

## **MCIA Successful Again in Helping to Pass Captive Insurance Legislation**

May 28, 2019 – The Montana Captive Insurance Association, Inc. (MCIA) has once again played a key role this year in helping to pass legislation designed to further improve the regulatory environment for captive insurance companies domiciled in Montana.

For this legislative session, MCIA focused its lobbying capabilities in support for SB 55 and HB 85, which were introduced at the request of the Montana Commissioner of Insurance. Both bills were signed into law earlier this month by Governor Steve Bullock.

“This is just the latest example of the association working in a very collaborative way with our regulator partners to ensure that Montana enhances its reputation as one of the country’s premier captive domiciles,” said MCIA President John Jones.

Senate Bill 55 (SB55) makes three significant changes to existing law. First, all protected cells will now have to be incorporated or formed as an LLC. Previously, protected cells could be formed as either an incorporated cell or an unincorporated cell. The separate legal entity status that results from incorporating a cell, or forming it as an LLC, makes it easier for the entity to open bank & brokerage accounts. It should also strengthen the “virtual firewall” between cells, as well as between a cell and the Core Company.

The second change deals with Letters of Credit (LOC). Before SB 55, captives that wanted to use a LOC for its capital & surplus had to use a bank that was either Montana-chartered or a member of the Federal Reserve to issue the LOC. Now the Department will have discretion to approve a LOC issued by a bank chartered in another state, even if the bank is not a member of the Federal Reserve.

A third substantive provision of SB 55 establishes that \$300 annual license fee will apply to all stand-alone captives, protected cells and series captives. This levels the playing field for all captives. The other changes are considered “clean-up” items suggested by captive regulators. The effective date for these changes will be July 1, 2019.

HB85 addresses the process for insurance companies (including captives) to file Articles of Incorporation. HB85 removes the archaic “file in triplicate” language and brings the process into the internet age. These changes will increase efficiency by improving the flow of paperwork (and reducing the volume of it) between the Commissioner of Insurance and the Montana Secretary of State. As a result of HB85, captive insurance clients will now have more of a “one-stop-shop” at the Commissioner’s office for either forming a new captive with an Articles of Incorporation or dissolving a captive at the end of its useful life.

The effective date for HB85 will also be July 1, 2019.