



[SF 549](#) – Captive Insurance (LSB1871SZ)

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Fiscal Note Version – New

Description

[Senate File 549](#) relates to captive insurance and does the following:

- Allows for the formation of captive insurance companies.
- Establishes tax rates for captive insurance premiums.
- Defines terms.
- Establishes requirements for the operation of captive insurance companies, including reporting and examination requirements.
- Permits the Commissioner of Insurance to suspend or revoke certificates to conduct business.
- Creates a Captive Insurance Regulatory and Supervision Account, into which all revenue sources under new Iowa Code chapter 521J will be deposited.
- Permits the formation of protected cell captive companies and provides guidelines for their operation.
- Requires the Iowa Insurance Division (IID) to create rules to administer the provisions of the Bill.

Background

Captive insurance companies are a form of self-insurance where the insurance provider is owned entirely by the insurance holder. Currently, captive insurance companies are not allowed to operate or sell insurance in the State. There are captive insurance companies headquartered in Iowa that must do business outside of the State. Captive insurance companies often work with traditional companies and may be an option for businesses to manage risks by underwriting their own insurance rather than paying premiums to a third-party insurer.

Assumptions

- The regulation of a newly introduced insurance market to the State will require the IID of the Department of Commerce to hire 3.0 additional full-time equivalent (FTE) positions to carry out the provisions of this Bill.
 - The IID will hire a Captive Insurance Bureau Chief at an annual cost between approximately \$166,000 and \$243,000, an Examiner Specialist at an annual cost between approximately \$111,000 and \$166,000, and an Examiner at an annual cost between approximately \$96,000 and \$142,000.
 - The IID will need additional office space and supplies for these positions.
 - Each of these positions will begin at the start of FY 2024.
- The State will see a new revenue source as a result of the Bill; however, the total revenue impact cannot be determined at this time.

Fiscal Impact

Senate File 549 will increase General Fund revenue due to the introduction of captive insurance companies to the State and the associated tax on premiums; however, the amount cannot be determined. The annual cost of SF 549 is estimated to be between \$403,000 and \$681,000 and will be funded by the General Fund until the revenues from the captive insurance premiums collected pursuant to the provisions of this Bill can fund the cost. The total cost of the Captive Insurance Bureau Chief, Examiner Specialist, and Examiner is between \$373,000 and \$551,000. Additional office space and supplies will cost approximately \$29,000 annually. The promotion of the captive insurance industry will cost \$100,000 in travel, marketing, and promotion annually.

Sources

Iowa Insurance Division
Legislative Services Agency

/s/ Jennifer Acton

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The fiscal note for this Bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

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