



# STRATEGIC RISK ALTERNATIVES

## STRATEGIC RISK ALTERNATIVES' TENANT ASSURANCE PROGRAM

Businesses today operate in a competitive environment with various unforeseen risks which, oftentimes, have stark economic consequences. Because of this, it is 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 residential rental property industry is no different. Property owners are looking to offer added benefits to their tenants which will increase tenant retention while at the same time secure their assets and their livelihoods. In order to secure assets, companies must develop competitive advantages to differentiate itself from its competitors. One such advantage is the implementation of owning their own insurance company.

Property owners rely on the tenant to maintain adequate renters insurance to protect not only the tenant's personal contents but to ensure that any damage done to the rental property covered by the liability policy. Although many property owners require some form of liability insurance, it is nearly impossible to enforce. The Tenant Assurance program was created with this in mind.

By implementing Strategic Risk Alternatives (SRA) Tenant Assurance program, the owner will own and operate their own insurance company. By doing this, you can now provide a Damage Waiver included in their monthly rent, which releases the tenant from liability for damage done to the unit or other rental property. The Tenant Assurance program also provides Contents Coverage (also included in the rent), which shields the tenant's personal contents within the rental unit. The client will receive a document that outlines the coverages.

By offering the Accidental Damage Waiver and the Contents Protection, property owners not only manage the risks with tax advantaged dollars, but they also generate added value to the tenant. Our firm is of the opinion that

owning a small property and casualty insurance company will soon be a normal business practice. 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 once premium has earned out. Fortune 500 companies have been utilizing the 831(b) section of the tax code for many years now and are primarily to thank for pioneering this concept. Section 831(b) of the U.S. Tax Code provides a tax incentive to own a small property and casualty insurance company. In order to file under 831(b) code, the premium is limited to the first \$2.3 Million ceded to the insurance company 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, our firm believes the parameters have been set for businesses to properly utilize the 831(b) tax code. For simplicity our firm describes these parameters as a 4-part test:

- Part 1** - There must be a transfer of risk from the producing company to the insurance company.
- 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 its clients comply with the 4-part test described above.

SRA's Tenant Assurance program allows property owners to operate their own insurance company which creates the conduit to set aside tax advantaged reserves that can grow over time and is available in a time of need. At the same time, the owner creates a powerful marketing tool that not only preserves existing renters but entices potential tenants. For more information please review our website at [StrategicRiskAlternatives.com](http://StrategicRiskAlternatives.com) then click on the Storage Assurance product tab and feel free to contact us with any questions you may have.