

**Senate File 2499 - Introduced**

SENATE FILE 2499  
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO SF 2446)  
(SUCCESSOR TO SSB 3179)

(COMPANION TO HF 2766)

**A BILL FOR**

1 An Act relating to captive insurance companies and life captive  
2 reinsurance companies, and including civil penalties.  
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 432.1, Code 2026, is amended by adding  
2 the following new subsection:

3 NEW SUBSECTION. 7. *a.* A tax return filed under this  
4 section shall not be subject to inspection under chapter 22.  
5 It shall be unlawful for any present or former officer or  
6 employee of the state to willfully or recklessly publish any  
7 tax return filed under this section. A person who violates  
8 this paragraph shall be guilty of a serious misdemeanor and, in  
9 addition to any other penalty, shall be dismissed from state  
10 office or discharged from state employment.

11 *b.* This section shall not be construed to prohibit the  
12 department of revenue from turning over information and tax  
13 returns in the department of revenue's possession pursuant  
14 to this subsection to duly authorized officers of the United  
15 States, or tax officials of other states, pursuant to an  
16 agreement between the commissioner of insurance and any of the  
17 following:

18 (1) The secretary of the treasury of the United States, or  
19 the secretary's delegate.

20 (2) The commissioner of insurance of another state.

21 Sec. 2. Section 432.1A, Code 2026, is amended by adding the  
22 following new subsection:

23 NEW SUBSECTION. 9. *a.* A tax return filed under this  
24 section shall not be subject to inspection under chapter 22.  
25 It shall be unlawful for any present or former officer or  
26 employee of the state to willfully or recklessly publish any  
27 tax return filed under this section. A person who violates  
28 this paragraph shall be guilty of a serious misdemeanor and, in  
29 addition to any other penalty, shall be dismissed from state  
30 office or discharged from state employment.

31 *b.* This section shall not be construed to prohibit the  
32 department of revenue from turning over information and  
33 tax returns in the department's possession pursuant to this  
34 subsection to duly authorized officers of the United States, or  
35 tax officials of other states, pursuant to an agreement between

1 the commissioner of insurance and any of the following:

2 (1) The secretary of the treasury of the United States, or  
3 the secretary's delegate.

4 (2) The commissioner of insurance of another state.

5 Sec. 3. Section 490.905, subsection 1, Code 2026, is amended  
6 to read as follows:

7 1. The secretary of state, upon a corporation complying with  
8 this section and upon the filing of articles of incorporation  
9 and upon receipt of the fees as provided in [this chapter](#),  
10 shall issue an acknowledgment of receipt of document as  
11 of the date of the filing of the articles of incorporation  
12 with the secretary of state. The acknowledgment of receipt  
13 of document shall state on its face that it is issued in  
14 accordance with [this section](#). The secretary of state shall  
15 then notify the appropriate officer of the state or country of  
16 the corporation's last domicile that the corporation is now a  
17 domestic corporation domiciled in this state. [This section](#)  
18 applies to life insurance companies, ~~and~~ to insurance companies  
19 doing business under [chapter 515](#), and to captive companies  
20 doing business under chapter 521J.

21 Sec. 4. Section 521J.1, unnumbered paragraph 1, Code 2026,  
22 is amended to read as follows:

23 As used in this ~~chapter~~ subchapter, unless the context  
24 otherwise requires:

25 Sec. 5. Section 521J.1, subsections 2, 6, 7, 8, and 9, Code  
26 2026, are amended to read as follows:

27 2. "*Alien captive company*" means a captive company formed  
28 under the laws of ~~an alien jurisdiction~~ any country except the  
29 United States that imposes statutory or regulatory standards in  
30 a form acceptable to the commissioner on companies transacting  
31 the business of insurance in such jurisdiction.

32 6. "*Business entity*" means a ~~corporation, a limited~~  
33 ~~liability company, or other legal entity formed by an~~  
34 ~~organizational document~~ legal entity permitted under Iowa law.  
35 "*Business entity*" does not include a sole proprietorship.

1 7. "*Captive company*" means any pure captive company,  
2 protected cell captive company, special purpose captive  
3 company, or industrial insured captive company formed or  
4 authorized under this ~~chapter~~ subchapter. "*Captive company*"  
5 does not include a life captive reinsurance company as defined  
6 under section 521J.101.

7 8. "*Captive reinsurance company*" means a captive insurance  
8 company in this state, as authorized ~~by the commissioner by~~  
9 rule under this subchapter, that reinsures the risk ceded by  
10 any other insurer. "*Captive reinsurance company*" does not  
11 include a life captive reinsurance company as defined under  
12 section 521J.101.

13 9. "*Captive risk retention group*" means a captive insurance  
14 risk retention group formed under this ~~chapter~~ subchapter and  
15 that is subject to [chapter 515E](#).

16 Sec. 6. Section 521J.1, Code 2026, is amended by adding the  
17 following new subsection:

18 NEW SUBSECTION. 13A. "*Foreign captive company*" means a  
19 captive company formed and licensed under the laws of any  
20 jurisdiction within the United States except this state.

21 Sec. 7. Section 521J.1, subsection 22, Code 2026, is amended  
22 to read as follows:

23 22. "*Protected cell*" means a separate account established  
24 by a protected cell captive company formed or authorized under  
25 this ~~chapter~~ subchapter in which an identified pool of assets  
26 and liabilities are segregated and insulated, as provided in  
27 section 521J.17, from the remainder of the protected cell  
28 captive company's assets and liabilities in accordance with  
29 the terms of one or more participant contracts to fund the  
30 liability of the protected cell captive company with respect to  
31 the participants.

32 Sec. 8. Section 521J.1, subsection 24, paragraph b, Code  
33 2026, is amended to read as follows:

34 *b.* The company is formed or authorized under this ~~chapter~~  
35 subchapter.

1 Sec. 9. Section 521J.1, subsection 31, Code 2026, is amended  
2 to read as follows:

3 31. "*Special purpose captive company*" means a captive  
4 company that is formed or authorized under this ~~chapter~~  
5 subchapter that does not meet the definition of any other type  
6 of captive company as defined in this ~~section~~ subchapter,  
7 or that is formed by, on behalf of, or for the benefit of a  
8 political subdivision ~~of this state~~. "Special purpose captive  
9 company" may include a reciprocal insurer. "Special purpose  
10 captive company" does not include a life captive reinsurance  
11 company as defined under section 521J.101.

12 Sec. 10. Section 521J.2, subsection 1, unnumbered paragraph  
13 1, Code 2026, is amended to read as follows:

14 If permitted by its organizational document, a captive  
15 company may apply to the commissioner for a certificate of  
16 authority to provide property insurance, casualty insurance,  
17 life insurance, disability income insurance, surety insurance,  
18 marine insurance, health insurance, ~~or~~ a group health plan, or  
19 the ability to accept or transfer risk by means of a parametric  
20 contract, with the following exceptions:

21 Sec. 11. Section 521J.2, subsection 2, Code 2026, is amended  
22 by adding the following new paragraph:

23 NEW PARAGRAPH. e. The captive company's organizational  
24 documents, and any subsequent amendments, have been filed and  
25 approved by the commissioner prior to being filed with the  
26 secretary of state.

27 Sec. 12. Section 521J.2, subsections 3, 4, and 5, Code 2026,  
28 are amended to read as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 applicable.

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

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

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

13 (2) A statement that acknowledges that all financial  
14 records of the protected cell captive company, including  
15 records pertaining to any protected cells, shall be made  
16 available upon request for inspection or examination by the  
17 commissioner or the commissioner's designated agent.

18 (3) A copy of each participant contract.

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

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

30 ~~f.~~ 4. All documents, reports, and information submitted  
31 pursuant to this ~~subsection~~ subchapter shall be confidential  
32 and shall not be made public without the advance written  
33 consent of the submitting company, with the following  
34 exceptions:

35 (1) a. The documents and information shall be discoverable

1 by a party in a civil action or in a contested case to which  
2 the captive company that submitted the information is a party  
3 upon a showing by the party seeking to discover the information  
4 that the information sought is relevant to, and necessary for,  
5 the furtherance of the action or case; the information sought  
6 is unavailable from other nonconfidential sources; and that a  
7 subpoena issued by a judicial or an administrative officer has  
8 been submitted to the commissioner.

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

17     ~~4.~~ 5. *a.* Each captive company, each individual series  
18 of members of a limited liability company, and each protected  
19 cell shall pay a nonrefundable fee to the commissioner of  
20 two hundred dollars for the examination, investigation, and  
21 processing of its application for a certificate of authority.  
22 The commissioner shall be authorized to retain legal,  
23 financial, and examination services from outside experts as  
24 necessary for review of the application, the reasonable cost of  
25 which may be charged to the applicant.

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

30     ~~5.~~ 6. If the commissioner is satisfied with the documents  
31 and statements that an applicant captive company has filed in  
32 compliance with this ~~chapter~~ subchapter, and the applicable  
33 provisions of Title XIII, subtitle 1, the commissioner may  
34 grant a certificate of authority to the captive company that  
35 permits the company to do the business of insurance in this

1 state. The certificate of authority must be renewed annually  
2 and may be renewed if the applicant is in compliance with this  
3 ~~chapter~~ subchapter.

4 Sec. 13. Section 521J.4, subsection 1, paragraphs d and e,  
5 Code 2026, are amended to read as follows:

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

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

19 Sec. 14. Section 521J.4, subsection 3, Code 2026, is amended  
20 to read as follows:

21 3. *a.* The capital and surplus required under subsection  
22 1 and subsection 2, if applicable, shall be in the form of  
23 cash, cash equivalent, marketable securities as approved by  
24 the commissioner, or an irrevocable letter of credit on a form  
25 as prescribed by the commissioner ~~by rule~~ and as issued by  
26 a bank chartered by the state of Iowa, a member bank of the  
27 federal reserve system, or a bank chartered by another state if  
28 approved by the commissioner.

29 *b.* If a captive company elects to satisfy any portion of the  
30 captive company's minimum capital and surplus requirements with  
31 marketable securities, the commissioner may require the captive  
32 company to file financial statements or other reports on a more  
33 frequent basis than otherwise required under this subchapter.  
34 The increased reporting frequency may be imposed to ensure the  
35 commissioner can adequately monitor the liquidity, valuation,

1 and market risk associated with the marketable securities.

2 Sec. 15. Section 521J.5, subsection 1, Code 2026, is amended  
3 to read as follows:

4 1. A Subject to the commissioner's approval, a captive  
5 company ~~must~~ may be formed or organized as a business entity  
6 as provided under this ~~chapter~~ subchapter, or as a reciprocal  
7 insurer as provided under chapter 520.

8 Sec. 16. Section 521J.5, subsection 2, paragraph c, Code  
9 2026, is amended to read as follows:

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

12 Sec. 17. Section 521J.5, subsection 5, paragraph c, Code  
13 2026, is amended to read as follows:

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

20 Sec. 18. Section 521J.5, subsections 6 and 7, Code 2026, are  
21 amended to read as follows:

22 6. a. A captive company formed as a corporation or another  
23 business entity shall have the privileges of, and shall be  
24 subject to, state laws governing corporations or other business  
25 entities, and the applicable provisions of this ~~chapter~~  
26 subchapter.

27 b. In the event of a conflict between a state law governing  
28 corporations or other business entities and this ~~chapter~~  
29 subchapter, this ~~chapter~~ subchapter shall take precedence.

30 7. a. A subscribers' agreement, or other organizational  
31 document of a captive company formed as a reciprocal insurer,  
32 shall authorize a quorum of a subscribers' advisory committee  
33 to consist of at least one-third of the number of members on  
34 the advisory committee. In addition to this subchapter, a  
35 captive company formed as a reciprocal insurer shall be subject

1 to chapter 520, unless exempt by approval of the commissioner  
2 in the captive company's plan of operations. In the event  
3 of a conflict between chapter 520 and this subchapter, this  
4 subchapter shall take precedence.

5 *b.* In addition to this ~~chapter~~ subchapter, a captive risk  
6 retention group shall be subject to **chapter 515E**. In the event  
7 of a conflict between **chapter 515E** and this ~~chapter~~ subchapter,  
8 this ~~chapter~~ subchapter shall take precedence.

9 Sec. 19. Section 521J.5, subsection 8, Code 2026, is amended  
10 by striking the subsection.

11 Sec. 20. Section 521J.5, subsection 9, paragraph b, Code  
12 2026, is amended to read as follows:

13 *b.* A branch captive company established under this  
14 ~~chapter~~ subchapter to write, in this state, only insurance or  
15 reinsurance of the employee benefit business of the branch  
16 captive company's parent and affiliated companies shall be  
17 subject to the federal Employee Retirement Income Security Act  
18 of 1974, 29 U.S.C. §1001, et seq.

19 Sec. 21. Section 521J.6, subsection 2, Code 2026, is amended  
20 to read as follows:

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

27 Sec. 22. Section 521J.7, Code 2026, is amended to read as  
28 follows:

29 **521J.7 Reports.**

30 ~~1.~~ A Unless otherwise directed by the commissioner in  
31 the first year of a captive company's licensure under this  
32 subchapter, the captive company shall be required to file an  
33 annual report with the commissioner that meets the following  
34 requirements:

35 ~~a.~~ 1. Except as provided in ~~paragraph "b"~~ subsection

1 2, on or before April 1 of each year, each captive company  
2 and each captive risk retention group shall submit to the  
3 commissioner a report on the company's financial condition as  
4 of December 31 of the preceding year, as verified by oath of  
5 two of the company's or group's executive officers. The report  
6 shall be submitted in a form and manner as prescribed by the  
7 commissioner by rule.

8 ~~b.~~ 2. A captive company, other than a captive risk  
9 retention group, may apply to the commissioner to file the  
10 report required under ~~paragraph "a"~~ subsection 1 on a fiscal  
11 year-end basis. If the commissioner approves reporting on a  
12 fiscal year-end basis, the captive company shall comply with  
13 all of the following requirements:

14 ~~(1)~~ a. Subject to ~~subparagraph (2)~~ paragraph "b", the  
15 captive company's report shall be filed no later than ninety  
16 calendar days after the close of the company's fiscal year.

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

21 ~~e.~~ 3. Each captive company shall use generally accepted  
22 accounting principles as used in the United States, unless  
23 the commissioner requires, approves, or accepts the use  
24 of United States statutory accounting principles or any  
25 other comprehensive accounting principles for the company's  
26 report. The commissioner may require, approve, or accept  
27 any appropriate or necessary modifications of United States  
28 statutory accounting principles or other comprehensive  
29 accounting principles based on the type of insurance and kinds  
30 of insurers that are included in a captive company's report.  
31 The report may include letters of credit that are established,  
32 issued, or confirmed by any of the following:

33 ~~(1)~~ a. A bank chartered in this state.

34 ~~(2)~~ b. A member of the federal reserve system.

35 ~~(3)~~ c. A bank chartered by another state, if approved by

1 the commissioner.

2 ~~d.~~ 4. An actuarial opinion from a qualified actuary  
3 regarding the adequacy of the company's required reserves to  
4 make full provision for the company's liabilities, insured or  
5 reinsured, shall be included in the report. The qualified  
6 actuary shall submit a memorandum to the commissioner that  
7 details the qualified actuary's support for the actuarial  
8 opinion. The commissioner may require that additional  
9 information be submitted to supplement the actuarial opinion.

10 ~~e.~~ 5. All captive companies shall be audited annually by an  
11 independent certified public accountant and shall annually file  
12 the audited financial report with the commissioner on or before  
13 June 1, as a supplement to the annual report required under  
14 ~~section 521J.7, subsection 1~~ this section.

15 ~~f.~~ 6. A captive company may request an extension to file  
16 a report required by this section. A written request for an  
17 extension must be received by the commissioner not less than  
18 ten days before the filing due date, and the request must  
19 contain sufficient details to enable the commissioner to make  
20 an informed decision regarding the request. The commissioner  
21 may grant a thirty-day extension upon a determination by the  
22 commissioner that a captive company has good cause for the  
23 extension.

24 ~~g.~~ 7. A captive company may be required to file a report  
25 on the captive company's financial condition on a semiannual,  
26 quarterly, monthly, or other basis as determined by the  
27 commissioner.

28 ~~h.~~ 8. Captive companies shall file all reports required  
29 under this section in the form and manner prescribed by the  
30 commissioner by rule.

31 ~~2. All reports filed pursuant to this section shall be~~  
32 ~~considered confidential and shall not be a public record.~~

33 Sec. 23. Section 521J.8, subsection 1, paragraph a, Code  
34 2026, is amended to read as follows:

35 a. Except for captive risk retention groups as provided

1 under paragraph "c", the commissioner may examine each captive  
2 company's compliance with this ~~chapter~~ subchapter, and may  
3 examine the affairs, transactions, accounts, records, and  
4 assets of each captive company as the commissioner deems  
5 necessary.

6 Sec. 24. Section 521J.8, subsection 5, Code 2026, is amended  
7 to read as follows:

8 5. The applicable provisions of chapter 507 shall apply to  
9 examinations conducted under this ~~chapter~~ subchapter.

10 Sec. 25. Section 521J.9, subsection 1, paragraphs h and i,  
11 Code 2026, are amended to read as follows:

12 *h.* Failure to submit or pay any fee under this ~~chapter~~  
13 subchapter.

14 *i.* Failure to submit to or pay the cost of any examination  
15 under this ~~chapter~~ subchapter.

16 Sec. 26. Section 521J.11, subsection 1, Code 2026, is  
17 amended to read as follows:

18 1. A merger between captive stock insurers, or a merger  
19 between captive mutual insurers, shall meet the requirements  
20 of chapter 521 and section 521J.5, as applicable. The  
21 commissioner may, at the commissioner's discretion, provide  
22 notice to the public of a proposed merger prior to the  
23 commissioner's approval or disapproval of a merger. Except  
24 as provided in this section, applicable provisions of chapter  
25 508B shall apply to a merger, consolidation, conversion,  
26 mutualization, or voluntary dissolution by a captive company.

27 Sec. 27. Section 521J.13, subsection 1, Code 2026, is  
28 amended to read as follows:

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

34 *b.* If a captive company's ~~admitted~~ annual report filed  
35 pursuant to section 521J.7 states total assets total of less

1 than five million dollars, the commissioner may approve an  
2 investment of up to twenty percent of the captive company's  
3 admitted assets in rated credit instruments in any ~~one~~  
4 investment that meets the requirements established by the  
5 commissioner ~~by rule~~. For purposes of this subsection, total  
6 assets shall be based on the accounting basis approved by the  
7 commissioner, provided that all assets included in such total  
8 assets must be reasonably liquid, realizable, and available to  
9 support the obligations of the captive.

10 Sec. 28. Section 521J.14, subsection 3, Code 2026, is  
11 amended to read as follows:

12 3. Insurance by a captive company of any workers'  
13 compensation qualified self-insured plan of the captive  
14 company's parent and affiliates shall be deemed to be  
15 reinsurance under this ~~chapter~~ subchapter.

16 Sec. 29. Section 521J.17, subsection 2, unnumbered  
17 paragraph 1, Code 2026, is amended to read as follows:

18 A protected cell captive company formed or authorized  
19 under this ~~chapter~~ subchapter shall be subject to all of the  
20 following requirements:

21 Sec. 30. Section 521J.17, subsection 2, paragraph a,  
22 subparagraph (4), Code 2026, is amended to read as follows:

23 (4) Each protected cell shall be ~~incorporated~~. ~~An~~  
24 ~~incorporated protected cell may be organized and operated~~  
25 ~~in any form of business organization as authorized by the~~  
26 ~~commissioner by rule~~ formed as a business entity, provided the  
27 business entity is separate from the protected cell captive  
28 company of which the business entity is a part. Each protected  
29 cell of a protected cell captive company shall be treated as  
30 a captive insurance company under this ~~chapter~~ subchapter,  
31 except that the limit on maximum yearly aggregate taxes paid  
32 under [section 432.1A, subsection 4](#), shall not apply. Unless  
33 otherwise permitted by the organizational document of a  
34 protected cell captive company, each protected cell of the  
35 protected cell captive company must have the same directors,

1 secretary, and registered office as the protected cell captive  
2 company.

3 Sec. 31. Section 521J.17, subsection 2, paragraph c, Code  
4 2026, is amended to read as follows:

5 c. The establishment of a protected cell shall create, with  
6 respect to the protected cell, a ~~legal person~~ business entity  
7 separate from the protected cell captive company. Amounts  
8 attributed to a protected cell under this ~~chapter~~ subchapter,  
9 including assets transferred to a protected cell account, shall  
10 be owned by the protected cell and the protected cell captive  
11 company shall not be a trustee, or hold itself out to be a  
12 trustee, with respect to the protected cell assets of that  
13 protected cell account.

14 Sec. 32. Section 521J.18, Code 2026, is amended to read as  
15 follows:

16 **521J.18 Sponsors — qualifications.**

17 A sponsor of a protected cell captive company may be  
18 any person approved by the commissioner, based on the  
19 commissioner's determination that the approval of such person  
20 as a sponsor is consistent with the purposes of this ~~chapter~~  
21 subchapter. In evaluating the qualifications of a proposed  
22 sponsor, the commissioner shall consider the type and structure  
23 of the proposed sponsor entity, the sponsor's experience in  
24 financial operations, the sponsor's financial stability, the  
25 sponsor's business reputation, and any other factors deemed  
26 relevant by the commissioner. A risk retention group shall not  
27 be a sponsor of a protected cell captive company.

28 Sec. 33. Section 521J.22, subsection 3, paragraph a,  
29 subparagraph (3), Code 2026, is amended to read as follows:

30 (3) The dormant captive company shall pay an annual one  
31 thousand dollar dormancy tax, due on or before March 1, if  
32 for any portion of the immediately preceding calendar year  
33 the captive company held a certificate of dormancy. Each  
34 series of members and each protected cell shall be considered  
35 separate for purposes of paying the annual dormancy tax under

1 a certificate of dormancy. A dormant captive company is not  
2 otherwise liable for any annual renewal as provided in section  
3 521J.2, ~~subsection 4~~ subsection 5, paragraph "b".

4 Sec. 34. Section 521J.23, Code 2026, is amended to read as  
5 follows:

6 **521J.23 Workers' compensation — compliance with state and**  
7 **federal laws.**

8 1. This ~~chapter~~ subchapter shall not be construed to exempt  
9 a captive company, a captive company's parent, or a captive  
10 company's affiliated companies from compliance with applicable  
11 state and federal laws governing workers' compensation  
12 insurance.

13 2. This ~~chapter~~ subchapter shall not be construed to divest  
14 the division of workers' compensation of any jurisdiction, as  
15 authorized by law, over workers' compensation self-insurance  
16 plans.

17 Sec. 35. Section 521J.24, subsection 1, paragraph b, Code  
18 2026, is amended to read as follows:

19 b. All books, records, documents, accounts, vouchers, and  
20 agreements shall be kept in a manner that the commissioner can  
21 readily ascertain the captive company's financial condition,  
22 affairs, and operations; can readily verify the captive  
23 company's financial statements; and can confirm the captive  
24 company's compliance with this ~~chapter~~ subchapter.

25 Sec. 36. Section 521J.26, unnumbered paragraph 1, Code  
26 2026, is amended to read as follows:

27 The commissioner ~~shall~~ may adopt rules pursuant to chapter  
28 17A to implement and administer this ~~chapter~~ subchapter.

29 Sec. 37. NEW SECTION. **521J.27 Redomestication — premium**  
30 **tax year waiver.**

31 1. For taxes due pursuant to section 432.1A, a foreign or  
32 alien captive company organized under this subchapter that  
33 redomesticates into the state shall only be liable for taxes on  
34 premiums paid to the captive company after redomestication.

35 2. A foreign or alien captive company that redomesticates

1 under this subchapter shall report to the commissioner all  
2 premium taxes annually due under section 432.1A, may elect  
3 to forgo payment of the premium taxes in either the calendar  
4 year in which the foreign or alien captive company first  
5 domesticates into the state, or the immediately succeeding  
6 calendar year. A foreign or alien captive company that makes  
7 such election that subsequently surrenders the foreign or  
8 alien captive company's license or redomesticates to another  
9 jurisdiction within five years from the date of redomestication  
10 into the state shall immediately pay to the commissioner a tax  
11 in an amount equal to the foregone premium tax plus ten percent  
12 per annum from the date the foregone premium tax would have  
13 originally been due.

14 3. This section shall not apply to tax years beginning on or  
15 after January 1, 2030.

16 Sec. 38. NEW SECTION. 521J.101 **Definitions.**

17 As used in this subchapter, unless the context otherwise  
18 requires:

19 1. "*Affiliated company*" means the same as defined in section  
20 521J.1.

21 2. "*Business entity*" means the same as defined in section  
22 521J.1.

23 3. "*Ceding insurer*" means an affiliated company of a life  
24 captive reinsurance company that cedes risk to the life captive  
25 reinsurance company pursuant to a reinsurance contract.

26 4. "*Commissioner*" means the commissioner of insurance.

27 5. "*Dormant life captive reinsurance company*" means a life  
28 captive reinsurance company that has ceased transacting the  
29 business of insurance, including but not limited to ceasing  
30 issuance of insurance policies, and does not have any remaining  
31 liabilities associated with the life captive reinsurance  
32 company's insurance business transactions or insurance policies  
33 prior to the filing of an application for a certificate of  
34 dormancy.

35 6. a. "*Insurance securitization*" or "*securitization*" means

1 a transaction or a group of related transactions, including  
2 but not limited to capital market offerings, that are effected  
3 through related risk transfer instruments and facilitation  
4 of administrative agreements, in which any of the following  
5 proceeds from the transaction or group of related transactions  
6 are used to fund a life captive reinsurance company's  
7 obligations under a reinsurance contract with a ceding insurer:

8 (1) Proceeds obtained by a life captive reinsurance  
9 company, directly or indirectly, through the issuance of  
10 securities by the life captive reinsurance company or any other  
11 person.

12 (2) Proceeds provided through one or more letter of credit  
13 or other assets for the benefit of the life captive reinsurance  
14 company, and which the commissioner authorizes the life captive  
15 reinsurance company to treat as admitted assets for purposes of  
16 the life captive reinsurance company's annual statement.

17 *b. "Insurance securitization" or "securitization" does not*  
18 *include the issuance of a letter of credit to satisfy all or*  
19 *part of the life captive reinsurance company's capital and*  
20 *surplus requirements under this subchapter.*

21 7. *"Letter of credit"* means a clean, irrevocable,  
22 unconditional letter of credit, issued or confirmed by a  
23 qualified United States financial institution, as defined in  
24 section 521B.104, subsection 1.

25 8. *"Life captive reinsurance company"* means a captive  
26 insurance company in this state that is authorized under and  
27 meets the requirements of this subchapter, and that reinsures  
28 the risk ceded by a life insurance company.

29 9. *"NAIC"* means the national association of insurance  
30 commissioners.

31 10. *"Organizational document"* means the same as defined in  
32 section 521J.1.

33 11. *"Organizing company"* means a life insurance company or  
34 an affiliated company that organizes a life captive reinsurance  
35 company.

1 12. "Parent" means a person that owns an organizing  
2 company, either directly or indirectly through one or more  
3 intermediaries.

4 13. "Person" means an individual, corporation, limited  
5 liability company, business trust, estate, trust, partnership  
6 or association, joint stock company, unincorporated  
7 organization, or any other legal entity, or combination of the  
8 foregoing acting in concert. "Person" does not include a joint  
9 venture partnership exclusively engaged in owning, managing,  
10 leasing, or developing real or tangible personal property.

11 14. "Qualified actuary" means the same as defined in section  
12 521J.1.

13 15. "Risk" means a risk associated with life insurance  
14 policies and contracts written by a ceding life insurance  
15 company or assumed by a ceding life insurance company from  
16 an affiliated company, which were written by the affiliated  
17 company and for which the ceding life insurance company holds  
18 direct statutory reserves as required by section 508.36.

19 16. "Risk-based capital instructions" means instructions  
20 included in a risk-based capital report as adopted and amended  
21 by the NAIC.

22 17. "Security" means the same as defined in section 502.102.  
23 "Security" also includes any form of debt obligation, surplus  
24 note, derivative, or other financial instrument that the  
25 commissioner designates as a "security" for purposes of this  
26 subchapter.

27 18. "Surplus note" means an unsecured subordinate debt  
28 obligation possessing characteristics consistent with the NAIC  
29 statutory accounting principles pursuant to the most recently  
30 published NAIC accounting practices and procedures manual.

31 Sec. 39. NEW SECTION. 521J.102 **Certificate of authority.**

32 1. A life captive reinsurance company issued a certificate  
33 of authority shall only reinsure the risks of a ceding insurer  
34 and shall not otherwise engage in the business of insurance. A  
35 life captive reinsurance company may purchase retrocession to

1 cede the risks assumed under a reinsurance contract, subject to  
2 prior approval of the commissioner.

3 2. A life captive reinsurance company shall not write any  
4 insurance business unless the life captive reinsurance company  
5 complies with all of the following:

6 a. The life captive reinsurance company obtains a  
7 certificate of authority from the commissioner.

8 b. The life captive reinsurance company maintains its  
9 principal place of business in the state.

10 c. The life captive reinsurance company's board of directors  
11 holds at least one annual meeting in the state.

12 d. At least one member of the board of directors of the life  
13 captive reinsurance company is a resident of the state.

14 e. The life captive reinsurance company designates a  
15 registered agent to accept service of process, files the name  
16 and contact information and any subsequent changes regarding  
17 the registered agent with the commissioner, and agrees that if  
18 the registered agent cannot be found with reasonable diligence,  
19 the commissioner may act as an agent of the life captive  
20 reinsurance company with respect to any action or proceeding,  
21 and the commissioner may be served pursuant to section 505.30.

22 f. The life captive reinsurance company has filed a copy  
23 of the life captive reinsurance company's articles and bylaws,  
24 including any subsequent amendment to the articles or bylaws,  
25 with the commissioner and with the secretary of state, and the  
26 articles and bylaws have been approved by the commissioner and  
27 the secretary of state.

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

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

31 (a) A copy of the life captive reinsurance company's plan  
32 of operation.

33 (b) An affidavit from the life captive reinsurance  
34 company's president, vice president, treasurer, or chief  
35 financial officer that includes all of the following:

1 (i) A statement that the proposed organization and  
2 operation of the life captive reinsurance company complies with  
3 this section.

4 (ii) The life captive reinsurance company's investment  
5 policy reflects and accounts for the liquidity of assets and  
6 the reasonable preservation, administration, and management  
7 of assets with respect to the risks associated with the  
8 reinsurance contract between the life captive reinsurance  
9 company and the parent or ceding insurer.

10 (c) A statement under oath by an officer of the life  
11 captive reinsurance company that attests to the life captive  
12 reinsurance company's financial condition.

13 (d) Documentation that provides evidence of the amount  
14 and liquidity of the life captive reinsurance company's  
15 assets relative to the risks to be assumed by the life captive  
16 reinsurance company.

17 (e) Documentation that provides evidence related to the  
18 overall soundness of the life captive reinsurance company's  
19 plan of operation.

20 (f) A certification from an actuarial officer of a ceding  
21 insurer that complies with section 521J.104.

22 (g) A description of coverages, deductibles, coverage  
23 limits, rates, and any additional information requested by the  
24 commissioner.

25 (h) A copy of each reinsurance contract and each arrangement  
26 that secures the life captive reinsurance company's obligations  
27 under the reinsurance contract between the life captive  
28 reinsurance company and the parent or ceding insurer, including  
29 but not limited to any agreements or other documentation to  
30 implement such reinsurance contract or arrangement.

31 (i) A legal opinion, in a form and manner approved by  
32 the commissioner, that the offer and sale of life captive  
33 reinsurance company securities comply with all applicable  
34 registration requirements or applicable exemptions or  
35 exceptions to such requirements under state and federal

1 securities laws. The legal opinion shall not be required  
2 as part of the life captive reinsurance company's initial  
3 application for a certificate of authority if the life captive  
4 reinsurance company includes a statement in the company's  
5 plan of operation that the legal opinion will be submitted  
6 to the commissioner prior to the offer or sale of a captive  
7 reinsurance security.

8 (j) An opinion of a qualified actuary, approved by the  
9 commissioner, confirming that the methodology and assumptions  
10 to set and discount reserves sufficiently provide for the risk  
11 assumed by the life captive reinsurance company, including  
12 significant stress tests on key assumptions.

13 (k) A biographical affidavit for each officer and each  
14 director of the life captive reinsurance company prepared on  
15 the most recent template for biographical affidavits prescribed  
16 by the NAIC.

17 (2) Provide the commissioner with any other statement or  
18 document requested by the commissioner to evaluate the life  
19 captive reinsurance company's application for a certificate of  
20 authority.

21 (3) Pay a nonrefundable fee of two thousand five hundred  
22 dollars to the commissioner for the examination, investigation,  
23 and processing of the life captive reinsurance company's  
24 application for a certificate of authority.

25 *b.* The commissioner shall be authorized to retain legal,  
26 financial, and examination services from outside experts as  
27 necessary for review of the application, the reasonable cost of  
28 which may be charged to the applicant.

29 *c.* If there is a subsequent material change in the  
30 information provided to the commissioner under paragraph  
31 "a", the life captive reinsurance company shall inform the  
32 commissioner within thirty calendar days of the date of the  
33 material change and shall submit appropriate documentation as  
34 requested by the commissioner for approval. The life captive  
35 reinsurance company shall not write any insurance business

1 until on or after the date on which the commissioner approves  
2 the supporting documentation.

3 4. All documents and information submitted pursuant to this  
4 subchapter shall be confidential and shall not be made public  
5 without the advance written consent of the submitting life  
6 captive reinsurance company, with the following exceptions:

7 a. The documents and information shall be discoverable by  
8 a party in a civil action or in a contested case to which the  
9 life captive reinsurance company that submitted the information  
10 is a party upon a showing by the party seeking to discover  
11 the information that the information sought is relevant to,  
12 and necessary for, the furtherance of the action or case; the  
13 information sought is unavailable from other nonconfidential  
14 sources; and that a subpoena issued by a judicial or an  
15 administrative officer has been submitted to the commissioner.

16 b. The commissioner may, in the commissioner's discretion,  
17 disclose the documents and information to a public official  
18 having jurisdiction over the regulation of insurance in another  
19 state, or to a public official of the federal government,  
20 provided that the public official agrees in writing to maintain  
21 the confidentiality of the information, and that the laws of  
22 the state in which the public official serves require that the  
23 information remain confidential.

24 5. a. If an application filed by a life captive reinsurance  
25 company is complete, the commissioner may issue to the life  
26 captive reinsurance company a certificate of authority upon a  
27 finding of all of the following:

28 (1) The life captive reinsurance company's proposed plan of  
29 operation provides for a viable operation and is not hazardous  
30 to any ceding insurer.

31 (2) The terms of any reinsurance contract and related  
32 transactions of the life captive reinsurance company comply  
33 with this subchapter and the insurance laws and rules of this  
34 state.

35 b. In conjunction with the issuance of the certificate

1 of authority to a life captive reinsurance company, the  
2 commissioner may issue an order regarding any terms and  
3 conditions relating to the organization, licensing, and  
4 operation of the life captive reinsurance company that the  
5 commissioner deems appropriate and that are not inconsistent  
6 with this subchapter.

7 6. A certificate of authority shall be valid for a period  
8 of one year beginning on the date of initial issuance and  
9 the certificate must be renewed annually. A certificate of  
10 authority may be renewed if the applicant is in compliance with  
11 the requirements of this subchapter and has paid an annual  
12 renewal registration fee at the time of renewal in the amount  
13 of two thousand five hundred dollars.

14 Sec. 40. NEW SECTION. 521J.103 **Life captive reinsurance**  
15 **companies — names.**

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

20 Sec. 41. NEW SECTION. 521J.104 **Actuarial officer —**  
21 **certification.**

22 On the date a life captive reinsurance company files an  
23 application for a certificate of authority under section  
24 521J.102, and by March 15 of each succeeding year that a life  
25 captive reinsurance company is in operation and is ceded new  
26 business from a ceding insurer, a qualified actuary of each  
27 ceding insurer shall file with the commissioner a certification  
28 that the ceding insurer's transactions with the life captive  
29 reinsurance company are not used to gain an unfair advantage  
30 if pricing of policies and contracts reinsured by the life  
31 captive reinsurance company reflect, at the time the policies  
32 and contracts were issued, a reasonable long-term estimate of  
33 the cost to the ceding insurer of an alternative third-party  
34 transaction and utilize current pricing assumptions. The  
35 ceding insurer shall have an ongoing responsibility to maintain

1 documentation detailing the process by which the qualified  
2 actuary arrived at the conclusions in the certification in  
3 preparation for an examination conducted pursuant to section  
4 521J.110.

5     Sec. 42. NEW SECTION.   **521J.105 Minimum capital and surplus**  
6 **requirements.**

7     1. The commissioner shall not issue a certificate of  
8 authority to a life captive reinsurance company unless the life  
9 captive reinsurance company possesses and maintains unimpaired  
10 paid-in capital and surplus that is not less than five million  
11 dollars. The commissioner may require additional capital  
12 and surplus based upon the type, volume, and nature of the  
13 reinsurance business transacted by the life captive reinsurance  
14 company. Minimum capital and surplus shall be in the form of  
15 cash or other securities that are investment-grade at the time  
16 of acquisition and are acceptable to the commissioner.

17     2. Except as otherwise provided in this section, chapter  
18 521E shall apply to a life captive reinsurance company.

19     Sec. 43. NEW SECTION.   **521J.106 Plan of operation.**

20     A life captive reinsurance company must have a plan of  
21 operation approved by the life captive reinsurance company's  
22 board of directors, and, prior to assuming risks under a  
23 reinsurance contract, shall submit the plan of operation to the  
24 commissioner for approval. The commissioner may approve the  
25 plan of operation upon finding that the plan of operation meets  
26 the requirements of this section, and may require amendments to  
27 the plan of operation as necessary to satisfy the requirements  
28 of this section. Any change in the life captive reinsurance  
29 company's plan of operation shall require prior approval of  
30 the commissioner. The plan of operation must include, at a  
31 minimum, all of the following:

32     1. A complete description of all reinsurance transactions,  
33 reinsurance security arrangements, securitizations, and any  
34 other material transactions or arrangements in which the life  
35 captive reinsurance company engages.

1 2. The source and form of the life captive reinsurance  
2 company's capital and surplus minimums as required under  
3 521J.105.

4 3. The life captive reinsurance company's policy on  
5 investments.

6 4. Pro forma balance sheets and income statements  
7 illustrating one or more adverse case scenarios, as determined  
8 under criteria established by the commissioner, for the  
9 performance of the life captive reinsurance company under all  
10 reinsurance contracts.

11 5. Risk-based capital requirements, that, at a minimum,  
12 require the life captive reinsurance company to maintain  
13 risk-based capital equal to the product of two and one-half and  
14 the number determined under the life risk-based capital formula  
15 in accordance with the risk-based capital instructions.

16 6. The life captive reinsurance company's procedures for  
17 notice and reporting of material transactions.

18 7. The life captive reinsurance company's policies for  
19 payments of dividends and other distributions to the organizing  
20 company.

21 8. Copies of all contracts between the life captive  
22 reinsurance company and affiliated companies.

23 **Sec. 44. NEW SECTION. 521J.107 Life captive reinsurance**  
24 **companies — formation.**

25 1. A life insurance company or an affiliated company may  
26 organize a life captive reinsurance company pursuant to this  
27 subchapter. A life captive reinsurance company must be formed  
28 as a corporation and may only reinsure risks of the organizing  
29 company, and may access alternative forms of financing.

30 2. An organizing company shall maintain a minimum of ten  
31 percent voting interest and ten percent equity ownership in the  
32 life captive reinsurance company unless otherwise approved by  
33 the commissioner.

34 3. A life captive reinsurance company's organizational  
35 documents must limit the life captive reinsurance company's

1 authority to transact the business of reinsurance to only  
2 reinsure the risks of a ceding insurer.

3 4. An organizing company may invest funds from its surplus  
4 in a life captive reinsurance company organized pursuant to  
5 this subchapter.

6 5. An organizing company's officers and directors may serve  
7 as officers and directors of a life captive reinsurance company  
8 organized pursuant to subsection 1.

9 6. A life captive reinsurance company organized under this  
10 subchapter shall be deemed to be licensed to transact the  
11 business of reinsurance for the purposes of section 521B.102,  
12 subsection 1, but shall only reinsure risks of the organizing  
13 company and affiliated companies.

14 7. A life captive reinsurance company may, upon approval of  
15 the commissioner, purchase reinsurance to cede the reinsurance  
16 risks assumed by the life captive reinsurance company.

17 8. Admitted assets of a life captive reinsurance company  
18 shall include assets approved by the commissioner which shall  
19 be deemed to be, and reported as, admitted assets of the life  
20 captive reinsurance company.

21 Sec. 45. NEW SECTION. 521J.108 **Dividends and distributions.**

22 1. A life captive reinsurance company shall not pay a  
23 dividend out of, or other distribution with respect to, the  
24 minimum capital or surplus required under section 521J.105  
25 without the prior written approval of the commissioner.

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

32 Sec. 46. NEW SECTION. 521J.109 **Reports and notifications.**

33 1. A life captive reinsurance company shall provide the  
34 commissioner with a copy of documentation of an insurance  
35 securitization no later than forty-five calendar days before

1 the closing on the transaction for the securitization.

2 2. In the event of a material change in the financial  
3 condition or management of a life captive reinsurance company,  
4 the company shall notify the commissioner in writing within two  
5 business days of the material change.

6 3. A life captive reinsurance company shall notify the  
7 commissioner within five business days of becoming aware of a  
8 material event affecting the life captive reinsurance company's  
9 parent, organizing company, or controlling entity that has not  
10 previously been disclosed to the commissioner.

11 4. If a life captive reinsurance company's parent,  
12 organizing company, or controlling entity is subject to group  
13 supervision in another jurisdiction, the commissioner may  
14 request participation in supervisory colleges or coordination  
15 calls with the lead regulator of that jurisdiction. The life  
16 captive reinsurance company shall facilitate the commissioner's  
17 participation to the extent permitted by law.

18 5. A life captive reinsurance company shall immediately  
19 notify the commissioner of an action by a ceding insurer or any  
20 other person to foreclose on, or otherwise take possession of,  
21 collateral provided by the life captive reinsurance company to  
22 secure an obligation of the life captive reinsurance company.

23 6. A life captive reinsurance company shall not be required  
24 to file any report, notice, or other document with the NAIC  
25 unless required by the commissioner.

26 7. At the commissioner's request, a life captive  
27 reinsurance company shall provide to the commissioner a copy  
28 of any financial or risk-related filings submitted by the  
29 company's parent, affiliate, organizing company, or controlling  
30 entity to the life captive reinsurance company's domiciliary  
31 insurance regulator. Upon request by the commissioner, such  
32 filings shall be provided to the commissioner within ten  
33 business days of the submission to the organizing company's  
34 domestic regulator.

35 8. A life captive reinsurance company shall file with the

1 commissioner all of the following:

2     *a.* On or before March 1 of each year, for the immediately  
3 preceding calendar year, all of the following:

4         (1) A report of the company's risk-based capital level as  
5 of the end of the immediately preceding calendar year that  
6 contains the information required by the risk-based capital  
7 instructions.

8         (2) A supplemental compensation exhibit that discloses the  
9 total annual compensation of the company's officers, directors,  
10 and key employees. The supplemental exhibit must follow the  
11 format and instructions adopted by the NAIC for life insurance  
12 company filings.

13     *b.* (1) On or before March 1 of each year, for the  
14 immediately preceding calendar year, an actuarial opinion from  
15 the company's actuary on reserves for all risks assumed by the  
16 life captive reinsurance company pursuant to the company's  
17 reinsurance contracts and may discount the life captive  
18 reinsurance company's reserves in accordance with the actuarial  
19 opinion subject to approval by the commissioner. The company's  
20 actuary shall submit a memorandum to the commissioner that  
21 details the actuary's support for the actuarial opinion. The  
22 commissioner may require additional information to be submitted  
23 to supplement the actuarial opinion.

24         (2) Biennially on April 1, for the immediately preceding  
25 calendar year, an opinion by an independent qualified actuary  
26 concerning the methods and assumptions used to set reserves.  
27 The independent qualified actuary must be deemed acceptable by  
28 the commissioner prior to filing the opinion.

29     *c.* Completed quarterly and annual financial statement blanks  
30 as are required by the NAIC for traditional life insurance  
31 companies, including any supplements or interrogatories  
32 required by the NAIC, in accordance with the NAIC statutory  
33 accounting principles. The commissioner may require, approve,  
34 or accept any appropriate or necessary modifications of the  
35 NAIC statutory accounting principles based on the type of

1 insurance and kind of insurers included in the life captive  
2 reinsurance company's report. The quarterly filings shall be  
3 filed with the commissioner on or before May 15 for the first  
4 quarter, August 15 for the second quarter, and November 15 for  
5 the third quarter for the current calendar year. The annual  
6 statement shall be filed with the commissioner on or before  
7 March 1 of each year for the immediately preceding calendar  
8 year.

9 *d.* On or before April 1 of each year, all of the following:

10 (1) For the immediately preceding calendar year, a written  
11 management's discussion and analysis of the company's financial  
12 condition and results of operations.

13 (2) For the immediately preceding tax year, a report  
14 providing sufficient information to support the company's  
15 premium tax return submitted pursuant to section 432.1A.

16 *e.* On or before June 1 of each year, for the immediately  
17 preceding calendar year, a report of the company's financial  
18 condition audited by an independent certified public  
19 accountant. The report shall be presented in accordance with  
20 the NAIC statutory accounting principles.

21 *f.* On or before August 1 of each year, a management  
22 report on internal control over financial reporting with the  
23 commissioner that describes the life captive reinsurance  
24 company's internal control structure over financial reporting  
25 and identifies any material weaknesses as of the end of the  
26 preceding calendar year.

27 9. Not less than ten business days prior to a filing due  
28 date, a life captive reinsurance company may submit a written  
29 request for an extension to file a report required under  
30 subsection 8. The request must contain sufficient details to  
31 enable the commissioner to make an informed decision about  
32 the request. The commissioner may grant an extension upon a  
33 determination that the life captive reinsurance company has  
34 good cause for the extension.

35 Sec. 47. NEW SECTION. 521J.110 Examinations.

1 1. *a.* The commissioner may examine each life captive  
2 reinsurance company's compliance with this subchapter, and  
3 may examine the affairs, transactions, accounts, records,  
4 and assets of each life captive reinsurance company as the  
5 commissioner deems necessary, but not less frequently than  
6 every five calendar years.

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

16 2. This section shall apply to all business written by a  
17 life captive reinsurance company.

18 3. The applicable provisions of chapter 507 shall apply to  
19 examinations conducted under this subchapter.

20 Sec. 48. NEW SECTION. 521J.111 **Suspension or revocation.**

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

25 *a.* Insolvency or impairment of capital or surplus.

26 *b.* Failure to meet and maintain the minimum capital and  
27 surplus requirements under section 521J.105.

28 *c.* Refusal or failure to submit an annual report pursuant to  
29 section 521J.109, or to submit a report or statement required  
30 by law or by lawful order of the commissioner.

31 *d.* Failure to comply with the life captive reinsurance  
32 company's own charter, bylaws, or other organizational  
33 document.

34 *e.* Failure to submit to an examination under section  
35 521J.110.

1     *f.* Use of methods that render the life captive reinsurance  
2 company's operation detrimental, or the company's condition  
3 unsound, with respect to the company's policyholders or to the  
4 public.

5     *g.* Failure to pay tax on premiums as required under section  
6 432.1A.

7     *h.* Failure to submit any fee required under this subchapter.

8     *i.* Failure to pay the cost of an examination under section  
9 521J.110.

10    *j.* Failure to comply with the laws of this state.

11    2. *a.* If the commissioner finds upon examination, hearing,  
12 or other review that a life captive reinsurance company has  
13 committed an act specified in subsection 1, the commissioner  
14 may suspend or revoke the life captive reinsurance company's  
15 certificate of authority.

16    *b.* If the commissioner does not revoke a life captive  
17 reinsurance company's certificate of authority during a  
18 suspension imposed under paragraph "a", the life captive  
19 reinsurance company's certificate of authority may be  
20 reinstated if the commissioner finds that the cause of the  
21 suspension has been rectified.

22    Sec. 49. NEW SECTION. 521J.112 **Mergers.**

23    1. A merger between life captive reinsurance companies must  
24 meet the requirements of chapter 521 and section 521J.107,  
25 as applicable. The commissioner may, at the commissioner's  
26 discretion, provide notice to the public of a proposed merger  
27 prior to the commissioner's approval or disapproval of the  
28 merger.

29    2. A plan for a merger must be fair and equitable to  
30 the shareholders of the life captive reinsurance companies  
31 and shall provide for the purchase of the shares of any  
32 nonconsenting shareholder of a life captive reinsurance  
33 company.

34    Sec. 50. NEW SECTION. 521J.113 **Investments.**

35    1. A life captive reinsurance company's investment program

1 shall take into account the safety of the company's assets,  
2 investment yield and return, stability in the value of the  
3 investment, and liquidity necessary to meet the company's  
4 expected business needs and investment diversification.

5 The assets of a life captive reinsurance company shall be  
6 preserved and administered by or on behalf of the life captive  
7 reinsurance company to satisfy the liabilities and obligations  
8 of the life captive reinsurance company incident to the  
9 reinsurance contract between the life captive reinsurance  
10 company and the parent or ceding insurer, any insurance  
11 securitizations, and other related agreements. For the  
12 purposes of this section, assets do not include letters of  
13 credit and guaranties of a parent.

14 2. At the discretion of the commissioner, a life captive  
15 reinsurance company shall either comply with section 511.8  
16 or invest the life captive reinsurance company's assets in  
17 cash and securities that are investment-grade at the time of  
18 acquisition, provided that a life captive reinsurance company  
19 may invest up to ten percent of the life captive reinsurance  
20 company's assets in securities or other investments that are  
21 not investment-grade at the time of acquisition, not to include  
22 any of the following:

23 a. Securities rated 5 or higher by the NAIC securities  
24 valuation office at the time of acquisition.

25 b. Asset-based or mortgage-backed securities rated 3 or  
26 higher by the NAIC securities valuation office at the time of  
27 acquisition.

28 c. Convertible bonds.

29 d. Preferred or common stock.

30 e. Private equity or hedge funds.

31 3. a. A life captive reinsurance company securitization  
32 shall include a disclosure that all or part of the proceeds  
33 of such insurance securitization will be used to fund the  
34 life captive reinsurance company's obligations to the ceding  
35 insurer.

1     *b.* For purposes of this subsection, "*life captive*  
2 *reinsurance company securitization*" means the security-offering  
3 memorandum or other document issued to prospective investors  
4 regarding the offer and sale of a surplus note or other  
5 security.

6     4. A life captive reinsurance company's admitted assets  
7 must include proceeds from a securitization, premium and  
8 other amounts payable by a ceding insurer to the life captive  
9 reinsurance company, letters of credit, guaranties of a parent,  
10 and any other assets approved by the commissioner, which  
11 shall be deemed to be, and reported as, admitted assets of  
12 the life captive reinsurance company. The commissioner may  
13 reduce the amount of admitted assets previously approved by  
14 the commissioner, other than assets already covered by the  
15 most recent NAIC accounting practices and procedures manual  
16 of the NAIC, if the commissioner determines that the value of  
17 those assets has decreased. A minimum of thirty calendar days  
18 prior to reducing the amount of admitted assets previously  
19 approved, the commissioner shall notify the life captive  
20 reinsurance company of the reduction and provide the life  
21 captive reinsurance company an opportunity to remedy the issues  
22 identified by the commissioner.

23     5. A life captive reinsurance company shall not make a loan  
24 to or an investment in any person, other than as permitted  
25 in the life captive reinsurance company's plan of operation,  
26 without prior written approval of the commissioner, and any  
27 such loan or investment must be evidenced by documentation  
28 approved by the commissioner. A life captive reinsurance  
29 company shall not loan minimum capital and surplus funds.

30     6. An organizing company shall report to the commissioner  
31 the company's ownership in the life captive reinsurance company  
32 and value the ownership equal to the audited statutory surplus  
33 of the life captive reinsurance company.

34     Sec. 51. NEW SECTION. 521J.114 Permitted reinsurance.

35     1. A life captive reinsurance company may reinsure,

1 pursuant to a reinsurance contract, only the risks of a ceding  
2 insurer.

3 2. Unless otherwise approved in advance by the  
4 commissioner, a life captive reinsurance company shall not  
5 assume or retain exposure to reinsurance losses for the life  
6 captive reinsurance company's own account that are not funded  
7 by any of the following:

8 a. Proceeds from a securitization.

9 b. Premium and other amounts payable by a ceding insurer to  
10 the life captive reinsurance company pursuant to a reinsurance  
11 contract.

12 c. Letters of credit.

13 d. Guaranties of a parent.

14 e. A return on investment of proceeds from either a  
15 securitization or a premium, and other amounts payable by the  
16 ceding insurer to the life captive reinsurance company pursuant  
17 to the reinsurance contract.

18 3. A life captive reinsurance company may cede risks assumed  
19 through a reinsurance contract to one or more reinsurers  
20 through the purchase of retrocession, subject to prior approval  
21 of the commissioner.

22 4. A life captive reinsurance company may enter into  
23 contracts and conduct other commercial activities related  
24 or incidental to and necessary to fulfill the purposes of  
25 a reinsurance contract, an insurance securitization, and  
26 this subchapter. Such contracts and commercial activities  
27 must be included in the life captive reinsurance company's  
28 plan of operation or otherwise be approved in advance by the  
29 commissioner, and may include but are not limited to any of the  
30 following:

31 a. Entering into reinsurance contracts or issuing life  
32 captive reinsurance company securities, and complying with the  
33 terms of the contracts and securities.

34 b. Entering into guaranty trust, guaranteed investment  
35 contract, swap, or other derivative, tax, administration,

1 services reimbursement, or fiscal agent transactions.

2 *c.* Complying with trust indenture, reinsurance, or  
3 retrocession.

4 5. A reinsurance contract shall not contain a provision for  
5 payment by the life captive reinsurance company in discharge of  
6 the life captive reinsurance company's obligations to a person  
7 other than the ceding insurer or a receiver of the ceding  
8 insurer, except upon prior approval of the commissioner.

9 **Sec. 52. NEW SECTION. 521J.115 Rating organizations.**

10 A life captive reinsurance company shall not be required to  
11 join a rating organization.

12 **Sec. 53. NEW SECTION. 521J.116 Compulsory organizations.**

13 A life captive reinsurance company shall not join or  
14 contribute financially to a plan, pool, association, or  
15 guaranty or insolvency fund in this state.

16 **Sec. 54. NEW SECTION. 521J.117 Dormant life captive  
17 reinsurance companies.**

18 1. A life captive reinsurance company that is domiciled  
19 in this state and complies with this section may apply to the  
20 commissioner for a certificate of dormancy. A certificate  
21 of dormancy shall be valid for five years from the date of  
22 issuance and may not be renewed.

23 2. *a.* A life captive reinsurance company that has been  
24 issued a certificate of dormancy shall comply with all of the  
25 following:

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

29 (2) A dormant life captive reinsurance company shall  
30 annually submit to the commissioner, within ninety calendar  
31 days of the end of the dormant life captive reinsurance  
32 company's fiscal year, a report on the dormant life captive  
33 reinsurance company's financial condition, verified under  
34 oath by two of the dormant life captive reinsurance company's  
35 executive officers, in the form and manner established by the

1 commissioner by rule.

2 (3) If, for any portion of the immediately preceding  
3 calendar year, the life captive reinsurance company held a  
4 certificate of dormancy, the dormant life captive reinsurance  
5 company shall pay an annual one thousand dollar dormancy tax,  
6 due on or before March 1.

7 b. From the date a certificate of dormancy is issued through  
8 the date the certificate expires, a dormant life captive  
9 reinsurance company that has been issued the certificate shall  
10 not be subject to section 432.1A.

11 3. At the discretion of the commissioner, a dormant life  
12 captive reinsurance company may be subject to an annual  
13 examination.

14 4. Prior to a dormant life captive reinsurance company  
15 issuing an insurance policy, the company must apply to  
16 the commissioner for approval to surrender the company's  
17 certificate of dormancy and to resume conducting the business  
18 of insurance.

19 5. The commissioner shall revoke a dormant life captive  
20 reinsurance company's certificate of dormancy if the company  
21 violates this section.

22 Sec. 55. NEW SECTION. 521J.118 **Books and records.**

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

31 b. All books, records, documents, accounts, vouchers, and  
32 agreements shall be kept in a manner that the commissioner  
33 can readily ascertain the life captive reinsurance company's  
34 financial condition, affairs, and operations; can readily  
35 verify the life captive reinsurance company's financial

1 statements; and can confirm the life captive reinsurance  
2 company's compliance with this subchapter.

3 2. Unless otherwise approved by the commissioner, all  
4 books, records, documents, accounts, vouchers, and agreements  
5 maintained by a life captive reinsurance company under  
6 subsection 1 shall remain available in the state until the  
7 commissioner approves destruction or other disposition of the  
8 books, records, documents, accounts, vouchers, and agreements.

9 Sec. 56. NEW SECTION. 521J.119 **Material transactions.**

10 1. A life captive reinsurance company shall not take any  
11 of the following actions unless the company provides the  
12 commissioner at least thirty calendar days' prior written  
13 notice and the commissioner expressly approves the action:

14 a. Dissolve the life captive reinsurance company.

15 b. Sell, exchange, lease, mortgage, assign, pledge, or  
16 otherwise transfer or grant a security interest in over thirty  
17 percent of the assets of the life captive reinsurance company.

18 c. Incur material indebtedness.

19 d. Make a material loan or other material extension of  
20 credit.

21 e. Make a material payment out of capital and surplus other  
22 than dividends or distributions paid in accordance with this  
23 subchapter.

24 f. Conduct a merger or consolidation to which the life  
25 captive reinsurance company is a constituent party.

26 g. Transfer to or redomesticate in a different jurisdiction.

27 h. Terminate all or a part of the life captive reinsurance  
28 company's business.

29 2. A life captive reinsurance company shall submit to the  
30 commissioner periodic written requests for authorization prior  
31 to making payments of interest on, and repayments of principal  
32 of, surplus notes and other debt obligations issued by a life  
33 captive reinsurance company. The commissioner shall not  
34 approve a payment or repayment if the commissioner determines  
35 that the payment or repayment would jeopardize the ability of

1 the life captive reinsurance company or any other person to  
2 fulfill the company's or person's obligations.

3 Sec. 57. NEW SECTION. 521J.120 **Securities.**

4 A life captive reinsurance company security shall not  
5 be subject to regulation as an insurance or reinsurance  
6 contract. An investor in, or holder of, the security shall  
7 not be considered to transact in the business of insurance  
8 in the state solely based on such interest in the security.  
9 An underwriter's placement agents, selling agents, partners,  
10 commissioners, officers, members, managers, employees,  
11 agents, representatives, and advisors involved in an insurance  
12 securitization by a life captive reinsurance company shall  
13 not be considered insurance producers or brokers, or to be  
14 conducting business as an insurance company, as a reinsurance  
15 company, or as an insurance agency, brokerage, intermediary,  
16 advisory, or consulting business, solely based on underwriting  
17 activities in connection with securitization.

18 Sec. 58. NEW SECTION. 521J.121 **Rules.**

19 The commissioner may adopt rules pursuant to chapter 17A to  
20 implement and administer this subchapter.

21 Sec. 59. CODE EDITOR DIRECTIVE. The Code editor is  
22 directed to designate sections 521J.1 through 521J.27, as  
23 enacted and amended by this Act, as subchapter I of chapter  
24 521J entitled "Captive Insurance Companies", and to designate  
25 sections 521J.101 through 521J.121, as enacted by this Act,  
26 as subchapter II of chapter 521J entitled "Life Captive  
27 Reinsurance Companies".

28 EXPLANATION

29 The inclusion of this explanation does not constitute agreement with  
30 the explanation's substance by the members of the general assembly.

31 This bill relates to captive insurance companies (captive  
32 companies) and life captive reinsurance companies (LCRCs).

33 Under the bill, a tax return on gross premiums filed by an  
34 insurance company or a captive company shall not be subject  
35 to inspection under Code chapter 22, and it shall be unlawful

1 for any present or former officer or employee of the state to  
2 willfully or recklessly publish such tax return. A person who  
3 violates the bill shall be guilty of a serious misdemeanor and,  
4 in addition to any other penalty, shall be dismissed from state  
5 office or discharged from state employment. The bill does not  
6 prohibit the department of revenue (DOR) from turning over  
7 information and tax returns in the DOR's possession to duly  
8 authorized officers of the United States, or tax officials of  
9 other states, pursuant to an agreement between the commissioner  
10 of insurance (commissioner) and either the secretary of the  
11 treasury of the United States or the secretary's delegate, or  
12 the commissioner of another state.

13 Under current law, Code section 409.905 (foreign insurance  
14 companies becoming domestic) applies to life insurance  
15 companies, and to insurance companies doing business under Code  
16 chapter 515. Under the bill, Code section 409.905 also applies  
17 to captive companies.

18 The bill amends the definitions of "alien captive company",  
19 "business entity", "captive company", "captive reinsurance  
20 company", "captive risk retention group", and "special purpose  
21 captive company" under Code chapter 521J (captive companies).  
22 The term "foreign captive company" is defined in the bill.

23 Under current law, if permitted by its organizational  
24 document, a captive company may apply to the commissioner for  
25 a certificate of authority to provide property insurance,  
26 casualty insurance, life insurance, disability income  
27 insurance, surety insurance, marine insurance, health  
28 insurance, or a group health plan. Under the bill, a captive  
29 company may also apply for a certificate of authority to  
30 have the ability to accept or transfer risks by means of a  
31 parametric contract.

32 A captive company shall not write any insurance business  
33 unless the captive company's organizational documents, and any  
34 subsequent amendments, have been filed and approved by the  
35 commissioner prior to being filed with the secretary of state.

1 Prior to receiving a certificate of authority, current  
2 law requires a captive company to file with the commissioner  
3 a certified copy of the business entity's organizational  
4 document. The bill eliminates the requirement that the copy  
5 be certified.

6 The bill eliminates the requirements under current law  
7 of Code sections 521J.2(3)(a)(1)(c), 521J.2(3)(a)(4),  
8 521J.2(3)(e), 521J.4(1)(e), 521J.4(3), 521J.5(2)(c), 521J.6(2),  
9 521J.13(1), and 521J.13(1)(b) that requirements of the  
10 commissioner be established by rule.

11 Under current law, all documents and information submitted  
12 by a captive company prior to receiving a certificate of  
13 authority shall be confidential and shall not be made public  
14 without the advance written consent of the submitting company.  
15 The bill includes reports as confidential information.

16 Current law requires that each captive company, individual  
17 series of members of a limited liability company, and protected  
18 cell pay an initial registration fee, and an annual renewal  
19 registration fee, of \$300. The bill requires each captive  
20 company, individual series of members of a limited liability  
21 company, and protected cell pay an annual renewal registration  
22 fee of \$300.

23 Under current law, the commissioner shall not issue a  
24 certificate of authority to a captive company unless the  
25 captive company possesses and maintains unimpaired paid-in  
26 capital and surplus of no less than \$500,000 for a protected  
27 cell captive company. If, however, the protected cell captive  
28 company does not assume any risks, the risks insured by the  
29 protected cells are homogenous, and there are not more than 10  
30 cells, the commissioner may reduce the amount to an amount not  
31 less than \$250. Under the bill, the commissioner shall not  
32 issue a certificate of authority to a captive company unless  
33 the captive company possesses and maintains unimpaired paid-in  
34 capital and surplus of no less than \$100,000 for a protected  
35 cell captive company.

1 Under current law, the minimum capital and surplus  
2 requirements for a captive company shall be in the form of  
3 cash, cash equivalent, or an irrevocable letter of credit.  
4 Under the bill, the minimum capital and surplus requirements  
5 may also be in the form of marketable securities approved by  
6 the commissioner. If the captive company elects to satisfy  
7 the minimum requirements with marketable securities, the  
8 commissioner may require the captive company to file financial  
9 statements or other reports on a more frequent basis than  
10 otherwise required. The increased reporting frequency may  
11 be imposed to ensure the commissioner can adequately monitor  
12 the liquidity, valuation, and market risk associated with the  
13 marketable securities.

14 Current law requires a captive company be formed or  
15 organized as a business entity under Code chapter 521J. Under  
16 the bill, subject to the commissioner's approval, a captive  
17 company may also be formed as a reciprocal insurer under Code  
18 chapter 520.

19 The bill eliminates the requirement under current law that  
20 a captive risk retention group formed as a reciprocal insurer  
21 have a minimum of five members of the subscribers' advisory  
22 committee who are residents of this state. Under the bill,  
23 a captive company formed as a reciprocal insurer shall be  
24 subject to Code chapter 520 (reciprocal or interinsurance  
25 contracts), unless exempt by approval of the commissioner in  
26 the captive company's plan of operation. The bill eliminates  
27 the requirement under current law that applicable provisions  
28 of Code chapter 508B (conversion from mutual company to  
29 stock company) apply to a merger, consolidation, conversion,  
30 mutualization, or voluntary dissolution by a captive company.

31 Under current law, a captive company shall file an annual  
32 report with the commissioner that meets the requirements of  
33 current law. Under the bill, a captive company does not have  
34 to file the annual report if directed by the commissioner in  
35 the first year of a captive company's licensure.

1 The bill eliminates the requirement under current law that  
2 all reports filed pursuant to Code section 521J.7 (reports) be  
3 considered confidential and not a public record.

4 Under the bill, applicable provisions of Code chapter 508B  
5 apply to a merger, consolidation, conversion, mutualization,  
6 or voluntary dissolution by a captive company unless provided  
7 otherwise.

8 Under current law, if a captive company's admitted assets  
9 total less than \$5 million, the commissioner may approve  
10 an investment of up to 20 percent of the captive company's  
11 admitted assets in rated credit instruments in any investment.  
12 Instead of admitted assets, the bill relies on the total assets  
13 disclosed in a captive company's annual report. Total assets  
14 under the bill shall be based on the accounting basis approved  
15 by the commissioner, provided that all assets included must be  
16 reasonably liquid, realizable, and available to support the  
17 obligations of the captive company.

18 Current law requires that each protected cell captive  
19 company formed or authorized by Code chapter 521J be  
20 incorporated, and an incorporated protected cell may be  
21 organized and operated in any form of business organization as  
22 authorized by the commissioner by rule. The bill requires that  
23 each protected cell captive company be formed as a business  
24 entity, provided the business entity is separate from the  
25 protected cell captive company of which the business entity is  
26 a part.

27 Under current law, the commissioner shall adopt rules to  
28 implement and administer Code chapter 521J. Under the bill,  
29 the commissioner may adopt rules.

30 For taxes due pursuant to Code section 432.1A (tax on  
31 premiums — captive companies), a foreign or alien captive  
32 company that redomesticates into the state shall only be  
33 liable for taxes on premiums paid to the captive company after  
34 redomestication and shall report to the commissioner all  
35 premium taxes due. In either the captive company's first or

1 second year of operation after domesticating into the state,  
2 the company may elect to forego payment of the premium taxes.  
3 If the company that makes such election subsequently surrenders  
4 the company's license or redomesticates to another jurisdiction  
5 within five years, the company shall immediately pay to the  
6 commissioner a tax in an amount equal to the foregone premium  
7 tax plus 10 percent per annum from the date the foregone  
8 premium tax would have been originally due.

9 The bill makes conforming changes to Code sections  
10 521J.1(u1), 521J.1(22), 521J.1(24)(b), 521J.5(6), 521J.5(7)(b),  
11 521J.5(9)(b), 521J.8(1)(a), 521J.8(5), 521J.9(1)(h) and (i),  
12 521J.14(3), 521J.17(2), 521J.17(2)(a)(4), 521J.17(2)(c),  
13 521J.18, 521J.22(3)(a)(3), 521J.23, 521J.24(1)(b), and 521J.26.

14 An LCRC issued a certificate of authority shall only  
15 reinsure the risks of a ceding insurer, shall not otherwise  
16 engage in the business of insurance, and may purchase  
17 retrocession to cede the risks assumed under a reinsurance  
18 contract. An LCRC shall not write any insurance business  
19 unless the LCRC complies with the requirements of the bill.  
20 All documents and information submitted by an LCRC for purposes  
21 of an application for a certificate of authority shall be  
22 confidential and shall not be made public without the advance  
23 written consent of the submitting LCRC, unless an exception  
24 detailed in the bill applies. If the LCRC's application is  
25 complete, the commissioner may issue a certificate of authority  
26 to the LCRC upon a finding that the LCRC's proposed plan of  
27 operation provides for a viable operation, is not hazardous to  
28 a ceding insurer, and the terms of any reinsurance contract and  
29 related transactions of the LCRC comply with the requirements  
30 of the bill and all applicable insurance laws and rules of the  
31 state. In conjunction with the issuance of the certificate of  
32 authority, the commissioner may issue an order regarding any  
33 terms and conditions regarding the organization, licensing, and  
34 operation of the LCRC that the commissioner deems appropriate.  
35 "Ceding insurer" and "life captive reinsurance company" are

1 defined by the bill.

2 An LCRC shall not adopt a name that is the same, deceptively  
3 similar, or likely to be confused with or mistaken for any  
4 other existing business name already registered in the state.

5 On the date an LCRC files an application for a certificate  
6 of authority, and by March 15 of each succeeding year that an  
7 LCRC is in operation and is ceded new business, a qualified  
8 actuary shall file with the commissioner a certification that  
9 the ceding insurer's transactions with the LCRC are not used to  
10 gain an unfair advantage if pricing of policies and contracts  
11 reinsured by the LCRC reflect, at the time the policies and  
12 contracts were issued, a reasonable long-term estimate of  
13 the cost to the ceding insurer of an alternative third-party  
14 transaction and utilize current pricing assumptions. The  
15 ceding insurer shall maintain documentation detailing  
16 the process by which the qualified actuary arrived at the  
17 conclusions in preparation for an examination.

18 The commissioner shall not issue a certificate of authority  
19 unless an LCRC possesses and maintains unimpaired paid-in  
20 capital and surplus that is not less than \$5 million, and the  
21 commissioner may require additional capital and surplus based  
22 upon the reinsurance business transacted by the LCRC. Minimum  
23 capital and surplus shall be in the form of cash or other  
24 securities that are investment-grade at the time of acquisition  
25 and are acceptable to the commissioner. Except as otherwise  
26 provided, Code chapter 521E (risk-based capital requirements  
27 for insurers) shall apply to an LCRC.

28 An LCRC must have a plan of operation approved by its  
29 board of directors, and, prior to assuming risks under a  
30 reinsurance contract, shall submit the plan of operation to  
31 the commissioner for approval. The commissioner may approve  
32 the plan of operation upon finding that the plan meets the  
33 requirements of the bill, and may require amendments to the  
34 plan as necessary. Any change in the LCRC's plan of operation  
35 shall require prior approval of the commissioner. The plan of

1 operation must include all of the information detailed in the  
2 bill.

3 An LCRC or an affiliated company may organize an LCRC  
4 pursuant to the bill, and an LCRC must be formed as a  
5 corporation, may only reinsure risks of the organizing company,  
6 and may access alternative forms of financing. An organizing  
7 company shall maintain a minimum of 10 percent voting interest  
8 and 10 percent equity ownership in the LCRC unless otherwise  
9 approved by the commissioner. An LCRC's organizational  
10 documents shall limit the company's authority to transact the  
11 business of reinsurance to only reinsure the risks of a ceding  
12 insurer. An organizing company may invest funds from its  
13 surplus in an LCRC, and the organizing company's officers and  
14 directors may serve as officers and directors of an LCRC. An  
15 LCRC shall be deemed to be licensed to transact the business of  
16 reinsurance. An LCRC may, upon approval of the commissioner,  
17 purchase reinsurance. Admitted assets of an LCRC include  
18 assets approved by the commissioner which shall be deemed to  
19 be, and reported as, admitted assets of the LCRC.

20 An LCRC shall not pay a dividend out of, or other  
21 distribution with respect to, the minimum capital or surplus  
22 without the prior written approval of the commissioner. The  
23 commissioner's approval of an ongoing plan for the payment  
24 of dividends or other distributions shall be conditioned  
25 upon retention, at the time of each payment, of capital and  
26 surplus in excess of the amounts specified by, or determined in  
27 accordance with, a formula approved by the commissioner.

28 The bill details the reports and notifications by an LCRC  
29 required to be filed with the commissioner.

30 The commissioner may examine each LCRC's compliance with  
31 the bill, and may examine the affairs, transactions, accounts,  
32 records, and assets of each LCRC as necessary, but not less  
33 frequently than every five years. Upon the completion of an  
34 examination, or at regular intervals, the commissioner shall  
35 prepare an account of the costs incurred in performing and

1 preparing the report of the examination which shall be charged  
2 to and paid by the LCRC examined. If the LCRC fails or refuses  
3 to pay, the charges may be recovered in an action brought in  
4 the name of the state. Examination requirements shall apply to  
5 all business written by an LCRC, and applicable provisions of  
6 Code chapter 507 (examination of insurance companies) apply to  
7 such examinations.

8 An LCRC's certificate of authority may be suspended or  
9 revoked by the commissioner for any of the reasons described  
10 in the bill. If the commissioner does not revoke an LCRC's  
11 certificate of authority during a suspension, the LCRC's  
12 certificate of authority may be reinstated if the commissioner  
13 finds that the cause of the suspension has been rectified.

14 A merger between LCRCs must meet the requirements of Code  
15 chapter 521 (consolidation, merger, and reinsurance) and Code  
16 section 521J.107, as applicable. The commissioner may provide  
17 notice to the public of a proposed merger prior to approving or  
18 disapproving of a merger. A plan for a merger shall be fair and  
19 equitable to the shareholders and provide for the purchase of  
20 the shares of any nonconsenting shareholder.

21 An LCRC's investment program shall account for the safety of  
22 the company's assets, investment yield and return, stability  
23 in the value of the investment, and liquidity necessary to  
24 meet the company's expected business needs and investment  
25 diversification. The assets of an LCRC shall be preserved  
26 and administered to satisfy the liabilities and obligations  
27 of the LCRC incident to the reinsurance contract, any  
28 insurance securitizations, and other related agreements. At  
29 the discretion of the commissioner, an LCRC shall either  
30 comply with Code section 511.8 or invest its assets in cash  
31 and securities that are investment-grade at the time of  
32 acquisition, provided that an LCRC may invest up to 10 percent  
33 of its assets in securities or other investments that are not  
34 investment-grade except for any of the assets detailed in  
35 the bill. An LCRC securitization shall include a disclosure

1 that all or part of the proceeds of the securitization will  
2 be used to fund the LCRC's obligations to the ceding insurer.  
3 The commissioner may reduce the amount of admitted assets  
4 previously approved if it is determined that the value of those  
5 assets has decreased. A minimum of 30 days prior to reducing  
6 the amount of admitted assets, the commissioner shall notify  
7 the LCRC and provide an opportunity to remedy the issues. An  
8 LCRC shall not make a loan to or an investment in any person,  
9 other than as permitted in the plan of operation, without  
10 prior written approval of the commissioner and evidenced by  
11 documentation approved by the commissioner. An LCRC shall not  
12 loan minimum capital and surplus funds. An organizing company  
13 shall report its ownership in the LCRC and value the ownership  
14 equal to the audited statutory surplus.

15 An LCRC shall not assume or retain exposure to reinsurance  
16 losses for the LCRC's own account that are funded as detailed  
17 in the bill. An LCRC may cede risks assumed through a  
18 reinsurance contract to reinsurers through the purchase of  
19 retrocession, subject to prior approval of the commissioner.

20 An LCRC may enter into contracts and conduct other  
21 commercial activities related or incidental to and necessary to  
22 fulfill the purposes of a reinsurance contract, an insurance  
23 securitization, and the bill. Such contracts and commercial  
24 activities must be included in the LCRC's plan of operation  
25 or otherwise be approved in advance by the commissioner and  
26 may include the contracts and activities detailed in the bill.  
27 Unless approved by the commissioner, a reinsurance contract  
28 shall not contain a provision for payment by the LCRC in  
29 discharge of its obligations to a person other than the ceding  
30 insurer or a receiver of the ceding insurer.

31 An LCRC shall not be required to join a rating organization  
32 and shall not join or contribute financially to any plan, pool,  
33 association, or guaranty or insolvency fund in this state.

34 An LCRC domiciled in the state may apply to the commissioner  
35 for a certificate of dormancy, which shall be valid for five

1 years and may not be renewed. An LCRC issued a certificate of  
2 dormancy shall comply with the requirements of the bill and  
3 shall not be subject to Code section 432.1A. At the discretion  
4 of the commissioner, a dormant LCRC may be subject to an  
5 annual examination. A dormant LCRC must apply for approval  
6 to surrender a certificate of dormancy and resume conducting  
7 business prior to issuing an insurance policy.

8 Unless otherwise approved, an LCRC shall maintain the  
9 original books, records, documents, accounts, vouchers, and  
10 agreements in this state, make them available for examination  
11 and inspection by the commissioner upon request, and keep them  
12 in the state until the commissioner approves destruction or  
13 other disposition of the books, records, documents, accounts,  
14 vouchers, and agreements. The LCRC may store and reproduce the  
15 books, records, documents, accounts, vouchers, and agreements  
16 electronically but shall also be kept in a manner that the  
17 commissioner can readily ascertain the LCRC's financial  
18 condition, affairs, and operations; can readily verify the  
19 LCRC's financial statements; and can confirm the LCRC's  
20 compliance with the bill.

21 An LCRC shall not take any of the actions detailed in the  
22 bill unless the company provides the commissioner at least  
23 30 days prior written notice and the commissioner expressly  
24 approves the action. An LCRC shall submit to the commissioner  
25 requests for authorization prior to making payments of interest  
26 on, and repayments of principal of, surplus notes and other  
27 debt obligations issued by an LCRC. The commissioner shall  
28 not approve the payment or repayment if it would jeopardize  
29 the ability of the LCRC or another person to fulfill their  
30 obligations.

31 An LCRC security shall not be subject to regulation as  
32 an insurance or reinsurance contract. An investor in, or  
33 holder of, the security shall not be considered to transact  
34 in the business of insurance solely based on such interest.  
35 An underwriter's placement agents, selling agents, partners,

1 commissioners, officers, members, managers, employees,  
2 agents, representatives, and advisors involved in an insurance  
3 securitization shall not be considered to be insurance  
4 producers or brokers or to be conducting business as an  
5 insurance company, a reinsurance company, or an insurance  
6 agency, brokerage, intermediary, advisory, or consulting  
7 business, solely by virtue of their underwriting activities in  
8 connection with a securitization.

9 The commissioner may adopt rules to implement and administer  
10 the bill.