



CapPlus™ CAPTIVE INSURANCE COMPANY

CASE STUDY

FLORIDA MANUFACTURER

Facts: The client is a middle sized manufacturer in Southeastern Florida with over \$35 million in sales. The company suffered serious wind damage to its roof during the recent hurricane season. Although their insurance company eventually paid for the damage, it also dropped the client's wind coverages. Replacement coverage was only available at a very high cost. The client is a Sub-S corporation with 3 shareholders.

Objectives: The client requested help in better managing their business risks in light of the unavailability of certain coverages at a reasonable price from third party carriers. In addition, the company wished to minimize its shareholders' taxable income.

Solution: Intuitive Captive Solutions, LLC examined their business and their existing insurance coverages and recommended that the client transfer a number of different risks, including a portion of their wind loss exposure, to a new private, captive insurance company.

An independent actuary determined that a reasonable premium for such coverages would be \$780,000 per year.

Intuitive Captive Solutions, LLC formed a new corporation in the US, owned by the same shareholders of the operating company. 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 insurance company issued wind damage and other property and casualty coverages to the manufacturer for an annual premium of \$780,000 per year.

Result: The client is now creating an of-balance sheet, pre-tax reserve against possible further hurricane losses. In addition, Each of the shareholders is saving over \$100,000 per year in federal income taxes and each shareholder is building value in his/her shares of the captive at the rate of nearly \$260,000 per year (less any payouts for future losses).