

FLORIDA HOUSE OF REPRESENTATIVES FINAL BILL ANALYSIS

This bill analysis was prepared by nonpartisan committee staff and does not constitute an official statement of legislative intent.

BILL #: CS/CS/HB 883	COMPANION BILL: SB 990 (Leek)
TITLE: Protected Cell Captive Insurance Companies	LINKED BILLS: None
SPONSOR(S): Fabricio	RELATED BILLS: None
FINAL HOUSE FLOOR ACTION: 110 Y's 0 N's	GOVERNOR'S ACTION: Approved

SUMMARY

Effect of the Bill:

The bill authorizes protected cell captive insurance companies to operate and be domiciled in Florida, and creates a regulatory framework for such companies. A protected cell is a separate account established by a protected cell captive insurance company, which separates a participant's assets and liabilities from those of other participants.

The bill's regulatory framework addresses the following areas:

- Formation of a captive cell captive insurance company.
- Capital and surplus requirements.
- Separation of assets and liabilities.
- Reinsurance contracts.
- Requirements to write business in Florida.
- Conservation, rehabilitation, and liquidation.
- Legal proceedings against protected cell captive insurance companies.
- Conversion.
- Financial Reporting.

Fiscal or Economic Impact:

There may be an indeterminate economic impact on the private sector.

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ANALYSIS

EFFECT OF THE BILL:

Formation

The bill authorizes sponsors¹ to apply to the [Office of Insurance Regulation](#) ("OIR") to form a [protected cell captive insurance company](#), provided that it only insures the risks of its protected cell participants.² As is currently the case for other types of [captive insurance companies](#), a protected cell captive insurance company may transact in all types of insurance except for workers' compensation and employer's liability, life, health, personal motor vehicle, and personal residential property. (Section [2](#)).

"Protected cell" is defined by the bill as a separate account established by a protected cell captive insurance company. The account identifies a pool of assets and liabilities which is separated and insulated from the remainder of the protected cell captive insurance company's assets and liabilities in accordance with the terms of one or more participant contracts. (Section [1](#)).

The bill provides that one or more sponsors may form a protected cell captive insurance company. The protected cell captive insurance company must be incorporated as one of the following entity types:

¹ A "sponsor" is any person or entity that is approved by OIR to provide all or part of the required capital and surplus and to organize and operate a protected cell captive insurance company.

² A "participant" is defined by the bill as "a person or an entity, and any affiliate of such person or entity, which is insured by a protected cell captive insurance company, if the losses of the participant are limited through a participant contract."

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- As a stock insurer with its capital divided into shares and held by the stockholders.
- As a mutual corporation.
- As a nonprofit corporation with one or more members.
- As a limited liability company. (Section 6).

An applicant protected cell captive insurance company must file the following information with OIR:

- Materials demonstrating how the applicant will account for the loss and expense experience of each protected cell.
- A statement acknowledging that all financial records of the applicant, including records related to any protected cells, must be made available for inspection or examination by OIR.
- All contracts or sample contracts between the applicant and any participants.
- Evidence that expenses will be allocated to each protected cell in a fair and equitable manner. (Section 6).

A protected cell captive insurance company may establish or maintain one or more incorporated or unincorporated protected cells, to insure risks of one or more participants, subject to the following conditions:

- A protected cell captive insurance company may establish one or more protected cells if OIR has approved in writing a plan of operation submitted by the protected cell captive insurance company with respect to each protected cell.
- Once OIR provides written approval of the plan of operation, the protected cell may attribute insurance obligations with respect to its insurance business to the protected cell.
- A protected cell must have its own distinct name or designation, which must include the words “protected cell,” “incorporated cell,” or an abbreviation of those designations.
- The protected cell captive insurance company must transfer all assets attributable to a protected cell to one or more separately established and identified protected cell accounts bearing the name or designation of that protected cell.
- Protected cell assets must be held in the protected cell accounts for the purpose of satisfying the obligations of that protected cell.
- An incorporated protected cell may be organized and operated in any form of business organization authorized by OIR. Each incorporated protected cell of a protected cell captive insurance company must be treated as a captive insurer and has the power to enter into contracts.
- All attributions of assets and liabilities between a protected cell and the general account³ must be in accordance with the plan of operation and participant contracts⁴ approved by OIR. These attributions must be in cash or in readily marketable securities⁵ with established market values. (Section 6).

The bill provides that the creation of a protected cell does not create a legal person separate from the protected cell captive insurance company unless the protected cell is an incorporated cell. Amounts attributed to a protected cell are owned by the protected cell. A protected cell captive insurance company may not act as a trustee of the protected cell assets of the protected cell account. However, a protected cell captive insurance company may allow a security interest⁶ to attach to a protected cell’s assets or account if the security interest is in favor of a creditor of that protected cell. (Section 6).

³ “General account” is defined in the bill as “all assets and liabilities of a protected cell captive insurance company not attributable to a protected cell.”

⁴ A “participant contract” is defined by the bill as a contract by which a protected cell captive insurance company insures the risks of a participant and limits the losses of each such participant to its proportional share of the assets of one or more protected cells identified in such contract.

⁵ Marketable securities are very easy to convert to cash, and can be liquidated within minutes, hours, or at most days. See Investopedia, *Marketable Security: What it is, How it Works*, https://www.investopedia.com/terms/m/marketable_security.asp (last visited Feb. 18, 2026).

⁶ A security interest is an enforceable legal claim or lien on collateral that has been pledged to obtain a loan. See Investopedia, *Understanding Security Interests: Legal Definition and Key Requirements*, <https://www.investopedia.com/terms/s/security-interest.asp> (last visited Feb. 18, 2026).

The bill provides that a participant contract may not take effect without OIR's prior written approval. The addition of each new protected cell, the withdrawal of any participant, or the termination of any existing protected cell constitutes a change in the plan of operation, and requires OIR approval. (Section 6).

The bill provides that a protected cell captive insurance company may establish and operate both unincorporated and incorporated protected cells. The bill provides that biographical affidavits are not required for participants in unincorporated cells, but biographical affidavits are required for owners of incorporated cells. (Section 6).

Capital and Surplus Requirements

The bill requires a protected cell captive insurance company to possess, and maintain, unimpaired paid-in capital of at least \$100,000. For protected cell captive insurance companies incorporated as nonprofit corporations, the bill requires unrestricted net assets of at least \$100,000. (Section 3).

The bill also requires protected cell captive insurance companies to possess, and maintain, unimpaired surplus of at least \$100,000. (Section 4).

Segregation of assets and liabilities

A protected cell captive insurance company must establish administrative and accounting procedures necessary to properly identify the one or more protected cells of the protected cell captive insurance company as well as the protected cell's assets⁷ and protected cell liabilities⁸ attributable to the protected cells. The directors of a protected cell captive insurance company must keep protected cell assets and protected cell liabilities:

- Separate and separately identifiable from the assets and liabilities of the protected cell captive insurance company's general account; and
- Attributable to one protected cell separate and separately identifiable from protected cell assets and protected cell liabilities attributable to other protected cells. (Section 6).

If assets and liabilities are not kept separate, the bill provides the remedy of tracing⁹. (Section 6).

The bill provides that when establishing a protected cell, the protected cell captive insurance company must attribute to the protected cell assets a value at least equal to the reserves and other insurance liabilities attributed to that protected cell. (Section 6).

Each protected cell must be accounted for separately on the books and records of the protected cell captive insurance company to reflect the financial condition and results of operations of each protected cell. (Section 6).

An asset of a protected cell may not be liable for any business conducted by the protected cell captive insurance company on behalf of any other protected cell or the company's general account. (Section 6).

A protected cell captive insurance company may not sell, exchange, or otherwise transfer assets between or among any of its protected cells without the consent of the protected cells. However, the assets of two or more protected cells may be combined for purposes of investment. (Section 6).

The bill allows protected cell captive insurance companies to contract with or arrange for an investment advisor, commodity trading advisor, or other third party to manage the protected cell assets of a protected cell if all remuneration, expenses, and other compensation of the third party advisor or manager are payable from the

⁷ "Protected cell assets" means all assets, contract rights, and general intangibles identified with and attributable to a specified protected cell of a protected cell captive insurance company.

⁸ "Protected cell liabilities" means all liabilities and other obligations identified with and attributed to a specific protected cell of a protected cell captive insurance company.

⁹ Tracing is a remedy that is used to identify, follow, and recover property that has been mixed with other assets. See Kornfeld, *Principles of Tracing*, <https://kornfeldllp.com/2021/06/principles-of-tracing/#:~:text=Tracing%20is%20a%20remedy%20that%20can%20be,bona%20fide%20purchaser%20for%20value%20without%20notice> (last visited Feb. 10, 2026).

protected cell assets of that protected cell, and not from the protected assets of other cells or the assets of the protected cell captive insurance company's general account. (Section 6).

The bill provides that the assets of a protected cell may not be used to pay any expenses or claims other than those attributable to the protected cell. (Section 6).

A protected cell captive insurance company's capital and surplus must at all times be available to pay any expenses or claims against the protected cell captive insurance company. (Section 6).

Reinsurance Contracts

The protected cell captive insurance company must attribute all insurance obligations, assets, and liabilities relating to a reinsurance contract entered into with respect to a protected cell to such protected cell. (Section 6).

The performance under such reinsurance contract and any tax benefits, losses, refunds, or credits allocated pursuant to a tax allocation agreement to which the protected cell captive insurance company is a party must reflect the insurance obligations, assets, and liabilities relating to the reinsurance contract which are attributed to such protected cell. (Section 6).

Dividends and Distributions

A protected cell captive insurance company may not sell, exchange, transfer, or otherwise distribute assets, or pay any dividend or distribution from a protected cell to the company or to a participant without OIR's approval. The bill prohibits OIR from approving any sale, exchange, transfer, dividend, or distribution that would result in insolvency or impairment of a protected cell. (Section 6).

Business Written by a Protected Cell Captive Insurance Company

The bill requires the business written by a protected cell captive insurance company to be:

- Fronted¹⁰ by an insurance company licensed under the laws of any state.
- Reinsured by a reinsurer authorized or approved by OIR.
- Secured by a trust fund in the United States for the benefit of policyholders and claimants or funded by an irrevocable letter of credit or other arrangement that is acceptable to OIR. The amount of security provided may not be less than the reserves associated with those liabilities which are neither fronted nor reinsured. (Section 6).

Rehabilitation or Liquidation

Each protected cell captive insurance company must notify OIR in writing within 10 business days of any protected cell that is insolvent or otherwise unable to meet its claim or expense obligations. (Section 6).

If a protected cell captive insurance company enters into conservation,¹¹ rehabilitation,¹² liquidation¹³ proceedings, the assets and liabilities of a protected cell must be kept separate from those of other protected cells and the protected cell captive insurance company, to the extent OIR determines they are separable. (Section 6).

¹⁰ "Fronting" means the use of a licensed, admitted insurer to issue an insurance policy on behalf of a self-insured organization or captive insurer without the intention of transferring any of the risk. The risk of loss is retained by the self-insured or captive insurer with an indemnity or reinsurance agreement. However, the fronting company assumes a credit risk since it would be required to honor the obligations imposed by the policy if the self-insurer or captive failed to indemnify it. See International Risk Management Institute, *Fronting*, <https://www.irmi.com/term/insurance-definitions/fronting#:~:text=Fronting%20refers%20to%20the%20use.Conferences> (last visited Feb. 8, 2026).

¹¹ "Conservation" is a process that allows an insurance regulator to safeguard the assets of an insurance company and determine the best next steps for the insurer. See National Association of Insurance Commissioners ("NAIC"), *GRID FAQs*, <https://isiteplus.naic.org/help/html/GRID%20FAQs.html> (last visited Mar. 17, 2026).

¹² "Rehabilitation" is a process that allows an insurance regulator to protect an insurer's assets and reduce its liabilities. The regulator may use tools like reorganization, consolidation, conversion, reinsurance, merger, or other transformations that would be in the best interest of policyholders, creditors, and the insurer itself. *Id.*

¹³ "Liquidation" is a process that allows an insurance regulator to distribute an insolvent insurer's assets and dissolve it. *Id.*

In the event of an insolvency of a protected cell captive insurance company where OIR determines that one or more protected cells remain solvent, OIR may separate those solvent cells from the protected cell captive insurance company and may allow for the conversion of such protected cells into one or more new or existing protected cell captive insurance companies, or one or more other captive insurance companies, pursuant to a plan of operation which OIR deems acceptable. (Section [6](#)).

The bill provides that upon any order of supervision, rehabilitation, or liquidation of a protected cell captive insurance company, the receiver¹⁴ must manage the assets and liabilities of the protected cell captive insurance company. (Section [6](#)).

Legal Proceedings Against a Protected Cell Captive Insurance Company

The pleadings in any legal action brought by or against a protected cell captive insurance company must specify which protected cell or cells are or should be named a party to the lawsuit. If the general account is party to the suit, such account must be separately identified in the pleadings as if it were a protected cell. (Section [6](#)).

The bill provides that if a legal action brought against a protected cell captive insurance company does not specify one or more protected cells, it must be deemed to have been brought against the general account only. (Section [6](#)).

The bill provides that any protected cell that is not named in the pleadings of a lawsuit may not be deemed to be a party to the legal action, and if erroneously named as a party, it is entitled to prompt dismissal from the lawsuit. (Section [6](#)).

The bill provides that the assets of one protected cell may not be encumbered or seized to satisfy the obligations of or a judgment against any other protected cell, unless specified by the plan of operation. A protected cell does not have a duty to defend the rights and obligations of any other protected cell. (Section [6](#)).

The bill provides that in any legal action involving a protected cell captive insurance company or a protected cell, any papers, documents, or property of a nonparty protected cell must be afforded the same status during discovery as the documents or property of any other unrelated third party. Further, a nonparty protected cell has standing to appear and petition for any appropriate relief to protect the confidentiality of its papers and documents. (Section [6](#)).

Conversion

The bill provides that upon the application of a protected cell captive insurance company, one of its protected cells may be converted to any form of captive insurance company with OIR's consent. OIR may issue the converting protected cell a certificate of authority with an effective date of the original date of formation as a protected cell. (Section [6](#)).

The bill provides that a captive insurance company may apply to OIR to become a protected cell captive insurance company. This conversion requires approval by OIR and the filing of amended organizational documents with the Secretary of State. The effective date of the certificate of authority would remain the same as the effective date of the prior captive insurance company. (Section [6](#)).

The bill provides that with the consent of both the affected protected cell captive insurance companies and OIR, an individual protected cell of a captive insurance company may disaffiliate from one protected cell captive insurance company and affiliate with another protected cell captive insurance company. The protected cell must maintain and carry over all assets and liabilities to the new protected cell captive insurance company. (Section [6](#)).

¹⁴ The Department of Financial Services is the appointed receiver of all insurance companies ordered into receivership in Florida. See ch. 631, F.S.

The bill provides that with the consent of the affected protected cell captive insurance company or companies, the owners or the participants of the protected cells, and OIR, an individual protected cell of a captive insurance company may merge or otherwise combine assets or liabilities with another individual protected cell of a protected cell captive insurance company. The surviving protected cell must acquire all of the assets and liabilities of the merging protected cell. (Section 6).

The date of final conversion or disaffiliation of a protected cell shall be deemed a termination of that cell from the prior entity only for the purpose of annual reports, inspections, examinations, and taxation. The prior entity is responsible for the accounting, oversight, and premium tax on any transactions before the date of final conversion or disaffiliation; however, the successor entity is responsible for the accounting, oversight, and premium tax on any transactions on or after the date of final conversion or disaffiliation. (Section 6).

Financial Reporting to OIR

Each protected cell captive insurance company must annually file with OIR any financial reports required by OIR. The bill provides that these reports must include accounting statements detailing the financial experience of each protected cell. (Section 6).

Applicability of the Florida Insurance Code

The bill provides that the [Florida Insurance Code](#) does not apply to protected cell captive insurance companies, as is currently the case for captive insurance companies. (Section 5).

Effective Date

The bill was approved by the Governor on May 11, 2026, ch. 2026-72, L.O.F., and will become effective on July 1, 2026. (Section 7).

FISCAL OR ECONOMIC IMPACT:

PRIVATE SECTOR:

There may be an indeterminate economic impact on the private sector to the extent that businesses may find it easier to self-insure through this model.

RELEVANT INFORMATION

SUBJECT OVERVIEW:

[Office of Insurance Regulation](#)

The Office of Insurance Regulation (“OIR”) regulates all activities relating to insurers and other risk bearing entities, including licensing, rates, policy forms, marked conduct, claims, issuance of certificates of authority, solvency, viatical settlements, premium financing, and administrative supervision.¹⁵

[Florida Insurance Code](#)

The Florida Insurance Code¹⁶ provides the regulatory framework for admitted insurers in the state. Insurance companies that transact insurance in Florida or that have offices located in the state are required to obtain a certificate of authority (“COA”) issued by OIR. These companies, referred to as authorized or admitted insurers, are broadly regulated by OIR under the Insurance Code as to reserves, surplus as to policyholders, solvency, rates and forms, market conduct, permissible investments, and affiliate relationships.¹⁷ Authorized insurers are also required to participate in a variety of government mandated insurance programs and pay assessments levied by state guaranty funds in the event of insurer insolvencies.¹⁸

¹⁵ [S. 20.121\(3\)\(a\), F.S.](#)

¹⁶ See [s. 624.01, F.S.](#)

¹⁷ The Insurance Code consists of chs. 624-632, 634, 635, 636, 641, 642, 648, and 651, F.S.

¹⁸ For example, Florida licensed direct writers of property and casualty insurance must be members of the Florida Insurance Guaranty Association (“FIGA”), which handles the claims of insolvent insurers under part II of ch. 631, F.S., and insurers

The Florida Insurance Code also authorizes OIR to examine the affairs, transactions, accounts, records, and assets of each insurer that holds a COA to transact insurance business in Florida.¹⁹ As part of the examination process, all persons being examined must make available to OIR the accounts, records, documents, files, information, assets, and matters in their possession or control that relate to the subject of the examination.²⁰ OIR is also authorized to conduct market conduct examinations to determine compliance with applicable provisions of the Florida Insurance Code.

Captive Insurance

Captive insurance is a specialized form of self-insurance allowing a business to create its own insurance company to cover specific types of risk. Rather than purchasing coverage from a traditional insurance company, the business establishes a “captive” insurance company to underwrite its own risks. The captive insurer operates by having its owner pay premiums to cover specific risks. The captive insurer then underwrites policies, invests the premiums, and manages claims. Profits can be returned to the owner as dividends, reinvested to build surplus, used to reduce future premiums, expand coverage, or fund risk management initiatives that help mitigate future losses.²¹

Captives are commonly used to manage unique or complex risks. Sometimes traditional commercial policies have policy gaps, exclusions, or are too expensive.²² The types of risk covered by captive insurance companies include:²³

- Professional and management liability.
 - Errors and omissions.
 - Directors and officers.
- Product liability.
- Specialized risks.
 - Cyber liability.
 - Environmental (i.e., pollution).
 - Active shooter.
 - Terrorism.
 - Supply chain disruption.
 - Reputational risks.
 - Cannabis.
- Commercial property and casualty.
 - General liability.
 - Commercial auto.
 - Property damage.
 - Business interruption.

Captive insurers are sometimes used to supplement traditional commercial policies with high deductibles or to cover self-insured retentions.²⁴

offering workers’ compensation coverage in Florida must be members of the Florida Workers’ Compensation Insurance Guaranty Association, which provides payment of covered claims for insurers that are declared insolvent under part V of ch. 631, F.S.

¹⁹ [S. 624.316\(1\)\(a\), F.S.](#)

²⁰ [S. 624.318\(2\), F.S.](#)

²¹ Captive.com, *The Expanding Role of Captives in Today’s Changing Risk Market*, <https://www.captive.com/news/the-expanding-role-of-captives-in-todays-changing-risk-market> (last visited Feb. 18, 2026).

²² *Id.*

²³ *Id.*

²⁴ *Id.*

Florida, authorizes and regulates captive insurance companies. A captive insurance company may do any and all insurance authorized under the insurance code, **except for** workers' compensation and employer's liability, life, health, personal motor vehicle, and personal residential property.²⁵

Presently, there are three domestic captive insurers authorized to do business in Florida, two of which became authorized since the beginning of 2025.²⁶ Minimum unimpaired capital requirements for a Florida authorized captive insurer are:²⁷

- For a pure captive insurance company, at least \$100,000.
- For an industrial insured captive insurance company incorporated as a stock insurer, at least \$200,000.
- For a special purpose captive insurance company, an amount determined by OIR after giving due consideration to the company's business plan, feasibility study, and pro forma financial statements and projections, including the nature of the risks to be insured.

Minimum maintained unrestricted net asset requirements for a Florida authorized captive insurer incorporated as a nonprofit corporation are:²⁸

- For a pure captive insurance company, at least \$250,000.
- For a special purpose captive insurance company, an amount determined by OIR after giving due consideration to the company's business plan, feasibility study, and pro forma financial statements and projections, including the nature of the risks to be insured.

Protected Cell Captive Insurance Companies

A protected cell captive insurance company is a single legal insurance entity that allows legally separated companies to effectively receive the benefits of the captive insurance model without the costs of the full set-up of a standalone captive insurance company.²⁹

When businesses join the protected cell captive insurance company, their individual assets are kept in their own walled-off cells, separate from the assets of other businesses participating in the protected cell captive insurance company.³⁰ The assets in one participant's account may not be used to pay liabilities in another unless the respective participants have entered into an agreement to do so.³¹ Each cell functions like a separate company protecting its finances from other cells and the core's general business.³²

A hardening insurance market coupled with inflation has led to the growth of captive insurers, and in recent times, protected cell captive insurance companies have seen a surge in popularity.³³

Florida does not currently recognize protected cell captive insurance companies as a type of captive insurer. However, 28 states and the District of Columbia recognize protected cell captive insurance companies.³⁴

²⁵ [S. 628.905, F.S.](#)

²⁶ Office of Insurance Regulation, *Active Company Search*, <https://companysearch.flor.gov/> (last visited Feb. 18, 2026).

²⁷ [S. 628.907\(1\), F.S.](#)

²⁸ [S. 628.907\(2\), F.S.](#)

²⁹ Captive.com, *What is a Protected or Segregated Cell Captive?*, <https://www.captive.com/articles/what-is-a-protected-or-segregated-cell-captive#:~:text=Tax%20deductibility%20of%20premiums%20not,an%20agreement%20to%20do%20so> (last visited Feb. 18, 2026).

³⁰ *Id.*

³¹ *Id.*

³² *Id.*

³³ Anthony Bellano, *Protected Cell Structures Fuel Captive Growth*, Best's Review (August 2022), available at <https://bestsreview.ambest.com/edition/2022/August/docs/BestsReviewAugust2022.pdf?reload=1673039112745&utm> (last visited Feb. 18, 2026).

³⁴ States that recognize protected cell captive insurance companies include: Alabama, Arizona, Arkansas, Connecticut, Delaware, the District of Columbia, Georgia, Hawaii, Illinois, Iowa, Kansas, Kentucky, Maine, Michigan, Missouri, Montana, Nevada, New Jersey, North Carolina, Ohio, Oklahoma, Rhode Island, South Carolina, South Dakota, Tennessee, Utah, Vermont,

Virginia, and Washington. See National Association of Insurance Commissioners, *Protected Cell Company Model Act*, <https://content.naic.org/sites/default/files/model-law-state-page-290.pdf> (last visited Feb. 18, 2026).