

HOUSE _____ AMENDMENT NO. _____
Offered By _____

AMEND House Committee Substitute for Senate Bill No. 813, Page 30, Section 339.549, Line 17, by inserting after all of said section and line the following:

"379.1300. As used in sections 379.1300 to [379.1350] 379.1351, the following terms shall mean:

(1) "Affiliated company", any company in the same corporate system as a parent, an industrial insured, or a member organization by virtue of common ownership, control, operation, or management;

(2) "Alien captive insurance company", any insurance company formed to write insurance business for its parents and affiliates and licensed under the laws of an alien jurisdiction that imposes statutory or regulatory standards in a form acceptable to the director on companies transacting the business of insurance in such jurisdiction;

(3) "Annuity", a contract issued for a valuable consideration under which the obligations are assumed with respect to periodic payments for a specified term or terms or where the making or continuance of all or of some of such payments, or the amount of any such payments, is dependent upon the continuance of human life;

(4) "Association", any legal association of individuals, corporations, limited liability companies, partnerships, associations, or other entities that has been in continuous existence for at least one year, the member organizations of which or which does itself, whether or not in conjunction with some or all of the member organizations:

(a) Own, control, or hold with power to vote all of the outstanding voting securities of an association captive insurance company incorporated as a stock insurer; [or]

(b) Have complete voting control over an association captive insurance company incorporated as a mutual insurer; [or]

(c) Constitute all of the subscribers of an association captive insurance company formed as a reciprocal insurer; or

(d) Have complete voting control over an association captive insurance company formed as a limited liability company;

(5) "Association captive insurance company", any company that insures risks of the member organizations of the association and their affiliated companies; except that, association captive insurance company shall not include, without limitation, any reciprocal insurer that has not chosen to apply for and is not licensed as a captive insurance company under section 379.1302;

(6) "Branch business", any insurance business transacted by a branch captive insurance company in this state;

(7) "Branch captive insurance company", any alien captive insurance company licensed by the director to transact the business of insurance in this state through a business unit with a principal place of business in this state;

(8) "Branch operations", any business operations of a branch captive insurance company in this state;

(9) "Captive insurance company", any pure captive insurance company, association captive insurance company, sponsored captive insurance company, or industrial insured captive insurance company formed or licensed under sections 379.1300 to [379.1350] 379.1351. For purposes of sections 379.1300 to [379.1350] 379.1351, a branch captive insurance company shall be a pure captive insurance company with respect to operations in this state, unless otherwise permitted by the director;

(10) "Controlled unaffiliated business", any company:

(a) That is not in the corporate system of a parent and affiliated companies;

(b) That has an existing contractual relationship with a parent or affiliated company; and

(c) Whose risks are managed by a pure captive insurance company in accordance with section 379.1338;

(11) "Director", the director of the department of insurance, financial institutions and professional registration;

(12) "Excess workers' compensation insurance", in the case of an employer that has insured or self-insured its workers' compensation risks in accordance with applicable state or federal law, insurance in excess of a specified per-incident or aggregate limit established by the director;

(13) "Industrial insured", an insured:

(a) Who procures the insurance of any risk or risks by use of the services of a full-time employee acting as an insurance manager or buyer;

(b) Whose aggregate annual premiums for insurance on all risks total at least twenty-five thousand dollars; and

(c) Who has at least twenty-five full-time employees;

(14) "Industrial insured captive insurance company", any company that insures risks of the industrial insureds that comprise the industrial insured group and their affiliated companies;

(15) "Industrial insured group", any group of industrial insureds that collectively:

(a) Own, control, or hold with power to vote all of the outstanding voting securities of an industrial insured captive insurance company incorporated as a stock insurer; [or]

(b) Have complete voting control over an industrial insured captive insurance company incorporated as a mutual insurer;

(c) Constitute all of the subscribers of an industrial insured captive insurance company formed as a reciprocal insurer; or

(d) Have complete voting control over an industrial captive insurance company formed as a limited liability company;

(16) "Member organization", any individual, corporation, limited liability company, partnership, association, or other entity that belongs to an association;

(17) "Mutual corporation", a corporation organized without stockholders and includes a nonprofit corporation with members;

(18) "Parent", a corporation, limited liability company, partnership, other entity, or individual that directly or indirectly owns, controls, or holds with power to vote more than fifty percent of the outstanding voting:

(a) Securities of a pure captive insurance company organized as a stock corporation; or

(b) Membership interests of a pure captive insurance company organized as a nonprofit corporation;

(19) "Pure captive insurance company", any company that insures risks of its parent and affiliated companies or controlled unaffiliated business.

379.1306. 1. No captive insurance company shall be issued a license unless it shall possess and thereafter maintain unimpaired paid-in capital and surplus of:

(1) In the case of a pure captive insurance company, not less than two hundred fifty thousand dollars;

(2) In the case of an association captive insurance company, not less than [seven] five hundred [fifty] thousand dollars; [and]

(3) In the case of an industrial insured captive insurance company, not less than five hundred thousand dollars; and

(4) In the case of a sponsored captive insurance company, not less than five hundred thousand dollars.

2. The director may prescribe additional capital and surplus based upon the type, volume, and nature of insurance business transacted.

3. Capital and surplus may be in the form of cash or an irrevocable letter of credit issued by a bank chartered by the state of Missouri or a member bank of the Federal Reserve System, and approved by the director.

1 379.1310. 1. A pure captive insurance company may be incorporated as a stock insurer with its
2 capital divided into shares and held by the stockholders as a nonprofit corporation with one or more
3 members, or as a manager-managed limited liability company.

4 2. An association captive insurance company or an industrial insured captive insurance company
5 may be:

6 (1) Incorporated as a stock insurer with its capital divided into shares and held by the
7 stockholders;

8 (2) Incorporated as a mutual insurer without capital stock, the governing body of which is elected
9 by its insureds;

10 (3) Organized as a manager-managed limited liability company; or

11 (4) Organized as a reciprocal insurer in accordance with sections 379.650 to 379.790.

12 3. A captive insurance company incorporated or organized in this state shall have not less than
13 three incorporators or three organizers of whom not less than one shall be a resident of this state.

14 4. In the case of a captive insurance company:

15 (1) Formed as a corporation, before the articles of incorporation are transmitted to the secretary
16 of state, the incorporators shall petition the director to issue a certificate setting forth the director's finding
17 that the establishment and maintenance of the proposed corporation will promote the general good of the
18 state. In arriving at such a finding the director shall consider:

19 (a) The character, reputation, financial standing and purposes of the incorporators;

20 (b) The character, reputation, financial responsibility, insurance experience, and business
21 qualifications of the officers and directors; and

22 (c) Such other aspects as the director shall deem advisable. The articles of incorporation, such
23 certificate, and the organization fee shall be transmitted to the secretary of state, who shall thereupon
24 record both the articles of incorporation and the certificate;

25 (2) Formed as a limited liability company, before the articles of organization are transmitted to
26 the secretary of state, the organizers shall petition the director to issue a certificate setting forth the
27 director's finding that the establishment and maintenance of the proposed company will promote the
28 general good of the state. In arriving at such a finding, the director shall consider the items set forth in
29 paragraphs (a) to (c) of subdivision (1) of this subsection;

30 (3) Formed as a reciprocal insurer, the organizers shall petition the director to issue a certificate
31 setting the director's finding that the establishment and maintenance of the proposed association will
32 promote the general good of the state. In arriving at such a finding the director shall consider the items set
33 forth in paragraphs (a) to (c) of subdivision (1) of this subsection.

34 5. The capital stock of a captive insurance company incorporated as a stock insurer may be
35 authorized with no par value.

36 6. In the case of a captive insurance company:

37 (1) Formed as a corporation, at least one of the members of the board of directors shall be a
38 resident of this state;

39 (2) Formed as a limited liability company, at least one of the managers shall be a resident of this
40 state;

41 (3) Formed as a reciprocal insurer, at least one of the members of the subscribers' advisory
42 committee shall be a resident of this state.

43 7. Other than captive insurance companies formed as limited liability companies under chapter
44 347, or as nonprofit corporations under chapter 355, captive insurance companies formed as corporations
45 under sections 379.1300 to [379.1350] 379.1351 shall have the privileges and be subject to chapter 351 as
46 well as the applicable provisions contained in sections 379.1300 to 379.1308. In the event of conflict
47 between the provisions of such general corporation law and sections 379.1300 to [379.1350] 379.1351,
48 sections 379.1300 to [379.1350] 379.1351 shall control.

49 8. Captive insurance companies formed under sections 379.1300 to [379.1350] 379.1351:

50 (1) As limited liability companies shall have the privileges and be subject to the provisions of
51 chapter 347 as well as the applicable provisions contained in sections 379.1300 to [379.1350] 379.1351.

1 In the event of a conflict between chapter 347 and sections 379.1300 to [379.1350] 379.1351, sections
2 379.1300 to [379.1350] 379.1351 shall control; or

3 (2) As nonprofit corporations shall have the privileges and be subject to the provisions of chapter
4 355 as well as the applicable provisions contained in sections 379.1300 to [379.1350] 379.1351. In the
5 event of conflict between chapter 355 and sections 379.1300 to [379.1350] 379.1351, sections 379.1300 to
6 [379.1350] 379.1351 shall control.

7 9. The provisions of section 375.355, section 375.908, sections 379.980 to 379.988, and chapter
8 382, pertaining to mergers, consolidations, conversions, mutualizations, redomestications, and mutual
9 holding companies shall apply in determining the procedures to be followed by captive insurance
10 companies in carrying out any of the transactions described therein; except that:

11 (1) The director may waive [or modify] the requirements for public notice and hearing, or in
12 accordance with rules which the director may adopt addressing categories of transactions, modify the
13 requirements for public notice and hearing. If a notice of public hearing is required, but no one requests a
14 hearing ten days before the day set for the hearing, then the director may cancel the hearing;

15 (2) An alien insurer may be a party to a merger or a redomestication authorized under this
16 subsection, if approved by the director; and

17 (3) The director may issue a certificate of general good to permit the formation of a captive
18 insurance company that is established for the sole purpose of consolidating or merging with or assuming
19 existing insurance or reinsurance business from an existing Missouri licensed captive insurance company.
20 The director may, upon a request of such newly formed captive insurance company, waive or modify the
21 requirements of paragraph (b) of subdivision (1) and subdivision (2) of subsection 3 of section 379.1302.

22 10. The articles of incorporation or bylaws of a captive insurance company formed as a
23 corporation may authorize a quorum of its board of directors to consist of no fewer than one-third of the
24 full board of directors [determined], provided that a quorum shall not consist of fewer than two directors.

25 11. Captive insurance companies formed as reciprocal insurers under the provisions of sections
26 379.1300 to [379.1350] 379.1351 shall have the privileges and be subject to the provisions of sections
27 379.650 to 379.790 in addition to the applicable provisions of sections 379.1300 to [379.1350] 379.1351.
28 In the event of a conflict between the provisions of sections 379.650 to 379.790 and the provisions of
29 sections 379.1300 to [379.1350] 379.1351, the latter shall control, to the extent a reciprocal insurer is
30 made subject to other provisions of chapters 374, 375, and 379 under sections 379.650 to 379.790, such
31 provisions shall not be applicable to a reciprocal insurer formed under sections 379.1300 to [379.1350]
32 379.1351 unless such provisions are expressly made applicable to captive insurance companies under
33 sections 379.1300 to [379.1350] 379.1351.

34 12. The subscribers' agreement or other organizing document of a captive insurance company
35 formed as a reciprocal insurer may authorize a quorum of its subscribers' advisory committee to consist of
36 no fewer than one-third of the number of its members.

37 379.1312. 1. Captive insurance companies shall not be required to make any annual report except
38 as provided in sections 379.1300 to [379.1350] 379.1351.

39 2. Prior to March first of each year, each captive insurance company shall submit to the director a
40 report of its financial condition, verified by oath of two of its executive officers. Each captive insurance
41 company shall report using generally accepted accounting principles, unless the director approves the use
42 of statutory accounting principles, with any appropriate or necessary modifications or adaptations thereof
43 required or approved or accepted by the director for the type of insurance and kinds of insurers to be
44 reported upon, and as supplemented by additional information required by the director. Except as
45 otherwise provided, each association captive insurance company shall file its report in the form required
46 by section 375.041. The director shall by rule propose the forms in which pure captive insurance
47 companies and industrial insured captive insurance companies shall report. Subdivision (3) of subsection
48 [2] 3 of section 379.1302 shall apply to each report filed under this section.

49 3. Any pure captive insurance company or an industrial insured captive insurance company may
50 make written application for filing the required report on a fiscal year end. If an alternative reporting date
51 is granted:

(1) The annual report is due sixty days after the fiscal year end; and
(2) In order to provide sufficient detail to support the premium tax return, the pure captive insurance company or industrial insured captive insurance company shall file prior to March first of each year for each calendar year end its balance sheet, income statement and statement of cash flows, verified by oath of two of its executive officers.

379.1326. 1. Each captive insurance company shall pay to the director of revenue, on or before May first of each year, a premium tax at the rate of thirty-eight-hundredths of one percent on the first twenty million dollars and two hundred eighty-five-thousandths of one percent on the next twenty million dollars and nineteen-hundredths of one percent on the next twenty million dollars and seventy-two-thousandths of one percent on each dollar thereafter on the direct premiums collected or contracted for on policies or contracts of insurance written by the captive insurance company during the year ending December thirty-first next preceding, after deducting from the direct premiums subject to the tax the amounts paid to policyholders as return premiums which shall include dividends on unabsorbed premiums or premium deposits returned or credited to policyholders; provided, however, that no tax shall be due or payable as to considerations received for annuity contracts.

2. Each captive insurance company shall pay to the director of revenue on or before May first of each year a premium tax at the rate of two hundred fourteen-thousandths of one percent on the first twenty million dollars of assumed reinsurance premium, and one hundred forty-three-thousandths of one percent on the next twenty million dollars and forty-eight-thousandths of one percent on the next twenty million dollars and twenty-four-thousandths of one percent of each dollar thereafter. However, no reinsurance premium tax applies to premiums for risks or portions of risks which are subject to taxation on a direct basis under subsection 1 of this section. No reinsurance premium tax shall be payable in connection with the receipt of assets in exchange for the assumption of loss reserves and other liabilities of another insurer under common ownership and control if such transaction is part of a plan to discontinue the operations of such other insurer, and if the intent of the parties to such transaction is to renew or maintain such business with the captive insurance company.

3. The annual:

(1) Minimum aggregate tax to be paid by a captive insurance company calculated under subsections 1 and 2 of this section shall be seven thousand five hundred dollars, and the annual maximum aggregate tax shall be two hundred thousand dollars;

(2) Minimum aggregate tax to be paid by a sponsored captive insurance company shall be seven thousand five hundred dollars and shall apply to the sponsored captive insurance company as a whole and not to each protected cell, and such cells shall not be subject to the minimum tax;

(3) Maximum tax to be paid by a protected cell shall be as calculated under subsection 1 of this section. The annual maximum tax to be remitted by a sponsored captive insurance company shall be the aggregate of the tax liabilities of each protected cell.

4. Every captive insurance company shall, on or before February first each year, make a return on a form provided by the director, verified by the affidavit of the company's president and secretary or other authorized officers, to the director stating the amount of all direct premiums received and assumed reinsurance premiums received, whether in cash or in notes, during the year ending on December thirty-first next preceding. Upon receipt of such returns, the director of the department of insurance, financial institutions and professional registration shall verify the same and certify the amount of tax due from the various companies on the basis and at the rate provided in subsections 1 to 3 of this section, and shall certify the same to the director of revenue, on or before March thirty-first of each year. The director of revenue shall immediately thereafter notify and assess each company the amount of tax due.

5. A captive insurance company failing to make returns as required by subsection 4 of this section or failing to pay within the time required all taxes assessed by this section shall be subject to the provisions of sections 148.375 and 148.410.

6. Two or more captive insurance companies under common ownership and control shall be taxed as though they were a single captive insurance company.

7. For the purposes of this section, the following terms shall mean:

1 (1) "Common ownership and control" [shall mean] ownership and control of two or more captive
2 insurance companies by the same person or group of persons;
3 (2) "Ownership and control":
4 [(1)] (a) In the case of stock corporations, the direct or indirect ownership of eighty percent or
5 more of the outstanding voting stock of [two or more corporations by the same shareholder or
6 shareholders; and] the corporation;
7 [(2)] (b) In the case of mutual or nonprofit corporations, the direct or indirect ownership of eighty
8 percent or more of the surplus and the voting power of [two or more corporations by the same member or
9 members] the corporation;
10 (c) In the case of a limited liability company, the direct or indirect ownership of eighty percent or
11 more of the membership interest in the limited liability company; and
12 (d) In the case of a sponsored captive insurance company and for purposes of this section, a
13 protected cell shall be treated as a separate captive insurance company owned and controlled by the
14 protected cell's participant, but only if:
15 a. The participant is the only participant with respect to such protected cell; and
16 b. The participant is the sponsor or is affiliated with the sponsor of the sponsored captive
17 insurance company through common ownership and control.
18 8. The tax provided for in this section shall constitute all taxes collectible under the laws of this
19 state from any captive insurance company, and no other occupation tax or other taxes shall be levied or
20 collected from any captive insurance company by the state or any county, city, or municipality within this
21 state, except ad valorem taxes on real and personal property used in the production of income.
22 9. Upon receiving the taxes collected under this section from the director of revenue, the state
23 treasurer shall receipt ten percent thereof into the insurance dedicated fund established under section
24 374.150, subject to a maximum of three percent of the current fiscal year's appropriation from such fund,
25 and he or she shall place the remainder of such taxes collected to the general revenue fund of the state.
26 10. The tax provided for in this section shall be calculated on an annual basis, notwithstanding
27 policies or contracts of insurance or contracts of reinsurance issued on a multiyear basis. In the case of
28 multiyear policies or contracts, the premium shall be prorated for purposes of determining the tax under
29 this section.
30 11. A captive insurance company may deduct from premium taxes payable to this state, in
31 addition to all other credits allowed by law, license fees and renewal fees payable under section 379.1302.
32 A deduction for fees which exceeds a captive insurance company's premium tax liability for the same tax
33 year shall not be refundable, but may be carried forward to any subsequent tax year, not to exceed five
34 years, until the full deduction is claimed.
35 379.1351. 1. One or more sponsors may form a sponsored captive insurance company under
36 sections 379.1300 to 379.1351. In addition to the general provisions of sections 379.1300 to 379.1351,
37 the provisions of this section shall apply to sponsored captive insurance companies. A sponsored captive
38 insurance company shall be incorporated as a stock insurer with its capital divided into shares and held by
39 the stockholders, as a mutual corporation, as a nonprofit corporation with one or more members, or as a
40 manager-managed limited liability company.
41 2. As used in this section, unless the context requires otherwise, the following terms shall mean:
42 (1) "Incorporated protected cell", a protected cell that is established as a corporation or limited
43 liability company separate from the sponsored captive insurance company, of which it is a part;
44 (2) "Participant", an entity described in subsection 7 of this section and any affiliates thereof that
45 is insured by a sponsored captive insurance company, where the losses of the participant are limited
46 through a participant contract to such participant's pro rata share of the assets of one or more protected
47 cells identified in such participant contract;
48 (3) "Participant contract", a contract by which a sponsored captive insurance company insures the
49 risks of a participant and limits the losses of each such participant to its pro rata share of the assets of one
50 or more protected cells identified in such participant contract;
51 (4) "Protected cell", a separate account established by a sponsored captive insurance company

1 formed or licensed under this chapter in which assets are maintained for one or more participants in
2 accordance with the terms of one or more participant contracts to fund the liability of the sponsored
3 captive insurance company assumed on behalf of such participants as set forth in such participant
4 contracts, and shall include an incorporated protected cell, as defined in this section;

5 (5) "Sponsor", any entity that meets the requirements of subsection 6 of this section and is
6 approved by the director to provide all or part of the capital and surplus required by applicable law and to
7 organize and operate a sponsored captive insurance company;

8 (6) "Sponsored captive insurance company", any captive insurance company:

9 (a) In which the minimum capital and surplus required by applicable law is provided by one or
10 more sponsors;

11 (b) That is formed or licensed under the provisions of sections 379.1300 to 379.1351;

12 (c) That insures the risks only of its participants through separate participant contracts; and

13 (d) That funds its liability to each participant through one or more protected cells and segregates
14 the assets of each protected cell from the assets of other protected cells and from the assets of the
15 sponsored captive insurance company's general account.

16 3. In addition to the information required by subsection 3 of section 379.1302, each
17 applicant-sponsored captive insurance company shall file with the director the following:

18 (1) Materials demonstrating how the applicant will account for the loss and expense experience
19 of each protected cell at a level of detail found to be sufficient by the director, and how it will report such
20 experience to the director;

21 (2) A statement acknowledging that all financial records of the sponsored captive insurance
22 company, including records pertaining to protected cells, shall be made available for inspection or
23 examination by the director or the director's designated agent;

24 (3) All contracts or sample contracts between the sponsored captive insurance company and any
25 participants; and

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

28 4. A sponsored captive insurance company formed or licensed under this chapter may establish
29 and maintain one or more protected cells to insure risks of one or more participants, subject to the
30 following conditions:

31 (1) The shareholders of a sponsored captive insurance company shall be limited to its participants
32 and sponsors, provided that a sponsored captive insurance company may issue nonvoting securities to
33 other persons on terms approved by the director;

34 (2) Each protected cell shall be accounted for separately on the books and records of the
35 sponsored captive insurance company to reflect the financial condition and results of operations of such
36 protected cell, net income or loss, dividends or other distributions to participants, and such other factors as
37 may be provided in the participant contract or required by the director;

38 (3) The assets of a protected cell shall not be chargeable with liabilities arising out of any other
39 insurance business the sponsored captive insurance company may conduct;

40 (4) No sale, exchange, transfer of assets, dividend or distribution may be made by such sponsored
41 captive insurance company between or among any of its protected cells without the consent of such
42 protected cells;

43 (5) No sale, exchange, transfer of assets, dividend or distribution may be made from a protected
44 cell to a sponsor or participant without the director's approval and in no event shall such approval be given
45 if the sale, exchange, transfer, dividend, or distribution would result in insolvency or impairment with
46 respect to a protected cell;

47 (6) All attributions of assets and liabilities to the protected cells and the general account shall be
48 in accordance with the plan of operation approved by the director. No other attribution of assets or
49 liabilities may be made by a sponsored captive insurance company between its general account and any
50 protected cell or between any protected cells. The sponsored captive insurance company shall attribute all
51 insurance obligations, assets, and liabilities relating to a reinsurance contract entered into with respect to a

1 protected cell to such protected cell. The performance under such reinsurance contract and any tax
2 benefits, losses, refunds, or credits allocated under a tax allocation agreement to which the sponsored
3 captive insurance company is a party, including any payments made by or due to be made to the sponsored
4 captive insurance company under the terms of such agreement, shall reflect the insurance obligations,
5 assets, and liabilities relating to the reinsurance contract that are attributed to such protected cell;

6 (7) In connection with the conservation, rehabilitation, or liquidation of a sponsored captive
7 insurance company, the assets and liabilities of a protected cell shall, to the extent the director determines
8 they are separable, at all times be kept separate from and shall not be commingled with those of other
9 protected cells and the sponsored captive insurance company;

10 (8) The "general account" of a sponsored captive insurance company means all assets and
11 liabilities of the sponsored captive insurance company not attributable to a protected cell;

12 (9) Each sponsored captive insurance company shall annually file with the director such financial
13 reports as the director shall require, which shall include, without limitation, accounting statements
14 detailing the financial experience of each protected cell. Each sponsored captive insurance company shall
15 be subject to the provisions of sections 374.190 and 374.202 to 374.207;

16 (10) Each sponsored captive insurance company shall notify the director in writing within ten
17 business days of any protected cell that is insolvent or otherwise unable to meet its claim or expense
18 obligations;

19 (11) No participant contract shall take effect without the director's prior written approval, and the
20 addition of each new protected cell and withdrawal of a participant or termination of any existing
21 protected cell shall constitute a change in the business plan requiring the director's prior written approval.
22 Each participant contract shall state that under section 379.1324 no benefit shall be paid to the participant
23 or any other party from any state guaranty fund based on a claim against assets of the participant's
24 protected cell in which such assets are insufficient to satisfy the claim;

25 (12) At the discretion of the director, the business written by a sponsored captive, with respect to
26 each cell, shall be:

27 (a) Fronted by an insurance company licensed under the laws of any state;

28 (b) Reinsured by reinsurer authorized or approved by the state of Missouri; or

29 (c) Secured by a trust fund in the United States for the benefit of policyholders and claimants or
30 funded by an irrevocable letter of credit or other arrangement that is acceptable to the director.

31
32 The director may require the sponsored captive to increase the funding of any security arrangement
33 established under this subdivision. If the form of security is a letter of credit, the letter of credit shall be
34 issued or confirmed by a bank approved by the director. A trust maintained under this subdivision shall
35 be established in a form and upon such terms approved by the director;

36 (13) Notwithstanding the provisions of sections 375.1150 to 375.1246 or other laws of this state,
37 and in addition to the provisions of subsection 9 of this section, in the event of an insolvency of a
38 sponsored captive insurance company where the director determines that one or more protected cells
39 remain solvent, the director may separate such cells from the sponsored captive insurance company, and
40 may allow, on application of the sponsor for the conversion of such protected cells into one or more new
41 or existing sponsored captive insurance companies with a sponsor or sponsors, or one or more other
42 captive insurance companies, under such plan or plans of operation as the director deems acceptable.

43 5. A protected cell of a sponsored captive insurance company may be formed as an incorporated
44 protected cell, as described in subdivision (1) of subsection 4 of this section. The articles of incorporation
45 or articles of organization of an incorporated protected cell shall refer to the sponsored captive insurance
46 company for which it is a protected cell and shall state that the protected cell is incorporated or organized
47 for the limited purposes authorized by the sponsored captive insurance company's license. A copy of the
48 prior written approval of the director to add the incorporated protected cell, required by subdivision (11)
49 of subsection 4 of this section, shall be attached to and filed with the articles of incorporation or articles of
50 organization. It is the intent of the general assembly, under this subsection to provide sponsored captive
51 insurance companies with the option to establish one or more protected cells as a separate corporation

1 formed under chapter 351 or limited liability company formed under chapter 347. This section shall not
2 be construed to limit any rights or protections applicable to protected cells not established as corporations
3 or limited liability companies.

4 6. A sponsor of a sponsored captive insurance company may be any person approved by the
5 director in the exercise of the director's discretion, based on a determination that the approval of such
6 person as sponsor is consistent with the purposes of sections 379.1300 to 379.1351. In evaluating the
7 qualifications of a proposed sponsor, the director shall consider the type and structure of the proposed
8 sponsor entity, its experience in financial operations, financial stability, and strength business reputation
9 and such other facts deemed relevant by the director. A risk retention group shall not be either a sponsor
10 or a participant of a sponsored captive insurance company.

11 7. Associations, corporations, limited liability companies, partnerships, trusts, and other business
12 entities may be participants in any sponsored captive insurance company formed or licensed under this
13 chapter. A sponsor may be a participant in a sponsored captive insurance company. A participant need
14 not be a shareholder of the sponsored captive insurance company or an affiliate thereof. A participant
15 shall insure only its own risks through a sponsored captive insurance company.

16 8. Notwithstanding the provisions of subsection 4 of this section, the assets of two or more
17 protected cells may be combined for purposes of investment and such combination shall not be construed
18 as defeating the segregation of such assets for accounting or other purposes. Sponsored captive insurance
19 companies shall comply with the investment requirements contained in sections 379.080 and 379.082, as
20 applicable; provided, however, that compliance with such investment requirements shall be waived for
21 sponsored captive insurance companies to the extent that credit for reinsurance ceded to reinsurers is
22 allowed under section 379.1320 or to the extent otherwise deemed reasonable and appropriate by the
23 director. The director shall exercise his or her discretion in approving the accounting standards in use by
24 the company. Notwithstanding any other provision of this chapter, the director may approve the use of
25 alternative reliable methods of valuation and rating.

26 9. Except as otherwise provided in this section, the provisions of sections 375.1150 to 375.1246
27 shall apply in full to a sponsored captive insurance company. Upon any order of supervision,
28 rehabilitation or liquidation of a sponsored captive insurance company, the receiver shall manage the
29 assets and liabilities of the sponsored captive insurance company under this section. Notwithstanding the
30 provisions of sections 375.1150 to 375.1246:

31 (1) The assets of a protected cell shall not be used to pay any expense or claims other than those
32 attributable to such protected cell; and

33 (2) A sponsored captive insurance company's capital and surplus shall at all times be available to pay any
34 expenses of or claims against the sponsored captive insurance company.'; and

35
36 Further amend said bill by amending the title, enacting clause, and intersectional references accordingly.