

# 831(b)

# VS

# Private Insurance

Most issue direct policies and use "back end" pools, no licensed insurer (similar to Avrahami)	STRUCTURE	Operates as true insurance company, policies issued through licensed insurer, 50% risk distribution as funds held
\$2.3 million	PREMIUM LIMIT	No limit (premium must be actuarially justified)
Requires detailed information disclosure on IRS Form 8886: Reportable Transaction Disclosure Statement	REPORTING REQUIREMENTS	No US disclosure requirements for US taxing purposes
Ownership restricted	OWNERSHIP	No restrictions
2 - 6 months	FORMATION TIME	2 - 4 weeks
Tax on investment income at regular corporate rates	TAX STRUCTURE	Tax on annual net income above \$1.2 million at 4%
Foreign domiciles must elect 953(d) to avoid controlled foreign corporation entanglement	DOMICILE ISSUES	Not applicable: Puerto Rico I.I. is established as a non-controlled foreign corporation
Foreign domiciles regulated by local financial authorities	REGULATION	National Association of Insurance Commissioners / Puerto Rico DOI
Close down and make taxable distributions	EXIT PLAN	Close down, transfer; additional options under Puerto Rico resident exemptions
Mixed at best and increased scrutiny following recent IRS Tax Court wins	PROGNOSIS	15-year contract with Puerto Rico Tax Authority, extendable for two additional 15-year periods



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