**Client Success Case Study**

***DryStone Capital***

oak street funding

# DryStone Capital: From Internet Startup to Insurance Innovation

### A Case Study in Business Model Evolution & Strategic Financing

## Company Overview

DryStone Capital, led by founder and CEO John Henry, has emerged as a unique force in the property and casualty reinsurance industry. The company has achieved remarkable success through persistence, fundamental innovation, and strategic pivots, ultimately becoming among the most profitable operators in the insurance sector.

### Dry Stone

Dry stone is a building method where stone walls are constructed without mortar or cement. The stones are so well fit together, nothing else is required. As the ground settles or heaves, a well-built dry stone wall will simply move with the ground rather than crack.

## Historical Evolution

### Phase 1: eLawForum (2000)

DryStone Capital originally launched as an internet company called eLawForum at the height of the dot com boom. John Henry and his partner, Cloyd Laporte, COO, sought to bring competitive sourcing to the delivery of legal services for Fortune 500 corporations. Despite saving approximately $500 million for their self-insured clients, status quo resistance prevented sustainable demand and repeat sales.

### Phase 2: Insurance Market Transition

So, John and Cloyd pivoted to a more litigation-intensive market focused on discontinued operations (runoff) in insurance. Once again, they successfully reduced litigation costs but found that their larger clients prioritized centralized corporate control over cost savings.

### Phase 3: The Breakthrough (2019)

2019 brought a critical transformation for DryStone as the company moved from focusing on what John refers to as “dead business” (runoff) to “live business” (underwriting). In this era, they focused on reinsurance and revolutionizing claims management in the commercial auto and professional liability space. By controlling the sales channel, this model guaranteed repeat sales.

### Phase 4: Rapid Expansion (2019 - 2024)

From 2019-2024, DryStone experienced exponential growth and achieved $400MM+ in program premium with only six employees. During this period of growth, John and Cloyd explored using debt or equity capital to expand. John said, “We looked at equity capital and we decided not to go the route of doing private equity because that would have meant giving up control to outside investors who wouldn’t understand our business nearly as well as we do.

We just spent too much blood and sweat to get here to give up control to outsiders. The debt route really was very attractive for that reason." It was this decision that led them to seek out a lender such as Oak Street Funding.

## Oak Street Funding Partnership

### Initial Engagement

John initially heard about Oak Street Funding through Target Markets and an introduction by Stonybrook Capital around 2020. According to John, the appeal of Oak Street Funding was their specialized insurance industry expertise. He said, "Oak Street understood what our numbers meant. A lot of banks, they don't specialize in insurance. They have no idea what the numbers mean, and Oak Street did." During the funding process, John appreciated Oak Street's ability to meet time-sensitive deadlines and collaborate.

### Financing Structure

DryStone Capital initially required $5MM in funding to restructure its capital by buying back stock and consolidating ownership. This was followed by an expansion phase fueled by $20MM in various credit facilities delivered through several tranches. This financing provided DryStone the necessary capital to expand their existing programs and create new ones.

## Future Outlook

DryStone has set an ambitious goal of reaching $1 billion in program premium by December 2028. Their foundation of operational efficiency, driven by technology like Artificial Intelligence (AI), positions them for significant scaling without incurring excessive overhead. And Oak Street Funding will be there to support them along the way. As John stated, "I plan on doing this for a long time. It's going to be a long-term relationship [with Oak Street]."

## Key Success Factors

There are three main keys to DryStone's success: their persistence in finding a model that works, their strategic approach to using capital, and their focus on technology.

### 1. Persistence in Business Model Innovation

DryStone Capital's success is rooted in a persistent commitment to innovation even to the point of transforming their core business. This commitment has required multiple iterations and pivots, demonstrating their tenacity in pursuit of a sustainable revenue model. They have developed a unique and highly efficient claims settlement approach with such success that other reinsurers now pay DryStone to manage *their* claims.

### 2. Strategic Capital Approach

A strategic approach to capital structure has also been crucial to DryStone's success. The decision to pursue debt instead of equity has allowed DryStone to maintain control. This strategy has been facilitated by the support of a specialty lender who deeply understands the insurance industry and the many complexities of reinsurance.

### 3. Technological Focus

Finally, technology has been a cornerstone of DryStone's strategy. Heavy investment in AI and automation, particularly focused on operational efficiency and innovation in claims processing, positions them for significant scale. DryStone aims to transform claims processing by automating data flows, targeting this historically innovation-starved area of the insurance industry.

## Conclusion

DryStone Capital's journey from internet startup to insurance industry innovator demonstrates the value of persistence, strategic pivoting, and strong financial partnerships. Their success in partnering with Oak Street Funding shows how specialized lenders can effectively support unique business models in the insurance industry, providing both capital and industry expertise crucial for growth.