

INTERNAL REVENUE CODE - SECTION 831(b)

Many businesses with Large Deductible policies and Self-Insured Retentions are privately owned and taxed as Sub S corporations or LLCs. This presents a significant wealth management opportunity for the individual owners.

Today privately owned businesses with Large Deductible policies or Self-Insured Retentions can form their own DRP (Deductible Reimbursement Policy) Cell Captives to fund their loss picks with tax deductible cash instead of using costly and cumbersome bank ILOCs (see **R-Pool Treaty** above for the explanation of this process).

When these DRP Cell Captives are established by the individual owners for the exclusive use of their privately held businesses those DRP Cell Captives can qualify for TAX FREE Underwriting Profits on premium income up to \$1.2 million each year. Those TAX FREE underwriting profits can remain in the DRP Cell Captive until such time as the individual owners want to take their profits. When the individual owners take their TAX FREE underwriting profits they are taxed at the 15% Qualified Dividends tax rate instead of the 35% Ordinary Income tax rate. Over many years these TAX FREE underwriting profits can accumulate into significant wealth for the individual owners.

The benefits available under IRC Section 831(b) for individual business owners are:

- **NO INCOME TAX (Federal or State) on underwriting profits from premium income up to \$1.2 million each year**
- **Underwriting profits accumulate TAX FREE**
- **Dividends to the Business Owners are taxed at the 15% Qualified Dividends tax rate instead of the 35% Ordinary Income tax rate**