

# Not All Risks Are Created Equal

## Captive insurance - your business' silver bullet?



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### OUR GOOD FRIEND THE FROG

The boiling frog metaphor is well known: put a live frog in boiling water and the frog immediately jumps out; put the frog in cool water that is gently heated and it will be boiled alive.

Do people unknowingly behave like the simmering frog when it comes to adequately financing risk? Are the gaps in current risk financing unknown to them, or insufficiently pressing for them to take action?

### Insurance policies and the small print

Most risk affecting business (financial, assets, revenue, liabilities, personnel) is insurable by insurance companies. Not all business risk can be insured. Some payouts are restricted or excluded by insurance policies. This does not mean insurance policies are a bad deal. Rather, that like any contractual arrangement, terms and conditions apply. From time to time the commercial insurance market is unwilling or unable to provide cover for certain risks. And many business insurance brokers, on whom business depend for advice, don't go beyond conventional insurance.

### Risk appetite

A business needs a regular 'virtual reality' boiling water experience to survive in the real world. For only after a business gains a comprehensive appreciation of all the risks to which it is subject can it then strategically determine the level of risk it is willing to assume.

Captive insurance can then be used as a complementary risk management tool to finance part or all of this 'risk appetite' in a manner which reflects the business's own risk profile, not that of the industry.

**"Most people spend more time and energy going around problems than in trying to solve them"**

**Henry Ford**

Smart and successful business owners who emulate Henry Ford's attitude identify and assess risk, know where their insurance starts and stops, and seek to fill in the gaps. However, even smart and successful business owners have difficulty knowing where to go to find a cost-effective solution.

### How can I start a Captive?

The ideal vehicle for accessing the benefits of captive insurance is an important decision which will inevitably vary from business to business according to a number of individual criteria.

### Captive insurance options include:

1. Incorporation of one's own company, including the option of protected or incorporated cell status; or
2. Renting a protected cell.

**Just as one can rent an office building rather than purchase the building, a business can similarly rent a captive cell.**

Riskman specialises in helping clients create captive insurance tailored to the risks, structure and dynamics of their business.

**With Riskman the frog may get a life after all.**