

## Captive Insurance – Traditional Risk

### 831(b) Insurance Company:

Internal Revenue Code Section 831(b) provides a very powerful tax advantage for small insurance companies to provide them additional financial resources to pay claims.

IRC 831(b) allows for a P&C Company to be taxed only on its investment income provided its annual premium does not exceed 1.2M.

### P&C Insurance Company

Traditional property & casualty company arrangement. There is no limit to the amount of premium and income is taxable only to the extent that it exceeds reserves.

### Premium Level:

To qualify for a captive, the premium should be \$1,000,000+ for the line of coverage being evaluated. For a multiple line captive, total premium should be \$2,000,000+ not including health insurance.

### Traditional Coverage by Industry:

#### Workers Compensation:

- Large staffing companies
- Manufacturing companies
- Any company that has several hundred employees and a large payroll.

#### Property Insurance:

- Commercial Property Owners

#### General Liability:

- Residential builders / developers.
- Large Commercial Developers
- Large Trucking Companies

#### Group Medical:

- Companies with 100+ employees that provide group medical benefits.

#### Professional Liability:

- Law firms
- Architectural firms
- Mutual and Hedge funds
- Large professional services firms

#### Directors and Officers coverage:

- Hedge funds

#### Intellectual Property:

- Any firm with one or more highly valued patents, copyrights or trademarks.