RÉSUMÉ DIGEST

ACT 313 (HB 635) **2025 Regular Session** **Bamburg**

Existing law provides regulations for the authorization and operation of domestic captive insurers within the state of La. New law generally retains existing law and modifies the following definitions: "association", "captive insurer", "excess workers' compensation insurance", and "parent".

New law defines "controlled unaffiliated business", "branch captive insurance company", "dormant captive insurance company", and "risk retention group".

Existing law defines a captive insurer as an insurance company that only insures all or part of the risks of its parent company. New law retains existing law but changes all references from "captive insurer" to "captive insurance company." Further provides that a captive insurance company includes an association captive insurance company, risk retention group, or affiliated reinsurance company.

New law requires a captive insurance company to be incorporated as a stock insurer with articles of incorporation subject to approval by the commissioner of insurance (commissioner) and authorizes a captive insurance company to incorporate as a stock corporation or nonstock corporation.

Existing law requires captive insurance companies to receive the commissioner's authorization to transact business in this state. Provides a list of items for inclusion in the application for a certificate of authority, including but not limited to articles of incorporation, bylaws, financial statements, and a plan of operation. New law retains existing law.

Existing law provides regulations regarding rehabilitation, liquidation, conservation, dissolution, administrative supervision, acquisition of control or merger, and conversion to captive insurance companies. New law retains existing law.

Existing law requires that the information submitted in the application be kept confidential except that it may be discoverable by a party in a civil action or contested case. Provides for disclosure by the commissioner, at his discretion, to a public officer having jurisdiction over the regulation of insurance in another state if the public officer agrees in writing to maintain the confidentiality of such information. New law retains existing law.

Existing law provides a public records exception for certain records described in existing law. New law retains existing law and extends the public records exception to books and other materials for examination described in new law.

New and existing law require captive insurance companies and affiliated entities to maintain certain capital and surplus funds.

Prior law required a pure captive insurance company to maintain unimpaired paid-in capital and surplus of not less than $500,000. New law reduces the minimum amount from $500,000 to $250,000.

Prior law required an association captive insurance company to maintain unimpaired paid-in capital and surplus of not less than $1,000,000. New law reduces the minimum amount from $1,000,000 to $500,000.

New law requires a risk retention group to maintain unimpaired paid-in capital and surplus of not less than $1,000,000.

New law requires a branch captive insurance company to maintain unimpaired paid-in capital and surplus of not less than $250,000.

Existing law requires unimpaired paid-in capital and surplus funds to be in the form of cash, cash equivalents, or bonds or evidences of indebtedness that are direct general obligations of the U.S. government. New law retains existing law.

Existing law authorizes the commissioner to prescribe additional requirements relating to capital and surplus based on the type, volume, and nature of the insurance business transacted. New law retains existing law.

Existing law requires a captive insurance company to deposit with the commissioner a trust receipt from a bank doing business within this state indicating that the company deposited $100,000 in money or bonds before receiving a certificate of authority. New law requires the bank to also be located in this state and otherwise retains existing law.

Existing law permits the commissioner to refuse, suspend, or revoke the certificate of authority of a captive insurance company for specific reasons. New law retains existing law.

Existing law prohibits a captive insurance company from directly providing insurance classified as life, health and accident, title, credit life, credit property and casualty, or annuity; directly providing personal motor vehicle, homeowners' insurance coverage, or any other noncommercial line of coverage; directly providing workers' compensation or employers' liability insurance coverage, except in connection with a self-funded insurance program as prescribed in existing law; and accepting or ceding reinsurance, except as otherwise provided in existing law. New law retains existing law.

Existing law permits captive insurance companies to provide excess workers' compensation insurance to their parent and affiliated companies, unless otherwise prohibited by the laws of the state in which the insurance is transacted. Provides other provisions related to workers' compensation insurance. New law retains existing law.

Existing law prohibits a captive insurance company from insuring risks other than those of its parent company, member organization, or affiliated companies. Restricts an association captive insurance company from exposing itself to loss on any one risk in an amount exceeding 10% of the association captive insurer's capital and surplus. Requires an association captive insurer to maintain a ratio of actual annual premiums written to current capital and surplus less than or equal to four to one. New law retains existing law.

Existing law authorizes the commissioner to license a captive insurance company to provide coverage for unrelated risks if it is appropriate and in the best interest of the public. New law retains existing law.

Existing law requires a captive insurance company to maintain its principal place of business in this state; make adequate arrangements with a bank located in this state that is authorized to transfer money; employ or enter into a contract with a natural person or business organization to manage the affairs of the company; and employ or enter into a contract with a certified public accountant and an experienced actuary. New law retains existing law.

New law requires a captive insurance company's board of directors to hold at least 1 annual meeting in this state, except for an association captive insurance company, whose board of directors is required to meet at least quarterly each year. Further requires the company to appoint a registered agent to accept service of process and to otherwise act on its behalf, authorizing the commissioner as agent if the appointed agent cannot be located.

Existing law prohibits a captive insurance company from paying dividends out of its capital or surplus without prior approval from the commissioner. Exempts a pure captive insurance company from any restrictions on allowable investments except that the commissioner may prohibit or limit any investment that threatens the solvency or liquidity of the pure captive insurer. Authorizes a pure captive insurance company to make a loan to its parent or affiliated company if the loan is approved by the commissioner, is evidenced by a note that it is in the approved form, and does not include any money that has been set aside as capital or surplus. New law retains existing law.

Existing law prohibits a captive insurance company from providing reinsurance on risks ceded by any other insurer without approval of the commissioner. Authorizes a captive insurance company to take credit for reserves on risks or portions of risks ceded to a pool. Provides provisions for workers' compensation deemed as reinsurance. Prohibits a captive insurance company from joining or contributing financially to any risk-sharing plan, risk pool, or insurance insolvency guaranty fund. New law retains existing law.

Existing law requires any policy issued by an association captive insurance company to include, on the front page in a certain font size and in boldface capital letters, a notice that the policy is issued by a captive insurance company that may not be subject to all of the insurance laws and regulations of this state and that state insurance insolvency funds are not available to policyholders. New law increases the font size from 12-point to 14-point font and otherwise retains existing law.

Existing law prohibits a captive insurance company's solicitation or sale of insurance by an association captive insurance company to any person who is not eligible for membership. Further prohibits the solicitation or sale of insurance by a captive insurance company that is in a hazardous financial condition. New law retains existing law.

Existing law restricts a captive insurance company from doing business in this state if the insurance company is directly or indirectly a member or owner of the company, unless in the case of a captive insurance company whose total membership consists of insurance companies. New law retains existing law.

Existing law requires a licensed captive insurance company to file a statement of its financial condition, any amendment to the plan of operation, and other financial statements that show the condition of the company. New law retains existing law.

Existing law requires the commissioner to perform an examination, at least once every 5 years, of a captive insurance company. New law retains existing law but provides the types of documentation to be examined and provisions regarding confidentiality.

Prior law subjected captive insurance companies to taxation at the same rate and the same interest, fines, and penalties for nonpayment as domestic captive insurers. Applied provisions related to assessments of the La. Citizens Property Insurance Corp.

New law deletes prior law and requires 0.15% on direct premiums, with deductions for return premiums. Provides for tax rates on premiums with tiers of certain percentages.

Existing law requires policy forms to be filed and approved by the commissioner. Prior law required forms to be filed not less than 45 days in advance of any issuance, delivery, or use of the policy forms. New law reduces the timeframe from 45 days to 30 days with respect to all 45-day references. Otherwise retains existing law.

Existing law authorizes the commissioner to extend the approval or disapproval period by 15 days. Further authorizes the commissioner to withdraw approval at any time for cause. New law retains existing law.

Existing law requires a captive insurance company to adopt a conflict of interest policy that requires officers, directors, and key personnel to annually file a conflict of interest disclosure statement with the board of directors. New law retains existing law.

New law authorizes redomestication of a foreign or alien insurer as a captive insurance company in the state of La. Requires the company to meet state licensing and filing requirements for operation. New law also authorizes a domestic captive insurance company to transfer its domicile to another jurisdiction by following the applicable laws of redomestication. Requires the insurer to remain responsible for its liabilities and existing policies in effect.

New law defines and regulates branch captive insurance companies. Requires the companies to maintain financial security through trust funds or letters of credit to cover liabilities for branch business. Requires certain capital and reserves, reports, and financial examinations.

New law defines and regulates affiliated reinsurance companies. Limits their activities to reinsuring affiliated insurers, subject to the commissioner's approval, and establishes requirements for licensure, capital, operations, and financial reporting.

New law defines and regulates dormant captive insurance companies and provides a certificate of dormancy. Provides that such companies are those no longer transacting in the business of insurance and with no remaining liabilities associated with insurance business transactions or insurance policies. Provides for other certain conditions and reports to be submitted to the commissioner.

New law requires captive insurance companies to pay a $500 fee for the initial application for a certificate of authority. Requires a $6,000 fee for the accompanying application for actuarial review.

Existing law authorizes the commissioner to promulgate and adopt rules in accordance with the APA for implementation and enforcement of regulations necessary for captive insurance companies and affiliated entities. New law retains existing law.

Effective August 1, 2025.

(Amends R.S. 22:550.1-550.32 and R.S. 44:4.1(B)(11); Adds R.S. 22:821(40))