



To: The Honorable Elaine H. Marzola, Chair
The Honorable Sandra Jauregui, Vice Chair
Assembly Commerce and Labor Committee

From: Mark Sektnan, Vice President

Re: **AB 318 – Captive Insurers**
APCIA Position: Oppose

Date: Friday, March 21, 2025
11:30 a.m., Room 4100

Dear Chair Marzola, Vice Chair Jauregui and Members of the Committee:

The American Property Casualty Insurance Association (APCIA) is **opposed to the provisions in AB 318 related to the guaranty fund**. The American Property Casualty Insurance Association is the primary national trade association for home, auto, and business insurers. APCIA promotes and protects the viability of private competition for the benefit of consumers and insurers, with a legacy dating back 150 years. APCIA members represent all sizes, structures, and regions—protecting families, communities, and businesses in the U.S. and across the globe.

AB 318 would authorize the Insurance Commissioner to allow captive insurers into the guaranty funds which are set up to ensure that claims are paid if an insurer goes bankrupt. Generally, captives have not participated in guaranty funds. Therefore, the consequences and unintended consequences of that participation are untested and would require significant operational and financial analysis to determine the implications for the insurance market and guaranty system protection.

Captives are very different than admitted insurance carriers who must comply with substantial regulations to ensure financial solvency and the ability to pay claims. Captives operate under different regulations and there may not be a clear understanding of what risks a direct captive writer would bring to the guaranty fund, or the ability of a direct captive writer to take on the risks of assessments. States, such as Delaware, should offer a cautionary tale to adding captives to the guaranty fund.

The bill also presents concerns due to the language that would allow the Commissioner to grant access to the guaranty fund. This language could create adverse risk selection for captives who may only ask to join the guaranty fund when they are facing financial trouble. This would be unfair to the other carriers who have been supporting the guaranty fund for years.

For these reasons, APCIA is **opposed to AB 318**.