

# FINTRA –Your Insurance Solution

## TARGETED OR MISTREATED BY THE INSURANCE INDUSTRY?

Is your company a well managed organization with low losses, but still suffering from high insurance premiums? Has your industry been “targeted” by the insurance industry for high rates and restricted coverages even though your performance has been above average? We have a SOLUTION for YOU.

## YOUR PREMIUMS CAN BE YOUR PROFITS!

Use your premiums and good experience to add to a legal off balance sheet asset by taking advantage of a well planned and managed insurance structure that you can actually help to design yourself. Provide coverage that will allow you to plan for future expenses related to gaps in insurance caused by all the exclusions standard insurance companies are adding to your policy, and even cover gaps in the past. Most premiums can be fully tax deductible, but a tax opinion should be sought to verify your status.

If your loss ratio remains favorable and unusual losses don't occur, then you will be entitled to a return on your premiums instead of having an insurance company pay dividends to their shareholders or high salaries to their executives. Return of profits are designed to mitigate tax impact.

## INDEPENDENT AND SEGREGATED ACCOUNTING OF YOUR PREMIUMS

While there are several due diligence steps to qualify for the special program, the process has been simplified. Well regulated off shore domiciles have allowed new forms of “captive” insurance companies to be established. The companies are known as “segregated cell” companies (SCC). Each “cell” can be rented to a separate client and the law prevents good or bad experience in the cells from being shared or transferred to other cells. So, your premiums and profits are not mixed with any other cell.

Your payments to your own cell would be divided into “premiums” and preferred shares of stock. The ratio is determined by the insurance company that set up the SCC. We have selected a company with over \$1.5 billion in assets, rated by A.M. Best as “A- IX” and “A” by Fitch. BUT even if the Company failed, your assets are still segregated and protected by law.

## INSURANCE POLICY STRUCTURE

Your insurance policy or policies under the SCC program can be as broad as you design it to be. Policies can cover a single line of business like General Liability or be shaped into a Multi-Peril contract with Excess and Prior Acts Liability, Builders Risk, Product Warranty, Commercial Auto Liability, Commercial Auto Physical Damage and others.

## GENERAL FINANCIAL STRUCTURE

Your policy limits are fully funded, and that funding (premium) could be fully tax deductible. Investment earnings on the premiums accrue in a tax free environment. You can participate in the investment decisions to choose the best strategy for your company.

Setting up your own rent-a-captive SCC is not expensive when compared to the expenses taken out of your premiums by the average insurance company. Generally, expenses include the following elements:

**Fronting Fee** : Charge made by the regular insurance company to issue a policy that will be accepted by regulators, banks, contractors and other parties with whom you do business. So, certificates of insurance used to help your business succeed are issued by the “A” rated company.

**Consulting & Broker Fees:** Fees charged to arrange the structure that best fits your company and the SCC you select.

**Federal Excise Tax:** Taxes required on the export of insurance premiums from the United States and Canada (4-10%)

**Self Procurement Taxes:** Fees charged by the **state in which** the insured is domiciled, because insurance is procured directly for the off shore company.

**SCC Management Fees:** A fee charged by the company owning the SCC to provide you with a complete accounting each quarter and annually of your “Cell” activity.

**Claims Adjusting Fees:** You will have substantial latitude in selecting your own legal team and professional adjusters to handle your claims. Their fees may be reimbursed from the “Cell” premiums. If you don't have an established relationship the Company or its brokers will assist you.

## EXAMPLE

If your company wanted a \$1 million General Liability Policy, the funding would be approximately:

\$660,000	Premium**
\$340,000	Preferred Stock**
\$150,000	Fronting Fee***
\$ 40,000	Broker Fee
\$ 30,000	SCC Management Fee***
\$ 80,000	Local Consultant
\$ 24,300	Self Procurement Tax**
\$ 32,400	Federal Excise Tax**
\$ As Negotiated	Claims/Attorney Fees

\*\* Varies by limit, client, country and state or province of the insured.

\*\*\* Some clients divide their coverages between two policies. The Fronting Fee and SCC management fee is only charged on the first policy.