

Captive Insurance Services

A Captive Insurance subsidiary provides the owner with a formalized self insurance solution that reduces risk, enhances cash flow and provides a tax benefit

www.urishpopeck.com



What is Captive Insurance?

A Captive Insurance Company is a formalized form of self insurance, with benefits including:

- Risk Minimization
- Favorable Tax Treatment
- Enhanced Cash Flow
- Wealth Accumulation
- Wealth Preservation
- Reduction of Insurance Costs

831(b) Captives

An 831(b) Captive is a small property and casualty insurance company that writes less than \$1.2 million in premiums. The Captive is not taxed on such premium income, but only on its investment income. This provides for a deduction for annual premiums paid to the captive and provides for the captive to be taxed as a small insurance company for federal tax purposes.

Is My Company a Candidate?

An ideal Captive Candidate is a business owner whose business has taxable income in excess of \$750,000 with insurable and identifiable risks, who has available cash flow to fund insurance premiums of at least \$450,000 per year. The characteristics of an ideal candidate include that it is privately held; has had steady profits over a 3 year period; has an adequate amount of uninsured risk within the business; is entrepreneurial; and is willing to take a measured degree of insurance risk.

What Constitutes Insurance?

- Insurance
- Risk shifting
- Risk distribution
- Insurable risk

The IRS has established safe harbors that provide business owners with the ability to implement a Captive insurance selection that will allow them to achieve their business goals.

Our Services

Urish Popeck is experienced with assisting clients in establishing captive insurance entities. We provide valuable tax, accounting, and audit services to our captive clients. For efficiency we partner with a turnkey consultant who handles the setup of the captive, including licensing and domiciling, as well as ongoing corporate governance, underwriting, and loss reserving. All of the above are provided seamlessly in a cost effective manner.

Steps for Establishing a Compliant Captive Program

Here are the required elements to establish a compliant Captive program:

Feasibility Study

- Examine insured and uninsured risks
- Quantify risk-premium range
- Actuarial & underwriting analysis

Achieving Safe Harbors

- 50% third party (pooling)
- 12 subsidiaries

Business Plan Submission & Due Diligence

- Incorporate insurance company

Capitalize Company

- Obtain insurance license

Conduct Business of Insurance

- Corporate governance, underwriting, loss reserving, financial reports

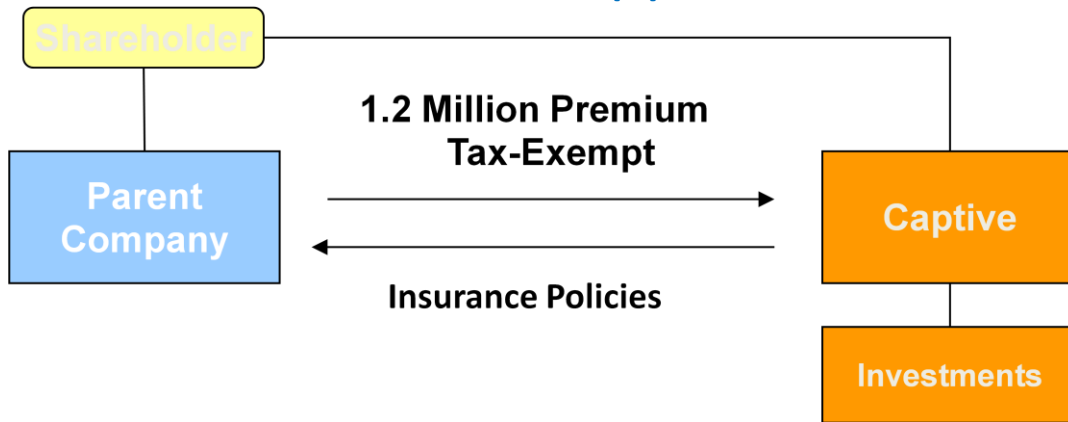
For more information, please contact Tom Current at 888.287.0335 or email tcurrent@urishpopeck.com

(Continued on reverse)

URISH POPECK & CO., LLC

Accountants and Consultants

IRC § 831(b)



Tax Implications - Section 831(b)

| Affiliates | | Captive |
|-------------|----------------------|-----------|
| (1,200,000) | Premium paid | 1,200,000 |
| (480,000) * | Tax Effect | 24,480 ** |
| (480,000) | Tax (Benefit) Impact | 24,480 |
| (480,000) | | 24,480 |

*40% Estimated Effective Rate

**Captive is taxed very nominally on investment income (Federal)