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EMBRACE THE CHANGE:

How Captive Insurance Can Revolutionize Your Business



By Joseph W Tucciarone, CEO National Network of Accountants

Change is the only constant in life. Take a moment to reflect on your journey, and you'll realize this truth applies universally—whether in personal life or business. Understanding and embracing change is critical for growth, especially in an ever-evolving business landscape.

From the Internet to AI: The Forces Driving Change

In the 1990s, the internet revolutionized every industry. Businesses that adapted thrived, while those resistant to change fell behind. Today, Artificial Intelligence (AI) is at the forefront of transformation, reshaping industries and challenging business owners to ask themselves: **When should I get involved?**

Let's look at the U.S. property and casualty (P&C) insurance industry. In 2023, it generated approximately \$964 billion in gross premiums, with commercial insurance losses hitting \$222.5 billion. While these numbers suggest a substantial profit margin, they tell

another story: insurance premiums are rising—again! This marks the 23rd consecutive quarter of premium hikes in the commercial property market—that's 92 months of increases.

The result? Businesses grappling with the financial strain of rising premiums while insurers ensure their profitability. Is your business part of the problem, or is it a victim of excessive claims by others? Either way, it's clear: traditional insurance models are no longer sustainable for many businesses.

The Solution: Captive Insurance

There is a powerful and inevitable solution that businesses have overlooked for too long: **captive insurance**. This innovative model allows businesses to take control of their insurance policies and costs, offering a path to financial stability and growth.

What Is Captive Insurance?

Captive insurance is a form of property and casualty insurance established and approved by state and federal governments but owned by a private company—your company. Unlike mutual insurance companies where you have no input or control, a captive insurance company allows you to:

- Define your insurance policy language.
- Invest and earn income on the premiums you pay.
- Retain control over underwriting profits.

This historic change enables businesses to shift from being passive participants in the insurance market to

active stakeholders who manage risk and maximize profits.

The Benefits of Captive Insurance

1. **Cost Control:** Businesses running on a traditional 75% expense-to-revenue ratio can reduce costs by managing their own claims and underwriting processes.
2. **Profit Retention:** Instead of paying premiums that bolster insurers' profits, businesses can retain those funds within their own captive insurance company.
3. **Tax Advantages:** Premiums paid to a captive insurance company are deductible, and assets within the captive are protected from creditors.
4. **Alignment of Interests:** Unlike traditional insurance agents earning 10-15% commissions, captive insurance consultants work transparently to maximize your returns.

The Inevitable Shift: Why Businesses Are Embracing Captive Insurance

Did you know that over 90% of Fortune 500 companies utilize captive insurance? In 2023 alone, \$201 billion was spent in the captive insurance marketplace. Both state and federal governments support this shift, providing laws and guidance to help businesses establish and manage captive insurance entities.

The commercial P&C insurance landscape will continue to see rising premiums driven by claims and profit motives. The question is: where does your business stand in this continuum of change? Will you continue paying exorbitant premiums, or will you embrace this inevitable change to secure your financial future?

Take Action Today

The insurance industry is one of the most lucrative sectors in the world—just ask Warren Buffett. By transitioning to captive insurance, you can:

- Protect your assets.

- Deduct premiums as business expenses.
- Take control of your insurance policies and profits.

Change requires education and action. Work with a consultant who can guide you through the process transparently, ensuring you reap the maximum benefits. Whether it's a Zoom consultation, obtaining literature, or simply doing your own research, the time to act is now.

Don't be the last business stuck using a typewriter in the age of computers. The change is inevitable. The question is: will you embrace it?

Ready to Learn More?

Contact our team today to explore how captive insurance can transform your business. Let's build a strategy that secures your future and positions your company for sustainable growth. Call Joe Tucciarone @ 516-398-1337 or reach out by email at jtucciarone@nnaplan.com.



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