

NWC ALLIANCE NEWSLETTER

Standing together

When Do Captives Make Sense?



The strategy of buying more insurance to cover increased risk does not always make sense as an insured grows past a certain point. Often the newly gargantuan builder will realize their commercial insurance does not make the same kind of sense it did five years ago. Who wants to pay \$500,000 for a \$1,000,000 policy?

Additionally, substantial builders are wrestling with other problems like labor shortages, supply chain delays and bankers who want to tighten terms. These issues can't be addressed by commercial insurance, but larger builders can utilize captives to provide effective risk management for all these areas and more. The proper use of captives can help builders control what they insure and how they insure it. Captives can bring pricing stability, improve cash flow, and address areas that traditional commercial insurance can't.

However, captives must be set up properly, both to make sure that are being fully utilized, but also to make sure that you are not running afoul of any compliance issues. Setting up a captive requires specialized legal, accounting, actuarial, and management services. Success requires a “coach” who can pull the proper team together and make sure all the component parts are integrated properly to most effectively meet the builder’s needs and to help make sure that the captive is financed as favorably as possible.

Our principal, Treacy Duerfeldt, is experienced in helping builders set up captives. He has developed a strong team of professionals who can execute the necessary steps. If it is time for you or one of your clients to explore a captive, email Treacy at treacy2@nwcalliance.com today to start a conversation. Before you do though, you might want to take a few minutes and read the article he wrote called [Efficiencies in Risk Management for Construction – The Integrated Risk Management Model](#).



Treacy Duerfeldt, is the principal of the NationWide Contractors Alliance. He has served many years on the National Association of Home Builders (NAHB) Committees for Construction Liability/Building Materials and Construction Health and Safety. His belief in education for the construction industry has been demonstrated by the audiovisual on-demand offering “Construction Insurance and Risk Education” designed both for [builders](#) as well as for [agents](#). Treacy has authored articles in the Insurance Journal and designed various coverages and tools for contractors throughout the insurance industry. Treacy has been a part of the insurance industry since 1989 and first joined NAHB in 1992 as part of the Elkhart, Indiana HBA.

Wise Insure is the wholesale brokerage division of the NationWide Contractors Alliance. We focus on construction related risks and offer GL, XS, BR, IF, Cyber, and other lines of coverage for contractors and trades. If you are a retail agent who wants to learn more about how Wise Insure can help with the needs of your construction clients, [Contact us today](#) or call 360-464-2531.



If you are an agent who wants to become an expert at working with the construction industry, be sure to check out our [Construction Insurance Risk Education](#) program. Writing insurance for construction risks is nuanced, and often different from other commercial risks. In many cases, there are specific coverage points that are essential to effectively selling insurance to contractors. Understanding these coverage points can be the difference between closing an account and losing an account.