

STATE OF OKLAHOMA

2nd Session of the 60th Legislature (2026)

HOUSE BILL 2955

By: Tedford

AS INTRODUCED

An Act relating to insurance; amending 36 O.S. 2021, Sections 6470.2, as amended by Section 1, Chapter 127, O.S.L. 2022, 6470.3, as amended by Section 2, Chapter 127, O.S.L. 2022, 6470.6, 6470.10, as amended by Section 3, Chapter 127, O.S.L. 2022, 6470.14, 6470.19, 6470.24.1, and 6470.29 (36 O.S. Supp. 2025, Sections 6470.2, 6470.3, and 6470.10), which relate to the Oklahoma Captive Insurance Company Act; providing definitions; adding language to clarify persons referenced; permitting Insurance Commissioner disclose information to the National Association of Insurance Commissioners if conditions are met; requiring captive insurance company respond to inquiries within timeframe; requiring sponsored captive insurance companies to maintain unimpaired paid-in capital; permitting irrevocable letter of credit issued by financial institutions approved by the Insurance Commissioner; permitting the suspension or revocation of license for failure to adequately respond to inquiry; permitting fines; modifying fees and taxes to be reported and disbursed by the Insurance Commissioner; requiring Insurance Commissioner's approval of mergers or acquisitions involving change in control of a captive insurance company; requiring captive insurance companies establish and maintain administrative and accounting procedures; requiring written approval for transfer of assets made with respect to protected cell; requiring clear indication in participant contact; requiring annual auditor review; requiring contract identify protected cell; authorizing the remedy of tracing; clarifying creation of protected cell shall not create a legal person; permitting conversion of

one or more protected cells; requiring written notice before conversion; directing that conversion shall be deemed a continuation of protected cell's existence; stipulating that conversion shall occur without any transfer or assignment; clarifying conversion shall not limit any rights or protections applicable; referencing law to be followed for certain converting protected cells; permitting conveyance of protected cell; authorizing certain captive insurance companies conversion into a protected cell; stipulating that conversion shall be subject to a business plan; permitting certain mergers of protected cells by a sponsored captive insurance company; clarifying creditors to whom assets and recourse are available; establishing that establishment of one or more protected cells does not alone constitute fraud; providing information to be specified in legal actions; clarifying that legal action that does not specify protected cells shall be deemed against the general assets only; clarifying that unnamed protected cells shall not be party to legal action; establishing no protected cell has duty to defend rights and obligations of any other protected cell; providing treatment and status of papers, documents, or property in legal action; directing that assets and liabilities kept separate in connection with rehabilitation or liquidation; providing how receiver shall manage assets and liabilities of protected cell captive insurance company; prohibiting unapproved use of assets to pay expenses or claims; providing procedures for a captive insurance company dealing with foreign currency or securities; permitting public bodies to expend public funds; repealing 36 O.S. 2021, Section 6470.28, which relates to conversion or merger and applicability of Article 16A of the Insurance Code; providing for codification; and providing an effective date.

BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

1 SECTION 1. AMENDATORY 36 O.S. 2021, Section 6470.2, as
2 amended by Section 1, Chapter 127, O.S.L. 2022 (36 O.S. Supp. 2025,
3 Section 6470.2), is amended to read as follows:

4 Section 6470.2. As used in the Oklahoma Captive Insurance
5 Company Act:

6 1. "Alien company" means an insurance company formed and
7 licensed pursuant to the laws of a country or jurisdiction other
8 than the United States of America, or any of its states, districts,
9 commonwealths and possessions;

10 2. "Affiliated company" means a company in the same corporate
11 system as a parent, an industrial insured, or a member organization
12 by virtue of common ownership, control, operation, or management;

13 3. "Agency captive insurance company" means a captive insurance
14 company that is:

15 a. a captive insurance company that is owned or
16 controlled by an insurance agency, brokerage, or
17 reinsurance intermediary, or an affiliate thereof, or
18 under common ownership or control with such agency,
19 brokerage, or reinsurance intermediary, and that only
20 insures the risks of insurance or annuity contracts
21 placed by or through such agency, brokerage, or
22 reinsurance intermediary, or

23 b. a captive insurance company that is owned or
24 controlled by a seller or issuer of service contracts,

1 warranties, vehicle protection products, or financial
2 protection products, and that only insures or
3 reinsures the contract liability arising out of such
4 contracts, warranties, or products of that seller or
5 issuer.

6 For the purposes of this paragraph, "common ownership or
7 control" shall mean ownership of ten percent (10%) or more of the
8 voting securities or such other form of ownership or control as the
9 Insurance Commissioner may approve.

10 4. "Association" means a legal association of individuals,
11 corporations, partnerships, or associations that has been in
12 continuous existence for at least one (1) year or such lesser period
13 of time approved by the Insurance Commissioner:

- 14 a. the member organizations of which, or which does
15 itself or either of them acting in concert directly or
16 indirectly own, control, or hold with power to vote
17 all of the outstanding voting securities or interests
18 of, or have complete voting control over an
19 association captive insurance company, or
- 20 b. the member organizations of which collectively
21 constitute all of the subscribers of an association
22 captive insurance company formed as a reciprocal
23 insurer;

1 ~~4.~~ 5. "Association captive insurance company" means a captive
2 insurance company that insures risks of the member organizations of
3 the association and their affiliated companies;

4 ~~5.~~ 6. "Branch business" means any insurance business transacted
5 by a branch captive insurance company in this state;

6 ~~6.~~ 7. "Branch captive insurance company" means an alien captive
7 insurance company or foreign captive insurance company licensed by
8 the Insurance Commissioner to transact the business of insurance in
9 this state through a business unit with a principal place of
10 business in this state. A branch captive insurance company must be
11 a pure captive insurance company with respect to operations in this
12 state, unless otherwise permitted by the Insurance Commissioner;

13 ~~7.~~ 8. "Branch operations" means any business operations of a
14 branch captive insurance company in this state;

15 ~~8.~~ 9. "Capital and surplus" means the amount by which the value
16 of all of the assets of the captive insurance company exceeds all of
17 the liabilities of the captive insurance company, as determined
18 under the method of accounting utilized by the captive insurance
19 company in accordance with the applicable provisions of this act;

20 ~~9.~~ 10. "Captive insurance company" means a pure captive
21 insurance company, agency captive insurance company, association
22 captive insurance company, sponsored captive insurance company,
23 special purpose captive insurance company, industrial insured
24 captive insurance company, branch captive insurance company, or

1 series captive insurance company formed or licensed under the
2 Oklahoma Captive Insurance Company Act;

3 ~~10.~~ 11. "Controlled unaffiliated business" means a company:

- 4 a. that is not in the corporate system of a parent and
- 5 affiliated companies,
- 6 b. that has an existing contractual relationship with a
- 7 parent or affiliated company, and
- 8 c. whose risks are managed by a pure captive insurance
- 9 company in accordance with Section 6470.27 of this
- 10 title;

11 ~~11.~~ 12. "Insurance Commissioner" or "Commissioner" means the
12 Insurance Commissioner of this state or designee of the Insurance
13 Commissioner;

14 ~~12.~~ 13. "Department" means the Insurance Department;

15 ~~13.~~ 14. "GAAP" means generally accepted accounting principles;

16 ~~14.~~ 15. "Industrial insured" means an insured:

- 17 a. who procures the insurance of any risk or risks by use
- 18 of the services of a full-time employee acting as an
- 19 insurance manager or buyer,
- 20 b. whose aggregate annual premiums for insurance on all
- 21 risks total at least Twenty-five Thousand Dollars
- 22 (\$25,000.00), and
- 23 c. who has at least twenty-five full-time employees;

1 ~~15.~~ 16. "Industrial insured captive insurance company" means a
2 company that insures risks of the industrial insureds that comprise
3 the industrial insured group and their affiliated companies;

4 ~~16.~~ 17. "Industrial insured group" means a group of industrial
5 insureds that collectively directly or indirectly owns, controls, or
6 holds with power to vote all of the outstanding voting securities or
7 other voting interests or has complete control over an industrial
8 insured captive insurance company;

9 ~~17.~~ 18. "Member organization" means any individual,
10 corporation, partnership, or association that belongs to an
11 association;

12 ~~18.~~ 19. "Parent" means any corporation, partnership, or
13 individual that directly or indirectly owns, controls, or holds with
14 power to vote more than fifty percent (50%) of the outstanding
15 voting securities of a pure captive insurance company;

16 ~~19.~~ 20. "Participant" means an entity as defined in Section
17 6470.31 of this title, and any affiliates of that entity, that are
18 insured by a sponsored captive insurance company, where the losses
19 of the participant are limited through a participant contract to the
20 participant's pro rata share of the assets of one or more protected
21 cells identified in the participant contract;

22 ~~20.~~ 21. "Participant contract" means a contract by which a
23 sponsored captive insurance company insures the risks of one or more
24 participants and limits the losses of each participant to its pro

1 rata share of the assets of one or more protected cells identified
2 in the participant contract;

3 ~~21.~~ 22. "Protected cell" means a separate and distinct account
4 established and maintained by or on behalf of a sponsored captive
5 insurance company in which assets are accounted for and recorded for
6 one or more participants in accordance with the terms of one or more
7 participant contracts to fund the liability of the sponsored captive
8 insurance company assumed on behalf of the participants as set forth
9 in the participant contracts;

10 23. "Public body" means any office, department, board, bureau,
11 commission, agency, trusteeship, authority, council, committee,
12 trust or any entity created by a trust, county, city, village, town,
13 township, district, school district, or fair board. Notwithstanding
14 any other provision of Oklahoma law, public bodies may form captive
15 insurance companies in this state;

16 ~~22.~~ 24. "Pure captive insurance company" means a company that
17 insures risks of its parent, affiliated companies of its parent, and
18 any controlled unaffiliated business, or a combination thereof. For
19 purposes of this paragraph, "controlled unaffiliated business" means
20 an entity insured by a pure captive insurance company:

21 a. that is not in the corporate system of a parent and
22 affiliated companies,

23 b. that has an existing contractual relationship with a
24 parent or affiliated company, and

c. whose risks are managed by a pure captive insurance company;

~~23.~~ 25. "Reciprocal insurer" has the meaning given that term in Article 29 of the Oklahoma Insurance Code;

~~24.~~ 26. "Risk retention group" means a risk retention group formed pursuant to the Liability Risk Retention Act of 1986 under Section 3901 of Title 15 of the United States Code;

~~25.~~ 27. "Series" means a series of members, managers, membership interests or assets under the Oklahoma Limited Liability Company Act pursuant to Section 2054.4 of Title 18 of the Oklahoma Statutes, or the corresponding law of another state;

~~26.~~ 28. "Series captive insurance company" means a series which has received a certificate of authority pursuant to this act;

~~27.~~ 29. "Special purpose captive insurance company" means a captive insurance company that is formed or licensed under the Oklahoma Captive Insurance Company Act that does not meet the definition of any other type of captive insurance company defined in this section and is designated as a special purpose captive insurance company by the Insurance Commissioner;

~~28.~~ 30. "Sponsor" means an entity that meets the requirements of Section 6470.30 of this title and is approved by the Insurance Commissioner to provide all or part of the capital and surplus required by applicable law and to organize and operate a sponsored captive insurance company;

1 ~~29.~~ 31. "Sponsored captive insurance company" means a captive
2 insurance company:

- 3 a. in which the minimum capital and surplus required by
- 4 applicable law is provided by one or more sponsors,
- 5 b. that is formed or licensed under the Oklahoma Captive
- 6 Insurance Company Act,
- 7 c. that insures the risks of its participants only
- 8 through separate participant contracts, and
- 9 d. that funds its liability to each participant through
- 10 one or more protected cells and segregates the assets
- 11 of each protected cell from the assets of other
- 12 protected cells and from the assets of the sponsored
- 13 captive insurance company's general ~~account~~ assets;
- 14 and

15 ~~30.~~ 32. "Workers' compensation insurance" means insurance
16 provided in satisfaction of an employer's responsibility as set
17 forth in the Administrative Workers' Compensation Act and the
18 Oklahoma Employee Injury Benefit Act.

19 SECTION 2. AMENDATORY 36 O.S. 2021, Section 6470.3, as
20 amended by Section 2, Chapter 127, O.S.L. 2022 (36 O.S. Supp. 2025,
21 Section 6470.3), is amended to read as follows:

22 Section 6470.3. A. A captive insurance company, when permitted
23 by its articles of incorporation or charter, may apply to the
24

1 Insurance Commissioner for a license to do any and all insurance
2 authorized by this title; however:

3 1. A pure captive insurance company may not insure any risks
4 other than those of its parent, affiliated companies of its parent,
5 or any controlled unaffiliated business, or a combination thereof;

6 2. An association captive insurance company may not insure any
7 risks other than those of the member organizations of its
8 association and their affiliated companies;

9 3. An industrial insured captive insurance company may not
10 insure any risks other than those of the industrial insureds that
11 comprise the industrial insured group and their affiliated
12 companies;

13 4. A special purpose captive insurance company may provide
14 insurance or reinsurance, or both, for risks as approved by the
15 Insurance Commissioner;

16 5. A captive insurance company may not provide personal motor
17 vehicle or homeowner's insurance coverage or any component of these
18 coverages;

19 6. Any captive insurance company may provide workers'
20 compensation insurance, insurance in the nature of workers'
21 compensation insurance, and reinsurance of such policies, unless
22 prohibited by federal law or laws of this state or any other state
23 having jurisdiction over the transaction; and
24

1 7. A series captive insurance company may not insure any risks
2 other than those permitted in paragraphs 1 through 6 of this
3 subsection. A series may elect to apply for a certificate of
4 authority as an association captive insurance company, industrial
5 insured captive insurance company, a pure captive insurance company,
6 series captive insurance company, or a special purpose captive
7 insurance company.

8 B. To conduct insurance business in this state, a captive
9 insurance company shall:

10 1. Obtain from the Insurance Commissioner a license authorizing
11 it to conduct insurance business in this state;

12 2. Maintain a place of business in this state designated as its
13 registered office; and

14 3. Appoint a resident registered agent to accept service of
15 process and to otherwise act on its behalf in this state. Whenever
16 the registered agent cannot with reasonable diligence be found at
17 the registered office of the captive insurance company, the
18 Insurance Commissioner shall be deemed an agent of the captive
19 insurance company upon whom any process, notice, or demand may be
20 served.

21 C. 1. Before receiving a license, a captive insurance company
22 shall file with the Insurance Commissioner a certified copy of its
23 organizational documents, a statement under oath of its president or
24 other authorized person showing its financial condition, a

1 feasibility study, a business plan, and any other statements,
2 information or documents required by the Insurance Commissioner.

3 2. In addition to the information required by paragraph 1 of
4 this subsection, an applicant captive insurance company shall file
5 with the Insurance Commissioner evidence of:

- 6 a. the amount and liquidity of its assets relative to the
7 risks to be assumed,
- 8 b. the adequacy of the expertise, experience, and
9 character of the person or persons who will manage it,
- 10 c. the overall soundness of its business plan ~~of~~
11 ~~operation~~,
- 12 d. the adequacy of the loss prevention programs of its
13 insureds, and
- 14 e. such other factors considered relevant by the
15 Insurance Commissioner in ascertaining whether the
16 proposed captive insurance company will be able to
17 meet its obligations.

18 3. Information submitted pursuant to this ~~subsection~~ section is
19 confidential and may not be made public by the Insurance
20 Commissioner or an agent or employee of the Insurance Commissioner
21 without the written consent of the company, except that:

- 22 a. information may be discoverable by a party in a civil
23 action or contested case to which the captive
24 insurance company that submitted the information is a

1 party, upon a showing by the party seeking to discover
2 the information that:

- 3 (1) the information sought is relevant to and
4 necessary for the furtherance of the action or
5 case,
6 (2) the information sought is unavailable from other
7 nonconfidential sources, and
8 (3) a subpoena issued by a judicial or administrative
9 officer of competent jurisdiction has been
10 submitted to the Insurance Commissioner; however,
11 the provisions of this paragraph do not apply to
12 an industrial insured captive insurance company
13 insuring the risks of an industrial insured
14 group, and

15 b. the Insurance Commissioner may disclose the
16 information to a public officer having jurisdiction
17 over the regulation of insurance in another state or
18 to the National Association of Insurance Commissioners
19 if:

- 20 (1) the ~~public official~~ receiving party agrees in
21 writing to maintain the confidentiality of the
22 information, ~~and~~ or
23 (2) the ~~laws of the state in which the public~~
24 ~~official serves require the information to be~~

1 ~~confidential~~ captive insurance company to which
2 the information pertains gives written consent
3 for the disclosure.

4 D. Except for a special purpose captive insurance company, a
5 captive insurance company shall pay to the Department a
6 nonrefundable application fee of Two Hundred Dollars (\$200.00) for
7 reviewing its application to determine whether it is complete and in
8 addition, the Insurance Commissioner may retain legal, financial,
9 and examination services from outside the Department, the reasonable
10 cost of which may be charged against the applicant. A special
11 purpose captive insurance company shall pay to the Department a
12 nonrefundable fee of Three Hundred Dollars (\$300.00). Also, a
13 captive insurance company shall pay a license fee for the year of
14 registration and a renewal fee of Three Hundred Dollars (\$300.00).

15 E. If the Insurance Commissioner is satisfied that the
16 documents and statements filed by the captive insurance company
17 comply with the provisions of the Oklahoma Captive Insurance Company
18 Act, the Insurance Commissioner may grant a license authorizing the
19 company to do insurance business in this state until the succeeding
20 March 1 at which time the license may be renewed.

21 F. 1. Notwithstanding any other provision of this act, the
22 Insurance Commissioner may issue a provisional license to any
23 applicant captive insurance company if the Insurance Commissioner
24

1 deems that the public interest will be served by the issuance of
2 such license.

3 2. As a condition precedent to the issuance of a provisional
4 license under this section, the applicant shall have filed a
5 complete application containing all information required by this
6 section, paid all fees required for licensure and the Insurance
7 Commissioner shall have made a preliminary finding that the
8 expertise, experience and character of the person or persons who
9 will control and manage the applicant captive insurer are
10 acceptable.

11 3. The Insurance Commissioner may by order limit the authority
12 of any provisional licensee in any way deemed necessary to protect
13 insureds and the public. The Insurance Commissioner may by order
14 revoke a provisional license if the interests of insureds or the
15 public are endangered. If the applicant fails to complete the
16 regular licensure application process, the provisional license shall
17 terminate automatically.

18 G. A captive insurance company, upon receipt of any inquiry
19 from the Commissioner, shall, within twenty (20) calendar days from
20 the date of receipt of the inquiry, furnish the Commissioner with an
21 adequate response to the inquiry. The Commissioner may, upon good
22 cause shown and on a case-by-case basis, extend the time allowed for
23 a response for up to seven (7) additional calendar days. Any
24

1 inquiry or response subject to this subsection shall be delivered
2 electronically.

3 SECTION 3. AMENDATORY 36 O.S. 2021, Section 6470.6, is
4 amended to read as follows:

5 Section 6470.6. A. The Insurance Commissioner may not issue or
6 renew the license of a captive insurance company unless the company
7 possesses and thereafter maintains unimpaired aggregate paid-in
8 capital and surplus of:

9 1. In the case of a pure captive insurance company, not less
10 than Two Hundred Fifty Thousand Dollars (\$250,000.00), One Hundred
11 Fifty Thousand Dollars (\$150,000.00) of which must be paid-in prior
12 to the issuance of a license, and an additional One Hundred Thousand
13 Dollars (\$100,000.00) of which must be paid-in on or before the
14 first anniversary of the issuance of the initial license;

15 2. In the case of an association captive insurance company
16 incorporated as a stock insurer, not less than Seven Hundred Fifty
17 Thousand Dollars (\$750,000.00);

18 3. In the case of an industrial insured captive insurance
19 company incorporated as a stock insurer, not less than Five Hundred
20 Thousand Dollars (\$500,000.00);

21 4. In the case of a sponsored captive insurance company, not
22 less than ~~Five Hundred Thousand Dollars (\$500,000.00)~~ One Hundred
23 Thousand Dollars (\$100,000.00) or an amount determined by the
24 Insurance Commissioner after giving due consideration to the

1 business plan of the company, feasibility study, and pro formas,
2 including the nature of the risks to be insured;

3 5. In the case of any captive insurance company doing business
4 as a risk retention group, not less than One Million Dollars
5 (\$1,000,000.00); and

6 6. In the case of a special purpose or branch captive insurance
7 company, not less than Two Hundred Fifty Thousand Dollars
8 (\$250,000.00) or an amount determined by the Insurance Commissioner
9 after giving due consideration to the business plan of the company,
10 feasibility study, and pro formas, including the nature of the risks
11 to be insured;

12 7. In the case of a series captive insurance company, the
13 minimum capital and surplus shall be in an amount specified by the
14 Insurance Commissioner; and

15 8. The unimpaired paid-in capital may be in the form of cash,
16 cash equivalent, or an irrevocable letter of credit issued by a bank
17 chartered by this state or a member bank of the Federal Reserve
18 System, or other financial institution approved by the Insurance
19 Commissioner. The issuing bank shall be approved by the Insurance
20 Commissioner.

21 B. The Insurance Commissioner may prescribe additional capital
22 and surplus based upon the type, volume, and nature of insurance
23 business transacted.

1 C. In the case of a branch captive insurance company, as
2 security for the payment of liabilities attributable to branch
3 operations, the Insurance Commissioner may require that a trust
4 fund, funded by an irrevocable letter of credit or other acceptable
5 asset, be established and maintained in the United States for the
6 benefit of United States policyholders and United States ceding
7 insurers. The amount of the security may be no less than the
8 capital and surplus required by the Oklahoma Captive Insurance
9 Company Act and the reserves on these insurance policies or
10 reinsurance contracts.

11 D. A captive insurance company may not pay a dividend out of,
12 or other distribution with respect to, capital or surplus, without
13 the prior approval of the Insurance Commissioner. Approval of an
14 ongoing plan for the payment of dividends or other distributions
15 must be conditioned upon the retention, at the time of each payment,
16 of capital or surplus in excess of amounts specified by, or
17 determined in accordance with formulas approved by, the Insurance
18 Commissioner.

19 SECTION 4. AMENDATORY 36 O.S. 2021, Section 6470.10, as
20 amended by Section 3, Chapter 127, O.S.L. 2022 (36 O.S. Supp. 2025,
21 Section 6470.10), is amended to read as follows:

22 Section 6470.10. A. A captive insurance company may be
23 incorporated as a stock corporation or as a nonstock corporation, or
24 may be formed as a limited liability company, partnership, limited

1 partnership, statutory trust or any lawful form approved by the
2 Insurance Commissioner.

3 B. An association captive insurance company, industrial insured
4 captive insurance company or special purpose captive insurance
5 company may be organized as a reciprocal insurer.

6 C. The Insurance Commissioner shall not issue the initial
7 license or ~~review~~ renew the license of any captive ~~insurer~~ insurance
8 company unless the Insurance Commissioner determines the following
9 matters serve the best interest of the prospective policyholders and
10 promote the general good of the state:

11 1. The character, reputation, financial standing, and purposes
12 of the principals, owners or other persons who will direct or
13 control the affairs of the captive ~~insurer~~ Insurance Company;

14 2. The character, reputation, financial responsibility,
15 insurance experience, and business qualifications of the officers
16 and directors; and

17 3. Other aspects as the Insurance Commissioner considers
18 advisable.

19 D. In the case of a captive insurance company licensed as a
20 branch captive insurance company, the findings required in
21 subsection C above shall be in respect to the alien captive
22 insurance company.

23 E. 1. A captive insurance company formed under the laws of
24 this state or under the laws of another jurisdiction that is

1 licensed under the provisions of this title shall have the
2 privileges and be subject to the provisions of the laws of this
3 state or the laws of such other jurisdiction, as applicable, under
4 which such captive insurance company is organized as well as the
5 applicable provisions contained in this title. In the event of
6 conflict between the provisions of the laws of this state or the
7 laws of such other jurisdiction, as applicable, under which such
8 captive insurance company is organized, and the provisions of this
9 title, the latter shall control.

10 2. A captive insurance company, formed or licensed under the
11 Oklahoma Captive Insurance Company Act, has the privileges and is
12 subject to the provisions of Oklahoma law as well as the applicable
13 provisions contained in the Oklahoma Captive Insurance Company Act.
14 If a conflict occurs between a provision of the general law of
15 Oklahoma and a provision of the Oklahoma Captive Insurance Company
16 Act, the latter controls. No provision of the Oklahoma Insurance
17 Code, other than those contained in this act or otherwise
18 specifically referencing such companies, shall apply to captive
19 insurance companies.

20 3. In addition to the applicability of law provided in this
21 section, a captive insurance company operating as a risk retention
22 group shall be subject to the provisions of the Oklahoma Risk
23 Retention Act under Sections 6451 through 6468 of this title.
24

1 4. All preliminary reports or results, working papers, recorded
2 information, orders, documents and copies of documents produced by,
3 obtained by or disclosed to the Insurance Commissioner or any other
4 person in the course of any merger, consolidation, conversion,
5 mutualization and change of control made under this section are
6 confidential and are not subject to subpoena and may not be made
7 public by the Insurance Commissioner or any employee or agent of the
8 Insurance Commissioner without the written consent of the company,
9 except to the extent provided in this subsection. Nothing in this
10 subsection prevents the Insurance Commissioner from using this
11 information in furtherance of the regulatory authority of the
12 Insurance Commissioner under the Oklahoma Captive Insurance Company
13 Act. The Insurance Commissioner may grant access to this
14 information to public officers having jurisdiction over the
15 regulation of insurance in any other state or country, or to law
16 enforcement officers of this state or any other state or agency of
17 the federal government at any time, so long as the officers
18 receiving the information agree in writing to use and retain it in
19 any manner consistent with this section.

20 5. The terms and conditions set forth in Articles 18 and 19 of
21 the Oklahoma Insurance Code pertaining to insurance supervision,
22 conservatorship, rehabilitation, and receiverships apply in full to
23 captive insurance companies including for this purpose individual
24

1 protected cells of sponsored captive insurance companies as provided
2 in Section 6470.29 of this title.

3 6. Any insurer which holds a current license to transact the
4 business of insurance under the laws of any other jurisdiction may
5 become an Oklahoma domiciled captive ~~insurer~~ insurance company by
6 complying with all of the requirements of Oklahoma law relative to
7 the organization and licensing of a captive ~~insurer~~ insurance
8 company and obtaining the approval of the insurer's application for
9 redomestication by the chief insurance regulatory official of the
10 company's current and proposed domiciles.

11 SECTION 5. AMENDATORY 36 O.S. 2021, Section 6470.14, is
12 amended to read as follows:

13 Section 6470.14. A. The license of a captive insurance company
14 to conduct an insurance business in this state may be suspended or
15 revoked by the Insurance Commissioner for:

- 16 1. Insolvency or impairment of capital and surplus;
- 17 2. Failure to meet the requirements of Section 6470.6 of this
18 title;
- 19 3. Refusal or failure to submit an annual report, as required
20 by Section 6470.11 of this title, or any other report or statement
21 required by law or by lawful order of the Insurance Commissioner;
- 22 4. Failure to comply with its own charter, bylaws, business
23 plan, or other organizational document;

1 5. Failure to pay any tax or fee, or submit to examination or
2 any legal obligation relative to an examination, as required by this
3 section;

4 6. Refusal or failure to pay the cost of examination;

5 7. Failure to adequately respond to an inquiry from the
6 Insurance Commissioner;

7 8. Use of methods that, although not otherwise specifically
8 prohibited by law, nevertheless render its operation detrimental or
9 its condition unsound with respect to the public or to its
10 policyholders; or

11 ~~8.~~ 9. Failure otherwise to comply with laws of this state.

12 B. If the Insurance Commissioner finds, upon examination,
13 hearing, or other evidence, that a captive insurance company has
14 committed any of the acts specified in subsection A of this section,
15 the Insurance Commissioner may suspend or revoke such license if the
16 Insurance Commissioner considers it in the best interest of the
17 public and the policyholders of the captive insurance company.

18 C. In addition to or in lieu of any applicable revocation or
19 suspension of the license of a captive ~~insurer~~ insurance company,
20 the Insurance Commissioner may fine any captive ~~insurer~~ insurance
21 company who violates any provision of the Oklahoma Insurance Code a
22 civil penalty of not more than Five Thousand Dollars (\$5,000.00) for
23 each occurrence, except as provided in subsection D of this section.
24

1 D. In addition to or in lieu of any applicable revocation or
2 suspension of the license, the Insurance Commissioner may fine any
3 captive insurance company that fails to timely file an annual
4 financial statement, audit, actuarial opinion, or premium tax return
5 in an amount of not more than Five Hundred Dollars (\$500.00) per
6 each day of delay. The maximum penalty under this subsection shall
7 be One Hundred Thousand Dollars (\$100,000.00).

8 SECTION 6. AMENDATORY 36 O.S. 2021, Section 6470.19, is
9 amended to read as follows:

10 Section 6470.19. A. Each captive insurance company, other than
11 a sponsored captive insurance company, and each protected cell of a
12 sponsored captive insurance company, shall pay to the Insurance
13 Department, by March 1 of each year, a tax at the rate of two-tenths
14 of one percent (0.2%) on the direct premiums collected or contracted
15 for on policies or contracts of insurance written by the captive
16 insurance company during the year ending December 31 next preceding,
17 after deducting from the direct premiums subject to the tax the
18 amounts paid to policyholders as return premiums which shall include
19 dividends on unabsorbed premiums or premium deposits returned or
20 credited to policyholders up to a maximum tax for such year of One
21 Hundred Thousand Dollars (\$100,000.00); provided however, that no
22 tax shall be due or payable as to consideration received for annuity
23 contracts.

1 B. A captive insurance company, other than a sponsored captive
2 insurance company, and each protected cell of a sponsored captive
3 insurance company, shall pay to the Department, by March 1 of each
4 year, a tax at the rate of one-tenth of one percent (0.1%) of
5 assumed reinsurance premium. However, no reinsurance tax applies to
6 premiums for risks or portions of risks which are subject to
7 taxation on a direct basis pursuant to subsection A of this section.
8 A premium tax is not payable in connection with the receipt of
9 assets in exchange for the assumption of loss reserves and other
10 liabilities of another insurer under common ownership and control if
11 the transaction is part of a plan to discontinue the operations of
12 the other insurer and if the intent of the parties to the
13 transaction is to renew or maintain business with the captive
14 insurance company.

15 C. A sponsored captive insurance company shall pay to the
16 Department, by March 1 of each year, a tax on direct and assumed
17 premiums equal, in the aggregate, to the minimum tax provided in
18 subsection D of this section.

19 D. Except as provided in this section for a series captive
20 insurance company, if the aggregate taxes to be paid by a captive
21 insurance company or a protected cell of a sponsored captive
22 insurance company calculated under subsections A and B of this
23 section amount to less than Five Thousand Dollars (\$5,000.00) in any
24 year, the captive insurance company or protected cell shall pay a

1 minimum tax of Five Thousand Dollars (\$5,000.00) for that year.
2 However, in the calendar year in which a captive insurance company
3 is first licensed, or the protected cell is approved by the
4 Insurance Commissioner, the minimum tax will be prorated on a
5 quarterly basis. For those licensed in the first quarter, the
6 prorated minimum tax is Five Thousand Dollars (\$5,000.00). For
7 those licensed in the second quarter, the prorated minimum tax is
8 Three Thousand Seven Hundred Fifty Dollars (\$3,750.00). For those
9 licensed in the third quarter, the prorated minimum tax is Two
10 Thousand Five Hundred Dollars (\$2,500.00). For those licensed in
11 the fourth quarter, the prorated minimum tax is One Thousand Two
12 Hundred Fifty Dollars (\$1,250.00). In the calendar year in which a
13 captive insurance company is first licensed or the protected cell is
14 first approved by the Insurance Commissioner, if the aggregate taxes
15 to be paid calculated under subsections A and B of this section
16 amount to less than the minimum tax prorated on a quarterly basis,
17 the captive insurance company or protected cell shall pay the
18 prorated minimum tax for that calendar year. Each series captive
19 insurance company shall pay an annual minimum aggregate tax of Three
20 Thousand Five Hundred Dollars (\$3,500.00). The aggregation of the
21 tax paid by more than one series captive insurance company formed
22 within a limited liability company or statutory trust or the
23 corresponding law of another state shall not be restricted by the
24

1 annual maximum premium tax limitations specified in subsections A
2 and B of this section.

3 E. Subject to subsections F, G and H of this section, if the
4 aggregate taxes on direct and assumed premiums to be paid by a
5 captive insurance company or a protected cell of a sponsored captive
6 insurance company calculated under subsections A and B of this
7 section amount to more than One Hundred Thousand Dollars
8 (\$100,000.00) in any year, the captive insurance company, protected
9 cell of a sponsored captive insurance company or a series captive
10 insurance company shall pay a maximum tax of One Hundred Thousand
11 Dollars (\$100,000.00) for that year.

12 F. Two or more captive insurance companies under common
13 ownership and control must be taxed as though they were a single
14 captive insurance company. Two or more protected cells of a
15 sponsored captive insurance company that are related by common
16 ownership and control must be taxed as though they were a single
17 protected cell.

18 G. As used in this section, "common ownership and control"
19 means the direct ~~or indirect~~ ownership of eighty percent (80%) or
20 more of the outstanding voting stock ~~or other voting interests~~ of
21 two or more captive insurance companies ~~or protected cells~~ of a
22 sponsored captive insurance company by the same person ~~or persons~~.

23 H. A captive insurance company that has employed twenty-five or
24 more separate qualified individuals throughout a given tax year and

1 that otherwise would be liable under this section for tax for such
2 year in an amount exceeding Fifty Thousand Dollars (\$50,000.00)
3 shall pay to the Insurance Commissioner under this section a tax for
4 such year in the amount of Fifty Thousand Dollars (\$50,000.00). For
5 purposes of this subsection, "qualified individual" means a natural
6 person employed in this state on a regular basis of thirty-five (35)
7 or more hours per week either by such captive insurance company, or
8 by a wholly-owned subsidiary of such captive insurance company that
9 provides captive insurance company management, operating, investment
10 or related services exclusively to such captive insurance company.

11 I. The tax provided for in this section constitutes all taxes
12 collectible under the laws of this state from a captive insurance
13 company or a protected cell of a sponsored captive insurance
14 company, and no other occupation tax or other taxes may be levied or
15 collected from a captive insurance company by the state or a county,
16 city, or municipality within this state, except ad valorem taxes on
17 real and personal property used in the production of income.

18 J. For the fiscal year beginning July 1, 2020, and for each
19 fiscal year thereafter, the Insurance Commissioner shall report and
20 disburse all fees and taxes collected pursuant to this section as
21 follows:

- 22 1. Of the first Five Hundred Thousand Dollars (\$500,000.00):
- 23 a. thirty-six percent (36%) to the Oklahoma Firefighters
- 24 Pension and Retirement Fund,

- 1 b. fourteen percent (14%) to the Oklahoma Police Pension
2 and Retirement System,
3 c. five percent (5%) to the Law Enforcement Retirement
4 Fund, and
5 d. forty-five percent (45%) to the State Treasury to the
6 credit of the General Revenue Fund of the state;

7 2. Of the next ~~Two Hundred Fifty Thousand Dollars (\$250,000.00)~~
8 Five Hundred Thousand Dollars (\$500,000.00), one hundred percent
9 (100%) to the State Insurance Commissioner Revolving Fund to be used
10 by the Department for the purposes of implementing and administering
11 the Oklahoma Captive Insurance Company Act and any accompanying
12 regulations; and

13 3. Of all amounts in excess of ~~Seven Hundred Fifty Thousand~~
14 ~~Dollars (\$750,000.00)~~ One Million Dollars (\$1,000,000.00):

- 15 a. thirty-six percent (36%) to the Oklahoma Firefighters
16 Pension and Retirement Fund,
17 b. fourteen percent (14%) to the Oklahoma Police Pension
18 and Retirement System,
19 c. five percent (5%) to the Law Enforcement Retirement
20 Fund,
21 d. fifteen percent (15%) to the State Treasury to the
22 credit of the General Revenue Fund of the state, and
23 e. thirty percent (30%) to the State Insurance
24 Commissioner Revolving Fund to be used by the

1 Department for the purposes of implementing and
2 administering the Oklahoma Captive Insurance Company
3 Act and any accompanying regulations.

4 SECTION 7. AMENDATORY 36 O.S. 2021, Section 6470.24.1,
5 is amended to read as follows:

6 Section 6470.24.1. A. No captive insurance company shall
7 voluntarily take any of the following actions without providing the
8 Insurance Commissioner at least thirty (30) days prior written
9 notice and receiving the Insurance Commissioner's approval of any
10 such action:

11 1. The dissolution of the captive insurance company;

12 2. A sale, exchange, lease, mortgage, assignment, pledge or
13 other transfer of or granting of a security interest in, all or
14 substantially all of the assets of the captive insurance company;

15 3. Incurring a material indebtedness by the captive insurance
16 company;

17 4. Any making of a material loan or other material extension of
18 credit by the captive insurance company;

19 5. Any material payment out of capital and surplus;

20 6. Any merger or consolidation to which the captive insurance
21 company is a constituent party;

22 7. Any conversion of the captive insurance company to another
23 business form;

1 8. Any transfer to or domestication in any jurisdiction by the
2 captive insurance company; ~~or~~

3 9. Any amendment of the business plan or other organizational
4 documents of the captive insurance company; or

5 10. Any merger or acquisition in which there is a change in
6 control of a captive insurance company.

7 B. For purposes of this section~~7~~:

8 1. ~~"material"~~ "Material", in relation to financial matters,
9 means any transaction or series of related transactions involving
10 more than the lesser of five percent (5%) of the captive insurance
11 company's assets or twenty-five percent (25%) of its capital and
12 surplus~~;~~;

13 2. "Assets" and "capital and surplus" shall be measured as of
14 the most recent filed report required by Section 6470.11 of ~~Title 36~~
15 ~~of the Oklahoma Statutes~~ this title;

16 3. "Acquisition" shall have the same meaning as set forth in
17 Section 1634 of this title; and

18 4. "Control" shall have the same meaning as set forth in
19 Section 1631 of this title.

20 SECTION 8. AMENDATORY 36 O.S. 2021, Section 6470.29, is
21 amended to read as follows:

22 Section 6470.29. A. In addition to the provisions of Sections
23 6470.1 through 6470.28 of this title and the provisions of Sections
24 6470.29 through 6470.31 of this title shall apply to sponsored

1 captive insurance companies, and the provisions of Section 6470.24.1
2 of this title shall apply to each protected cell of a sponsored
3 captive insurance company.

4 B. Supplemental license application materials.

5 In addition to the information required by subsection C of
6 Section 6470.3 of this title, each applicant sponsored captive
7 insurance company shall file with the Insurance Commissioner the
8 following:

9 1. Materials demonstrating to the satisfaction of the Insurance
10 Commissioner how the applicant will report to the Insurance
11 Commissioner on, and account for, the loss and expense experience of
12 each protected cell;

13 2. A statement acknowledging that all financial records of the
14 sponsored captive insurance company, including records pertaining to
15 any protected cells, shall be made available for inspection or
16 examination by the Insurance Commissioner or the Insurance
17 Commissioner's designated agent;

18 3. All contracts or sample contracts between the sponsored
19 captive insurance company and any participants; and

20 4. Evidence that expenses shall be allocated to each protected
21 cell in a fair and equitable manner.

22 C. Captive insurance companies shall establish and maintain
23 administrative and accounting procedures necessary to properly
24 identify the one or more protected cells of the sponsored captive

1 insurance company and the protected cell assets and protected cell
2 liabilities attributable to the protected cells. The governing
3 persons of a sponsored captive insurance company shall keep
4 protected cell assets and protected cell liabilities separate by
5 adopting administrative and accounting procedures so they:

6 1. Are separate and separately identifiable from the assets and
7 liabilities of the sponsored captive insurance company's general
8 assets; and

9 2. Are attributable to one protected cell and are separately
10 identifiable from protected cell assets and protected cell
11 liabilities attributable to other protected cells.

12 D. One or more sponsors may form a sponsored captive insurance
13 company under the Oklahoma Captive Insurance Company Act.

14 ~~D.~~ E. A sponsored captive insurance company formed or licensed
15 under the Oklahoma Captive Insurance Company Act may establish and
16 maintain one or more protected cells to insure risks of one or more
17 participants, subject to the following conditions:

18 1. The persons holding the voting interests of a sponsored
19 captive insurance company must be limited to its participants and
20 sponsors; provided, that a sponsored captive insurance company may
21 issue nonvoting securities or interests to other persons on terms
22 approved by the Insurance Commissioner;

23 2. Each protected cell must be accounted for separately on the
24 books and records of the sponsored captive insurance company to

1 reflect the financial condition and results of operations of the
2 protected cell, net income or loss, dividends or other distributions
3 to participants, and other factors may be provided in the
4 participant contract or required by the Insurance Commissioner.
5 Records maintained for a protected cell shall reasonably identify
6 its assets and liabilities, including by specific listing, category,
7 type, quantity, computational or allocational formula or procedure
8 (including a percentage or share of any asset or assets), or by any
9 other method where the identity of such assets is objectively
10 determinable. Such records will be deemed to account for the assets
11 and liabilities associated with such cell separately and distinct
12 from the other assets and liabilities of the sponsored captive
13 insurance company or any other cell;

14 3. The assets of a protected cell must not be chargeable with
15 liabilities of any other protected cell or, ~~unless otherwise agreed~~
16 ~~in the applicable participant contract,~~ of the sponsored captive
17 insurance company;

18 4. No sale, exchange, or other transfer of assets, or dividend
19 or other distribution, may be made with respect to a protected cell
20 by the sponsored captive insurance company without the consent of
21 the participants of each affected protected cell and the written
22 approval of the Insurance Commissioner;

23 5. No sale, exchange, transfer of assets, dividend, or
24 distribution, other than a payment to a sponsor in accordance with

1 the applicable participant contract, may be made from a protected
2 cell to a sponsor or participant without the written approval of the
3 Insurance Commissioner and in no event may the approval be given if
4 the sale, exchange, transfer, dividend, or distribution would result
5 in insolvency or impairment with respect to a protected cell;

6 6. A sponsored captive insurance company annually shall file
7 with the Insurance Commissioner financial reports the Insurance
8 Commissioner requires, which shall include, but are not limited to,
9 accounting statements detailing the financial experience of each
10 protected cell;

11 7. A sponsored captive insurance company shall notify the
12 Insurance Commissioner in writing within ten (10) business days of a
13 protected cell that is insolvent or otherwise unable to meet its
14 claim or expense obligations; ~~and~~

15 8. No participant contract shall take effect without the prior
16 written approval of the Insurance Commissioner, and the addition of
17 each new protected cell and withdrawal of any participant or
18 termination of any existing protected cell constitutes a change in
19 the business plan of the sponsored captive insurance company
20 requiring the prior written approval of the Insurance Commissioner;

21 9. A participant contract shall clearly indicate that only the
22 protected cell assets are available for the satisfaction of
23 protected cell liabilities;

1 10. A sponsored captive insurance company shall have an auditor
2 annually review how a sponsored captive insurance company segregates
3 assets;

4 11. A participant contract shall identify a protected cell by
5 its own distinct name or designation that includes the words
6 "protected cell"; and

7 12. All contracts executed by a sponsored captive insurance
8 company of which a protected cell is a part shall identify the
9 protected cell as "protected cell".

10 F. The remedy of tracing is applicable to protected cell assets
11 when commingled with protected cell assets of other protected cells
12 or the assets of the sponsored captive insurance company's general
13 assets. The remedy of tracing shall not be construed as an
14 exclusive remedy.

15 G. The creation of a protected cell shall not create, with
16 respect to that protected cell, a legal person separate from the
17 sponsored captive insurance company unless the protected cell is an
18 entity-protected cell. For clarity, an entity-protected cell is a
19 protected cell and remains a part of the sponsored captive insurance
20 company.

21 SECTION 9. NEW LAW A new section of law to be codified
22 in the Oklahoma Statutes as Section 6470.29.1 of Title 36, unless
23 there is created a duplication in numbering, reads as follows:

1 A. Subject to the prior written approval of the Insurance
2 Commissioner, upon application of the sponsor and with the prior
3 consent of each participant of the affected protected cells or as
4 otherwise permitted pursuant to a participant contract, a sponsored
5 captive insurance company may convert one or more protected cells
6 into a:

- 7 1. Single protected cell or entity-protected cell;
- 8 2. New sponsored captive insurance company;
- 9 3. New pure captive insurance company;
- 10 4. New risk retention group;
- 11 5. New agency captive insurance company;
- 12 6. New industrial insured captive insurance company;
- 13 7. New association captive insurance company;
- 14 8. Captive insurance company organized as a reciprocal insurer;

15 or

- 16 9. Series captive insurance company.

17 B. Any such conversion requires providing the Insurance
18 Commissioner at least thirty (30) days' prior written notice, as
19 well as submitting a business plan to be approved by the Insurance
20 Commissioner, without affecting any protected cell's assets, rights,
21 benefits, obligations, and liabilities.

22 C. Any such conversion shall be deemed for all purposes to be a
23 continuation of each such protected cell's existence together with
24 all of its assets, rights, benefits, obligations, and liabilities,

1 as a new protected cell, a sponsored captive insurance company, a
2 pure captive insurance company, a risk retention group, an
3 industrial insured captive insurance company, an association captive
4 insurance company, or captive insurance company formed as a
5 reciprocal insurer.

6 D. Any such conversion shall be deemed to occur without any
7 transfer or assignment of any such assets, rights, benefits,
8 obligations, or liabilities and without the creation of any
9 reversionary interest in, or impairment of, any such assets, rights,
10 benefits, obligations, and liabilities.

11 E. Any such conversion shall not be construed to limit any
12 rights or protections applicable to any converted protected cell and
13 such sponsored captive insurance company that existed immediately
14 prior to the date of any such conversion.

15 F. Any protected cell converting into an entity-protected cell
16 pursuant to this act, or converting into a new captive insurance
17 company or risk retention group pursuant to this section, shall
18 perform such conversion in accordance with:

19 1. The provisions of the Oklahoma General Corporation Act,
20 Section 1001 et seq. of Title 18 of the Oklahoma Statutes, if the
21 converted captive insurance company is to be a corporation;

22 2. The provisions of the Oklahoma Limited Liability Company
23 Act, Section 2000 et seq. of Title 18 of the Oklahoma Statutes, if
24

1 the converted captive insurance company is to be a limited liability
2 company; or

3 3. The provisions applicable to any other type of entity
4 permissible under Oklahoma law if the converted captive insurance
5 company is to be such an entity.

6 SECTION 10. NEW LAW A new section of law to be codified
7 in the Oklahoma Statutes as Section 6470.29.2 of Title 36, unless
8 there is created a duplication in numbering, reads as follows:

9 A. Subject to the prior written approval of the Insurance
10 Commissioner, upon application of the sponsor and with the prior
11 consent of each participant of the affected protected cell or as
12 otherwise permitted pursuant to a participant contract, a sponsored
13 captive insurance company may sell, transfer, assign, and otherwise
14 convey a protected cell together with all of the protected cell's
15 assets, rights, benefits, obligations, and liabilities to a new or
16 existing sponsored captive insurance company, pursuant to a business
17 plan approved by the Insurance Commissioner.

18 B. Any such sale, transfer, assignment, or conveyance shall be
19 deemed for all purposes to be a continuation of the protected cell's
20 existence together with all its assets, rights, benefits,
21 obligations, and liabilities, as a protected cell of the transferee.

22 C. Any such sale, transfer, assignment, or conveyance shall not
23 be construed to limit any rights or protections applicable to the
24 transferred protected cell and the transferor sponsored captive

1 insurance company, that existed immediately prior to any such sale,
2 transfer, assignment, or conveyance.

3 D. Any such sale, transfer, assignment, or conveyance requires
4 providing the Commissioner at least thirty (30) days' prior written
5 notice.

6 SECTION 11. NEW LAW A new section of law to be codified
7 in the Oklahoma Statutes as Section 6470.29.3 of Title 36, unless
8 there is created a duplication in numbering, reads as follows:

9 A. Subject to the prior written approval of the Insurance
10 Commissioner, a captive insurance company domiciled in this state
11 and organized as an agency captive insurance company, association
12 captive insurance company, industrial insured captive insurance
13 company, pure captive insurance company, risk retention group,
14 series captive insurance company, or captive insurance company
15 formed as a reciprocal insurer may be converted into a protected
16 cell.

17 B. Any such conversion shall be subject to a business plan
18 approved by the Insurance Commissioner, without affecting the
19 converted captive insurance company's assets, rights, benefits,
20 obligations, or liabilities.

21 C. Any such conversion shall be deemed for all purposes to be a
22 continuation of such converted captive insurance company's existence
23 together with all of its assets, rights, benefits, obligations, and
24 liabilities as a new protected cell.

1 D. Any such conversion shall be deemed to occur without any
2 transfer or assignment of any such assets, rights, benefits,
3 obligations, or liabilities and without the creation of any
4 reversionary interest in, or impairment of, any such assets, rights,
5 benefits, obligations, and liabilities.

6 E. Any such conversion shall not be construed to limit any
7 rights or protections applicable to any converted captive insurance
8 company under this act that existed immediately prior to the date of
9 such conversion.

10 F. Any captive insurance company converting into a protected
11 cell pursuant to this section shall perform such conversion in
12 accordance with:

13 1. The provisions of the Oklahoma General Corporation Act,
14 Section 1001 et seq. of Title 18 of the Oklahoma Statutes, if the
15 converted captive insurance company was a corporation;

16 2. The provisions of the Oklahoma Limited Liability Company
17 Act, Section 2000 et seq. of Title 18 of the Oklahoma Statutes, if
18 the converted captive insurance company was a limited liability
19 company; or

20 3. The provisions applicable to any other type of entity
21 permissible under Oklahoma law if the converted entity was such an
22 entity.
23
24

SECTION 12. NEW LAW A new section of law to be codified

in the Oklahoma Statutes as Section 6470.29.4 of Title 36, unless
there is created a duplication in numbering, reads as follows:

A. Subject to the prior written approval of the Insurance
Commissioner, on application of the sponsor and with the prior
consent of each participant of the affected protected cells or as
otherwise permitted pursuant to a participant contract, a sponsored
captive insurance company may merge one or more protected cells into
a:

1. Single protected cell or entity-protected cell;
2. New sponsored captive insurance company;
3. New pure captive insurance company;
4. New risk retention group;
5. New agency captive insurance company;
6. New industrial insured captive insurance company;
7. New association captive insurance company;
8. Captive insurance company organized as a reciprocal insurer;

or

9. Series captive insurance company.

B. Any such merger requires providing the Insurance
Commissioner at least thirty (30) days' prior written notice, as
well as submitting a business plan to be approved by the Insurance
Commissioner, without affecting any protected cell's assets, rights,
benefits, obligations, and liabilities.

1 C. Any such merger shall be deemed for all purposes to be a
2 continuation of each such protected cell's existence together with
3 all of its assets, rights, benefits, obligations, and liabilities,
4 as a new protected cell, a sponsored captive insurance company, a
5 pure captive insurance company, a risk retention group, an
6 industrial insured captive insurance company, an association captive
7 insurance company, or captive insurance company formed as a
8 reciprocal insurer.

9 D. Any such merger shall be deemed to occur without any
10 transfer or assignment of any such assets, rights, benefits,
11 obligations, or liabilities and without the creation of any
12 reversionary interest in, or impairment of, any such assets, rights,
13 benefits, obligations, and liabilities.

14 E. Any such merger shall not be construed to limit any rights
15 or protections applicable to any merged protected cell and such
16 sponsored captive insurance company, that existed immediately prior
17 to the date of any such merger.

18 F. Any protected cell merging into an entity-protected cell
19 pursuant to this act, or merging into a captive insurance company or
20 risk retention group pursuant to this section, shall perform such
21 merger in accordance with:

22 1. The provisions of the Oklahoma General Corporation Act,
23 Section 1001 et seq. of Title 18 of the Oklahoma Statutes, if the
24 merged captive insurance company is to be a corporation;

1 2. The provisions of the Oklahoma Limited Liability Company
2 Act, Section 2000 et seq. of Title 18 of the Oklahoma Statutes, if
3 the merged captive insurance company is to be a limited liability
4 company; or

5 3. The provisions applicable to any other type of entity
6 permissible under Oklahoma law if the merged captive insurance
7 company is to be such an entity.

8 SECTION 13. NEW LAW A new section of law to be codified
9 in the Oklahoma Statutes as Section 6470.29.5 of Title 36, unless
10 there is created a duplication in numbering, reads as follows:

11 A. Protected cell assets are available only to the creditors of
12 the sponsored captive insurance company who are creditors in respect
13 of that protected cell and entitled, in conformity with the
14 provisions of this act, to have recourse to the protected cell
15 assets attributable to that protected cell.

16 B. Protected cell assets shall be absolutely protected from the
17 creditors of the sponsored captive insurance company who are not
18 creditors in respect of that protected cell and who, accordingly,
19 are not entitled to have recourse to the protected cell assets
20 attributable to that protected cell.

21 C. Creditors with respect to a protected cell shall not be
22 entitled to have recourse against the protected cell assets of other
23 protected cells or the assets of the sponsored captive insurance
24 company's general assets.

1 D. When an obligation of a sponsored captive insurance company
2 to a person arises from a transaction, or is otherwise imposed, in
3 respect of a protected cell:

4 1. That obligation of the sponsored captive insurance company
5 shall extend only to the protected cell assets attributable to that
6 protected cell, and the person shall, in respect of that obligation,
7 be entitled to have recourse only to the protected cell assets
8 attributable to that protected cell; and

9 2. That obligation of the sponsored captive insurance company
10 shall not extend to the protected cell assets of any other protected
11 cell or the assets of the company's general assets, and that person
12 shall not, in respect of that obligation, be entitled to have
13 recourse to the protected cell assets of any other protected cell or
14 the assets of the company's general assets.

15 E. When an obligation of a sponsored captive insurance company
16 relates solely to the general assets, the obligation of the
17 sponsored captive insurance company shall extend only to, and that
18 creditor shall, in respect of that obligation, be entitled to have
19 recourse only to, the assets of the sponsored captive insurance
20 company's general assets.

21 F. In no event shall the establishment of one or more protected
22 cells alone constitute or be deemed to be a fraudulent conveyance,
23 an intent by the sponsored captive insurance company to defraud
24

1 creditors, or the carrying out of business by the sponsored captive
2 insurance company for any other fraudulent purpose.

3 SECTION 14. NEW LAW A new section of law to be codified
4 in the Oklahoma Statutes as Section 6470.29.6 of Title 36, unless
5 there is created a duplication in numbering, reads as follows:

6 A. The pleadings in any legal action brought by or against a
7 sponsored captive insurance company shall specify which protected
8 cell or cells are or should be named a party to the suit. If the
9 general assets are identified in the pleading, it likewise shall be
10 separately identified in the pleadings as if it were a protected
11 cell.

12 B. A legal action brought against a sponsored captive insurance
13 company that does not specify one or more protected cells shall be
14 deemed to have been brought against the general assets only.

15 C. Any protected cell that is not named in the pleadings of the
16 legal action shall not be deemed to be a party to the legal action.
17 Any protected cell that is erroneously named as a party or named
18 without proper cause shall be entitled to prompt dismissal from the
19 legal action.

20 D. No protected cell has a duty to defend the rights and
21 obligations of any other protected cell.

22 E. In any legal action involving a sponsored captive insurance
23 company or a protected cell, any papers, documents, or property of a
24 nonparty protected cell shall be afforded the same status during

1 discovery as the documents or property of any other unrelated third
2 party. A nonparty protected cell shall have standing to appear and
3 petition for any appropriate relief to protect the confidentiality
4 of its papers or documents.

5 SECTION 15. NEW LAW A new section of law to be codified
6 in the Oklahoma Statutes as Section 6470.29.7 of Title 36, unless
7 there is created a duplication in numbering, reads as follows:

8 A. In connection with the rehabilitation or liquidation of a
9 sponsored captive insurance company, the assets and liabilities of a
10 protected cell shall, to the extent the receiver determines they are
11 separable, at all times be kept separate from, and shall not be
12 commingled with, those of other protected cells and the sponsored
13 captive insurance company.

14 B. Upon any order of rehabilitation or liquidation of a
15 sponsored captive insurance company, the receiver shall manage the
16 assets and liabilities of the protected cell captive insurance
17 company pursuant to this section:

18 1. The assets of a protected cell may not be used to pay any
19 expenses or claims other than those attributable to such protected
20 cell;

21 2. A sponsored captive insurance company's capital and surplus
22 shall at all times be available to pay any expenses of or claims
23 against the sponsored captive insurance company;

24 3. In the event of an insolvency of a sponsored captive

1 insurance company where the receiver determines that one or more
2 protected cells remain solvent, the receiver may separate such cells
3 from the sponsored captive insurance company, and may allow, on
4 application of the sponsor, for the conversion of such protected
5 cells into one or more new or existing sponsored captive insurance
6 companies with a sponsor or sponsors, or one or more other captive
7 insurance companies, pursuant to such plan or plans of operation as
8 the Insurance Commissioner deems acceptable; and

9 4. In the event of an insolvency of one or more protected cells
10 of a sponsored captive insurance company, the receiver may separate
11 such cell or cells from the sponsored captive insurance company and
12 may allow for the conversion of such protected cell or cells into
13 one or more new or existing sponsored captive insurance companies,
14 or one or more other captive insurance companies, pursuant to a plan
15 or plans of operation approved by the Insurance Commissioner.

16 C. Unless the sponsor consents and the Insurance Commissioner
17 has granted prior written approval, the assets of the sponsored
18 captive insurance company's general assets shall not be used to pay
19 any expenses or claims attributable solely to a protected cell or
20 protected cells of the sponsored captive insurance company. In the
21 event that the assets of the sponsored captive insurance company's
22 general assets are used to pay expenses or claims attributable
23 solely to a protected cell or protected cells of the sponsored
24 captive insurance company, the sponsor is not required to contribute

1 additional capital and surplus to the sponsored captive insurance
2 company's general assets, notwithstanding the provisions of Section
3 6470.6 of Title 36 of the Oklahoma Statutes.

4 SECTION 16. NEW LAW A new section of law to be codified
5 in the Oklahoma Statutes as Section 6470.36 of Title 36, unless
6 there is created a duplication in numbering, reads as follows:

7 A. For purposes of this section:

8 1. "Foreign" means outside the United States, its territories,
9 or possessions;

10 2. "Foreign currency" means currency issued by a government
11 outside the United States that is recognized by the United States as
12 a legitimate government-issued currency and freely exchangeable with
13 United States currency; and

14 3. "Foreign securities" means securities that are ordinarily
15 traded on an exchange outside the United States.

16 B. A captive insurance company or an individual cell of a
17 captive insurance company may, with the approval of the Insurance
18 Commissioner, include within its business plan that the company
19 will:

20 1. Receive payments of premium in a specified foreign currency
21 or foreign securities and will pay claims on insured losses in a
22 specified currency or foreign securities;

23 2. Authorize the payment of claims in a specified foreign
24 currency or foreign securities; and

1 3. Hold foreign currency or foreign securities as surplus for
2 the payment of future claims.

3 C. In determining the exchange rate between United States
4 currency and the foreign currency or foreign securities, the captive
5 insurance company shall identify in its approved business plan a
6 publicly available and reliable exchange rate index. If the
7 exchange rate index identified in the business plan is not
8 available, then the Insurance Commissioner shall determine the
9 appropriate exchange rate for the purpose of calculating the amount
10 of premium tax due.

11 D. For the purpose of calculating the amount of premium tax due
12 under this act, a policy issued by a captive insurance company
13 payable in foreign currency or foreign securities is deemed to be of
14 an equivalent value in United States currency as of the date that
15 coverage is bound and is payable in United States currency when due
16 under this act.

17 E. For captive insurance companies and protected cells that
18 have received permission pursuant to subsection B of this section,
19 all reports required to be filed with captive premium tax payments
20 shall be converted to United States currency for the reporting
21 period covered by the annual report.

22 SECTION 17. NEW LAW A new section of law to be codified
23 in the Oklahoma Statutes as Section 6470.37 of Title 36, unless
24 there is created a duplication in numbering, reads as follows:

1 Any public body may expend public funds to capitalize a captive
2 insurance company or to provide guaranty capital in a mutual captive
3 insurance company for the purpose of forming and operating a captive
4 insurance company.

5 SECTION 18. REPEALER 36 O.S. 2021, Section 6470.28, is
6 hereby repealed.

7 SECTION 19. This act shall become effective November 1, 2026.

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