

# CapPlus™

## The Tax Advantaged Captive Insurance Company

Wickford Partners, LLC  
Denver, CO  
(303) 290-7460

[www.wickfordpartners.com](http://www.wickfordpartners.com)

2006

# Executive Summary

- P&C costs are rising.
- A captive insurance company can reduce those costs.
- New tax rules = extra tax benefits.
- Tax benefits = better economics of owning a captive.
- Tax benefits = planning opportunities.

# How Do You Manage Risk?

- Convince yourself the risk does not exist.
- Recognize the risk, self-insure it & pray you never have a loss.
- Buy third-party insurance coverage from an insurance company.

# What are Your Risks?

Deductibles

Exclusions

Product Liability/Recall

Professional Liability E&O, D&O

Environmental Liability

Employment Liability

Property

# What is a “Pure Captive?”

A privately held domestic insurance company licensed to sell P&C insurance to its “business family” members.

The captive often insures risks that are “uninsured” or that are available on a limited basis in the traditional markets.

# What is CapPlus?

A Pure Captive + IRS Qualification =  
CapPlus

An old risk management tool plus new tax  
rules results in a

“Tax Advantaged Captive Insurance  
Company”

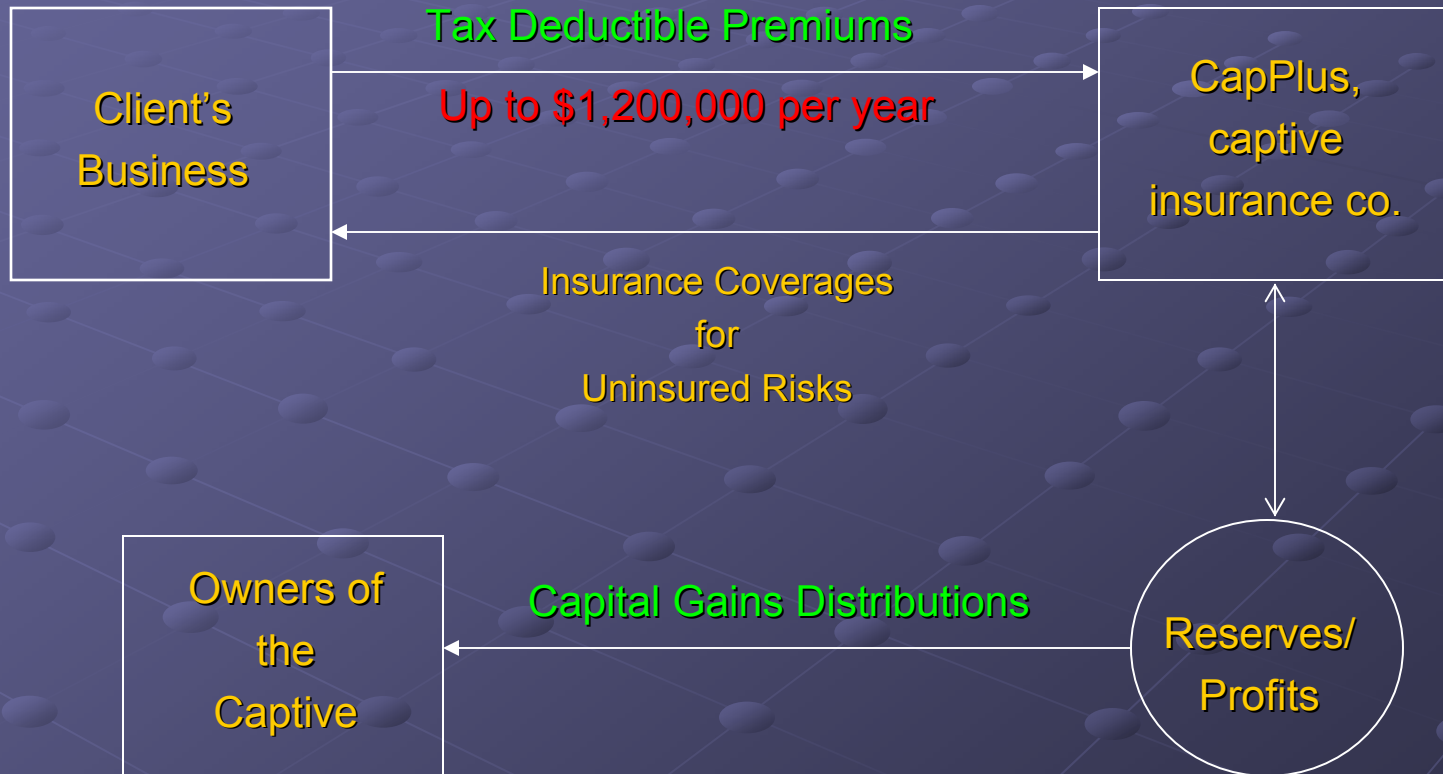
# Benefits of CapPlus

- Converts an expense into an asset.
- Creates a pretax reserve for potential losses in a separate business entity.
- Tax Reduction
- Wealth Accumulation
- Asset Protection
- Wealth Transfer to Heirs

# Benefits Beyond Risk Management

- Tax Reduction: The IRS lets your Company deduct up to **\$1,200,000 PER YEAR** in premiums paid to your CapPlus.
- Wealth Accumulation: The CapPlus will pay **NO taxes** on this premium.
- Asset Protection!
- Capital Gains on the Exit.

# How It Works



# CapPlus is Flexible

- Premiums can be changed annually.
- Claims can be managed in-house.
- The captive can be dissolved at any time.
- Investments are unrestricted.

# How Do I Get Money Out?

- The Owner can access the funds at any time.
- Dividends, taxed at cap gains rates.
- Secured Loans.
- Exit Strategy: complete liquidation at capital gains rates.

# The IRS Rules for CapPlus

- Tax Deductibility of the Premium:  
**Safe Harbor Revenue Rulings**
- Tax Free Treatment of the Premium  
Received by the Captive:  
**Black Letter Law**

# The Deductibility of the Premium

The Captive must be an “insurance company” for tax purposes:

- 2002: Safe Harbor Revenue Rulings **changed the world!**
- 2004-2005: New PLRs and Rulings support the deduction.
- **Wickford will satisfy these rulings for your captive!**

# Taxation of the Captive

A CapPlus **Pays NO Taxes** on Premium Income

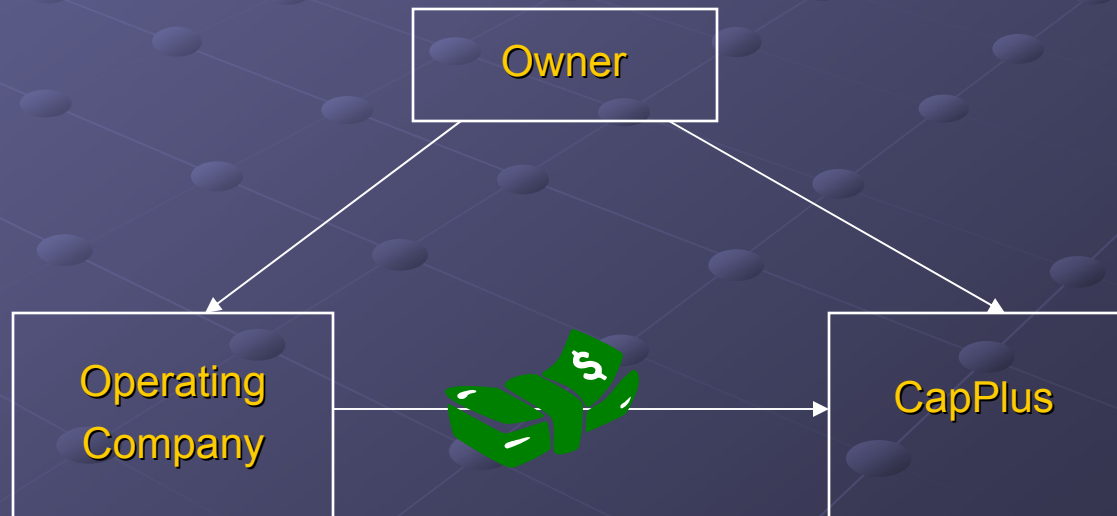
- Section 831(b): Up to \$1,200,000 per year can be received as premium tax-free.
- Investment income taxed at “C” Corp rates.
- In the Code since 1954, revisited and amended in 2004.

# Strategic Planning with CapPlus

1. Retirement
2. Deferred Compensation
3. Estate Planning

# Retirement

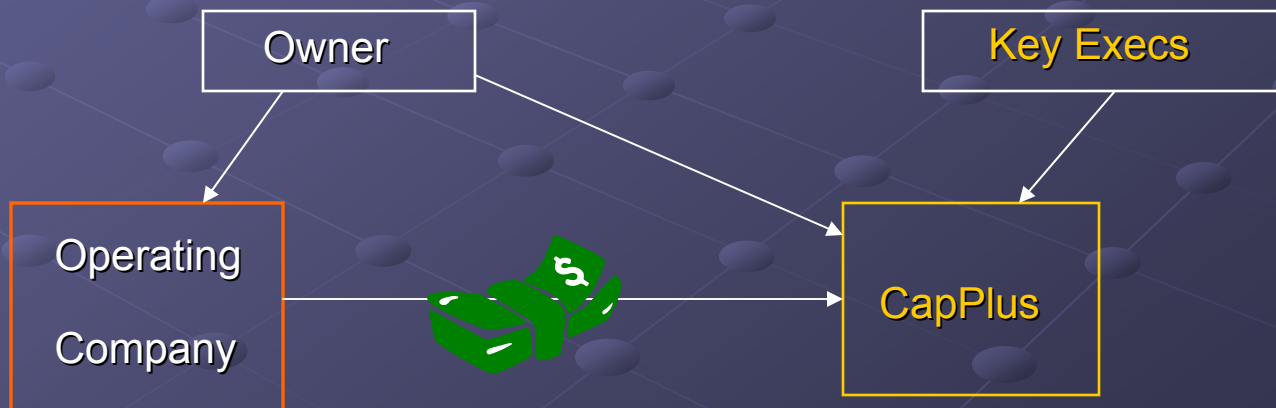
- If owner of the captive also owns the operating company:  
*It's his private retirement plan.*



# Deferred Compensation

- ❑ If owners of the captive include key execs of the operating company:

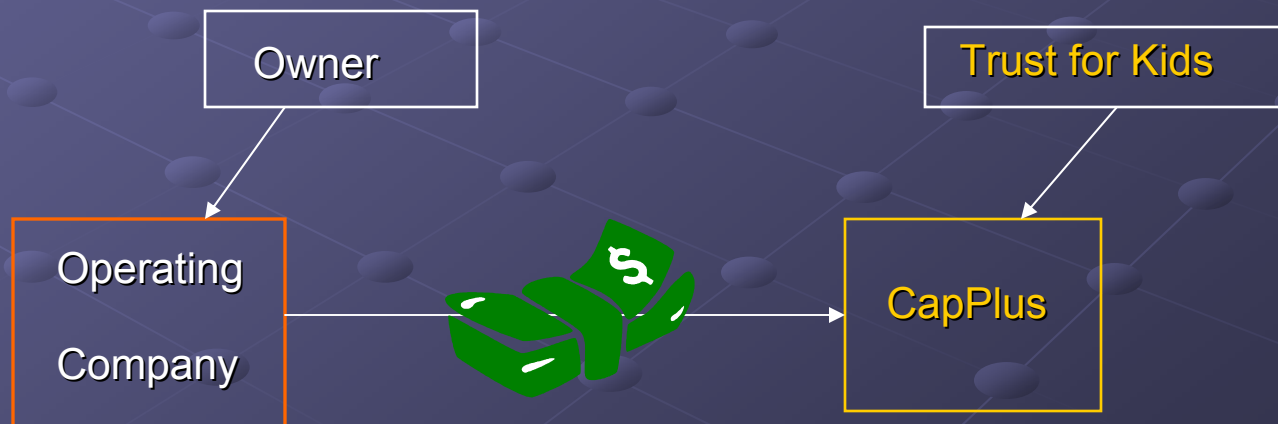
*It's tax-deductible deferred comp  
(no 409A)*



# Estate Planning

- ❑ If owner of the captive is a trust for the owner's children or grandchildren:

*It moves money outside of the estate while generating a current tax deduction.*



# What Wickford Partners Does

- Complete insurance review and audit.
- Deliver a complete “turn-key” package.
- Your new CapPlus will be fully  
Insurance Compliant  
Tax Compliant
- Wickford acts a TPA for all annual needs.

# The Feasibility Study

- Make an informed decision!
- Enables the customization of your CapPlus.
- Detailed source document for your advisors.
- Includes:
  - Full review of company's uninsured risks.
  - Analysis of tax and financial benefits.
  - Captive formation requirements.
  - Comprehensive legal memorandum.

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Tax Reduction  
Wealth Accumulation  
Asset Protection  
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