



**Kentucky Captive Association
2014 Educational Conference
June 18 – 19, 2014
Louisville, KY
www.kycaptive.com**

Program Events

June 18, 2014 6:00 – 8:30pm	Muhammad Ali Center, Louisville, KY Welcome Reception	
June 19, 2014 7:30 – 8:00am	Churchill Downs, Louisville, KY – Trophy Room Conference Registration and Continental Breakfast	
8:00 – 8:10am	Opening remarks	Michael Shields Russell Coy, II
8:10 – 9:00am	Building a Healthy Captive Culture from Regulator to Industry	Larry Knight, Jr.
9:10 – 10:00 am	Best Practices for Captives Electing to be Taxed Under Section 831(b)	Chaz Lavelle
10:10 – 11:00am	Captives for Use in Benefits/Medical Stop-Loss Programs	Phillip C. Giles
11:10 – 12:00pm	Fundamentals of Captive Taxation	P. Bruce Wright
12:15 – 1:30pm	Churchill Downs, Louisville, KY – Aristides Room Lunch	
12:30 – 1:00pm	Keynote Speaker – “Seeing is Believing”	Dr. Aly Farag
12:45 – 5:00pm	Live Racing	

Cost: One attendee (individual membership) is or up to three attendees (corporate membership) are included in paid annual KCA dues. Early-bird pricing is \$175/each if registered before June 9, 2014 and \$200/each thereafter.

CPA’s will be eligible for up to 4 hours of CPE for the Conference Program.

Special hotel room rates at The Galt House, 140 N. 4th St., Louisville, KY.
For Reservations: (800) 843-4258 **Rates:** \$109 single / \$129 suite
Please Book before May 19, 2014

Session Outlines

Building a Healthy Captive Culture from Regulator to Industry:

Larry Knight, Jr.

This session will give the perspective of a regulator regarding the legitimacy of the captive while considering both the feasibility study as well as issues of solvency from start-up to maturity. Next, the view of the captive will be from the industry perspective vis-à-vis the business purpose for using a captive and consideration of its long-term affordability.

Considering the above, the session will provide a roadmap for creating near- and long-term success in captive utilization through the cultivation of a healthy captive culture.

Best Practices for Captives Electing to be Taxed Under Section 831(b):

Charles J. (Chaz) Lavelle

This session will discuss best practices, problems and opportunities for small captive insurance companies that elect to be taxed under section 831(b). These are the questions that prospective and current owners want to know, which we hope will spur further questions from the audience. This session will also illuminate both the similarities and differences between smaller and larger captives, as well as discuss recent IRS and regulatory developments and trends.

Captives for Use in Benefits/Medical Stop-Loss Programs:

Phillip C. Giles, CEBS

The use of captives for employee benefits has been one of the more intriguing risk topics of the past few years. The first step in determining whether a benefit captive is an appropriate consideration for your employee benefit program is to understand the differences between “traditional” benefit captives and the growing segment of medical stop loss captives.

The state and federal regulations (such as ERISA and ACA) effecting employee benefits will be discussed. In addition, we will discuss situations that require prohibited transaction exemptions from the DOL.

Fundamentals of Captive Taxation:

P. Bruce Wright

This session will review the basic requirements that captives must meet in order to be treated as insurance for Federal income tax purposes. The session will highlight key benefits for insurance company treatment and will examine common book-tax differences affecting captives. This session will also provide an overview of common corporate tax structures and highlight key factors to consider in determining how tax obligations should be shared among related entities.

In an ever evolving environment, captive insurance companies must anticipate and comply with the positions and dictates of the IRS and various state lawmakers. This session will review the most recent and important legislative changes, case law rulings and potential rules on the horizon on the state and Federal level that impact the captive industry.

Seeing is Believing:

Dr. Aly A. Farag

“Seeing is Believing”, a philosophy I adopted at University of Louisville in August 1990 as I started my academic career. My domain of research is Computer Vision. It deals with computer interpretation of sensory information. Sensors are abundant; they may provide direct or inferred 2D/3D representations of the scene. The human visual system appreciates a 3D representation of the world. Using sensory information to extract a 3D representation about the world in the field of view (FOV) of the sensors is a tremendous science augmented with some “arts”. Making a 2D image of a camera drive a robot in narrow corridors, inferring fluid flow from a thermal image, visualizing the internal abdominal anatomies using X-ray, CT or MRI, and reconstructing the human jaw using a camera mounted on a “toothbrush” like mechanism are examples of going from images to objects; thence a decision making. Geometry is difficult, so is topology; both describe details of real world objects. The Computer Vision and Image Processing Laboratory (CVIP Lab) was built for the sole purpose of “touching” 3D from sensors! Translating the theory of 3D object reconstruction from various sensors into tangible tools for decision making in robotics, computer-assisted diagnosis (CAD) and computer-aided manufacturing (CAM) has been the mission and function of the CVIP Lab. Nearly a quarter of a century of funding from Federal and private organizations created a body of science and technology at the CVIP Lab that is now creeping into commercialization. This talk is a “layman’s” tour for some of the science and technology that the taxpayers invested at the CVIP Lab. We shall overview five patents dealing with object reconstruction from multimodality imaging, and describe how science, patents and commercialization evolve from a laboratory in an academic institution.

Speaker Biographies



Larry Knight, Jr. joined Carr, Riggs & Ingram, LLC in August 2013 as the Director of Insurance Regulatory Services. Prior to joining Carr, Riggs & Ingram, Larry worked for more than 20 years with the Tennessee Department of Commerce and Insurance (“TDCI”). Larry’s professional career began as an insurance examiner and insurance analyst with the TDCI, and during his 20 years he functioned as Examiner-in-Charge, Insurance Examinations Director, and he was Assistant Commissioner for Insurance from November 2003 to December 2006 and again from April 2007 through June 2013. Larry’s responsibilities as Assistant Commissioner included functioning as chief advisor to the Commissioner of the TDCI on all insurance matters, and he oversaw the six sections of the Insurance Division: Agent Licensing, Captive Insurance, Consumer Insurance Services, Financial

Affairs, Fraud and Rating. He has interacted with a variety of insurance providers including life, worker’s compensation, healthcare, P&C, auto and other standard and non-standard providers. Larry is an active participant at the NAIC level. He is a member of the NAIC Accreditation Review team, and accordingly, he stays abreast of developing insurance issues and concerns that can impact Accreditation status.



Charles J. (Chaz) Lavelle is listed in Captive Review’s Power 50. He is an attorney in the Louisville, Kentucky office of Bingham Greenebaum Doll LLP and was Tax Counsel for two taxpayer victories in captive insurance tax cases in the United States Court of Appeals: Humana Inc. v. Commissioner (deciding the “brother-sister” issue) and Ocean Drilling & Exploration Company v. United States (deciding the outside business issue). He has been listed in Best Lawyers for over 20 years and was named Louisville Best Lawyer – Tax for 2010 and 2014, and Louisville Best Lawyer – Controversy and Litigation – Tax for 2012. Chaz co-teaches at ICCIE and regularly lectures and writes on captives. His civic and charitable activities include serving as Chair of the Kentucky

Chamber of Commerce.



Phillip C. Giles, CEBS is Vice President of Sales & Marketing, Accident and Health, for QBE North America. Phil oversees sales and strategic marketing initiatives as well as medical stop loss captive business. Prior to joining QBE, Phil spent more than 10 years as Vice President of Marketing for Artex Risk Solutions, Inc., the captive and alternative risk management division of Arthur J. Gallagher & Co. He has nearly 28 years of experience in accident and health and property and casualty alternative risk. Phil holds a bachelor’s degree from Western Illinois University as well as the Certified Employee Benefit Specialist (CEBS) professional designation from the International Foundation of Employee Benefit Plans and the Wharton School of the University of Pennsylvania.



P. BRUCE WRIGHT is a partner in the tax department at Sutherland Asbill & Brennan LLP, where he is involved on a regular basis in tax and insurance regulatory issues including representation of property and casualty insurance companies, formation of single parent/group captive insurers, counseling of risk retention groups and creation of various types of alternative risk mechanisms, including, among others, “rent-a-captives” and “cell companies.” His practice has also included counseling clients on formation of commercial offshore privately and publicly held entities and the development of structured financial products such as securitizations, swaps, options, side cars, catastrophe bonds and similar products, used as alternatives to conventional risk financing mechanisms, as well as the utilization of captives as insurance or reinsurance

vehicles with regard to various employee benefits. Mr. Wright also holds the CPCU designation and speaks regularly at industry conferences including among others the Vermont Captive Insurance Association, Captive Insurance Companies Association, Nevada Captive Insurance Association, Hawaii Captive Insurance Council, New Jersey Captive Insurance Summit, Connecticut Captive Insurance Symposium and World Captive Forum.



Dr. Aly Farag received the bachelor degree from Cairo University, Egypt and the PhD degree from Purdue University in Electrical Engineering. He joined the University of Louisville in August 1990, where he is currently a Professor of Electrical and Computer Engineering. At the University of Louisville, Dr. Farag founded the Computer Vision and Image Processing Laboratory (CVIP Lab) which focuses on imaging science, computer vision and biomedical imaging. Dr. Farag’s main research focus is scene analysis, object reconstruction from multimodality imaging, statistical and variational methods for object modeling, and facial biometrics. He has authored over 350 technical papers, edited two volumes on Deformable Models for Biomedical Applications

(Springer 2007). He is the author of the text book “Biomedical Image Analysis: Variational and Statistical Approaches” – Cambridge University Press, 2014. During the past two decades, Dr. Farag has been the principal investigator of a number of major projects funded by the NSF, DoD, NIH and various federal and industrial organizations in the United States. He graduated 32 MS and 23 PhD students, as of Spring 2014, and mentored 20 postdoctoral researchers. He holds five US patents on object modeling, computer-aided diagnosis, and visualization. Dr. Farag is a regular reviewer for the NSF and NIH, and various technical journals and international conferences. Dr. Farag was associate editor of the IEEE Transactions on Image Processing (2000–2004) and presently associate editor of the IET-CV British Journal. He is guest editor of IEEE Transactions on Information Forensics and Security Special Issue on Facial Biometrics in the Wild (to appear in 2014). He was co-general chair of the IEEE International Conference on Image Processing (ICIP’2009). He received the University of Louisville top research award in 1999, the ECE Department teaching award in 2008, and in 2002 received university scholar designation. Dr. Farag is an IEEE Fellow.