

CICA Objects to IRS Proposed Definition of “Active Conduct”, Requests Public Hearing

MINNEAPOLIS, May 11, 2015 — The Captive Insurance Companies Association (CICA) has submitted a response to the Internal Revenue Service (IRS) regarding *RIN 1545-BM69 – Exception from Passive Income for Certain Foreign Companies*. The response objects to the proposed definition of “active conduct”, and requests a public hearing.

The proposed regulation was issued by the IRS in late-April. “As currently drafted, the language would not allow an insurance company to operate through the utilization of independent contractors or the officers and employees of subsidiaries, which is contrary to the manner in which thousands of captive insurers operate and to current IRS practice,” explained Dennis Harwick, CICA president.

CICA’s response cited Rev. Rul. 2002-89, 2002-2 C.B. 984 which says an insurance company “... may perform all necessary administrative tasks, or it may outsource those tasks at prevailing commercial market rates.”

CICA also questioned the need for the proposed regulation in light of the existing statutory authority to address the level of capital necessary to conduct an insurance business, citing existing provisions that require that more than half the insurance company’s business be from insurance and reinsurance.

A copy of [CICA’s full statement](#) is available online.

About the Captive Insurance Companies Association (CICA)

CICA is the only global domicile-neutral captive insurance association. CICA is committed to providing the best source of unbiased information, knowledge, and leadership for captive insurance decision makers. CICA is your advocate around the world, key to the captive industry and *the* resource for captive best practices.

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