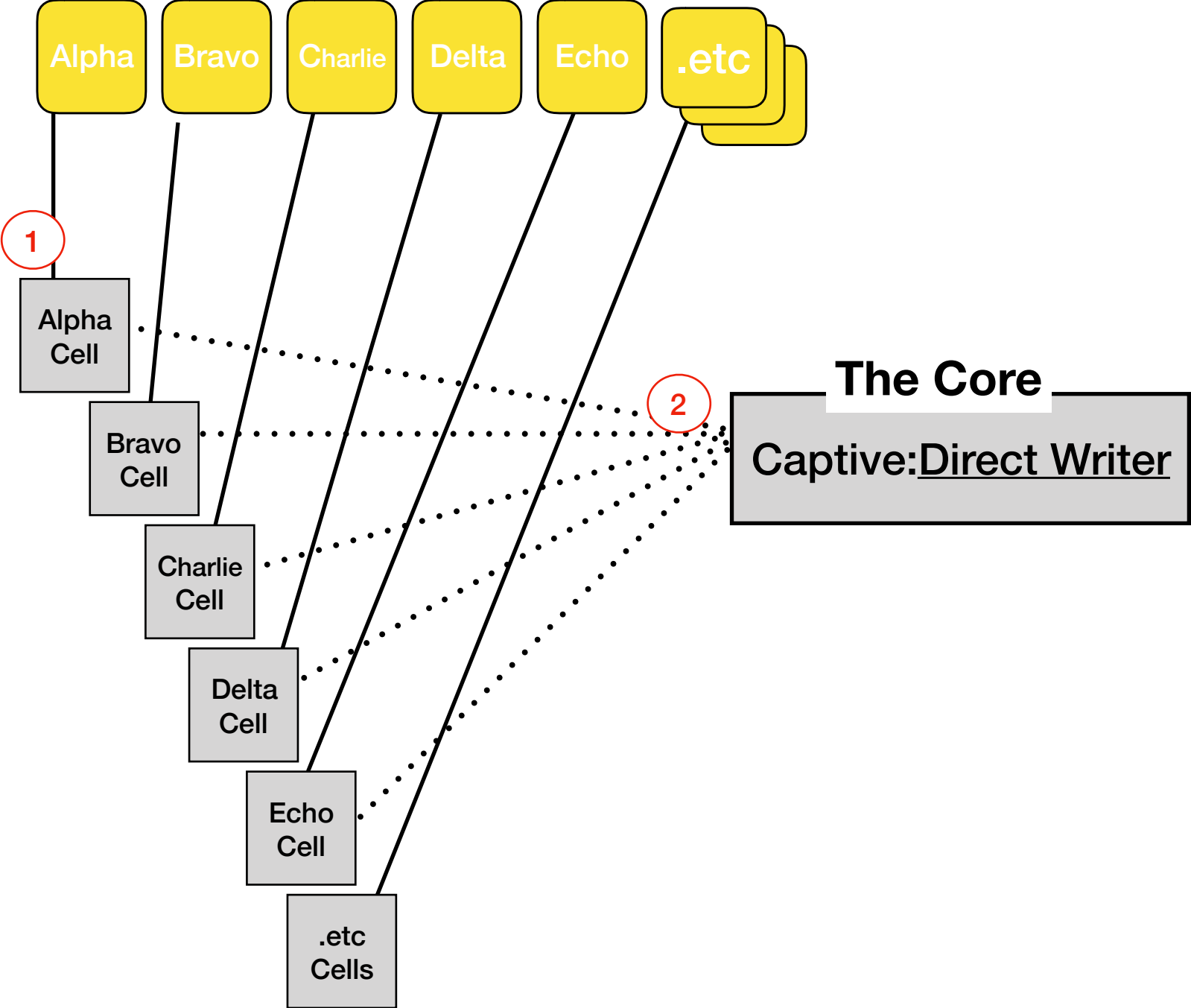
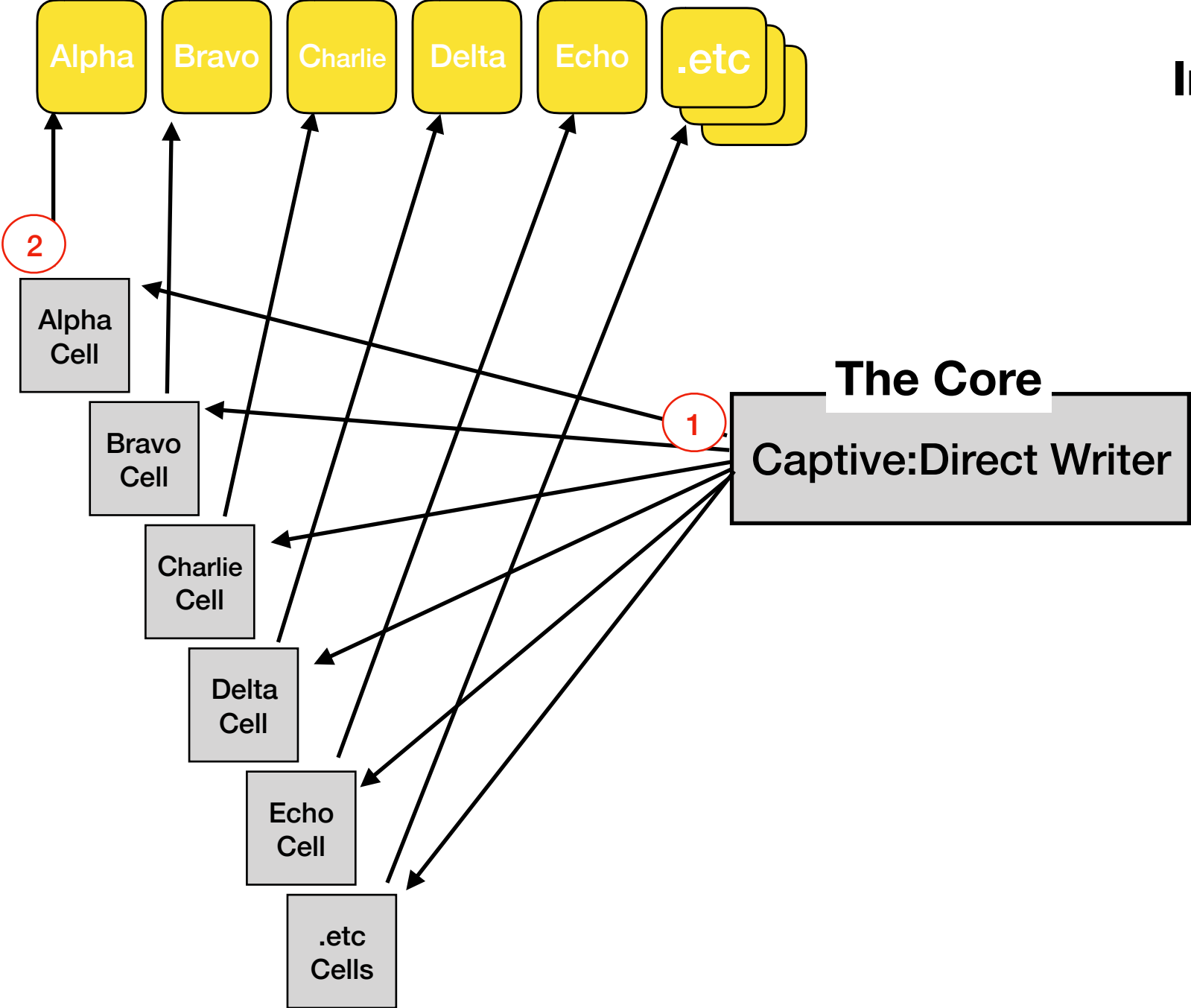


Ownership structure



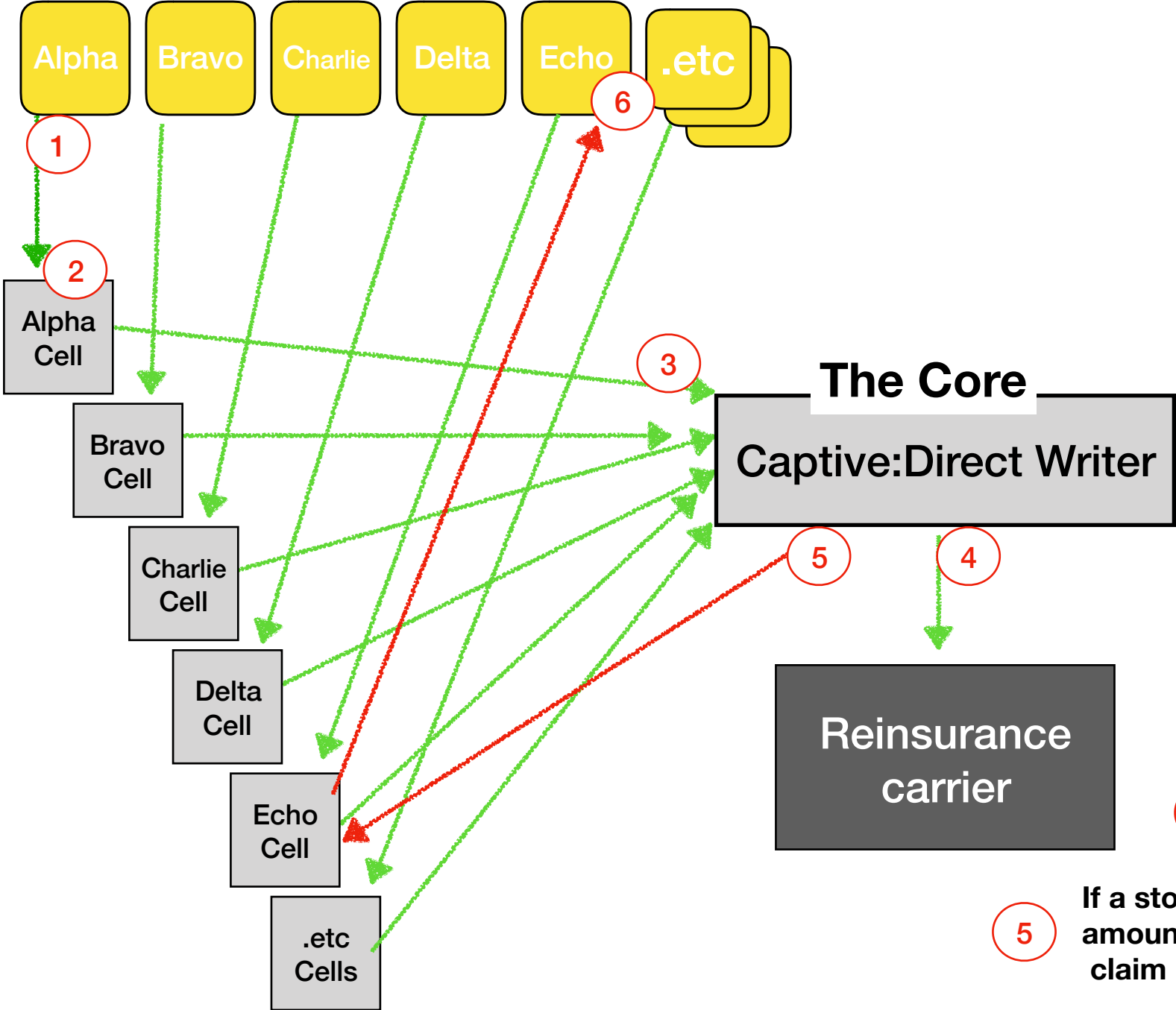
- 3 The employer's captive is licensed by a captive domicile regulator. Once licensed it's recognized as an insurance Co.
- 2 The employer's captive is hosted by a protected cell captive which lowers the cost of entry for employer. Think: The Core is a hotel and each cell represents a hotel room.
- 1 Employer decides to form a captive insurance company. This captive is 100% owned by the affiliated business.

Insurance Policy Issuance



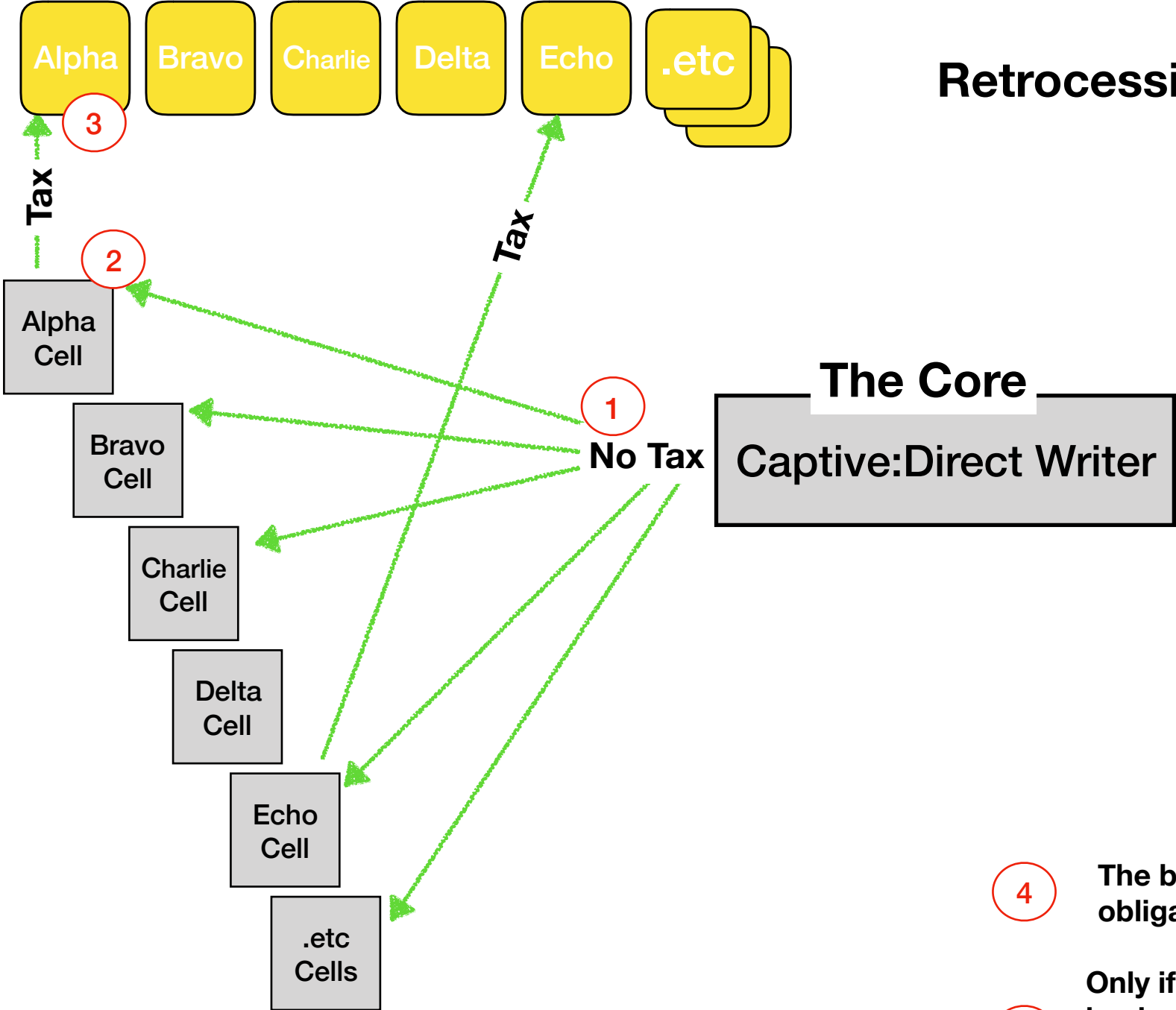
- 2 On Behalf of the core, the cell captive passes the stop loss policy to the insured business the cell captive insures.
- 1 The core operates on behalf of the cell captive as the sole underwriter for all the cell captives. The core underwrites the risk of each of the insured businesses which make up the risk pool (the Core)

Cash Flow



- ⑥ The insured's cell captive reimburses the affiliated business with the stop loss claim amount
- ⑤ If a stop loss claim is incurred the core retrocedes the claim amount to the cell captive owned by the insured triggering the claim
- ④ The Core captive pays commercial reinsurance premiums monthly to cap it's risk above a certain claim threshold
- ③ The Core captive collects premiums from all of the hosted Cell captives and pays G&A expenses
- ② The Cell captive then cedes 100% of the premium & stop loss risk to the Core. This is done monthly.
- ① Every month, the employer (insured) pays monthly stop loss policy premiums to their Cell captive.

Retrocession: Underwriting Profit distribution



- ④ The business, when it files its tax return will report the tax obligation earned when the cell issued the distribution
- ③ Only if the cell opts to issue a dividend to it's affiliated business will a taxable event get triggered. The distribution initiated by the cell to the business is taxable at dividend tax rates. The cell will issue a 10-99 DIV to the business
- ② The cell captive decides whether to retain the underwriting profits it earns or to distribute back to the affiliated business
- ① After every Treaty year, the Core will release it's underwriting profits back to each cell in proportion to the amount of underwriting profits it contributed to the Core