

# Protect your business.

## The Basics

### A smart way to protect your business.

#### What is a Captive Insurance Company?

Recently, Captive insurance companies have been growing by leaps and bounds. A captive insurance company is an insurance company formed primarily for the purpose of insuring or reinsuring the risks of the business owner. The operating entity insures all or part of its risks with its captive company. The captive may reinsure some or all of such risks, or may retain such risks. The benefits of a captive may be many, but the primary goal is to retain the profit that would have been made by an outside third-party insurance company or to provide coverage where coverage would not be available.

Captives, like all insurance companies, have specific tax rules that allow them special benefits not available to other companies. An insurance company receives premiums, pays its expenses, and then invests the money it has retained, known as reserves, to pay for future claims. An insurance company receives an income tax deduction for almost all of its funds deemed reserves, and can invest and accumulate these funds. A regular corporation pays income tax on the funds it retains as profits. Yet, as the business of insurance requires the payment of future claims, the accumulation of funds is a necessity for being able to pay such claims.

#### Why Captive? Why Now?

As many industries have fallen into recession still others remain somewhat insulated and immune to the recessionary market forces. Most successful business owners want to create wealth, protect their wealth and access their wealth with minimum interference from Uncle Sam.

Today a near perfect opportunity exists for successful entrepreneurs to accomplish their risk objectives with the blessings and support of the U.S. Treasury/Internal Revenue Service.

### Some Captive Insurance Company Advantages

- ☑ Contribute vast amounts of Pre-Tax Dollars (under IRC 831(b), \$1,200,000 per captive insurance company)
- ☑ Grow the money over flexible periods of time (no 59 1/2, no 70 1/2, no eventual IRD treatment) on a tax favored basis (Receive the highest risk adjusted after tax return without downside risk)
- ☑ Asset Protection Structure. Protected from the claims of creditors personally and professionally
- ☑ No contributions for any employees
- ☑ Ability to access the money on a most favorable tax basis while living and passing assets to loved ones without gift and estate tax.
- ☑ Tax Favored access to assets based on clients advisors
  - ☛ Dividend rates
  - ☛ Capital Gains rates
  - ☛ Tax Free
- ☑ Reduce the cost of your insurance premiums
- ☑ Stabilize the total cost of your risk protection for your business
- ☑ Retain premium dollars on a tax favored basis
- ☑ Protect your business based on your needs and risk objectives
- ☑ Have greater control over claims
- ☑ Increase or decrease coverage
- ☑ Captive Insurance Companies can also be used for
  - ☛ Estate Planning
  - ☛ Asset Growth
  - ☛ Asset Protection