



Agency Legislative Proposal - 2021 Session

Document Name: 10012020_CID_Captives

(If submitting electronically, please label with date, agency, and title of proposal – 092621_SDE_TechRevisions)

State Agency: Connecticut Insurance Department (CID)

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Lead agency division requesting this proposal: CID Captive Division

Agency Analyst/Drafter of Proposal: Fenhua Liu / Jon Arsenault

Title of Proposal: An Act Concerning Captive Insurance Companies

Statutory Reference: CGS §§ 38a-91aa, 38a-91bb, 38a-91dd, 38a-91ff, 38a-91gg, 38a-91hh, 38a-91qq, 38a-91uu, § 2 (NEW).

Proposal Summary:

§ 1. Amends definitions: “branch captive insurance company” to include foreign captives; “association” to delete time requirement; “controlled unaffiliated business” to add sponsored captive insurers; adds “foreign captive insurance company”; “participant” to include any controlled unaffiliated business; and makes various technical changes to other definitions.

§ 2. Establishes a 3 year look-back and waiver of penalties on outstanding liabilities for CT insureds that have not paid the independently procured insurance premium tax and who establish a branch captive in CT or re-domicile a foreign or alien captive to CT not later than July 1, 2022, and pays all taxes and interest due and outstanding for taxable periods ending on or after July 1, 2018 but before July 1, 2021 not later than 45 days after the CT branch captive is established or the foreign or alien captive is re-domiciled to CT.

§ 3. Makes technical changes regarding foreign branch captives.

§ 4. Lowers capital and surplus requirements for pure captives, association captives, industrial insured captives, sponsored captives, special purpose financial captives, agency captives and branch captives, but gives authority to the Commissioner to impose a higher level of capital and surplus if necessary to meet policy obligations; adds provisions regarding branch captive assets.

§ 5. Makes technical changes adding references to foreign captives.

§ 6. Revises language governing reports for alien or foreign branch captives.



- §7. Requires financial examinations at least one every five years instead of every three years and, for pure captives, permits the Commissioner to waive the necessity to examine the insurer every five years.
- § 8. Makes technical changes to the Commissioner’s authority to adopt regulations.
- § 9. Changes renewal period for a certificate of dormancy from every two years to every five years; lowers amount of capital and surplus a dormant captive insurer must maintain; corrects a technical error in due date of dormant insurer’s annual financial report.

PROPOSAL BACKGROUND

◇ **Reason for Proposal**

Please consider the following, if applicable:

- (1) *Have there been changes in federal/state/local laws and regulations that make this legislation necessary?* **No.**
- (2) *Has this proposal or something similar been implemented in other states?* **Yes.** *If yes, what is the outcome(s)?* **More insureds would find the state more attractive to form captive insurers.** *Are other states considering something similar this year?* **No information.**
- (3) *Have certain constituencies called for this action?* **The Connecticut Captive Insurance Association**
- (4) *What would happen if this was not enacted in law this session?* **Connecticut would lose an opportunity to grow Connecticut as a state of domicile for captive insurance companies and obtain the economic benefits of doing so.**

◇ **Origin of Proposal** **New Proposal*** **Resubmission**

If this is a resubmission, please share:

- (1) *What was the reason this proposal did not pass, or if applicable, was not included in the Administration’s package?*
- (2) *Have there been negotiations/discussions during or after the previous legislative session to improve this proposal?*
- (3) *Who were the major stakeholders/advocates/legislators involved in the previous work on this legislation?*
- (4) *What was the last action taken during the past legislative session?*

*This proposal is similar to the 2020 CID Captives legislative proposal – Raised Bill No. 339.

PROPOSAL IMPACT

◇ **AGENCIES AFFECTED** *(please list for each affected agency)*

Agency Name: Department of Revenue Services - § 2.
Agency Contact (name, title, phone): Sue Sherman, Legislative Director
Date Contacted:

Approve of Proposal **YES** **NO** **Talks Ongoing**

Summary of Affected Agency’s Comments

Will there need to be further negotiation? **YES** **NO**



◇ **FISCAL IMPACT** *(please include the proposal section that causes the fiscal impact and the anticipated impact)*

Municipal *(please include any municipal mandate that can be found within legislation)*

None

State

Each new captive insurance company established in CT generates annual premium tax that goes to the General Fund. The amount of premium tax is dependent on the level of premium written by the company and ranges from a minimum of \$7,500 to a max of \$200,000 annually. Branch captives would bring to CT premium taxes currently lost to other states who act as the home domicile for such companies.

Federal

None

Additional notes on fiscal impact

Each new captive established in CT also generates captive formation fees, license application fees, initial licensing and annual licensing renewal fees, and examination fees currently lost to other states who act as the home domicile for such companies.

◇ **POLICY and PROGRAMMATIC IMPACTS** *(Please specify the proposal section associated with the impact)*

This legislation will make CT more attractive to insureds contemplating the formation of a captive insurer. Section 2 will give insureds an incentive to form a branch captive in CT.

◇ **EVIDENCE BASE**

What data will be used to track the impact of this proposal over time, and what measurable outcome do you anticipate? Is that data currently available or must it be developed? Please provide information on the measurement and evaluation plan. Where possible, those plans should include process and outcome components. Pew MacArthur Results First [evidence definitions](#) can help you to establish the evidence-base for your program and their [Clearinghouse](#) allows for easy access to information about the evidence base for a variety of programs.

The easiest and best measure of the impact of the proposed changes to captive insurance company statutes would be to measure the number of new captive formations by type and the amount of premium tax collected from such entities. Currently the CID Captive Division tracks company licenses by type and license date and DRS keeps data on taxes from such entities, no new data or methods would be required for such a measurement.



Insert fully drafted bill here

AN ACT CONCERNING CAPTIVE INSURANCE COMPANIES.

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 July 1, 2021*):

As used in sections 38a-91aa to [38a-91tt] 38a-91uu, inclusive, [and] sections 38a-91ww and 38a-91xx and section 2 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

(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, [that has been in continuous existence for at least one year,] 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 foreign captive insurance company or alien 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 sections 38a-91aa to 38a-91tt, inclusive, as amended by this act, 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, [or] (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 existing contractual relationship with a parent or one of the parent's affiliated companies, [or] (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, [or] 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.

[(14)] (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.

[(15)] (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;

(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.

[(16)] (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.

[(17)] (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.

[(18)] (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 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, as amended by this act.

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

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

[(21)] (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.

[(22)] (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.

[(23)] (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.



[(24)] (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.

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

[(26)] (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.

[(27)] (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.

[(28)] (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 sections 38a-91aa to 38a-91tt, inclusive, as amended by this act.

[(29)] (30) "Special purpose financial captive insurance company" means a company that is licensed by the commissioner in accordance with section 38a-91bb, as amended by this act.

[(30)] (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.

[(31)] (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.

[(32)] (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.



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

Sec. 2. (NEW) (Effective July 1, 2021) (a) All penalties that would otherwise be due under section 38a-277 of the general statutes for any taxable period beginning on or after July 1, 2018, and ending prior to July 1, 2021, shall be waived if the insured: (1) Establishes a branch captive insurance company in this state, or transfers the domicile of its alien captive insurance company or foreign captive insurance company to this state in accordance with the provisions of section 38a-58a of the general statutes, not later than July 1, 2022; and (2) Pays all taxes and interest due and outstanding under section 38a-277 of the general statutes for all taxable periods ending on or after July 1, 2018, but before July 1, 2021, not later than forty-five days after such insured satisfies the provisions of subdivision (1) of this subsection.

(b) Any insured that satisfies the provisions of subsection (a) of this section shall not be liable for any taxes, interest and penalties that would otherwise be due under section 38a-277 of the general statutes for any taxable period ending prior to July 1, 2018.

Sec. 3. Subsection (e) of section 38a-91bb of the general statutes is repealed and the following is substituted in lieu thereof (Effective July 1, 2021):

(e) (1) If the commissioner finds that the documents and statements that a captive insurance company, other than a special purpose financial captive insurance company, has filed comply with the provisions of sections 38a-91aa to 38a-91tt, inclusive, as amended by this act, the commissioner may grant a license authorizing the company to do insurance business in this state until April first thereafter. The captive insurance company may apply to renew such license on such forms as the commissioner prescribes.

(2) (A) The commissioner may grant a license authorizing a special purpose financial captive insurance company to do reinsurance business in this state until April first thereafter upon the commissioner's finding that (i) the proposed plan of operation provides for a reasonable and expected successful operation, (ii) the terms of the reinsurance contract and related transactions comply with sections 38a-91aa to 38a-91tt, inclusive, as amended by this act (iii) the proposed plan of operation is not hazardous to any ceding insurer, and (iv) the insurance regulator of the state of domicile of each ceding insurer has notified the commissioner in writing or has otherwise provided assurance satisfactory to the commissioner that such regulator has approved or has not disapproved the transaction, provided the commissioner shall not be precluded from issuing a license to a special purpose financial captive insurance company if such regulator has not responded with respect to all or any part of the transaction.



(B) In conjunction with granting such license, the commissioner may issue an order to the special purpose financial captive insurance company of any additional provisions, terms or conditions regarding the organization, licensing or operation of such company that are not inconsistent with the provisions of this chapter and are deemed appropriate by the commissioner.

(3) The commissioner shall not grant a license to a branch captive insurance company unless the foreign captive insurance company or alien captive insurance company grants the commissioner authority to examine the foreign captive insurance company or alien captive insurance company in the jurisdiction in which the foreign captive insurance company or alien captive insurance company is formed, operates or maintains books and records.

Sec. 4. Section 38a-91dd of the general statutes is repealed and the following is substituted in lieu thereof (Effective July 1, 2021):

(a) (1) [The Insurance Commissioner] Except as provided in subdivision (3) of this subsection, the commissioner shall not issue a license to a captive insurance company or allow the company to retain such license unless the company has and maintains unimpaired paid-in capital and surplus of:

(A) In the case of a pure captive insurance company, not less than the greater of:

(i) [two hundred fifty] fifty thousand dollars; or

(ii) An amount that the commissioner determines is necessary for the pure captive insurance company to meet such pure captive insurance company's policy obligations;

(B) In the case of an association captive insurance company, not less than the greater of:

(i) [five hundred] two hundred fifty thousand dollars; or

(ii) An amount that the commissioner determines is necessary for the association captive insurance company to meet such association captive insurance company's policy obligations;

(C) In the case of an industrial insured captive insurance company, not less than the greater of:

(i) [five hundred] two hundred fifty thousand dollars; or

(ii) An amount that the commissioner determines is necessary for the industrial insured captive insurance company to meet such industrial insured captive insurance company's policy obligations;

(D) In the case of a risk retention group, not less than one million dollars;

(E) In the case of a sponsored captive insurance company, not less than the greater of:



(i) [two hundred twenty-five] seventy-five thousand dollars; or

(ii) An amount that the commissioner determines is necessary for the sponsored captive insurance company to meet such sponsored captive insurance company's policy obligations;

(F) In the case of a special purpose financial captive insurance company, not less than the greater of:

(i) two hundred fifty thousand dollars; or

(ii) An amount that the commissioner determines is necessary for the special purpose financial captive insurance company to meet such special purpose financial captive insurance company's policy obligations;

(G) In the case of a sponsored captive insurance company licensed as a special purpose financial captive insurance company, not less than the greater of:

(i) [five hundred] two hundred fifty thousand dollars; or

(ii) An amount that the commissioner determines is necessary for the sponsored captive insurance company licensed as a special purpose financial captive insurance company to meet such sponsored captive insurance company licensed as a special purpose financial captive insurance company's policy obligations; and

(H) In the case of an agency captive insurance company, not less than the greater of:

(i) [five hundred] two hundred fifty thousand dollars; or

(ii) An amount that the commissioner determines is necessary for the agency captive insurance company to meet such agency captive insurance company's policy obligations.

(2) (A) The [Insurance Commissioner] commissioner shall not issue a license to a branch captive insurance company or allow the branch captive insurance company to retain such license unless the branch captive insurance company has and maintains, as security for the payment of liabilities attributable to the branch operations:

(i) Not less than the greater of:

(I) [two hundred fifty] Fifty thousand dollars, or

(II) An amount that the commissioner determines is necessary to secure the payment of liabilities attributable to the branch captive insurance company's operations; and

(ii) Reserves on such insurance policies or such reinsurance contracts as may be issued or assumed



by the branch captive insurance company through its branch operations, including reserves for losses, allocated loss adjustment expenses, incurred but not reported losses and unearned premiums with regard to business written through the branch operations. The commissioner may permit a branch captive insurance company to credit against any such reserves any [security for loss reserves that the branch captive insurance company posts with a ceding insurer or is posted by a reinsurer with the branch captive insurance company, so long as such security remains posted.] assets belonging to:

(I) The branch captive insurance company that are held in trust for, or otherwise segregated or controlled by, a ceding insurer that secure the branch captive insurance company's reinsurance obligations to the ceding insurer, or

(II) A reinsurer that are held in trust for, or otherwise under the control of, the branch captive insurance company and secure the reinsurer's reinsurance obligations to the branch captive insurance company.

(B) The amounts required under subparagraph (A) of this subdivision may be held, with the prior approval of the commissioner, in the form of:

(i) [a] A trust formed under a trust agreement and funded by assets acceptable to the commissioner;]

(ii) [an] An irrevocable letter of credit issued or confirmed by a bank approved by the commissioner;]

(iii) [with] With respect to the amount required under subparagraph (A)(i) of this subdivision only, cash on deposit with the commissioner;] or

(iv) [any] Any combination [thereof] of the forms described in subparagraphs (B)(i) to (B)(iii), inclusive, of this subdivision.

(3) The commissioner may exempt a branch captive insurance company from the provisions of subdivision (1) and (2) of this subsection if the branch captive insurance company is a foreign captive insurance company and the commissioner, in the commissioner's discretion, determines that the branch captive insurance company is financially stable.

[(b) The commissioner may adopt regulations, in accordance with chapter 54, to establish additional capital and surplus requirements based upon the type, volume and nature of insurance business transacted.]

[(c)] (b) Notwithstanding any other provision of this section, the commissioner shall have the discretion to allow a captive insurance company, other than a captive insurance company organized as a risk retention group, to maintain less than the required unimpaired paid-in capital and surplus set forth in subsection (a) of this section. The commissioner shall consider the type, volume and nature of



the insurance or reinsurance business transacted by such a captive insurance company in establishing the amount of unimpaired paid-in capital and surplus the company is required to maintain.

[(d)] (c) Except as specified in subdivision (2) of subsection (a) of this section, capital and surplus may be in the form of cash, [or] an irrevocable letter of credit issued by a bank approved by the commissioner.

(d) The commissioner may adopt regulations, in accordance with chapter 54, to establish additional capital and surplus requirements based upon the type, volume and nature of insurance business transacted.

Sec. 5. Subsection (h) of section 38a-91ff of the general statutes is repealed and the following is substituted in lieu thereof (Effective July 1, 2021):

(h) In the case of a captive insurance company licensed as a branch captive insurance company, the foreign captive insurance company or alien captive insurance company shall petition the commissioner to issue a certificate setting forth the commissioner's finding that, after considering the character, reputation, financial responsibility, insurance experience, and business qualifications of the officers and directors of the foreign captive insurance company or alien captive insurance company, the licensing and maintenance of the branch operations will promote the general good of the state. The foreign captive insurance company or alien captive insurance company may register to do business in this state after the commissioner's certificate is issued.

Sec. 6. Subdivision (1) of subsection (b) of section 38a-91gg of the general statutes is repealed and the following is substituted in lieu thereof (Effective July 1, 2021):

(b) (1) (A) [Prior] Except as provided in subparagraph (B) of this subdivision, prior to March first of each year and, in the case of pure captive insurance companies and industrial insured captive insurance companies, prior to March fifteenth of each year, each captive insurance company, other than a branch captive insurance company for which the commissioner has waived any of the requirements of this subparagraph (A) pursuant to subparagraph (B) of this subdivision, shall [submit to] file with the [Insurance Commissioner] commissioner a report of [its] the captive insurance company's financial condition verified by oath of two [of its] executive officers of the captive insurance company. The commissioner shall establish the form and content of the annual report to be filed by special purpose captive insurance companies.

(B) [In the case of branch captive insurance companies, prior to March first of each year, each such company] Each branch captive insurance company shall [submit to] file with the commissioner a copy of all reports and statements required to be filed under the laws of the jurisdiction in which the foreign captive insurance company or alien captive insurance company is formed. Such reports and statements



shall be verified by oath of two of its executive officers. Such reports and statements shall be filed with the commissioner on the same day that such reports and statements are due in the domiciliary jurisdiction of the foreign captive insurance company or alien captive insurance company. If the commissioner is satisfied that the annual report filed by the foreign captive insurance company or alien captive insurance company in its domiciliary jurisdiction provides adequate information concerning the financial condition of the foreign captive insurance company or alien captive insurance company, the commissioner may waive the requirement for completion of the captive annual [statement for business written in the alien jurisdiction.] report required under subparagraph (A) of this subdivision. If the commissioner is not satisfied with the reports and statements filed pursuant to this subparagraph (B), or if the branch captive insurance company is not required to file reports or statements the domiciliary jurisdiction of the foreign captive insurance company or alien captive insurance company, the branch captive insurance company shall, at a time prescribed by the commissioner, file a report, in a form and manner prescribed by the commissioner that provides the commissioner with adequate information concerning the financial condition of the foreign captive insurance company or alien captive insurance company.

Sec. 7. Subsection (a) of section 38a-91hh of the general statutes is repealed and the following is substituted in lieu thereof (Effective July 1, 2021):

(a)(1) [At least once every three years, and additionally whenever] Whenever the Insurance Commissioner determines it to be prudent, but not less frequently than once every five years, the commissioner or the commissioner's designee shall [visit each captive insurance company and thoroughly] inspect and examine [its] each captive insurance company's affairs to ascertain [its] the captive insurance company's financial condition, [its] the captive insurance company's ability to fulfill its obligations and whether [it] the captive insurance company has complied with the provisions of sections 38a-91aa to 38a-91tt, inclusive, as amended by this act, and any applicable provisions of this title. [The commissioner may extend the three-year period to five years, provided a captive insurance company is subject to a comprehensive annual audit during such period by independent auditors approved by the commissioner and of a scope satisfactory to the commissioner.] In the case of a pure captive insurance company, including a branch captive insurance company thereof, the commissioner may waive the necessity to examine the insurer at least once every five years.

(2) The examination of a branch captive insurance company pursuant to this section shall be of branch business and branch operations only, as long as the branch captive insurance company provides annually to the commissioner a certificate of compliance or its equivalent, issued by or filed with the licensing authority of the jurisdiction in which the branch captive insurance company is formed, and demonstrates to the commissioner's satisfaction that it is operating in sound financial condition in accordance with all applicable laws and regulations of such jurisdiction.



Sec. 8. Section 38a-91qq of the general statutes is repealed and the following is substituted in lieu thereof (Effective July 1, 2021):

The Insurance Commissioner may adopt regulations, in accordance with chapter 54, as are necessary to carry out the provisions of sections 38a-91aa to [38a-91tt] 38a-91uu, inclusive, as amended by this act, sections 38a-91ww and 38a-91xx and section 2 of this act, and to establish standards to ensure that a parent or affiliated company is able to exercise control of the risk management function of any controlled unaffiliated business to be insured by a pure captive insurance company, an industrial insured captive insurance company, or a sponsored captive insurance company, except that until such regulations are approved, the commissioner may approve the coverage of such risks by a pure captive insurance company, an industrial insured captive insurance company, or a sponsored captive insurance company.

Sec. 9. Subsections (b) and (c) of section 38a-91uu of the general statutes are repealed and the following is substituted in lieu thereof (Effective July 1, 2021):

(b) A dormant captive insurance company that is domiciled in this state may apply to the Insurance Commissioner for a certificate of dormancy. The certificate of dormancy shall be subject to renewal once every [two] five years, and shall be forfeited if the dormant captive insurance company commences transacting insurance business or fails to timely renew such certificate.

(c) A dormant captive insurance company that has been issued a certificate of dormancy shall:

(1) Possess and maintain unimpaired, paid-in capital and surplus of not less than [twenty-five] fifteen thousand dollars, provided, however, if the dormant captive insurance company had never been capitalized, it shall not be required to add capital upon entering dormancy;

(2) Not later than March 15, [2018,] annually, submit to the commissioner a report on the financial condition of such company, verified by oath of two executive officers of such company, in such form as the commissioner prescribes; and

(3) Pay the license renewal fee specified in section 38a-11 for a captive insurance company.