



# SENATE BILL 319: Captive Insurance Revisions.

2023-2024 General Assembly

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<b>Committee:</b>	Senate Finance. If favorable, re-refer to Rules and Operations of the Senate	<b>Date:</b>	April 25, 2023
<b>Introduced by:</b>	Sens. Johnson, Perry, Sawrey	<b>Prepared by:</b>	Trina Griffin
<b>Analysis of:</b>	First Edition		Staff Attorney

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## **OVERVIEW:** *Senate Bill 319 would:*

- *Clarify that risk retention groups chartered in this State are subject to examination by the Commissioner of Insurance and are responsible for the costs of the examination.*
- *Reduce from 5% to 1.85% the tax rate applicable to gross premiums paid for coverages within this State to risk retention groups not chartered in this State.*
- *Remove the requirement that foreign captive insurance companies redomesticate to North Carolina before December 31, 2022, in order to qualify for the exemption from paying gross premiums taxes in the year of and after redomestication, and extend by one year the expiration date of this exemption, ending it for taxable years beginning on or after January 1, 2025.*

**CURRENT LAW:** Risk retention groups chartered in this State are regulated by the Commissioner of Insurance pursuant to Article 22 of Chapter 58 of the General Statutes.

Gross premiums paid for coverages in this State to risk retention groups not chartered in this State are taxed at a rate of 5%.

If a captive insurance company formed and licensed in another jurisdiction redomesticates to North Carolina with the approval of the Commissioner of Insurance prior to December 31, 2022, it is exempt from gross premiums taxes otherwise due for the remainder of the year in which redomestication occurs and for the calendar year following its redomestication. This provision is effective for gross premiums taxes imposed for taxable years beginning on or after January 1, 2021, and expires for taxable years beginning on or after January 1, 2024.

**BILL ANALYSIS:** Section 1 of the bill would provide that a risk retention group chartered in this State is subject to examination by the Commissioner of Insurance whenever the Commissioner deems it prudent and reasonable. The examination would have to be conducted expeditiously, in coordination with other examining bodies to avoid unnecessary repetition, and in accordance with guidelines of the National Association of Insurance Commissioners. The examined risk retention group would be responsible for the costs associated with the examination.

Section 2 of the bill would reduce from 5% to 1.85% the tax rate applicable to gross premiums paid for coverages within this State to risk retention groups not chartered in this State.

Section 3 would eliminate the requirement that a foreign captive insurance company redomesticate to North Carolina prior to December 31, 2022, in order to qualify for the exemption from paying gross premiums taxes in the year of and in the year after redomestication, and would extend by one year the sunset on this exemption provision, ending it for taxable years beginning on or after January 1, 2025.

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**EFFECTIVE DATE:** Section 3 this act would become effective when the act becomes law. The remainder of this act would become effective October 1, 2023, and would apply to contracts issued, renewed, or amended on or after that date.

*Bill Patterson, counsel to Senate Commerce and Insurance, substantially contributed to this summary.*