

How Can Successful Business Owners Improve Risk Management, Reduce Taxes, and Grow Wealth? Create Your Own **Captive Insurance Company (CIC)** using Captive Experts Affordable CIC Turnkey Design, Formation and Management Services

CICs are powerful risk-mitigation, asset protection and wealth building tools available to profitable business owners. Until recently, CICs were too expensive for most family owned businesses. The IRS also challenged all CIC arrangements before 2002. CICs are now a valuable tool for many profitable businesses.

The Challenge

You are a successful business owner. You are exposed to increasing types and levels of risk but cannot insure your business against all risks with traditional insurance as it would be either too expensive or is simply not available on customized terms your business needs. In addition, you are exposed to huge losses, have no loss reserves to fund any such potential liabilities, yet are paying substantial corporate taxes on income.

The Risks

Over 90% of the world's litigation occurs in the US. Government regulations impacting operating risks continue to grow. Certain risks, such as loss of license for professionals (doctors, lawyers, CPAs, financial planners, etc.), contract disputes, regulatory compliance risks, environmental risks, product/service defects or warranty risks, business disruption exposures, legal defense costs, audit defense liabilities, fiduciary exposures and many other growing risks, when you think about them, likely cause severe stress and for good reason. If your business incurs a loss because of one of the aforementioned risks, it could sustain substantial, even catastrophic financial loss.

The Solution

Affordable CIC Solutions.

Let's summarize the main benefits:



Risk Management : CICs are formed to improve risk management and finance. When buying traditional insurance coverage, there is no incentive to mitigate covered risks. Because a CIC is a related business owned directly or indirectly by the insured businesses, there is a financial incentive motivating insured businesses to improve risk management and control losses.

Controlling Insurance: When using a CIC to provide insurance coverage, businesses are in control of the insurance costs, size of deductibles, types of coverage provided, and the claims process.

Expanding Insurance Coverage : There are dozens of insurance risks most businesses knowingly or unknowingly self-insure against. Defense costs and claims for uninsured risks are paid out of the cash flow of a business. With a CIC, businesses can now purchase insurance coverage for several uninsured risks and protect the financial viability of the business in the event of one or multiple claims. Due to approved tax incentives, building loss reserve investment portfolios with a CIC can be far superior to self insuring.

Wealth Building : Properly designed and operated CICs can be funded with pre-tax premium payments. With a reasonable claims history, CICs can accumulate substantial assets in a tax-favored legal structure. If wholly or partially owned by an irrevocable estate and asset protection planning trust, CICs can also offer tremendous family wealth protection benefits.

CIC Industry Background

CICs have been around for over 100 years (well actually for 100s of years). Over 90% of the Fortune 500 companies have CICs. Until recently they were not really affordably available to smaller businesses for a variety of reasons. Prior to 2001, the IRS consistently challenged CIC arrangements. Only large companies were willing to defend creating a CIC in court, and most ultimately won against IRS challenges. In 2001 the IRS changed their view on CICs, and in 2002 the IRS issues "safe harbor" revenue rulings which underlie growing use of CICs by smaller businesses today.

The Mechanics

Difficulty to Form and Operate : We have simplified the process to form and operate a CIC through our turnkey design, formation and management services. The time and paperwork required of a business owner to set up a CIC with our help is similar to investing in a piece of commercial real estate. Our team of experience professionals handle everything and guide you and your professional advisers in every step. The process start to finish can be completed in 3 to 6 weeks.

More Frequently Asked Questions

What is a Captive Insurance Company (CIC)?

A CIC is a company licensed to carry on an insurance business and sell insurance to related businesses, not the general public. In the simplest terms, CICs are formalized self-insurance.

What does it cost to set up a CIC?

While most all qualified CIC management firms charge \$50,000 to \$75,000 to create a pure captive, we offer comprehensive state-of-the-art turnkey formation services, including all normal costs of formation, from \$20,000. This enables businesses to justify creating an affiliate CIC with as little as \$200,000 a year in planned premium coverage.

What are the annual costs to operate a CIC?



We guarantee you the highest quality service at the best available pricing. Contact us for a free consultation and estimate.

Who controls the money in a CIC?

Captive owners control all aspects of their CIC even though they outsource contract full-service management to us. CIC bank and investment accounts are set and the owner retains control of the money. If risk pooling is required to meet IRS requirements for an insurance company, some of the premium may have to be set aside as collateral to contribute to risk pool losses and costs, but these amounts are very reasonable. Our non-profit Harbor Risk Pool Association member risk pool facility is a unique and cost effective risk pool that actually helps participating CICs in many ways. Participation in this risk pool facility can be beneficial even when not needed to meet IRS requirements to take advantage of special tax incentives for small insurance companies.

Are premiums paid to a CIC deductible?

Generally yes. Designed and operated correctly, premiums should be 100% deductible by a business as an ordinary and necessary business expense.

How are premiums received by the CIC taxed as well as earnings on the CIC's investments?

Premiums could be 100% tax free when received by a qualifying CIC. Investment earnings inside the CIC are taxed at the C-Corporation tax rate.

How do you mitigate the taxes levied on reserves as they grow in the CIC?

The CIC owner can have the reserves allocated to tax-free bonds, other tax-efficient investments, and in some cases even invest in high cash value life insurance. Also with prior approval, low interest rate loans may be made to affiliated entities that then can invest for greater returns. Some CICs even invest in new businesses, in real estate, and sometimes buy and lease equipment

and other assets to affiliated insured businesses. We however prefer our CIC clients to keep the CIC balance sheet clean and operate the CIC conservatively.

What happens after years of funding a CIC when an owner decides it is no longer needed, or when some of the CICs assets are needed by the owners for other opportunities?

Distributions to CIC owners can be made as dividends or on wind-up as capital gains. To the extent the assets distributed exceed tax basis in CIC, favorable capital gains tax rates should apply.

Can CIC ownership be structured to incorporate asset protection and estate planning objectives?

Generally yes. We can help you analyze advanced ownership structures.

DISCLAIMER: Nothing herein is legal, tax, financial, insurance or investment advice. Do not rely on any information herein in making any decisions. Before forming a CIC, we strongly encourage and recommend you first discuss as aspects and implications with your independent legal, tax, financial and insurance advisers.

Benefits of Captive Insurance Companies for Successful Businesses and Professionals



Where to get more information: