

Financial Services

Captive Insurance Update

Bermuda

PRICEWATERHOUSECOOPERS 

Proposed Intercompany Insurance Regulations Withdrawn February 20, 2008

Alert Number: 08-02

IRS Announces That the Proposed Intercompany Insurance Regulations Have Been Withdrawn

The IRS has announced that it has withdrawn its recently issued (September 28, 2007) proposed regulations under Reg. §1.1502-13(e) (REG-107592-00) that amended guidance regarding the treatment of transactions involving obligations between members of a consolidated group and the treatment of transactions involving the provision of insurance between members of a consolidated group. The proposed regulations would have affected corporations filing consolidated returns which included a consolidated captive insurance subsidiary (see *Captive Insurance Update 07-04*).

In conjunction with the withdrawal of the proposed regulations, public hearings on the matter which were scheduled for Friday, February 29, 2008 have also been cancelled.

PwC Observes: These proposed regulations resulted in significant taxpayer resistance as the proposed regulations would have the effect of eliminating the tax benefits associated with certain related party insurance transactions which have been provided for by the courts in a number of captive insurance cases in arguing against the Service's "economic family" theory.

For additional information please call Richard E. Irvine at (441) 299-7136 or contact your local insurance tax professional.

ANY TAX ADVICE IN THIS COMMUNICATION IS NOT INTENDED OR WRITTEN BY PWC TO BE USED, AND CANNOT BE USED, BY A CLIENT OR ANY OTHER PERSON OR ENTITY FOR THE PURPOSE OF (i) AVOIDING PENALTIES THAT MAY BE IMPOSED ON ANY TAXPAYER OR (ii) PROMOTING, MARKETING OR RECOMMENDING TO ANOTHER PARTY ANY MATTERS ADDRESSED HEREIN.

This publication has been prepared for general guidance on matters of interest only, and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, PricewaterhouseCoopers, its members, employees and agents accept no liability, and disclaim all responsibility, for the consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it.