



Captive Insurance Services

Increasing Uncertainty in a Changing World

Natural disasters, while undeniably tragic, are easy to understand and relate to. But what about the risks business owners face every day without such an immediate and recognizable impact? How do these unforeseen threats affect the risk management philosophies of today's business leaders? The field of alternative risk management is evolving rapidly to deal with cyber-warfare, workplace safety, trade and goodwill within the multimedia landscape, and other clandestine exposures. Captive insurance is part of the solution.

Captive Insurance as a Form of Alternative Risk Management

A captive insurance company ("captive") is an insurance company created and wholly owned by one or more non-insurance companies to insure the risks of its owner(s) or affiliate(s).

Captives are formed to cover a wide range of risks. Once established, the captive operates like any commercial insurance company and is subject to state regulatory requirements, including reporting, capital, and reserve requirements.

There are various types of captive structures. The vast majority of captives insure only the risk of its parent (single parent or "pure" captive). In addition to single-parent captives, there are group/association captives, risk retention groups, agency captives, branch captives, and protected cell captive arrangements.

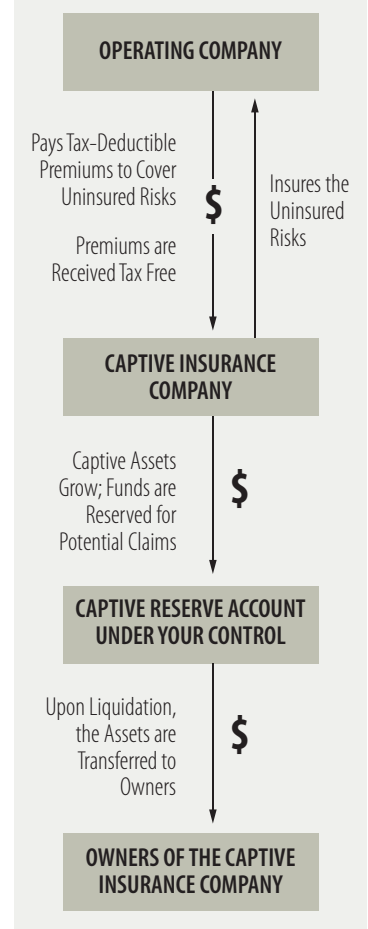
Risk Shifting: Insurance, Business, or Investment Risk?

Creating a captive insurance company has become a popular way for business owners to participate in alternative risk management—a form of risk retention for perils not efficiently covered by commercial insurance. Neither the Internal Revenue Code nor regulations define insurance or an insurance contract. The federal courts, however, have ruled that a captive insurance arrangement will be respected as a bona-fide insurance arrangement, including federal income tax treatment, if the risk transferred is one of economic loss that is not merely an investment risk or inevitable future cost of the insured.

Captive Benefits

Captive insurance companies are often overlooked as a strategic initiative by finance and tax professionals, as the benefits are not easily understood or explained. With the proper guidance, the economic advantages of a captive program include improved cash flow, reduced insurance costs, tax advantages, and insurance coverage flexibility.

The Captive Insurance Company Illustration



The Ryan Advantage

The emerging risks of captive ownership are not limited to the risk insured by the captive but also those inherent in its structure and operation. As captives become more commonplace, regulation and scrutiny are likely to increase and become more sophisticated. In such an environment, experience is essential. Only companies that identify and insure true insurance risks will ultimately enjoy the significant financial benefits afforded to captive owners.

Ryan leverages more than two decades of experience developing risk management and tax strategies, helping clients take full advantage of captive structures and domiciles to meet their individual risk management needs. We provide comprehensive support to create and manage a captive insurance company that provides an insurance, estate, and tax planning solution that delivers benefits and value for businesses and their owners. In fact, Ryan was recently recognized with a U.S. Captive Services Award, an annual designation bestowed upon a select group of professionals providing innovation, commitment, and expertise in various captive insurance-related disciplines.

Our professionals stay involved through the entire process required to incorporate and license a captive:

- Preparing and filing all applications
- Developing a business plan (when needed)
- Underwriting and operations support
- Ongoing accounting, actuarial, and claims administration
- Management support, including completion of commercial line policy forms, identification of rules and rates, loss cost estimates, and reserve levels needed to underwrite business risks

About Ryan

Ryan is an award-winning global tax services firm, with the largest indirect and property tax practices in North America and the seventh largest corporate tax practice in the United States. With global headquarters in Dallas, Texas, the Firm provides a comprehensive range of state, local, federal, and international tax advisory and consulting services on a multi-jurisdictional basis, including audit defense, tax recovery, credits and incentives, tax process improvement and automation, tax appeals, tax compliance, and strategic planning. Ryan is a five-time recipient of the International Service Excellence Award from the Customer Service Institute of America (CSIA) for its commitment to world-class client service. Empowered by the dynamic *myRyan* work environment, which is widely recognized as the most innovative in the tax services industry, Ryan's multi-disciplinary team of more than 2,100 professionals and associates serves over 12,000 clients in more than 40 countries, including many of the world's most prominent Global 5000 companies. More information about Ryan can be found at ryan.com.



Why Ryan

- A leading global tax services firm, recovering more than \$2.5 billion in corporate tax savings annually
- Industry leaders in client service, with an exclusive three-year International Customer Service Standard (ICSS) Gold Certification independently validating our commitment to client service excellence
- Trusted by the most respected companies in the world, with 96% of the Dow Jones Industrial Average companies among Ryan clients

Award-Winning Tax Services

For additional information

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