



**GRAHAM  
COMPANY®**

A photograph of a woman with blonde, wavy hair, smiling and gesturing with her hand while sitting at a conference table. She is wearing a light blue patterned short-sleeved shirt. In front of her is a white coffee cup and a tablet. Other people are partially visible at the table, and laptops are open. The background is a blurred office setting.

**Group  
Captive  
CASE  
STUDY**

**A Successful PARTNERSHIP,  
20 YEARS in the Making**

# What is a Captive?

Captive insurance, either standalone or part of a group, allows a single business or multiple organizations to develop their own insurance company, creating a significant opportunity to retain the profits that would typically go to a third-party insurance carrier. Ultimately, it provides clients greater choice and control over their insurance costs.

Unlike a traditional insurance program, where business owners pay a premium and the carrier pays the claim, captive members are shareholders and required to fund for anticipated claims. Therefore, the success of captive program is intrinsically tied to the company's safety programs, processes and culture, which protect its bottom line and ensure steady and predictable claims performance.

## Developing **YOUR OWN** Insurance Company



# Celebrating 2 Decades of our Group Captive

In 2001, we had a number of clients that were evaluating group captives, seeking an alternative to traditional insurance to gain access to underwriting profits as a result of their commitment to safety and loss prevention. They turned to us as their valued insurance broker for strategic advice on which option to select based on size and structure. During this process, we came to the realization that we could take the reins and developed our own group captive. This provided us the opportunity to structure it in a way that best suited our clients and their unique needs.

In order to start a group captive, two things are required: client support and captive structure. We had the client support from the start, with eight clients included as founding members of Graham's group captive. Clients for our group captive are usually entrepreneurial in nature with good loss histories and a strong commitment to a holistic safety culture.

The companies involved in the program share in the risk with an insurance carrier/reinsurer by



taking on a reasonable and predictable amount of risk that is funded through their premium payments, which gives them the opportunity to receive up to 60% of their unused premium dollars back plus investment income. They must be fully committed to operating as safely as possible to fully realize the rewards of the program. The saying "more risk, more reward" is true here, and these clients needed to establish a safety culture that positions them for optimal success.

In terms of captive structure, we created a heterogenous group captive, meaning it can encompass a broad range of companies across the industries we serve. Due to the frequency and predictability of these claims, **the group captive was launched to include:**



**Coverage for Workers'  
Compensation**



**Commercial General  
Liability**



**Automobile Liability /  
Physical Damage**



# Benefits of a Group Captive

The benefits of our group captive are numerous but more or less distill down to two themes: choice and control. Acting as your own insurance company can translate to greater control over:

- **Claims Handling**
- **Stabilization and Reduction of the Cost of Risk**
- **The Return of Underwriting Profits and Investment Income through a Dividend**

In a traditional insurance program, your full premium is given to the carrier, regardless of how few claims the insured files. In our group captive, more than half is invested – to the insureds' benefit, where it accrues over time and can be used to pay claims under the organization's control. The increased control also gives our members the opportunity to investigate or fight a claim, as opposed to the insurance company making the decision for them.

In addition to the benefits around claims and premiums, companies involved in the group captive reap the benefits of the sharing of safety and risk management best practices amongst themselves, referred to as Collective IQ. This is a case of the sum is stronger than the individual parts.





# Success in Numbers

Throughout the past 20 years, our group captive has grown from 8 clients to 19 clients, a 138% growth rate, and increased assets from \$20 million to just under \$50 million. Equally important, the premium cost has remained stable. As of October 2020, the group captive had a net underwriting profit of more than \$27 million. And today, we now have employees entirely devoted to captive insurance.

For our clients, the group captive has resulted in 25% of distributions returned to them, equating to over a million dollars a year. None of this would have been possible through a traditional insurance program. Most notably, with a focus on safety leadership, our clients have experienced a dramatic decrease in both the quantity and cost of claims.

**Just the past five years resulted in:**



**Average Cost of Workers'  
Compensation Claims  
Dropping**

↓ **64%**



**Average Cost of General  
Liability Claimed Falling  
from \$10,427 to \$783**

↓ **93%**



**Total Claims  
Reduced by**

↓ **56%**



**If you're interested in learning more about how you too can realize these same success metrics as a member of Graham's group captive, please reach out to:**

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# About Us

Graham Company is one of the largest insurance and employee benefits brokers in the country, committed to enhancing employee safety and business viability through an action-oriented approach to risk management. In business for 60 years, Graham designs customized and effective property and casualty, surety and employee benefits programs for its clients to protect employees and prevent losses.

With offices in Philadelphia, New York City and Washington, DC, Graham Company became 100 percent employee-owned through an employee stock ownership plan in 2017. Through its innovative insurance and safety training programs, Graham Company is redefining what it means to be an insurance broker.

**To learn more, visit [www.grahamco.com](http://www.grahamco.com)**



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