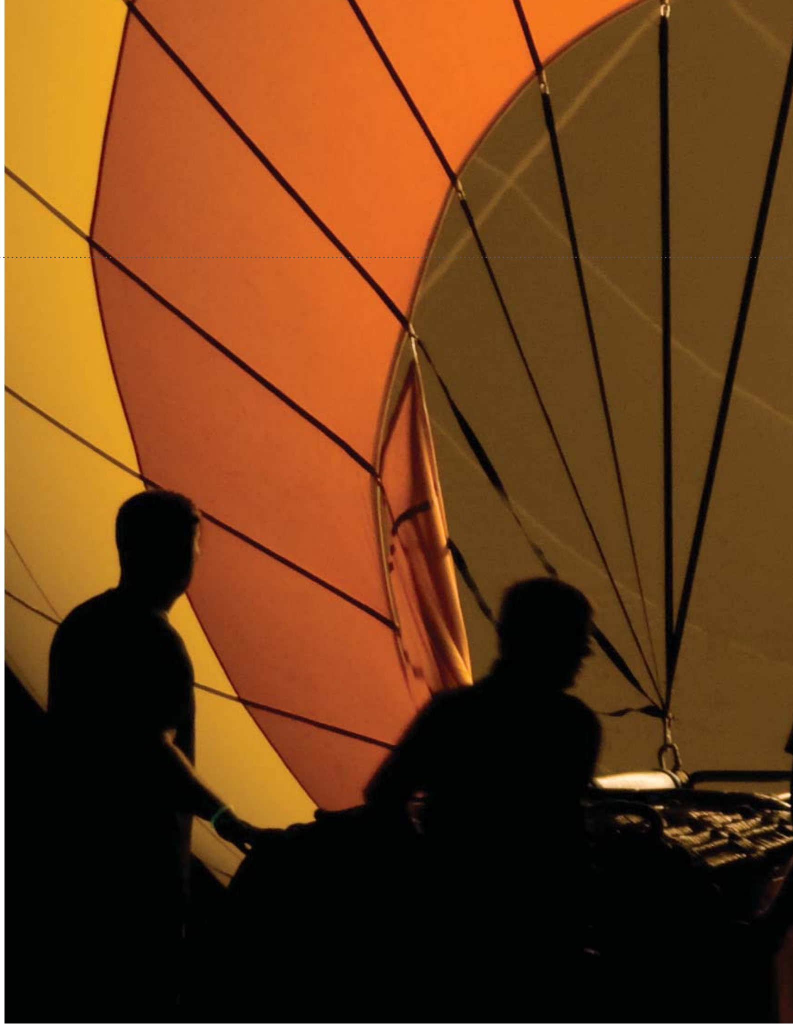

Ready for lift-off

As a pioneer of group captives, Captive Resources is increasingly reaping the rewards as growth in this sector continues to accelerate—something that benefits the Cayman Islands as well, says Nick Hentges of Captive Resources.

As he prepares to take the role of co-chief executive officer in January 2019, Nick Hentges, current president of Captive Resources, is in a bullish mood about the potential growth of the company in a landscape where group captives are becoming a risk transfer tool of choice for middle-market companies in the US.

Hentges predicts that the growth of the market will accelerate further—and as a pioneer and market leader in this space, Captive Resources is set to benefit. The company currently consults to 35 captives, responsible for nearly $2.4 billion of premiums, the large majority of which is domiciled in the Cayman Islands. That is more than 14 percent of all captive insurance premiums on Cayman, managed through sister company Kensington Management Group.

Hentges adds that the company remains committed to the Cayman Islands.

"In the 30-plus years we have been operating there, a lot has changed, but we are proud that Kensington is one of the largest private captive insurance managers there and we feel we have made a very positive impact to the business environment and the economy of Cayman in that time. It is a great place to do business," he says.

Disrupting the market

Hentges expects the business to more than double in the next six years to some $5 billion in premiums; the number of captives to grow to 40, and the number of member companies from nearly 4,300 now, to 9,000.

"Thousands more mid-size businesses moving away from traditional insurance translates to significant market disruption," he notes. There are plans for at least three new captives to be formed in 2019.

"We believe that the use of group captives will change the way

A NEW CHAPTER

This potentially steep growth curve represents the start of a new chapter for Captive Resources and for Hentges himself, who explains that it represents the latest challenge in a long and sometimes winding career, which may easily never have started in risk or insurance, never mind captives. In the end, however, he has followed in his father's footsteps.

He explains that his father was an insurance agent in a small town. Hentges never thought he would end up in insurance as well, but he attended the University of Iowa, which offered a prestigious insurance course run by Emmett Vaughan, a friend of his father, who helped the university earn a distinguished reputation in the field of insurance education in the 1970s and 1980s while mentoring many of the industry's top leaders.

When he graduated, he was offered three opportunities: two in underwriting and one in the captives unit of an insurer in Milwaukee.

He selected a job as an underwriting trainee with Connecticut General in Kansas City. The company later merged with INA to form CIGNA. He served for eight years in progressively senior underwriting and managerial positions.

When it comes to keeping it in the family, his eldest son started his insurance career at Sompo, and is now employed at Captive Resources; his middle son works as an underwriter for AIG; and his daughter, who has just graduated, has accepted a position with Gallagher Bassett.

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When the property/casualty part of the business ran into problems in the late 1980s, Hentges moved into broking—initially with a regional broker, which was later acquired by Marsh. He worked there for four years before being contacted by Tom Ullrich, who he had been to university with, and who was working for Captive Resources.

"It was early days for group captives; I loved what they were doing but I also had a young family and a dream house we had committed to. It wasn't the best time to move," Hentges says.

His future employer was persistent, however, and following several meetings with George Rusu, the co-founder of Captive Resources, he was convinced to make the move.

"It was a big move for me to what was a small company. Back then, there were 12 employees and the company oversaw around $50 million in premium. But I believed in what the company was doing—we were educating companies and attracting new members and the business started to really grow," he says.

His title at that point was vice president, basically responsible for two group captives. In 1998, as the growth continued, he was chosen to spearhead business development.

"I liked working with people and I eventually stopped working on Infinity, one of the early group captives, to concentrate on Captive Resources' growth. Then, four years ago I went from heading business development to taking a more holistic view of the company as president."

In this role he has been responsible for the overall representation of Captive Resources to its captives and has direct oversight of operations including business development, administration, risk control, claims, human resources, finance, legal, information services and travel.

Strengthening the bench

From January, he will take the role of co-chief executive, serving in that role with Rusu, the current chairman and CEO. In addition to operational responsibilities, Hentges will begin to focus on the development and execution of the company's short and long-term strategy in his new role.

Commenting when the announcement was made, Rusu said: "As president, Nick has presided over a period of unprecedented growth. He has overseen numerous strategic initiatives including business development, re-branding, organisational structure, and risk management, as well as major improvements in the company's information technology infrastructure, data management, and business process optimisation.

"His transformative leadership has helped preserve our company culture by initiating a focus on training, job satisfaction, and employee engagement. I've no doubt he will bring this same energy, managerial skill and leadership to bear as co-CEO."

Also effective on January 1, 2019, Mike Foley, former CEO of Zurich North America, who joined the company's board of directors in April 2018, will join Captive Resources as president, sharing the day-to-day operational oversight of the company with Hentges.

“THE USE OF GROUP CAPTIVES WILL CHANGE THE WAY THE INSURANCE INDUSTRY DOES BUSINESS AND CHANGE THE FACE OF RISK TRANSFER.”

the insurance industry does business and change the face of risk transfer,” he says. “Based on the growth we are seeing, it is clear that people increasingly feel that this is a better way of managing risk versus traditional options.

“It is a question of educating the companies themselves and the brokers they work with, but that has always been part of our mission and we are making real progress in that regard.

“We want companies to better understand that this allows them to share risk with like-minded companies, improves their risk management practices and saves them money in the process.”

Investing in the future

Hentges adds that the technology and systems used by Captive Resources are also improving, making processes more efficient and the available information far more comprehensive and user-friendly.

He explains that the company is investing heavily in improving its own technology; has rolled out a new business development team dedicated solely to educating brokers on the benefits of group captives; and has hired at a brisk pace, driven in part by the robust growth, but also by a focus on rounding out its talent base and positioning for the future.

“We have a number of different projects under way, several of which revolve around information technology,” he says. “We are improving some of our existing systems and practices to ensure clients get a better and more efficient experience as well.”

He adds that this new phase is a very dynamic and exciting one, especially in the context of the company’s long history.

“We are very excited about where we are going and that is especially true when you consider how we have helped evolve this market and move it forward over the past three decades.

“Twenty-five years ago, the group captive insurance sector generated about $100 million in premium. Now, the largest individual member we work with is paying premiums of more than $30 million.

“The captives have changed and the size of company we can help has changed dramatically. Several group captives we work with have matured and grown to a size that easily accommodates members paying millions in premium,” he explains.

“A captive with 400 member companies and $350 million premium is a sizeable company in its own right, and is able to accommodate some very large member companies.”

Hentges believes growth for Captive Resources will come from three main areas.

The first will be the creation of more heterogeneous group captives, which comprise members from many different industries. When an existing captive comprises hundreds of members, a new captive may be formed as a means of managing growth.

“The captive still wants to grow, but logistically it becomes more difficult and begins to impose limits. It’s really more a logistical situation—a case of being able to effectively service members and conduct offshore board meetings. It’s a phenomenon not experienced by other types of captives,” he says.

“When a captive gets to around 250 members, we recommend raising its minimum premium level and starting a second captive with the same broker network. In doing so, companies of similar size are grouped together, creating opportunities for smaller companies in the new captive. We have already helped five large captives through this process.”

The second area of growth is through the creation of new homogeneous captives, grouping together companies from within the same industry that have similar risks. He says the company has formed group captives covering sectors including temp staffing, oil drilling, and heavy construction in recent years.

“These work well for sectors that are perceived as higher risk, but that nonetheless have great companies operating in them,” he says.

Finally, Captive Resources expects to form a second benefits captive in 2019, which will act as a stop loss programme for its members. He says this is being done based on market demand.

A bright future

Hentges says he is excited about the future and working in the new structure. He says the company has an abundance of talent and he has spent a lot of time with the other senior leaders ensuring their roles will complement each other going forward.

He adds that an important thing is maintaining the culture of the company and looking after its people.

“With the growth we have had, the important thing is keeping the culture intact and remaining a company that people want to work for and clients love doing business with. A big part of that is taking care of our employees, who will in turn, take care of our clients,” he says.

“If we achieve that, everything else will fall into place. Maintaining our culture and continuing to provide exceptional service to our clients will allow us to achieve longevity, not just for the next 20 years but the next 50 to 100 years—that is very important to us.”

Nick Hentges is president and soon-to-be co-chief executive officer of Captive Resources. He can be contacted at: nhentges@captiveresources.com