

CHAPTER 521J

CAPTIVE COMPANIES

Referred to in §87.4, 296.7, 331.301, 364.4, 432.1A, 505.28, 505.29, 507C.3, 669.14, 670.7

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521J.1 Definitions.

As used in [this chapter](#), unless the context otherwise requires:

1. “*Affiliated company*” means a company that is in the same corporate system as a parent, an industrial insured, or a member based on common ownership, control, operation, or management.
2. “*Alien captive company*” means a captive company formed under the laws of an alien jurisdiction that imposes statutory or regulatory standards in a form acceptable to the commissioner on companies transacting the business of insurance in such jurisdiction.
3. “*Branch business*” means any insurance business transacted by a branch captive company in this state.
4. “*Branch captive company*” means an alien captive company authorized by the commissioner by rule to transact the business of insurance in this state through a business entity with its principal place of business in this state.
5. “*Branch operations*” means any business operations of a branch captive company.
6. “*Business entity*” means a corporation, a limited liability company, or other legal entity formed by an organizational document. “*Business entity*” does not include a sole proprietorship.
7. “*Captive company*” means any pure captive company, protected cell captive company, special purpose captive company, or industrial insured captive company formed or authorized under [this chapter](#).
8. “*Captive reinsurance company*” means a captive insurance company in this state, as authorized by the commissioner by rule, that reinsures the risk ceded by any other insurer.
9. “*Captive risk retention group*” means a captive insurance risk retention group formed under [this chapter](#) and that is subject to [chapter 515E](#).
10. “*Cash equivalent*” means any short-term, highly liquid investment with an original maturity of three months or less that is readily convertible to known amounts of cash.
11. “*Commissioner*” means the commissioner of insurance.
12. “*Controlled unaffiliated business entity*” means a business entity or sole proprietorship that meets all of the following requirements:
 - a. The business entity or sole proprietorship is not in a parent’s corporate system that consists of the parent and any affiliated companies.
 - b. The business entity or sole proprietorship has an existing, controlling contractual relationship with the parent or an affiliated company.
 - c. The business entity’s or sole proprietorship’s risks are managed by a pure captive company or an industrial insured captive company, as applicable.
13. “*Excess workers’ compensation insurance*” means, for an employer that has insured or

self-insured the employer's workers' compensation risks in accordance with applicable state or federal law, insurance in excess of a specified per-incident or aggregate limit as established by the commissioner by rule.

14. "*Industrial insured*" means an insured that meets all of the following requirements:

a. The insured procures the insurance of any risk by use of the services of a full-time employee acting as an insurance manager or buyer.

b. The insured's aggregate annual premiums for insurance on all risks are at least twenty-five thousand dollars.

c. The insured employs a minimum of twenty-five full-time employees.

15. "*Industrial insured captive company*" means an insurance company that insures the risks of industrial insureds, comprised of the industrial insured group and the industrial insured group's affiliated companies and the risks of the controlled unaffiliated business of an industrial insured or its affiliates.

16. "*Industrial insured group*" means a group of industrial insureds that meets either of the following requirements:

a. The group collectively owns, controls, or holds with the power to vote all of the outstanding voting securities of an industrial insured captive company incorporated as a stock insurer, or has complete voting control over any of the following:

(1) An industrial insured captive company incorporated as a mutual insurer.

(2) An industrial insured captive company formed as a reciprocal insurer.

(3) An industrial insured captive company formed as a limited liability company.

b. The group is a captive risk retention group.

17. "*Mutual insurer*" means a business entity that does not have capital stock, and that has a governing body elected by the insurer's policyholders. "*Mutual insurer*" includes a nonprofit corporation with members.

18. "*Organizational document*" means articles of incorporation, articles of organization, a subscribers' agreement, a charter, or any other document that can legally establish a business entity in this state.

19. "*Parent*" means a sole proprietorship, a business entity, or an individual that directly or indirectly owns, controls, or holds with power to vote more than fifty percent of the outstanding voting securities or membership interests of a captive company.

20. "*Participant*" means a sole proprietorship or a business entity and any affiliates that are insured by a protected cell captive company and whose losses are limited by a participant contract to such participant's pro rata share of the assets of one or more protected cells identified in the participant contract.

21. "*Participant contract*" means a contract by which a protected cell captive company insures the risks of a participant and limits the losses of each participant in the contract to the participant's pro rata share of the assets of one or more protected cells as identified in the contract.

22. "*Protected cell*" means a separate account established by a protected cell captive company formed or authorized under [this chapter](#) in which an identified pool of assets and liabilities are segregated and insulated, as provided in [section 521J.17](#), from the remainder of the protected cell captive company's assets and liabilities in accordance with the terms of one or more participant contracts to fund the liability of the protected cell captive company with respect to the participants.

23. "*Protected cell assets*" means all assets, contract rights, and general intangibles identified and attributable to a specific protected cell of a protected cell captive company.

24. "*Protected cell captive company*" means a captive company that meets all of the following requirements:

a. The minimum legally required capital and surplus of the company is provided by one or more sponsors.

b. The company is formed or authorized under [this chapter](#).

c. The company insures the risks of separate participants through participant contracts.

d. The company funds the company's liability to each participant through one or more protected cells, and segregates the assets of each protected cell from the assets of other protected cells, and from the assets of the protected cell captive company's general account.

e. The company is incorporated or formed as a limited liability company.

25. “*Protected cell liabilities*” means all liabilities and other obligations identified with and attributable to a specific protected cell of a protected cell captive company.

26. “*Public records*” means the same as defined in [section 22.1](#).

27. “*Pure captive company*” means an insurance company that insures the risks of the company’s parent and the parent’s affiliated companies, and the risks of controlled unaffiliated business entities.

28. “*Qualified actuary*” means an individual who meets all of the following requirements:

a. The individual is a member of the American academy of actuaries.

b. The individual is qualified to provide the certifications as described in the United States qualifications standards promulgated by the American academy of actuaries pursuant to the code of professional conduct adopted by the American academy of actuaries, the society of actuaries, the American society of pension professionals and actuaries, the casualty actuarial society, and the conference of consulting actuaries.

29. “*Series of members*” means a group or collection of members of a limited liability company who share interests and who have separate rights, powers, or duties with respect to property, obligations, or profits and losses associated with property or obligations, and who are specified in the organizational document or operating agreement of the limited liability company, or that are specified by one or more members or managers of the limited liability company or other persons as provided in the organizational document or operating agreement.

30. “*Sole proprietorship*” means an individual who does business in a noncorporate form.

31. “*Special purpose captive company*” means a captive company that is formed or authorized under [this chapter](#) that does not meet the definition of any other type of captive company as defined in [this section](#), or that is formed by, on behalf of, or for the benefit of a political subdivision of this state.

32. “*Sponsor*” means any person that meets the requirements of [sections 521J.17](#) and [521J.18](#), and that is approved by the commissioner to do all of the following:

a. Provide all or part of the capital and surplus required of a protected cell captive company by law.

b. Organize and operate a protected cell captive company.

[2023 Acts, ch 107, §4](#)

521J.2 Certificate of authority.

1. If permitted by its organizational document, a captive company may apply to the commissioner for a certificate of authority to provide property insurance, casualty insurance, life insurance, disability income insurance, surety insurance, marine insurance, health insurance, or a group health plan, with the following exceptions:

a. A pure captive company shall only insure risks of the company’s parent and affiliated companies, and of the company’s controlled unaffiliated business entities.

b. An industrial insured captive company shall only insure risks of the industrial insured company, comprised of the industrial insured group and the industrial insured group’s affiliated companies, and the controlled unaffiliated business of an industrial insured group or the industrial insured group’s affiliated companies.

c. A special purpose captive company shall not provide insurance or reinsurance for risks unless approved by the commissioner.

d. A captive company or a branch captive company shall not do any of the following:

(1) Provide personal lines of insurance, including but not limited to motor vehicle insurance, homeowner’s insurance, or any component of motor vehicle insurance or homeowner’s insurance on a direct basis.

(2) Accept or cede reinsurance except as permitted by the commissioner by rule.

(3) Provide health insurance coverage or a group health plan unless the captive company or the branch captive company provides the health insurance coverage or the group health plan only for the parent company and the parent company’s affiliated companies.

(4) Write workers’ compensation insurance on a direct basis.

(5) Write life insurance on a direct basis.

e. A protected cell captive company shall not insure any risks other than those of the protected cell captive company's participants.

2. A captive company shall not write any insurance business unless the captive company complies with all of the following:

a. The captive company obtains a certificate of authority from the commissioner prior to writing any insurance business.

b. The captive company's board of directors, board of managing members, or a reciprocal insurer's subscribers' advisory committee, holds at least one annual meeting in the state.

c. The captive company maintains its principal place of business in the state.

d. The captive company designates a registered agent to accept service of process, files the name and contact information and any subsequent changes regarding the registered agent with the commissioner, and agrees that if the registered agent cannot be found with reasonable diligence, the commissioner may act as an agent of the captive company with respect to any action or proceeding and may be served pursuant to [section 505.30](#).

3. a. Prior to receiving a certificate of authority, a captive company shall do all of the following:

(1) File with the commissioner all of the following:

(a) A certified copy of the business entity's organizational document.

(b) A statement under oath of an officer of the business entity showing the business entity's financial condition.

(c) Any other statement or document required by the commissioner as established by rule.

(2) Submit a description of coverages, deductibles, coverage limits, rates, and any additional information requested by the commissioner to the commissioner for approval.

(3) Provide a statement to the commissioner that describes all of the following:

(a) The character, reputation, and financial standing of the organizers of the business entity.

(b) The character, reputation, financial responsibility, insurance experience, and business qualifications of all officers, directors, and managing members of the business entity.

(4) Provide any other information required by the commissioner as established by rule.

b. If there is a subsequent material change in the information provided to the commissioner under paragraph "a", the captive company shall submit appropriate supporting documentation to the commissioner for approval. The captive company shall not offer any additional lines of insurance until on or after the date on which the commissioner approves the supporting documentation. The captive company shall inform the commissioner of any change in rates within thirty calendar days of the captive company's adoption of a change in rate.

c. In addition to the information required under paragraphs "a" and "b", each applicant captive company shall file with the commissioner evidence of all of the following:

(1) The amount and liquidity of the captive company's assets relative to the risks to be assumed by the captive company.

(2) The adequacy of the expertise, experience, and character of the persons who will manage the captive company.

(3) The overall soundness of the captive company's plan of operation.

(4) The adequacy of the loss prevention program of the captive company's parent, members, or industrial insureds, as applicable.

(5) Any other factors deemed relevant by the commissioner to ascertain if the proposed captive company will be able to meet the company's policy obligations.

d. In addition to the information required under paragraph "a", each applicant that is a protected cell captive company shall file with the commissioner all of the following:

(1) A business plan that demonstrates, at a level of detail deemed sufficient by the commissioner, how the applicant will account for the loss and expense experience of each protected cell, and how the applicant will report the loss and expense experience of each protected cell to the commissioner.

(2) A statement that acknowledges that all financial records of the protected cell captive company, including records pertaining to any protected cells, shall be made available upon

request for inspection or examination by the commissioner or the commissioner's designated agent.

(3) A copy of each participant contract.

(4) Evidence that expenses will be allocated to each protected cell in a fair and equitable manner.

e. In addition to the requirements of paragraph "a", a captive company formed as a reciprocal insurer shall file with the commissioner a certified copy of the power of attorney of the reciprocal insurer's attorney-in-fact, a certified copy of the reciprocal insurer's subscribers' agreement, a statement under oath of the reciprocal insurer's attorney-in-fact that shows the reciprocal insurer's financial condition, and any other statements or documents required by the commissioner as established by rule.

f. All documents and information submitted pursuant to [this subsection](#) shall be confidential and shall not be made public without the advance written consent of the submitting company, with the following exceptions:

(1) The documents and information shall be discoverable by a party in a civil action or in a contested case to which the captive company that submitted the information is a party upon a showing by the party seeking to discover the information that the information sought is relevant to, and necessary for, the furtherance of the action or case; the information sought is unavailable from other nonconfidential sources; and that a subpoena issued by a judicial or an administrative officer has been submitted to the commissioner.

(2) The commissioner may, in the commissioner's discretion, disclose the documents and information to a public official having jurisdiction over the regulation of insurance in another state, or to a public official of the federal government, provided that the public official agrees in writing to maintain the confidentiality of the information, and that the laws of the state in which the public official serves require that the information remain confidential.

4. a. Each captive company, each individual series of members of a limited liability company, and each protected cell shall pay a nonrefundable fee to the commissioner of two hundred dollars for the examination, investigation, and processing of its application for a certificate of authority. The commissioner shall be authorized to retain legal, financial, and examination services from outside experts as necessary for review of the application, the reasonable cost of which may be charged to the applicant.

b. Each captive insurance company, each individual series of members of a limited liability company, and each protected cell shall pay an initial registration fee, and an annual renewal registration fee, of three hundred dollars.

5. If the commissioner is satisfied with the documents and statements that an applicant captive company has filed in compliance with [this chapter](#), and the applicable provisions of [Title XIII, subtitle 1](#), the commissioner may grant a certificate of authority to the captive company that permits the company to do the business of insurance in this state. The certificate of authority must be renewed annually and may be renewed if the applicant is in compliance with [this chapter](#).

[2023 Acts, ch 107, §5](#)

Referred to in [§432.1A](#), [521J.22](#)

521J.3 Captive companies — names.

A captive company shall not adopt a name that is the same, deceptively similar, or likely to be confused with or mistaken for any other existing business name already registered in this state.

[2023 Acts, ch 107, §6](#)

521J.4 Minimum capital and surplus requirements.

1. The commissioner shall not issue a certificate of authority to a captive company unless the captive company possesses and maintains unimpaired paid-in capital and surplus that meets the following requirements:

a. Is not less than two hundred fifty thousand dollars for a pure captive company.

b. Is not less than five hundred thousand dollars for an industrial insured captive company, including a captive risk retention group.

c. Is an amount as determined by the commissioner after giving due consideration to the captive company's business plan, feasibility study, and pro forma documents, including, for a special purpose captive company, the nature of the risks to be insured.

d. Is not less than five hundred thousand dollars for a protected cell captive company. If, however, the protected cell captive company does not assume any risks, the risks insured by the protected cells are homogenous, and there are not more than ten cells, the commissioner may reduce the amount to an amount not less than two hundred fifty thousand dollars.

e. Is not less than the applicable amount of capital and surplus required in paragraphs "a" through "d", as determined based upon the organizational form of the alien captive company, for a branch captive company. The minimum capital and surplus shall be jointly held by the commissioner and the branch captive company in a bank of the federal reserve system as approved by the commissioner by rule.

f. Is not less than fifty percent of the capital required for that type of captive company for a captive reinsurance company.

2. The commissioner may require additional capital and surplus for a captive company under [subsection 1](#) based upon the type, volume, and nature of the insurance business transacted by the captive company.

3. The capital and surplus required under [subsection 1](#) and [subsection 2](#), if applicable, shall be in the form of cash, cash equivalent, or an irrevocable letter of credit on a form as prescribed by the commissioner by rule and as issued by a bank chartered by the state of Iowa, a member bank of the federal reserve system, or a bank chartered by another state if approved by the commissioner.

[2023 Acts, ch 107, §7](#)

Referred to in [§521J.6](#), [521J.9](#), [521J.13](#), [521J.19](#)

521J.5 Captive companies — formation.

1. A captive company must be formed or organized as a business entity as provided under [this chapter](#).

2. An industrial insured captive company shall be formed or organized in one of the following ways:

a. Incorporated as a stock insurer with the stock insurer's capital divided into shares and held by the stockholders.

b. Incorporated as a mutual insurer without capital stock.

c. Organized as a reciprocal insurer as permitted by the commissioner by rule.

d. Organized as a manager-managed limited liability company.

3. A captive company incorporated or organized in this state shall be incorporated or organized by at least one incorporator or organizer who is a resident of the state.

4. The capital stock of a captive company incorporated as a stock insurer may be authorized with no par value.

5. a. At least one member of the board of directors of a captive company shall be a resident of this state. A captive risk retention group shall have a minimum of five directors.

b. A captive company formed as a limited liability company shall have at least one manager who is a resident of this state. A captive risk retention group formed as a limited liability company shall not be required to have a manager who is a resident of this state; however, the limited liability company shall maintain a board of directors of which at least one board member shall be a resident of this state.

c. A reciprocal insurer shall have at least one member of the subscribers' advisory committee who is a resident of this state. A captive risk retention group formed as a reciprocal insurer shall have a minimum of five members of the subscribers' advisory committee who are residents of this state.

6. a. A captive company formed as a corporation or another business entity shall have the privileges of, and shall be subject to, state laws governing corporations or other business entities, and the applicable provisions of [this chapter](#).

b. In the event of a conflict between a state law governing corporations or other business entities and [this chapter](#), [this chapter](#) shall take precedence.

7. a. A subscribers' agreement, or other organizational document of a captive company

formed as a reciprocal insurer, shall authorize a quorum of a subscribers' advisory committee to consist of at least one-third of the number of members on the advisory committee.

b. In addition to [this chapter](#), a captive risk retention group shall be subject to [chapter 515E](#). In the event of a conflict between [chapter 515E](#) and [this chapter](#), [this chapter](#) shall take precedence.

8. Except as provided in [section 521J.11](#), applicable provisions of [chapter 508B](#) shall apply to a merger, consolidation, conversion, mutualization, or voluntary dissolution by a captive company.

9. a. An alien captive company must apply to the secretary of state for a certificate of authority for the alien captive company's branch captive company to transact business in this state.

b. A branch captive company established under [this chapter](#) to write, in this state, only insurance or reinsurance of the employee benefit business of the branch captive company's parent and affiliated companies shall be subject to the federal Employee Retirement Income Security Act of 1974, 29 U.S.C. §1001, et seq.

c. A branch captive company shall not conduct any insurance business in this state unless the branch captive company maintains the principal place of business for the company's branch operations in this state.

[2023 Acts, ch 107, §8](#)

Referred to in [§521J.11](#)

521J.6 Dividends.

1. A captive company shall not pay a dividend out of, or other distribution with respect to, the minimum capital or surplus required under [section 521J.4](#) without the prior written approval of the commissioner.

2. The commissioner's approval of an ongoing plan for the payment of dividends or other distributions shall be conditioned upon retention, at the time of each payment, of capital and surplus in excess of the amounts specified by, or determined in accordance with, a formula approved by the commissioner by rule.

[2023 Acts, ch 107, §9](#)

521J.7 Reports.

1. A captive company shall be required to file an annual report with the commissioner that meets the following requirements:

a. Except as provided in paragraph "b", on or before April 1 of each year, each captive company and each captive risk retention group shall submit to the commissioner a report on the company's financial condition as of December 31 of the preceding year, as verified by oath of two of the company's or group's executive officers. The report shall be submitted in a form and manner as prescribed by the commissioner by rule.

b. A captive company, other than a captive risk retention group, may apply to the commissioner to file the report required under paragraph "a" on a fiscal year-end basis. If the commissioner approves reporting on a fiscal year-end basis, the captive company shall comply with all of the following requirements:

(1) Subject to subparagraph (2), the captive company's report shall be filed no later than ninety calendar days after the close of the company's fiscal year.

(2) Prior to April 1, the captive company shall file a report covering the immediately preceding calendar year with the commissioner to provide sufficient information to support the captive company's premium tax return under [section 432.1A](#).

c. Each captive company shall use generally accepted accounting principles, unless the commissioner requires, approves, or accepts the use of statutory accounting principles or any other comprehensive accounting principles for the company's report. The commissioner may require, approve, or accept any appropriate or necessary modifications of statutory accounting principles or other comprehensive accounting principles based on the type of insurance and kinds of insurers that are included in a captive company's report. The report may include letters of credit that are established, issued, or confirmed by any of the following:

(1) A bank chartered in this state.

(2) A member of the federal reserve system.

(3) A bank chartered by another state, if approved by the commissioner.

d. An actuarial opinion from a qualified actuary regarding the adequacy of the company's required reserves to make full provision for the company's liabilities, insured or reinsured, shall be included in the report. The qualified actuary shall submit a memorandum to the commissioner that details the qualified actuary's support for the actuarial opinion. The commissioner may require that additional information be submitted to supplement the actuarial opinion.

e. All captive companies shall be audited annually by an independent certified public accountant and shall annually file the audited financial report with the commissioner on or before June 1, as a supplement to the annual report required under [section 521J.7, subsection 1](#).

f. A captive company may request an extension to file a report required by [this section](#). A written request for an extension must be received by the commissioner not less than ten days before the filing due date, and the request must contain sufficient details to enable the commissioner to make an informed decision regarding the request. The commissioner may grant a thirty-day extension upon a determination by the commissioner that a captive company has good cause for the extension.

g. A captive company may be required to file a report on the captive company's financial condition on a semiannual, quarterly, monthly, or other basis as determined by the commissioner.

h. Captive companies shall file all reports required under [this section](#) in the form and manner prescribed by the commissioner by rule.

2. All reports filed pursuant to [this section](#) shall be considered confidential and shall not be a public record.

[2023 Acts, ch 107, §10; 2023 Acts, ch 119, §41](#)

Referred to in [§521J.9](#)

521J.8 Examinations.

1. a. Except for captive risk retention groups as provided under paragraph "c", the commissioner may examine each captive company's compliance with [this chapter](#), and may examine the affairs, transactions, accounts, records, and assets of each captive company as the commissioner deems necessary.

b. The commissioner shall upon the completion of an examination under paragraph "a", or at such regular intervals prior to completion of an examination as the commissioner determines, prepare an account of the costs incurred in performing and preparing the report of the examination which shall be charged to and paid by the captive company examined. If the captive company fails or refuses to pay the charges, the charges may be recovered in an action brought in the name of the state.

c. The commissioner shall examine the affairs, transactions, accounts, records, and assets of each captive risk retention group as the commissioner deems necessary, but no less frequently than every three calendar years. A report produced pursuant to the examination of a captive risk retention group under [this section](#) shall be a public record.

2. Except as provided in [subsection 3, this section](#) shall apply to all business written by a captive company.

3. An examination of a branch captive company shall be conducted only on the branch business and branch operations if all of the following requirements are met:

a. The branch captive company annually provides the commissioner a certificate of compliance, or equivalent, that was issued by or filed with the licensing authority of the jurisdiction in which the branch captive company is formed.

b. The branch captive company demonstrates to the satisfaction of the commissioner that the company is operating in sound financial condition and in compliance with all applicable law and regulations of the jurisdiction in which the branch captive company is formed.

4. As a condition of authorization of a branch captive company, the alien captive company shall grant authority to the commissioner for examination of the affairs of the alien captive company in the jurisdiction in which the alien captive company is formed.

5. The applicable provisions of [chapter 507](#) shall apply to examinations conducted under [this chapter](#).

[2023 Acts, ch 107, §11](#)

Referred to in [§521J.9](#), [521J.22](#)

521J.9 Suspension or revocation.

1. A captive company's certificate of authority to conduct the business of insurance in this state may be suspended or revoked by the commissioner for any of the following reasons:

- a. Insolvency or impairment of capital or surplus.
- b. Failure to meet and maintain the minimum capital and surplus requirements under [section 521J.4](#).
- c. Refusal or failure to submit an annual report pursuant to [section 521J.7](#), or to submit any other report or statement required by law or by lawful order of the commissioner.
- d. Failure to comply with the captive company's own charter, bylaws, or other organizational document.
- e. Failure to submit to an examination as required under [section 521J.8](#).
- f. Use of methods that render the captive company's operation detrimental, or the company's condition unsound, with respect to the company's policyholders or to the public.
- g. Failure to pay tax on premiums as required under [section 432.1A](#).
- h. Failure to submit or pay any fee under [this chapter](#).
- i. Failure to submit to or pay the cost of any examination under [this chapter](#).
- j. Failure to comply with the laws of this state.

2. a. If the commissioner finds upon examination, hearing, or other review that a captive company has committed an act specified in [subsection 1](#), the commissioner may suspend or revoke the company's certificate of authority if the commissioner deems it in the best interest of the public or of the policyholders of the captive company.

b. If the commissioner does not revoke a captive company's certificate of authority during a suspension imposed by the commissioner under paragraph "a", the company's certificate of authority may be reinstated if the commissioner finds that the cause of the suspension has been rectified.

[2023 Acts, ch 107, §12](#)

521J.10 Excess workers' compensation insurance.

1. A captive company may provide excess workers' compensation insurance to the captive company's parent and affiliated companies unless the laws of the state that has jurisdiction over the transaction prohibits the captive company from providing excess workers' compensation insurance.

2. A captive company may reinsure workers' compensation of a qualified self-insured plan of the captive company's parent and affiliated companies.

[2023 Acts, ch 107, §13](#)

521J.11 Captive mergers.

1. A merger between captive stock insurers, or a merger between captive mutual insurers, shall meet the requirements of [chapter 521](#) and [section 521J.5](#), as applicable. The commissioner may, at the commissioner's discretion, provide notice to the public of a proposed merger prior to the commissioner's approval or disapproval of a merger.

2. An industrial insured group formed as a stock insurer or as a mutual insurer may be converted to or merged with a reciprocal insurer under [this section](#).

3. A plan for conversion or merger shall meet all of the following requirements:

a. (1) The plan shall be fair and equitable to the shareholders in the case of a stock insurer, or to the policyholders in the case of a mutual insurer.

(2) The plan shall provide for the purchase of the shares of any nonconsenting shareholder of a stock insurer, or of the policyholder interests of any nonconsenting policyholder of a mutual insurer.

b. A plan for conversion to a reciprocal insurer must be approved by the commissioner.

The commissioner shall not approve a plan unless the plan meets all of the following requirements:

(1) The plan provides for a hearing upon notice to the insurer, directors, officers, and stockholders or policyholders who have the right to appear at the hearing, unless the commissioner waives or modifies the requirements for the hearing.

(2) (a) In the case of a stock insurer, the plan provides for the conversion of the existing stockholder interests into subscriber interests in the resulting reciprocal insurer proportionate to the existing stockholder interests, and is approved by a majority of the shareholders who are entitled to vote, and who are represented at a regular or special meeting at which a quorum is present either in person or by proxy.

(b) In the case of a mutual insurer, the plan provides for the conversion of the existing policyholder interests into subscriber interests in the resulting reciprocal insurer proportionate to the existing policyholder interests, and is approved by a majority of the voting interests of the policyholders who are represented at a regular or special meeting at which a quorum is present either in person or by proxy.

(3) The plan meets the applicable requirements of [section 521J.5](#).

c. If the commissioner approves a plan of conversion, the certificate of authority for the converting insurer shall be amended to state that the converting insurer is a reciprocal insurer. The conversion shall be effective and the corporate existence of the converting entity shall cease to exist on the date on which the amended certificate of authority is issued to the attorney-in-fact for the reciprocal insurer. The resulting reciprocal insurer shall file the articles of merger or the articles of conversion with the secretary of state.

[2023 Acts, ch 107, §14](#)

Referred to in [§521J.5](#)

521J.12 Captive insurance — regulatory and supervision fund — appropriation.

1. A captive insurance regulatory and supervision fund is established in the state treasury under the control of the division. The fund shall consist of all moneys deposited in the fund pursuant to [this section](#) and any other moneys appropriated to or deposited in the fund.

2. All fees, assessments, fines, and administrative penalties collected under [this chapter](#) shall be deposited in the fund.

3. Moneys in the fund are appropriated to the division to administer [this chapter](#), including the maintenance of staff, associated expenses, and necessary contractual services, and for the reimbursement of reasonable expenses incurred by the division to promote captive insurance in this state.

4. a. Notwithstanding [section 8.33](#), moneys in the fund that remain unencumbered or unobligated at the close of a fiscal year shall not revert but shall remain available for expenditure for the purposes designated.

b. At the close of each fiscal year, if unencumbered or unobligated moneys remaining in the captive insurance regulatory and supervision fund exceed five hundred thousand dollars, moneys in excess of that amount shall be transferred from the captive insurance regulatory and supervision fund to the general fund of the state.

5. The division may temporarily use moneys from the general fund of the state to pay expenses in excess of moneys available in the captive insurance regulatory and supervision fund for the purposes designated in [this section](#) if those additional expenditures are fully reimbursable and the division reimburses the general fund of the state in full by the close of the fiscal year. Because any general fund moneys used shall be fully reimbursed, such temporary use of moneys from the general fund of the state shall not constitute an appropriation for purposes of calculating the state general fund expenditure limitation pursuant to [section 8.54](#).

[2023 Acts, ch 107, §15](#)

521J.13 Legal investments.

1. a. Industrial insured captive companies and captive risk retention groups shall comply with investment requirements as established by the commissioner by rule. The commissioner may approve the use of alternative reliable methods of valuation and rating.

b. If a captive company's admitted assets total less than five million dollars, the commissioner may approve an investment of up to twenty percent of the captive company's admitted assets in rated credit instruments in any one investment that meets the requirements established by the commissioner by rule.

2. A pure captive company, or a protected cell captive company, shall not be subject to any restrictions on allowable investments, except that the commissioner may prohibit or limit any investment that threatens the solvency or liquidity of the pure captive company.

3. Any captive company may make loans to any of the captive company's affiliates with prior written approval of the commissioner, and each loan must be evidenced by a note in a form as approved by the commissioner by rule. Loans made from minimum capital and surplus funds required by [section 521J.4](#) shall be prohibited.

[2023 Acts, ch 107, §16](#)

Referred to in [§521J.21](#)

521J.14 Reinsurance.

1. Subject to the prior approval of the commissioner, a captive company may provide reinsurance on risks ceded by any other insurer.

2. Any captive company may take credit for reserves on risks, or portions of risks, ceded to reinsurers as provided under [chapter 521B](#). In order to cede or take credit for the reinsurance of risks or portions of risks ceded to reinsurers that do not comply with [chapter 521B](#), a captive company shall obtain the prior approval of the commissioner.

3. Insurance by a captive company of any workers' compensation qualified self-insured plan of the captive company's parent and affiliates shall be deemed to be reinsurance under [this chapter](#).

4. In addition to reinsurers authorized under [chapter 521B](#), a captive company may take credit for the reinsurance of risks or portions of risk ceded to a pool or exchange acting as a reinsurer which has been authorized by the commissioner. The commissioner may require documents, financial information, or other evidence that such a reinsurance pool or exchange will be able to provide adequate security for the reinsurance pool's or exchange's financial obligations. The commissioner may deny authorization or impose any limitations on the activities of a reinsurance pool or exchange that, in the commissioner's judgment, are necessary and proper to provide adequate security for the ceding captive company and for the protection and benefit of the public.

5. No credit shall be allowed for reinsurance if the reinsurance contract does not result in the complete transfer of the risk or liability to the reinsurer.

6. No credit shall be allowed, as an asset or a deduction from liability, to any ceding insurer for reinsurance unless the reinsurance is payable by the assuming insurer on the basis of the liability of the ceding insurer under the contract reinsured without diminution because of the insolvency of the ceding insurer.

7. Reinsurance under [this section](#) shall be effected through a written agreement of reinsurance setting forth the terms, provisions, and conditions governing the reinsurance. The commissioner may require that complete copies of all reinsurance agreements be filed with and approved by the commissioner.

[2023 Acts, ch 107, §17](#)

Referred to in [§521J.21](#)

521J.15 Rating organizations.

A captive company shall not be required to join a rating organization.

[2023 Acts, ch 107, §18](#)

521J.16 Compulsory organizations.

A captive company shall not join or contribute financially to any plan, pool, association, or guaranty or insolvency fund in this state. A captive company, a captive company's insureds, a captive company's parent, and any company affiliated with a captive company shall not receive any benefit from a plan, pool, association, or guaranty or insolvency fund for claims arising out of the operations of the captive company.

[2023 Acts, ch 107, §19](#)

521J.17 Protected cell captive companies.

1. One or more sponsors may form a protected cell captive company.
2. A protected cell captive company formed or authorized under [this chapter](#) shall be subject to all of the following requirements:
 - a. (1) A protected cell captive company may establish one or more protected cells subject to the prior written approval of the commissioner of a plan of operation submitted by the protected cell captive company for each protected cell. The plan of operation shall include but is not limited to the specific business objectives and investment guidelines of the protected cell.
 - (2) Upon the commissioner's approval of the protected cell captive company's plan of operation, the company, in accordance with the approved plan of operation, may attribute insurance obligations with respect to its insurance business to the protected cell.
 - (3) A protected cell captive company shall transfer all assets attributable to a protected cell to one or more separately established and separately identified protected cell accounts bearing the name or designation of that protected cell. Each protected cell shall have a distinct name or designation that must include the words "protected cell". Protected cell assets shall be held in the protected cell accounts for the purpose of satisfying the obligations of the specific protected cell.
 - (4) Each protected cell shall be incorporated. An incorporated protected cell may be organized and operated in any form of business organization as authorized by the commissioner by rule. Each protected cell of a protected cell captive company shall be treated as a captive insurance company under [this chapter](#), except that the limit on maximum yearly aggregate taxes paid under [section 432.1A, subsection 4](#), shall not apply. Unless otherwise permitted by the organizational document of a protected cell captive company, each protected cell of the protected cell captive company must have the same directors, secretary, and registered office as the protected cell captive company.
 - b. All attributions of assets and liabilities between a protected cell and the protected cell captive company's general account shall be in accordance with the plan of operation and the participant contracts as approved by the commissioner. No other attribution of assets and liabilities shall be made by a protected cell captive company between the protected cell captive company's general account and the company's protected cells. Any attribution of assets and liabilities between the general account and a protected cell shall be in cash or in readily marketable securities with established market values.
 - c. The establishment of a protected cell shall create, with respect to the protected cell, a legal person separate from the protected cell captive company. Amounts attributed to a protected cell under [this chapter](#), including assets transferred to a protected cell account, shall be owned by the protected cell and the protected cell captive company shall not be a trustee, or hold itself out to be a trustee, with respect to the protected cell assets of that protected cell account.
 - d. A protected cell captive company may contract with or arrange for an investment adviser or other third party, approved by the commissioner, to manage the protected cell assets of a protected cell if all remuneration, expenses, and other compensation of the third party are paid from the protected cell assets of that protected cell, and not from the protected cell assets of other protected cells or the assets of the protected cell captive company's general account.
 - e. (1) A protected cell captive company shall establish the administrative and accounting procedures necessary to properly identify each protected cell of the protected cell captive company, and the protected cell assets and protected cell liabilities attributable to each protected cell. The directors of a protected cell captive company shall be responsible for all of the following:
 - (a) Maintaining the assets and liabilities of protected cells separately, and separately identifiable, from the assets and liabilities of the protected cell captive company's general account.
 - (b) Maintaining protected cell assets and protected cell liabilities attributable to one protected cell separate, and separately identifiable, from protected cell assets and protected cell liabilities attributable to another protected cell.

(2) If a protected cell captive company fails to comply with subparagraph (1), the remedy of tracing shall be applicable to protected cell assets commingled with protected cell assets of other protected cells, or commingled with the assets of the protected cell captive company's general account. The remedy of tracing shall not be the exclusive remedy.

f. When establishing a protected cell, a protected cell captive company shall attribute assets with a value at least equal to the reserves attributed to that protected cell to the protected cell.

3. Each protected cell shall be accounted for separately on the books and records of the protected cell captive company to reflect the financial condition and result of operations of the protected cell, including but not limited to the net income or loss, dividends or other distributions to participants, and any other factor provided in the participant contract, or as required by the commissioner by rule.

4. The assets of a protected cell shall not be chargeable with liabilities arising from any other insurance business of the protected cell captive company.

5. A protected cell captive company shall not make a sale, exchange, or other transfer of assets among any of the company's protected cells without the consent of the participants of each affected protected cell.

6. A protected cell shall not make a sale, exchange, transfer of assets, dividend, or distribution to a sponsor or to a participant without the commissioner's prior written approval, which shall not be given if the sale, exchange, transfer, dividend, or distribution will result in the insolvency or impairment of the protected cell.

7. A protected cell captive company shall annually file with the commissioner any financial reports required by the commissioner, as established by rule, and shall include, without limitation, accounting statements detailing the finances of each protected cell.

8. A protected cell captive company shall notify the commissioner in writing within ten business days from the date that a protected cell has become impaired or insolvent, or is otherwise unable to meet its claim or expense obligations.

9. A participant contract shall not take effect without the commissioner's prior written approval.

10. An addition of any new protected cell, or the withdrawal of any participant of an existing protected cell, shall constitute a change in the business plan of the protected cell captive company, and the change shall not become effective without the prior written approval of the commissioner.

11. With respect to each protected cell, business written by a protected cell captive company shall be fronted by an insurance company authorized under the laws of any state, or as approved by the commissioner.

12. If a protected cell captive company's business is reinsured, with respect to each protected cell, the protected cell captive company shall comply with at least one of the following requirements:

a. The business shall be reinsured by a reinsurer authorized or approved by the commissioner.

b. The business shall be secured by a trust fund that is located in the United States for the benefit of policyholders and claimants, and which is funded by an irrevocable letter of credit or other asset that is acceptable to the commissioner, and that is subject to all of the following:

(1) The amount of security provided by the trust fund shall not be less than the reserves associated with the liabilities that are not fronted or reinsured, including but not limited to reserves for losses that are allocated for loss adjustment expenses, incurred but not reported losses, and unearned premiums for business written through the participant's protected cell.

(2) The commissioner may require the protected cell captive company to increase the funding of any trust.

(3) If the form of security in the trust is a letter of credit, the letter of credit shall be established, issued, or confirmed by a bank chartered in this state, a member of the federal reserve system, or a bank chartered by another state if the bank is approved by the commissioner.

(4) The commissioner shall approve the form and terms of the trust and trust instrument.
[2023 Acts, ch 107, §20, 31](#)

Referred to in [§521J.1](#)

Section applies January 1, 2025, to protected cell captive companies formed, authorized, or continued on or after that date; 2023 Acts, ch 107, §31

521J.18 Sponsors — qualifications.

A sponsor of a protected cell captive company may be any person approved by the commissioner, based on the commissioner's determination that the approval of such person as a sponsor is consistent with the purposes of [this chapter](#). In evaluating the qualifications of a proposed sponsor, the commissioner shall consider the type and structure of the proposed sponsor entity, the sponsor's experience in financial operations, the sponsor's financial stability, the sponsor's business reputation, and any other factors deemed relevant by the commissioner. A risk retention group shall not be a sponsor of a protected cell captive company.

[2023 Acts, ch 107, §21](#)

Referred to in [§521J.1](#)

521J.19 Delinquency.

1. Except as otherwise provided in [this section, chapter 507C](#) shall apply to a protected cell captive company.

2. Upon any order of supervision, rehabilitation, or liquidation of a protected cell captive company, the receiver shall manage the assets and liabilities of the protected cell captive company pursuant to [this section](#).

3. Notwithstanding [chapter 507C](#) or any other provision of law to the contrary, in the conservation, rehabilitation, or liquidation of a protected cell captive company, all of the following requirements shall be met:

a. The assets and liabilities of a protected cell shall at all times be kept separate from, and shall not be commingled with, those of other protected cells and the protected cell captive company.

b. The assets of a protected cell shall not be used to pay any expenses or claims other than the expenses or claims attributable to the protected cell.

c. If the sponsor consents and the commissioner has granted prior written approval, the assets of the protected cell captive company's general account may be used to pay any expenses or claims attributable solely to a protected cell or protected cells of the protected cell captive company. Notwithstanding [section 521J.4](#), if the assets of the protected cell captive company's general account are used to pay expenses or claims attributed solely to a protected cell or protected cells of the protected cell captive company, the sponsor shall not be required to contribute additional capital and surplus to the protected cell captive company's general account.

d. A protected cell captive company's capital and surplus shall be available at all times to pay any expenses of, or claims against, the protected cell captive company.

4. Notwithstanding [chapter 507C](#) or any other provision of law to the contrary, in the event of an insolvency of a protected cell captive company where the commissioner determines that one or more protected cells remain solvent, the commissioner may separate such cells from the protected cell captive company and, on application of the sponsor, may allow for the conversion of such protected cells into one or more new or existing protected cell captive companies, or one or more other captive companies, pursuant to a plan of operation approved by the commissioner.

[2023 Acts, ch 107, §22; 2023 Acts, ch 119, §42](#)

521J.20 Participants.

Individuals, business entities, and sponsors may be a participant in a protected cell captive company. A participant shall not be required to be a shareholder of a protected cell captive company, or of the protected cell captive company's affiliate.

[2023 Acts, ch 107, §23](#)

521J.21 Investments — combined assets.

The assets of two or more protected cells may be combined for the purpose of investment by a protected cell captive company, and combining the protected cells' assets shall not be construed as defeating the segregation of the assets for accounting or any other purpose. Protected cell captive companies and protected cells shall comply with the applicable investment requirements contained in [section 521J.13](#); however, compliance with such investment requirements shall be waived for protected cell captive companies to the extent that credit for reinsurance ceded to reinsurers is allowed under [section 521J.14](#), or to the extent that waiver of compliance with the investment requirements is deemed reasonable and appropriate by the commissioner. The commissioner may exercise discretion in approving the accounting standards used by the company.

[2023 Acts, ch 107, §24](#)

521J.22 Dormant captive companies.

1. As used in [this section](#), “*dormant captive company*” means a captive company, other than a captive risk retention group, that meets all of the following:

a. The captive company has ceased transacting the business of insurance, including the issuance of insurance policies.

b. The captive company does not have any remaining liabilities associated with its insurance business transactions or insurance policies issued prior to the captive company's filing of an application for a certificate of dormancy under [subsection 2](#).

2. Any captive company that is domiciled in this state and that complies with [this section](#) may apply to the commissioner for a certificate of dormancy. A certificate of dormancy shall be subject to expiration five calendar years from the date that the certificate is issued, and the commissioner shall not renew a certificate of dormancy.

3. a. A captive company that has been issued a certificate of dormancy shall comply with all of the following:

(1) The dormant captive company shall possess and maintain unimpaired, paid-in capital and surplus of not less than twenty-five thousand dollars.

(2) Within ninety calendar days of the dormant captive company's fiscal year end, the company shall annually submit to the commissioner a report on the company's financial condition, verified by oath of two of the company's executive officers, in the form and manner as established by the commissioner by rule.

(3) The dormant captive company shall pay an annual one thousand dollar dormancy tax, due on or before March 1, if for any portion of the immediately preceding calendar year the captive company held a certificate of dormancy. Each series of members and each protected cell shall be considered separate for purposes of paying the annual dormancy tax under a certificate of dormancy. A dormant captive company is not otherwise liable for any annual renewal as provided in [section 521J.2, subsection 4](#), paragraph “b”.

b. A dormant captive insurance company that has been issued a certificate of dormancy shall not be subject to or liable for the payment of tax under [section 432.1A](#) from the date the certificate of dormancy is issued through the date the certificate of dormancy expires.

4. A dormant captive company shall be subject to examination under [section 521J.8](#) for any year in which the company does not qualify as a dormant captive company. In the commissioner's discretion, a dormant captive company shall be subject to examination under [section 521J.8](#) for any year in which the dormant captive company qualifies as a dormant captive company.

5. Prior to a dormant captive company issuing an insurance policy, the dormant captive company shall apply to the commissioner for approval to surrender the company's certificate of dormancy and to resume conducting the business of insurance.

6. A dormant captive company's certificate of dormancy shall be revoked if the company violates [this section](#).

[2023 Acts, ch 107, §25](#)

521J.23 Workers' compensation — compliance with state and federal laws.

1. [This chapter](#) shall not be construed to exempt a captive company, a captive company's

parent, or a captive company's affiliated companies from compliance with applicable state and federal laws governing workers' compensation insurance.

2. [This chapter](#) shall not be construed to divest the division of workers' compensation of any jurisdiction, as authorized by law, over workers' compensation self-insurance plans.

[2023 Acts, ch 107, §26](#)

521J.24 Books and records.

1. a. Unless otherwise approved by the commissioner, a captive company shall maintain the captive company's original books, records, documents, accounts, vouchers, and agreements in this state and make them available for examination and inspection by the commissioner as requested by the commissioner. The captive company may store and reproduce the books, records, documents, accounts, vouchers, and agreements electronically.

b. All books, records, documents, accounts, vouchers, and agreements shall be kept in a manner that the commissioner can readily ascertain the captive company's financial condition, affairs, and operations; can readily verify the captive company's financial statements; and can confirm the captive company's compliance with [this chapter](#).

2. Unless otherwise approved by the commissioner, all books, records, documents, accounts, vouchers, and agreements maintained by a captive company under [subsection 1](#) shall remain available in the state until the commissioner approves destruction or other disposition of the books, records, documents, accounts, vouchers, and agreements.

[2023 Acts, ch 107, §27](#)

521J.25 Risk management of controlled unaffiliated business — standards.

The commissioner may adopt rules establishing standards to ensure that a parent or affiliated company is able to exercise control of the risk management function of any controlled unaffiliated business to be insured by a captive company. If rules are not adopted to establish standards pursuant to [this section](#), the commissioner may approve the coverage of such risks on a case-by-case basis.

[2023 Acts, ch 107, §28](#)

521J.26 Rules.

The commissioner shall adopt rules pursuant to [chapter 17A](#) to implement and administer [this chapter](#).

[2023 Acts, ch 107, §29](#)