



**PA 25-130—sHB 6433**

*Insurance and Real Estate Committee*

## **AN ACT CONCERNING CAPTIVE INSURANCE**

**SUMMARY:** This act makes various changes in laws related to 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 generally an insurance company that insures its participants through separate participant contracts, 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.

The act allows other types of captive insurers domiciled in Connecticut to convert into a protected cell. It also allows sponsored captive insurers to convey (i.e. sell, transfer, assign, or otherwise convey) a protected cell to a new or existing sponsored captive or one licensed as a special purpose financial insurance company. Lastly, it authorizes the insurance commissioner to separate insolvent protected cells from their sponsored captives and allows these insolvent protected cells to convert into new protected cells or captive insurers.

The act also subjects captive insurers to the same general penalty that applies under existing insurance law for violating any provision 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 and Governing Laws*

The act allows the following types of captive insurers domiciled in the state to convert into a protected cell with the insurance commissioner's prior approval: agency captive insurers, association captive insurers, industrial insured captive insurers, pure captive insurers, risk retention groups, and special purpose financial insurers. The captive insurer must perform the conversion according to the laws on business corporations, limited liability companies, or any other type of legal entity allowed under state law, as applicable.

### *Effect of the Conversion*

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

## OLR PUBLIC ACT SUMMARY

The act deems the captive insurer'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 insurer's assets, rights, benefits, obligations, or liabilities.

The act specifies that a conversion does not limit any of the rights or protections that the company had under specified captive insurer licensing laws immediately before the conversion.

### CONVEYANCE OF PROTECTED CELL

#### *Eligibility and Conditions*

The act allows sponsored captives, including those licensed as special purpose financial insurers, to convey a protected cell, together with all its assets, rights, benefits, obligations, and liabilities, to a new or existing sponsored captive or one licensed as a special purpose financial insurer. The sponsored captive must do so according to its commissioner-approved operation plan.

The sponsored captive must apply to the insurance commissioner and receive his prior written approval for the conveyance. It must also have the affected incorporated protected cell's consent or prior consent from each of its participants (or as otherwise allowed under a participation agreement).

#### *Effect of the Conveyance*

The act deems these conveyances to be 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 act, the protected cell's conveyance does not limit any rights or protections applicable to the cell or the sponsored captive immediately before the conveyance.

### SEPARATION AND CONVERSION OF INSOLVENT PROTECTED CELL

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

The act deems these conversions to be a continuation of the cell's existence and its assets, rights, benefits, obligations, and liabilities as a new protected cell or captive insurance company, as applicable. Under the act, the conversion occurs without transferring, assigning, impairing, or creating a reversionary interest in the protected cell's assets, rights, benefits, obligations, or liabilities.