

HARD MARKET RISK FINANCE ALTERNATIVES

Presented by

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In the extended soft market of the 1990s, many companies abandoned loss sensitive insurance programs in favor of low-priced guaranteed cost programs. Today, many contractors are reevaluating alternative programs that involve varying degrees of risk retention. This session will review the various risk financing alternatives available to contractors, including incurred loss and paid loss retros, depressed pay-in retros, investment credit retros, deferred premium retros, large/matching deductible plans, self-insurance, and captives. Pros and cons of each method will also be addressed. Immediately following this review of risk financing options, the insurance manager for a century-old construction company will walk you through his recent experience with the captive feasibility study process. Attendees will gain an understanding of the costs associated with doing a feasibility study, how to evaluate the data, and the pros and cons of various domestic and offshore domiciles. The speaker will provide guidance on service provider selection and compensation and steps for putting a captive into play if you decide to form one.

Wednesday, November 13, 2002

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Insurance Manager
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Mr. Burwell is a copresenter of Miniseminar K, "Hard Market Risk Finance Alternatives." He is the insurance manager of A. Teichert & Son, Inc., in Sacramento, the oldest licensed general contractor in California. Previously, he was risk manager of the California Association for Park and Recreation Insurance (CAPRI), a California-wide self-insurance joint powers authority comprised of 63 local government agencies. He was also the risk manager of American Recreation Centers, Inc., a publicly traded corporation that employed 2,000 in seven states. Before working in corporate risk management, Mr. Burwell was a marketing representative and senior casualty underwriter with Fireman's Fund.

Past speaking and training engagements have included the National Recreation and Park Association risk management school, the Public Agency Risk Managers Association, and the Public Risk and Insurance Managers Association.

He graduated from the University of California—Santa Barbara in 1977 and received the Chartered Property Casualty Underwriter designation in 1986 and the Associate in Risk Management designation in 1999.

Michael J. O'Neill, CPCU, ARM
President
ACIG Insurance Agency, Inc.

Mr. O'Neill is one of four panelists for Monday's "What's Hot in Construction Risk Management?" seminar and is a copresenter for Miniseminar K, "Hard Market Risk Finance Alternatives." He has been involved in the construction insurance industry for more than 25 years. He is president of ACIG Insurance Agency, Inc., a construction-industry-owned insurance organization in Dallas. Mr. O'Neill is a frequent speaker for construction industry trade associations; he has spoken 10 times at the Construction Risk Conference and was a previous Words of Wisdom Award winner. His expertise lies in the areas of captive management, risk management, retention analysis, contractual risk transfer, development of specialized coverage, and risk funding programs. Mr. O'Neill has written many articles for construction industry publications, including AGC, CFMA, and *Engineering News Record*.

RISK FINANCING OPTIONS FOR CONTRACTORS

Michael J. O'Neill, CPCU, ARM
ACIG Insurance Agency, Inc.

- I. Risk Management Defined**
- II. Review of Risk Techniques**
 - A. Risk Control
 - B. Risk Retention
 - C. Risk Transfer
 - D. Risk Financing
- III. The Risk Financing Process**
 - A. Five Key Steps
- IV. Loss Payout Patterns**
 - A. Workers Compensation
 - B. Auto Liability
 - C. General Liability
- V. Risk Retention Basics**
 - A. Rules of Thumb
 - B. Examples
 - C. Analysis Guidelines
- VI. Risk Financing Options**
 - A. Guaranteed Cost
 - B. Incurred Loss Retro
 - C. Depressed Pay-In Retro
 - D. Deferred Premium Retro
 - E. Investment Credit Retro
 - F. Paid Loss Retro
 - G. Large Deductible Plans
 - H. Single Parent Captive
 - I. Qualified Self-Insurance
 - J. Self-Insurance Wrap-around
- VII. Risk Financing Program Design Guide**
- VIII. Tax Implications of Risk Financing**
- IX. Selecting the Best Risk Financing Techniques**
- X. Risk Financing Plan Evaluation**
- XI. Implementation of Selected Techniques**
- XII. Monitoring the Selected Techniques**
- XIII. Summary**

Risk Management Defined

Risk Management is a process of identifying risks and applying certain techniques to effectively handle those risks.

Alternative Risk Techniques

- Risk Control
- Risk Retention
- Risk Transfer
- Risk Financing

Risk Control Techniques

- Avoidance, elimination and reduction of risk through pre-loss activities
- Loss control reduces the probability that loss will occur

Risk Retention Techniques

- The retention of risk
- Internal cost of risk retained

Risk Transfer Techniques

- Non-insurance risk transfer through a contract or agreement
- Insurance risk transfer via premium payment

Risk Financing

- Manages the sources and uses of funds to finance the recovery from accidental losses
- Decision methodology for making, implementing and monitoring choices for a cost-efficient funding of losses

The Risk Financing Process Five Key Steps

1. Identifying and analyzing exposures to loss
2. Examining alternative risk financing technique(s)
3. Selecting the best technique(s)
4. Implementing the selected technique(s)
5. Monitoring the results

Step 1: Identifying and Analyzing Exposures

Risk Quantification—statistical concepts and techniques used in developing a loss forecast.

Data sources needed, loss history, loss development, payout profiles, exposures and trending.

Step 1

Loss forecasting is useful in a number of applications

- Determining appropriate retention levels
- Identifying, evaluating and selecting risk financing options
- Allocating risk financing costs and risk bearing capital
- Determine premium adequacy and fairness
- Budgeting organizational expenses

Loss Forecasting—Data Requirements

- Loss Data—all lines for past 5 years
- Historical Payrolls for past 5 years
- Ground Up Losses
- Loss Stratification

Loss Data—General Liability

<u>Policy Year</u>	<u>Loss & ALAE</u>	x	<u>Trend Factor</u>	=	<u>Trended Loss & ALAE</u>	x	<u>LDFs</u>	=	<u>Ultimate Loss & ALAE</u>
1997	\$ 450,392		1.34		\$ 603,525		1.308		\$ 786,141
1998	685,932		1.276		875,249		1.380		1,207,843
1999	214,322		1.216		260,683		1.58		413,704
2000	282,444		1.158		327,070		2.46		804,593
2001	<u>155,482</u>		1.103		<u>171,496</u>		4.61		<u>790,940</u>
	\$1,788,627				\$2,238,023				\$4,003,221

Historical Payrolls

<u>Policy Year</u>	<u>Payroll</u>	<u>Loss Rate Per \$100 Payroll</u>
1997	\$ 21,372,460	3.678
1998	25,349,065	4.765
1999	23,890,319	3.053
2000	26,352,772	3.053
2001	<u>23,736,420</u>	3.332
	\$120,701,036	3.317

Loss Pick Choices

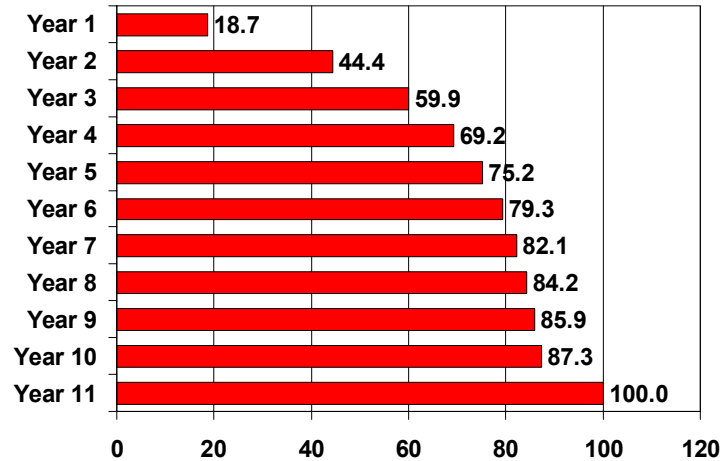
<u>Loss Rate Averages</u>		<u>Estimated Payroll</u>	<u>Projected Losses</u>
Weighted Avg. Last 3 Years	2.716	\$23,000,000	\$624,665
Worst Rate	4.765	23,000,000	1,095,914
Best Rate	1.732	23,000,000	398,286
Weighted Avg. All Years	3.317	23,000,000	762,828
Avg. Excl. Best & Worst	3.355	23,000,000	771,545

Loss Payout Patterns

- Insurance company charges premium for exposures in the 2002–03 policy term
- Losses will be paid out over time and will vary by line of business
- ISO study of payout patterns

Loss Payout Profile

Workers Compensation

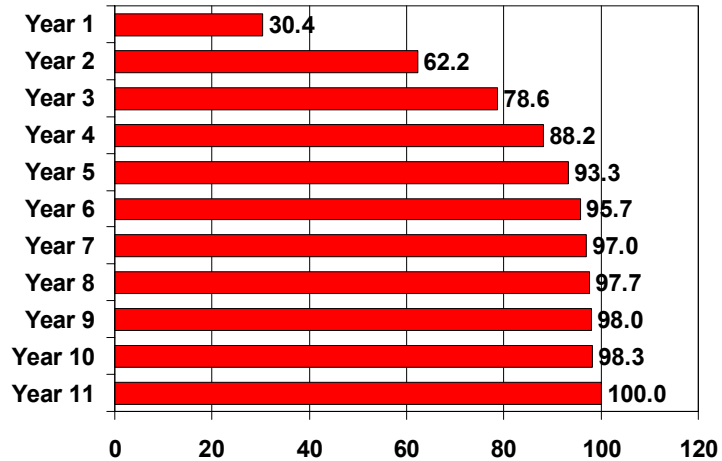


Workers Compensation

- Payout pattern shows a steady increase over time
- Due to statutorily determined benefits
- Real unknown is the duration of the injury and treatment

Loss Payout Profile

Automobile Liability

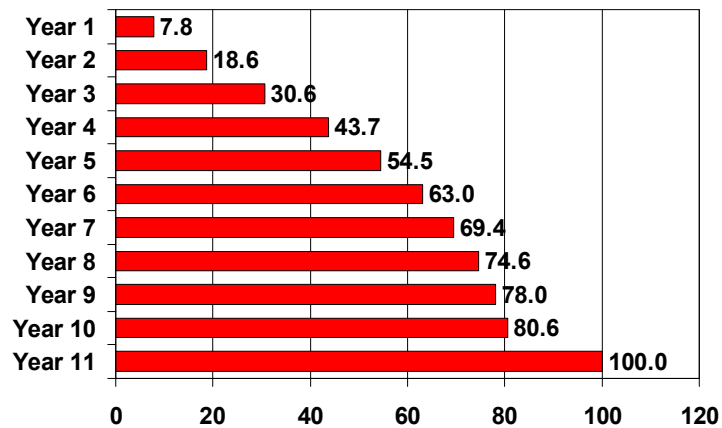


Auto Liability

- Losses are paid out quickly
- Few late reporting/IBNR issues
- 30% paid out after Year 1
- 93% paid out after Year 5

Loss Payout Profile

General Liability (Including Complete Operations)



General Liability

- Slowest to pay out
- Longest tail/Most IBNR
- Late reporting, litigation, multiple parties and protracted discovery
- < 10% after 1 year
- < 60% after 5 years

Payout Pattern Caveat

- Payout patterns vary by industry, by state and by company
- Large contractor will want to calculate its own payout pattern

Risk Retention

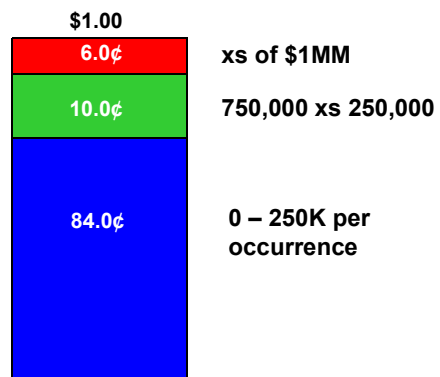
- An integral part of a risk financing program
- Retain losses for several reasons
 - Reduce cost of risk
 - Retention encourages loss control
 - Risk retention is looked upon favorably by the insurance markets

Risk Retention Basics

- Retain predictable losses
- Avoid catastrophe risks

Risk Retention Example

Workers Compensation



Risk Retention Analysis Guidelines

1. Working capital method
 - 2-15% of working capital
2. Total asset method
 - 1-5% of total assets
3. Earnings/surplus method
 - 1-8% of average pre-tax earnings over a 5-year period
4. Sales budget method
 - 1/2-2% of annual sales
5. Annual premium method
 - 10% of annual premium

Factors Influencing Optimal Retention Level

- Retention capacity of a particular organization, loan covenants, other external forces
- Cost and availability of excess insurance
- Frequency and severity of expected losses
- Degree of risk aversion of company management

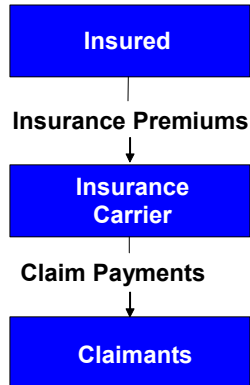
Examining Alternative Risk Financing Options

- Guaranteed Cost Plans
- Incurred Loss Retro Plan
- Depressed Pay-In Retro Plan
- Deferred Premium Retro Plan
- Investment Credit Retro Plan

Examining Alternative Risk Financing Options

- Paid Loss Retro Plan
- Large Deductible Plan
- Single Parent Captive
- Qualified Self-Insurance
- Self-Insurance Wrap-Around

Guaranteed Cost Plan

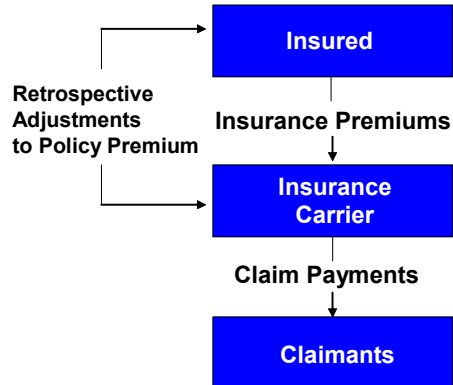


Guaranteed Cost Program

- Most common program used
- Prospective plan where the premiums for the year are determined based upon insurance industry data.
- These policies are subject to premium audit based on payrolls, revenues, etc.
- In most cases, an insured's experience modifier is applied to modify the manual premium.

Incurred Loss Retrospectively Rated Plan

- No collateral required
- Full standard premium paid during policy year
- Retro adjustments at 18 months and every 12 months thereafter



Retrospective Rating Program Elements

Basic Premium Components

- Insurer's expenses
- Profits
- Contingencies
- Commissions
- Charge to limit the maximum premium

Retrospective Rating Program Elements

Excess Loss Premium (ELP)

- Charge made to limit the losses to a fixed amount, i.e., \$250,000 per occurrence.

Limited Losses

- These are the total incurred losses, i.e., paid and reserve with individual losses limited to the loss limit.

Retrospective Rating Program Elements

Loss Conversion Factor (LCF)

- This charge is applied against the losses to cover unallocated loss adjustment expenses.

Limited Losses x LCF = Converted Losses

Tax Multiplier

- This component is the charge for premium taxes. These vary from state to state and line of coverage.

Retrospective Rating Program Elements

Subject Premium

- That portion of the premium affected by the loss experience.

Non-Subject Premium

- This is the premium to limit the dollar amount of a liability loss.
- Risk Transfer Premium—not affected by losses.

Retrospective Rating Program Elements

Minimum Premium

- This is the least amount that will be charged; it is expressed as a percent of standard premium, i.e., 50 percent minimum.

Maximum Premium

- This is the most that will be charged; it is also expressed as a percent of standard premium, i.e., 150 percent maximum.

Retrospective Rating Program Elements

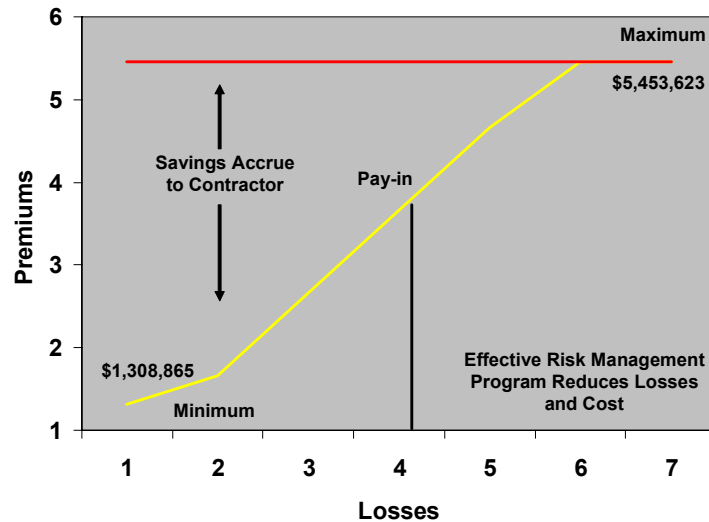
Retro Adjustments

- These are calculated six months after the policy expiration and annually thereafter. These may be commuted at a specified date, e.g. 66 months; with any further risk accepted by the insurer.

Retrospective Rating Formula

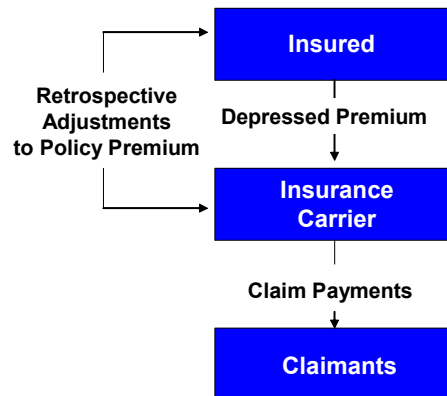
$$\text{Retro Premium} = \left[\left(\text{Basic Premium} + \text{ELP} + \left(\text{Converted Losses} \right) \right) \times \text{Tax Multiplier} \right]$$

Risk/Reward Analysis



Depressed Pay-In Retro

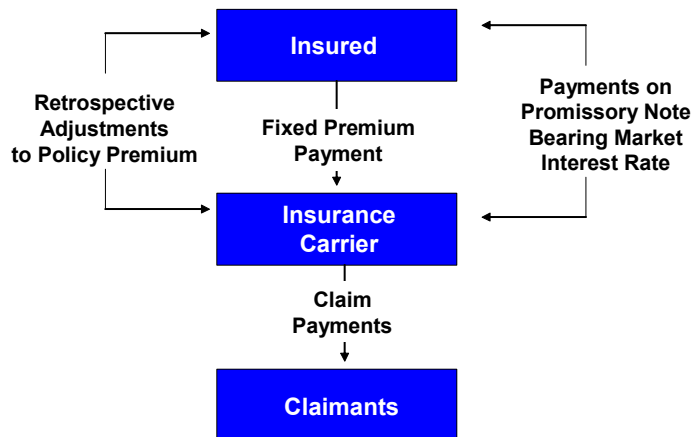
- No collateral required
- Reduced standard premium paid during policy year
- Retro adjustments at 18 months and every 12 months thereafter



Depressed Pay-In Retro

- Derivative of the Incurred Loss Retro Program
- Rather than fully funding the premium, the insured only pays in the amount estimated to be due at the first retro adjustment.
- The insured has the use of the unpaid funds.
- Collateral is usually required to make up the difference between the standard premium and the amounts paid during the year.
- This will normally be a letter of credit.

Deferred Premium Retro



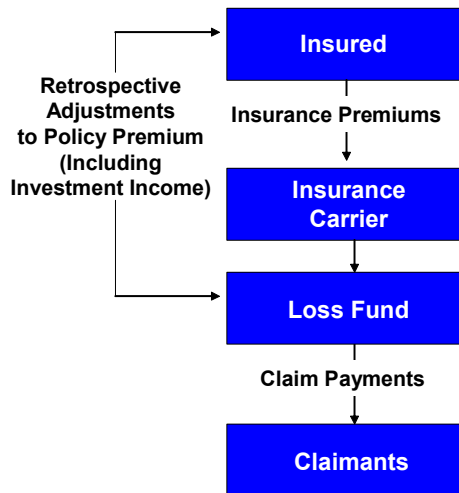
- Reduced standard premium paid during policy year

Deferred Premium Retro

- Another variation of the Incurred Loss Retro Program.
- A fixed payment schedule over a number of years is agreed upon. Retro adjustments are not performed on an interim basis.
- A promissory note supported by a letter of credit is required as collateral.

Investment Credit Retro

- No collateral required
- Full standard premium paid during policy year
- Retro adjustments at 18 months and every 12 months thereafter



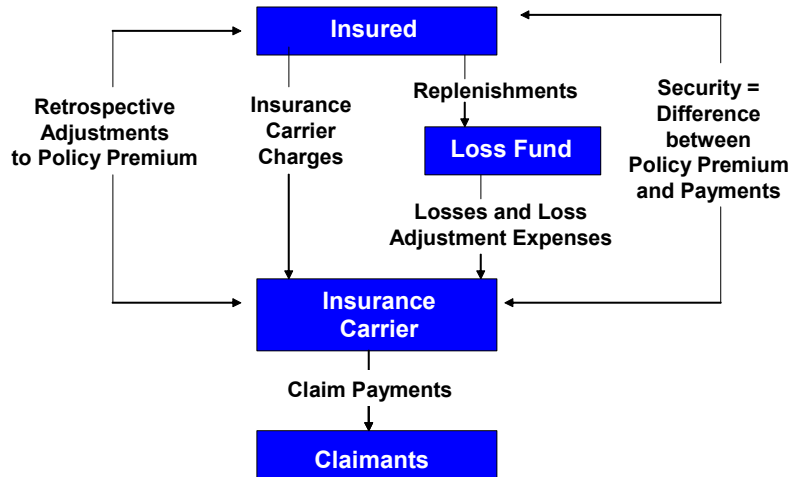
Investment Credit Retro

- Variation of the Incurred Loss Retro Plan.
- Under this plan, the premium is split into two categories.
- The first category is for expenses, profit and excess insurance.
- The second category is the loss fund that will be used to pay claims.

Investment Credit Retro

- The loss fund accumulates interest income until all claims are paid.
- No collateral is needed since the standard premium is fully funded.
- Retro calculations will be made in the normal fashion.

Paid Loss Retrospectively Rated Plan

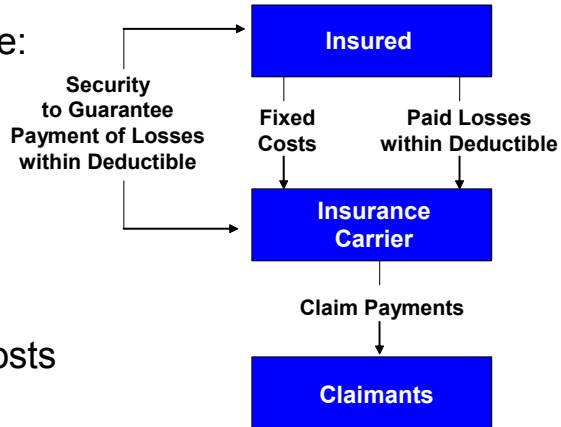


Paid Loss Retrospectively Rated Plan Characteristics

- Insurer expenses and profit paid over 12 to 21 months
- Loss fund escrow = 3 months estimated paid losses
- Security = letter of credit or surety bond
- Retro adjustments at 21 months and every 12 months thereafter
- Tax treatment - expenses deductible as such/losses deductible when paid
- Letters of credit pyramid

Large Deductible Plan

- Fixed costs include:
 - Insurer Profit
 - Boards and Bureaus
 - Insurer G&A
 - Reinsurance Premium
 - Loss Control Costs



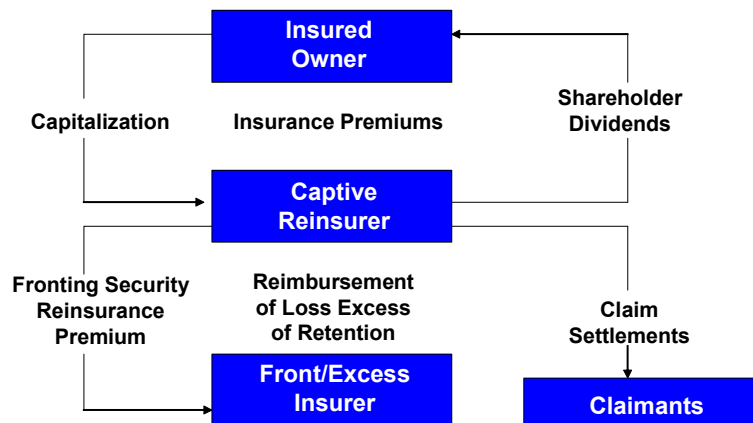
Large Deductible Programs

- Offers the insured many of the benefits of a qualified self-insured, without the increased internal costs.
- The insurance company provides all of the administrative services, including insurance certificates.
- The standard premium is reduced based upon the deductible amount, i.e., \$250,000 to \$1,000,000.

Large Deductible Programs

- Since the insurance company is responsible for the first dollar of loss; it will require security to guarantee payment of deductible losses.
- The insured derives the benefit of not having to pay the expected deductible losses in advance.
- Mitigates some of the underwriting expenses, e.g. RML's and premium taxes.

Single Parent Captive



Single Parent Captive

- An insurance subsidiary created by the insured that allows the firm to participate in the underwriting risk and investment profits associated with the firm's risk financing program.
- The captive is capitalized and premiums are paid to the captive.
- The captive will retain a level of risk and purchase reinsurance for limits in excess of its retention.

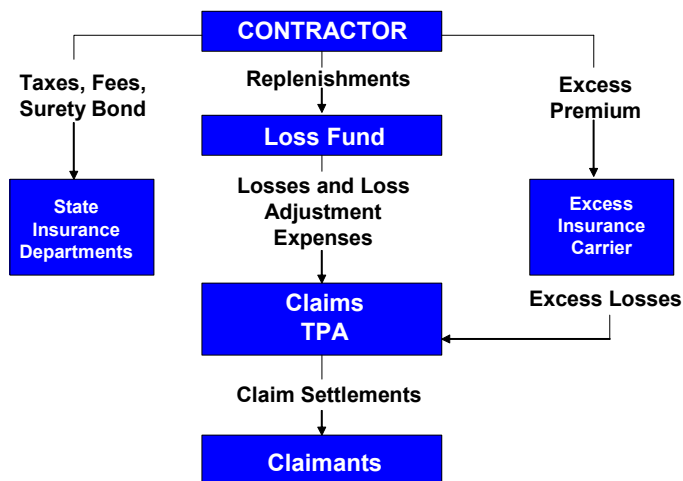
Single Parent Captive

- Tax issues:
 - Premiums generally deductible for federal income taxes
 - Dividends taxed similar to any stockholder's dividend
 - Return premiums taxed as ordinary income at the parent's rate

Single Parent Captive

- Fronting issues:
 - Workers compensation requires a front
 - Certificate holders may require a front for liability lines
 - Fronting costs are similar to the basic charges in a retro plan down/runoff issues
 - Wind-down/runoff issues

Qualified Self-Insurance



Qualified Self-Insurance

- Self-insurance requirements vary from state to state.
- The self-insured is responsible for providing loss control, claims administration, data processing, etc.
- A self-insured can either handle these functions internally or outsource to a vendor.

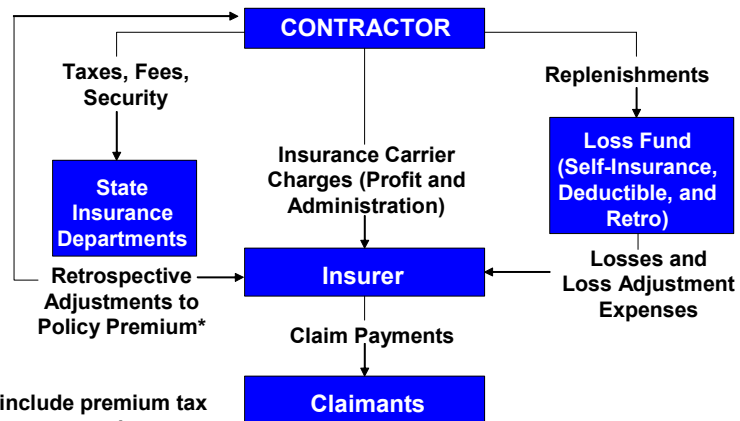
Qualified Self-Insurance

- In most states, your risk retention limit will be approved by a state agency.
- The state agency may require the purchase of excess WC insurance and collateral.
- A firm must weigh the benefits of a self-insurance against the programs available through a Large Deductible Program.

Qualified Self-Insurance

- Important Considerations
 - Taxes
 - Administrative
 - Regulatory
 - Admitted Paper
 - Qualifications

Self-Insurance Wrap Around Program



*May include premium tax and loss conversion adjustments, as well as adjustments if it converts to an incurred retro.

Self-Insurance Wrap Around Program

- This is an integration of the qualified self-insurance option and a large deductible or paid loss retro plan.
- Insurance company handles all of the administrative items for all states.
- Some states may be self-insured or insured.
- These programs are typically used by large firms that operate on a multi-state basis.

Program Design Guide: Company Characteristics

	High Effective Tax Rate	High After-Tax Short-Term Cost of Borrowing	Cash Poor	Limited LOC Capacity	Contractual Requirements for Admitted Paper
Incurring Loss Retro	⊕			⊕	⊕
Depressed Pay-In Retro	⊕	○	○	○	⊕
Investment Credit Retro	⊕	○		⊕	⊕
Deferred Premium Retro		○	○		⊕
Paid Loss Retro		⊕	⊕		⊕
Single-Parent Captive	*				♦
Group Captive	*				♦
Rent-a-Captive	*				♦
Qualified Self-Insured	*	⊕	⊕		
Large Deductible	*	⊕	⊕		
Self-Insurance Wrap-Around	*	⊕	⊕		

- ⊕ = High likelihood of premium deductibility/favorable program
 * = Limited current tax-year deduction
 ○ = Limited benefit from this program
 ♦ = Front required for admitted paper

Tax Implications of Risk Financing

- IRS Code Section 162 provides a tax deduction for ordinary and necessary business expenses.
- Treasury Regulation Section 1.162-1A makes it clear that insurance premiums are a deductible business expense.

Tax Implications of Risk Financing

- If risk is covered by insurance, the premium paid is deductible.
- If the amount paid is not for insurance, a deduction generally will be available under IRC Section 165 for the loss when it is incurred, but not for the premium when it is paid.

Tax Implications of Risk Financing

- The issue for federal income tax purposes is one of timing, i.e., an attempt to take a deduction for funding losses at the earliest possible time, thereby receiving the greatest present value of the deduction.

Tax Implications of Risk Financing

Guaranteed Cost Plans

- Premiums are tax deductible.
- Any dividends or premiums refunded to the insured are included as income under the tax benefit rule.

Tax Implications of Risk Financing

Incurred Loss Retro Plans

- The IRS has allowed deductions for the amount of the standard premiums.
- Premiums paid up to the maximum premium should be deductible.
- It must be recognized that an Incurred Loss Retro Plan will support a deduction only if it is not a disguised self-insurance arrangement.

Tax Implications of Risk Financing

Paid Loss Retro Plans

- There are many variations of the Paid Loss Retro Plans.
- It would appear that deductions for the basic premium and other expenses in the year are paid because:
 - the amount is not refundable and,
 - is paid to secure insurance coverage.
- Immediate deductions of amounts in excess of the basic premium and other expenses will depend upon the terms of the paid loss retro agreement and may be disallowed for not meeting the requirement for economic performance.

Tax Implications of Risk Financing

Single Parent Captive

- These programs have complex legal and tax implications that need to be researched fully.
- Recent IRS Guidelines provide a more favorable position.

Selecting the Best Risk Financing Techniques

Decision Criteria To Be Used

- Profitability Objectives
- Stability
- Continuous Operations
- Legal
- Humanitarian Concerns

Selecting the Best Risk Financing Techniques

- Select a Single Technique
- Combination of Techniques to Achieve the Objectives

Plan Evaluation

Development of a Plan Evaluation Tool

- Cost of Risk
- Service Enhancements
- Cash Flow Benefits
- Pivot Point Analysis at Various Loss Levels

Implementing the Selected Techniques

- Contract with Service Providers
 - Insurers, Reinsurers, TPA's
- Scope of Service
- Checklist for Evaluation
- Documentation
 - Policies
 - Collateral, LOC's
 - Agreements, Retro, Fronting, TPA, Captive Management

Monitoring the Selected Techniques

- Allocating Costs to Divisions/Profit Centers
- Risk Management Information Systems
- Establishing Benchmarks
- Holding Service Providers Accountable for Quality of Services
- Reserve Adequacy, Loss Development, ALAE Analysis
- Safety Analysis

Risk Financing

Summary

- Risk Financing is a multi-disciplinary process that requires planning, organizing, implementation and monitoring. The Risk Financing Program needs to be flexible to address the cycles of the insurance market.

SINGLE-PARENT CAPTIVE FEASIBILITY

**Ric Burwell, CPCU, ARM
A. Teichert & Son, Inc.**

I. Why a captive? Why not a captive?

- A. How is a captive like insurance?
- B. How is a captive not like insurance? Isn't this just "self-insurance" or self-funding of losses?
- C. Single-parent vs. group or single-cell mechanisms
- D. Generic structure and funding of a single-parent captive
- E. What lines of coverage? Severity v. frequency of loss

II. Possible tax and finance implications to a for-profit organization

- A. I'm not a CPA or an attorney, etc. etc.: for illustrative purposes only
- B. Parent corporation/brother-sister corporations
- C. Deducting losses as reserved, rather than when paid

III. Picking a domicile

- A. Where do you want to go? (What can you sell to your CEO or Board?)
- B. Should you pick the place before you select your service providers?

C. Some differences in domiciles

- 1. Offshore vs. onshore. Federal tax treatment of domestic elections
- 2. State premium taxes
- 3. Capitalization requirements and loss funding requirements
- 4. Investment opportunities and challenges
- 5. Strength, depth and experience of infrastructure

D. Some resources to help your decision

IV. Selecting service providers

- A. Legal
- B. Captive management
- C. Reinsurer(s)
- D. Insurance brokerage
- E. Claims TPA
- F. Where do these services overlap?
- G. How much should a feasibility study cost?
- H. If we go forward, how much should the captive cost?

Required Fine Print

The speaker is neither an attorney nor a public accountant. The material in this presentation is, by necessity, general in nature. It is not intended as—nor should it be received as—legal, accounting or tax advice.

I've worked in insurance and risk management since 1978, so most people stopped taking my advice decades ago. You have been adequately warned.

It's like insurance... and yet not

Like insurance

- A policy (with an admitted carrier) to show others, *e.g.*, cert holders, regulatory agencies, lenders, etc.
- Measurable and predictable premiums to smooth earnings
- Tax timing may be more like insurance than self-insurance

Unlike insurance

- While a company may be “insured” by the captive, there really isn't a transfer of risk outside the corporation family *

* (except for excess or aggregate losses paid by reinsurance)

Where It Gets Fun

In Self-insurance

- Losses are deductible as paid, not as reserved.

On long-tail exposures, especially work comp, these can build up if the company has been self-insured for a long time.

In a Captive

- The “insured” entities pay premiums as expense, and the captive receives them as revenue. The two items offset.

But the captive deducts **the loss reserves.**

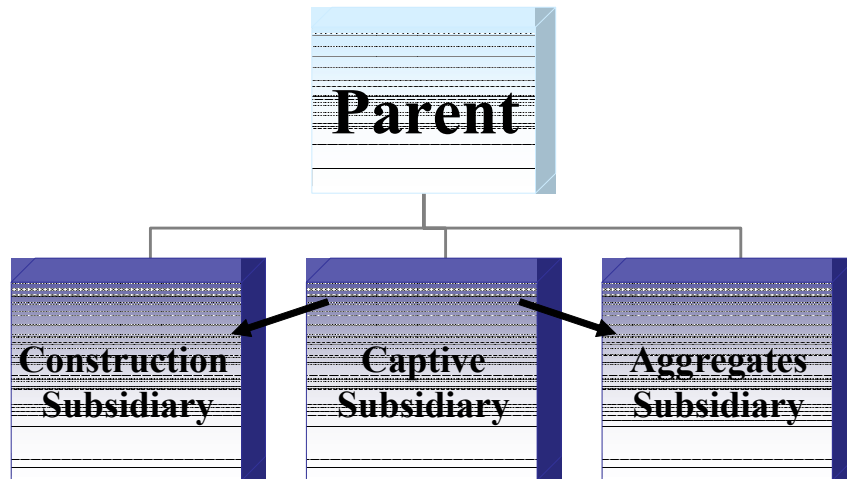
How Deductions Can Accelerate on a Long-tailed 500K Comp Claim

100k	100k	100k	100k	100k	500k					
					80%					
					Disc					
					400k					
Y1	Y2	Y3	Y4	Y5	Y1	Y2	Y3	Y4	Y5	

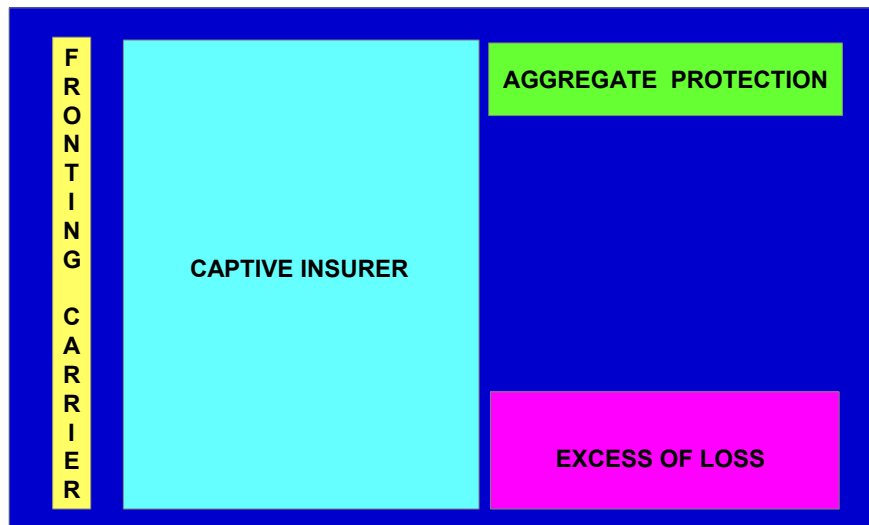
Self-insurance expenses payout over five years.

Captive expenses the entire discounted loss reserves in Y1.

A Typical Formation Single-Parent Captive



Reinsurance Structure



What Lines of Coverage?

High frequency, low severity

- Work Comp
- Auto Liability and Physical Damage
- Property
- General Liability

Low frequency, high severity

- Directors & Officers
- Design Errors & Omissions
- Flood and Earthquake
- Employment Practices
- Employee Dishonesty

But high frequency and high severity in the same area of coverage will collapse just about any captive!

What Lines of Coverage?

“Uninsurable” perils

- Mold, asbestos, lead and pollution
- Subsidence
- Rip and Tear
- Windstorm in North Carolina or Quake in California may be “uninsurable” either practically (through pricing) or literally (through insurer moratoriums.)

Selecting a Domicile

Infrastructure: Experience and Expertise

Evaluate the local resources for:

- Captive Management
- Banking
- Legal
- Reinsurance Access
- Accounting/Auditing

Selecting a Domicile

Off-shore vs. domestic

- Domestic election of foreign subsidiaries
- Taxation
 - Premium taxes, excise tax, state income tax
- Capitalization and loss funding
 - How much?
 - What kind: Cash, surety bonds, letters of credit?
 - Allowable investments?

Selecting a Domicile

Where does the experience reside?

Off-shore

- Bermuda has the most captives of any domicile worldwide.
- Cayman Islands is the fastest growing.

Domestic

- Vermont has the most active captives of any US domicile.
- Hawaii is becoming popular for West Coast and Pacific Rim companies.

Selecting a Domicile

Intangibles

The bad news is you have to travel there.

- Travel time and expense.
- Board or CFO sensibilities about some locations. (Is this some sort of money laundering scam? Or just a way to go SCUBA diving on company time?)

The good news is you have to travel there.

- There's a reason captives haven't sprung up in Akron, Ohio or North Platte, Nebraska.
- Do you want to snow ski, snorkel or surf?

Service Providers

Assembling the cast of players

- Captive management
- Legal
- Auditing and accounting
- Fronting carrier and reinsurers
- Insurance brokerage
- Actuaries
- Claims administration and loss control

Service Providers

Overlapping services in the consultation and feasibility stage

- Captive management firms, larger brokers and the major accountancies all can do this for you.
 - Pro-forma financial statements
 - Actuarial studies
 - Corporation set-up
 - Regulatory filing and approval process in the domicile
- They can get you to the same destination. One will probably cost you more than the others. Only one can give you tax advice.

How Much Does It Cost?

	Start – up	Annual
Feasibility Study *	40-300K	N/A
Actuarial	7-10K	7-10K
Legal	7-10K	4-10K
Captive Management	N/A	30-50K
Regulatory	10-20K	10K
Audit	N/A	5-10K

* The feasibility varies widely based on how much tax advice you want going in.

Some Resources

- www.captiveguru.com
Good web site for doing side-by-side comparisons of domiciles:
 - Taxes
 - Capitalization
 - Investment restrictions
- www.captive.com
Good links to providers and domiciles

