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S.F. No. 3880 – Nonadmitted captive insurance company definition modification

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Under current law, a captive insurance company is a company licensed as a captive insurance company under the laws of any state or foreign country, or derives less than 50 percent of its total premiums for the taxable year from sources outside of the unitary business. Generally, a captive insurance company provides insurance to companies that own them or are part of the same unitary group and do not sell insurance to the public. Captive insurance companies pay the insurance premiums tax on premiums paid to them by the entities they insure.

Nonadmitted insurance companies provide insurance outside the state where they are registered to do business. The state in which the insured entity is located may impose an insurance premiums tax on premiums paid by that entity to the out-of-state nonadmitted insurer. Under the federal “home state” rule, which Minnesota has adopted, no state other than the home state of an insured entity may require the payment of premium tax for nonadmitted insurance.

This bill adds a definition of “captive insurance company” to the insurance premiums tax chapter that references the current definition of the term in the income tax chapter. The bill also specifically excludes a captive insurance company from the definition of “nonadmitted insurer” in the insurance premiums tax chapter.

Effective retroactively to captive insurance company premiums paid after July 21, 2011.