



TRUST ACCOUNT SERVICE TECHNOLOGY™

**Developed by Paulmar Group LLC
Offered to P&C Independent Insurance Agents & Brokers**

While sales and service remain an insurance agency's core business, fiduciary mandates in the management of premiums and commissions continue to burden the P&C insurance agencies with responsibilities they can barely carry out. Trust account management ties up an agency resources without giving the agency any competitive advantage in the marketplace. The premium financial traffic through the agency's trust bank account is indeed significant: \$5 to

\$10 million in small and medium size agencies, \$50 million or more in larger agencies.

Despite fiduciary obligations, insurance agency owners cannot determine if their trust account is financially solvent (cash solvency analysis); nor can they determine the beneficiaries (owners) of the trust bank account cash balance. No agency management system today is able to manage the insurance trust account financial solvency.

Regulatory Mandates

Since premiums are fiduciary funds, Insurance Code regulates the way these funds are to be managed. In current practice trust account funds management is considered by most, just a simple process of receiving and depositing premium payments in the trust bank account and writing remittance checks to carriers or general agents. A lot more is required to control and report the trust account financial solvency.

model to avoid receiving premiums from insureds. The cost to monitor and report financial solvency is indeed prohibitive. That is why some agencies chose the "direct bill" business model while others limit their management effort only to those activities that fit the agency operating budget.

Because of the complexity of premium and return premium transactions many insurance brokers prefer the direct bill (DB) operation

This condition explains why in California one in three (possibly more) independent insurance brokers are out of trust exposing their agencies to a loss of business license and/or potential legal prosecution for theft.

Management Solution

After years of research, Paulmar Group reached the conclusion that the only solution to current premium financial management problems, is to separate this management from the agency's sales and service operation management.

Provided this was possible, the trust account management could be outsourced to a third party that had the technology and know-how to professionally manage the agency premium and return premium funds.

Insurance Transaction Duality

The main reason why this solution was not considered in the past by any insurance professional is apparently rooted in the lack of understanding of insurance fiduciary duty and its consequences upon the agency's organizational frame. Insurance Code requires insurance brokers to become "custodians" of premiums received from insureds and, while maintaining them in a separate "trust" bank account, to

monitor and report their financial solvency. Insurance fiduciary duty sets forth the "duality" of insurance transaction whereby, in the process of receiving premium payments, an insurance broker is mandated to act as both "business owner" and "custodian". The broker's dual position has fundamental implications upon the concept and practice of premium accounting and trust account management.

Trust Account Service

To address the premium financial solvency management and provide a workable solution to P&C insurance agencies, Paulmar has developed a "Trust Account Service" that offers insurance agencies the opportunity to outsource their trust account operation for a fraction of the in-house cost. The Trust Account (TA) Service is supported by new "Trust Account Technology™" Paulmar has developed after more than 10 years of research. This technology includes:

- Concept of trust account financial solvency management;
- Premium financial solvency reporting system;
- New Trust Ledger (TL) accounting;
- Trust account service logistics;

- Software application (NOBL.R) to support the service to insurance retailers;
- Software application (NOBL.Corp) to support the service to clusters and corporations.

Paulmar is in the process of customizing NOBL.R to the specific needs of general agents (NOBL.G) and insurance carriers (NOBL.C). Upon the completion of NOBL.G and NOBL.C, the premium financial traffic from consumers (insureds) to insurance carriers will be significantly simplified and enhanced through automation. Premiums received by producer agencies will be remitted, net of commission, to general agents and carriers in a fully controlled manner and very cost effective way.

Trust Account Service Benefits to Users

The TA Service offers insurance brokers a unique economic advantage. By retaining the TA service, an insurance agency will be able to increase its sales by up to 25% without additional payroll.

Let's assume sales expenses (sales commission plus other sales expense) amount to 35% of the additional premium sales. In this case, 65% of the premium sold is net profit. A 65% profit

margin (on additional sales) is an unequalled profit performance an insurance agency can achieve through the outsourcing of its trust account operation.

For more information on the Trust Account Service visit the Paulmar Group website: www.paulmargroup.com