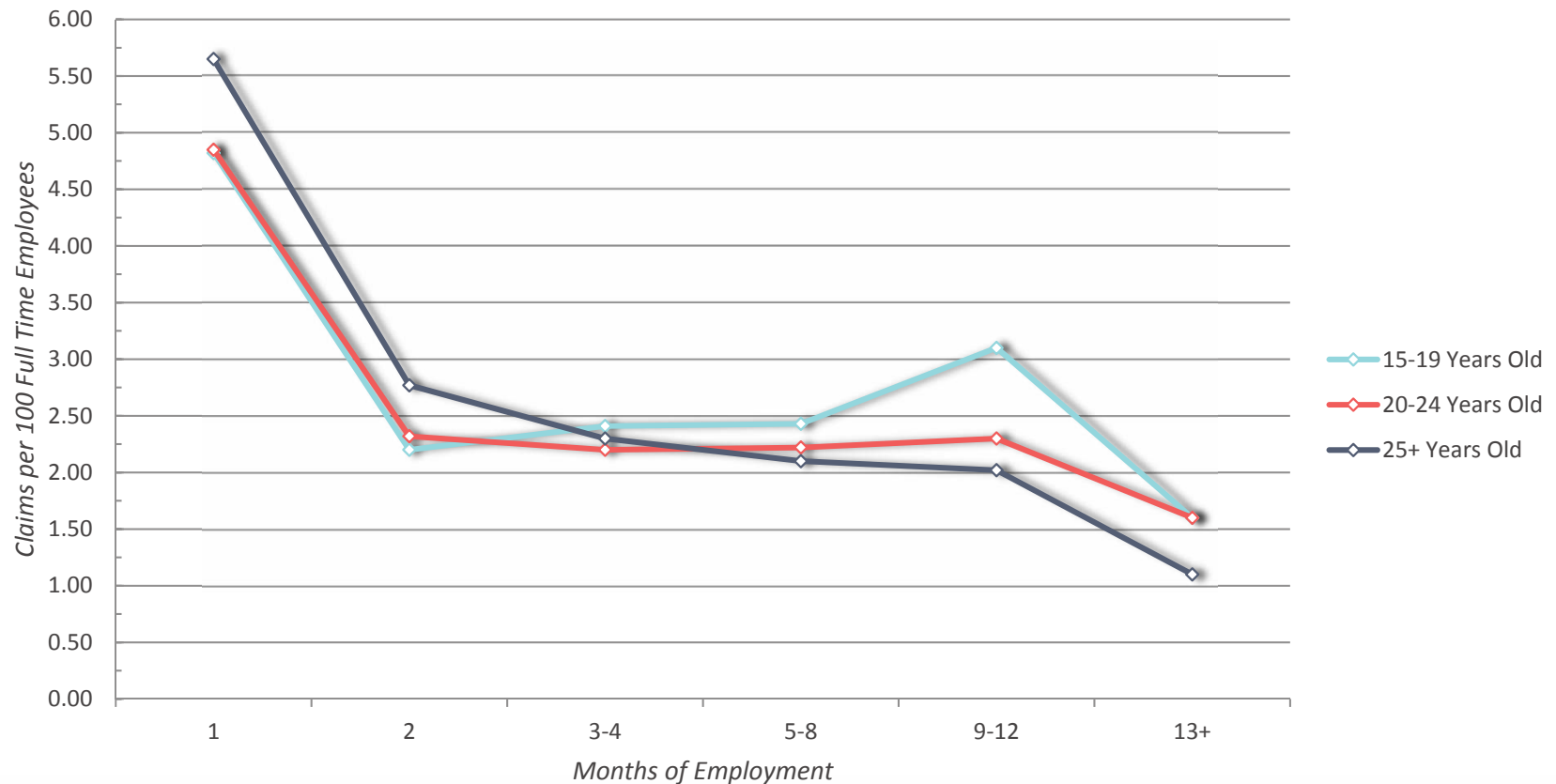
# PRE-EMPLOYMENT PROCESSES/NEW HIRE TRAINING

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# FUNCTIONAL CAPACITY EXAMS

Injury rates are **4-6x** higher in the first month on the job than those employees with tenure greater than 12 months.



Source: Breslin FC, Smith P. Trial by fire: a multivariate examination of the relation between job tenure and work injuries. *Occup Environ Med.* 2006





# TELEMATICS

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## Benefits

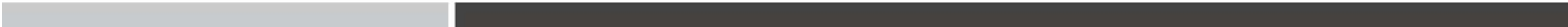
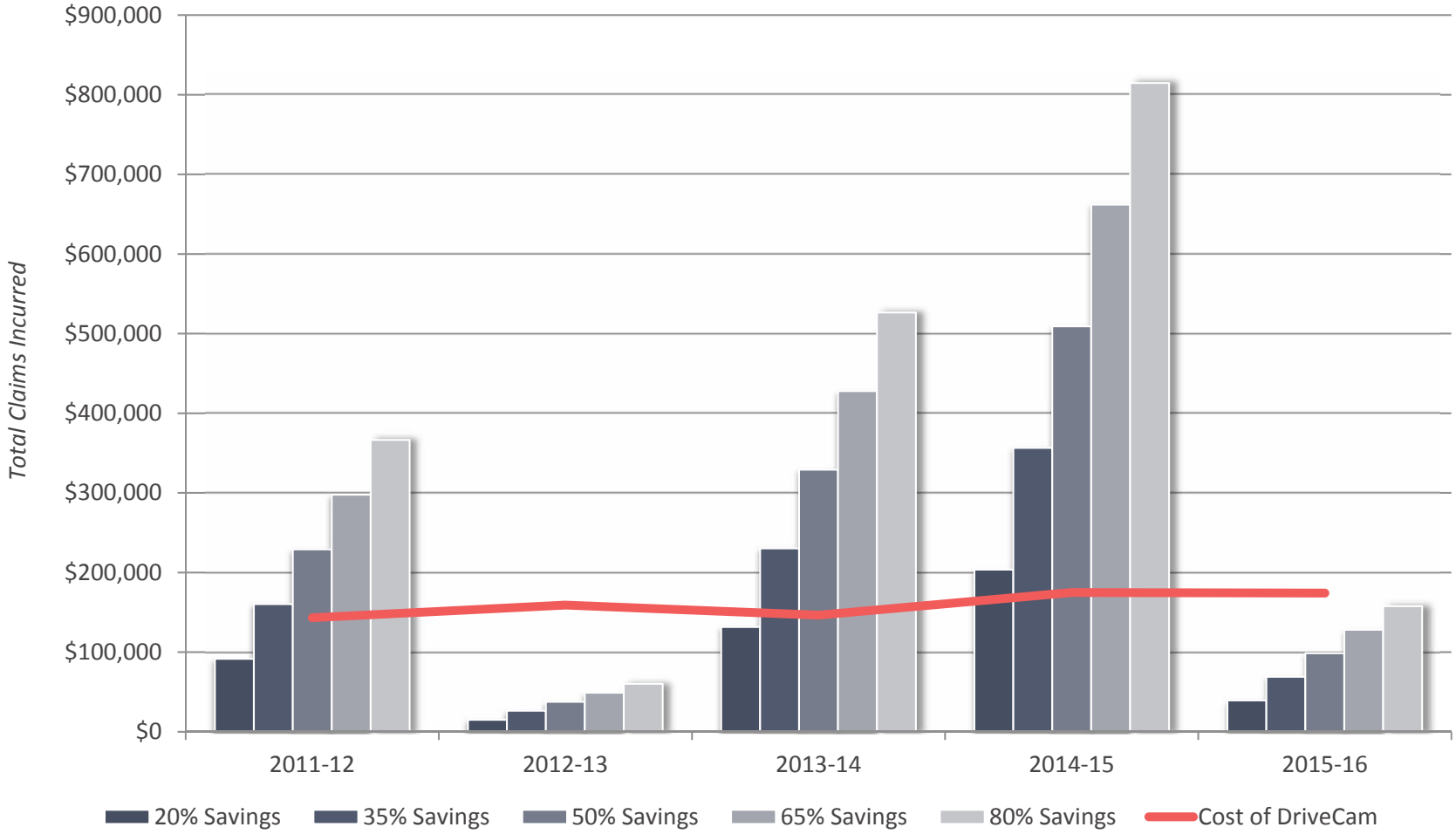
- Reduction in crashes
- Improved driver behavior
- Driver exoneration/retention

*Approximate cost of \$55  
per vehicle per month.*

## ROI in a Captive Insurance Program

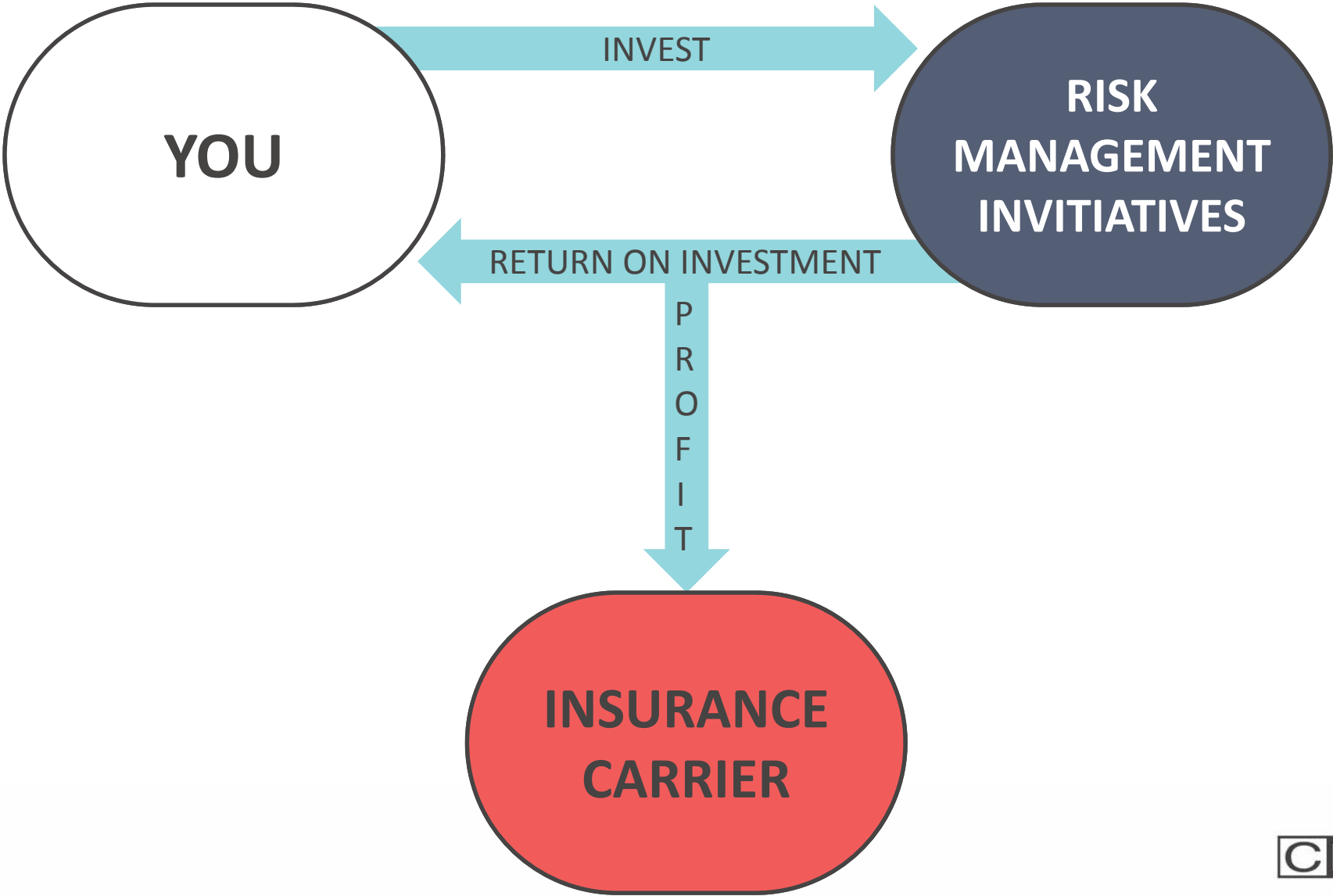
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# TELEMATICS: COST-BENEFIT ANALYSIS

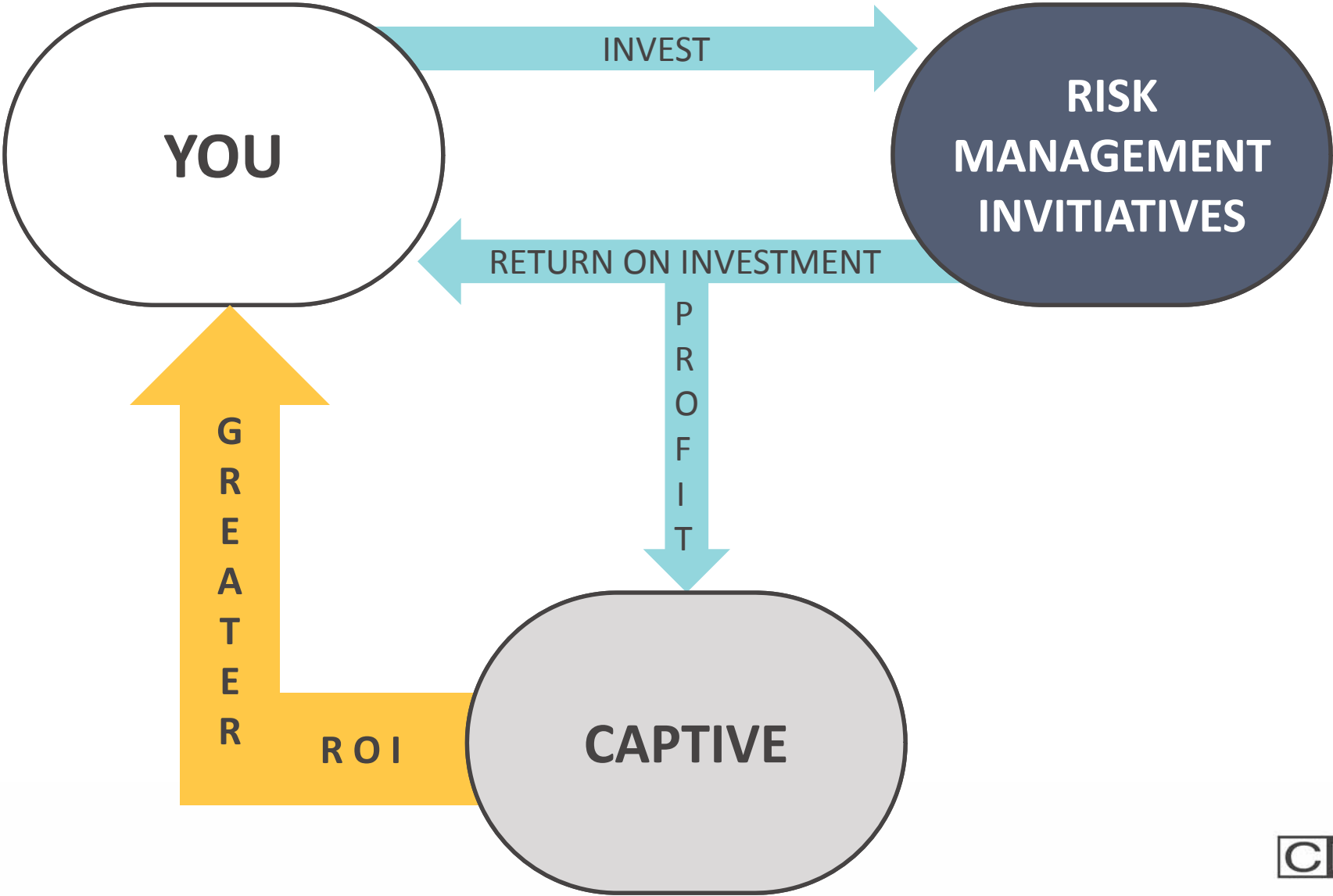


# WHO'S CAPITALIZING ON YOUR RISK MANAGEMENT INITIATIVES?

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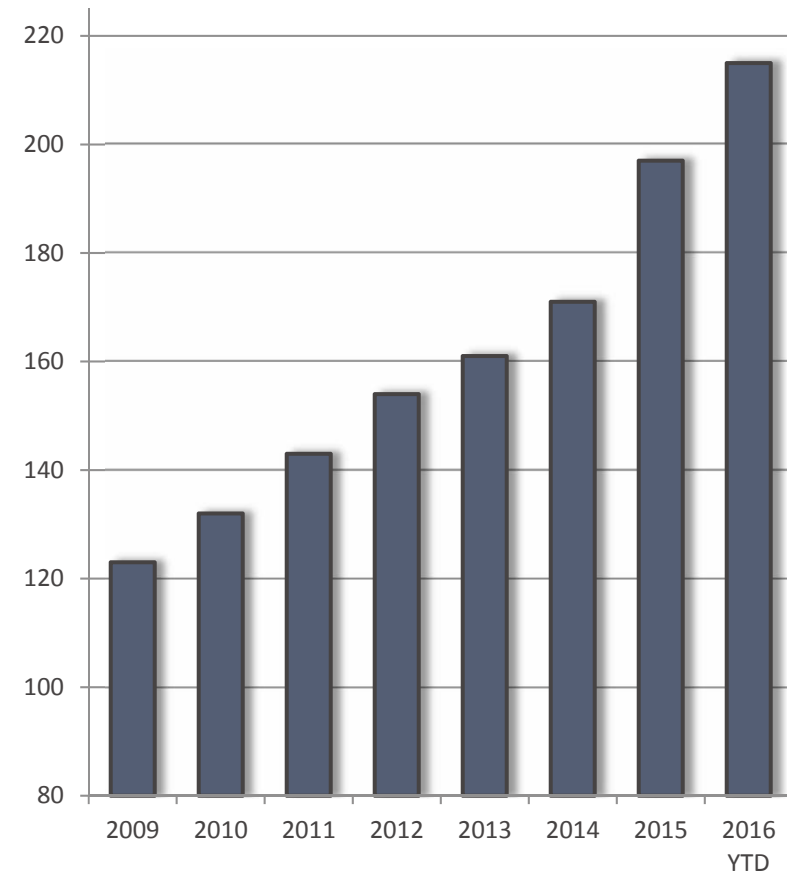
# ARE YOU READY TO CAPITALIZE IN A CAPTIVE?

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- Are you dedicated to reinvesting in your risk management programs?
- Do you want to increase your ROI?
- Are you ready to take a calculated risk and build equity in your captive insurance program?

JOIN THE 215+ CAPTIVE MEMBERS WHO HAVE ALREADY CAPITALIZED WITH COTTINGHAM & BUTLER.

Historical Member Growth



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## QUESTIONS?

Please contact your C&B Representative



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