

CAPTIVE & INSURANCE BUSINESS TRANSFER
CONFERENCE



OKLAHOMA CITY

EPIC

An Oklahoma Captive Success Story



Presenters

Angela Ables – Managing Partner,
Kerr, Irvine, Rhodes & Ables, P.C.

Jeff Rycroft – VP Risk Management,
Express Services, Inc.

Mark Morris – Senior Vice President,
Lockton Companies

Andrew Marson – Managing Director,
Strategic Risk Solutions, Inc.



Express Employment Professionals

Express Employment Professionals is a leading staffing provider in the U.S., Canada, South Africa, Australia, and New Zealand. Every day, we help job seekers find work and help businesses find qualified employees.

Founded in 1983, Express annually employs more than half a million people across 850 franchise locations worldwide. Our long-term goal is at the heart of our company's vision, to help as many people as possible find good jobs by helping as many clients as possible find good people.

Express Founders

In 1983, Bill Stoller (right) and Bob Funk (left) founded Express Employment Professionals with a determination to do business differently.



Purpose

In 2011, Express's workers compensation insurer no longer offered a program structure in which Express could pre-fund for annual losses in form of premium.

Express preferred this type of program because it facilitates a smooth budget and allocation to franchisees as well as the ability to accelerate the deduction of case reserve and IBNR as included in the projected annual premium/loss funding.

Express formed Express Professional Indemnity Company (EPIC) to insure its workers' compensation deductible obligations.

EPIC served as the vehicle for Express to prefund expected losses based on a loss forecast of their third party actuary, Milliman.

The premiums paid to EPIC were set aside in the trust pledged to the workers' compensation insurer as collateral for the deductible obligations.

EPIC – Express
Professionals
Indemnity
Company

Express Professionals Indemnity Company (EPIC) is a wholly owned subsidiary of Express Services, Inc.

EPIC was incorporated on June 29, 2012.

EPIC received its Certificate of Authority from Commissioner Doak on June 21, 2012.

Breaking Ground in Oklahoma

EPIC was the first Pure / Single parent captive to be formed in Oklahoma.

Express, Lockton and Kerr, Irving, Rhodes and Ables were instrumental working with the Oklahoma Insurance Department to mold the law and operations we see in place today.

EPIC insures ESI and its subsidiaries and franchisees for its temporary Workers' Compensation deductible liability.

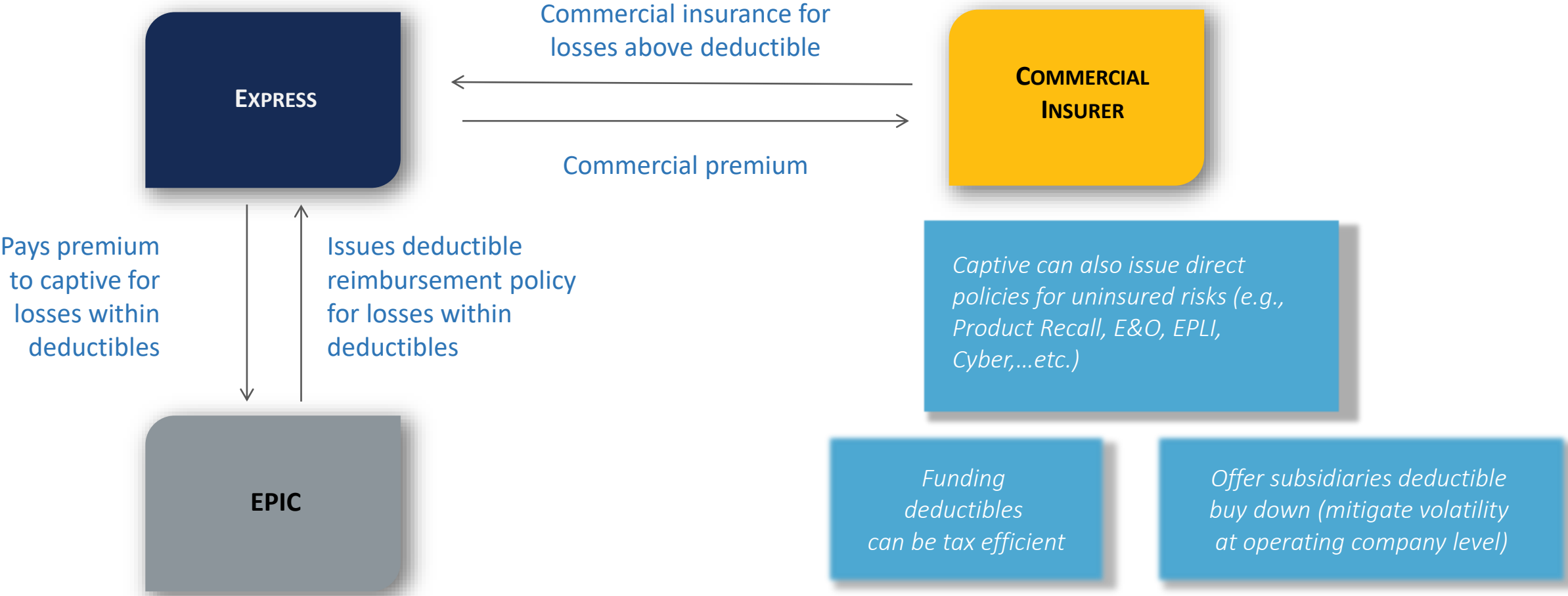


Benefits

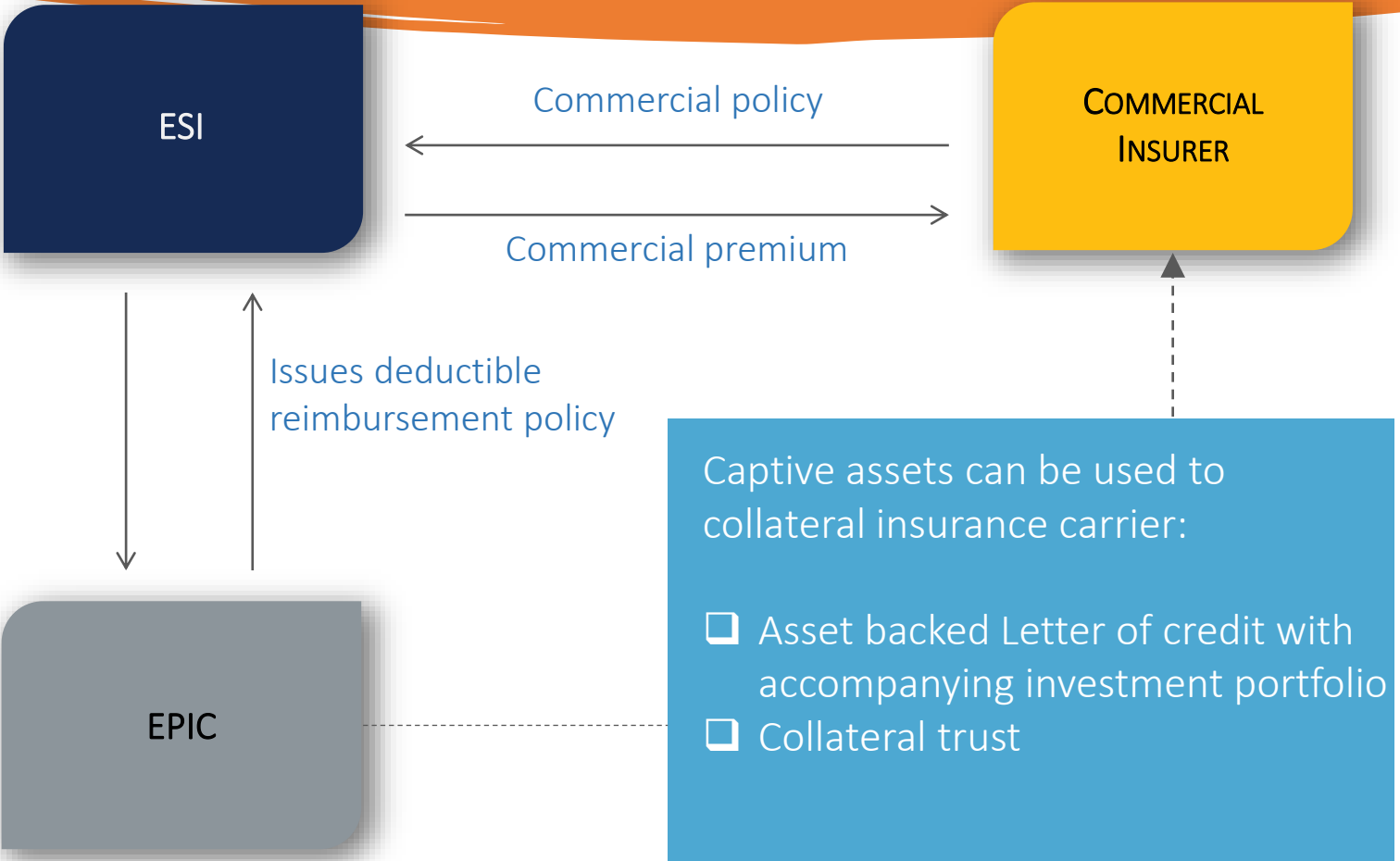
The creation and use of the captive provides Express with many additional features (expanded investment portfolios, actuarial reviews, tax considerations, and additional insureds benefits) that did not exist under our old insured model with our WC carrier.

Our insureds (Franchisees) benefit greatly in their costs as the captive builds additional earnings which are converted into lower modifiers and WC holidays that they participate in throughout the years.

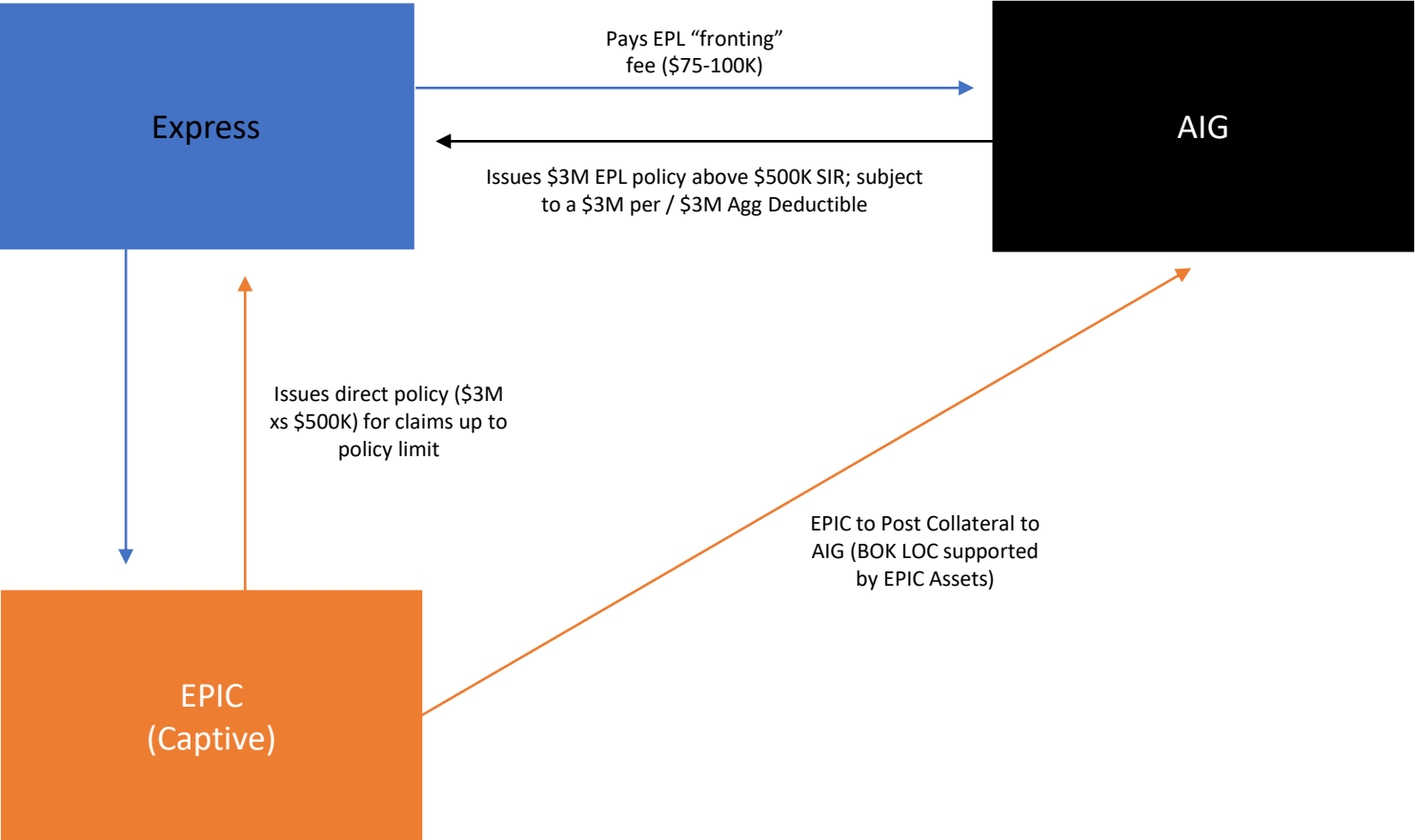
Deductible Reimbursement / Direct



Using Captive Assets as Collateral

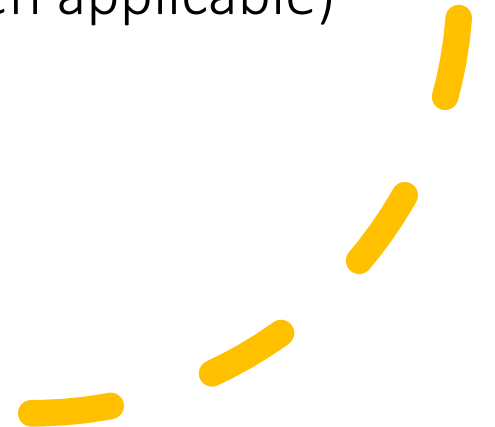


EPIC Matching Deductible



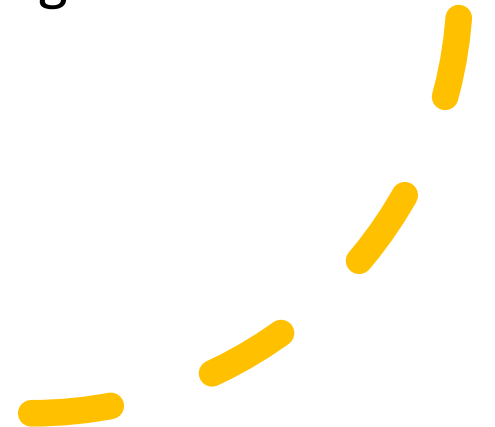
Insurance Program Design

- Funding for uninsured/cost prohibitive exposures
 - Premiums must be priced using an arms-length methodology
- Structured Solutions
 - Quota share participation with reinsurers
 - Mitigation of surplus lines tax (when applicable)

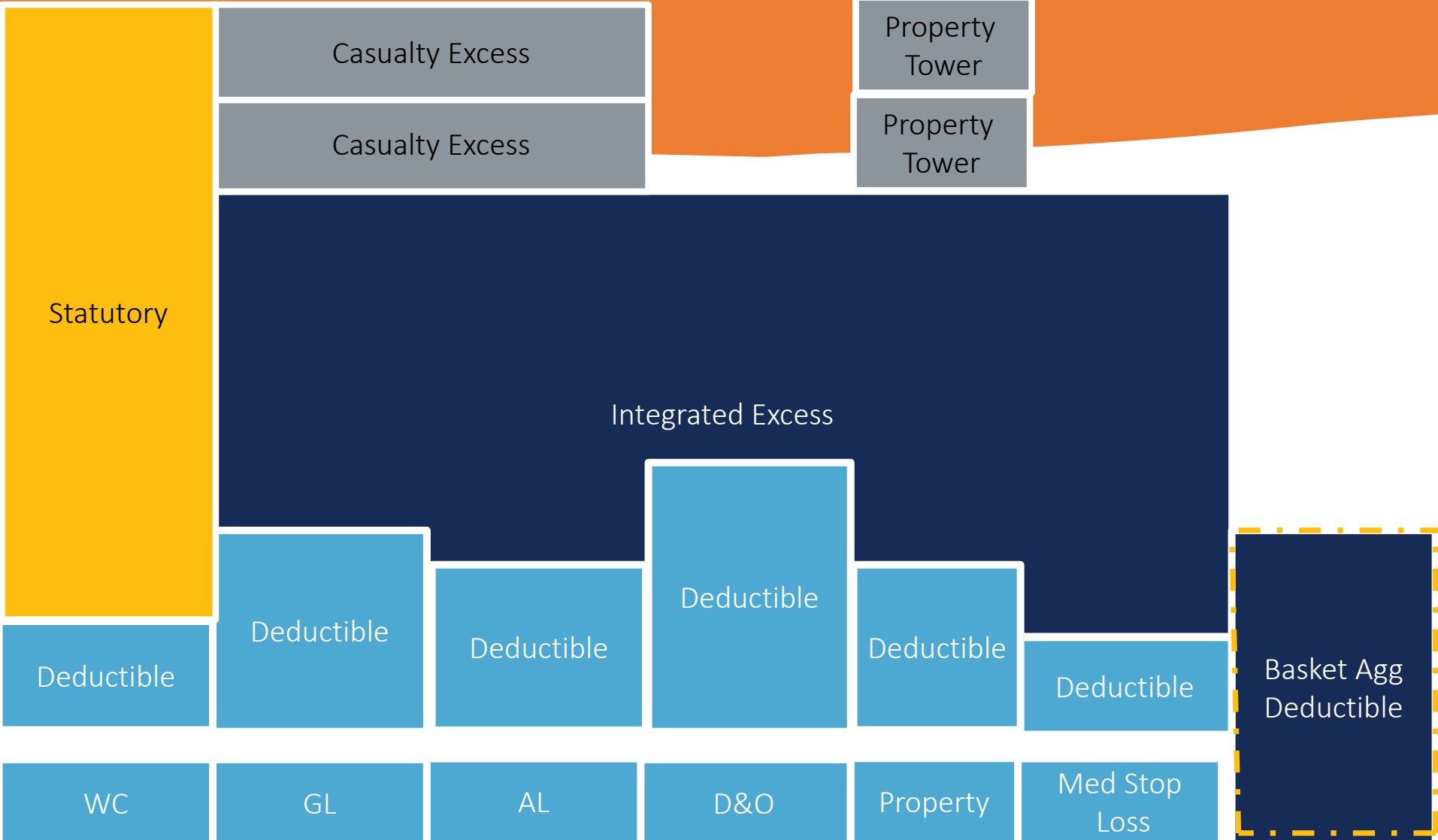


Financial Benefits

- Captives do NOT pay state income tax
- Captives CAN deduct a discounted portion of Case reserves and IBNR.
 - Tax acceleration benefit associated with captives has decreased in many cases due to tax reform. While there is still a benefit, the magnitude of the benefit has been reduced.



Integrated Excess (Multi Year / Line)



Service Provider Team

- Auditor – RSM US LLP
- Actuary – Milliman
- Banking – Wells Fargo
- Broker – Lockton
- Captive Manager – Strategic Risk Solutions
- Claims Admin - Sedgwick
- Investment Manager – Bank of Oklahoma

Teamwork is Key

- Regular reporting
- Regular & Open Communication
- Collaboration
- Understanding the Captives Role
- Internal “Buy In”
- Planning Ahead

Questions
