



# Micro-Captive Solutions for Clients



## ▶ Micro-captives

Micro-captives are generally defined as insurance companies that qualify under Section 831(b) of the US Internal Revenue Code. Section 831(b) provides that an insurance company with less than \$1.2 million of annual premium does not pay income tax on the insurance income and is only taxed on investment income earned. For 2017 and subsequent years, limit is \$2.2 million, adjusted for inflation.

A micro-captive offers a business outstanding flexibility to tailor insurance coverages to fit unique insurance needs and to complement an overall business strategy. The insurance in a micro-captive is customized coverage designed to enhance and integrate with existing insurance policies.

A micro-captive can also allow a business to participate in the profits associated with an effective risk and safety program.

### Qualifying Factors:

- First and foremost: this is an insurance company
- Must have sufficient risk footprint to insure
- Insurance is custom designed to fit individual needs
- Ideal candidate: company with revenues of over \$10 million and sufficient cash flow to devote to captive
- Viable for closely held or public companies

### Micro-captive Service Partners

**Captive Consultant:** Captive Resources, LLC  
**Captive Manager:** Moore, Ingram, Johnson, and Steele/ MIJS Captive Management  
**Insurance Broker:** National Network  
**Actuary:** Pinnacle Actuarial Resources, Inc.  
**Tax Preparer:** Ernst & Young  
**Auditor:** Habif Arogetti and Wynne/Bennett Thrasher

### Benefits:

- Insure risks not currently insured
- Assets held potentially outside of company legal entity
- Deductibility of premiums paid: premiums are valued by an independent actuary
- Underwriting profit is not subject to income tax at captive (Internal Revenue Code Section 831(b))
- Ownership: Certain ownership structures could be advantageous for non-income tax reasons
- Insure risks not insured in group captive; this captive can be a complement to a group captive membership
- Stable operating costs and lower costs than commercial insurers' imbedded cost in premium
- Proper loss control results in profits to the micro-captive, instead of to a commercial insurer

### For more information please contact:

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