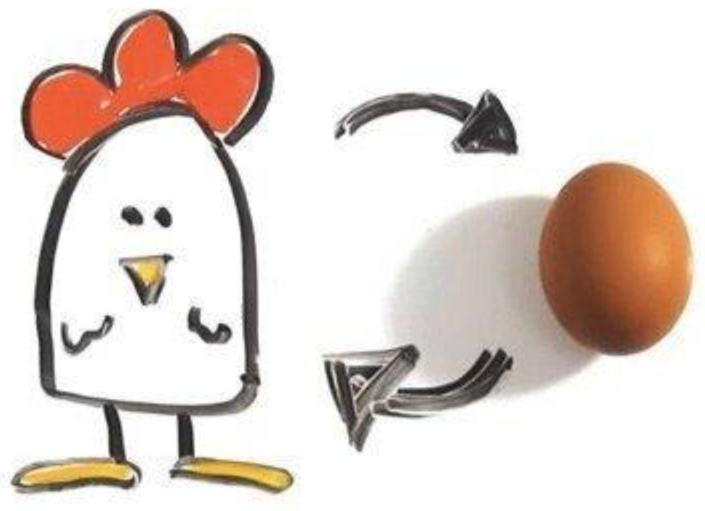
Business owners continue to ask the age old question again and again, “Which comes first, the chicken or the egg?”

I mean, which comes first, Capital or Capital?



How do I create Capital without Capital?

Insurance is the answer. When a new Captive insurance company is created, in its infancy there is no capital. Thus a one-time capitalization fee is required/paid. The capitalization requirement is determined by the State regulators based on several variables including best practice, exposures being insured, and the size and scope of the business plan.

With annual premiums being paid, minus claims and expenses, capital is quickly accumulated and thus created. Experience has shown the financial strength of the insurance company provides comfort and more importantly – **Capital**.

Therefore, lines of credit requirements can, and or may be potentially reduced. The reinsurance market can now be utilized because the captive has a positive balance sheet, your Captive has Capital.

Here is a too common example: A particular company easily qualifies and has multiple risks to insure in their Captive. Tragically, one line of coverage seems to be always just out of reach due to the line of credit requirements in the reinsurance market. As they wait for the line of credit requirement to reduce, the company continues to grow, therefore the requirement actually increases. Although not guaranteed, simply by insuring other lines of coverage first, creating surplus which ultimately becomes Capital, the LOC requirement may be reduced or satisfied. This process doesn’t happen over-night, but the process of creating capital has begun.

Businesses and business owners typically don't have piles of cash sitting around. Capital is utilized appropriately for a wide variety of good reasons such as purchasing more inventory, acquiring a new company, hiring more employees, distributing funds to the shareholders, and many additional good reasons.

How Captive insurance premium dollars are viewed and understood make a world of difference.

If premiums are viewed as a just another expense and a sunk cost, then a business owner will rarely ever begin the implementation process.

On the other hand, when premiums are viewed as a more efficient allocation of existing resources, a newly created asset, protecting the operating company more efficiently, and the principles of saving, compounding and the time value of money are taken into consideration, THEN business owners are typically eager to engage and begin creating new Capital.

Efficient re-deployment of existing assets through creating your Captive insurance does multiple, powerful, excellent things. First, last and always, Captive Insurance completes your risk management program! Second, it creates a new profit center – **NEW CAPITAL**. In the future, this new Capital can be re-deployed, distributed, or simply accumulated to satisfy line of credit, reinsurance, or other Capital needs. Remember, it is your Capital, regulated by the appropriate State regulators.

Which comes first, the chicken or the egg? Having Capital or creating Capital? Implementing YOUR Captive insurance company today generates YOUR Capital and creates

Your Link to Security!

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