



General Assembly

## ***Substitute Bill No. 6433***

*January Session, 2025*



### ***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 Section 38a-91aa of the general statutes is repealed and the  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:		
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.*