

HCS HB 238 -- REGULATION OF CAPTIVE INSURANCE COMPANIES

SPONSOR: Yates

COMMITTEE ACTION: Voted "do pass" by the Committee on Insurance Policy by a vote of 8 to 1.

This substitute changes the laws regarding captive insurance companies and special purpose life reinsurance companies.

CAPTIVE INSURANCE COMPANIES

In the substitute's main provisions, captive insurance companies:

- (1) Are allowed, when permitted, to apply for a license to provide insurance and annuity contracts under Section 376.010, RSMo, to parent, affiliated, or controlled unaffiliated companies;
- (2) Cannot adopt a name that is likely to be confused or mistaken with an existing company;
- (3) Must maintain adequate paid-in capital and surplus as required in order to be issued a license. No dividend can be paid without prior approval from the Director of the Department of Insurance, Financial Institutions, and Professional Registration;
- (4) Are allowed to be incorporated under Section 379.1310;
- (5) Must annually report their financial condition to the department director as required;
- (6) Will be examined at least once every three years by the department director or his or her agent;
- (7) Can have their license suspended or revoked by the department director for cause;
- (8) Must comply with investment requirements contained in Chapter 375 and Sections 379.080 and 379.082 as applicable;
- (9) May reinsure risks or portions of risks with prior approval of the department director;
- (10) Cannot be required to join a rating organization or be allowed to join or contribute financially to a plan, pool, association, guaranty, or insolvency fund for claims arising out of the operation of the company;

(11) Must pay the taxes required under Section 379.1326 to the Director of the Department of Revenue on or before May 1 of each year. Fees and assessments received by the Department of Insurance, Financial Institutions, and Professional Registration will be paid into the Insurance Dedicated Fund; and

(12) Will fall under the jurisdiction of the Division of Workers' Compensation within the Department of Labor and Industrial Relations on insurance they provide for excess workers' compensation insurance to its parent or affiliated company.

#### SPECIAL PURPOSE LIFE REINSURANCE COMPANIES

In the substitute's main provisions, special purpose life reinsurance companies:

(1) Are created as a means to facilitate financing of life insurance reserves, annuity reserves, or accident and health reserves and reinsuring the embedded value of insurance business;

(2) Are required to be licensed; have minimum surplus requirements of at least \$250,000; and meet statute and regulation requirements relating to issuance of securities, the valuing of assets, the payment of dividends, the maintenance of books and records, and their tax treatment;

(3) Must file a plan of operation with the Director of the Department of Insurance, Financial Institutions, and Professional Registration. The plan of operation must contain a description of the contemplated financial transactions and a detailed description of transaction documents to which the special purpose companies will be a party;

(4) Are required to pay an initial license fee and annual renewals of \$7,500;

(5) Are required to meet various standards for being granted a license;

(6) May be organized as a stock corporation, a statutory close corporation, a limited liability company, or other form of organization approved by the department director;

(7) May enter into contracts with ceding companies under certain conditions; and

(8) May be ordered by a circuit court into conservation, rehabilitation, or liquidation under certain conditions.

FISCAL NOTE: Estimated Income on General Revenue Fund of \$2,620 to \$9,427,620 in FY 2008, \$1,147 to \$9,426,147 in FY 2009, and \$56 to \$9,425,056 in FY 2010. Estimated Income on Other State Funds of \$313,139 to \$1,475,639 in FY 2008, \$249,638 to \$1,412,138 in FY 2009, and \$245,513 to \$1,408,013 in FY 2010.

PROPONENTS: Supporters say that the bill will create the statutory framework to allow these companies to operate in Missouri. The bill will help lower the cost of insuring these types of risks and create economic growth by keeping the money in the state instead of sending premiums to out-of-state companies.

Testifying for the bill were Representative Yates; Reinsurance Association of America; and English and Monaco.

OPPONENTS: There was no opposition voiced to the committee.

OTHERS: Others testifying on the bill say that there needs to be some changes to the bill.

Testifying on the bill was Missouri Healthcare Association.