

THE TEAM WITH THE BEST PLAYERS

WINS..... Jack Welch

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CLAIM DENIALS

By William York, VP of Marketing

Many clients have told us about insurance losses definitely thought to be covered by their commercial insurance policies, but nevertheless the commercial insurance company refused to pay their claims!

We have heard these words spoken many times. In fact, no matter how good a client's claim experience has been, insurance companies have denied claims and even forced companies to go to court in order to have the claims paid. Often the client wins, but since insurance companies have deep pockets they can manipulate a business into a position where they cannot purchase the needed insurance coverage in the future!

We feel this is unacceptable.

It is believed that insurance companies are not in the business of paying claims but rather in the business of collecting premiums and generating profit for shareholders. There is little empathy for the insurance industry.

Comments range from, **"there has to be a better way"** to **"I hate my insurance company."**

It's obvious why these insurance companies have denied these claims. In many cases, if a claim is even remotely in the grey area, the insurance companies are better off denying a claim, even if it means upsetting a longstanding policyholder. Unfortunately, many business owners simply walk away.....empty handed.

CLAIM COVERAGES

And then there are businesses that have paid premiums for years with minimal claims. In fact, a client recently told me that they had paid insurance premiums of approximately \$1 million dollars annually for the past 10

years and had a claims experience which was excellent. **A thought: \$50,000 in claims verses \$10 million dollars in premium paid, does this make financial sense to the business?**

Most businesses don't realize that "insurance expenses" normally represent the third largest expense in every business!

THERE HAS TO BE A BETTER WAY!

Today, many businesses seeking a better way have found that alternative! These businesses are being rewarded on multiple levels by setting up PRIVATE INSURANCE COMPANIES also known as Captive Insurance Companies (CICs) to integrate with their commercial insurance coverage!

Reap additional rewards gained from a more holistic approach.

Private (Captive) Insurance Companies:

1. Improve cost control
2. Add necessary flexibility to a risk management program
3. Provide more profits and rewards for those businesses that understand the concepts of an integrated approach using a private insurance company.

Too often, however, many businesses think Captive Insurance is nothing more than self-insurance!

The fact is that Captive Insurance Companies are real businesses set up under the oversight of multiple state insurance departments. Today most states have passed legislation permitting the operation of Captive Insurance Companies in their state. Captive Insurance Companies (CICs) are chartered under state insurance departments and they issue policies, maintain reserves against possible claims, and operate like any other business.

In fact, setting up a Captive Insurance Company is establishing a new business. It is a separate business that requires an annual audited financial statement, a business plan, and regular reporting to state insurance agencies. In a time when business and states are seeking greater efficiencies, setting up a Private Insurance Company has proven to be profitable to both business and many state governments.

Companies have generated substantial assets which can be used for business opportunities.

States have hired employees and generate substantial revenue by taxing these newly established insurance companies.

Maybe for once, both business and government interest are aligned?

Think about a business that receives a mortgage from a commercial insurance company like MetLife or Prudential. Why not get that mortgage from a company you own.....your own insurance company? Why not pay yourself! CICs have helped many businesses expand their operations through mortgages.

Think about the negative effects of a business in your supply train going bankrupt. Does your commercial insurance coverage provide reimbursement coverage against this type of loss? Add it to your own insurance portfolio within your CIC. This year, within the apparel industry, a major company in the supply chain went bankrupt. Our clients were protected! Many apparel firms were not covered by their commercial insurance coverage!

Think about a business that was closed because of a major storm. In NYC, we insured a business in downtown Manhattan, located on high floors in tall buildings against business interruption caused by a flood. This coverage supplemented their commercial coverage. A flood (Sandy) devastated lower NYC and every business was closed below 34th Street. The businesses we insured were provided with the needed monies to relocate their businesses uptown!

Think about businesses that are falsely accused of unsafe working conditions through internet gossip which damaged their reputations. Most businesses do not have reputational risk coverage in their traditional commercial insurance coverage. We recently settled a claim which emanated from a Facebook posting.

Think about businesses that provide unique products and services that don't want to be represented by an attorney that is appointed by their commercial insurance company. They feel that a specialized attorney is essential for proper representation. Many commercial coverages limit the representation to an attorney hired by the commercial insurance company. Don't you want the best attorney representing your business? Don't you want an attorney representing your best interest and someone who is not being pressured by an insurance company to settle?

If you are a business person you understand the value of **control-control-control.**

Captive insurance companies empower business owners. We give each business the ultimate control to determine their future!

Today, many businesses face disruptions which did not exist 20 years ago.... cyber risk is a major problem for every business today. It is an issue that commercial insurance cannot get their arms around because the threat is changing daily. Only through the use of private insurance companies can this risk be dealt with effectively.

90% of Fortune five hundred companies now operate captive insurance companies. Don't you think it's time for 90% of mid-market businesses to also operate captive insurance companies?

TOGETHER LET'S LEVEL THE PLAYING FIELD.

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