



Reinsurance Company Owners - Maximize your Earned Premiums

Michael C. Kusick, CFP®, CEO email: mkusick@investmark.net

You already know that over the last decade more and more automotive dealers have created their own Reinsurance Companies to offer their customers F&I services like extended service contracts and ancillary products. As a result, many of these dealers have accumulated a significant amount of wealth in these trusts. That's the good news.

The bad news is that many dealers are not re-positioning the "earned-out" premium in their trust to achieve a "real return" after the negative effects of inflation and taxes. This is especially important to recognize in today's low interest rate environment, where many reinsurance companies are seeing little to NO REAL GROWTH in these trusts. This is largely due to the lack of professional advice and the limited investment alternatives available through their current arrangements.

For over 10-years, the ReInsuranceMax team at Investmark Advisory Group has assisted automotive dealers and their reinsurance companies with professional investment advice and asset management designed to protect and grow their earned and unearned premiums.

We work closely with each dealer and all parties involved to adhere to the investment policy requirements while identifying areas where we can help dealers maximize their results in the more restrictive unearned premium accounts.

With this in mind, we have helped many of our dealer clients establish "Surplus" accounts, which can be a powerful complement to the other premium accounts. These surplus accounts are established in the name and tax ID of the reinsurance company, but they are not subject to the control of the trust. The owners of the reinsurance company have complete control of the assets in the surplus accounts, which are used to hold assets that are in excess of the required Unearned Premium Reserve requirement of the trust. By proactively sweeping funds from the Unearned Premium trust into your Earned Premium Trust (surplus account) on a periodic basis, reinsurance companies are provided the opportunity to diversify their overall holdings, and to invest in a portfolio based on the owners' personal goals and objectives.

Over time, by blending the returns of the more conservative trust accounts with a more aggressive surplus account, the owner of the reinsurance company can reasonably expect a higher overall return, while still maintaining the tax efficiency of holding the funds in the name and Tax ID number of the reinsurance company.

For example— let’s assume you are the owner of ABC Reinsurance Company and you have a trust account with \$1,400,000 in assets. Based on your current statement and trust requirements, we determine that \$700,000 is available to transfer into a Surplus Account. This \$700,000 can now be invested into an equity portfolio with a higher expected return. Also, because the surplus is still owned by your reinsurance company, the transfer is not a taxable event (as opposed to taking a distribution from your trust, which would be taxable).

This is just a quick illustration, but it gives a good general idea of the benefits that Investmark’s ReinsuranceMax professionals can provide. Our team is uniquely qualified, experienced, and dedicated to helping automotive professionals like you “re-maximize” your reinsurance assets.

*For more information please call our offices at 203 953 3777,
or email mkusick@investmark.net*



Investmark Advisory Group

STRATFORD ♦ STAMFORD ♦ GLASTONBURY

Corporate Offices: Ryders Landing ♦ 6580 Main Street ♦ Stratford CT 06614 ♦ 203.953.3777 800.443.1006 F 203.386.8300

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