Risk Management Advisors, LLC

Commercial Property

CAPTIVE INSURANCE COMPANIES

Company Data:

Client:	Two Partners, Owners of Commercial Property
Occupation:	Real Estate
Income:	$3,110,000 in company profits
Needs:	Asset protection and risk management due to exposure from vast real estate holdings. Tax efficient method to reserve for self insured risks.
Planning:	Multiple LLCs for each property.

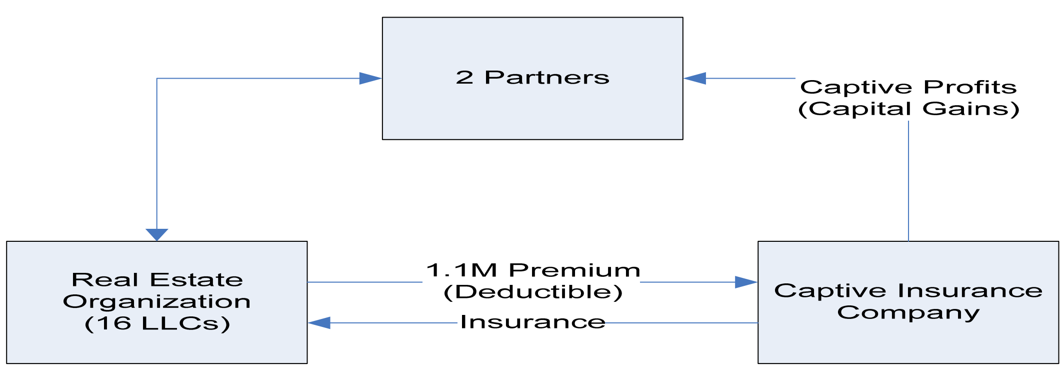
Analysis:

Company has 16 LLC's holding over $75,000,000 in retail and commercial properties. Properties are covered with insurance, but the program has numerous *standard* exclusions that subject the company to undue exposure and risk.

Partners also desire a method to reduce tax on the growing profits of the organization. By setting up their own insurance company (captive), the company can write insurance to cover their uninsured risk and take a deduction for the premiums paid into the captive.

Result:

Between the 16 LLCs, clients were able to fund $1,100,000 of premium into their captive insurance company. By making the 831(b) election, the captive does not have to pay tax on the income it receives. Under current tax law, when the clients dissolve the captive the money will be taxed a capital gains rates as opposed to ordinary income.



(note: this is an example and should not be used as the basis for a deduction or specific recommendations.)