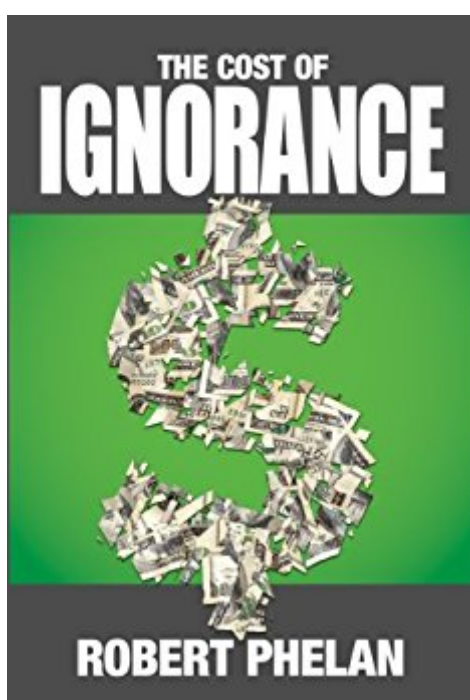


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# The Cost Of Ignorance: What You Don't Know About Performance-Based Insurance Can Save Your Company Millions



## Synopsis

There is drama in insurance. **THE COST OF IGNORANCE** is a riveting novella by business insurance veteran Robert Phelan. The story punctures confusing insurance jargon and introduces a powerful new concept for middle-market companies: a little-known form of insurance known as Performance-Based Insurance™ (PBI) costs less and can save a company millions of dollars over time. The tale is told through the misadventures of Timothy Franculli, owner of a wholesale manufacturing company that is about to go broke because of escalating liability and health insurance costs. Timothy attends a conference in San Francisco where he runs into an old friend and learns about PBI, a type of insurance that could save his struggling company hundreds of thousands of dollars per year. But there is a catch. Typically, in order to qualify for PBI, a company must have a strong safety culture where worker injuries and accidents are controlled and reasonably predictable. Franculli has a lot of catching up to do after a series of employee injuries the year before caused his worker's compensation premiums to skyrocket 40 percent.

**Q & A WITH THE AUTHOR**

**Q:** Why haven't I heard of PBI?  
**A:** You may have heard of similar concepts with different names. I came up with Performance-based Insurance™ to simplify all the insurance jargon. With PBI, instead of paying some of your premium to subsidize the losses of others, the premium you pay is based strictly on your company's own "performance." For financially stable, well-run companies with a strong safety culture, PBI is the only program they should consider. Almost all large, sophisticated companies use some form of PBI.

**Q:** What is PBI?  
**A:** PBI comprises all the forms of insurance where the ultimate cost is variable and based on performance. Conventional insurance is called "Guaranteed Cost." You pay a fixed premium regardless of your claim levels. If you have a PBI program, 30-40% of the premium is fixed and the rest is allocated to a loss fund. Whatever you don't use in the loss fund is returned to you. However, if the loss fund is inadequate, you may have to pay more than Guaranteed Cost. Safe, well-managed companies can reasonably save 25% on average.

**Q:** What's the biggest advantage of PBI vs. Guaranteed Cost?  
**A:** You control the premium you pay. No more unpredictable premium swings, no more subsidizing the losses of unsafe companies and no more going through the hassle of going out to bid. If you maintain very low loss levels you could literally get a 50% discount. Think of it as getting every third year for free.

**ABOUT THE AUTHOR** Robert (Bob) Phelan is a 30-year veteran of the insurance industry who has led his firm, Litchfield Insurance Group, to national prominence. Inspired by his father who introduced him to the business, he considers his clients' successes to be his greatest achievement. He's the author of *Broke: The Broken Contractor's Insurance System and How to Fix It* and is a co-author of *Secrets of Peak Performers*. A thought leader in his industry,

Bob was recognized as one of "The 25 Most Innovative Agents in America" and one of six "Power Brokers" in the U.S. in Construction. He speaks across the U.S. and Canada and is an Editorial Advisory Board member for the largest trade journal in the insurance brokerage industry.

## Book Information

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## Customer Reviews

Well put that insurance is more than policies and premiums and instead needs to be looked at in much more depth.

Performance base insurance "PBI" is the most cost effective strategy to reduce your long-term cost of risk! With businesses facing ever increasing costs for healthcare, workers compensation and other insurance related issues, this book should be mandatory reading for risk managers and business owners.

Takes the complex economics of Performance Based Insurance and breaks it down in an easy way to digest and understand.

Wow. Awesome read. Well written and a page turner. Only about 100 pages. I believe this is the second book by this writer. I am in the insurance business and he really gets it.

Very insightful and easy to understand book on the basics of captives and performance based insurance programs. Very good read to get the ball rolling if you are a middle market company.

This is a GREAT BOOK! If you are a business owner and are purchasing insurance the old fashioned way, you need to read this book! This little book will free you and your company from riding the insurance merry-go-round of up-and-down rates! You CAN control your insurance destiny! The Cost of Ignorance is easy to read, and can be read in an hour or two. This story of two businessmen and how insurance impacted their life and the lives of their employees grabs you and pulls you in. It was a fun read! A book on insurance that is fun to read.....isn't that an oxymoron? Not anymore. I would recommend this book to anyone wanting to save their company millions of dollars and control the cost of their insurance.

Short novel and easy read that can be digested in an hour or so. The story offers an elegantly simple explanation of how business insurance works - for or against a business owner depending on what they know, whether they care and how wisely they choose their business insurance advisor! I recruit and develop commercial insurance sales people and will recommend that they read this and share it with their larger commercial prospects and clients too.

Bob Phelan has taken simple concepts in insurance for business owners that can be confusing and made them simple to grasp. It focuses on what a business owner's safety culture should be for the right reasons, then tells them how this will save them money and improve their business. Easy to read story that business owners can relate to all the while providing information on how to apply the principles to their own business or company they work for. Nicely done Mr. Phelan! The Cost of Ignorance: What You Don't Know About Performance-Based Insurance Can Save Your Company Millions

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