



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 itself above its competitors. One such advantage is the implementation of owning their own insurance company.

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 tenant agreements 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 tenant agreement. The Storage Assurance program was created with this in mind.

By implementing Strategic Risk Alternatives (SRA) Storage Assurance program, the owner will own and operate their own insurance company. By doing this you can now provide a Content Coverage and Storage Damage Waiver included in their monthly rent, which releases the tenant from liability for damage done to the unit or other storage property and eliminates the insurance clause of the tenant agreement. The Storage Assurance program also provides contents coverage that covers the tenant's personal contents inside the storage

unit at an amount determined by the owner normally \$3,000 to \$5,000 in coverage. The client will also receive a document that outlines the coverages. But understand, this is a custom product designed specifically for your business and can be tailored to all your 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 insurance company. That being the case, these owners are self-insuring the risk with after-tax dollars. 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.

In closing, SRA's Storage Assurance program allows storage facility owners to operate their own insurance company which creates the conduit to set aside tax advantaged reserves that can grow over time and be available in a time of need. While at the same time the owner will no longer need to market products of a third party insurance companies, but rather be offering a competitive advantage. For more information please review our website at Strategicriskalternatives.com then click on the Storage Assurance product tab and feel free to contact us with any questions you may have.