

Captives for Contractors

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PRESENTER



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WHO WE WORK WITH

15,000 Owner Operators in over 300 Trucking Companies



WEBINAR TOPIC

Discover value of captives for owner operator insurance

- Legal way to profit from owner operator premiums
- Benefits to trucking company and owner operator
- Is the Risk worth the Reward?

IS IT LEGAL?

Absolutely!

Premiums paid to **Insurance Company** in exchange for a policy

Captive receives a portion of the premiums from the **Insurance Company**

In exchange for those premiums, **Captive** assumes “risk” of paying some portion of claims by “reinsuring” the **Insurance Company**

Underwriting profit or loss retained by **Captive**

Insurance Company still:

- Underwrites
- Issues policies
- Adjusts claims – or third party claims administrator

Captive is not visible to Owner Operator

Owner Operator gets same “traditional” **Insurance Company** policy

WHAT INSURANCE POLICIES ARE WE TALKING ABOUT?

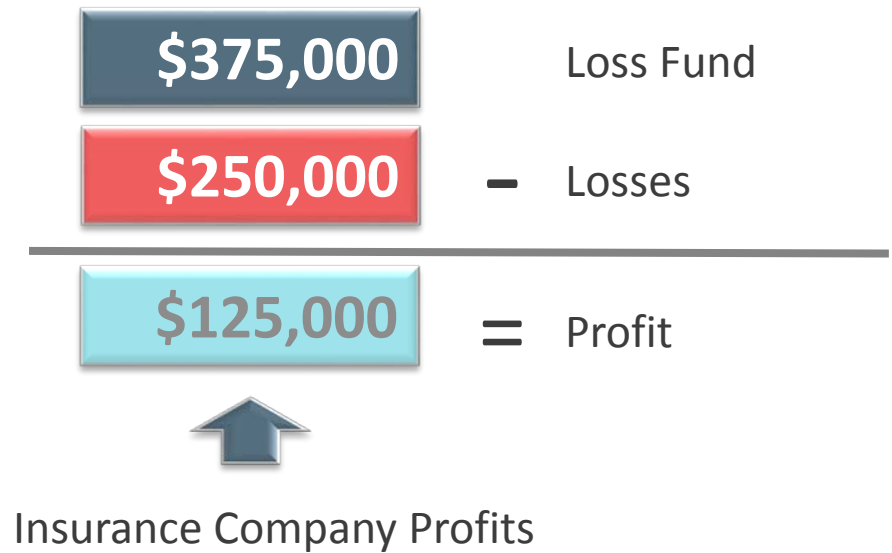
Any policy related to owner operators

- Occupational Accident
- Contingent Liability
- Non-Trucking Liability
- Physical Damage
- Deductible Buyback
- Others...

HOW DOES TRADITIONAL INSURANCE WORK?

TOTAL PREMIUM: \$500,000	
25%	75%
Expenses \$125,000 (tax, admin, front)	Loss Fund \$375,000 (Used to pay claims)

HOW DOES TRADITIONAL INSURANCE WORK?



HOW CAN YOU PROFIT?


Captive shares risk with Insurance Company on “quota share” basis

Percentage split of premium, expenses, and loss fund

Most common split is 50/50

HOW CAN YOU PROFIT?

Total (100%)		Insurance Company (50%)	Your Captive (50%)
\$375,000	Loss Fund	\$187,500	\$187,500
\$250,000	- Losses	\$125,000	\$125,000
\$125,000	= Profit	\$62,500	\$62,500


 Captive keeps portion of profit instead of insurance company

IS THE RISK WORTH THE REWARD?

What happens when losses exceed the loss fund?

- Captive pays additional money to cover their quota share % of losses
- Collateral, captive surplus, or assessment funds are used
- Reinsurance protection can be purchased

IS THE RISK WORTH THE REWARD?

Are these policies profitable?

- April 2016 C&B study
 - \$50,000,000+ premium
 - 702 policies
 - 2010-2015 policy years
 - **51% Occupational Accident loss ratio**
 - **43% Non-Trucking Liability & Physical Damage combined loss ratio**
- Insurance Carrier data
 - **25%-69% Occupational Accident loss ratio range**
 - **43%-63% Non-Trucking Liability & Physical Damage combined loss ratio range**
- Even at 69% loss ratio, your captive would still profit

Undeveloped loss ratios

IS THIS FOR ME?

\$500,000 minimum premium

Below 60% 5 year loss ratio

Financially sound trucking company with ability to post collateral

Stable or growing owner operator fleet

First step – work with C&B to develop a custom captive pro-forma analysis based on your program

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QUESTIONS?