

Bradenton PEO creates its own insurer

By Kathleen McLaughlin

BRADENTON -- The owners of Administrative Concepts have put up \$6 million to create a workers' compensation insurance carrier of the company's own.

It will guarantee workers' comp coverage for the professional employer organization's 900 client companies.

Workers' comp has been a critical stumbling block for a lot of PEOs during the last several years. The issue has even killed more than a few.

One advantage to using the companies, which provide payroll and other services for small to medium-sized businesses, is that they take over the burden of things like workers' comp coverage.

But PEOs have had a difficult time getting the coverage because they represent such a large number of losses and because the biggest player at the time writing for employee leasing businesses, CNA Insurance, pulled out of Florida at the end of 2002.

Administrative Concepts' managers decided they did not want to be vulnerable to any future seismic events in the workers' comp market. Without workers' comp, PEOs are out of business.

"We wanted to have our fate in our own hands," said Administrative Concepts co-owner George Bushong.

"People in the industry have been afraid to buy a house because they're not sure if they're going to have a job next year, when it's time to renew workers' comp."

Bushong said he could have renewed his coverage, but he wanted to make a guarantee to his clients and employees, about 120 in Bradenton and in sales offices around Florida.

"We did not want to be in a position to have to tell these people some day that they have to find a job," Bushong said. "That would've been a very painful thing."

He started working about 18 months ago to create Southern Eagle Insurance. State regulators gave the company the OK last month, and it started covering Administrative Concepts and its 900 clients on Wednesday.

At first, Administrative Concepts will be the sole customer, representing more than \$30 million in premiums.

With the insurance uncertainty behind him, Bushong said Administrative Concepts will look to acquire other PEOs.

The company has been ranked as one of Florida's fastest-growing private companies, with \$307 million in revenue last year.

Bushong predicts that his company will earn \$4 million this year, and that Southern Eagle will make \$2.6 million to \$3.2 million.

He and his wife, Sarah Peel-Bushong, put up the \$6 million for Southern Eagle's required reserve fund. Another \$6 million is available through Peel-Bushong Holding Corp. for future growth.

Southern Eagle is the third insurance company in Florida to be owned by an employee leasing firm.

Regulators say that arrangement is OK as long as the business flowing to the insurance company is properly managed.

One problem has been that while PEOs represent a huge credit risk to insurance companies, they are not subject to the same scrutiny. The only solution is to make sure the insurance companies have adequate reserves, said Tom Streukens, deputy commissioner of property and casualty at the Office of Insurance Regulation. He is charged with making sure insurance companies stay solvent.

The fact that Peel and Bushong backed Southern Eagle with their own money gives the venture credibility, Streukens said.

"When the individual owner of a PEO has their own funds at stake, it's not in their best interest to play one business interest against the other," he said.

Bushong hired an insurance consultant from Orlando, Dan Robertson, to help him with the regulatory process. Robertson, a longtime insurance executive, was hired as Southern Eagle's chief executive and will oversee the business independently.

Southern Eagle will act just like any small insurance company, weeding out risks posed by Administrative Concepts' prospective clients, said Robertson, who was impressed that Administrative Concepts has already been successful in handling workers' comp.

"This company has a great business model, and it's been profitable for every insurance company it's ever worked with."

Most of Administrative Concepts' customers are masons, painters or carpenters, whose workers' comp premiums are high.

While a major player in the industry, Bradenton-based Gevity, escaped the cost by marketing itself to clients with desk jobs, Administrative Concepts started acting more like an insurance company. The company monitors payroll to spot premium avoidance, such as misclassification of workers, and will drop clients who don't follow the rules, Bushong said.