



PART I: THE PROS AND CONS OF SELF-INSURANCE (THE PROS)

What would you say are the biggest advantages associated with self-insurance?

Jeff Donham: In a world of uncertainties, protecting oneself against unexpected financial burdens is paramount. Insurance offers a safety net, but have you ever considered an alternative approach known as self-insurance? Self-insurance involves assuming responsibility for potential losses or damages rather than relying on traditional insurance policies. While it may not be suitable for everyone, self-insurance presents several compelling reasons why individuals might choose to embrace this proactive strategy.

Can you elaborate on those pros a bit?

JD: I would say the three major pros with regard to self-insurance would be the cost efficiency and long-term savings, enhanced control and autonomy, and reduced administrative burden:

Cost Efficiency and Long-Term Savings: One of the primary reasons people opt for self-insurance is cost efficiency. Traditional insurance policies come with premiums, deductibles, and potential rate hikes. By self-insuring, individuals can avoid paying premiums altogether, eliminating recurring expenses. This approach allows them to retain control over their financial resources and allocate funds more effectively. Self-insuring can be a wise financial strategy, particularly for individuals who have the means to set aside funds consistently. Over time, these accumulated savings can create a robust emergency fund or serve as a dedicated pool to cover unforeseen expenses.

Enhanced Control and Autonomy: Self-insurance offers a sense of control and autonomy that traditional insurance may lack. Instead of relying on insurance companies to approve claims or determine the course of action, self-insured individuals have direct control over the claims process and decision-making. This level of independence can streamline the resolution of claims and avoid potential disputes or delays.

Reduced Administrative Burden: Traditional insurance often involves extensive paperwork, policy renewals, and ongoing communication with insurance providers. Self-insurance minimizes administrative burdens by eliminating the need for complex paperwork, negotiating coverage terms, or dealing with intermediaries. The simplified nature of self-insurance allows individuals to focus on managing their risks without getting caught up in the insurance process.

Do you have any final thoughts on the advantages of self insurance?

JD: Yes. While self-insurance may not be suitable for everyone, it offers compelling pros for those willing to assume the financial risks themselves. The cost efficiency, flexibility, and control associated with self-insurance provide individuals with an alternative approach to managing their risks. By carefully assessing personal circumstances and financial capabilities, individuals can make informed decisions about whether self-insurance aligns with their needs. Consulting with a qualified insurance professional or financial advisor can help individuals make informed decisions based on their unique circumstances and risk tolerance.

To learn more about the cons associated with self-insurance, read "Part II: The Pros and Cons of Self-Insurance (The Cons)".



JEFF DONHAM, CFP®, CLU

Senior Wealth Advisor

Jeff is a Senior Wealth Advisor based in the Richmond, VA office of The Colony Group. He utilizes a goals-based planning approach emphasizing tax efficiency, cash flow management, risk mitigation, philanthropic planning, and investment management. Jeff is a CERTIFIED FINANCIAL PLANNER™ practitioner and a Chartered Life Underwriter®.

Prior to joining The Colony Group, Jeff worked for Northwestern Mutual where he provided financial planning services for a wide array of client needs including education, insurance, tax, investment, and estate planning. Prior to Northwestern Mutual, Jeff worked at LPL Financial where he delivered investment and asset allocation guidance for client portfolios.

The Colony Group, LLC ("Colony") is an SEC Registered Investment Advisor with offices in Massachusetts, New York, Maryland, Virginia, Florida, Colorado, California, New Hampshire, Connecticut, Washington D.C., and New Jersey. Registration does not imply that the SEC has endorsed or approved the qualifications of Colony or its respective representatives to provide the advisory services described herein. In Florida, Colony is registered to do business as The Colony Group of Florida, LLC. Colony provides individuals and institutions with personalized financial advisory services. This paper is prepared using third party sources. Colony considers these sources to be reliable; however, it cannot guarantee the accuracy or completeness of the information received. Information provided herein is general and educational in nature. It is not intended to be, and should not be construed as, investment advice. Market conditions can vary widely over time and can result in a loss of portfolio value. Services offered are provided pursuant to an advisory agreement with the client. Colony's Form ADV Part 2A, 2B, Form CRS, and Privacy Statement will be provided on request and as required by law. For a description of fees payable for investment advisory services, please see Colony's Form ADV Part 2A.

CONTACT

jdonham@thecolonygroup.com

www.thecolonygroup.com