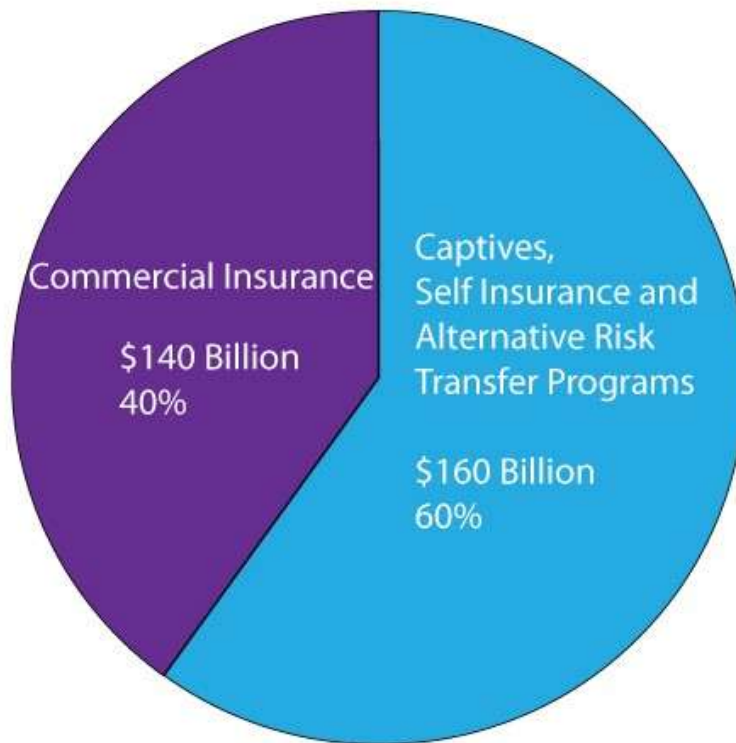


## U.S. Insurance Marketplace



### **Captives Supplement Conventional Insurers** **Businesses Use Captives for Increased Protection**

Decades ago, the largest U.S. companies came to realize the benefits of a captive insurance program with the result that there are now as many as an estimated 10,000 captive insurers in place worldwide - with the majority affiliated with U.S. businesses. The reasons are obvious:

- **Acme Manufacturing** is a closely held business based in the Midwest. It generally offers a one-year warranty for its products, which can be supplemented with a multi-year extended service contract. This service contract can be structured as an insurance arrangement wherein a captive insurer backs up Acme's financial obligations in exchange for a premium. Structuring the contract as an insurance arrangement allows Acme to deduct the costs of its extended service contract upfront (rather than deduct warranty related service expenses as they occur). Meanwhile, the investment income in the captive can build up on a tax-advantaged basis.

- **Federal Industrial Cooling Company** provides industrial cooling equipment and services to commercial and industrial customers. It relies on its experienced HVAC engineers/salesmen to interface with architects and mechanical engineers who design the projects. Its senior management (COO and CFO) are also critical members of the management team. The loss of any of the engineering/sales staff or executive management would significantly impact Federal. While key man policies insuring against death are widely available in the marketplace, policies that insure against disability or simply a person's retirement or just plain quitting - - whether or not joining a competitor -- are more difficult to come by. The captive can insure these risks.
- **Enviro Services** has developed at great expense certain processes used in containing and cleaning up industrial waste. It wishes to insure these non-patentable processes against competitors' pilferage. Its captive insures the integrity and exclusivity of these processes against devaluation caused by the misappropriation of these processes by competitors.

Practically speaking in none of these situations is insurance readily available from conventional carriers to cover these company specific risks.

Already tens of thousands of businesses - representing industries ranging from manufacturing to fabrication to distribution, finance, construction, engineering and law - now participate in some type of alternative risk planning program to better insure risks of its parent company. These companies do not necessarily cancel their conventional liability or property or auto/truck coverages. Rather these businesses supplement their conventional coverages with carefully tailored policies that pick up where the conventional carriers fall short of the mark.

Very truly yours,



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#### **About Capstone**

Capstone Associated Services, Ltd., [www.CapstoneAssociated.com](http://www.CapstoneAssociated.com), is the leading U.S. provider of turnkey alternative risk planning services to middle market companies. Jointly with our affiliated law firm, The Feldman Law Firm LLP, [www.feldlaw.com](http://www.feldlaw.com), Capstone administers property & casualty insurance companies, which provide alternative risk financing services to their affiliates. Our clients are spread across the whole of the United States. For more than the last twelve years Capstone has provided turnkey services to manufacturers, distributors, service providers and other types of operating businesses. The integrated solution offered by Capstone brings together Capstone's insurance professionals and accountants; the firm's tax, corporate, financing and regulatory lawyers; and outside CPAs, risk managers, property & casualty professionals and actuaries, offering middle market companies the most comprehensive risk planning solution available.