



More and more individuals are establishing Trusts, Limited Liability Companies (LLC) and even creating shell Corporations and purchasing property in the name of the entities formed. When considering insurance for these entities it is important to have a general understanding of their purpose and how to name the entities on the various insurance policies.

Trusts

General Purpose

Trusts are a vehicle created to direct how an estate will pass on to heirs or non-heirs such as charities. Placing property in the name of a Trust can reduce or avoid taxes and in some cases avoid probate. There are three legal parties to the trust: the trustor, the trustee and the beneficiary. The trustor creates the trust; the trustee manages the trust by administering the property in trust and the beneficiary is the person/party that receives benefits from the trust. One of the most common reasons for forming a Trust is that the trustor can put conditions and/or restrictions on the rights of the trust. Individuals that form a Trust purchase real and personal property in the name of the trust in order to maximize the benefits.

Insurance for Trusts

The Trust **MUST** be added to the Homeowners Policy and any other personal lines policy that insures property or provides liability insurance.

1. Adding the Trust as the Named Insured:

Some insurance companies will add the Trust as the Named Insured. Many insured's request that the Trust be the named insured. Adding the Trust as the Named Insured is not the best method for providing appropriate protection. Most carriers will not and should not write Homeowners in the name of the Trust. One of the most important points to remember is that the personal lines policies must be written in an individual's name, not an entity name, such as a Trust. The insurance companies are unwilling to provide worldwide liability coverage for the Trust.

2. Adding the Trust as an Additional Insured:

A proper method of protecting the Trust is to add that entity as an Additional Insured. Many insurance companies will either add the Residence Held in Trust endorsement or add the Trust and amend the policy. The Trust should have coverage for both property and liability exposures.

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Limited Liability Company (LLC)

General Purpose

A Limited Liability Company (LLC) is sometimes referred to as a hybrid of a corporation and partnership. An LLC, like a corporation, is formed for a number of reasons. The common goal for forming the LLC is to protect an individual's personal assets and providing tax benefits that are allowed by law. LLC's are more common when individuals purchasing high valued property want to protect their personal identity. Specifically high profile individuals, such as those involved in the entertainment industry, may form an LLC and purchase all of their properties through the LLC.

Insurance for an LLC

The LLC should be added to the Homeowners Policy and any other personal lines policy wherein property was purchased in the name of the LLC.

1. Adding the LLC as the Named Insured has the same problem as the Family Trust which is that the coverage would be too broad. The Named Insured should still be individuals.
2. If the LLC is owned 100% of the owner of the property, some insurance companies will name the LLC as an additional insured.
3. Some insurance companies refuse to add an LLC to personal lines policies even when the insured is the 100% owner.
4. LLC's may be used to purchase vehicles. Typically, the named insured on the Personal Auto Policy will be the individual (s) and the LLC would be added as an additional insured if acceptable to the insuring company.
5. Verify with the insurance company underwriter that an insured using an LLC to pay residence employees will not be construed as a business risk, thereby removing coverage for domestic employees. This becomes more problematic if the LLC is being used to pay residence employees and to acquire or hold property.

Shell Corporations

General Purpose

Shell Corporations are sometimes referred to as Loan Out Corporations. This is a term common in the entertainment industry whereby the production company forms the loan out through which they are paid. Additionally they may use these entities to buy property. This is, in large part, to shield the identity of the individual and for tax purposes.

Insurance for a Shell Corporation

1. Some insurance carriers who specialize with high profile or high net worth clientele will name the Shell Corporation as the named insured on a Homeowners Policy. Again, the same concerns exist here as outlined above under Trusts and LLCs.
 2. Some insurance carriers will add them as an additional insured and, there are carriers who will not name them at all.
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