



**ALINK**  
Captive Insurance Services



# Security

Fill in the blank. I feel secure when \_\_\_\_\_.

What is security? Financial, emotional, or legal? It varies from one person to the next. Financial security may be defined with a specific dollar amount accumulated, a variety of investment accounts, or lifetime income. Often security is created with a combination of measures, built intentionally over time.

A few decades ago, security meant paying off your home. Although not as high on the list today, completely paying off one's mortgage certainly provides financial security today - even more than in the past.

What provides Security? **Insurance.**

Insurance protects a person or business from unexpected loss. Ideally, in a fantasy world, insurance would not be needed because losses wouldn't happen and therefore claims would never occur. No-one would ever get sick (Health Insurance), no-one would ever die (Life Insurance), errors (E&O) would never be made. In reality, losses do happen, and unfortunately errors and cyber hacks do occur, usually at unexpected or inconvenient times. Security can be found in every line of insurance coverage offered. The frequency of a claim ideally is rare,

yet realistically the frequency increases due to age, habits, number of employees and other uncontrollable variables.

With or without formal insurance, risk of loss is real. To protect against that loss a person can:

1. Set aside or reserve assets in case. This is INFORMAL self-insurance
2. Pay premiums to a FORMAL insurance company.
3. Hope a loss doesn't occur.

Security comes from utilizing both option 1 and option 2 above. Of course there are budgetary limits for individuals and business owners regarding the setting aside or payment of premiums for insurance.

The problem of setting aside assets aside for option # 1 is taxation. The assets set aside and reserved are taxed. For an example, business owners setting aside \$1million dollars INFORMALLY is prudent, but not efficient.

Yet paying the same \$1million dollars to a third party insurance company is not pleasant as the insurance company is clearly profiting. More claims = higher premiums. Fewer claims seem to be a sunk cost.

There is a better way! A fourth option which doesn't involve hope. **Create your own insurance company.** Captive Insurance is a combination of both option 1 and option 2 above. FORMALLY implementing your own Captive insurance company provides SECURITY, profitability, and efficiency.



**Security** because your business has the coverage for exposures your company needs. Security because you now have new retained assets called surplus which provide options for your future, for unexpected needs, for inconvenient timing, for retirement, buy outs, or expansion. Captive Insurance creates discipline by providing boundaries and limits while insuring your operating company.

**Profitability** because YOUR insurance company should be profitable. Insurance companies must be capitalized and reserves maintained for future claims. When claims are paid out, your company is compensated for the loss. Premiums are paid to, and retained by YOUR company.

**Efficiency** because as the owner of your own insurance company, you now have first last and always the coverage your company needs. Next, premiums received in YOUR insurance company are retained by the company. If claims are not made, YOUR company retained those assets. Additionally, premiums received in YOUR company are tax exempt according to the regulations & laws of insurance companies.

Feeling, and better yet, having **security** means intentionally building security. Captive insurance creates and is



## Your Link to Security!

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