



General Assembly

Substitute Bill No. 188

February Session, 2014



AN ACT CONCERNING CAPTIVE INSURANCE COMPANIES.

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

1 Section 1. Subdivision (5) of subsection (a) of section 38a-91bb of the
2 general statutes is repealed and the following is substituted in lieu
3 thereof (*Effective October 1, 2014*):

4 (5) No captive insurance company may provide personal risk
5 insurance, as defined in section 38a-663, for private passenger motor
6 vehicle or homeowners insurance coverage or any component thereof;

7 Sec. 2. Subsection (e) of section 38a-91ff of the general statutes is
8 repealed and the following is substituted in lieu thereof (*Effective*
9 *October 1, 2014*):

10 (e) [A branch captive insurance company may be established in this
11 state to write in this state only insurance or reinsurance of the
12 employee benefit business of its parent and affiliated companies that is
13 subject to the Employee Retirement Income Security Act of 1974, as
14 amended from time to time.] No branch captive insurance company
15 shall do any insurance business in this state unless it maintains [the] a
16 principal place of business for its branch operations in this state.

17 Sec. 3. Subsection (n) of section 38a-91ff of the general statutes is
18 repealed and the following is substituted in lieu thereof (*Effective*

19 October 1, 2014):

20 (n) The provisions of this chapter pertaining to mergers,
21 consolidations, [and] conversions and transfers of domicile shall apply
22 in determining the procedures to be followed by captive insurance
23 companies in carrying out any of the transactions described in this
24 chapter.

25 Sec. 4. Section 38a-91ff of the general statutes is amended by adding
26 subsection (o) as follows (*Effective October 1, 2014*):

27 (NEW) (o) Any pure captive insurance company, association captive
28 insurance company, industrial insured captive insurance company,
29 risk retention group, sponsored captive insurance company or special
30 purposes financial captive insurance company that is organized
31 pursuant to the laws of another state may become a domestic captive
32 insurance company of the same type by complying with the
33 requirements of sections 38a-91bb to 38a-91tt, inclusive, as amended by
34 this act, relating to the organization and licensing of such type of
35 company and designating its principal place of business at a location in
36 this state.

37 Sec. 5. Subsection (b) of section 38a-91kk of the general statutes is
38 repealed and the following is substituted in lieu thereof (*Effective*
39 *October 1, 2014*):

40 (b) A captive insurance company may only take credit for the
41 reinsurance of [risks or portions of risks] a risk or portion of risk ceded
42 to reinsurers that [complies] comply with the provisions of [section
43 38a-85 or 38a-86] sections 38a-85 to 38a-88, inclusive, unless the
44 commissioner has given prior written approval allowing the captive
45 insurance company to take credit for the reinsurance of a risk or
46 portion of risk ceded to reinsurers that do not comply with the
47 provisions of said sections.

48 Sec. 6. Section 38a-91oo of the general statutes is repealed and the
49 following is substituted in lieu thereof (*Effective October 1, 2014*):

50 (a) Unless otherwise provided in sections 38a-91aa to 38a-91tt,
51 inclusive, no provision of this title shall apply to captive insurance
52 companies, unless expressly included therein, except for the following:
53 (1) Sections 38a-8, 38a-16, 38a-17, 38a-54 to [38a-57, inclusive,] 38a-59,
54 inclusive, 38a-69a, [38a-129 to 38a-140, inclusive,] 38a-102h and 38a-250
55 to 38a-266, inclusive, and chapter 704c; and (2) [section] subsection (d)
56 of section 38a-72 and sections 38a-73 and 38a-129 to 38a-140, inclusive,
57 as amended by this act, which shall apply only to captive insurance
58 companies formed as risk retention groups, [as defined in section 38a-
59 91aa.]

60 (b) (1) The commissioner may require, with notice, any of the
61 following to comply with the provisions of sections 38a-129 to 38a-140,
62 inclusive, as amended by this act:

63 (A) A pure captive insurance company, when (i) the assets of a
64 subsidiary of such company are greater than ten per cent of the assets
65 of the ultimate parent company, or (ii) the pure captive insurance
66 company is owned by an insurance holding company system, as
67 defined in section 38a-129, as amended by this act; or

68 (B) An industrial insured captive insurance company or an
69 association captive insurance company, when (i) any individual
70 member's ownership of such company is greater than ten per cent, or
71 (ii) such company is owned by an insurance holding company system,
72 as defined in section 38a-129, as amended by this act.

73 (2) The commissioner may remove the compliance requirement
74 imposed on a company pursuant to subdivision (1) of this subsection if
75 such company demonstrates to the commissioner that the condition
76 that triggered the imposition of the compliance requirement no longer
77 exists and that no other triggering condition is present.

78 Sec. 7. Section 38a-129 of the general statutes is amended by adding
79 subsection (c) as follows (*Effective October 1, 2014*):

80 (NEW) (c) The provisions of sections 38a-129 to 38a-140, inclusive,

81 shall apply to captive insurance companies, as defined in section 38a-
82 91aa, as specified in section 38a-91oo, as amended by this act.

83 Sec. 8. Section 38a-91 of the general statutes is repealed and the
84 following is substituted in lieu thereof (*Effective October 1, 2014*):

85 As used in sections 38a-91 to 38a-91d, inclusive:

86 (1) "Accredited state" means a state in which the insurance
87 department or regulatory agency has qualified as meeting the
88 minimum financial regulatory standards promulgated and established
89 from time to time by the National Association of Insurance
90 Commissioners.

91 (2) "Captive insurer" means an insurance company owned by
92 another organization whose exclusive purpose is to insure risks of the
93 parent organization and affiliated companies or, in the case of groups
94 and associations, an insurance organization owned by the insureds
95 whose exclusive purpose is to insure risks of member organizations
96 and group members and their affiliates.

97 (3) "Control" or "controlled" has the meaning assigned in section
98 38a-129.

99 (4) "Controlled insurer" means a licensed insurer which is
100 controlled, directly or indirectly, by a producer.

101 (5) "Controlling producer" means a producer who, directly or
102 indirectly, controls an insurer.

103 (6) "Licensed insurer" or "insurer" means any person, firm,
104 association or corporation duly licensed pursuant to section 38a-41 to
105 transact a property casualty insurance business in this state. The terms
106 "licensed insurer" or "insurer" [shall] does not include any captive
107 insurer except for a risk retention group, as defined in section 38a-
108 91aa.

109 (7) "Producer" shall have the same meaning as "insurance producer",
110 as defined in section 38a-702a.

This act shall take effect as follows and shall amend the following sections:		
Section 1	October 1, 2014	38a-91bb(a)(5)
Sec. 2	October 1, 2014	38a-91ff(e)
Sec. 3	October 1, 2014	38a-91ff(n)
Sec. 4	October 1, 2014	38a-91ff
Sec. 5	October 1, 2014	38a-91kk(b)
Sec. 6	October 1, 2014	38a-91oo
Sec. 7	October 1, 2014	38a-129
Sec. 8	October 1, 2014	38a-91

Statement of Legislative Commissioners:

In section 1, "personal" was inserted before "risk insurance" for accuracy and statutory consistency, and the new language in its entirety was moved to before "private passenger" for accuracy.

INS *Joint Favorable Subst.*