

# OFFICE OF FISCAL ANALYSIS

Legislative Office Building, Room 5200  
Hartford, CT 06106 ◊ (860) 240-0200  
<http://www.cga.ct.gov/ofa>

SB-1038

AN ACT CONCERNING CAPTIVE INSURANCE COMPANIES.

As Amended by Senate "A" (LCO 8136)

Senate Calendar No.: 220

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## ***OFA Fiscal Note***

### ***State Impact:***

| Agency Affected                                 | Fund-Effect                 | FY 24 \$ | FY 25 \$ |
|-------------------------------------------------|-----------------------------|----------|----------|
| Department of Revenue Services                  | GF - Revenue Loss           | 15,000   | 15,000   |
| Insurance Dept.; Department of Revenue Services | GF - Potential Revenue Gain | Minimal  | Minimal  |

Note: GF=General Fund

***Municipal Impact:*** None

### ***Explanation***

The bill, which exempts dormant captive insurers from the insurance premiums tax, results in a General Fund revenue loss of \$15,000 annually beginning in FY 24.<sup>1</sup>

The bill also allows captives to accept or transfer risk through parametric contracts and allows sponsored captives to take certain actions related to their protected cells. These changes are anticipated to make the state more attractive as a domicile for captives. There are 45 captives currently in Connecticut.

To the extent the bill increases the number of captive insurance companies that are established in Connecticut, the bill could result in a General Fund revenue gain associated with the following for each

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<sup>1</sup> According to the Insurance Department, there are currently two dormant captive insurers in the state each paying the minimum tax of \$7,500.

captive:

1. Application fee: \$800,
2. Fee for initial license: \$375,
3. Annual license renewal: \$375, and
4. Insurance premiums taxes.

Senate "A" makes technical changes that have no fiscal impact.

### ***The Out Years***

The annualized ongoing fiscal impact identified above would continue into the future subject to the number of dormant captives and new captives that become licensed.

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Sources: Connecticut Insurance Department