

THE PREFERRED PROVIDER TO THE MOST TRUSTED ADVISOR

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Can Anyone Predict the Future?

Yes! Yes! Yes!



By Joseph W Tucciarone, CEO National Network of Accountants

I am certain that commercial insurance coverage costs will continue to rise in 2025 and beyond. These costs have been steadily increasing over the past five years, and the trend shows no signs of stopping.

In fact, over the last 50 years, commercial insurance premiums have consistently climbed, fueled by factors like inflation, climate change, COVID-19, and industrial shifts. These challenges have added significant burdens to every business owner in America. Don't bury your head in the sand—take a moment to reflect on what you've spent on commercial property insurance, medical insurance, and other coverage over the last decade.

Then, consider how much you've actually been reimbursed by your insurance carrier.

Real-Life Examples

A real estate developer in New York recently shared that over the past ten years, his firm spent more than \$5 million on insurance premiums but only received about \$800,000 in claims. My question: How much do you think his insurance carrier grew that \$5 million in premiums into? At least \$10 million—and that's after paying the insurance salesperson over \$500,000 in commissions! The deck is clearly stacked against policyholders.

Similarly, the owner of 20 nursing homes spent over \$22 million on insurance premiums and received less than \$400,000 in claims.

Contrast this with a hospitality business owner who owned the insurance company he paid premiums to. By contributing \$41.5 million annually to his own insurance company, he collected approximately \$41 million each year from warranty insurance. Do you think Apple's insurance offerings or appliance warranty insurance isn't profitable? Think again.

Fear of Audits? Think Strategically

But Joe, I don't want to start my own insurance company because I might get audited by the IRS. Really? You're willing to start a pension plan, knowing that 20% of pension plans are audited annually, but you're hesitant about starting your own insurance structure?

We've represented more than 25 businesses that were audited, and the average cost per audit was around \$45,000. However, the average financial gain for those businesses far outweighed the costs. In fact, they would have paid over \$100,000 in commissions to a commercial insurance agent. Who comes out ahead in this scenario?

Yes, the IRS scrutinized seven company-owned insurance structures (captive insurance) in 2024 and overturned six of them. But here's the key: all six were established offshore. When done right, captive insurance structures work. When done poorly, problems arise. The only thing to fear is poor execution.

The Evolving Insurance Landscape

The captive insurance industry has become more sophisticated and experienced, and commercial insurance companies are increasingly adopting hybrid solutions. By combining traditional commercial policies with captive structures, businesses can achieve greater stability and control over their risk financing costs across all lines of coverage.

Global challenges like cyber security, supply chain disruptions, climate change, and administrative actions have created opportunities for innovative businesses to adapt. Companies prepared to embrace today's realities are protecting their bottom lines, meeting customer expectations, and driving growth.

A Bright Future Ahead

As we approach 2025, any line of coverage or amount of coverage is possible. Whether it's a single line of insurance or a layer within a larger program, businesses can use modern insurance solutions to protect and grow their bottom lines. The property and casualty insurance industry is more exciting and

rewarding than ever, proving itself to be a cornerstone of responsible business practices.

Turning Coal into Diamonds

As Henry Kissinger said, "A diamond is a chunk of coal that did well under pressure." Today, there's plenty of coal—let's turn it into diamonds together.

Call us for a complimentary Zoom meeting. Speak to a company that owns its own insurance company. Make a decision based on facts, not fear.

Good luck in the coming new year!



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