

OFFICE OF FISCAL ANALYSIS

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SB-1038

AN ACT CONCERNING CAPTIVE INSURANCE COMPANIES.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 24 \$	FY 25 \$
Department of Revenue Services	GF - Revenue Loss	15,000	15,000
Insurance Dept.; Revenue Serv., Dept.	GF - Potential Revenue Gain	Minimal	Minimal

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill, which exempts dormant captive insurers from the insurance premiums tax, results in a General Fund revenue loss of \$15,000 annually beginning in FY 24.¹

The bill also allows captives to accept or transfer risk through parametric contracts and allows sponsored captives to take certain actions related to their protected cells. These changes are anticipated to make the state more attractive as a domicile for captives. There are 45 captives currently in Connecticut.

To the extent the bill increases the number of captive insurance companies that are established in Connecticut, the bill could result in a General Fund revenue gain associated with the following for each

¹ According to the Department of Insurance, there are currently two dormant captive insurers in the state each paying the minimum tax of \$7,500.

captive:

1. Application fee: \$800
2. Fee for initial license: \$375
3. Annual license renewal: \$375
4. Insurance premiums taxes.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future.

Sources: Department of Insurance