



House of Representatives

General Assembly

File No. 63

January Session, 2025

Substitute House Bill No. 6433

House of Representatives, March 10, 2025

The Committee on Insurance and Real Estate reported through REP. WOOD of the 29th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT CONCERNING CAPTIVE INSURANCE.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 38a-91aa of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective October 1, 2025*):

3 As used in this section, sections 38a-91bb to 38a-91uu, inclusive, [and]
4 sections 38a-91ww to 38-91yy, inclusive, and section 3 of this act:

5 (1) "Affiliated company" means any company in the same corporate
6 system as a parent, an industrial insured or a member organization by
7 virtue of common ownership, control, operation or management.

8 (2) "Agency captive insurance company" means a captive insurance
9 company that:

10 (A) Is owned or directly or indirectly controlled by one or more
11 insurance agents or insurance producers licensed in accordance with
12 sections 38a-702a to 38a-702r, inclusive;

13 (B) Only insures against risks covered by insurance policies sold,
14 solicited or negotiated through the insurance agents or insurance
15 producers that own or control such captive insurance company; and

16 (C) Does not insure against risks covered by any health insurance
17 policy or plan.

18 (3) "Alien captive insurance company" means any insurance
19 company formed to write insurance business for its parent and affiliated
20 companies and licensed pursuant to the laws of an alien jurisdiction that
21 imposes statutory or regulatory standards on companies transacting the
22 business of insurance in such jurisdiction that the commissioner deems
23 to be acceptable.

24 (4) "Association" means any legal association of individuals,
25 corporations, limited liability companies, partnerships, associations or
26 other entities, where the association itself or some or all of the member
27 organizations:

28 (A) Directly or indirectly own, control or hold with power to vote all
29 of the outstanding voting securities or other voting interests of an
30 association captive insurance company incorporated as a stock insurer;

31 (B) Have complete voting control over an association captive
32 insurance company incorporated as a mutual corporation or formed as
33 a limited liability company; or

34 (C) Constitute all of the subscribers of an association captive
35 insurance company formed as a reciprocal insurer.

36 (5) "Association captive insurance company" means any company
37 that insures risks of the member organizations of an association, and
38 includes a company that also insures risks of such member
39 organizations' affiliated companies or of the association.

40 (6) "Branch business" means any insurance business transacted in this
41 state by a branch captive insurance company.

42 (7) "Branch captive insurance company" means any alien captive
43 insurance company or foreign captive insurance company licensed by
44 the commissioner to transact the business of insurance in this state
45 through a business unit with a principal place of business in this state.

46 (8) "Branch operations" means any business operations in this state of
47 a branch captive insurance company.

48 (9) "Captive insurance company" means any (A) pure captive
49 insurance company, agency captive insurance company, association
50 captive insurance company, industrial insured captive insurance
51 company, risk retention group, sponsored captive insurance company
52 or special purpose financial captive insurance company that is
53 domiciled in this state and formed or licensed under the provisions of
54 this section and sections 38a-91bb to 38a-91tt, inclusive, or (B) branch
55 captive insurance company.

56 (10) "Ceding insurer" means an insurance company, approved by the
57 commissioner and licensed or otherwise authorized to transact the
58 business of insurance or reinsurance in its state or country of domicile,
59 that cedes risk to a special purpose financial captive insurance company
60 pursuant to a reinsurance contract.

61 (11) "Commissioner" means the Insurance Commissioner.

62 (12) "Controlled unaffiliated business" means any person:

63 (A) Who, (i) in the case of a pure captive insurance company, is not
64 in the corporate system of a parent and the parent's affiliated companies,
65 (ii) in the case of an industrial insured captive insurance company, is not
66 in the corporate system of an industrial insured and the industrial
67 insured's affiliated companies, or (iii) in the case of a sponsored captive
68 insurance company, is not in the corporate system of a participant and
69 the participant's affiliated companies;

70 (B) Who, (i) in the case of a pure captive insurance company, has an
71 existing contractual relationship with a parent or one of the parent's
72 affiliated companies, (ii) in the case of an industrial insured captive

73 insurance company, has an existing contractual relationship with an
74 industrial insured or one of the industrial insured's affiliated companies,
75 or (iii) in the case of a sponsored captive insurance company, has an
76 existing contractual relationship with a participant or one of the
77 participant's affiliated companies; and

78 (C) Whose risks are managed by a pure captive insurance company,
79 an industrial insured captive insurance company or a sponsored captive
80 insurance company, as applicable, in accordance with section 38a-91qq.

81 (13) "Excess workers' compensation insurance" means, in the case of
82 an employer that has insured or self-insured its workers' compensation
83 risks in accordance with applicable state or federal law, insurance in
84 excess of a specified per-incident or aggregate limit established by the
85 commissioner.

86 (14) "Foreign captive insurance company" means any insurance
87 company formed to write insurance business for its parent and affiliated
88 companies and licensed pursuant to the laws of a foreign jurisdiction
89 that imposes statutory or regulatory standards on companies
90 transacting the business of insurance in such jurisdiction that the
91 commissioner deems to be acceptable.

92 (15) "Incorporated protected cell" means a protected cell that is
93 established as a corporation or a limited liability company, separate
94 from the sponsored captive insurance company with which it has
95 entered into a participant contract.

96 (16) "Industrial insured" means an insured:

97 (A) Who procures the insurance of any risk or risks by use of the
98 services of a full-time employee acting as an insurance manager or
99 buyer;

100 (B) Whose aggregate annual premiums for insurance on all risks total
101 at least twenty-five thousand dollars; and

102 (C) Who has at least twenty-five full-time employees.

103 (17) "Industrial insured captive insurance company" means any
104 company that insures risks of the industrial insureds that comprise an
105 industrial insured group, and includes a company that also insures risks
106 of such industrial insureds' affiliated companies.

107 (18) "Industrial insured group" means any group of industrial
108 insureds that collectively:

109 (A) Directly or indirectly own, control or hold with power to vote all
110 of the outstanding voting securities or other voting interests of an
111 industrial insured captive insurance company incorporated as a stock
112 insurer;

113 (B) Have complete voting control over an industrial insured captive
114 insurance company incorporated as a mutual corporation or formed as
115 a limited liability company; or

116 (C) Constitute all of the subscribers of an industrial insured captive
117 insurance company formed as a reciprocal insurer.

118 (19) "Insurance securitization" or "securitization" means a transaction
119 or a group of related transactions, which may include capital market
120 offerings, that are effected through related risk transfer instruments and
121 facilitating administrative agreements, in which all or part of the result
122 of such transaction is used to fund a special purpose financial captive
123 insurance company's obligations under a reinsurance contract with a
124 ceding insurer and by which:

125 (A) A special purpose financial captive insurance company directly
126 or indirectly obtains proceeds through the issuance of securities by such
127 company or any other person; or

128 (B) A person provides, for the benefit of a special purpose financial
129 captive insurance company, one or more letters of credit or other assets
130 that the commissioner has authorized such company to treat as
131 admitted assets for purposes of its annual report. "Insurance
132 securitization" or "securitization" does not include the issuance of a
133 letter of credit for the benefit of the commissioner to satisfy all or part of

134 a special purpose financial captive insurance company's capital and
135 surplus requirements under section 38a-91dd.

136 (20) "Member organization" means any individual, corporation,
137 limited liability company, partnership, association or other entity that
138 belongs to an association.

139 (21) "Mutual corporation" means a corporation organized without
140 stockholders and includes a nonprofit corporation with members.

141 (22) "Parent" means any individual, corporation, limited liability
142 company, partnership or other entity that directly or indirectly owns,
143 controls or holds with power to vote more than fifty per cent of the
144 outstanding voting:

145 (A) Securities of a pure captive insurance company organized as a
146 stock insurer; or

147 (B) Membership interests of a pure captive insurance company
148 organized as a nonprofit corporation or as a limited liability company.

149 (23) "Participant" means any association, corporation, limited liability
150 company, partnership, trust or other entity, and any affiliated company
151 or controlled unaffiliated business thereof, that is insured by a
152 sponsored captive insurance company pursuant to a participant
153 contract.

154 (24) "Participant contract" means a contract entered into by a
155 sponsored captive insurance company and a participant by which the
156 sponsored captive insurance company insures the risks of the
157 participant and limits the losses of each such participant to its pro rata
158 share of the assets of one or more protected cells identified in such
159 participant contract.

160 (25) "Protected cell" means a separate account established by a
161 sponsored captive insurance company, in which assets are maintained
162 for one or more participants in accordance with the terms of one or more
163 participant contracts to fund the liability of the sponsored captive

164 insurance company assumed on behalf of such participants as set forth
165 in such participant contracts.

166 (26) "Pure captive insurance company" means any company that
167 insures risks of its parent and affiliated companies or controlled
168 unaffiliated business.

169 (27) "Reinsurance contract" means a contract entered into by a special
170 purpose financial captive insurance company and a ceding insurer by
171 which the special purpose financial captive insurance company agrees
172 to provide reinsurance to the ceding insurer for risks associated with the
173 ceding insurer's insurance or reinsurance business.

174 (28) "Risk retention group" means a captive insurance company
175 organized under the laws of this state pursuant to the federal Liability
176 Risk Retention Act of 1986, 15 USC 3901 et seq., as amended from time
177 to time, as a stock insurer or mutual corporation, a reciprocal or other
178 limited liability entity.

179 (29) "Security" has the same meaning as provided in section 36b-3 and
180 includes any form of debt obligation, equity, surplus certificate, surplus
181 note, funding agreement, derivative or other financial instrument that
182 the commissioner designates as a security for purposes of this section
183 and sections 38a-91bb to 38a-91tt, inclusive.

184 (30) "Special purpose financial captive insurance company" means a
185 company that is licensed by the commissioner in accordance with
186 section 38a-91bb.

187 (31) "Special purpose financial captive insurance company security"
188 means a security issued by (A) a special purpose financial captive
189 insurance company, or (B) a third party, the proceeds of which are
190 obtained directly or indirectly by a special purpose financial captive
191 insurance company.

192 (32) "Sponsor" means any association, corporation, limited liability
193 company, partnership, trust or other entity that is approved by the
194 commissioner to organize and operate a sponsored captive insurance

195 company and to provide all or part of the required unimpaired paid-in
196 capital and surplus.

197 (33) "Sponsored captive insurance company" means a captive
198 insurance company:

199 (A) In which the minimum required unimpaired paid-in capital and
200 surplus are provided by one or more sponsors;

201 (B) That insures risks of its participants only through separate
202 participant contracts; and

203 (C) That funds its liability to each participant through one or more
204 protected cells and segregates the assets of each protected cell from the
205 assets of other protected cells and from the assets of the sponsored
206 captive insurance company's general account.

207 (34) "Surplus note" means an unsecured subordinated debt obligation
208 possessing characteristics consistent with the National Association of
209 Insurance Commissioners Statement of Statutory Accounting Principles
210 No. 41, as amended from time to time, and as modified or supplemented
211 by the commissioner.

212 Sec. 2. Subsection (a) of section 38a-91oo of the general statutes is
213 repealed and the following is substituted in lieu thereof (*Effective October*
214 *1, 2025*):

215 (a) Unless otherwise provided in sections 38a-91aa to 38a-91tt,
216 inclusive, as amended by this act, no provision of this title shall apply to
217 captive insurance companies, unless expressly included therein, except
218 for the following: (1) Sections 38a-2, 38a-8, 38a-16, 38a-17, 38a-54 to 38a-
219 59, inclusive, 38a-69a, 38a-102h and 38a-250 to 38a-266, inclusive, and
220 chapter 704c; and (2) subsection (d) of section 38a-72 and sections 38a-
221 73 and 38a-129 to 38a-140, inclusive, which shall apply only to captive
222 insurance companies formed as risk retention groups.

223 Sec. 3. (NEW) (*Effective October 1, 2025*) (a) (1) Any captive insurance
224 company domiciled in this state and organized as an agency captive

225 insurance company, association captive insurance company, industrial
226 insured captive insurance company, pure captive insurance company,
227 risk retention group or special purpose financial insurance company
228 may, with the commissioner's prior written approval, convert into a
229 protected cell.

230 (2) Any such conversion of a captive insurance company, in
231 accordance with the provisions of subdivision (1) of this subsection,
232 shall be subject to the provisions of sections 38a-91aa to 38a-91tt,
233 inclusive, of the general statutes, as amended by this act, as applicable,
234 and such captive insurance company's plan of operation approved by
235 the commissioner, without affecting the converted captive insurance
236 company's assets, rights, benefits, obligations or liabilities.

237 (b) Any conversion of a captive insurance company into a protected
238 cell shall be deemed to be a continuation of such converted captive
239 insurance company's existence together with all of such captive
240 insurance company's assets, rights, benefits, obligations and liabilities
241 as a protected cell. Any such conversion of a captive insurance company
242 shall be deemed to occur without any transfer or assignment of such
243 captive insurance company's assets, rights, benefits, obligations or
244 liabilities, and without the creation of any reversionary interest in, or
245 impairment of, any such assets, rights, benefits, obligations or liabilities.

246 (c) Any conversion of a captive insurance company shall not be
247 construed to limit any rights or protections applicable to such captive
248 insurance company under subsection (c) of section 38a-91bb of the
249 general statutes, as applicable, that existed immediately prior to the date
250 of such conversion.

251 (d) Any captive insurance company that converts into a protected
252 cell, in accordance with the provisions of this section, shall perform such
253 conversion, in accordance with chapter 601 or 613 of the general statutes,
254 as applicable, or in accordance with any such provisions of the general
255 statutes applicable to the formation of any other type of legal entity
256 permissible under the laws of this state, as applicable.

257 (e) Any sponsored captive insurance company, including a
258 sponsored captive insurance company licensed as a special purpose
259 financial insurance company, may, (1) with the prior consent of each
260 participant of the affected protected cell or as otherwise permitted
261 pursuant to a participation agreement, or the consent of the affected
262 incorporated protected cell, (2) upon application of the sponsor, and (3)
263 with the commissioner's prior written approval, sell, transfer, assign or
264 otherwise convey a protected cell, together with all of such protected
265 cell's assets, rights, benefits, obligations and liabilities, to a new or
266 existing sponsored captive insurance company or sponsored captive
267 insurance company licensed as a special purpose financial insurance
268 company, pursuant to any plan of operation approved by the
269 commissioner.

270 (f) Any sale, transfer, assignment or conveyance of a protected cell, in
271 accordance with the provisions of subsection (e) of this section, shall be
272 deemed to be a continuation of such protected cell's existence, together
273 with all of such protected cell's assets, rights, benefits, obligations and
274 liabilities, as a protected cell of the transferee sponsored captive
275 insurance company.

276 (g) No sale, transfer, assignment or conveyance of a protected cell, in
277 accordance with the provisions of subsection (e) of this section, shall
278 limit any rights or protections applicable to the transferred protected
279 cell and the transferor sponsored captive insurance company or
280 sponsored captive insurance company licensed as a special purpose
281 financial insurance company under this chapter, as applicable, that
282 existed immediately prior to the date of such sale, transfer, assignment
283 or conveyance.

284 Sec. 4. Section 38a-91rr of the general statutes is repealed and the
285 following is substituted in lieu thereof (*Effective October 1, 2025*):

286 (a) Each sponsored captive insurance company may establish and
287 maintain one or more protected cells, subject to the following
288 conditions:

289 (1) The stockholders of a sponsored captive insurance company shall
290 be limited to its participants and sponsors, except that a sponsored
291 captive insurance company may issue nonvoting securities to other
292 persons on terms approved by the commissioner;

293 (2) Each sponsored captive insurance company shall account
294 separately on the books and records of such company for each protected
295 cell to reflect the financial condition and results of operations of such
296 protected cell, net income or loss, dividends or other distributions to
297 participants and such other factors as may be provided in the participant
298 contract or required by the commissioner;

299 (3) No liabilities arising out of any other insurance business the
300 sponsored captive insurance company may conduct shall be chargeable
301 against the assets of a protected cell;

302 (4) No sponsored captive insurance company shall make any sale,
303 exchange or other transfer of assets, dividend or distribution between
304 or among any of its protected cells without the consent of such protected
305 cells;

306 (5) No protected cell shall make any sale, exchange or other transfer
307 of assets, dividend or distribution to a sponsor or participant without
308 the commissioner's approval. The commissioner shall not approve such
309 sale, exchange or other transfer if it would result in insolvency or
310 impairment with respect to a protected cell;

311 (6) (A) Except as otherwise specified, each sponsored captive
312 insurance company shall attribute assets and liabilities to the protected
313 cells and the general account in accordance with the plan of operation
314 approved by the commissioner, and shall not attribute any other assets
315 or liabilities between its general account and any protected cell or
316 between any protected cells. For purposes of this subdivision, "general
317 account" means all assets and liabilities of a sponsored captive insurance
318 company that are not attributable to a protected cell.

319 (B) Each sponsored captive insurance company shall attribute all

320 insurance obligations, assets and liabilities relating to a reinsurance
321 contract entered into with respect to a protected cell to such protected
322 cell. The performance under such reinsurance contract and any tax
323 benefits, losses, refunds or credits allocated pursuant to a tax allocation
324 agreement to which the sponsored captive insurance company is a
325 party, including any payments made by or due to be made to the
326 sponsored captive insurance company pursuant to the terms of such
327 agreement, shall reflect such obligations, assets and liabilities relating to
328 such reinsurance contract;

329 (7) Each sponsored captive insurance company shall file annually
330 with the commissioner such financial reports as the commissioner shall
331 require, including, but not limited to, accounting statements detailing
332 the financial experience of each protected cell;

333 (8) Each sponsored captive insurance company shall notify the
334 commissioner in writing not later than ten business days after any
335 protected cell becomes insolvent or otherwise unable to meet its claim
336 or expense obligations;

337 (9) No participant contract shall take effect without the
338 commissioner's prior written approval. The addition of each new
339 protected cell or the withdrawal of any participant or termination of any
340 existing protected cell shall constitute a change in the sponsored captive
341 insurance company's plan of operation and shall require the
342 commissioner's prior written approval;

343 (10) If required by the commissioner, the business written by a
344 sponsored captive insurance company with respect to each protected
345 cell shall be (A) fronted by an insurance company licensed under the
346 laws of any state, (B) reinsured by a reinsurer authorized or approved
347 by this state, or (C) secured by a trust fund in the United States for the
348 benefit of policyholders and claimants or funded by an irrevocable letter
349 of credit or other arrangement that is acceptable to the commissioner.
350 The commissioner may require the sponsored captive insurance
351 company to increase the funding of any security arrangement
352 established under this subdivision. If the form of security is a letter of

353 credit, the letter of credit shall be issued or confirmed by a bank
354 approved by the commissioner. A trust maintained pursuant to this
355 subdivision shall be established in a form and upon such terms
356 approved by the commissioner; and

357 (11) A protected cell of a sponsored captive insurance company may,
358 with the commissioner's prior written approval, establish one or more
359 separate accounts and may allocate assets to such accounts to provide
360 for the insurance risks of one or more participants, or controlled
361 unaffiliated business of such participants, subject to the following:

362 (A) The income, gains and losses, realized or unrealized, from assets
363 allocated to a separate account shall be credited to or charged against
364 the account, without regard to other income, gains or losses of the
365 protected cell;

366 (B) Amounts allocated to a separate account pursuant to this
367 subdivision are owned by the protected cell and such protected cell shall
368 not be, nor hold itself out to be, a trustee with respect to such amounts;

369 (C) Unless otherwise approved by the commissioner, assets allocated
370 to a separate account shall be valued in accordance with the laws and
371 regulations of this state otherwise applicable to the protected cell's
372 assets;

373 (D) To the extent provided under the applicable contracts, such
374 portion of the assets of any such protected cell equal to the reserves and
375 other contract liabilities with respect to such account shall not be
376 chargeable with liabilities arising out of any other business the protected
377 cell may conduct;

378 (E) No sale, exchange or other transfer of assets may be made by any
379 protected cell between any of such protected cell's separate accounts or
380 between any other investment account and one or more of such
381 protected cell's separate accounts unless, in the case of a transfer into a
382 separate account, such transfer is made solely to establish the account
383 or to support the operation of the contracts with respect to the separate

384 account to which the transfer is made, and unless such transfer, whether
385 into or from a separate account, is made (i) by a transfer of cash, or (ii)
386 by a transfer of securities that has a readily determinable market value,
387 provided such transfer of securities is approved by the commissioner.
388 The commissioner may approve other transfers among such accounts if
389 the commissioner determines such transfers would be equitable; and

390 (F) To the extent any protected cell deems it necessary for compliance
391 with any applicable federal or state laws, such protected cell, with
392 respect to any separate account, including, but not limited to, any
393 separate account that is a management investment company or a unit
394 investment trust, may provide for persons having an interest therein
395 appropriate voting and other rights and special procedures for the
396 conduct of the business of such account, including, but not limited to,
397 special rights and procedures relating to investment policy, investment
398 advisory services, selection of independent public accountants and the
399 selection of a committee to manage the business of such account. Such
400 committee members are not required to be affiliated with such protected
401 cell.

402 (b) Each sponsored captive insurance company may combine the
403 assets of two or more protected cells for purposes of investment and
404 such combination shall not be construed as defeating the segregation of
405 such assets for accounting or other purposes. Each sponsored captive
406 insurance company shall comply with all applicable investment
407 requirements under this chapter, except that the commissioner shall
408 waive compliance with such requirements for sponsored captive
409 insurance companies to the extent that credit for reinsurance ceded to
410 reinsurers is allowed pursuant to section 38a-91kk. The commissioner
411 may approve the use of alternative reliable methods of valuation and
412 rating for purposes of this subsection.

413 (c) Each sponsored captive insurance company, including a
414 sponsored captive insurance company licensed as a special purpose
415 financial captive insurance company, may establish and maintain one
416 or more protected cells as a separate corporation formed under chapter

417 601 or a limited liability company formed under chapter 613. This
418 section shall not be construed to limit any rights or protections
419 applicable to protected cells not established as corporations or limited
420 liability companies.

421 (d) (1) Each sponsored captive insurance company may establish and
422 maintain a protected cell as an incorporated protected cell.

423 (2) The articles of incorporation or articles of organization of an
424 incorporated protected cell shall refer to the sponsored captive
425 insurance company for which it is a protected cell and shall state that
426 the protected cell is incorporated or organized for the limited purposes
427 authorized by the sponsored captive insurance company's license. Such
428 company shall attach to and file with the articles of incorporation or
429 articles of organization a copy of the commissioner's prior written
430 approval, as required by subdivision (9) of subsection (a) of this section,
431 to add the incorporated protected cell.

432 (e) Notwithstanding the provisions of chapter 704c:

433 (1) If the commissioner determines in the event of an insolvency of a
434 sponsored captive insurance company that one or more protected cells
435 remain solvent, the commissioner may separate such cells from such
436 company and may, on application of a sponsor, allow for the conversion
437 of such cells into one or more new or existing sponsored captive
438 insurance companies with a sponsor or sponsors, or one or more other
439 captive insurance companies, pursuant to such plan or plans of
440 operation as the commissioner deems acceptable;

441 (2) Upon the issuance by a court of any order of conservation,
442 rehabilitation or liquidation of a sponsored captive insurance company,
443 the receiver shall manage the assets and liabilities of such company in
444 accordance with the provisions of this section;

445 (3) The assets of a protected cell shall not be used to pay any expenses
446 or claims other than those attributable to such protected cell;

447 (4) A sponsored captive insurance company's capital and surplus

448 shall be available at all times to pay any expenses of or claims against
449 such company;

450 (5) In connection with the conservation, rehabilitation or liquidation
451 of a sponsored captive insurance company, the assets and liabilities of
452 each protected cell shall at all times be kept separate from, and shall not
453 be commingled with, the assets and liabilities of any other protected cell
454 or the sponsored captive insurance company;

455 (6) Unless the sponsor consents and the commissioner has granted
456 prior written approval, the assets of a sponsored captive insurance
457 company's general account shall not be used to pay any expense or claim
458 attributable solely to one or more protected cells of the sponsored
459 captive insurance company. If the assets of a sponsored captive
460 insurance company's general account are used to pay expenses or claims
461 attributable solely to one or more of the company's protected cells, the
462 sponsor shall not be required to contribute additional capital and
463 surplus to the company's general account. Notwithstanding any
464 provision of this subdivision, the sponsor shall satisfy the minimum
465 capital and surplus requirements applicable to such sponsor in order to
466 maintain its license; and

467 (7) A sponsored captive insurance company's capital and surplus
468 shall at all times be available to pay any expense of, or claim against, the
469 sponsored captive insurance company.

470 (f) Consistent with the provisions of this section, a creditor of a
471 sponsored captive insurance company shall have recourse against any
472 asset attributable to a protected cell if it is a creditor of the protected cell.
473 A creditor of a protected cell shall not have any recourse against any
474 asset attributable to another protected cell or in the sponsored captive
475 insurance company's general account.

476 (g) When a sponsored captive insurance company has an obligation
477 to a creditor arising from a transaction, or otherwise imposed, with
478 respect to a particular protected cell, the obligation shall:

479 (1) Extend only to the assets attributable to the protected cell, and the
480 creditor shall be entitled to recourse only against the assets attributable
481 to such protected cell; and

482 (2) Not extend to any asset of another protected cell or in the
483 sponsored captive insurance company's general account, and the
484 creditor shall not be entitled to recourse against any asset attributable to
485 another protected cell or in the company's general account.

486 (h) When an obligation of a sponsored captive insurance company
487 relates solely to such company's general account, a creditor shall, with
488 respect to such obligation, be entitled to recourse only against the assets
489 in such account.

490 (i) The establishment of one or more protected cells alone, without
491 more, shall not, by itself, constitute (1) a fraudulent conveyance, (2)
492 evidence of intent by a sponsored captive insurance company to
493 defraud creditors, or (3) the conduct of business by a sponsored captive
494 insurance company for any other fraudulent purpose.

495 (j) (1) In the event of an insolvency of any protected cell of a
496 sponsored captive insurance company, the commissioner may separate
497 such protected cell from the sponsored captive insurance company and
498 allow for the conversion of such protected cell into a new protected cell
499 of another sponsored captive insurance company or into a captive
500 insurance company.

501 (2) Any such conversion of a protected cell, in accordance with the
502 provisions of subdivision (1) of this subsection, shall be deemed to be a
503 continuation of such protected cell's existence together with all of such
504 protected cell's assets, rights, benefits, obligations and liabilities as a
505 new protected cell or captive insurance company, as applicable. Any
506 such conversion of a protected cell shall be deemed to occur without any
507 transfer or assignment of such protected cell's assets, rights, benefits,
508 obligations or liabilities, and without the creation of any reversionary
509 interest in, or impairment of, any such assets, rights, benefits,
510 obligations or liabilities.

This act shall take effect as follows and shall amend the following sections:		
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Section 1	<i>October 1, 2025</i>	38a-91aa
Sec. 2	<i>October 1, 2025</i>	38a-91oo(a)
Sec. 3	<i>October 1, 2025</i>	New section
Sec. 4	<i>October 1, 2025</i>	38a-91rr

INS *Joint Favorable Subst.*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 26 \$	FY 27 \$
Insurance Dept.	IF - Potential Revenue Gain	Minimal	Minimal

Note: IF=Insurance Fund

Municipal Impact: None

Explanation

The bill, which expands the applicability of the insurance penalty provision to include captive insurance companies, results in a potential revenue gain to the Insurance Fund beginning in FY 26. The revenue gain is expected to be minimal since compliance is expected.

Other sections of the bill modify requirements regarding the captive insurance industry and result in no fiscal impact because the Insurance Department does not anticipate a meaningful increase in workload.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to the number of captive insurance company violations.

OLR Bill Analysis**sHB 6433*****AN ACT CONCERNING CAPTIVE INSURANCE.*****SUMMARY**

This bill makes various changes in laws related to captive insurers (see BACKGROUND) by generally allowing:

1. a captive insurance company domiciled in the state, with the insurance commissioner's prior written approval, to convert into a protected cell;
2. a sponsored captive insurance company, with prior consent of certain relevant entities and the commissioner's approval, to sell, transfer, assign, or otherwise convey a protected cell to a new or existing sponsored captive insurance company or one licensed as a special purpose financial insurance company; and
3. the insurance commissioner to separate any insolvent protected cell from the sponsored captive insurance company, and the insolvent protected cell to convert into a new protected cell or a captive insurance company.

It also subjects captive insurance companies to the general penalty under existing law if they violate any provision of the insurance title for which no other penalty is provided. By law, this general penalty is a fine up to \$15,000.

EFFECTIVE DATE: October 1, 2025

CONVERSION TO PROTECTED CELL***Eligibility***

The bill allows any captive insurance company domiciled in the state to convert into a protected cell if it (1) is organized as an agency captive

insurance company, association captive insurance company, industrial insured captive insurance company, pure captive insurance company, risk retention group, or special purpose financial insurance company and (2) has the commissioner's prior written approval.

Laws That Govern the Conversion

The captive insurance company must perform the conversion under the laws applicable to business corporations, limited liability companies, or any other type of legal entity allowed under state law, as applicable.

Effect of the Conversion

Under the bill, the conversion is subject to the captive insurance-related statutes and the captive insurance company's plan of operation approved by the commissioner, but it does not affect the converted captive insurance company's assets, rights, benefits, obligations, or liabilities.

The bill deems the captive insurance company's conversion into a protected cell to be a continuation of the company's existence with all its assets, rights, benefits, obligations, and liabilities as a protected cell. The conversion occurs without transferring, assigning, impairing, or creating a reversionary interest in the captive insurance company's assets, rights, benefits, obligations, or liabilities.

The bill specifies that a captive insurance company's conversion does not limit any of the rights or protections that the company had under certain laws relating to its licensure as a captive insurance company before the conversion.

CONVEYANCE OF PROTECTED CELL

Eligibility

The bill allows any sponsored captive insurance company, including those licensed as a special purpose financial insurance company, to sell, transfer, assign or otherwise convey a protected cell, together with all of the protected cell's assets, rights, benefits, obligations, and liabilities, to

a new or existing sponsored captive insurance company or one licensed as a special purpose financial insurance company. The company must do so according to any plan of operation approved by the commissioner.

Prerequisites

Under the bill, to convey the protected cell as described above, the (1) company must get (a) the affected incorporated protected cell's consent or (b) prior consent from each participant of the affected protected cell or as otherwise allowed under a participation agreement, (2) sponsor must file an application, and (3) commissioner must approve in writing.

Effect of the Sale, Transfer, Assignment, or Conveyance

The bill deems any sale, transfer, assignment, or conveyance of a protected cell (as described above) as a continuation of the protected cell's existence, with all its assets, rights, benefits, obligations, and liabilities, as a protected cell of the transferee sponsored captive insurance company.

Under the bill, the sale, transfer, assignment, or conveyance of a protected cell does not limit any rights or protections that the transferred protected cell and the transferor sponsored captive insurance company or sponsored captive insurance company licensed as a special purpose financial insurance company had under applicable insurance laws immediately before the sale, transfer, assignment, or conveyance date.

SEPARATION OF INSOLVENT PROTECTED CELL

The bill allows the (1) insurance commissioner to separate any insolvent protected cell from the sponsored captive insurance company and (2) insolvent protected cell to convert into a captive insurance company or a new protected cell of another sponsored captive insurance company.

The bill deems the conversion of the insolvent protected cell as a continuation of its existence as a new protected cell or captive insurance company, as applicable. Under the bill, the conversion occurs without transferring, assigning, impairing, or creating a reversionary interest in

the protected cell's assets, rights, benefits, obligations, or liabilities.

BACKGROUND

Captive Insurers

Generally, a captive insurer is an insurance company formed to insure or reinsure the risks of its owners, parent company, or affiliated company. Existing law allows several different types of captive insurers to be licensed and operate in the state. One type, a sponsored captive insurer, is an insurance company that (1) has the minimum paid-in capital and surplus provided by one or more sponsors, (2) insures its participants through separate participant contracts, and (3) funds its liability to each participant through protected cells and separates each cell's assets from that of other cells and the captive insurer as a whole.

COMMITTEE ACTION

Insurance and Real Estate Committee

Joint Favorable Substitute

Yea 13 Nay 0 (02/20/2025)