



ALINK
Captive Insurance Services

WHO Benefits from Captive Insurance?

The Insurer or the Insured?

The **Insurer** is the insurance company. Insurance companies are designed to be profitable. In order to sustain profitability, insurers increase premiums, often with or without increased claims.

The **Insured** is you, the business owner. The insured benefits from the protection or insurance provided.

Insurance is big business! Why? Because companies have significant exposures to protect. Some exposures are required by law such as workman's comp, medical benefits, general liability or errors and emissions, while other exposures are not required, yet are available such as director's and officer's coverage, cyber liability, and countless other risks.

When a business formally has coverage, pays premium, and binds coverage, the company pays the insurer for this coverage.

When a business informally self-insures these exposures, they are responsible for 100% of any future losses. The business may informally set aside assets from their operating account to cover potential losses.

When the Insurer and the Insured are the same, both parties benefit. Premiums are no longer a sunken cost! In fact, premiums now become profit!

When the Insured pays premiums to the Insurer, which they own, profitability of the Insurer is profitability of the Insured! Coverage is still bound and provided, claims are still made, and unclaimed premiums become surplus.

Of course there are expenses of being the insurer, but in perspective, these expenses are minimal to cover the implementation, maintenance and proper execution of the insurer. However, there are many significant benefits of being the Insurer, of owning YOUR own insurance company. [Click here for Benefits of Captive insurance.](#)

Captive insurance provides formal coverage of many exposures. When a business owner owns their own Captive insurance company, they ultimately are both the Insurer as well as the Insured.

Without publicity or fanfare, Captive insurance companies are all around in the marketplace, protecting profitable businesses and often offering coverage to consumers. As an example, if you have a car warranty; coverage is most likely provided and insured through a Captive insurance company. Stop-loss coverage of medical benefits may be covered through captives at times. All-State originally was a captive insurance company of Sears & Roebuck – until they became large enough to offer coverage to the public.

Ask yourself, “who profits from this captive?” Who is the Captive serving?

Why have coverage of a captive without ownership? Why share ownership if you can solely own? Why pay a third party?

Here are four legitimate reasons:

- Because it’s required.
- Because the insured would prefer to transfer risk to a third party carrier.
- Because the insured cannot afford or qualify for ownership of their own Captive.
- Because the insured wasn’t presented with an ownership model.

Different types of **Insurers** serve different purposes. All Insurers cover risk. All Insurers must transfer and distribute risk. All Insurers are in business to be profitable.

Different types of Captive Insurance companies serve different purposes. All captives insure risk. All captives must transfer and distribute risk. Your captive will follow all the rules and regulations of properly formed and maintained captive insurance companies.

Business owners understand and feel the weight of risk and how potential losses may affect their business in general as well as how specific losses do and may affect profit and loss of their operating company.

Insuring against these risks must be considered, and whether or not to insure formally or informally.

Formally insuring through a third party provides protection, yet premiums become a sunk cost.

Informally insuring exposures becomes a calculated risk in itself with no financial benefit or boundaries.

Formally insuring through your own Captive insurance company makes you both the **INSURED** AND the **INSURER**; premiums now become profit and you have the insurance protection desired. The boundaries and limits of Captive insurance companies are clearly defined.

Ultimately, ownership of your own captive provides three things:

1. **Control.** Control over your risk management program. Control over your assets. Control over retained earnings of your business. Control over how those earnings are invested. Control over your insurance company claims.
2. **Flexibility.** Flexibility to adjust premiums year to year. Flexibility of insurance coverage year to year. Flexibility to re-deploy your insurance assets in the future.
3. **Profit.** Insurance companies are designed to be profitable. Turn your insurance premiums into YOUR profits.



When the **Insurer** and the **Insured** are the same, both parties benefit!

Ownership = Control, Flexibility and Profit!

Owning your own Captive Insurance Company creates

Your Link to Security!

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