

<b>SB 215</b>	Allows for the formation of captive insurance companies within Missouri under certain conditions
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<b>Sponsor:</b>	<u>Loudon</u>		
<b>LR Number:</b>	0058L.011	<b>Fiscal Note:</b>	
<b>Committee:</b>	<u>Small Business, Insurance &amp; Industrial Relations</u>		
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[Full Bill Text](#) | [All Actions](#) | [Available Summaries](#) | [Senate Home Page](#) | [List of 2007 Senate Bills](#)

## Current Bill Summary

SB 215 - This act regulates captive insurance companies. Under the act, captive insurance companies are allowed to apply for a license to provide insurance and annuity contracts to its parent, affiliated, or controlled unaffiliated companies. Captive insurance companies are not permitted to provide personal motor vehicle or homeowner's insurance. Captive insurance companies may accept or cede reinsurance. Captive insurance companies that insure life and health risks must comply with all state and federal laws.

LICENSING - The act delineates the process by which a captive insurance company may obtain a license to do business within Missouri (filing of organizational documents, submission of insurance coverages, deductibles, etc., filing of asset information, the overall soundness of its plan of operation, and the filing of other information to determine whether the company will be able to meet its policy obligations).

FEES - The act requires each captive insurance company to pay the director a \$200 fee for examining, investigating and processing the company's application for a license. The act also requires captive insurance companies to pay an annual license fee of \$300.

NAMES OF COMPANIES - Under the act, captive insurance companies are prohibited from adopting a name that is likely to be confused or mistaken with an existing company.

MINIMUM CAPITAL AND SURPLUS REQUIREMENTS - The act delineates capital and surplus requirements for captive insurance companies based upon its type of licensure. For example, a pure captive insurance company must maintain a paid-in capital and surplus of at least \$250,000, while an industrial insured captive insurance company must maintain at least \$500,000

Under the act, no dividend can be paid without prior approval from the Director of the Department of Insurance.

FORMATION OF CAPTIVE INSURANCE COMPANIES IN MISSOURI - Under the act, a pure captive insurance company may be incorporated as a stock insurer, as a nonprofit corporation, or as a manager-managed limited liability company. The act delineates what types of corporation forms association and industrial insured captive companies may organize as.

**FINANCIAL STATEMENTS/EXAMINATIONS** - Under the act, captive insurance companies must annually report their financial condition to the director using generally accepted accounting principles. A captive insurance company will be examined at least once every three years by the director or his or her agent to determine its financial condition, its ability to fulfill its obligations and to whether it has complied with this act and other statutory provisions. The expenses and charges of the examination shall be paid by the captive insurance company. Examination reports and other associated documents are confidential and are not subject to subpoena and may not be made public without the written consent of the captive insurance company.

**GROUNDINGS AND PROCEDURES FOR SUSPENSION** - The act delineates various reasons that the director may suspend or revoke the captive insurance company's license (insolvency, failure to submit an annual report, failure to comply with other laws). The director may suspend or revoke a license if the director deems it in the best interest of the public and the policyholders of such captive insurance company.

**LEGAL INVESTMENTS** - Under the act, association captive insurance companies must comply with investment requirements contained in Chapter 375 and Sections 379.080 and 379.082 as applicable. No pure captive insurance company shall be subject to investment restrictions. The director may limit investments that threaten the solvency of a pure captive insurance company. In addition to other investment standards and restrictions, pure captive insurance companies may not make a loan to or an investment in its parent company or affiliates without prior written approval of the director.

**REINSURANCE** - Under the act, captive insurance companies may provide reinsurance and may reinsure risks or portions of risks ceded to reinsurers with prior approval of the director.

**RATING ORGANIZATIONS** - Under the act, a captive insurance company cannot be required to join a rating organization.

**EXEMPTION FROM COMPULSORY ASSOCIATIONS** - The act provides that no captive insurance company shall be permitted to join or contribute financially to a plan, pool, association, guaranty, or insolvency fund nor shall a captive insurance company receive any benefits from a guaranty fund.

**PREMIUM TAXES** - The act sets forth the premium insurance tax rates and time periods in which captive insurance companies must pay. A percentage of the premium taxes, along with other fees and assessments, shall be paid into the Insurance Dedicated Fund to defray costs associated with regulating captive insurance companies.

**BRANCH CAPTIVES** - The act allows branch captives to be established within Missouri to write insurance or reinsurance. In order to do insurance business within Missouri, the branch captive insurance company must maintain its principal place of business for its branch operations within Missouri. The act also sets forth various reporting and filing requirements for branch captive insurance companies.

**STEPHEN WITTE**