

The Florida Senate
BILL ANALYSIS AND FISCAL IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: The Professional Staff of the Committee on Banking and Insurance

BILL: SB 990

INTRODUCER: Senator Leek

SUBJECT: Protected Cell Captive Insurance Companies

DATE: February 3, 2026

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Thomas	Knudson	BI	Pre-meeting
2.			AEG	
3.			RC	

I. Summary:

SB 990 authorizes the creation of a specific type of captive insurance company in Florida – Protected Cell Captive Insurance Companies. Captive insurance is a specialized form of self-insurance allowing a business to create its own insurance company to cover specific types of risk; an insurance company that is owned and controlled by the business it insures.

A “protected cell” captive insurance company (PCC) is a single legal insurance entity that allows legally segregated 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. The business joins the PCC but its assets are kept in its own walled-off cell. 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. Each cell functions like a separate company protecting its finances from other cells and the core's general business.

The bill may have some impact on the Office of Insurance Regulation depending on the number of companies that choose this model. It is likely any such impact may be absorbed within existing resources.

The bill’s effective date is July 1, 2026.

II. Present Situation:

The Regulation of Insurance in Florida

The Office of Insurance Regulation (OIR) regulates specified insurance products, insurers and other risk bearing entities in Florida.¹ As part of their regulatory oversight, the OIR may suspend

¹ Section 20.121(3)(a), F.S. The Financial Services Commission, composed of the Governor, the Attorney General, the Chief Financial Officer, and the Commissioner of Agriculture, serves as agency head of the Office of Insurance Regulation for

or revoke an insurer's certificate of authority (COA) under certain conditions.² The OIR is responsible for examining the affairs, transactions, accounts, records, and assets of each insurer that holds a COA to transact insurance business in Florida.³ As part of the examination process, all persons being examined must make available to the OIR the accounts, records, documents, files, information, assets, and matters in their possession or control that relate to the subject of the examination.⁴ The OIR is also authorized to conduct market conduct examinations to determine compliance with applicable provisions of the Florida Insurance Code.⁵

Insurance companies that transact insurance in Florida or that have offices located in the state are required to obtain a COA issued by the OIR pursuant to s. 624.401, F.S. These companies, referred to as authorized or admitted insurers,⁶ are broadly regulated by the OIR under the Insurance Code as to reserves, surplus as to policyholders, solvency, rates and forms, market conduct, permissible investments, and affiliate relationships.⁷ 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.⁸

Captive Insurance Companies

Captive insurance is a specialized form of self-insurance allowing a business to create its own insurance company to cover specific types of risk; an insurance company that is owned and controlled by the business it insures. 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.⁹

Captive insurers cover a wide range of risks, including both traditional and non-traditional ones, for their parent company or related entities. This includes property and casualty, liability, and workers' compensation, as well as evolving risks like cyber security, credit risk, and terrorism. Captives can also cover unique risks that are difficult to insure in the conventional market and can provide employee benefits coverage like healthcare. A captive insurer is an insurance company that is wholly owned and controlled by its insureds; its primary purpose is to insure the

purposes of rulemaking. Further, the Financial Services Commission appoints the commissioner of the Office of Insurance Regulation.

² Section 624.418, F.S.

³ Section 624.316(1)(a), F.S.

⁴ Section 624.318(2), F.S.

⁵ Section 624.3161, F.S.

⁶ An "authorized" or "admitted" insurer is one duly authorized by a COA to transact insurance in this state.

⁷ The Insurance Code consists of chs. 624-632, 634, 635, 636, 641, 642, 648, and 651, F.S.

⁸ For example, Florida licensed direct writers of property and casualty insurance must be members of the Florida Insurance Guaranty Association, which handles the claims of insolvent insurers under part II of ch. 631, F.S., and insurers 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.

⁹ See generally <https://www.captive.com/news/the-expanding-role-of-captives-in-todays-changing-risk-market> (last visited January 14, 2026).

risks of its owners, and its insureds benefit from the captive insurer's underwriting profits.¹⁰ In addition to many countries outside of the United States, 34 states and the District of Columbia authorize the creation and the regulation of captive insurance companies.¹¹

Florida, as one of the states that authorize and regulate captive insurance companies, defines a captive insurance company as:

[A] domestic insurer established under this part. A captive insurance company includes a pure captive insurance company, special purpose captive insurance company, or industrial insured captive insurance company formed and licensed under this part.¹²

Presently, there are three domestic captive insurers authorized to do business in Florida, two of which became authorized since the beginning of 2025.¹³ Minimum unimpaired capital requirements for a Florida authorized captive insurer are:

- Pure captive insurance company, at least \$100,000.
- Industrial insured captive insurance company incorporated as a stock insurer, at least \$200,000.
- Special purpose captive insurance company, an amount determined by the 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.¹⁴

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

- Pure captive insurance company, at least \$250,000.
- A special purpose captive insurance company, an amount determined by the 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.¹⁵

Protected Cell Captive Insurance Companies

A "protected cell" captive insurance company (PCC) is an alternative to conventional commercial insurance and offers benefits similar to those available through traditional single-parent captives. A PCC is a single legal insurance entity that allows legally segregated 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. The business joins the PCC but its assets are kept in its own walled-off cell. 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. Each cell functions like a separate company protecting its finances from other cells and

¹⁰ <https://www.vermontcaptive.com/captive/> (last visited January 14, 2026).

¹¹ Alabama, Arizona, Arkansas, Colorado, Connecticut, Delaware, Florida, Georgia, Hawaii, Illinois, Iowa, Kansas, Kentucky, Maine, Michigan, Missouri, Montana, Nebraska, Nevada, New Jersey, New York, North Carolina, Ohio, Oklahoma, Oregon, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, and West Virginia.

¹² Section 628.901(2), F.S.

¹³ <https://companysearch.florid.gov/> (last visited January 14, 2026).

¹⁴ Section 628.907(1), F.S.

¹⁵ Section 628.907(2), F.S.

the core's general business.¹⁶ While Florida does not presently authorize the creation of PCCs, 21 of the states, and the District of Columbia, that authorize the creation of captive insurance companies allow for the creation of PCCs.¹⁷

III. Effect of Proposed Changes:

Section 1 amends s. 628.901, F.S., to provide definitions of “general account”, “participant”, “participant contract”, “protected cell”, “protected cell assets”, “protected cell captive insurance company”, “protected cell liabilities”, and “sponsor”.

Section 2 amends s. 628.905, F.S., to authorize a captive insurance company to apply to the OIR as a protected cell captive insurance company.

Section 3 amends s. 628.907, F.S., to require

- A protected cell captive insurance company to possess, and thereafter maintain, unimpaired paid-in capital of at least \$100,000.
- A protected cell captive insurance company incorporated as a nonprofit corporation to possess, and thereafter maintain, unrestricted net assets of at least \$100,000.

Section 4 amends s. 628.908, F.S., to require a protected cell captive insurance company to possess and thereafter maintain unimpaired surplus of at least \$100,000.

Section 5 amends s. 628.909, F.S., to provide that the Florida Insurance Code does not apply to protected cell captive insurance companies except as specifically provided therein.

Section 6 creates s. 628.921, F.S., to provide for the regulation of protected cell captive insurance companies (PCC). The bill provides that one or more sponsors may form a PCC and that the company must be incorporated 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, or as a limited liability company.

Each applicant for a PCC must provide all the following information to the OIR:

- Materials demonstrating how the applicant will account for the loss and expense experience of each protected cell at a level of detail found to be sufficient by the OIR, and how it will report such experience to the OIR.
- A statement acknowledging that all financial records of the applicant, including records pertaining to any protected cells, must be made available for inspection or examination by the OIR or the OIR’s designated agent.
- 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.

¹⁶ <https://www.captive.com/articles/what-is-a-protected-or-segregated-cell-captive> (last visited January 14, 2026).

¹⁷ Alaska, Arkansas, Connecticut, Delaware, Georgia, Hawaii, Illinois, Iowa, Kentucky, Michigan, Minnesota, Mississippi, New Hampshire, North Carolina, North Dakota, Ohio, South Carolina, Tennessee, Vermont, Virginia, and Wisconsin.

The bill provides that a PCC may establish and maintain one or more incorporated or unincorporated protected cells, to insure risks of one or more participants, subject to all of the following conditions:

- A PCC may establish one or more protected cells if the OIR has approved in writing a plan of operation or amendments to a plan of operation submitted by the PCC with respect to each protected cell. A plan of operation must include the specific business objectives and investment guidelines of the protected cell. The OIR may require additional information in the plan of operation and may make the approval of a plan effective as of any date on or before the date the approval is signed so long as the effective date is no earlier than the date on which the plan of operation or amendments to the plan of operation were filed with the OIR.
- Upon the OIR's written approval of the plan of operation, the PCC, in accordance with the approved plan of operation, 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" or "incorporated cell." Such names or designations may also be reasonably abbreviated.
- The PCC 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 the OIR, including, but not limited to, an individual series of a limited liability company under ch. 605, F.S. Each incorporated protected cell of a PCC must be treated as a captive insurer for purposes of Part v of ch. 628, F.S., and has the power to enter into contracts, including an individual series of a limited liability company. Unless otherwise permitted by the organizational documents of a PCC, each incorporated protected cell of the PCC must have the same directors, secretary, and registered office as the PCC.
- All attributions of assets and liabilities between a protected cell and the general account must be in accordance with the plan of operation and participant contracts approved by the OIR. A PCC may not make other attributions of assets or liabilities between the PCC's general account and its protected cells. Any attribution of assets and liabilities between the general account and a protected cell must be in cash or in readily marketable securities with established market values.

The bill provides that the creation of a protected cell does not create, with respect to that protected cell, a legal person separate from the PCC unless the protected cell is an incorporated cell. Amounts attributed to a protected cell, including assets transferred to a protected cell account, are owned by the protected cell. A PCC may not act as, or hold itself out to be, a trustee of the protected cell assets of the protected cell account, however, a PCC may permit a security interest to attach to the assets of a protected cell assets or a protected cell account if the security interest is in favor of a creditor of that protected cell and is otherwise authorized by applicable law.

The bill provides that the new provisions may not be construed to prohibit the PCC from contracting with or arranging for an investment advisor, commodity trading advisor, or other third party to manage the protected cell assets of a protected cell provided all remuneration,

expenses, and other compensation of the third-party advisor or manager are payable from the protected cell assets of that protected cell and not from the protected cell assets of other protected cells or the assets of the protected cell captive insurance company's general account.

The bill requires a PCC to establish administrative and accounting procedures necessary to properly identify the one or more protected cells of the PCC and the protected cell assets and protected cell liabilities attributable to the protected cells. The directors of a PCC must keep protected cell assets and protected cell liabilities:

- Separate and separately identifiable from the assets and liabilities of the PCC'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.

Upon a violation, the remedy of tracing applies to protected cell assets that have been commingled with the protected cell assets of other protected cells or with the assets of the PCC's general account. The remedy of tracing may not be construed as exclusive.

The bill provides that when establishing a protected cell, the PCC must attribute to the protected cell assets a value at least equal to the reserves and other insurance liabilities attributed to that protected cell. Each protected cell must be accounted for separately on the books and records of the PCC to reflect the financial condition and results of operations of such protected cell, net income or loss, dividends or other distributions to participants, and such other factors as may be provided in the participant contract or required by the OIR. An asset of a protected cell may not be charged with, or otherwise made liable for, any liability arising out of insurance business conducted by the PCC on behalf of any other protected cell or its general account.

A PCC may not sell, exchange, or otherwise transfer assets between or among any of its protected cells without the consent of such protected cells. A PCC 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 the approval of the OIR. The OIR may not approve any sale, exchange, transfer, dividend, or distribution that would result in the insolvency or impairment of a protected cell.

All attributions of assets and liabilities to the protected cells and the general account must be in accordance with the plan of operation. A PCC may not attribute assets or liabilities between its general account and any protected cell, or between any protected cells. The PCC 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. The performance under such reinsurance contract and any tax benefits, losses, refunds, or credits allocated pursuant to a tax allocation agreement to which the PCC is a party, including any payments made by or due to be made to the PCC pursuant to the terms of such agreement, must reflect the insurance obligations, assets, and liabilities relating to the reinsurance contract which are attributed to such protected cell.

In connection with the conservation, rehabilitation, or liquidation of a PCC, the assets and liabilities of a protected cell must, to the extent the OIR determines they are separable, at all times be kept separate from, and may not be commingled with, those of other protected cells and the PCC.

Each PCC must annually file with the OIR such financial reports as required by the OIR. Any such financial report must include, without limitation, accounting statements detailing the financial experience of each protected cell. Each PCC must notify the OIR in writing within 10 business days of any protected cell that is insolvent or otherwise unable to meet its claim or expense obligations.

A participant contract may not take effect without the 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 requiring the OIR's prior written approval.

The business written by a PCC, with respect to each protected cell, must be:

- Fronted by an insurance company licensed under the laws of any state;
- Reinsured by a reinsurer authorized or approved by this state; or
- 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 the OIR. The amount of security provided may not be less than the reserves associated with those liabilities which are neither fronted nor reinsured, including reserves for losses, allocated loss adjustment expenses, incurred but not reported losses, and unearned premiums for business written through the participant's protected cell. The OIR may require the PCC to increase the funding of any security arrangement established under this paragraph. If the form of security is a letter of credit, the letter of credit must be issued or confirmed by a bank approved by the OIR. A trust maintained pursuant to this requirement must be established in a form and upon such terms as approved by the OIR.

In the event of an insolvency of a PCC where the OIR determines that one or more protected cells remain solvent, the OIR may separate such cells from the PCC and may allow, on application of the PCC, for the conversion of such protected cells into one or more new or existing PCCs, or one or more other captive insurance companies, pursuant to such plan of operation as the OIR deems acceptable.

Biographical affidavits are not required for participants in unincorporated cells. However, biographical affidavits are required for owners of incorporated cells, including series members of a series limited liability company. A PCC may establish and operate both unincorporated and incorporated protected cells.

The assets of two or more protected cells may be combined for purposes of investment, and such combination may not be construed as defeating the segregation of such assets for accounting or other purposes. Notwithstanding any other provision of the insurance code, the OIR may approve the use of alternative reliable methods for the valuation of protected cell assets and liabilities and for the rating of risks attributable to a protected cell.

Upon any order of supervision, rehabilitation, or liquidation of a PCC, the receiver shall manage the assets and liabilities of the PCC pursuant to Part V. of ch. 628, F.S.

Assets of a protected cell may not be used to pay any expenses or claims other than those attributable to such protected cell. A PCC's capital and surplus must at all times be available to pay any expenses of or claims against the PCC.

The pleadings in any legal action brought by or against a PCC must specify which protected cell or cells are or should be named a party to the suit. 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. A legal action brought against a PCC which does not specify one or more protected cells shall be deemed to have been brought against the general account only. Any protected cell that is not named in the pleadings of the legal action may not be deemed to be a party to the legal action. Any protected cell that is erroneously named as a party or named without proper cause is entitled to prompt dismissal from the legal action. Unless specified by the plan of operation, participant contract, or other prior contractual agreement, 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. A protected cell does not have a duty to defend the rights and obligations of any other protected cell. In any legal action involving a PCC 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. A nonparty protected cell has standing to appear and petition for any appropriate relief to protect the confidentiality of its papers or documents.

Upon the application of a PCC, one of its protected cells may be converted to any authorized of captive insurance company with the consent of the OIR. The OIR may issue to the converting protected cell a certificate of authority with an effective date of its original date of formation as a protected cell. If the converting protected cell is a series of a limited liability company, the protected cell must file organizational documents with the Secretary of State which comply with Part V. of ch. 628, F.S. The organizational documents must include the date of formation as a series of a limited liability company. Upon conversion, the formation date of the series shall be deemed the formation date of the converted protected cell. The converted protected cell shall possess all assets and liabilities, including outstanding insurance liabilities, owned by the predecessor series.

If the converting protected cell is any other type of incorporated protected cell entity, the converting protected cell must submit amended organizational documents to the Secretary of State. If the converting protected cell is neither a series of a limited liability company nor an incorporated protected cell, the protected cell must file organizational documents with the Secretary of State. The organizational documents must include the date of formation as a protected cell. Upon conversion, the formation date of the protected cell is the formation date of the converted protected cell. The converted protected cell shall possess all assets and liabilities, including outstanding insurance liabilities, owned by the predecessor cell.

A captive insurance company may apply to the OIR for conversion to become a PCC under any authorized form. Upon compliance, approval by the OIR, and the filing of amended organizational documents with the Secretary of State, the captive insurance company must be issued a revised certificate of authority. The effective date of the revised PCC's certificate of authority shall remain the same as the effective date of the prior captive insurance company.

With the consent of both the affected PCCs and the OIR, an individual protected cell of a captive insurance company may disaffiliate from one PCC and affiliate with another PCC. The OIR may require the affected PCC and the individual protected cell to make necessary changes to their business plans, organizational documents, participation contracts, or other governing documents before approving the change in affiliation. The formation date of a protected cell that affiliates with another PCC shall be the date of its original formation with the prior PCC. A protected cell shall maintain and carry over all assets and liabilities, including outstanding insurance liabilities, to the new PCC.

With the consent of the affected PCC insurance company or companies, the owners or the participants of the protected cells, and the OIR, an individual protected cell of a captive insurance company may merge or otherwise combine assets and liabilities with another individual protected cell of a PCC. The OIR may require the affected PCCs and the individual protected cells to make necessary changes to their business plans, organizational documents, participation contracts, or other governing documents before approving the change in affiliation. The formation date of a protected cell that merges or otherwise combines assets and liabilities with another PCC is the date of the original formation of the surviving protected cell. The surviving protected cell must acquire all of the assets and liabilities, including outstanding insurance liabilities, of the merging protected cell. A hearing is not required for mergers of protected cells effectuated under this section.

Solely for the purposes of annual reports, inspections, examinations, and taxation, the date of final conversion or disaffiliation of a protected cell shall be deemed a termination of that cell from the prior entity. The prior entity shall be responsible for the accounting, oversight, and premium tax on any transactions prior to the date of final conversion or disaffiliation. The successor entity shall be responsible for the accounting, oversight, and premium tax on any transactions on or after the date of final conversion or disaffiliation.

Section 7 provides that the bill takes effect July 1, 2026.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

D. State Tax or Fee Increases:

None.

E. Other Constitutional Issues:

None.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

The bill is intended to create more commercial insurance options for Florida businesses.

C. Government Sector Impact:

The bill may have some impact on the Office of Insurance Regulation depending on the number of companies that choose this model but it is expected to be absorbed within existing resources.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Statutes Affected:

This bill substantially amends the following sections of the Florida Statutes: 628.901, 628.905, 628.907, 628.908, and 628.909.

This bill creates the following section of the Florida Statutes: 628.921.

IX. Additional Information:

A. Committee Substitute – Statement of Changes:

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

None.

B. Amendments:

None.