AN ACT AUTHORIZING AGENCY CAPTIVE INSURANCE COMPANIES.

SUMMARY

This bill allows licensed insurance agents and producers to establish an agency captive insurance company to insure against risks covered by the policies they sell subject to specified conditions.

Under the bill, an “agency captive insurance company” is a captive insurer that (1) is owned or controlled by licensed insurance agents or producers; (2) only insures against risks covered by insurance policies sold, solicited, or negotiated through its owners or controllers; and (3) does not insure against any risks covered by a health insurance plan. Generally, a captive insurer company is an insurance company formed to insure or reinsurance the risks of its owners or parent or affiliated company.

The bill:

1. allows an agency captive insurer to incorporate as (a) a stock insurer with capital divided into shares and held by stockholders, (b) a nonprofit corporation, or (c) a manager-managed limited liability company and

2. requires an agency captive insurer to have and maintain at least $500,000 in unimpaired paid-in capital and surplus.

EFFECTIVE DATE: July 1, 2018

AGENCY CAPTIVE INSURER REQUIREMENTS

The bill requires an agent or producer that owns or controls an agency captive insurer to be licensed in good standing in Connecticut and any other state in which he or she is licensed as an agent or
producer.

Under the bill, an agency captive insurer must:

1. insure only against commercial policy risks placed by or through one of its owners or controllers;
2. not insure the risks of any health policy or plan; and
3. upon her request, submit to the insurance commissioner the commercial policies it covers.

It must also disclose to each policy holder, in writing and in a form and manner the commissioner prescribes, any limitations, rights, and obligations the captive holds or is subject to as a result of its affiliation with the insurance agents and producers that own or control it.

The bill authorizes the commissioner to require all risks insured or reinsured by an agency captive insurer to be:

1. fronted by a licensed insurer or reinsurer that issues the same type of insurance as the captive;
2. reinsured by a Connecticut-licensed reinsurer; or
3. secured by a trust established in the United States, in a form and upon terms the commissioner approves, for the benefit of policy holders and claimants, or funded by an irrevocable letter of credit from a bank the commissioner approves or another arrangement she approves.

Under the bill, the commissioner may require an agency captive insurer to increase the funding of any of these security arrangements.

**COMMITTEE ACTION**

Insurance and Real Estate Committee

Joint Favorable Substitute

Yea 21  Nay 0  (03/20/2018)