

**CHAPTER 1113****CAPTIVE INSURANCE COMPANIES AND LIFE CAPTIVE REINSURANCE COMPANIES***H.F. 2766*

**AN ACT** relating to captive insurance companies and life captive reinsurance companies, and including civil penalties.

*Be It Enacted by the General Assembly of the State of Iowa:*

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

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

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

- (1) The secretary of the treasury of the United States, or the secretary's delegate.
- (2) The commissioner of insurance of another state.

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

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

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

- (1) The secretary of the treasury of the United States, or the secretary's delegate.
- (2) The commissioner of insurance of another state.

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

1. The secretary of state, upon a corporation complying with this section and upon the filing of articles of incorporation and upon receipt of the fees as provided in this chapter, shall issue an acknowledgment of receipt of document as of the date of the filing of the articles of incorporation with the secretary of state. The acknowledgment of receipt of document shall state on its face that it is issued in accordance with this section. The secretary of state shall then notify the appropriate officer of the state or country of the corporation's last domicile that the corporation is now a domestic corporation domiciled in this state. This section applies to life insurance companies, and to insurance companies doing business under chapter 515, and to captive companies doing business under chapter 521J.

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

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

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

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

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

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

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

9. “*Captive risk retention group*” means a captive insurance risk retention group formed under this ~~chapter~~ subchapter and that is subject to chapter 515E.

Sec. 6. Section 521J.1, Code 2026, is amended by adding the following new subsection: NEW SUBSECTION. 13A. “*Foreign captive company*” means a captive company formed and licensed under the laws of any jurisdiction within the United States except this state.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(3) A copy of each participant contract.

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

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

§ 4. All documents, reports, and information submitted pursuant to this ~~subsection~~

subchapter shall be confidential and shall not be made public without the advance written consent of the submitting company, with the following exceptions:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

7. a. A subscribers' agreement, or other organizational document of a captive company formed as a reciprocal insurer, shall authorize a quorum of a subscribers' advisory committee to consist of at least one-third of the number of members on the advisory committee. In addition to this subchapter, a captive company formed as a reciprocal insurer shall be subject to chapter 520, unless exempt by approval of the commissioner in the captive company's plan of operations. In the event of a conflict between chapter 520 and this subchapter, this subchapter shall take precedence.

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

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

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

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

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

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

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

**521J.7 Reports.**

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

~~¶ 1.~~ 1. Except as provided in ~~paragraph "b" subsection 2,~~ on or before April 1 of each year, each captive company and each captive risk retention group shall submit to the commissioner a report on the company's financial condition as of December 31 of the preceding year, as verified by oath of two of the company's or group's executive officers.

The report shall be submitted in a form and manner as prescribed by the commissioner by rule.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

a. Except for captive risk retention groups as provided under paragraph “c”, the commissioner may examine each captive company’s compliance with this ~~chapter~~ subchapter, and may examine the affairs, transactions, accounts, records, and assets of each captive company as the commissioner deems necessary.

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

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

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

- h. Failure to submit or pay any fee under this ~~chapter~~ subchapter.
- i. Failure to submit to or pay the cost of any examination under this ~~chapter~~ subchapter.

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

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

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

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

b. If a captive company's ~~admitted annual report filed pursuant to section 521J.7 states total assets total of~~ less than five million dollars, the commissioner may approve an investment of up to twenty percent of the captive company's admitted assets in rated credit instruments in any ~~one~~ investment that meets the requirements established by the commissioner ~~by rule~~. For purposes of this subsection, total assets shall be based on the accounting basis approved by the commissioner, provided that all assets included in such total assets must be reasonably liquid, realizable, and available to support the obligations of the captive.

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

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

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

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

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

(4) Each protected cell shall be ~~incorporated. An incorporated protected cell may be organized and operated in any form of business organization as authorized by the commissioner by rule~~ formed as a business entity, provided the business entity is separate from the protected cell captive company of which the business entity is a part. Each protected cell of a protected cell captive company shall be treated as a captive insurance company under this ~~chapter~~ subchapter, except that the limit on maximum yearly aggregate taxes paid under section 432.1A, subsection 4, shall not apply. Unless otherwise permitted by the organizational document of a protected cell captive company, each protected cell of the protected cell captive company must have the same directors, secretary, and registered office as the protected cell captive company.

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

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

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

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

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

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

(3) The dormant captive company shall pay an annual one thousand dollar dormancy tax, due on or before March 1, if for any portion of the immediately preceding calendar year the captive company held a certificate of dormancy. Each series of members and each protected cell shall be considered separate for purposes of paying the annual dormancy tax under a certificate of dormancy. A dormant captive company is not otherwise liable for any annual renewal as provided in section 521J.2, ~~subsection 4~~ subsection 5, paragraph "b".

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1. “*Affiliated company*” means the same as defined in section 521J.1.
2. “*Business entity*” means the same as defined in section 521J.1.
3. “*Ceding insurer*” means an affiliated company of a life captive reinsurance company that cedes risk to the life captive reinsurance company pursuant to a reinsurance contract.
4. “*Commissioner*” means the commissioner of insurance.
5. “*Dormant life captive reinsurance company*” means a life captive reinsurance company that has ceased transacting the business of insurance, including but not limited to ceasing issuance of insurance policies, and does not have any remaining liabilities associated with the life captive reinsurance company’s insurance business transactions or insurance policies prior to the filing of an application for a certificate of dormancy.
  6. a. “*Insurance securitization*” or “*securitization*” means a transaction or a group of related transactions, including but not limited to capital market offerings, that are effected through related risk transfer instruments and facilitation of administrative agreements, in which any of the following proceeds from the transaction or group of related transactions are used to fund a life captive reinsurance company’s obligations under a reinsurance contract with a ceding insurer:
    - (1) Proceeds obtained by a life captive reinsurance company, directly or indirectly, through the issuance of securities by the life captive reinsurance company or any other person.
    - (2) Proceeds provided through one or more letter of credit or other assets for the benefit of the life captive reinsurance company, and which the commissioner authorizes the life captive reinsurance company to treat as admitted assets for purposes of the life captive reinsurance company’s annual statement.
  - b. “*Insurance securitization*” or “*securitization*” does not include the issuance of a letter of credit to satisfy all or part of the life captive reinsurance company’s capital and surplus requirements under this subchapter.
7. “*Letter of credit*” means a clean, irrevocable, unconditional letter of credit, issued or confirmed by a qualified United States financial institution, as defined in section 521B.104, subsection 1.
8. “*Life captive reinsurance company*” means a captive insurance company in this state that is authorized under and meets the requirements of this subchapter, and that reinsures the risk ceded by a life insurance company.
9. “*NAIC*” means the national association of insurance commissioners.
10. “*Organizational document*” means the same as defined in section 521J.1.
11. “*Organizing company*” means a life insurance company or an affiliated company that organizes a life captive reinsurance company.
12. “*Parent*” means a person that owns an organizing company, either directly or indirectly through one or more intermediaries.
13. “*Person*” means an individual, corporation, limited liability company, business trust, estate, trust, partnership or association, joint stock company, unincorporated organization, or any other legal entity, or combination of the foregoing acting in concert. “*Person*” does not include a joint venture partnership exclusively engaged in owning, managing, leasing, or developing real or tangible personal property.
14. “*Qualified actuary*” means the same as defined in section 521J.1.
15. “*Risk*” means a risk associated with life insurance policies and contracts written by a ceding life insurance company or assumed by a ceding life insurance company from an affiliated company, which were written by the affiliated company and for which the ceding life insurance company holds direct statutory reserves as required by section 508.36.
16. “*Risk-based capital instructions*” means instructions included in a risk-based capital report as adopted and amended by the NAIC.
17. “*Security*” means the same as defined in section 502.102. “*Security*” also includes any form of debt obligation, surplus note, derivative, or other financial instrument that the commissioner designates as a “*security*” for purposes of this subchapter.
18. “*Surplus note*” means an unsecured subordinate debt obligation possessing

characteristics consistent with the NAIC statutory accounting principles pursuant to the most recently published NAIC accounting practices and procedures manual.

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

1. A life captive reinsurance company issued a certificate of authority shall only reinsure the risks of a ceding insurer and shall not otherwise engage in the business of insurance. A life captive reinsurance company may purchase retrocession to cede the risks assumed under a reinsurance contract, subject to prior approval of the commissioner.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(i) A legal opinion, in a form and manner approved by the commissioner, that the offer and sale of life captive reinsurance company securities comply with all applicable

registration requirements or applicable exemptions or exceptions to such requirements under state and federal securities laws. The legal opinion shall not be required as part of the life captive reinsurance company's initial application for a certificate of authority if the life captive reinsurance company includes a statement in the company's plan of operation that the legal opinion will be submitted to the commissioner prior to the offer or sale of a captive reinsurance security.

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

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

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

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

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

c. If there is a subsequent material change in the information provided to the commissioner under paragraph "a", the life captive reinsurance company shall inform the commissioner within thirty calendar days of the date of the material change and shall submit appropriate documentation as requested by the commissioner for approval. The life captive reinsurance company shall not write any insurance business until on or after the date on which the commissioner approves the supporting documentation.

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

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

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

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

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

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

b. In conjunction with the issuance of the certificate of authority to a life captive reinsurance company, the commissioner may issue an order regarding any terms and conditions relating to the organization, licensing, and operation of the life captive reinsurance company that the commissioner deems appropriate and that are not inconsistent with this subchapter.

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

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

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

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

On the date a life captive reinsurance company files an application for a certificate of authority under section 521J.102, and by March 15 of each succeeding year that a life captive reinsurance company is in operation and is ceded new business from a ceding insurer, a qualified actuary of each ceding insurer shall file with the commissioner a certification that the ceding insurer's transactions with the life captive reinsurance company are not used to gain an unfair advantage if pricing of policies and contracts reinsured by the life captive reinsurance company reflect, at the time the policies and contracts were issued, a reasonable long-term estimate of the cost to the ceding insurer of an alternative third-party transaction and utilize current pricing assumptions. The ceding insurer shall have an ongoing responsibility to maintain documentation detailing the process by which the qualified actuary arrived at the conclusions in the certification in preparation for an examination conducted pursuant to section 521J.110.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. A life captive reinsurance company's organizational documents must limit the life captive reinsurance company's authority to transact the business of reinsurance to only reinsure the risks of a ceding insurer.

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

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

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

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

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

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

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

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

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

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

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

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

4. If a life captive reinsurance company's parent, organizing company, or controlling entity is subject to group supervision in another jurisdiction, the commissioner may request participation in supervisory colleges or coordination calls with the lead regulator of that jurisdiction. The life captive reinsurance company shall facilitate the

commissioner's participation to the extent permitted by law.

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

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

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

8. A life captive reinsurance company shall file with the commissioner all of the following:

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

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

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

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

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

c. Completed quarterly and annual financial statement blanks as are required by the NAIC for traditional life insurance companies, including any supplements or interrogatories required by the NAIC, in accordance with the NAIC statutory accounting principles. The commissioner may require, approve, or accept any appropriate or necessary modifications of the NAIC statutory accounting principles based on the type of insurance and kind of insurers included in the life captive reinsurance company's report. The quarterly filings shall be filed with the commissioner on or before May 15 for the first quarter, August 15 for the second quarter, and November 15 for the third quarter for the current calendar year. The annual statement shall be filed with the commissioner on or before March 1 of each year for the immediately preceding calendar year.

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

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

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

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

f. On or before August 1 of each year, a management report on internal control over financial reporting with the commissioner that describes the life captive reinsurance company's internal control structure over financial reporting and identifies any material

weaknesses as of the end of the preceding calendar year.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2. A plan for a merger must be fair and equitable to the shareholders of the life

captive reinsurance companies and shall provide for the purchase of the shares of any nonconsenting shareholder of a life captive reinsurance company.

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

1. A life captive reinsurance company's investment program shall take into account the safety of the company's assets, investment yield and return, stability in the value of the investment, and liquidity necessary to meet the company's expected business needs and investment diversification. The assets of a life captive reinsurance company shall be preserved and administered by or on behalf of the life captive reinsurance company to satisfy the liabilities and obligations of the life captive reinsurance company incident to the reinsurance contract between the life captive reinsurance company and the parent or ceding insurer, any insurance securitizations, and other related agreements. For the purposes of this section, assets do not include letters of credit and guaranties of a parent.

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

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

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

c. Convertible bonds.

d. Preferred or common stock.

e. Private equity or hedge funds.

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

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

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

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

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

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

1. A life captive reinsurance company may reinsure, pursuant to a reinsurance contract, only the risks of a ceding insurer.

2. Unless otherwise approved in advance by the commissioner, a life captive reinsurance company shall not assume or retain exposure to reinsurance losses for the life

captive reinsurance company's own account that are not funded by any of the following:

- a. Proceeds from a securitization.
- b. Premium and other amounts payable by a ceding insurer to the life captive reinsurance company pursuant to a reinsurance contract.
- c. Letters of credit.
- d. Guaranties of a parent.
- e. A return on investment of proceeds from either a securitization or a premium, and other amounts payable by the ceding insurer to the life captive reinsurance company pursuant to the reinsurance contract.

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

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

- a. Entering into reinsurance contracts or issuing life captive reinsurance company securities, and complying with the terms of the contracts and securities.
- b. Entering into guaranty trust, guaranteed investment contract, swap, or other derivative, tax, administration, services reimbursement, or fiscal agent transactions.
- c. Complying with trust indenture, reinsurance, or retrocession.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

*b.* All books, records, documents, accounts, vouchers, and agreements shall be kept in a manner that the commissioner can readily ascertain the life captive reinsurance company's financial condition, affairs, and operations; can readily verify the life captive reinsurance company's financial statements; and can confirm the life captive reinsurance company's compliance with this subchapter.

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

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

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

*a.* Dissolve the life captive reinsurance company.

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

*c.* Incur material indebtedness.

*d.* Make a material loan or other material extension of credit.

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

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

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

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

2. A life captive reinsurance company shall submit to the commissioner periodic written requests for authorization prior to making payments of interest on, and repayments of principal of, surplus notes and other debt obligations issued by a life captive reinsurance company. The commissioner shall not approve a payment or repayment if the commissioner determines that the payment or repayment would jeopardize the ability of the life captive reinsurance company or any other person to fulfill the company's or person's obligations.

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

A life captive reinsurance company security shall not be subject to regulation as an insurance or reinsurance contract. An investor in, or holder of, the security shall not be considered to transact in the business of insurance in the state solely based on such interest in the security. An underwriter's placement agents, selling agents, partners, commissioners, officers, members, managers, employees, agents, representatives, and advisors involved in an insurance securitization by a life captive reinsurance company shall not be considered insurance producers or brokers, or to be conducting business as an insurance company, as a reinsurance company, or as an insurance agency, brokerage,

intermediary, advisory, or consulting business, solely based on underwriting activities in connection with securitization.

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

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

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

Approved May 15, 2026