



Substitute House Bill No. 6433

Public Act No. 25-130

AN ACT CONCERNING CAPTIVE INSURANCE.

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

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 Section 38a-91aa of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2025*):

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

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

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

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

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

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

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

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

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

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

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

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

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

(7) "Branch captive insurance company" means any alien captive

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insurance company or foreign captive insurance company licensed by the commissioner to transact the business of insurance in this state through a business unit with a principal place of business in this state.

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

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

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

(11) "Commissioner" means the Insurance Commissioner.

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

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

(B) Who, (i) in the case of a pure captive insurance company, has an

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

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

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

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

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

(16) "Industrial insured" means an insured:

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

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

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

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

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

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

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

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

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

(A) A special purpose financial captive insurance company directly or indirectly obtains proceeds through the issuance of securities by such

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company or any other person; or

(B) A person provides, for the benefit of a special purpose financial captive insurance company, one or more letters of credit or other assets that the commissioner has authorized such company to treat as admitted assets for purposes of its annual report. "Insurance securitization" or "securitization" does not include the issuance of a letter of credit for the benefit of the commissioner to satisfy all or part of a special purpose financial captive insurance company's capital and surplus requirements under section 38a-91dd.

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

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

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

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

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

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

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

(25) "Protected cell" means a separate account established by a sponsored captive insurance company, in which assets are maintained for one or more participants in accordance with the terms of one or more participant contracts to fund the liability of the sponsored captive insurance company assumed on behalf of such participants as set forth in such participant contracts.

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

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

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

(29) "Security" has the same meaning as provided in section 36b-3 and includes any form of debt obligation, equity, surplus certificate, surplus note, funding agreement, derivative or other financial instrument that the commissioner designates as a security for purposes of this section

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and sections 38a-91bb to 38a-91tt, inclusive.

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

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

(32) "Sponsor" means any association, corporation, limited liability company, partnership, trust or other entity that is approved by the commissioner to organize and operate a sponsored captive insurance company and to provide all or part of the required unimpaired paid-in capital and surplus.

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

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

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

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

(34) "Surplus note" means an unsecured subordinated debt obligation possessing characteristics consistent with the National Association of Insurance Commissioners Statement of Statutory Accounting Principles

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No. 41, as amended from time to time, and as modified or supplemented by the commissioner.

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

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

Sec. 3. (NEW) (*Effective October 1, 2025*) (a) (1) Any captive insurance company domiciled in this state and 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 may, with the commissioner's prior written approval, convert into a protected cell.

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

(b) Any conversion of a captive insurance company into a protected cell shall be deemed to be a continuation of such converted captive

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insurance company's existence together with all of such captive insurance company's assets, rights, benefits, obligations and liabilities as a protected cell. Any such conversion of a captive insurance company shall be deemed to occur without any transfer or assignment of such captive insurance company's assets, rights, benefits, obligations or liabilities, and without the creation of any reversionary interest in, or impairment of, any such assets, rights, benefits, obligations or liabilities.

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

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

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

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

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

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

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

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

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

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

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

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

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

(B) Each sponsored captive insurance company shall attribute all insurance obligations, assets and liabilities relating to a reinsurance contract entered into with respect to a protected cell to such protected cell. The performance under such reinsurance contract and any tax benefits, losses, refunds or credits allocated pursuant to a tax allocation agreement to which the sponsored captive insurance company is a party, including any payments made by or due to be made to the sponsored captive insurance company pursuant to the terms of such agreement, shall reflect such obligations, assets and liabilities relating to such reinsurance contract;

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

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

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

(10) If required by the commissioner, the business written by a sponsored captive insurance company with respect to each protected cell shall be (A) fronted by an insurance company licensed under the laws of any state, (B) reinsured by a reinsurer authorized or approved by this state, or (C) secured by a trust fund in the United States for the benefit of policyholders and claimants or funded by an irrevocable letter of credit or other arrangement that is acceptable to the commissioner. The commissioner may require the sponsored captive insurance company to increase the funding of any security arrangement established under this subdivision. If the form of security is a letter of credit, the letter of credit shall be issued or confirmed by a bank approved by the commissioner. A trust maintained pursuant to this subdivision shall be established in a form and upon such terms approved by the commissioner; and

(11) A protected cell of a sponsored captive insurance company may, with the commissioner's prior written approval, establish one or more

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separate accounts and may allocate assets to such accounts to provide for the insurance risks of one or more participants, or controlled unaffiliated business of such participants, subject to the following:

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

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

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

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

(E) No sale, exchange or other transfer of assets may be made by any protected cell between any of such protected cell's separate accounts or between any other investment account and one or more of such protected cell's separate accounts unless, in the case of a transfer into a separate account, such transfer is made solely to establish the account or to support the operation of the contracts with respect to the separate account to which the transfer is made, and unless such transfer, whether into or from a separate account, is made (i) by a transfer of cash, or (ii) by a transfer of securities that has a readily determinable market value, provided such transfer of securities is approved by the commissioner.

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The commissioner may approve other transfers among such accounts if the commissioner determines such transfers would be equitable; and

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

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

(c) Each sponsored captive insurance company, including a sponsored captive insurance company licensed as a special purpose financial captive insurance company, may establish and maintain one or more protected cells as a separate corporation formed under chapter 601 or a limited liability company formed under chapter 613. This section shall not be construed to limit any rights or protections

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applicable to protected cells not established as corporations or limited liability companies.

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

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

(e) Notwithstanding the provisions of chapter 704c:

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

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

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

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(4) A sponsored captive insurance company's capital and surplus shall be available at all times to pay any expenses of or claims against such company;

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

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

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

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

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

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

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

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

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

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

(2) Any such conversion of a protected cell, in accordance with the provisions of subdivision (1) of this subsection, shall be deemed to be a continuation of such protected cell's existence together with all of such protected cell's assets, rights, benefits, obligations and liabilities as a

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new protected cell or captive insurance company, as applicable. Any such conversion of a protected cell shall be deemed to occur without any transfer or assignment of such protected cell's assets, rights, benefits, obligations or liabilities, and without the creation of any reversionary interest in, or impairment of, any such assets, rights, benefits, obligations or liabilities.

Governor's Action:
Approved July 8, 2025