

The Alternative to Traditional Insurance

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One of the cornerstones of a successful business is appropriate asset protection. This includes protection: (1) of a company's real property, inventory, profits and business; (2) from litigation and claims brought against a company and/or its officers or directors; and 3) for workers' compensation liabilities.

Insurance has traditionally provided this protection. However, there are now many alternatives to traditional insurance, which can provide the same or broader benefits, often for less expense and specifically tailored to meet corporate goals. One of these alternatives involves the creation of a captive, which is essentially an insurance company, owned by the insured.

Captives allow for the following benefits to the insured company:

- Opportunity to control expenses and funds paid for insurance protection.
- Funding of a capital pool which is based on the insured's own loss ratio, rather than the industry ratio.
- Protection in areas traditional insurance may not provide coverage for such as mold, hazardous waste, asbestos, employer liability and other areas.
- The insurance language can be tailored to fit the company's specific needs, and to include, or exclude, various risks.
- Potential tax deduction of premium payments made by the company.
- Opportunity to control claim handling and resolution. For instance, the insured company



can review claims when it chooses and may resolve such claims, or not, also as it chooses.

- Investment control of pooled funds. Typically investment rules for captives are more relaxed than those for insurers.
- In place of a large deductible. For instance, the insured company may raise its deductible and thereby the point in time when its excess insurance is triggered. The captive may then respond to those claims within the deductible arena with the excess coverage being triggered only when necessary due to the size of a claim. The higher the floor of the excess carrier, the less the premium cost to the insured.
- Ability to chose whether to handle all facets of captive insurance arrangements or to unbundle the various pieces such as claim handling.
- Technical access to immediate status of claims via sophisticated claim handling technology.
- Wealth transfer from a business in a tax effective and legitimate manner. The wealth that may be removed from the insured business by way of premium payment to the captive may also prevent creditors from obtaining said funds.

As can be readily seen, there are many advantages in using an alternative risk management option, such as a captive. Risk Assessment & Transfer International is ready to help your company determine whether, and if so which, alternative risk management vehicle best meets your company's goals.

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