

A bill to be entitled
An act relating to protected cell captive insurance companies; amending s. 628.901, F.S.; revising the definitions of the terms "captive insurance company" and "special purpose captive insurance company"; defining terms; amending s. 628.905, F.S.; specifying that a protected cell captive insurance company may only insure certain risks; amending s. 628.907, F.S.; revising the unimpaired paid-in capital requirements for captive insurance companies; revising the unrestricted net asset requirements for captive insurance companies incorporated as nonprofit corporations; amending s. 628.908, F.S.; revising the unimpaired surplus requirements for captive insurance companies; amending s. 628.909, F.S.; revising applicability; creating s. 628.921, F.S.; authorizing one or more sponsors to form a protected cell captive insurance company; requiring protected cell captive insurance companies to be incorporated in a specified manner; requiring applicant protected cell captive insurance companies to file certain information with the Office of Insurance Regulation; authorizing protected cell captive insurance companies to establish and maintain certain protected cells, subject to certain approvals granted by the office;

26 specifying conditions on protected cell establishment
27 and maintenance; providing construction; specifying
28 requirements regarding protected cells' assets and
29 liabilities and their attribution; requiring protected
30 cell captive insurance companies to file annual
31 reports, as required by the office, and to notify the
32 office when any protected cell is insolvent or unable
33 to meet its obligations; requiring the office's
34 approval before a participant contract may take
35 effect; specifying requirements for any insurance
36 business written by a protected cell captive insurance
37 company and the security arrangements that must be
38 established; authorizing the office to take certain
39 actions in the event of an insolvency of a protected
40 cell captive insurance company; requiring certain
41 affidavits for owners of incorporated protected cells;
42 authorizing the assets of two or more protected cells
43 to be combined for a specified purpose; specifying
44 that such combination may not be construed in a
45 certain manner; authorizing the office to approve the
46 use of certain methods for valuation of certain assets
47 and liabilities and rating the risk attributable to a
48 protected cell; requiring a receiver to manage the
49 assets and liabilities of protected cell captive
50 insurance companies under certain circumstances;

51 prohibiting assets of protected cells from being used
52 to pay certain expenses and claims; requiring that
53 protected cell captive insurance companies' capital
54 and surplus be available to pay certain expenses or
55 claims; specifying requirements in actions brought by
56 or against protected cell captive insurance companies;
57 specifying that certain legal actions are deemed to be
58 brought against the general account only; specifying
59 that protected cells not named in an action are not
60 deemed to be a party to the action and are entitled to
61 dismissal under certain circumstances; prohibiting the
62 assets of protected cells from being encumbered or
63 seized under certain circumstances; specifying that
64 protected cells do not have a duty to defend the
65 rights and obligations or other protected cells;
66 requiring protected cell captive insurance companies
67 and protected cells to be afforded a certain status
68 during discovery; specifying that nonparty protected
69 cells have standing under certain circumstances;
70 authorizing protected cells to be converted to any
71 authorized form of captive insurance company;
72 authorizing the office to issue a specified
73 certificate of authority; requiring converting
74 protected cells to file certain organizational
75 documents; specifying requirements for such documents;

76 specifying the formation date upon conversion;
77 requiring converted protected cells to possess certain
78 assets and liabilities; requiring the converting
79 protected cell to submit amended organizational
80 documents under certain circumstances; authorizing
81 captive insurance companies to apply to the office for
82 conversion to protected cell captive insurance
83 companies; requiring captive insurance companies to be
84 issued a revised certificate of authority under
85 certain circumstances; specifying the effective date
86 of such certificate; authorizing protected cells of a
87 captive insurance company to disaffiliate and to
88 affiliate with another protected cell captive
89 insurance company under certain circumstances;
90 authorizing the office to require changes to certain
91 documents under certain circumstances; specifying the
92 formation date of protected cells that affiliate with
93 another protected cell captive insurance company;
94 requiring such protected cells to maintain and carry
95 over certain assets and liabilities; authorizing an
96 individual protected cell to merge or otherwise
97 combine assets and liabilities with another individual
98 protected cell, subject to certain requirements;
99 specifying that a hearing is not required for certain
100 mergers; specifying the date of final conversion or

101 disaffiliation of a protected cell for certain
102 purposes; specifying that the prior entity and
103 successor entities are responsible for certain tasks;
104 providing an effective date.

105

106 Be It Enacted by the Legislature of the State of Florida:

107

108 **Section 1. Present subsections (8) through (11), (12)**
109 **through (14), and (15) of section 628.901, Florida Statutes, are**
110 **redesignated as subsections (9) through (12), (19) through (21),**
111 **and (23), respectively, new subsections (8) and (13) through**
112 **(15) and subsections (16) through (18) and (22) are added to**
113 **that section, and subsection (2) and present subsection (14) of**
114 **that section are amended, to read:**

115 628.901 Definitions.—As used in this part, the term:

116 (2) "Captive insurance company" means a domestic insurer
117 established under this part. A captive insurance company
118 includes a protected cell captive insurance company, pure
119 captive insurance company, special purpose captive insurance
120 company, or industrial insured captive insurance company formed
121 and licensed under this part.

122 (8) "General account" means all assets and liabilities of
123 a protected cell captive insurance company not attributable to a
124 protected cell.

125 (13) "Participant" means a person or an entity, and any

126 affiliate of such person or entity, which is insured by a
127 protected cell captive insurance company, if the losses of the
128 participant are limited through a participant contract.

129 (14) "Participant contract" means a contract by which a
130 protected cell captive insurance company insures the risks of a
131 participant and limits the losses of each such participant to
132 its pro rata share of the assets of one or more protected cells
133 identified in such contract.

134 (15) "Protected cell" means a separate account established
135 by a protected cell captive insurance company formed or licensed
136 under this part, in which account an identified pool of assets
137 and liabilities is segregated and insulated by means of this
138 part from the remainder of the protected cell captive insurance
139 company's assets and liabilities in accordance with the terms of
140 one or more participant contracts to fund the liabilities of the
141 protected cell captive insurance company with respect to the
142 participants as set forth in the participant contracts.

143 (16) "Protected cell assets" means all assets, contract
144 rights, and general intangibles identified with and attributable
145 to a specific protected cell of a protected cell captive
146 insurance company.

147 (17) "Protected cell captive insurance company" means a
148 captive insurance company:

149 (a) In which the minimum capital and surplus required by
150 this part are provided by one or more sponsors;

151 (b) That is formed or licensed under this part;
152 (c) That insures the risks of separate participants
153 through participant contracts; and
154 (d) That funds its liability to each participant through
155 one or more protected cells and segregates the assets of each
156 protected cell from the assets of other protected cells and from
157 the assets of the protected cell captive insurance company's
158 general account.

159 (18) "Protected cell liabilities" means all liabilities
160 and other obligations identified with and attributed to a
161 specific protected cell of a protected cell captive insurance
162 company.

163 (21) (14) "Special purpose captive insurance company" means
164 a captive insurance company that is formed or licensed under
165 this part which chapter that does not meet the definition of any
166 other type of captive insurance company defined in this section.

167 (22) "Sponsor" means any person or entity that is approved
168 by the office to provide all or part of the capital and surplus
169 required by this part and to organize and operate a protected
170 cell captive insurance company.

171 **Section 2. Paragraph (f) is added to subsection (1) of**
172 **section 628.905, Florida Statutes, to read:**

173 628.905 Licensing; authority.—

174 (1) A captive insurance company, if permitted by its
175 charter or articles of incorporation, may apply to the office

176 for a license to do any and all insurance authorized under the
177 insurance code, other than workers' compensation and employer's
178 liability, life, health, personal motor vehicle, and personal
179 residential property insurance, except that:

180 (f) A protected cell captive insurance company may only
181 insure the risks of its protected cell participants.

182 **Section 3. Subsections (1) and (2) of section 628.907,
183 Florida Statutes, are amended to read:**

184 628.907 Minimum capital and net assets requirements;
185 restriction on payment of dividends.—

186 (1) A captive insurance company may not be issued a
187 license unless it possesses and thereafter maintains the
188 following applicable unimpaired paid-in capital requirements ~~or~~:

189 (a) In the case of a protected cell captive insurance
190 company, at least \$200,000.

191 (b) In the case of a pure captive insurance company, at
192 least \$100,000.~~;~~

193 (c)~~(b)~~ In the case of an industrial insured captive
194 insurance company incorporated as a stock insurer, at least
195 \$200,000.~~;~~ and

196 (d)~~(e)~~ In the case of a special purpose captive insurance
197 company, an amount determined by the office after giving due
198 consideration to the company's business plan, feasibility study,
199 and pro forma financial statements and projections, including
200 the nature of the risks to be insured.

201 (2) The office may not issue a license to a captive
202 insurance company incorporated as a nonprofit corporation unless
203 the company possesses and maintains the following applicable
204 unrestricted net assets requirements ~~of~~:

205 (a) In the case of a protected cell captive insurance
206 company, at least \$250,000.

207 (b) In the case of a pure captive insurance company, at
208 least \$250,000.

209 (c) ~~(b)~~ In the case of a special purpose captive insurance
210 company, an amount determined by the office after giving due
211 consideration to the company's business plan, feasibility study,
212 and pro forma financial statements and projections, including
213 the nature of the risks to be insured.

214 **Section 4. Subsection (1) of section 628.908, Florida**
215 **Statutes, is amended to read:**

216 628.908 Surplus requirements; restriction on payment of
217 dividends.—

218 (1) The office may not issue a license to a captive
219 insurance company unless the company possesses and maintains the
220 following applicable unimpaired surplus requirements ~~of~~:

221 (a) In the case of a pure captive insurance company, at
222 least \$150,000.

223 (b) In the case of a protected cell captive insurance
224 company, at least \$150,000.

225 (c) In the case of an industrial insured captive insurance

226 company incorporated as a stock insurer, at least \$300,000.

227 (d) ~~(e)~~ In the case of an industrial insured captive
228 insurance company incorporated as a mutual insurer, at least
229 \$500,000.

230 (e) ~~(d)~~ In the case of a special purpose captive insurance
231 company, an amount determined by the office after giving due
232 consideration to the company's business plan, feasibility study,
233 and pro forma financial statements and projections, including
234 the nature of the risks to be insured.

235 **Section 5. Subsection (1) of section 628.909, Florida
236 Statutes, is amended to read:**

237 628.909 Applicability of other laws.—

238 (1) The Florida Insurance Code does not apply to captive
239 insurance companies, protected cell captive insurance companies,
240 or industrial insured captive insurance companies except as
241 provided in this part and subsections (2) and (3).

242 **Section 6. Section 628.921, Florida Statutes, is created
243 to read:**

244 628.921 Protected cell captive insurance companies.—

245 (1) One or more sponsors may form a protected cell captive
246 insurance company under this part.

247 (2) A protected cell captive insurance company must be
248 incorporated as a stock insurer with its capital divided into
249 shares and held by the stockholders, as a mutual corporation, as
250 a nonprofit corporation with one or more members, or as a

251 limited liability company.

252 (3) In addition to the information required by chapter
253 624, each applicant protected cell captive insurance company
254 must file all of the following information with the office:

255 (a) Materials demonstrating how the applicant will account
256 for the loss and expense experience of each protected cell at a
257 level of detail found to be sufficient by the office, and how it
258 will report such experience to the office.

259 (b) A statement acknowledging that all financial records
260 of the applicant, including records pertaining to any protected
261 cells, must be made available for inspection or examination by
262 the office or the office's designated agent.

263 (c) All contracts or sample contracts between the
264 applicant and any participants.

265 (d) Evidence that expenses will be allocated to each
266 protected cell in a fair and equitable manner.

267 (4) A protected cell captive insurance company formed or
268 licensed under this part may establish and maintain one or more
269 incorporated or unincorporated protected cells, to insure risks
270 of one or more participants, subject to all of the following
271 conditions:

272 (a) 1. A protected cell captive insurance company may
273 establish one or more protected cells if the office has approved
274 in writing a plan of operation or amendments to a plan of
275 operation submitted by the protected cell captive insurance

276 company with respect to each protected cell. A plan of operation
277 must include, but is not limited to, the specific business
278 objectives and investment guidelines of the protected cell.
279 However, the office may require additional information in the
280 plan of operation. The office may make the approval of a plan of
281 operation or amendments to a plan of operation effective as of
282 any date on or before the date the approval is signed so long as
283 the effective date is no earlier than the date on which the plan
284 of operation or amendments to the plan of operation were filed
285 with the office.

286 2. Upon the office's written approval of the plan of
287 operation, the protected cell captive insurance company, in
288 accordance with the approved plan of operation, may attribute
289 insurance obligations with respect to its insurance business to
290 the protected cell.

291 3. A protected cell must have its own distinct name or
292 designation, which must include the words "protected cell" or
293 "incorporated cell." Such names or designations may also be
294 reasonably abbreviated, including, without limitation, PC or
295 P.C. for "protected cell"; IC, I.C., IPC, or I.P.C. for
296 "incorporated cell"; and SC, S.C., SPC, or S.P.C. for "series
297 cell."

298 4. The protected cell captive insurance company shall
299 transfer all assets attributable to a protected cell to one or
300 more separately established and identified protected cell

301 accounts bearing the name or designation of that protected cell.
302 Protected cell assets must be held in the protected cell
303 accounts for the purpose of satisfying the obligations of that
304 protected cell.

305 5. An incorporated protected cell may be organized and
306 operated in any form of business organization authorized by the
307 office, including, but not limited to, an individual series of a
308 limited liability company under chapter 605. Each incorporated
309 protected cell of a protected cell captive insurance company
310 must be treated as a captive insurer for purposes of this part
311 and has the power to enter into contracts, including an
312 individual series of a limited liability company. Unless
313 otherwise permitted by the organizational documents of a
314 protected cell captive insurance company, each incorporated
315 protected cell of the protected cell captive insurance company
316 must have the same directors, secretary, and registered office
317 as the protected cell captive insurance company.

318 6. All attributions of assets and liabilities between a
319 protected cell and the general account must be in accordance
320 with the plan of operation and participant contracts approved by
321 the office. A protected cell captive insurance company may not
322 make other attributions of assets or liabilities between the
323 protected cell captive insurance company's general account and
324 its protected cells. Any attribution of assets and liabilities
325 between the general account and a protected cell must be in cash

326 or in readily marketable securities with established market
327 values.

328 (b) The creation of a protected cell does not create, with
329 respect to that protected cell, a legal person separate from the
330 protected cell captive insurance company unless the protected
331 cell is an incorporated cell. Amounts attributed to a protected
332 cell under this part, including assets transferred to a
333 protected cell account, are owned by the protected cell. A
334 protected cell captive insurance company may not act as, or hold
335 itself out to be, a trustee of the protected cell assets of the
336 protected cell account. Notwithstanding this subsection, a
337 protected cell captive insurance company may permit a security
338 interest to attach to the assets of a protected cell assets or a
339 protected cell account if the security interest is in favor of a
340 creditor of that protected cell and is otherwise authorized by
341 applicable law.

342 (c) This subsection may not be construed to prohibit the
343 protected cell captive insurance company from contracting with
344 or arranging for an investment advisor, commodity trading
345 advisor, or other third party to manage the protected cell
346 assets of a protected cell if all remuneration, expenses, and
347 other compensation of the third-party advisor or manager are
348 payable from the protected cell assets of that protected cell
349 and not from the protected cell assets of other protected cells
350 or the assets of the protected cell captive insurance company's

351 general account.

352 (d) 1. A protected cell captive insurance company must
353 establish administrative and accounting procedures necessary to
354 properly identify the one or more protected cells of the
355 protected cell captive insurance company and the protected cell
356 assets and protected cell liabilities attributable to the
357 protected cells. The directors of a protected cell captive
358 insurance company must keep protected cell assets and protected
359 cell liabilities:

360 a. Separate and separately identifiable from the assets
361 and liabilities of the protected cell captive insurance
362 company's general account; and

363 b. Attributable to one protected cell separate and
364 separately identifiable from protected cell assets and protected
365 cell liabilities attributable to other protected cells.

366 2. If subparagraph 1. is violated, the remedy of tracing
367 applies to protected cell assets that have been commingled with
368 the protected cell assets of other protected cells or with the
369 assets of the protected cell captive insurance company's general
370 account. The remedy of tracing may not be construed as
371 exclusive.

372 (e) When establishing a protected cell, the protected cell
373 captive insurance company must attribute to the protected cell
374 assets a value at least equal to the reserves and other
375 insurance liabilities attributed to that protected cell.

376 (f) Each protected cell must be accounted for separately
377 on the books and records of the protected cell captive insurance
378 company to reflect the financial condition and results of
379 operations of such protected cell, net income or loss, dividends
380 or other distributions to participants, and such other factors
381 as may be provided in the participant contract or required by
382 the office.

383 (g) An asset of a protected cell may not be charged with,
384 or otherwise made liable for, any liability arising out of
385 insurance business conducted by the protected cell captive
386 insurance company on behalf of any other protected cell or its
387 general account.

388 (h) A protected cell captive insurance company may not
389 sell, exchange, or otherwise transfer assets between or among
390 any of its protected cells without the consent of such protected
391 cells.

392 (i) A protected cell captive insurance company may not
393 sell, exchange, transfer, or otherwise distribute assets, or pay
394 any dividend or distribution, from a protected cell to the
395 company or to a participant without the approval of the office.
396 The office may not approve any sale, exchange, transfer,
397 dividend, or distribution that would result in the insolvency or
398 impairment of a protected cell.

399 (j) All attributions of assets and liabilities to the
400 protected cells and the general account must be in accordance

401 with the plan of operation approved by the office. A protected
402 cell captive insurance company may not attribute assets or
403 liabilities between its general account and any protected cell,
404 or between any protected cells. The protected cell captive
405 insurance company must attribute all insurance obligations,
406 assets, and liabilities relating to a reinsurance contract
407 entered into with respect to a protected cell to such protected
408 cell. The performance under such reinsurance contract and any
409 tax benefits, losses, refunds, or credits allocated pursuant to
410 a tax allocation agreement to which the protected cell captive
411 insurance company is a party, including any payments made by or
412 due to be made to the protected cell captive insurance company
413 pursuant to the terms of such agreement, must reflect the
414 insurance obligations, assets, and liabilities relating to the
415 reinsurance contract which are attributed to such protected
416 cell.

417 (k) In connection with the rehabilitation or liquidation
418 of a protected cell captive insurance company, the assets and
419 liabilities of a protected cell must, to the extent the office
420 determines they are separable, at all times be kept separate
421 from, and may not be commingled with, those of other protected
422 cells and the protected cell captive insurance company.

423 (l) Each protected cell captive insurance company must
424 annually file with the office such financial reports as required
425 by the office. Any such financial report must include, without

426 limitation, accounting statements detailing the financial
427 experience of each protected cell.

428 (m) Each protected cell captive insurance company must
429 notify the office in writing within 10 business days of any
430 protected cell that is insolvent or otherwise unable to meet its
431 claim or expense obligations.

432 (n) A participant contract may not take effect without the
433 office's prior written approval. The addition of each new
434 protected cell, the withdrawal of any participant, or the
435 termination of any existing protected cell constitutes a change
436 in the plan of operation requiring the office's prior written
437 approval.

438 (o) The business written by a protected cell captive
439 insurance company, with respect to each protected cell, must be:

440 1. Fronted by an insurance company licensed under the laws
441 of any state;

442 2. Reinsured by a reinsurer authorized or approved by this
443 state; or

444 3. Secured by a trust fund in the United States for the
445 benefit of policyholders and claimants or funded by an
446 irrevocable letter of credit or other arrangement that is
447 acceptable to the office. The amount of security provided may
448 not be less than the reserves associated with those liabilities
449 which are neither fronted nor reinsured, including reserves for
450 losses, allocated loss adjustment expenses, incurred but not

451 reported losses, and unearned premiums for business written
452 through the participant's protected cell. The office may require
453 the protected cell captive insurance company to increase the
454 funding of any security arrangement established under this
455 paragraph. If the form of security is a letter of credit, the
456 letter of credit must be issued or confirmed by a bank approved
457 by the office. A trust maintained pursuant to this paragraph
458 must be established in a form and upon such terms as approved by
459 the office.

460 (p) Notwithstanding this part or other laws of this state,
461 and in addition to subsection (6), in the event of an insolvency
462 of a protected cell captive insurance company where the office
463 determines that one or more protected cells remain solvent, the
464 office may separate such cells from the protected cell captive
465 insurance company and may allow, on application of the protected
466 cell captive insurance company, for the conversion of such
467 protected cells into one or more new or existing protected cell
468 captive insurance companies, or one or more other captive
469 insurance companies, pursuant to such plan of operation as the
470 office deems acceptable.

471 (q) Biographical affidavits are not required for
472 participants in unincorporated cells. However, biographical
473 affidavits are required for owners of incorporated cells,
474 including series members of a series limited liability company.

475 (r) A protected cell captive insurance company formed or

476 licensed under this part may establish and operate both
477 unincorporated and incorporated protected cells.

478 (5) Notwithstanding subsection (4), the assets of two or
479 more protected cells may be combined for purposes of investment,
480 and such combination may not be construed as defeating the
481 segregation of such assets for accounting or other purposes.
482 Notwithstanding any other provision of the insurance code, the
483 office may approve the use of alternative reliable methods for
484 the valuation of protected cell assets and liabilities and for
485 the rating of risks attributable to a protected cell.

486 (6) Upon any order of supervision, rehabilitation, or
487 liquidation of a protected cell captive insurance company, the
488 receiver shall manage the assets and liabilities of the
489 protected cell captive insurance company pursuant to this part.

490 (7) (a) Assets of a protected cell may not be used to pay
491 any expenses or claims other than those attributable to such
492 protected cell.

493 (b) A protected cell captive insurance company's capital
494 and surplus must at all times be available to pay any expenses
495 of or claims against the protected cell captive insurance
496 company.

497 (8) (a) The pleadings in any legal action brought by or
498 against a protected cell captive insurance company must specify
499 which protected cell or cells are or should be named a party to
500 the suit. If the general account is party to the suit, such

501 account must be separately identified in the pleadings as if it
502 were a protected cell.

503 (b) A legal action brought against a protected cell
504 captive insurance company which does not specify one or more
505 protected cells shall be deemed to have been brought against the
506 general account only.

507 (c) Any protected cell that is not named in the pleadings
508 of the legal action may not be deemed to be a party to the legal
509 action. Any protected cell that is erroneously named as a party
510 or named without proper cause is entitled to prompt dismissal
511 from the legal action.

512 (d) Unless specified by the plan of operation, participant
513 contract, or other prior contractual agreement, the assets of
514 one protected cell may not be encumbered or seized to satisfy
515 the obligations of or a judgment against any other protected
516 cell. A protected cell does not have a duty to defend the rights
517 and obligations of any other protected cell.

518 (e) In any legal action involving a protected cell captive
519 insurance company or a protected cell, any papers, documents, or
520 property of a nonparty protected cell must be afforded the same
521 status during discovery as the documents or property of any
522 other unrelated third party. A nonparty protected cell has
523 standing to appear and petition for any appropriate relief to
524 protect the confidentiality of its papers or documents.

525 (9) (a)1. Upon the application of a protected cell captive

526 insurance company, one of its protected cells may be converted
527 to any form of captive insurance company authorized pursuant to
528 this part with the consent of the office. Upon compliance with
529 this part, the office may issue to the converting protected cell
530 a certificate of authority with an effective date of its
531 original date of formation as a protected cell.

532 2. If the converting protected cell is a series of a
533 limited liability company, the protected cell must file
534 organizational documents with the Secretary of State which
535 comply with this part. The organizational documents must include
536 the date of formation as a series of a limited liability
537 company. Upon conversion, the formation date of the series shall
538 be deemed the formation date of the converted protected cell.
539 The converted protected cell shall possess all assets and
540 liabilities, including outstanding insurance liabilities, owned
541 by the predecessor series.

542 3. If the converting protected cell is any other type of
543 incorporated protected cell entity, the converting protected
544 cell must submit amended organizational documents to the
545 Secretary of State which comply with this part.

546 4. If the converting protected cell is neither a series of
547 a limited liability company nor an incorporated protected cell,
548 the protected cell must file organizational documents with the
549 Secretary of State which comply with this part. The
550 organizational documents must include the date of formation as a

551 protected cell. Upon conversion, the formation date of the
552 protected cell is the formation date of the converted protected
553 cell. The converted protected cell shall possess all assets and
554 liabilities, including outstanding insurance liabilities, owned
555 by the predecessor cell.

556 (b) A captive insurance company may apply to the office
557 for conversion to become a protected cell captive insurance
558 company under any form permitted under this part. Upon
559 compliance with this part, approval by the office, and the
560 filing of amended organizational documents with the Secretary of
561 State, the captive insurance company must be issued a revised
562 certificate of authority. The effective date of the revised
563 protected cell captive insurance company's certificate of
564 authority shall remain the same as the effective date of the
565 prior captive insurance company.

566 (c) With the consent of both the affected protected cell
567 captive insurance companies and the office, an individual
568 protected cell of a captive insurance company may disaffiliate
569 from one protected cell captive insurance company and affiliate
570 with another protected cell captive insurance company. The
571 office may require the affected protected cell captive insurance
572 companies and the individual protected cell to make necessary
573 changes to their business plans, organizational documents,
574 participation contracts, or other governing documents before
575 approving the change in affiliation. The formation date of a

576 protected cell that affiliates with another protected cell
577 captive insurance company shall be the date of its original
578 formation with the prior protected cell captive insurance
579 company. A protected cell shall maintain and carry over all
580 assets and liabilities, including outstanding insurance
581 liabilities, to the new protected cell captive insurance
582 company.

583 (d) With the consent of the affected protected cell
584 captive insurance company or companies, the owners or the
585 participants of the protected cells, and the office, an
586 individual protected cell of a captive insurance company may
587 merge or otherwise combine assets and liabilities with another
588 individual protected cell of a protected cell captive insurance
589 company. The office may require the affected protected cell
590 captive insurance companies and the individual protected cells
591 to make necessary changes to their business plans,
592 organizational documents, participation contracts, or other
593 governing documents before approving the change in affiliation.
594 The formation date of a protected cell that merges or otherwise
595 combines assets and liabilities with another protected cell
596 captive insurance company is the date of the original formation
597 of the surviving protected cell. The surviving protected cell
598 must acquire all of the assets and liabilities, including
599 outstanding insurance liabilities, of the merging protected
600 cell. A hearing is not required for mergers of protected cells

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601 effectuated under this section.

602 (e) Solely for the purposes of annual reports,
603 inspections, examinations, and taxation, the date of final
604 conversion or disaffiliation of a protected cell shall be deemed
605 a termination of that cell from the prior entity. The prior
606 entity shall be responsible for the accounting, oversight, and
607 premium tax on any transactions prior to the date of final
608 conversion or disaffiliation. The successor entity shall be
609 responsible for the accounting, oversight, and premium tax on
610 any transactions on or after the date of final conversion or
611 disaffiliation.

612 **Section 7.** This act shall take effect July 1, 2026.