

Member e-Newsletter

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The National Trade Association Dedicated to the Construction & Demolition Recycling Industry



# C&D World 2020 ~ C&D Industry Focus Your Entry to ConExpo-Con/Agg

The best program for the C&D industry and co-location with ConExpo-Con/Agg to see all the latest equipment available makes C&D World 2020, Wednesday, March 11 in Bally's Las Vegas.

C&D World, the Annual Meeting of the CDRA, kicks off with Ed Sullivan, chief economist at the Portland Cement Association, who will present a construction industry forecast to provide participants the information they need to plan their businesses's future. That will be followed by a panel on end markets for C&D materials, answering an issue all recyclers face. There also will be an update on the CDRA's recent activities, and the handing out of CDRA's annual awards. The popular fundraiser will be that night at Alexxa's Bar in front of the Paris hotel, where the CDRA has reduced price rooms available for C&D World attendees.

Learn More & Register Today!

# Managing Insurance Costs 2020: Captive Insurance Options

#### By John Schumacher

Many companies have heard some information (and some misinformation) about Captive insurance programs. This will serve as a short overview of Captive insurance programs, when they can make sense as well as the state of the current insurance market.

#### The Current Insurance Market

As of early 2020, the insurance industry is experiencing some "market disruption". That is a term that is used when multiple lines of coverage are experiencing a significant underwriting shift. Insurance markets are cyclical and respond to the profitability of the insurance market. Essentially, premiums received as compared to claims paid out. The industry is constantly in pursuit of a balance between high enough premiums to be profitable, and premiums that are competitive where a given carrier can have a healthy market share. For many industries, including recycling, insurance carriers have been unprofitable on multiple lines of coverage and they are shifting their underwriting appetite. A summary of the key lines of coverage for a recycling business:

Workers Compensation- Overall, rates are flat to lowering dependent upon individual insured claims experience.

<u>General Liability-</u> For the recycling industry GL rates are steady to rising.

<u>Auto / Fleet-</u> Virtually all industries are experiencing sharp rate increases for auto insurance. Recycling operations with significant fleet operations will be impacted.

<u>Umbrella-</u> Rates are increasing rapidly and expected to continue that pattern for the next several years. Insurance carrier "capacity" to write higher umbrella limits are reducing and this may require multiple umbrella carriers to provide the limits previously offered by a single carrier.

#### **Responding to the Challenge**

Regardless if future insurance coverage will be with a guaranteed cost commercial insurance carrier, or if considering high deductible or captive insurance program, safety management is foundational to managing future insurance costs.

#### **Captive Insurance Programs**

The current insurance marketplace and predictions on where it will be in the next several years, make alternative insurance options much more attractive for many waste & recycling organizations. Captive Insurance programs may be a good option to consider.

A captive insurance program is a licensed insurance company owned and controlled by its insureds (captive group). A typical captive insurance group will provide coverage for Workers Compensation, General Liability and Auto/Fleet. There are a few different structures to a Captive insurance program, but most have common characteristics:

-A captive insurance program will purchase re-insurance to insure losses above a certain level in order to limit the amount of risk to the captive members.

#### members.

-Captive members pay a premium for the captive insurance coverage comprised of:

- Administrative costs of managing the captive (none of this cost can be returned to members)
- Claims funding for anticipated claim levels (unused portion of this cost can be returned to the member)
- Shared claim cost- a % of member premium that can be used for paying shared claims
- Insured member has a "deductible" paying claims up to a certain limit (ie: \$350K). Each member will have a maximum out of pocket limit for each policy year.

Benefits of Captive Insurance Programs:

- Reduced cost of insurance
- Ability to receive unused claims dollars as return premium
- Improved cash flow
- Reduces large market fluctuations in rate
- Potential tax advantages

Characteristics of Captive Members:

- Strong safety management programs
- Comfortable with risk related to self-insuring a portion of insurance
  program
- Combined Insurance premiums of at least \$350,000 for WC, GL and Auto
- The interest and ability to be involved with the management of insurance program

Captive Options:

Several options exist for a company to insure their business via Captive insurance program:

- Existing captive insurance programs
- Alternative structure captive program that limit level of risk
- Newly forming recycling industry-specific programsDevelop single parent captive for larger recycling operators

Assurance Agency and the CDRA Risk Management Committee will be providing more specific information related to captive insurance programs via articles and webinars.

John Schumacher is a commercial insurance broker with Assurance Agency in Schaumburg, IL focusing on the waste & recycling industry. He serves as the Risk Management Committee Chair for the CDRA. He can be reached at 847.463.7224 or jschumacher@assuranceagency.com.

# CDRA Member Spotlight: Paul Kuhar Champion Waste & Recycling Services

What materials do you recycle? Can you describe the volume and types of incoming materials you process?

Champion owns and operates three recycling facilities which consist of construction, commercial, and wood processing. Our material list consists of wood, concrete, brick, plastics, cardboard, metal, sheetrock, e-waste, paper, and aluminum. We create landscape mulch, biochar, biomass, and playground material at our wood processing site.

### How did you get started in the business?

I started working in the business back in 1995 in the maintenance shop helping with anything that needed to be done including washing and greasing trucks. My wife Michelle and I were dating at the time and attending college for our respected degrees so I worked at the family business on the weekend while maintaining a full-time job during the week as a courier. In 1998 we had an opportunity with her parents to be involved in a multi-city waste & recycling hauling operation in Texas that was started from the ground up. During the next three years, Michelle and I would learn a tremendous amount about the business. In 2001 the business then merged with WM of Houston which then set the next chapter in our lives.

Michelle and I loved the waste and recycling business so much that we started Champion Waste & Recycling services in December of 2001. Our goal was clear, to build a well-respected, family-owned business that was forward-thinking in waste diversion and recycling.



Waste Diversion Through Innovative Recycling Technologies









What are the biggest challenges in your market and C&D recycling?

The main challenges are end markets and education. Processors are willing to divert material from the landfill and recycle it as long as the end markets exist for those products. Markets are very unique because they can be local, regional, or domestic which is a deciding factor on what can be done with the materials we process. Education plays a pivotal role because stakeholders must understand what generators and processors face when making decisions about recycling programs. All parties that are involved must understand the markets that exist in order to develop a long term plan that will have an impact on diversion. True transparency is the key to a successful recycling program. One cannot simply just "wish" their material away and not understand the impacts once the material is picked up and processed.

#### Where are the biggest opportunities?

Education and Technology within our industry. We need to continue to educate all stakeholders involved within the industry both state and federal so that we can make the best decisions regarding legislation and end market development. As building products change so does the need to be able to sort and process them more effectively within a facility. Technology plays an important role in how we can sort out the various materials more safely and effectively.

#### How long have you been a member of CDRA?

Champion has been a member since 2015 when we opened our first C&D recycling plant.

#### What inspired you to join CDRA?

In late 2013 when we decided we were going to open up a C&D Recycling facility we started to investigate what organizations existed dedicated to this cause. The answer was clear...The CDRA. We were looking for an organization that had passion and dedication to C&D Recycling and CDRA was the answer. Since being a member we have formed many new friendships with like-minded colleagues, shared similar experiences within the industry, and learned a tremendous amount for other recycling professionals. Simply put, if you are involved in C&D Recycling in any way you need to be a part of this organization.

#### What do you find most rewarding about working in this industry?

Educating and helping people understand the importance of waste diversion and recycling. Diverting materials from the landfill that can be recycled and used again for beneficial use. Designing programs that help our customers achieve their sustainability goals with real results from innovative and creative thinking.

# What challenges have you faced over the years and how have you overcome them?

End markets in general because of local or regional supply and demand. As Champion continues to become more vertically integrated in processing materials that our collection vehicles service we will deploy more advanced processing equipment to create new markets that did not exist before.

#### What's something about you (a fun fact) that not many people know?

I enjoy cooking and baking for family and friends. I enjoy creating a presentation on the dish!

# How do you think the industry is changing and what trends do you see coming up on the horizon?

Technology. In the past you saw a standard single line and maybe an upgrade to a basic dual line with some mechanical equipment that sorted basic materials. Now you are seeing more advanced systems that have robotic sorting, multiple screens, ballistic separation, and advanced screening for fines or adc product. We are taking materials down 3-4 sizes instead of maybe 1-2. As we move forward processors will adapt to changes in their market based on availability and the potential to create markets that did not exist before. These changes will result in more complex systems to achieve higher diversion rates with more mechanical sorting versus manual. It is very exciting to see what some of the industry leaders out there are doing to go to the next level.

#### What advice would you give to someone interested in this industry?

Do your homework! Understand your local market, regulations, and end market capacity. Become a member of CDRA and learn about the industry and understand what it truly takes to become a responsible, safe, and professional operator.

#### Best piece of business advice you've gotten or learned over the years?

Be humble, work hard, stay focused, listen, and never give up.

# **CDRA to Exhibit at NDA Annual Meeting**

Join us for three days of networking and education for the demolition industry at Demolition Austin, the National Demolition Association's Annual Convention and Expo. Taking place February 22-25, 2020 in Austin, Texas, Demolition Austin will feature in-depth education sessions and the favorite 15-minute "Fast and Furious" presentations; opportunities to network with your peers and industry vendors; and the return of the Live *DEMOlition* event where you can test equipment in real-time. Use Demolition Austin to gain the knowledge and industry updates you need to advance and strengthen your demolition business.

In 2019, we had more than 1,000 demolition professionals from across the country join us for Demolition Rockies and welcomed 89 exhibitors in the Expo. We look forward to building on this success in 2020. Exhibits sales have opened, and for more information on how to exhibit, please contact Ryan

Leach, <u>rleach@demolitionassociation.com</u>. For more information on Demolition Austin, go to <u>https://www.demolitionassociation.com/Education-</u>

Events/Demolition-Austin.

**Register Now** 

### **2020 International Biomass Conference**



February 3-5, 2020

**Gaylord Opryland Resort & Convention Center** 

### Nashville, TN

Organized by BBI International and produced by Biomass Magazine, this event brings current and future producers of bioenergy and biobased products together with waste generators, energy crop growers, municipal leaders, utility executives, technology providers, equipment manufacturers, project developers, investors and policymakers. It's a true one-stop-shop: the world's premier educational and networking junction for all biomass industries.



### **Industry News**

Interesting article about the waste situation in NYC, and specifically reports on C&D coming out from there. A bit biased, but does make some good points on how the recycling goals are not being met:

How de Blasio bombed in his attempt to fix New York's garbage crisis

Good article about the global recycling problem:

World Faces Trash Glut After China Ban

### **Submit Newsletter Content**

Do you have industry content to be considered for CDRA's monthly e-Newsletter? We encourage you to submit ideas as often as you have them. Although not every news item is shared, we will review each submission based on our audience's interests and information needs.

Thank you!

Submit Your News Item





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