

Case study - Complex (Re)Insurance

Artex helps a large waste management and power generation company insure – and ensure – its future

THE SITUATION

A large solid waste management regional authority involved with various alternative energy initiatives that manages more than 1 million tons of waste each year was facing a significant challenge. Its primary and excess property insurance premiums had more than doubled the prior year, and its previous insurer would no longer cover its full level of risk, given a strategic realignment of the insurer's commercial business.

The insurance market had been tightening for waste management and recycling businesses for some time, with a smaller number of carriers willing to cover the industry, sharply increasing premium costs and shrinking coverage.

Despite the industrywide insurance challenges, the company had few significant claims and a long-standing, highly successful loss control process in place. In insurance speak, it constituted a superior risk, despite being in a difficult class. However, if its inability to secure sufficient insurance to offset the risks of the business persisted, the company could have seen business operations impacted. Insurance is essential to continuity of operations, so the company was at a crossroads, despite having a robust and diversified business, green operations practices, and long-term community sustainability. It needed some new options to ensure the long-term viability of its insurance program.

THE SOLUTION

The company reached out to Artex to help think through, plan and execute a new, long-term way to manage risk:

- The company engaged Artex to perform a single-parent captive (SPC) feasibility study to determine if substantial limits could be attained via direct and facultative (re)insurance.
- Artex coordinated third-party engineering site reviews to examine risk issues that had been flagged in the past by global carriers, as well as to address emerging risk issues. With these site visits and well-documented risks, Artex was able to tell the story to (re)insurers.
- Artex assembled a layered, syndicated (re)insurance panel with more than a dozen different (re)insurance companies participating in the \$250 million risk transfer.
- Artex examined options for policy fronting – a risk management technique in which an insurer underwrites a policy to cover a specific risk, and then cedes the risk to a (re)insurer. The client was able to direct issue its policy from the newly formed captive, thus saving fronting costs and collateral requirements.
- Artex helped the company form a SPC insurance company, an insurance company set up exclusively to insure its own company's risks.
- Artex helped the company evaluate domicile options, as well as various service providers needed to support an SPC over time. The company chose to domicile its captive in Vermont, a state at the forefront of the captive insurance industry.
- Artex created a manuscript policy of insurance to provide broader coverage than the expiring program.

RESULTS

The company's SPC was granted a license by the Vermont Department of Financial Regulation. Artex manages the newly formed captive.

The captive means that the company insures some of its own risk; the first million dollars of losses is paid through the captive. If there are no losses, the company retains that money. In short, the captive offers the company the potential to help its bottom line while earning investment income on the account.

With its captive insurance company and a shared, layered global (re)insurance panel, the company has a long-term, diversified and flexible risk solution that can provide stable risk capacity over time.

The captive and (re)insurance panel enable the company to access coverage features covered by (re)insurers that are not covered by traditional markets.

An added bonus? A syndicated solution with multiple (re)insurers benefits from varying views of the organization's risk, informed by (re)insurers' experiences at similar companies. This feedback can be invaluable in staying apprised of industry risks.

The company has always been highly motivated by quality and risk management but, now more than ever, controlling risks is fully aligned with business outcomes. Ultimately, this alignment leads to a stronger-then-ever culture of accountability, lower premiums and better decision-making.

THE ART OF RISK

At Artex, we believe there is more to alternative risk management. As a trusted leader and provider of diverse (re)insurance and ILS solutions, our global team operates at the intersection of art and science—where creative thinking meets expertise and superior outcomes are made. That's how we're able to fully understand our clients' needs and deliver the most comprehensive solutions available.

Established in more than 35 domiciles internationally, we're here to help you make empowered decisions with confidence, reduce your total cost of risk and improve your return on capital. At Artex, we believe in finding you a better way.

Artex provides risk transfer consultation and alternative risk management solutions for our clients. When providing analysis, recommendations or advice regarding risk implications and risk transfer strategy, we offer it as general recommendations for risk mitigation and to limit financial exposures. Any statement or information provided is for informational purposes and is neither intended to be, nor should it be interpreted as, insurance broker, tax, financial, legal or client-specific risk management or mitigation advice. We recommend consultation with tax, legal and financial advisors for business-specific advice for your company.

Artex Risk Solutions, Inc. Entity License No. 100307031

© 2022 Artex Risk Solutions. All rights reserved. No part of this document may be modified, reproduced or transmitted in any form or by any means, electronic or mechanical, including photocopying, recording or otherwise, without the prior written permission of Artex. Nothing shall be deemed to be an assignment or grant of a license directly or by implication of any copyright and any confidential information disclosed remains the property of Artex. | ATX42065

Artex

artexinfo@artextrisk.com

+1 630.694.5050

artextrisk.com