



CapPlus™ CAPTIVE INSURANCE COMPANY

CASE STUDY

ACME NURSING HOMES, LLC

Facts: The client is a 54 year old entrepreneur who buys and manages nursing and extended care facilities. He owns 22 different homes in 22 different LLCs and reports a taxable income of over \$5,000,000 per year.

Objective: The client's company needs to finance its professional liability risks that they currently carry on their balance sheet. The company had dropped its third party coverage for this business risk due to increased costs in the industry. The client would also like to reduce his federal and state income taxes and give more of his share of the company's profits to his children without increasing their tax burden.

Solution: Intuitive Captive Solutions, LLC performed a risk optimization study of all the business risks of the client and recommended a mixture of risks be shifted to a captive insurance company, including a portion of the professional liability risk

An independent actuary determined that a reasonable premium for such coverages would be \$624,000 per year.

Intuitive Captive Solutions, LLC formed a new corporation in the US, owned entirely by a trust established for the client's children. Neither the client nor his wife acted as trustees of the trust or officers or directors of the new company. A bank was appointed as trustee of the trust.

That new company applied for and was issued a license to sell property and casualty insurance to related parties. It also qualified for special rules under the Internal Revenue Code that exempted the premium income from its taxable income. The new company issued professional liability policies to each of the nursing homes for a total annual premium of \$624,000 per year.

Result: The client is building an off-balance sheet reserve against potential losses. In addition, he is now saving over \$250,000 annually in federal and state income taxes. His children's trust is accumulating value of over \$600,000 per year. The client's estate is being reduced each year by \$624,000. Over a ten year period, the client expects to save over \$2,500,000 in income taxes and over \$3,400,000 in estate taxes and the trust for the children expects to accumulate over \$6,500,000 in assets, subject to payouts for covered losses.

The use of a CapPlus Captive Insurance Company met both of the client's objectives and reduced both his income and estate tax burdens.