



ARIZONA HOUSE OF REPRESENTATIVES

Fifty-seventh Legislature
First Regular Session

House: COM DP 10-0-0-0

HB 2193: captive insurers; certificate of dormancy

Sponsor: Representative Livingston, LD 28

Caucus & COW

Overview

Provides requirements for a captive insurer to apply for a certificate of dormancy.

History

Captive insurance serves as a form of self-insurance where the captive insurer is owned by the insured and provides insurance to its non-insurance parent company. A *captive insurer* is any pure captive insurer, agency captive insurer, group captive insurer or protected cell captive insurer that is formed, licensed and domiciled in this state. A captive insurer may only insure commercial property and casualty, surety and life and disability risks.

An applicant for a captive insurer license must submit a nonrefundable fee to DIFI and submit a license renewal fee when the captive insurer files an annual report detailing the insurer's financial condition. The director of the Department of Insurance and Financial Institutions (DIFI) may not issue a captive insurance license unless the insurer possesses and maintains prescribed minimum capital and surplus (A.R.S. §§ [20-1098.03](#), [20-1098.07](#)).

Provisions

1. Allows a captive insurer to apply to DIFI for a certificate of dormancy if they:
 - a) are domiciled in this state; and
 - b) meet the definition of dormancy captive insurer. (Sec. 5)
2. Defines *dormant captive insurer* as a captive insurer that has both:
 - a) ceased transacting the business of insurance, including issuing insurance policies; and
 - b) no outstanding liabilities associated with the business of insurance or has not issued any insurance policy before filing an application for a certificate of dormancy. (Sec. 1)
3. Specifies *dormant captive insurer* does not include a captive risk retention group. (Sec. 1)
4. Asserts a certificate of dormancy is subject to renewal every five years and expires unless renewed. (Sec. 5)
5. Delineates requirements for a captive insurer that is issued a certificate of dormancy. (Sec. 5)
6. Allows the surrender of a certificate of dormancy by submitting an application to DIFI. (Sec. 5)
7. Prohibits the dormant captive insurer from issuing insurance policies or conducting the business of insurance until DIFI approves the application to surrender. (Sec. 5)

<input type="checkbox"/> Prop 105 (45 votes)	<input type="checkbox"/> Prop 108 (40 votes)	<input type="checkbox"/> Emergency (40 votes)	<input type="checkbox"/> Fiscal Note
----------------------------------------------	----------------------------------------------	-----------------------------------------------	--------------------------------------

8. Instructs DIFI to revoke a certificate of dormancy if the insurer no longer meets the definition of dormant captive insurer. (Sec. 5)
9. Authorizes DIFI to adopt rules and procedures to implement certificate of dormancy provisions. (Sec. 5)
10. Adds, in satisfying the requirement to hold at least one annual meeting, the option to hold the meeting with its board of managers (Sec. 2)
11. Specifies the captive insurer must pay the license renewal fee between July 1 and September 1 of each year, rather than upon filing of the prescribed annual report. (Sec. 2)
12. Reduces the minimum unimpaired paid-in capital and surplus that a protected cell captive insurer must possess and maintain for licensure from \$500,000 to \$250,000. (Sec. 3)
13. Requires a captive insurer that is formed as a limited liability company to have at least one member of its board of managers be an Arizona resident. (Sec. 4)
14. Makes technical changes. (Sec. 4)