



[SF 2397](#) – Captive Insurance Companies, Reinsurance Tax (LSB5285SV)
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 Fiscal Note Version – New

Description

[Senate File 2397](#) relates to the taxation of captive companies. The Bill amends the amount of reinsurance tax due from a captive company on assumed reinsurance premiums written.

The Bill takes effect upon enactment.

Background

2023 Iowa Acts, [Senate File 549](#) (Captive Insurance Act), allowed for the formation of captive insurance companies and protected cell captive companies, established tax rates for captive insurance premiums, established requirements for the operation of captive insurance companies and protected cell captive companies, and created the Captive Insurance Regulatory and Supervision Fund.

Captive insurance companies are a form of self-insurance in which the insurance provider is owned entirely by the insurance holder. Captive insurance companies often work with traditional companies and may be an option for businesses to manage risks by underwriting their own insurance rather than paying premiums to a third-party insurer.

Current and proposed reinsurance tax rates due from captive companies on assumed reinsurance premiums are shown in **Figure 1** below.

Figure 1 — Reinsurance Premium Tax Rate Changes in SF 2397

	Amount of Assumed Reinsurance Premiums Written			
	<small>(Dollars in Millions)</small>			
	<u>\$0.0 to \$20.0</u>	<u>\$20.0 to \$40.0</u>	<u>\$40.0 to \$60.0</u>	<u>\$60.0 and Above</u>
Current Law	0.200%	0.125%	5.000%	5.000%
Proposed Law	0.200%	0.125%	0.045%	0.020%

Assumption

Changes in reinsurance tax rates for captive insurance premiums may have an impact on revenue collected in the Captive Insurance Regulatory and Supervision Fund, but the amount cannot be estimated, as there is not currently a market for captive insurance in the State.

Fiscal Impact

Senate File 2397 may decrease tax revenue to the Captive Insurance Regulatory and Supervision Fund in future years, as the Bill reduces the tax collected on each captive insurance company’s reinsurance premiums that are in excess of \$40.0 million annually.

Reinsurance premium taxes collected on a captive insurance company’s reinsurance premiums written between \$40.0 million and \$60.0 million will reduce from 5.000% to 0.045%, a 99.1% reduction. Reinsurance premium taxes collected on a captive insurance company’s reinsurance

premiums written in excess of \$60.0 million will reduce from 5.000% to 0.020%, a 99.6% reduction.

There are not currently any reinsurance premium taxes collected on captive insurance companies; therefore, the fiscal impact to the State cannot be determined.

Sources

Iowa Insurance Division, Department of Insurance and Financial Services
Legislative Services Agency analysis

/s/ Jennifer Acton

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The fiscal note for this Bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

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