

# THE TEAM WITH THE BEST PLAYERS

## WINS..... Jack Welch

Newsletter June 1st, 2020  
Volume 8, Issue 6

Independent Captive Associates, LLC, 6900 Jericho Turnpike, Syosset, NY 11791  
www.independentcaptiveassociates E-mail address [promano@independentcaptiveassociates.com](mailto:promano@independentcaptiveassociates.com)  
Offices located in Boca Raton, Florida; Richmond, North Carolina; Simsbury, Connecticut; Syosset, New York

### **“Money Makes The World Go Around.....”**

By William York, VP of Marketing

**"Money, Money, Money makes the world go around, the world go around.....**is a famous quote from the song "Money" from the 1966 musical.....**Cabaret.**

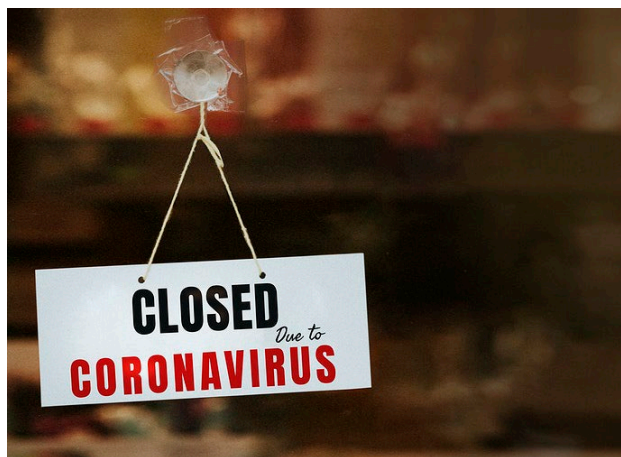
#### **So how is this song relative to Captives?**

The accepted definition of a "captive," being an insurance company that is owned by the insured, is true, but not useful for decision making in a time of challenge like most businesses are experiencing today.

Businesses face **money** challenges.... how to increase profits (earn **money**), manage finances (**money**) and grow their profits (**money**).

A "captive" is an insurance company that is created to deal with premiums (**money**), manage claims (**money**), earn income (**money**) and finally assist in tax deductions (**money**), and tax conversion (**money**) from one bracket to another.

**Let's be clear, captives are all about the money!**



Every business owner wants their captive to make **money**, because it costs them **money** to maintain their captive and to pay **money** to cover claims against their insurance company. Each claim will cost the business owner.....**money.**

**Captives are alternative methods by which risk to loss is financed.**

**In fact, the first step most captive owners will experience when operating their captive is an improvement in their operational efficiency..... tax deductible premium (money) will be coming into their insurance company, money will be coming out of their insurance company reserves to settle claims against selective risk while investment income will be growing to offset cost.**

There is so much hype surrounding captives, but you will also find captives are not inherently mysterious, or illegal, or a silver bullet for all situations. They are financial tools for companies that believe they can control expenses/**money** better than using only traditional commercial insurance. The fact that the insured, or an entity closely related to the insured, is the owner/operator is a fact, which changes the dynamics of the **money** transaction.

Historically, traditional insurance companies entered into contracts with you to provide repayment of losses under certain conditions. Using a Captive instead of "just writing a check" is an exchange where in you actively enter into an alternative reality.

**You see all the components of the premiums paid and the use of your money as reserves and surplus. You control both the insurance and the money being paid. Think of it as an alternative method of developing retained earnings resulting from your current expense.....your insurance premiums.**

**Re-imagine your insurance expense. Imagine premiums accumulating as useable surplus to enhance your overall business enterprises.....It's all about the money.**

Are you in business to lose **money** or to make **money**?

Are you in business to control your expenses or just watch them continually increase.....exercising minimum to no control?

Are you currently trying to manage your insurance expense by:

- Pushing your insurance broker for innovations.
- Replacing your insurance broker to get better cost control.
- Considering retro policies
- Exploring higher deductibles so you take on more risk.

**If you haven't figured it out, you are in a game where the deck is stacked against each business and you are constantly losing. Commercial insurance companies are constantly winning!**

Now re-Imagine the 2021 rates after this recent pandemic.

You should expect a period of higher commercial rates...a hard market.... increased cost and **more money going out as insurance expenses rise resulting in lower potential profits.**

**The game is fixed against the average business. Consider the following companies and the results they achieved by re-imagining their insurance expense:**

**Business.... Orthopedic Group:**

- **\$30 million revenue**
- **Malpractice insurance costs high at \$1 million annually.**
- **Low claims rate**
- **Experience \$1 million claim in 10 years**

**ACTUAL CAPTIVE INSURANCE PROFIT RETAINED:**

- **Year 1...\$800,000**
- **Year 5...\$3.2 million**
- **Year 10..\$7.4 million**

Over time **Captive Insurance Companies** serve multiple purposes and have been used to:

1.) **Replace a businesses' commercial insurance and turn this expense into a profit (money).** This is the basis of insurance, unused premiums not used for claims are captured by insurance companies and used to create capital (**money**). Ask yourself, “how much P&C insurance you've paid” and then ask yourself, “what claims you've been paid"! Warren Buffet understood this and stated on many occasions that insurance is superior strategy when properly utilized by a business.

2.) **Insure the multiple risk currently self-insured** by a business is accomplished in an efficient tax deductible manner while creating additional needed insurance coverage not available in the commercial market place (expanded cyber, reputation risk, etc.).

3.) **Lower healthcare cost and enhance other employee benefits allowing business to attract and retain needed talent.** Talent is critical and often monies are paid with little return on investment. Integrating commercial and private insurance permits the accumulation of profits based on unused distribution of claims.

4.) **Generate additional working capital** to enable the insurance company to grant mortgages, purchase alternative assets and other related activities to increase the core business reserves. The assets generated through this private insurance company are exempt from creditors and receive favorable tax treatment when applied properly.

**“Money, money, money makes the world go around, the world go around”.**

**Call Independent Captive Associates, LLC to learn how to get started.**

Pamela Romano

Ph: 516-629-9045

Email:

promano@independentcaptiveassociates.com

Independent Captive Associates, LLC

6900 Jericho Turnpike, Suite 300

Syosset, NY 11791

[www.independentcaptiveassociates.com](http://www.independentcaptiveassociates.com)

