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“THE GAME CHANGER”

By William York, VP of Marketing



“*The Game Changer*” was originally published on **Amazon** and co-authored by Joseph W. Tucciarone and Donald Deans, CPA from Deloitte. The second addition went to press in 2018 and was co-authored with Brian Clouse, CPA of Mazars, USA.

“The Game Changer” discusses the benefits of how special purpose insurance, private insurance (better known as captive insurance) supplements traditional commercial insurance. However, until the arrival of the pandemic, we never imagined the impact private insurance *really* has on business.

The COVID-19 pandemic of 2020, disrupted the supply chain and put enormous financial

pressure on nearly all industries and companies worldwide. This disruption resulted in the rising cost of commercial insurance premiums. Commercial insurance premium rates are continuing to rise and data now shows that organizations, in every industry have turned toward private insurance (**Captives**) to help meet the changing market conditions and to relieve pressure on their balance sheets.

Private insurance is growing in Asia and Europe as well as America. It is clear that the advantages of private (captive) insurance is becoming an important option in risk management as well as financial risk control. These advantages include cost efficiencies, financial flexibility, the ability to design customized coverages, access alternative capital, generate profits through third-party business, and enhanced environmental, social, and governance initiatives (ESG). The private/public insurance option is becoming an important option in risk management as well as financial risk control. In fact, this option is now becoming the standard for many businesses across America today.

Private insurance (Captive) has become an effective way to supplement and enhance - **rather than replace** - existing commercial coverage. The use of both options results in

not only proper risk protection, but allows organizations to capture much of the **unused** insurance premiums paid to their commercial insurance companies and turns these unpaid premiums into **profit!**

Most commercial insurance companies work on a 40% profit margin and another 10% is paid to brokers in the form of commissions. These enormous costs, plus the current economic conditions of rising inflation and global disruption, has created a new paradigm that businesses must adjust to with minimal disruption.

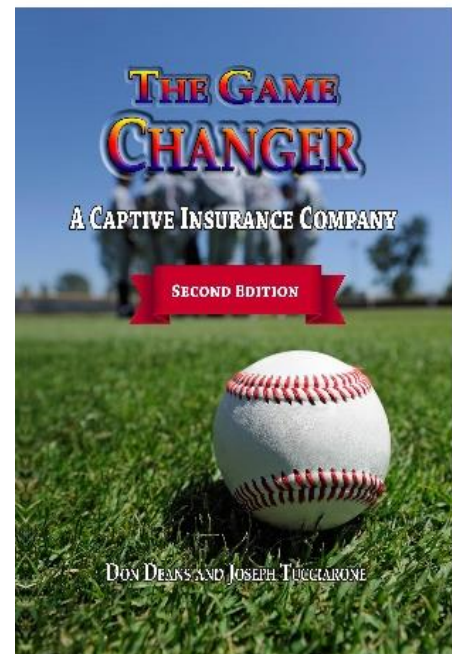
Fact one: most business owners are unaware of the massive change taking place.

Fact two: Business owners understand the major risks their business faces better than anyone else can and they know how to manage these risks to mitigate the likelihood of a claim. By shifting certain lines of insurance coverage into the **Private Insurance** (Captive), business owners stand to profit from low claims experience using this alternative option.

Captives have experienced historic growth in the last two years, proving their value as strategic risk management tools for a wide variety of businesses and non-profit organizations. Just the other day I was discussing, with a professor of Tulane University, the benefits of combining private insurance and public insurance. We discussed the program at Penn State and other universities. It's also been verified that

90% of all Fortune 500 companies are now utilizing this option. More and more businesses are understanding that if they manage their commercial insurance expense, their insurance can be a profit center, not a **sinking cost**.

As our Chairman recently remarked to a group of business executives – "**Every challenge represents opportunities to recreate ourselves. This current crisis is no different. Astute business owners will look back in the future and find today's challenges as a new opportunity. Don't be the business owner to look back and regret their no action stance.**" "**Just do it**" as Nike says – Joseph W. Tucciarone.



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