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STRATEGIC RISK ALTERNATIVES

STORAGE ASSURANCE PROGRAM

Damage Waivers and Contents Coverage

STORAGE ASSURANCE

In today's ever changing environment, it's important for any successful business to develop a comprehensive plan that creates a competitive advantage and mitigates the risks that come along with day-to-day business operations; the self-storage industry is no different. Storage facility owners are looking to offer added benefits to their customers which will increase customer retention while at the same time secure their assets and their livelihoods. In order to secure assets, companies must develop competitive advantages to differentiate themselves from competitors. One such advantage is the implementation of a customized Protection Plan.

Today, many storage owners currently market contents coverage to the financial benefit of a third party insurance company, and in return receive a small fee in consideration of the owner's time and efforts. The current alternative to marketing a third party insurance company's coverage is to rely on tenants to purchase insurance on their own. Many self storage leases require tenants to purchase some kind of liability insurance to cover damage to the storage unit. The number of tenants and the revolving tenant base, make it nearly impossible to properly verify and enforce the insurance clause of the self storage lease. The Storage Assurance program was created with this in mind.

By implementing the Strategic Risk Alternatives (SRA) Storage Assurance program, the owner will own and operate their own Protection Plan. By doing this, facility owners or managers can provide a Contents Coverage and Accidental Damage Waiver included in their monthly rent. This releases the tenant from liability for damage done to the unit or other storage property and eliminates the insurance clause of the self storage lease. The Storage Assurance program also provides contents coverage that covers the tenant's personal contents inside the storage unit at an amount determined

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by the owner. The client will also receive a document that outlines the coverages. This custom product designed specifically for each unique business and can be tailored to it's individual needs all while being under the guidance of Strategic Risk Alternatives.

There are some storage owners that currently offer their own form of the Storage Assurance program, but they miss a key mechanism: owning and operating their own Protection Plan. Without the implementation of an 831(b) Protection Plan, these owners are self-insuring the risk with after-tax dollars. By utilizing the 831(b) tax code, business owners can effectively create a tax-advantaged fund for payment of claims arising from the program or to utilize premiums that have earned out.

Fortune 500 Companies have been utilizing the 831(b) section of the tax code for many years, and are primarily to thank for pioneering this concept. Section 831(b) of the U.S. Tax Code provides a tax incentive to own your own protection plan. In order to file under the 831(b) code, the premium is limited to the first $2.3 Million ceded and is non-taxable with an adjusting inflation rider. Until recently, utilizing the 831(b) tax code was a costly endeavor, but with lower barriers to entry and competition driving costs down, small to middle market companies can now utilize this concept.

The original 831(b) code was broad, but after thirty years of its existence, SRA believes the parameters have been set for businesses to properly utilize the 831(b) tax code. SRA describes these parameters as a 4-Part Test:

Part 1 -There must be a transfer of risk.

Part 2 - Risk must be distributed, you cannot own 100% of your own risk

Part 3 - The risk must be fortuitous in nature and not an ordinary business risk

Part 4 - The company must act accordingly within the principles of insurance.

Strategic Risk Alternatives is an insurance administrator and its primary role is to ensure that clients comply with the 4-Part Test described above.

The SRA Storage Assurance program allows storage facility owners to operate their own Protection Plan which creates the conduit to set aside tax advantaged reserves that can grow over time and be available in a time of need. At the same time, the owner will no longer need to market products of a third party insurance company, but rather offer a product that creates a competitive advantage.