VCIA
Captive Excellence
Starts Here.

MEMBER THINK TANK

The Rapid Advancements of AI

NOVEMBER 19 · 2:00 PM ET

CAPITAWISE

CAPITAWISE · BUILDER'S VIEW

Building responsible AI for captives.

We build secure, *specialised* AI capabilities designed specifically for captive insurance governance, compliance and financial accuracy.

OUR ARCHITECTURE PRINCIPLES

Strict operational safety, complete data ownership, and audit-ready outputs across every workflow.

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CAPITAWISE · BUILDER'S VIEW

Our architecture principles.

Data privacy first.

Private cloud architecture. Your data is isolated and never leaves your perimeter.

Zero model training.

Your corporate data and financials are never used to train public or third-party AI models.

Enterprise governance.

AI models operate under locked parameters to ensure repeatable, audit-ready outputs.

Human-in-the-loop.

AI provides intelligent analysis and recommendations. You retain full decision-making control.

CAPITAWISE

THE CHALLENGE

Escalating Scrutiny on Transfer Pricing in Captive Insurance

Aggressive enforcement on arbitrary premium pricing.

Tax authorities are penalizing self-insurance programs that rely on static or arbitrary pricing models.

The rule.

Premium allocations must be backed by real-world loss data – not arbitrary estimates or backward-looking guesses.

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THE CHALLENGE

Recent court cases and IRS scrutiny.

Forbes
https://www.forbes.com › Money › Personal Finance

Another Taxpayer Microcaptive Blowout Loss In Patel

6 Apr 2024 — 831(b) **captives** were anticipated to come under heightened **scrutiny**. premiums were artificially inflated and "backed $1.2 million limit. a lack ...

Forbes
https://www.forbes.com › Money › Personal Finance

A Detailed Analysis of IRS Notice 2016-66 re 831(b) Captives

16 Nov 2016 — With abusive **captives**, there is no **arm's length** negotiation. The business owner controls the business and the **captive**, and maximizes premiums … ...

Forbes
https://www.forbes.com › Money › Personal Finance

Sixth IRS Victory Against Microcaptives In Swift

10 Feb 2024 — The second problem was that the insurance contracts must be negotiated **at arm's length** to be valid for tax purposes. What this means is that ... Read more

Forbes
https://www.forbes.com › Money › Personal Finance

IRS Wins 40% Penalties For Failed Microcaptive In Patel

26 Nov 2025 — 40% penalties were assessed. Congress and the IRS were looking into microcaptives would "likely be coming under heightened review/**scrutiny**." ...

Captive.com
https://www.captive.com › news › tax-court-imposes-pen...

Tax Court Imposes Penalties in Jones Micro-Captive Case

5 Oct 2026 — The court held that the Shors were liable for a 20 percent accuracy-related penalty based on negligence or disregard of rules or regulations. Read more

Captive.com
https://www.captive.com › news › captive-insurance-und...

Captive Insurance under Fire: Recent Court Cases and IRS ...

22 Aug 2024 — **Captive** insurance taxation continues to face increased **scrutiny** from both the courts and the **Internal Revenue Service** (**IRS**), as highlighted ... Read more

Captive.com
https://www.captive.com › news › navigating-the-new-irs...

Navigating the New IRS Rules for 831(b) Captives

26 Feb 2025 — Ensuring loan transactions adhere to **arm's-length** standards to reduce **IRS scrutiny** and demonstrate legitimate risk management practices. Read more

Sources: Forbes; Captive.com

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THE CHALLENGE

High cost of non-compliance.

FINANCIAL PENALTIES

Up to

40%

accuracy-related penalties added to back taxes

TAX DEDUCTION LOSSES

Across subsidiaries

100%

complete disallowance of tax deductions

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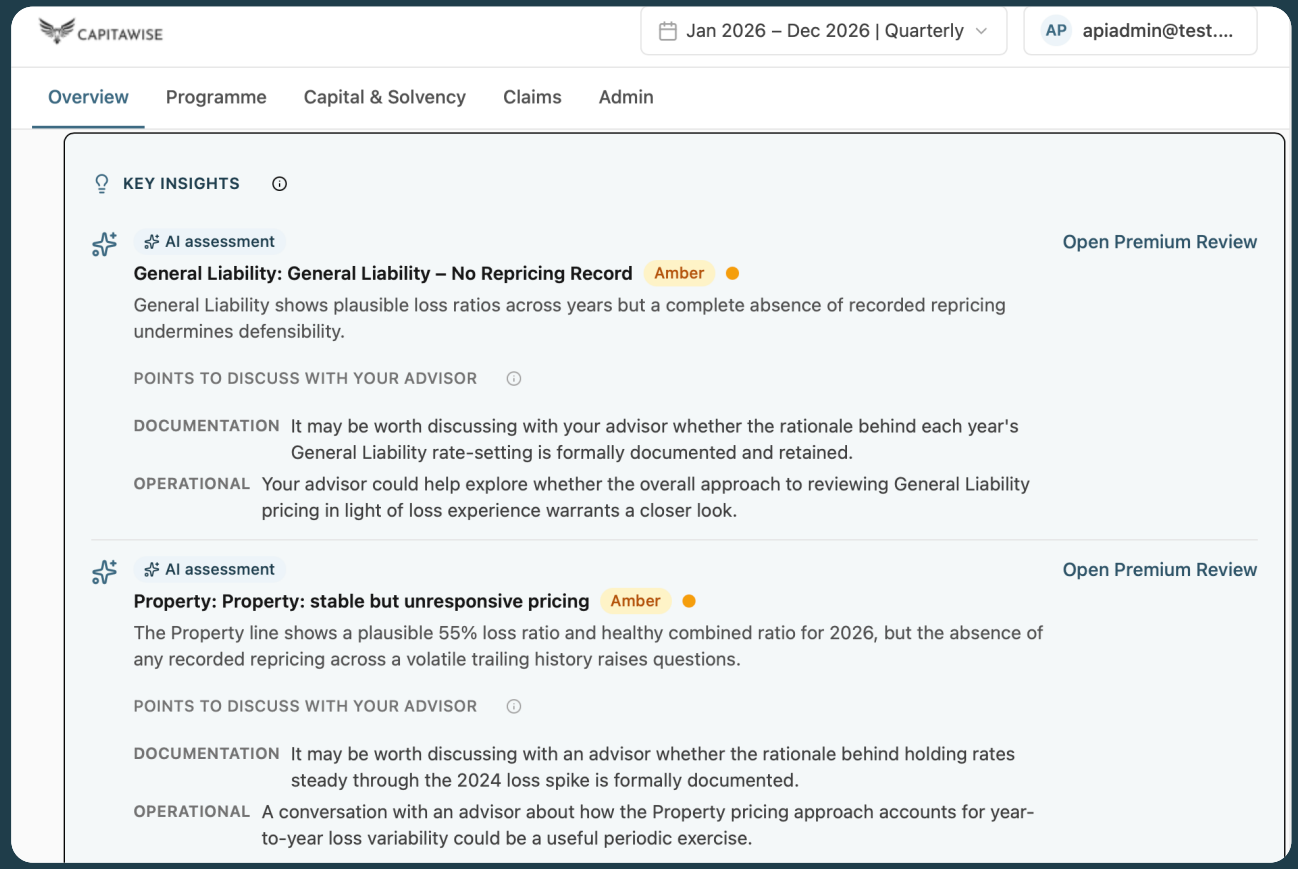
CASE STUDY

Key insights in the platform.

AI assessments flag premiums for review, with points to discuss with your advisor.



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CASE STUDY

Transfer Pricing in Captive Insurance

01

Unified data foundation.

From fragmented data to a single source of truth.

02

Enterprise security guardrails.

Private cloud, masked data and no retention.

03

Continuous evaluation.

Consistent reasoning, evaluated as new claims load.

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CASE STUDY · STAGE 1 OF 3

Unified data foundation.



The problem

Premiums, claims and loss data are trapped across fragmented spreadsheets and Third-Party Administrators (TPAs).

The fix

Centralize all data into a single, unified source of truth before applying AI models.

01

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CASE STUDY · STAGE 2 OF 3

Enterprise security guardrails.



02

Private cloud vault

Ring-fenced single-tenant cloud environment (no consumer chatbots like public ChatGPT).

Automatic data masking

Data is masked before sending to models.

No data retention

Zero data retention – information is processed in real time and immediately discarded.

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CASE STUDY · STAGE 3 OF 3

Continuous evaluation.



03

Deterministic intelligence

Model reasoning is strictly calibrated for consistency. All numbers supplied to model are retained for evidence.

Continuous evaluation

AI agents continuously evaluate as new claims data is loaded.

The result

Assessment on whether premium is questionable, paired with forward-looking recommendations.

THE MANAGER AND LEGAL VIEW

The everyday *toolkit.*

01 Enterprise AI assistants

02 AI inside Microsoft 365

03 AI inside Google Workspace

04 Meeting transcription and summaries

05 Spreadsheet and data helpers

06 Document comparison and redlining

WHERE AI SAVES TIME

Where the hours *come back.*

01 **Board minutes**
First draft from the meeting transcript.

02 **Regulatory filings**
Narrative sections drafted for review.

03 **Policy and contract review**
Changes listed against last year's version.

04 **Audit and actuarial reports**
Plain-language summaries for owners.

05 **Domicile research**
Quick orientation, then checked at the source.

06 **Routine correspondence**
First drafts of letters and notices.

CASE STUDY 1 · [GROUP CAPTIVE]

Minutes in hours, *not days.*

PART 01

THE CHALLENGE

Long quarterly board meetings meant minutes took days/weeks to finalize, and sometimes audits or other filings waiting on them.

PART 02

WHAT WE DID

Recorded with an approved tool. AI drafted minutes in our house template; the manager edited and counsel checked every resolution.

PART 03

THE RESULT

Draft minutes in hours. Review time went to editing actual substance, and nothing circulated before human sign-off.

THE LESSON

AI writes the first draft; the officer who signs owns every word.

CASE STUDY 2 · [SINGLE-PARENT CAPTIVE] RENEWAL

A second reader *at renewal.*

PART 01

THE CHALLENGE

The reinsurance renewal agreement arrived as 210 pages with no redline from the counterparty, days before binding.

PART 02

WHAT WE DID

AI compared it to the expiring agreement and listed every change. Counsel checked each flag against the source text.

PART 03

THE RESULT

A narrowed [exclusion] was caught and negotiated before binding. Comparison took hours instead of days.

THE LESSON

AI is a strong second reader, never the final one.

JUDGMENT CALLS

Keeping a human *in the loop.*

The test: will it reach a regulator, board, auditor or policyholder? Does it need legal, actuarial or claims judgment? Does it touch confidential data? One yes means a named person reviews it and owns it.

In practice: notes and internal agendas sit at level 1. Minutes, contract comparisons and regulator letters sit at level 2. Advice, reserves, claims, and signed filings sit at level 3.



FIVE THINGS EVERY CAPTIVE'S WRITTEN AI USE POLICY NEEDS

Five essentials, *in writing.*

01

APPROVED TOOLS

Which AI tools staff may use, and who approves new ones.

02

DATA BOUNDARIES

What never goes in: claims, personal data, privileged advice, financials.

03

HUMAN REVIEW AND SIGN-OFF

Which outputs need review and by whom; the signer stays accountable.

04

DISCLOSURE AND RECORDS

When AI use is disclosed, and what records are kept on file.

05

OWNERSHIP AND UPKEEP

A named owner, staff training, vendor due diligence and an annual review.

06

OUR RECOMMENDATION

Put it in writing, adopt it at board level, revisit as tools change.