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Captive Insurance Expertise for CPA Firms

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Captive insurance arrangements have come under increasing scrutiny from the IRS and legislators, but captive insurance remains an excellent means of reducing risk and controlling insurance costs when used appropriately. A look at what is going on in Vermont makes it clear that captive insurance is still a growth industry.



Vermont, which is the largest captive insurance domicile in the U.S. and the third-largest in the world, behind Bermuda and Cayman Islands, just passed legislation that will make the state even more attractive to establish captive insurance companies. As of 2014, more than 1,000 licensed captive insurance companies operated in Vermont, including 48 of the Fortune 100 and 18 of the companies that make up the Dow 30. Total premiums were close to \$30 billion.

What does this mean for CPAs? Simply that demand continues to grow for captive insurance expertise. A CPA firm that understands taxes, audits and the differences between regular insurance and captive insurance can be a tremendous asset to any company contemplating the establishment of a captive insurance company.

Through captive insurance, business owners or wealthy families establish an insurance company solely to cover their own risks. Captive insurance is often used to minimize risks in areas that are cost prohibitive or unavailable through traditional insurance. Popular coverage includes cyber liability, product liability, litigation defense, malpractice, general and professional liability, and director's and officer's liability, to name a few.

The primary purpose of captive insurance is to minimize risk and provide affordable insurance protection. Assuming that captive insurance is used for the purpose for which it is intended, a number of ancillary benefits come into play. For example, businesses can take a tax deduction for the insurance premiums paid to the captive, plus unused premiums accrue to the owner's benefit rather than to a traditional insurance carrier's. A captive that qualifies and makes an election under Section 831(b) of the tax code may receive up to \$1.2 million in premiums per year without paying income tax. There may also be some estate planning benefits, depending upon how the captive is established.

Captive insurance offers numerous risk management, cash flow, tax and estate planning benefits, but it is complex to establish and administer. CPA firms that can offer captive insurance expertise have a substantial competitive edge. We touched upon the benefits in this blog post: [Should CPA Firms Advise Clients on Captive Insurance?](#)

If you would like to attract new clients through captive insurance services, please [contact us](#). We partner with CPA firms to provide captive insurance expertise as part of your team so you don't need to add staff.

Your Next Step
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