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Business Plans

STRATEGIES FOR SMALL BUSINESS

Capturing its own identity

Alternative Risk Resources thrives after Wellington sours

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When Tom Doyle decided to go into business as an insurance broker, he realized the company needed a name that prospective clients would recognize and respect.

He struck a deal with Wellington Management Corp., which during the 1990s enjoyed a high profile through advertising its investment business in the Milwaukee area.

Doyle's startup used the name and offices for the fledgling business, Wellington Insurance Services. But six years after Doyle started his firm, the Wellington name became a liability when



SCOTT PAULUS

Kate Myers (with, left to right, Sean Doyle, Mike Wosick and Tom Doyle) . . . "You have to know who you want to sell to."

ALTERNATIVE RISK RESOURCES

Address: 2401 N. Mayfair Road, Wauwatosa; and Madison

Founded: 1996

Owners: Tom Doyle, Kate Myers, Mike Wosick, Sean Doyle

Employees: Six

2004 revenue: More than \$21 million

Business plan: Market owner-controlled captive insurance companies to businesses in the Midwest

Growth plan: Promote the captive insurance concept, in which businesses or groups form subsidiaries to provide insurance for themselves, to companies which have a strong financial position and emphasize safety and loss controls.

Wellington Management fell into financial trouble.

Doyle and his partners were Wellington independent contractors, although they did no work for Wellington, which had divisions including a brokerage firm, a realty company and an equipment leasing company.

In 2002, financial problems at Wellington Management began receiving coverage in the local business press. A Wellington golf course went into

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Mike Gallagher
Miller Brands-Milwaukee L.L.C.

receivership, and several other subsidiaries were struggling. Wellington Management declared bankruptcy in January 2003.

The negative publicity about Wellington Management began to rub off on the insurance broker, Doyle said. In June 2002, he and his partners decided to incorporate as Alternative Risk Resources and move to their own offices, Doyle said. At the same time, the company opened an office in Madison. Doyle's partners are Kate

ALTERNATIVE RISK RESOURCES: Builds own identity after Wellington link sours

Myers, Mike Wosick and Doyle's son, Sean.

The transition to a new name and new offices went smoothly largely because of the firm's relationships with its clients, Myers said. The partners personally called each one of the firm's 15 to 18 clients and told them about the planned name change, the reason for it and the office relocation, Myers said.

"Because we have a daily, one-on-one relationship, it was 'OK. Let us know your new phone number,'" Myers said.

INSURANCE ROOTS

Doyle, a former vice president at insurance broker Johnson & Higgins' Milwaukee office, founded the company in 1996 using his own money.

Alternative Risk Resources is a commercial property and casualty broker in the captive insurance market.

Captive insurance is a form of self insurance in which companies or groups of companies form insurance subsidiaries to insure themselves.

Alternative Risk Resources matches its clients with captive groups. The firm is a broker and marketer for captive insurance programs managed by Captive Resources L.L.C., Schaumburg, Ill.

Attention to clients has helped the business grow from a one-person operation

with one client to a six-person business with 29 clients and 2004 gross sales of nearly \$21 million, Myers said. It's posted average annual growth of between 20 percent and 25 percent.

Clients include Miller Brands-Milwaukee L.L.C., Wauwatosa; Allen-Edmonds Shoe Corp., Port Washington; Wacker Corp., a Menomonee Falls construction equipment maker; and Everbrite Inc., a Milwaukee-based sign manufacturer.

Miller Brands, which distributes Miller beer, became an Alternative Risk Resources client in 1998. Executive vice president Mike Gallagher said when Tom Doyle approached him about becoming a client and switching to captive insurance, he was skeptical.

CONVINCING PRESENTATION

The presentation convinced Gallagher that providing casualty and property insurance through captive insurance made sense for Miller Brands, he said.

LESSONS LEARNED

Smartest move: "Starting off on our own. Being in business with people you trust."

Biggest risk taken so far: "Simply starting out with a no-real-income situation. Working very hard to build a client base from scratch."

Biggest worry: "Hiring additional well-qualified staff to complement our growth."

Worst business decision: "Not starting our partnership sooner. Since we started the partnership and leased our own space, we've become a tighter-knit operation. We're more productive in a smaller setting."

Likes/dislikes about metro Milwaukee business community:

"Biggest like is the openness with which we Milwaukeeans conduct business. The Milwaukee business community is ultimately pretty small. We all know each other. We build lasting relationships and enjoy good networking. Biggest dislike might be that we are all pretty conservative in our business dealings."



Kate Myers

"I think they have the caliber of people who are able to understand their clients' businesses," Gallagher said.

Captive insurance companies are generally less expensive than traditional insurance companies because participants in captives pay premiums that primarily cover their own losses, rather than paying part of their premium to cover other clients' losses. Also, depending on a company's claims history and claims payment patterns, it can recoup part of its premium to reinvest in the business.

Alternative Risk Resources expects to continue to grow at 20 percent to 25 percent over the next few years through attaining new clients, Myers said. One goal is to open a Chicago office within the next two or three years to be closer to clients it has in the area and to seek new clients there.

The firm plans to remain small and focus exclusively on the captive insurance market, which its owners believe gives the company an edge over larger insurance companies in which captive insurance is simply part of their portfolio, Myers said.

Alternative Risk Resources does little advertising, instead publicizing itself by donating

to charities and community sponsorships, such as the Marquette University High School athletic program, Myers said.

The company reaches prospective clients through mailings, phone calls and seminars on captive insurance in Milwaukee, Madison and the Fox Valley, Myers said. It can take two to three years for a prospect to become a client, she said.

Captive insurance may not be the proper fit for all companies, so Alternative Risk Resources researches potential clients to ensure that captive insurance would be appropriate.

In evaluating prospective clients, Alternative Risk Resources seeks companies with well-balanced financial statements, which can include strong cash flow, balanced earnings and relatively low debt. It also looks for companies which have a strong commitment to safety and loss control and which record fewer losses than their peers for workers' compensation and general liability and commercial auto coverage.

"Everybody in sales has that challenge, if it's shoes or it's beer or it's insurance," Myers said. "You have to know who you want to sell to."