



# **CAPTIVE NATION**

*Captive Insurance Management*



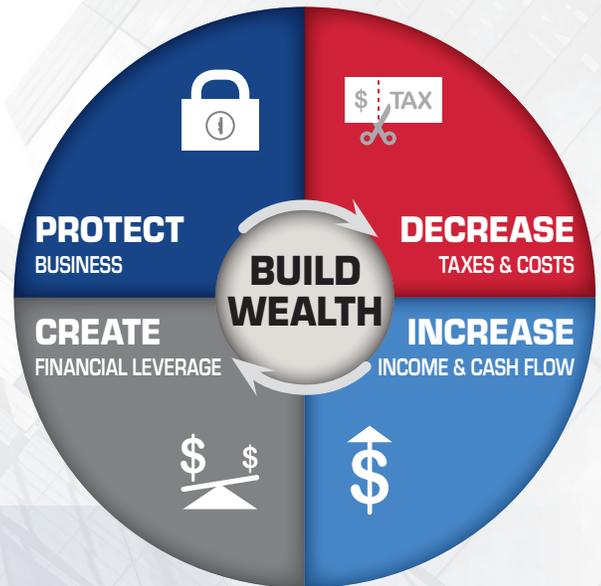


# CAPTIVE NATION

*Captive Insurance Management*

## WHAT IS CAPTIVE INSURANCE?

*A Private Insurance Company  
for Business Owners*



### WHAT DOES IT DO?

#### PROTECT BUSINESS

**Protect the Business That You Built**

*Coverage Beyond Commercial Insurance*

*Access to Policies Not Available Commercially or Too Expensive*

*Creditor Proof - Protects Business and Personal Assets*

#### DECREASE TAXES & COSTS

**Keep More of What You Have Earned**

*Tax Deductible for Business; Non-Taxable for Captive*

*Distributions are Taxed at Capital Gains Rates*

*Reduced Insurance Costs for Greater Coverage*

#### INCREASE INCOME & CASH FLOW

**Turn Premiums into Profit**

*Retain Premium Dollars - Don't Use It, Don't Lose It*

*Investment Income from Underwriting Profits*

*New Profit Center - Offer Warranty/Insurance Program*

#### CREATE FINANCIAL LEVERAGE

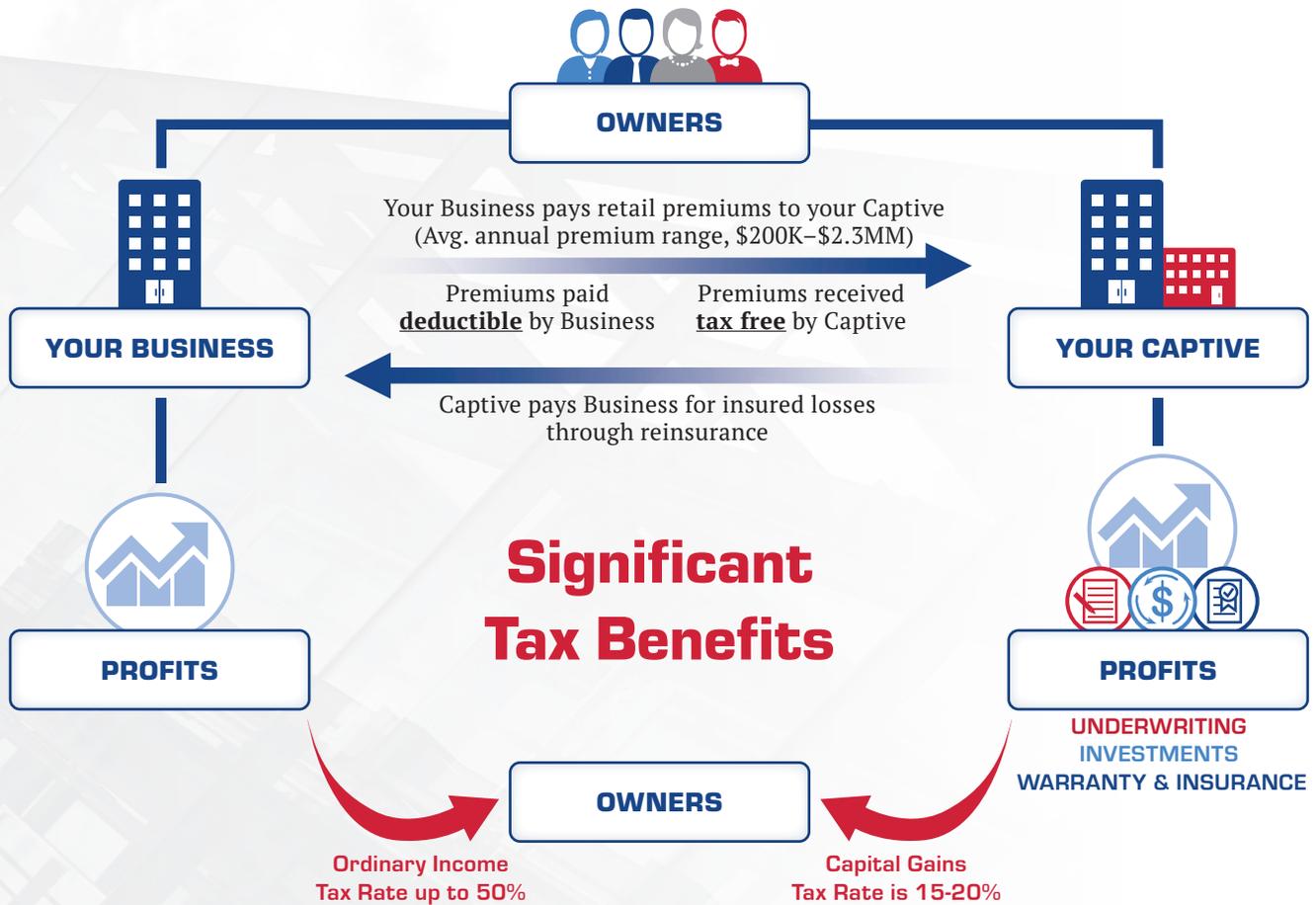
**Own the Insurance Company, but Not the Risks**

*Reinsurance - Cover Exposures at Wholesale Rates*

*Create a New Asset/Corporation*

*Wealth Accumulation*

# HOW A CAPTIVE INSURANCE COMPANY WORKS



## TAX BENEFITS OVER 10 YEARS

\*Assumes a 4% return on investments.

WITHOUT CAPTIVE	YEAR 1	YEAR 5	YEAR 10
Net Business Income	\$ 500,000	\$ 2,500,000	\$ 5,000,000
Income Taxes (45%)	\$ (225,000)	\$ (1,125,000)	\$ (2,250,000)
After Tax Investment Income*	\$ 11,000	\$ 174,000	\$ 684,000
<b>Total</b>	<b>\$ 286,000</b>	<b>\$ 1,549,000</b>	<b>\$ 3,434,000</b>

**\$2.25MM TAXES SAVED!**

**UNPROTECTED!**

WITH CAPTIVE	YEAR 1	YEAR 5	YEAR 10
Captive Premiums <b>MILLIONS IN COVERAGE!</b>	\$ 500,000	\$ 2,500,000	\$ 5,000,000
Management & Operating Expenses	\$ (41,000)	\$ (205,000)	\$ (410,000)
Reinsurance/Risk Distribution Fund	\$ (20,000)	\$ (100,000)	\$ (200,000)
After Tax Investment Income*	\$ 18,000	\$ 278,000	\$ 1,091,000
<b>Total</b>	<b>\$ 457,000</b>	<b>\$ 2,473,000</b>	<b>\$ 5,481,000</b>

**PROTECTED & INVESTABLE!**

**60% INCREASE!**

### NET GAIN WITH CAPTIVE

	<b>\$171,000</b>	<b>\$924,000</b>	<b>\$2,047,000</b>
	<b>YEAR 1</b>	<b>YEAR 5</b>	<b>YEAR 10</b>

Note: Premiums usually range between \$200K-\$2.3MM annually.

## WHAT IS COVERED UNDER A CAPTIVE

Captives typically cover low frequency, high severity risks. Below is a partial list of coverages.

- Audit Liability
  - Business Interruption
  - Collections/Receivables
  - **Commercial Gaps/Exclusions**
  - Consumer Boycott Risks
  - Contractual Liability
  - Construction Delay & Defect
  - **Cyber Risk/Data Loss/Hacking**
  - Deductible Reimbursement
  - Directors & Officers
  - Embezzlement
  - Eminent Domain Insurance
  - Employment Related Liability
- Environmental Liability
  - Errors & Omissions
  - Foreign Operations Insurance
  - Government Action Liability
  - Health Insurance/Stop Loss
  - Independent Distributor's Liability
  - Inland Marine
  - Intellectual Property Infringement
  - Inventory/Cargo Loss
  - Loss of Key Contract
  - **Loss of Key Employee**
  - **Loss of Key Supplier**
  - Kidnap/Ransom/Extortion Liability
- Labor Cost/Strike
  - Malpractice Liability
  - Patent/Copyright/Trademark
  - Product Recall
  - **Product Warranty/Insurance**
  - Property & Natural Disaster
  - **Regulatory Risk**
  - Sexual Harassment
  - Subcontractor Default
  - Terror or Acts of War
  - Trade Secrets
  - Unfair Competition Liability
  - Workmanship Liability

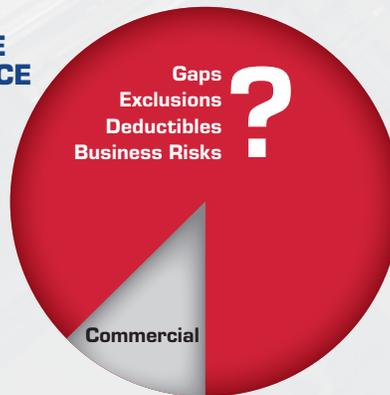
## COVERAGE BEYOND COMMERCIAL INSURANCE

# HOW DO YOU COVER? GAPS, EXCLUSIONS, DEDUCTIBLES & BUSINESS RISKS

**WITHOUT  
A CAPTIVE,  
SELF INSURED  
(CURRENTLY)**

- |   |       |                            |   |
|---|-------|----------------------------|---|
| ✘ | ..... | Tax Deductible.....        | ✔ |
| ✘ | ..... | Business Protection.....   | ✔ |
| ✘ | ..... | Custom Insurance.....      | ✔ |
| ✘ | ..... | Access to Reinsurance..... | ✔ |
| ✘ | ..... | Retain Premiums.....       | ✔ |
| ✘ | ..... | Financially Ahead.....     | ✔ |

**WITH  
CAPTIVE  
INSURANCE**



**CAPTIVE  
NATION**  
*Captive Insurance Management*

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Captive Nation is an Affiliate of CPA to CPA, Inc.

## OUR TURN-KEY SERVICES

Captive Nation provides turn-key services in captive insurance formation and day-to-day management. Simply put...we do it all. Our management services provide clients with all the administrative, underwriting, and operational support needed to create and manage a captive insurance company. Founded by a CPA, Captive Nation ensures that your captive insurance company is in compliance with all state and federal regulatory requirements.

## CAPTIVE INSURANCE MADE SIMPLE



# CLEAN CAPTIVE CHECKLIST

## Non-Negotiable Points when Deciding to Form a Captive Insurance Company

- ✓ **Your Captive's Primary Purpose for Creation is for Risk Management**  
There has to be an existence of "insurance risk" within your business.
- ✓ **Your Captive Meets Risk Distribution Requirements**  
The IRS Guidelines must be followed to ensure proper risk distribution.
- ✓ **Your Captive Must Produce Claims**  
Claims are proof that your captive is operating as a real insurance company.
- ✓ **Your Captive Premiums are Actuarially Supported**  
Actuaries and underwriters are independent 3rd party organizations that assess your company's risks. Precisely follow them.
- ✓ **Your Captive and Reserve Funds are Managed Properly by Your Captive Manager**  
It is imperative that your captive manager ensures that your captive is properly structured, stays in compliance, and is managed based on regulatory requirements.

### **Captive Nation Adheres to the Clean Captive Checklist!**

**We provide businesses with turn-key services in captive insurance formation and day-to-day management...We do it all!**



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NATION**  
*Captive Insurance Management*

Our management services provide clients with all the administrative, underwriting, and operational support needed to create and manage a captive insurance company. Founded by a CPA, Captive Nation ensures that your captive insurance company is in compliance with all state and federal regulatory requirements.

**Contact us today to see how forming a captive insurance company can protect what you've worked so hard to build.**

Phone: 888.944.5588

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Web: [www.CaptiveNation.com](http://www.CaptiveNation.com)

You've spent a lifetime  
building your business...  
protect what you've built.

*Ken Huffman, CPA  
& Captive Manager*

