



SIIA Confirms Strength of Captive Industry in Wake of IRS Settlement Results

February 12, 2020 – Earlier this month the Internal Revenue Service (IRS) issued [IR 2020-26](#) announcing the results of a global settlement initiative offered last year to just 200 ‘micro captives.’

While the Self-Insurance Institute of America, Inc. (SIIA) continues to be supportive of curbing abusive practices within the industry, it is important to note that the vast majority of captive insurance participants are not only doing the right thing, but are left untouched by the recent actions of the IRS.

In IR 2020-26, the IRS claims that nearly 80% of taxpayers receiving these settlement offers agreed to such settlements and announced the establishment of 12 audit teams to look at certain captive structures.

This statement is misleading in that the 80% of the taxpayers have agreed to participate and consider a settlement, not actually settle. Those taxpayers can indeed settle, but also have the option to go to court. In fact, it is SIIA’s understanding that, to date, not a single captive has engaged in a final settlement agreement, making such an announcement premature. Additionally, the audit teams will most likely be looking at other issues *unrelated* to the captive industry, not simply focusing on captives themselves.

Thus, while approximately 160 captive structures have agreed to consider settlements with the IRS, thousands of captives remain in place that are assisting America’s small and medium sized businesses to mitigate important and real risk factors.

Captive insurance companies have long been successfully utilized by employers, large and small, as a means to address employer risk management needs. In fact, enterprise risk captives are simply allowing small and medium sized businesses access to similar risk structures as their large Fortune 500 counterparts.

SIIA and its members are committed to advocating for a strong and reliable captive insurance environment that educates owners, captive managers and others, and establishes best practices for those participants. In addition, SIIA continues to push for appropriate regulatory oversight that does not overreach in its cost and scope, and which focuses on actual abusive practices versus those industry participants doing the right thing. Congress and others continue

to be concerned about the resources being invested in this issue by the IRS considering the size of the industry and scope of potential abuse.

As part of its ongoing work on behalf of the captive industry, SIIA has established the [Captive Manager Code of Conduct](#), which provides a set of ethical business conduct guidance to captive managers that elaborates on several main tenets, including integrity, conflict of interest, confidentiality, advertising and practice management.

While the IRS may remain focused on certain micro captive structures, it must do so in a responsible and fair manner. As the industry continues to grow, captive insurance companies remain dedicated to providing a needed risk management structure for America's small businesses to grow and thrive.