



General Assembly

February Session, 2022

Governor's Bill No. 11

LCO No. 641



Referred to Committee on FINANCE, REVENUE AND BONDING

Introduced by:
Request of the Governor Pursuant
to Joint Rule 9

AN ACT CONCERNING REVENUE ITEMS TO IMPLEMENT THE GOVERNOR'S BUDGET.

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

1 Section 1. Subsection (b) of section 12-704c of the 2022 supplement to
2 the general statutes is repealed and the following is substituted in lieu
3 thereof (*Effective from passage*):

4 (b) (1) The credit allowed under this section shall not exceed (A) for
5 taxable years commencing on or after January 1, 2011, but prior to
6 January 1, 2016, three hundred dollars; [and] (B) for taxable years
7 commencing on or after January 1, 2016, but prior to January 1, 2022,
8 two hundred dollars; and (C) for taxable years commencing on or after
9 January 1, 2022, three hundred dollars. In the case of any husband and
10 wife who file a return under the federal income tax for such taxable year
11 as married individuals filing a joint return, the credit allowed, in the
12 aggregate, shall not exceed such amount for each such taxable year.

13 (2) Notwithstanding the provisions of subsection (a) of this section,
14 for the taxable years commencing January 1, 2017, to January 1, [2022]
15 2021, inclusive, the credit under this section shall be allowed only for a
16 resident of this state (A) who has attained age sixty-five before the close
17 of the applicable taxable year, or (B) who files a return under the federal
18 income tax for the applicable taxable year validly claiming one or more
19 dependents.

20 Sec. 2. Subparagraph (B) of subdivision (20) of subsection (a) of
21 section 12-701 of the 2022 supplement to the general statutes is repealed
22 and the following is substituted in lieu thereof (*Effective from passage*):

23 (B) There shall be subtracted therefrom:

24 (i) To the extent properly includable in gross income for federal
25 income tax purposes, any income with respect to which taxation by any
26 state is prohibited by federal law;

27 (ii) To the extent allowable under section 12-718, exempt dividends
28 paid by a regulated investment company;

29 (iii) To the extent properly includable in gross income for federal
30 income tax purposes, the amount of any refund or credit for
31 overpayment of income taxes imposed by this state, or any other state
32 of the United States or a political subdivision thereof, or the District of
33 Columbia;

34 (iv) To the extent properly includable in gross income for federal
35 income tax purposes and not otherwise subtracted from federal
36 adjusted gross income pursuant to clause (x) of this subparagraph in
37 computing Connecticut adjusted gross income, any tier 1 railroad
38 retirement benefits;

39 (v) To the extent any additional allowance for depreciation under
40 Section 168(k) of the Internal Revenue Code for property placed in
41 service after September 27, 2017, was added to federal adjusted gross
42 income pursuant to subparagraph (A)(ix) of this subdivision in

43 computing Connecticut adjusted gross income, twenty-five per cent of
44 such additional allowance for depreciation in each of the four
45 succeeding taxable years;

46 (vi) To the extent properly includable in gross income for federal
47 income tax purposes, any interest income from obligations issued by or
48 on behalf of the state of Connecticut, any political subdivision thereof,
49 or public instrumentality, state or local authority, district or similar
50 public entity created under the laws of the state of Connecticut;

51 (vii) To the extent properly includable in determining the net gain or
52 loss from the sale or other disposition of capital assets for federal income
53 tax purposes, any gain from the sale or exchange of obligations issued
54 by or on behalf of the state of Connecticut, any political subdivision
55 thereof, or public instrumentality, state or local authority, district or
56 similar public entity created under the laws of the state of Connecticut,
57 in the income year such gain was recognized;

58 (viii) Any interest on indebtedness incurred or continued to purchase
59 or carry obligations or securities the interest on which is subject to tax
60 under this chapter but exempt from federal income tax, to the extent that
61 such interest on indebtedness is not deductible in determining federal
62 adjusted gross income and is attributable to a trade or business carried
63 on by such individual;

64 (ix) Ordinary and necessary expenses paid or incurred during the
65 taxable year for the production or collection of income which is subject
66 to taxation under this chapter but exempt from federal income tax, or
67 the management, conservation or maintenance of property held for the
68 production of such income, and the amortizable bond premium for the
69 taxable year on any bond the interest on which is subject to tax under
70 this chapter but exempt from federal income tax, to the extent that such
71 expenses and premiums are not deductible in determining federal
72 adjusted gross income and are attributable to a trade or business carried
73 on by such individual;

74 (x) (I) For taxable years commencing prior to January 1, 2019, for a

75 person who files a return under the federal income tax as an unmarried
76 individual whose federal adjusted gross income for such taxable year is
77 less than fifty thousand dollars, or as a married individual filing
78 separately whose federal adjusted gross income for such taxable year is
79 less than fifty thousand dollars, or for a husband and wife who file a
80 return under the federal income tax as married individuals filing jointly
81 whose federal adjusted gross income for such taxable year is less than
82 sixty thousand dollars or a person who files a return under the federal
83 income tax as a head of household whose federal adjusted gross income
84 for such taxable year is less than sixty thousand dollars, an amount
85 equal to the Social Security benefits includable for federal income tax
86 purposes;

87 (II) For taxable years commencing prior to January 1, 2019, for a
88 person who files a return under the federal income tax as an unmarried
89 individual whose federal adjusted gross income for such taxable year is
90 fifty thousand dollars or more, or as a married individual filing
91 separately whose federal adjusted gross income for such taxable year is
92 fifty thousand dollars or more, or for a husband and wife who file a
93 return under the federal income tax as married individuals filing jointly
94 whose federal adjusted gross income from such taxable year is sixty
95 thousand dollars or more or for a person who files a return under the
96 federal income tax as a head of household whose federal adjusted gross
97 income for such taxable year is sixty thousand dollars or more, an
98 amount equal to the difference between the amount of Social Security
99 benefits includable for federal income tax purposes and the lesser of
100 twenty-five per cent of the Social Security benefits received during the
101 taxable year, or twenty-five per cent of the excess described in Section
102 86(b)(1) of the Internal Revenue Code;

103 (III) For the taxable year commencing January 1, 2019, and each
104 taxable year thereafter, for a person who files a return under the federal
105 income tax as an unmarried individual whose federal adjusted gross
106 income for such taxable year is less than seventy-five thousand dollars,
107 or as a married individual filing separately whose federal adjusted gross
108 income for such taxable year is less than seventy-five thousand dollars,

109 or for a husband and wife who file a return under the federal income tax
110 as married individuals filing jointly whose federal adjusted gross
111 income for such taxable year is less than one hundred thousand dollars
112 or a person who files a return under the federal income tax as a head of
113 household whose federal adjusted gross income for such taxable year is
114 less than one hundred thousand dollars, an amount equal to the Social
115 Security benefits includable for federal income tax purposes; and

116 (IV) For the taxable year commencing January 1, 2019, and each
117 taxable year thereafter, for a person who files a return under the federal
118 income tax as an unmarried individual whose federal adjusted gross
119 income for such taxable year is seventy-five thousand dollars or more,
120 or as a married individual filing separately whose federal adjusted gross
121 income for such taxable year is seventy-five thousand dollars or more,
122 or for a husband and wife who file a return under the federal income tax
123 as married individuals filing jointly whose federal adjusted gross
124 income from such taxable year is one hundred thousand dollars or more
125 or for a person who files a return under the federal income tax as a head
126 of household whose federal adjusted gross income for such taxable year
127 is one hundred thousand dollars or more, an amount equal to the
128 difference between the amount of Social Security benefits includable for
129 federal income tax purposes and the lesser of twenty-five per cent of the
130 Social Security benefits received during the taxable year, or twenty-five
131 per cent of the excess described in Section 86(b)(1) of the Internal
132 Revenue Code;

133 (xi) To the extent properly includable in gross income for federal
134 income tax purposes, any amount rebated to a taxpayer pursuant to
135 section 12-746;

136 (xii) To the extent properly includable in the gross income for federal
137 income tax purposes of a designated beneficiary, any distribution to
138 such beneficiary from any qualified state tuition program, as defined in
139 Section 529(b) of the Internal Revenue Code, established and
140 maintained by this state or any official, agency or instrumentality of the
141 state;

142 (xiii) To the extent allowable under section 12-701a, contributions to
143 accounts established pursuant to any qualified state tuition program, as
144 defined in Section 529(b) of the Internal Revenue Code, established and
145 maintained by this state or any official, agency or instrumentality of the
146 state;

147 (xiv) To the extent properly includable in gross income for federal
148 income tax purposes, the amount of any Holocaust victims' settlement
149 payment received in the taxable year by a Holocaust victim;

150 (xv) To the extent properly includable in gross income for federal
151 income tax purposes of an account holder, as defined in section 31-
152 51ww, interest earned on funds deposited in the individual
153 development account, as defined in section 31-51ww, of such account
154 holder;

155 (xvi) To the extent properly includable in the gross income for federal
156 income tax purposes of a designated beneficiary, as defined in section
157 3-123aa, interest, dividends or capital gains earned on contributions to
158 accounts established for the designated beneficiary pursuant to the
159 Connecticut Homecare Option Program for the Elderly established by
160 sections 3-123aa to 3-123ff, inclusive;

161 (xvii) To the extent properly includable in gross income for federal
162 income tax purposes, any income received from the United States
163 government as retirement pay for a retired member of (I) the Armed
164 Forces of the United States, as defined in Section 101 of Title 10 of the
165 United States Code, or (II) the National Guard, as defined in Section 101
166 of Title 10 of the United States Code;

167 (xviii) To the extent properly includable in gross income for federal
168 income tax purposes for the taxable year, any income from the discharge
169 of indebtedness in connection with any reacquisition, after December
170 31, 2008, and before January 1, 2011, of an applicable debt instrument or
171 instruments, as those terms are defined in Section 108 of the Internal
172 Revenue Code, as amended by Section 1231 of the American Recovery
173 and Reinvestment Act of 2009, to the extent any such income was added

174 to federal adjusted gross income pursuant to subparagraph (A)(xi) of
175 this subdivision in computing Connecticut adjusted gross income for a
176 preceding taxable year;

177 (xix) To the extent not deductible in determining federal adjusted
178 gross income, the amount of any contribution to a manufacturing
179 reinvestment account established pursuant to section 32-9zz in the
180 taxable year that such contribution is made;

181 (xx) To the extent properly includable in gross income for federal
182 income tax purposes, (I) for the taxable year commencing January 1,
183 2015, ten per cent of the income received from the state teachers'
184 retirement system, (II) for the taxable years commencing January 1,
185 2016, to January 1, 2020, inclusive, twenty-five per cent of the income
186 received from the state teachers' retirement system, and (III) for the
187 taxable year commencing January 1, 2021, and each taxable year
188 thereafter, fifty per cent of the income received from the state teachers'
189 retirement system or, for a taxpayer whose federal adjusted gross
190 income does not exceed the applicable threshold under clause (xxi) of
191 this subparagraph, the percentage pursuant to said clause of the income
192 received from the state teachers' retirement system, whichever
193 deduction is greater;

194 (xxi) To the extent properly includable in gross income for federal
195 income tax purposes, except for retirement benefits under clause (iv) of
196 this subparagraph and retirement pay under clause (xvii) of this
197 subparagraph, for a person who files a return under the federal income
198 tax as an unmarried individual whose federal adjusted gross income for
199 such taxable year is less than seventy-five thousand dollars, or as a
200 married individual filing separately whose federal adjusted gross
201 income for such taxable year is less than seventy-five thousand dollars,
202 or as a head of household whose federal adjusted gross income for such
203 taxable year is less than seventy-five thousand dollars, or for a husband
204 and wife who file a return under the federal income tax as married
205 individuals filing jointly whose federal adjusted gross income for such
206 taxable year is less than one hundred thousand dollars, (I) for the taxable

207 year commencing January 1, 2019, fourteen per cent of any pension or
208 annuity income, (II) for the taxable year commencing January 1, 2020,
209 twenty-eight per cent of any pension or annuity income, (III) for the
210 taxable year commencing January 1, 2021, forty-two per cent of any
211 pension or annuity income, and (IV) for the taxable year commencing
212 January 1, 2022, [fifty-six per cent of any pension or annuity income, (V)
213 for the taxable year commencing January 1, 2023, seventy per cent of any
214 pension or annuity income, (VI) for the taxable year commencing
215 January 1, 2024, eighty-four per cent of any pension or annuity income,
216 and (VII) for the taxable year commencing January 1, 2025,] and each
217 taxable year thereafter, one hundred per cent of any pension or annuity
218 income;

219 (xxii) The amount of lost wages and medical, travel and housing
220 expenses, not to exceed ten thousand dollars in the aggregate, incurred
221 by a taxpayer during the taxable year in connection with the donation
222 to another person of an organ for organ transplantation occurring on or
223 after January 1, 2017;

224 (xxiii) To the extent properly includable in gross income for federal
225 income tax purposes, the amount of any financial assistance received
226 from the Crumbling Foundations Assistance Fund or paid to or on
227 behalf of the owner of a residential building pursuant to sections 8-442
228 and 8-443;

229 (xxiv) To the extent properly includable in gross income for federal
230 income tax purposes, the amount calculated pursuant to subsection (b)
231 of section 12-704g for income received by a general partner of a venture
232 capital fund, as defined in 17 CFR 275.203(l)-1, as amended from time to
233 time;

234 (xxv) To the extent any portion of a deduction under Section 179 of
235 the Internal Revenue Code was added to federal adjusted gross income
236 pursuant to subparagraph (A)(xiv) of this subdivision in computing
237 Connecticut adjusted gross income, twenty-five per cent of such
238 disallowed portion of the deduction in each of the four succeeding

239 taxable years; [and]

240 (xxvi) To the extent properly includable in gross income for federal
241 income tax purposes, for a person who files a return under the federal
242 income tax as an unmarried individual whose federal adjusted gross
243 income for such taxable year is less than seventy-five thousand dollars,
244 or as a married individual filing separately whose federal adjusted gross
245 income for such taxable year is less than seventy-five thousand dollars,
246 or as a head of household whose federal adjusted gross income for such
247 taxable year is less than seventy-five thousand dollars, or for a husband
248 and wife who file a return under the federal income tax as married
249 individuals filing jointly whose federal adjusted gross income for such
250 taxable year is less than one hundred thousand dollars, (I) for the taxable
251 year commencing January 1, 2023, twenty-five per cent of any
252 distribution from an individual retirement account other than a Roth
253 individual retirement account, (II) for the taxable year commencing
254 January 1, 2024, fifty per cent of any distribution from an individual
255 retirement account other than a Roth individual retirement account, (III)
256 for the taxable year commencing January 1, 2025, seventy-five per cent
257 of any distribution from an individual retirement account other than a
258 Roth individual retirement account, and (IV) for the taxable year
259 commencing January 1, 2026, and each taxable year thereafter, any
260 distribution from an individual retirement account other than a Roth
261 individual retirement account; and

262 (xxvii) To the extent properly includable in gross income for federal
263 income tax purposes, for the taxable year commencing January 1, 2022,
264 the amount or amounts paid or otherwise credited to any eligible
265 resident of this state under (I) the 2020 Earned Income Tax Credit
266 enhancement program from funding allocated to the state through the
267 Coronavirus Relief Fund established under the Coronavirus Aid, Relief,
268 and Economic Security Act, P.L. 116-136, and (II) the 2021 Earned
269 Income Tax Credit enhancement program from funding allocated to the
270 state pursuant to Section 9901 of Subtitle M of Title IX of the American
271 Rescue Plan Act of 2021, P.L. 117-2.

272 Sec. 3. Section 12-217qq of the general statutes is repealed and the
273 following is substituted in lieu thereof (*Effective from passage and*
274 *applicable to calendar and income years commencing on or after January 1,*
275 *2022*):

276 (a) As used in this section:

277 (1) "Authority" means the Connecticut Higher Education
278 Supplemental Loan Authority;

279 (2) "Commissioner" means the Commissioner of Revenue Services;

280 ~~[(2)]~~ (3) "Eligible education loan" means [a loan issued by the
281 authority to an individual to refinance one or more student loans] an
282 authority loan, as defined in section 10a-223, that is in repayment;

283 ~~[(3)]~~ (4) "Full-time" means required to work at least thirty-five hours
284 per week;

285 ~~[(4)]~~ (5) "Qualified employee" means an individual who (A) is a
286 resident of the state, (B) has earned his or her first bachelor's degree from
287 an institution of higher education in the immediately preceding five-
288 year period, (C) is employed full-time in the state by a qualified
289 employer, (D) is not an owner, member or partner of such qualified
290 employer or a family member of an owner, member or partner of such
291 qualified employer, and (E) has received an eligible education loan;

292 ~~[(5)]~~ (6) "Qualified employer" means a corporation licensed to operate
293 a business in the state that is subject to tax under this chapter or chapter
294 207; and

295 ~~[(6)]~~ "Student loan" means any loan in repayment that was issued by
296 (A) the authority, or (B) any other private or governmental lender to
297 finance attendance at an institution of higher education]

298 (7) "Qualified small business" means a qualified employer that has
299 gross receipts of not more than five million dollars for the calendar or
300 income year, as applicable, for which a credit under this section is

301 allowed.

302 (b) (1) For calendar or income years commencing on and after January
303 1, 2022, each qualified employer that employs a qualified employee and
304 makes a payment directly to the authority on behalf of such qualified
305 employee on an eligible education loan [on behalf of such qualified
306 employee] that was used to finance the qualified employee's attendance
307 at an institution of higher education may claim a credit against the tax
308 imposed under this chapter or chapter 207. Such credit shall be granted
309 in an amount equal to fifty per cent of the amount of payments made to
310 the outstanding principal balance of such loans by the qualified
311 employer during the calendar or income year, provided (A) the credit
312 shall not be allowed against the tax imposed under this chapter and
313 chapter 207 for the same loan payment, and (B) the amount of credit
314 allowed for any calendar or income year with respect to a specific
315 qualified employee shall not exceed two thousand six hundred twenty-
316 five dollars.

317 (2) A qualified employer may claim the credit under subdivision (1)
318 of this subsection for a payment made during the part of the calendar or
319 income year the qualified employee worked and resided in the state,
320 provided a qualified employee who worked and resided in the state for
321 any part of a month shall be deemed to have worked and resided in the
322 state for the entire month for purposes of this section.

323 (c) A qualified employer that claims the credit under subsection (b)
324 of this section shall provide any documentation required by the
325 [Commissioner of Revenue Services] commissioner in a form and
326 manner prescribed by the commissioner.

327 (d) (1) A qualified small business may apply to the commissioner in
328 accordance with the provisions of subdivision (2) of this subsection to
329 exchange any credit allowed under subsection (b) of this section for a
330 credit refund equal to the value of the credit. Any amount of credit
331 refunded under this subsection shall be refunded to the qualified small
332 business in accordance with the provisions of this chapter or chapter

333 207, as applicable. No interest shall be allowed or paid on any amount
334 of credit refunded under this subsection. Any amount of credit refunded
335 under this subsection shall be subject to the provisions of section 12-39h.

336 (2) Each application for a credit refund under this subsection shall be
337 filed, on such forms and containing such information as prescribed by
338 the commissioner, on or before the original due date of the return
339 prescribed under section 12-205 or 12-222, as applicable, for the calendar
340 or income year for which such credit was earned or, if applicable, the
341 extended due date of such year's return. No application for a credit
342 refund under this subsection may be filed after the due date or extended
343 due date, as the case may be, of such return.

344 Sec. 4. Section 453 of public act 21-2 of the June special session is
345 repealed and the following is substituted in lieu thereof (*Effective from*
346 *passage*):

347 The Comptroller shall transfer to the General Fund from funds
348 allocated, in accordance with the provisions of special act 21-1, from the
349 federal funds designated for the state pursuant to the provisions of
350 Section 604 of Subtitle M of Title IX of the American Rescue Plan Act of
351 2021, P.L. 117-2, as amended from time to time, [(1) Five hundred fifty-
352 nine million nine hundred thousand dollars, for the fiscal year ending
353 June 30, 2022; and (2) one billion one] nine hundred ninety-four million
354 nine hundred thousand dollars for the fiscal year ending June 30, 2023.

355 Sec. 5. (*Effective from passage*) The Comptroller shall reserve eighty-
356 three million two hundred thousand dollars of General Fund revenue
357 received from the federal government during the fiscal year ending June
358 30, 2022, pursuant to Section 9817 of the American Rescue Plan Act of
359 2021, P.L. 117-2, for federal revenue collections during the fiscal year
360 ending June 30, 2023.

361 Sec. 6. Section 38a-91aa of the general statutes is repealed and the
362 following is substituted in lieu thereof (*Effective July 1, 2022*):

363 As used in [sections 38a-91aa to 38a-91tt] this section, sections 38a-

364 91bb to 38a-91uu, inclusive, as amended by this act, and sections 38a-
365 91ww and 38a-91xx:

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

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

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

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

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

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

385 (4) "Association" means any legal association of individuals,
386 corporations, limited liability companies, partnerships, associations or
387 other entities, [that has been in continuous existence for at least one
388 year,] where the association itself or some or all of the member
389 organizations:

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

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

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

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

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

404 (7) "Branch captive insurance company" means any alien captive
405 insurance company or foreign captive insurance company licensed by
406 the commissioner to transact the business of insurance in this state
407 through a business unit with a principal place of business in this state.

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

410 (9) "Captive insurance company" means any (A) pure captive
411 insurance company, agency captive insurance company, association
412 captive insurance company, industrial insured captive insurance
413 company, risk retention group, sponsored captive insurance company
414 or special purpose financial captive insurance company that is
415 domiciled in this state and formed or licensed under the provisions of
416 [sections 38a-91aa] this section and sections 38a-91bb to 38a-91tt,
417 inclusive, as amended by this act, or (B) branch captive insurance
418 company.

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

423 pursuant to a reinsurance contract.

424 (11) "Commissioner" means the Insurance Commissioner.

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

426 (A) Who, (i) in the case of a pure captive insurance company, is not
427 in the corporate system of a parent and the parent's affiliated companies,
428 [or] (ii) in the case of an industrial insured captive insurance company,
429 is not in the corporate system of an industrial insured and the industrial
430 insured's affiliated companies, or (iii) in the case of a sponsored captive
431 insurance company, is not in the corporate system of a participant and
432 the participant's affiliated companies;

433 (B) Who, (i) in the case of a pure captive insurance company, has an
434 existing contractual relationship with a parent or one of the parent's
435 affiliated companies, [or] (ii) in the case of an industrial insured captive
436 insurance company, has an existing contractual relationship with an
437 industrial insured or one of the industrial insured's affiliated companies,
438 or (iii) in the case of a sponsored captive insurance company, has an
439 existing contractual relationship with a participant or one of the
440 participant's affiliated companies; and

441 (C) Whose risks are managed by a pure captive insurance company,
442 [or] an industrial insured captive insurance company or a sponsored
443 captive insurance company, as applicable, in accordance with section
444 38a-91qq, as amended by this act.

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

450 (14) "Foreign captive insurance company" means any insurance
451 company formed to write insurance business for its parent and affiliated
452 companies and licensed pursuant to the laws of a foreign jurisdiction

453 that imposes statutory or regulatory standards on companies
454 transacting the business of insurance in such jurisdiction that the
455 commissioner deems to be acceptable.

456 [(14)] (15) "Incorporated protected cell" means a protected cell that is
457 established as a corporation or a limited liability company, separate
458 from the sponsored captive insurance company with which it has
459 entered into a participant contract.

460 [(15)] (16) "Industrial insured" means an insured:

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

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

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

467 [(16)] (17) "Industrial insured captive insurance company" means any
468 company that insures risks of the industrial insureds that comprise an
469 industrial insured group, and includes a company that also insures risks
470 of such industrial insureds' affiliated companies.

471 [(17)] (18) "Industrial insured group" means any group of industrial
472 insureds that collectively:

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

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

480 (C) Constitute all of the subscribers of an industrial insured captive

481 insurance company formed as a reciprocal insurer.

482 [(18)] (19) "Insurance securitization" or "securitization" means a
483 transaction or a group of related transactions, which may include capital
484 market offerings, that are effected through related risk transfer
485 instruments and facilitating administrative agreements, in which all or
486 part of the result of such transaction is used to fund a special purpose
487 financial captive insurance company's obligations under a reinsurance
488 contract with a ceding insurer and by which:

489 (A) A special purpose financial captive insurance company directly
490 or indirectly obtains proceeds through the issuance of securities by such
491 company or any other person; or

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

500 [(19)] (20) "Member organization" means any individual, corporation,
501 limited liability company, partnership, association or other entity that
502 belongs to an association.

503 [(20)] (21) "Mutual corporation" means a corporation organized
504 without stockholders and includes a nonprofit corporation with
505 members.

506 [(21)] (22) "Parent" means any individual, corporation, limited
507 liability company, partnership or other entity that directly or indirectly
508 owns, controls or holds with power to vote more than fifty per cent of
509 the outstanding voting:

510 (A) Securities of a pure captive insurance company organized as a

511 stock insurer; or

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

514 [(22)] (23) "Participant" means any association, corporation, limited
515 liability company, partnership, trust or other entity, and any affiliated
516 company or controlled unaffiliated business thereof, that is insured by
517 a sponsored captive insurance company pursuant to a participant
518 contract.

519 [(23)] (24) "Participant contract" means a contract entered into by a
520 sponsored captive insurance company and a participant by which the
521 sponsored captive insurance company insures the risks of the
522 participant and limits the losses of each such participant to its pro rata
523 share of the assets of one or more protected cells identified in such
524 participant contract.

525 [(24)] (25) "Protected cell" means a separate account established by a
526 sponsored captive insurance company, in which assets are maintained
527 for one or more participants in accordance with the terms of one or more
528 participant contracts to fund the liability of the sponsored captive
529 insurance company assumed on behalf of such participants as set forth
530 in such participant contracts.

531 [(25)] (26) "Pure captive insurance company" means any company
532 that insures risks of its parent and affiliated companies or controlled
533 unaffiliated business.

534 [(26)] (27) "Reinsurance contract" means a contract entered into by a
535 special purpose financial captive insurance company and a ceding
536 insurer by which the special purpose financial captive insurance
537 company agrees to provide reinsurance to the ceding insurer for risks
538 associated with the ceding insurer's insurance or reinsurance business.

539 [(27)] (28) "Risk retention group" means a captive insurance company
540 organized under the laws of this state pursuant to the federal Liability

541 Risk Retention Act of 1986, 15 USC 3901 et seq., as amended from time
542 to time, as a stock insurer or mutual corporation, a reciprocal or other
543 limited liability entity.

544 [(28)] (29) "Security" has the same meaning as provided in section
545 36b-3 and includes any form of debt obligation, equity, surplus
546 certificate, surplus note, funding agreement, derivative or other
547 financial instrument that the commissioner designates as a security for
548 purposes of [sections 38a-91aa] this section and sections 38a-91bb to 38a-
549 91tt, inclusive, as amended by this act.

550 [(29)] (30) "Special purpose financial captive insurance company"
551 means a company that is licensed by the commissioner in accordance
552 with section 38a-91bb, as amended by this act.

553 [(30)] (31) "Special purpose financial captive insurance company
554 security" means a security issued by (A) a special purpose financial
555 captive insurance company, or (B) a third party, the proceeds of which
556 are obtained directly or indirectly by a special purpose financial captive
557 insurance company.

558 [(31)] (32) "Sponsor" means any association, corporation, limited
559 liability company, partnership, trust or other entity that is approved by
560 the commissioner to organize and operate a sponsored captive
561 insurance company and to provide all or part of the required
562 unimpaired paid-in capital and surplus.

563 [(32)] (33) "Sponsored captive insurance company" means a captive
564 insurance company:

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

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

569 (C) That funds its liability to each participant through one or more
570 protected cells and segregates the assets of each protected cell from the

571 assets of other protected cells and from the assets of the sponsored
572 captive insurance company's general account.

573 [(33)] (34) "Surplus note" means an unsecured subordinated debt
574 obligation possessing characteristics consistent with the National
575 Association of Insurance Commissioners Statement of Statutory
576 Accounting Principles No. 41, as amended from time to time, and as
577 modified or supplemented by the commissioner.

578 Sec. 7. (*Effective July 1, 2022*) (a) As used in this section, "alien captive
579 insurance company", "branch captive insurance company" and "foreign
580 captive insurance company" have the same meanings as provided in
581 section 38a-91aa of the general statutes, as amended by this act.

582 (b) The Commissioner of Revenue Services shall waive any and all
583 penalties that would otherwise be due under section 38a-277 of the
584 general statutes for any taxable period beginning on or after July 1, 2019,
585 and ending prior to July 1, 2022, if, not later than June 30, 2023, the
586 insured:

587 (1) Establishes a branch captive insurance company in this state or
588 transfers the domicile of its alien captive insurance company or foreign
589 captive insurance company to this state in accordance with the
590 provisions of section 38a-58a of the general statutes; and

591 (2) Pays all taxes and interest due and outstanding under section 38a-
592 277 of the general statutes for all taxable periods ending on or after July
593 1, 2019, but prior to July 1, 2022.

594 (c) Any insured that satisfies the provisions of subsection (b) of this
595 section shall not be liable for any taxes, interest and penalties that would
596 otherwise be due under section 38a-277 of the general statutes for any
597 taxable period ending prior to July 1, 2019.

598 Sec. 8. Section 38a-91bb of the general statutes is repealed and the
599 following is substituted in lieu thereof (*Effective July 1, 2022*):

600 (a) Any captive insurance company, when permitted by its articles of

601 association, charter or other organizational document, may apply to the
602 [Insurance Commissioner] commissioner for a license to do the business
603 of insurance against any kind of loss, damage or liability properly a
604 subject of insurance, if such insurance is not prohibited by law or [is not]
605 disapproved by the commissioner as being contrary to public policy,
606 including life insurance, annuities, health insurance, as defined in
607 section 38a-469, and commercial risk insurance, as defined in section
608 38a-663, provided:

609 (1) No pure captive insurance company may insure any risks other
610 than those of its parent and affiliated companies or controlled
611 unaffiliated business;

612 (2) No association captive insurance company may insure any risks
613 other than those of its association, the member organizations of its
614 association, and the member organizations' affiliated companies;

615 (3) No industrial insured captive insurance company may insure any
616 risks other than those of (A) the industrial insureds that comprise the
617 industrial insured group, (B) the industrial insureds' affiliated
618 companies, or (C) the industrial insureds' controlled unaffiliated
619 businesses;

620 (4) No risk retention group may insure any risks other than those of
621 its members and owners;

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

625 (6) No captive insurance company may accept or cede reinsurance
626 except as provided in section 38a-91kk, as amended by this act;

627 (7) Any captive insurance company may provide excess workers'
628 compensation insurance to its parent and affiliated companies, unless
629 prohibited by the laws of the state having jurisdiction over the
630 transaction or by federal law. Any captive insurance company may

631 reinsure a workers' compensation qualified self-insured plan of its
632 parent and affiliated companies, unless prohibited by federal law;

633 (8) Any captive insurance company that provides life insurance,
634 annuities or health insurance shall comply with all applicable state and
635 federal laws.

636 (b) No captive insurance company shall do any insurance business in
637 this state unless:

638 (1) [It] The captive insurance company first obtains from the
639 [Insurance Commissioner] commissioner a license authorizing [it] the
640 captive insurance company to do insurance business in this state;

641 (2) [Its] The captive insurance company's board of directors or
642 committee of managers or, in the case of a reciprocal insurer, its
643 subscribers' advisory committee holds at least one meeting each year in
644 this state;

645 (3) [It] The captive insurance company maintains its principal place
646 of business in this state; and

647 (4) [It] The captive insurance company appoints a registered agent to
648 accept service of process and to otherwise act on its behalf in this state.
649 Whenever such registered agent cannot with reasonable diligence be
650 found at the registered office of the captive insurance company, the
651 [Insurance Commissioner] commissioner shall be an agent of [such] the
652 captive insurance company upon whom any process, notice or demand
653 may be served.

654 (c) (1) To be considered for a license, a captive insurance company
655 shall:

656 (A) File with the commissioner a certified copy of its organizational
657 documents, a statement under oath of its president and secretary
658 showing its financial condition, and any other statements or documents
659 required by the commissioner; and

660 (B) Submit to the commissioner for approval a description of the
661 coverages, deductibles, coverage limits and rates and such additional
662 information as the commissioner may require. In the event of any
663 subsequent material change in any item in such description, the captive
664 insurance company shall submit to the commissioner for approval an
665 appropriate revision and shall not offer any additional kinds of
666 insurance until a revision of such description is approved by the
667 commissioner. The captive insurance company shall inform the
668 commissioner of any material change in rates not later than thirty days
669 after the adoption of such change.

670 (2) Each applicant captive insurance company shall also file with the
671 commissioner evidence of the following:

672 (A) The amount and liquidity of the company's assets relative to the
673 risks to be assumed;

674 (B) The adequacy of the expertise, experience and character of the
675 persons who will manage the company;

676 (C) The overall soundness of the company's plan of operation;

677 (D) The adequacy of the loss prevention programs of the company's
678 insureds; and

679 (E) Such other factors deemed relevant by the commissioner in
680 ascertaining whether the proposed captive insurance company will be
681 able to meet its policy obligations.

682 (3) Each applicant sponsored captive insurance company shall also
683 file with the commissioner:

684 (A) Materials demonstrating how the applicant will account for the
685 loss and expense experience of each protected cell at a level of detail
686 deemed sufficient by the commissioner, and how [it] such applicant will
687 report such experience to the commissioner;

688 (B) A statement acknowledging that all financial records of the

689 sponsored captive insurance company, including records pertaining to
690 any protected cells, shall be made available for examination or
691 inspection or by the commissioner or the commissioner's designee;

692 (C) All contracts or sample contracts between the sponsored captive
693 insurance company and any participants; and

694 (D) Evidence that expenses shall be allocated to each protected cell in
695 a fair and equitable manner.

696 (4) Each applicant special purpose financial captive insurance
697 company shall also:

698 (A) Include with its plan of operation:

699 (i) A complete description of all significant transactions, including
700 reinsurance, reinsurance security arrangements, securitizations, related
701 transactions or arrangements, and to the extent not included in the
702 transactions listed in this clause, a complete description of all parties
703 other than the special purpose financial captive insurance company and
704 the ceding insurer that will be involved in the issuance of special
705 purpose financial captive insurance company securities and a
706 description of any pledge, hypothecation or grant of a security interest
707 in any of the special purpose financial captive insurance company's
708 assets and in any stock or limited liability company interest in the
709 special purpose financial captive insurance company;

710 (ii) The source and form of the special purpose financial captive
711 insurance company's capital and surplus;

712 (iii) The proposed investment policy of the special purpose financial
713 captive insurance company;

714 (iv) A description of the underwriting, reporting and claims payment
715 methods by which losses covered by the reinsurance contract will be
716 reported, accounted for and settled;

717 (v) Pro forma balance sheets and income statements illustrating one

718 or more adverse case scenarios, as determined under criteria required
719 by the commissioner, for the performance of the special purpose
720 financial captive insurance company under all reinsurance contracts;
721 and

722 (vi) The proposed rate and method for discounting reserves, if the
723 special purpose financial captive insurance company is requesting
724 authority to discount its reserves;

725 (B) Submit an affidavit of its president, a vice president, its treasurer
726 or its chief financial officer that includes the following statements, that
727 to the best of such person's knowledge and belief after reasonable
728 inquiry:

729 (i) The proposed organization and operation of the special purpose
730 financial captive insurance company comply with all applicable
731 provisions of this chapter;

732 (ii) The special purpose financial captive insurance company's
733 investment policy reflects and takes into account the liquidity of assets
734 and the reasonable preservation, administration and management of
735 such assets with respect to the risks associated with the reinsurance
736 contract and the insurance securitization transaction. With respect to a
737 special purpose financial captive insurance company, "management"
738 means the board of directors, managing board or other individual or
739 individuals vested with overall responsibility for the management of the
740 affairs of such company, including, but not limited to, officers or other
741 agents elected or appointed to act on behalf of such company; and

742 (iii) The reinsurance contract and any arrangement for securing the
743 special purpose financial captive insurance company's obligations
744 under such reinsurance contract, including, but not limited to, any
745 agreements or other documentation to implement such arrangement,
746 comply with the provisions of this chapter; and

747 (C) Include with its application:

748 (i) Copies of all agreements and documentation described in
749 subparagraph (A) of this subdivision unless otherwise approved by the
750 commissioner, and any other statements or documents required by the
751 commissioner to evaluate the special purpose financial captive
752 insurance company's application for licensure; and

753 (ii) An opinion of qualified legal counsel, in a form acceptable to the
754 commissioner, that the offer and sale of any special purpose financial
755 captive insurance company securities complies with all applicable
756 registration requirements or applicable exemptions from or exceptions
757 to such requirements of the federal securities laws and that the offer and
758 sale of securities by the special purpose financial captive insurance
759 company itself comply with all registration requirements or applicable
760 exemptions from or exceptions to such requirements of the securities
761 laws of this state. Such opinion shall not be required as part of the
762 application if the special purpose financial captive insurance company
763 includes a specific statement in its plan of operation that such opinions
764 will be provided to the commissioner in advance of the offer or sale of
765 any special purpose financial captive insurance company securities.

766 (5) A sponsored captive insurance company may apply to be licensed
767 as a special purpose financial captive insurance company. Such
768 company shall be subject to the provisions of sections 38a-91aa to 38a-
769 91tt, inclusive, as amended by this act, applicable to a sponsored captive
770 insurance company and to a special purpose financial captive insurance
771 company. In the event of conflict between such provisions applicable to
772 a sponsored captive insurance company and to a special purpose
773 financial captive insurance company, the provisions applicable to a
774 special purpose financial captive insurance company shall control.

775 (6) Information submitted pursuant to this subsection shall be and
776 shall remain confidential and shall not be made public by the
777 commissioner or an employee or agent of the commissioner without the
778 written consent of the company, except that:

779 (A) Such information may be discoverable by a party in a civil action

780 or contested case to which the captive insurance company that
781 submitted such information is a party upon a showing by the party
782 seeking to discover such information that:

783 (i) The information sought is relevant to and necessary for the
784 furtherance of such action or case;

785 (ii) The information sought is unavailable from other nonconfidential
786 sources; and

787 (iii) A subpoena issued by a judicial or administrative officer of
788 competent jurisdiction has been submitted to the commissioner,
789 provided such submission requirement shall not apply to a risk
790 retention group; and

791 (B) The commissioner may, in the commissioner's discretion, disclose
792 such information to a public official having jurisdiction over the
793 regulation of insurance in another state, provided:

794 (i) Such public official agrees, in writing, to maintain the
795 confidentiality of such information; and

796 (ii) The laws of the state in which such public official serves require
797 such information to be and [to] remain confidential.

798 (d) (1) Each captive insurance company shall pay to the commissioner
799 a nonrefundable fee of eight hundred dollars for examining,
800 investigating and processing its application for a license. The
801 commissioner may retain legal, financial and examination services from
802 outside the department for the licensing and financial oversight of a
803 captive insurance company, the reasonable cost of which may be
804 charged against such company. The provisions of subdivisions (2) to (5),
805 inclusive, of subsection (k) of section 38a-14 shall apply to this
806 subdivision.

807 (2) Each captive insurance company shall pay a license fee for the first
808 year of licensure and a renewal fee for each year thereafter as set forth
809 in section 38a-11.

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

818 (2) (A) The commissioner may grant a license authorizing a special
819 purpose financial captive insurance company to do reinsurance
820 business in this state until April first thereafter upon the commissioner's
821 finding that (i) the proposed plan of operation provides for a reasonable
822 and expected successful operation, (ii) the terms of the reinsurance
823 contract and related transactions comply with sections 38a-91aa to 38a-
824 91tt, inclusive, as amended by this act, (iii) the proposed plan of
825 operation is not hazardous to any ceding insurer, and (iv) the insurance
826 regulator of the state of domicile of each ceding insurer has notified the
827 commissioner in writing or has otherwise provided assurance
828 satisfactory to the commissioner that such regulator has approved or
829 has not disapproved the transaction, provided the commissioner shall
830 not be precluded from issuing a license to a special purpose financial
831 captive insurance company if such regulator has not responded with
832 respect to all or any part of the transaction.

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

839 (3) The commissioner shall not grant a license to a branch captive
840 insurance company unless the alien captive insurance company or
841 foreign captive insurance company grants the commissioner authority
842 to examine the alien captive insurance company or foreign captive

843 insurance company in the jurisdiction in which the alien captive
844 insurance company or foreign captive insurance company is formed,
845 operates or maintains books and records.

846 Sec. 9. Section 38a-91dd of the general statutes is repealed and the
847 following is substituted in lieu thereof (*Effective July 1, 2022*):

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

853 (A) In the case of a pure captive insurance company, not less than
854 [two hundred fifty thousand dollars;] the greater of:

855 (i) Fifty thousand dollars; or

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

859 (B) In the case of an association captive insurance company, not less
860 than [five hundred thousand dollars;] the greater of:

861 (i) Two hundred fifty thousand dollars; or

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

865 (C) In the case of an industrial insured captive insurance company,
866 not less than [five hundred thousand dollars;] the greater of:

867 (i) Two hundred fifty thousand dollars; or

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

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

873 (E) In the case of a sponsored captive insurance company, not less
874 than [two hundred twenty-five thousand dollars;] the greater of:

875 (i) Seventy-five thousand dollars; or

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

879 (F) In the case of a special purpose financial captive insurance
880 company, not less than [two hundred fifty thousand dollars;] the greater
881 of:

882 (i) Two hundred fifty thousand dollars; or

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

887 (G) In the case of a sponsored captive insurance company licensed as
888 a special purpose financial captive insurance company, not less than
889 [five hundred thousand dollars;] the greater of:

890 (i) Two hundred fifty thousand dollars; or

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

894 (H) In the case of an agency captive insurance company, not less than
895 [five hundred thousand dollars] the greater of:

896 (i) Two hundred fifty thousand dollars; or

897 (ii) An amount that the commissioner determines is necessary for the

898 agency captive insurance company to meet such agency captive
899 insurance company's policy obligations.

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

905 (i) Not less than [two hundred fifty thousand dollars;] the greater of:

906 (I) Fifty thousand dollars; or

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

910 (ii) Reserves on such insurance policies or such reinsurance contracts
911 as may be issued or assumed by the branch captive insurance company
912 through its branch operations, including reserves for losses, allocated
913 loss adjustment expenses, incurred but not reported losses and
914 unearned premiums with regard to business written through the branch
915 operations. The commissioner may permit a branch captive insurance
916 company to credit against any such reserves any [security for loss
917 reserves that the branch captive insurance company posts with a ceding
918 insurer or is posted by a reinsurer with the branch captive insurance
919 company, so long as such security remains posted] assets belonging to:

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

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

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

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

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

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

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

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

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

950 [(c)] (b) Notwithstanding any other provision of this section, the
951 commissioner shall have the discretion to allow a captive insurance
952 company, other than a captive insurance company organized as a risk
953 retention group, to maintain less than the required unimpaired paid-in
954 capital and surplus set forth in subsection (a) of this section. The
955 commissioner shall consider the type, volume and nature of the
956 insurance or reinsurance business transacted by such a captive
957 insurance company in establishing the amount of unimpaired paid-in

958 capital and surplus the company is required to maintain.

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

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

966 Sec. 10. Subsection (h) of section 38a-91ff of the general statutes is
967 repealed and the following is substituted in lieu thereof (*Effective July 1,*
968 *2022*):

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

980 Sec. 11. Subdivision (1) of subsection (b) of section 38a-91gg of the
981 general statutes is repealed and the following is substituted in lieu
982 thereof (*Effective July 1, 2022*):

983 (b) (1) (A) [Prior] Except as provided in subparagraph (B) of this
984 subdivision, prior to March first of each year and, in the case of pure
985 captive insurance companies and industrial insured captive insurance
986 companies, prior to March fifteenth of each year, each captive insurance
987 company [other than a branch captive insurance company shall submit
988 to the Insurance Commissioner] shall file with the commissioner a

989 report of [its] the captive insurance company's financial condition
990 verified by oath of two [of its] executive officers of the captive insurance
991 company. The commissioner shall establish the form and content of the
992 annual report to be filed by special purpose captive insurance
993 companies.

994 (B) [In the case of branch captive insurance companies, prior to March
995 first of each year, each such] Each branch captive insurance company
996 shall [submit to] file with the commissioner a copy of all reports and
997 statements required to be filed under the laws of the jurisdiction in
998 which the alien captive insurance company or foreign captive insurance
999 company is formed. Such reports and statements shall be verified by
1000 oath of two [of its] executive officers of the branch captive insurance
1001 company and filed with the commissioner on the same day that such
1002 reports and statements must be filed in the domiciliary jurisdiction of
1003 the alien captive insurance company or foreign captive insurance
1004 company. If the commissioner is satisfied that the annual report filed by
1005 the alien captive insurance company or foreign captive insurance
1006 company in [its] the domiciliary jurisdiction of the alien captive
1007 insurance company or foreign captive insurance company provides
1008 adequate information concerning the financial condition of the alien
1009 captive insurance company or foreign captive insurance company, the
1010 commissioner may waive the requirement for completion of the [captive
1011 annual statement for business written in the alien jurisdiction] annual
1012 report required under subparagraph (A) of this subdivision. If the
1013 commissioner is not satisfied with such reports and statements, or if the
1014 branch captive insurance company is not required to file such reports
1015 and statements in the domiciliary jurisdiction of the alien captive
1016 insurance company or foreign captive insurance company, the branch
1017 captive insurance company shall file a report, at a time and in a form
1018 and manner prescribed by the commissioner, that provides the
1019 commissioner with adequate information concerning the financial
1020 condition of the alien captive insurance company or foreign captive
1021 insurance company.

1022 Sec. 12. Subsection (a) of section 38a-91hh of the general statutes is

1023 repealed and the following is substituted in lieu thereof (*Effective July 1,*
1024 *2022*):

1025 (a) (1) [At least once every three years, and additionally whenever the
1026 Insurance Commissioner] Except as provided in subdivision (3) of this
1027 subsection, the commissioner or the commissioner's designee shall,
1028 whenever the commissioner determines it to be prudent [, the
1029 commissioner or the commissioner's designee shall visit each captive
1030 insurance company and thoroughly] but not less frequently than once
1031 every five years, inspect and examine [its] each captive insurance
1032 company's affairs to ascertain [its] the captive insurance company's
1033 financial condition, [its] the captive insurance company's ability to fulfill
1034 its obligations and whether [it] the captive insurance company has
1035 complied with the provisions of sections 38a-91aa to 38a-91tt, inclusive,
1036 as amended by this act, and any other applicable provisions of this title.
1037 [The commissioner may extend the three-year period to five years,
1038 provided a captive insurance company is subject to a comprehensive
1039 annual audit during such period by independent auditors approved by
1040 the commissioner and of a scope satisfactory to the commissioner.]

1041 (2) The examination of a branch captive insurance company pursuant
1042 to this section shall be of branch business and branch operations only,
1043 as long as the branch captive insurance company provides annually to
1044 the commissioner a certificate of compliance or its equivalent, issued by
1045 or filed with the licensing authority of the jurisdiction in which the
1046 branch captive insurance company is formed, and demonstrates to the
1047 commissioner's satisfaction that [it] such branch captive insurance
1048 company is operating in sound financial condition in accordance with
1049 all applicable laws and regulations of such jurisdiction.

1050 (3) The commissioner may waive the requirement that the
1051 commissioner or the commissioner's designee inspect and examine a
1052 captive insurance company's affairs pursuant to this subsection if the
1053 captive insurance company is a pure captive insurance company or a
1054 branch captive insurance company of the pure captive insurance
1055 company.

1056 Sec. 13. Subdivision (1) of subsection (a) of section 38a-91ii of the
1057 general statutes is repealed and the following is substituted in lieu
1058 thereof (*Effective July 1, 2022*):

1059 (a) (1) The commissioner may, at any time, for cause, suspend, revoke
1060 or refuse to renew any license of a captive insurance company, or in lieu
1061 of or in addition to suspension or revocation of such license, the
1062 commissioner, after reasonable notice to and hearing of any holder of
1063 such license, may impose a fine not to exceed ten thousand dollars. Such
1064 hearings may be held by the commissioner or any person designated by
1065 the commissioner. For purposes of this subsection, cause for such
1066 administrative action shall include, but not be limited to, the following
1067 reasons: (A) Insolvency or impairment of capital or surplus; (B) failure
1068 to meet the requirements of section 38a-91dd, as amended by this act;
1069 (C) refusal or failure to [submit] file an annual report, as required by
1070 section 38a-91gg, as amended by this act, or any other report or
1071 statement required by law or by lawful order of the commissioner; (D)
1072 failure to comply with the provisions of its own charter, bylaws or other
1073 organizational document; (E) failure to submit to or pay the cost of
1074 examination or any legal obligation relative thereto; (F) use of methods
1075 that, although not otherwise specifically prohibited by law, nevertheless
1076 render its operation detrimental or its condition unsound with respect
1077 to the public or to its policyholders; or (G) failure otherwise to comply
1078 with the laws of this state.

1079 Sec. 14. Subsection (a) of section 38a-91kk of the general statutes is
1080 repealed and the following is substituted in lieu thereof (*Effective July 1,*
1081 *2022*):

1082 (a) Any captive insurance company may assume reinsurance from
1083 any other insurer. [only on risks that such company is authorized to
1084 write directly.]

1085 Sec. 15. Section 38a-91qq of the general statutes is repealed and the
1086 following is substituted in lieu thereof (*Effective July 1, 2022*):

1087 The [Insurance Commissioner] commissioner may adopt regulations,

1088 in accordance with chapter 54, as are necessary to carry out the
1089 provisions of sections 38a-91aa to ~~[38a-91tt]~~ 38a-91uu, inclusive, as
1090 amended by this act, and sections 38a-91ww and 38a-91xx and to
1091 establish standards to ensure that a parent or affiliated company is able
1092 to exercise control of the risk management function of any controlled
1093 unaffiliated business to be insured by a pure captive insurance
1094 company, an industrial insured captive insurance company or a
1095 sponsored captive insurance company, except that until such
1096 regulations are approved, the commissioner may approve the coverage
1097 of such risks by a pure captive insurance company, an industrial insured
1098 captive insurance company or a sponsored captive insurance company.

1099 Sec. 16. Subparagraph (A) of subdivision (2) of subsection (g) of
1100 section 38a-91ss of the general statutes is repealed and the following is
1101 substituted in lieu thereof (*Effective July 1, 2022*):

1102 (A) Proceeds from a special purpose financial captive insurance
1103 company securitization or letters of credit or other assets described in
1104 subdivision ~~[(18)]~~ (19) of section 38a-91aa, as amended by this act;

1105 Sec. 17. Subsections (b) and (c) of section 38a-91uu of the general
1106 statutes are repealed and the following is substituted in lieu thereof
1107 (*Effective July 1, 2022*):

1108 (b) A dormant captive insurance company that is domiciled in this
1109 state may apply to the Insurance Commissioner for a certificate of
1110 dormancy. The certificate of dormancy shall be subject to renewal once
1111 every ~~[two]~~ five years, and shall be forfeited if the dormant captive
1112 insurance company commences transacting insurance business or fails
1113 to timely renew such certificate.

1114 (c) A dormant captive insurance company that has been issued a
1115 certificate of dormancy shall:

1116 (1) Possess and maintain unimpaired, paid-in capital and surplus of
1117 not less than ~~[twenty-five]~~ fifteen thousand dollars, provided such
1118 dormant captive insurance company shall not be required to add capital

1119 upon entering dormancy if such dormant captive insurance company
 1120 was never capitalized;

1121 (2) Not later than March [15, 2018] fifteenth, annually, submit to the
 1122 commissioner a report on the financial condition of such company,
 1123 verified by oath of two executive officers of such company, in such form
 1124 as the commissioner prescribes; and

1125 (3) Pay the license renewal fee specified in section 38a-11 for a captive
 1126 insurance company.

1127 Sec. 18. Section 431 of public act 21-2 of the June special session is
 1128 repealed. (*Effective from passage*)

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	12-704c(b)
Sec. 2	<i>from passage</i>	12-701(a)(20)(B)
Sec. 3	<i>from passage and applicable to calendar and income years commencing on or after January 1, 2022</i>	12-217qq
Sec. 4	<i>from passage</i>	PA 21-2 of the June Sp. Sess., Sec. 453
Sec. 5	<i>from passage</i>	New section
Sec. 6	<i>July 1, 2022</i>	38a-91aa
Sec. 7	<i>July 1, 2022</i>	New section
Sec. 8	<i>July 1, 2022</i>	38a-91bb
Sec. 9	<i>July 1, 2022</i>	38a-91dd
Sec. 10	<i>July 1, 2022</i>	38a-91ff(h)
Sec. 11	<i>July 1, 2022</i>	38a-91gg(b)(1)
Sec. 12	<i>July 1, 2022</i>	38a-91hh(a)
Sec. 13	<i>July 1, 2022</i>	38a-91ii(a)(1)
Sec. 14	<i>July 1, 2022</i>	38a-91kk(a)
Sec. 15	<i>July 1, 2022</i>	38a-91qq
Sec. 16	<i>July 1, 2022</i>	38a-91ss(g)(2)(A)
Sec. 17	<i>July 1, 2022</i>	38a-91uu(b) and (c)
Sec. 18	<i>from passage</i>	Repealer section

Statement of Purpose:

To implement the Governor's budget recommendations.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]