

Arnold I. Palacios
Governor



GOV. COM. 24-28
(HOU)

David M. Apatang
Lieutenant Governor

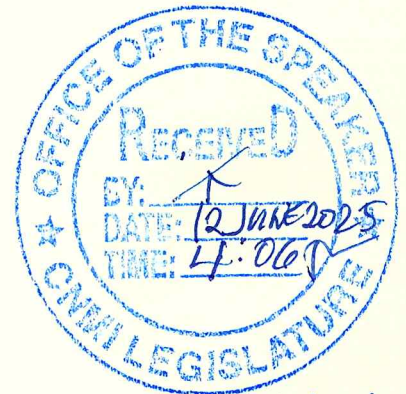
COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
OFFICE OF THE GOVERNOR

GOV2025-500

June 12, 2025

The Honorable Dennis James C. Mendiola
President
The Senate; Twenty-Fourth Northern
Marianas Commonwealth Legislature
Saipan, MP 96950

The Honorable Edmund S. Villagomez
Speaker
House of Representatives
Twenty-Fourth Northern Marianas
Commonwealth Legislature
Saipan, MP 96950



6/12/25

Dear Mr. President and Mr. Speaker:


This is to inform you that I have signed into law **Senate Bill No. 24-09**, entitled, "Commonwealth of the Northern Mariana Islands (CNMI) Captive Insurance Act of 2025; and for other purposes.", which was passed by the Senate and the House of Representatives of the Twenty-Fourth Northern Marianas Commonwealth Legislature.

This bill becomes **Public Law No. 24-03**. Copies bearing my signature are forwarded for your reference.

Sincerely,


ARNOLD I. PALACIOS
Governor

cc: Lieutenant Governor; Attorney General; Commonwealth Law Revision;
Public Auditor; Acting Special Assistant for Administration;
Programs and Legislative Review Office

RECEIVED BY 
DATE 06-12-25 TIME 16:21 pm



**THE SENATE
TWENTY-FOURTH NORTHERN MARIANAS COMMONWEALTH
LEGISLATURE**

SENATE BILL NO. 24-09

AN ACT

Commonwealth of the Northern Mariana Islands (CNMI) Captive Insurance
Act of 2025; and for other purposes.

SENATE ACTION

Offered by Senator(s): Celina R. Babauta

Date: January 27, 2025

Referred to: None

Standing Committee Report No.: None

Final Reading: April 25, 2025

HOUSE ACTION

Referred to: None

Standing Committee Report No.: None

Final Reading: May 15, 2025

A blue ink signature of Senator Francisco Q. Cruz, consisting of a large, stylized 'S' followed by a horizontal line and a vertical line.

**Senator Francisco Q. Cruz
SENATE LEGISLATIVE SECRETARY**



THE SENATE
TWENTY-FOURTH NORTHERN MARIANAS COMMONWEALTH LEGISLATURE
FIRST REGULAR SESSION, 2025 **S.B. NO. 24-09**

AN ACT

Commonwealth of the Northern Mariana Islands (CNMI) Captive
Insurance Act of 2025; and for other purposes.

**BE IT ENACTED BY THE TWENTY-FOURTH NORTHERN MARIANAS
COMMONWEALTH LEGISLATURE:**

1 **Section 1. Findings and Purpose.** The Legislature finds that captive insurance
2 companies can serve a valuable risk management function, and that their responsible
3 utilization and the growth of the captive insurance industry in the Commonwealth of the
4 Northern Mariana Islands (Commonwealth) are in the best interests of the Commonwealth.
5 Captive insurance refers to a subsidiary corporation established to provide insurance solely to
6 the parent company and its affiliates. A captive insurance company is, in its simplest form, an
7 insurance company that is a wholly owned subsidiary whose primary function is to insure all
8 or part of the risks of its parent company. A captive insurance company represents an option
9 for many organizations, from Fortune 500 companies to nonprofits, that want to take financial
10 control and manage risks by underwriting their own insurance rather than paying premiums to
11 third party insurers.

12 This act permits a novel captive insurance industry and captive insurance company
13 (“captive”) to be licensed and domiciled (have its principal place of business) in the
14 Commonwealth and to transact insurance business as enumerated in the Commonwealth.

15 **Section 2. Amendment.** Title 4, Division 7, of the Commonwealth Code, is amended
16 to add a new Chapter 9 as follows:

17 **“CHAPTER 9. CAPTIVE INSURANCE COMPANIES.**

SENATE BILL NO. 24-09**§7901. Definitions.**

As used in this Chapter, unless the context requires otherwise:

(a) “Captive insurance company” means:

(1) a limited-purpose insurance subsidiary of a company with the specific objective of financing risks of its parent and affiliated companies; and

(2) Is a pure captive insurance company, group captive insurance company, association captive insurance company, sponsored captive insurance company, agency captive insurance company, risk retention group, affiliated reinsurance company or special purpose financial insurance company or industrial insured captive company formed or licensed under the provisions of this Chapter. For purposes of this chapter, a branch captive insurance company shall be a pure captive insurance company with respect to operations in the Commonwealth, unless otherwise permitted by the Commissioner.

(b) “Affiliated company” means any company in the same corporate system as a parent, an industrial insured or a member organization by virtue of common ownership, control, operation, or management, or, in the case of a pure captive insurance company, that maintains a working relationship with, and whose business risks insured by the pure captive insurance company are similar or related to the business risks of, the parent insured by the pure captive insurance company.

(c) “Commissioner” means the Commissioner of Insurance.

(d) “Director” means the Director of Insurance, Department of Commerce.

(e) “Domestic Insurer” means an insurer domiciled in the CNMI.

(f) “Excess workers compensation insurance” means in the case of an employer that has insured or self-insured the workers compensation risks in accordance with applicable state or Federal law, insurance in excess of a specified per-incident or aggregate limit established by the Commissioner.

(g) “Fair value of an asset (or liability)” means the amount at which that asset (or liability) could be bought (or incurred) or sold (or settled) in a current transaction between willing parties, that is, other than in a forced or liquidation sale. Quoted market prices in

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active markets are the best evidence of fair value and shall be used as the basis for the measurement, if available. If a quoted market price is available, the fair value is the product of the number of trading units times the market price. If quoted market prices are not available, the estimate of fair value shall be based on the best information available. The estimate of fair value shall consider prices for similar assets and liabilities and the results of valuation techniques to the extent available in the circumstances. Examples of valuation techniques include the present value of estimated expected future cash flows using a discount rate commensurate with the risks involved, option-pricing models, matrix pricing, option-adjusted spread models, and fundamental analysis. Valuation techniques for measuring financial assets and liabilities and servicing assets and liabilities shall be consistent with the objective of measuring fair value. Those techniques shall incorporate assumptions that market participants would use in their estimates of values, future revenues, and future expenses, including assumptions about interest rates, default, prepayment, and volatility. In measuring financial liabilities and servicing liabilities at fair value by discounting estimated future cash flows, an objective is to use discount rates at which those liabilities could be settled in an arms-length transaction. Estimates of expected future cash flows, if used to estimate fair value, shall be the best estimate based on reasonable and supportable assumptions and projections. All available evidence shall be considered in developing estimates of expected future cash flows. The weight given to the evidence shall be commensurate with the extent to which the evidence can be verified objectively. If a range is estimated for either the amount or timing of possible cash flows, the likelihood of possible outcomes shall be considered in determining the best estimate of future cash flows.

(h) "Fully funded" means that, with respect to any exposure attributed to a protected cell, the fair value of the protected cell assets, on the date on which the insurance securitization is affected, equals or exceeds the maximum possible exposure attributable to the protected cell with respect to such exposures.

(i) "General account" means the assets and liabilities of a protected cell company other than protected cell assets and protected cell liabilities.

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(j) "Group" means any legal association of individuals, corporations, partnerships, limited liability companies, partnerships, associations or other entities, the member organizations of which or which itself, whether or not in conjunction with some or all of the member organizations:

(1) own, control or hold with power to vote all of the outstanding voting securities of a group captive insurance company incorporated as a stock insurer; or

(2) having complete voting control over a group captive insurance company incorporated as a mutual insurer.

(k) "Group captive insurance company" means any company that insures risks of the member organizations of that group, and may insure the risks of their affiliated companies and the risks of the association itself.

(l) "Indemnity trigger" means a transaction term by which relief of the issuer's obligation to repay investors is triggered by its incurring a specified level of losses under its insurance or reinsurance contracts.

(m) "Industrial insured" means an insured:

(1) who procures the insurance of any risk or risks by use of the services of an employee acting as an insurance manager or buyer;

(2) whose aggregate annual premiums for insurance on all risks total at least Fifteen Thousand Dollars (\$15,000.00); and

(3) who has at least ten (10) full-time employees.

(n) "Industrial insured captive insurance company" means any company that insures risks of the industrial insured group, and their affiliated companies.

(o) "Industrial insured group" means any group that meets either of the following criteria:

(1) any group of the industrial insured that collectively:

(i) own, control, or hold with power to vote all of the outstanding voting securities of an industrial insured captive insurance company incorporated as a stock insurer, or

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1 (ii) have corporate voting control over an industrial-insured captive
2 insurance company incorporated as a mutual insurer; or

3 (2) any group which is created under the Product Liability Risk Retention
4 Act of 1981, 15 U.S.C. § 3901 *et seq.*, as amended, as a corporation or other limited
5 liability company taxable as a stock insurance company or a mutual insurer under the
6 laws of CNMI.

7 (p) “Member organization” means a corporation, partnership, or association that
8 belongs to a group.

9 (q) “Non-indemnity trigger” means a transaction term by which relief of the issuer’s
10 obligation to repay investors is triggered solely by some event or condition other than the
11 individual protected cell company incurring a specified level of losses under its insurance or
12 reinsurance contracts.

13 (r) “Parent” means a corporation, partnership, limited liability company, or individual
14 that directly or indirectly owns, controls, or holds the power to vote more than fifty percent
15 (50%) of the outstanding voting securities of a pure captive insurance company.

16 (s) “Protected cell” means an identified pool of assets and liabilities of a protected cell
17 company segregated and insulated by means of this Chapter from the remainder of the
18 protected cell company’s assets and liabilities.

19 (t) “Protected cell account” means a specifically identified bank or custodial account
20 established by a protected cell company for the purpose of segregating the protected cell
21 assets of one (1) protected cell from the protected cell assets of other protected cells and from
22 the assets of the protected cell company’s general account.

23 (u) “Protected cell assets” means all assets contract rights and general intangibles,
24 identified with and attributable to a specific protected cell of a protected cell company.

25 (v) “Protected cell company” means a domestic captive insurance company insurer
26 that has one (1) or more protected cells.

27 (w) “Protected cell company insurance securitization” means the issuance of debt
28 instruments, the proceeds from which support the exposures attributed to the protected cell, by
29 a protected cell company where repayment of principal or interest, or both, to investors

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1 pursuant to the transaction terms is contingent upon the occurrence or nonoccurrence of an
2 event with respect to which the protected cell company is exposed to loss under insurance or
3 reinsurance contracts it has issued.

4 (x) "Protected cell liabilities" means all liabilities and other obligations identified with
5 and attributable to a specific protected cell of a protected cell company.

6 (y) "Pure captive insurance company" means any company that insures the risks of its
7 parent and affiliated companies.

8 (z) "Controlled unaffiliated business" means any person:

9 (1) that is not in the corporate system of a parent and its affiliated companies in
10 the case of a pure captive insurance company, or that is not in the corporate system of
11 an industrial insured and its affiliated companies in the case of an industrial insured
12 captive insurance company;

13 (2) that has an existing contractual relationship with a parent or one of its
14 affiliated companies in the case of a pure captive insurance company, or with an
15 industrial insured or one of its affiliated companies in the case of an industrial insured
16 captive insurance company; and

17 (3) whose risks are managed by a pure captive insurance company or an
18 industrial insured captive insurance company, as applicable, in accordance with
19 section 7907 of this Chapter.

20 **§7902. Licensing Authority.**

21 (a) Any captive insurance company, when permitted by its articles of association, or
22 charter, may apply to the Commissioner for a license to do any and all insurance comprised in
23 Title 4, Division 7, of the Commonwealth Code; provided, however, that:

24 (1) no pure captive insurance company may insure any risks other than those of
25 its parent and affiliated entities;

26 (2) no group captive insurance company may insure any risks other than those
27 of the member organization of its group, and their affiliated entities;

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(3) no industrial-insured captive insurance company may insure any risks other than those of the industrial insured that comprise the industrial insured group, and their affiliated entities, or controlled unaffiliated businesses;

(4) no captive insurance company, except a duly registered and licensed rent-a-captive or protected cell facility, may accept or cede reinsurance except as provided in § 7811 of this Chapter; and

(5) any captive insurance company may provide excess workers compensation insurance to its parent and affiliated companies unless prohibited by the laws of the state having jurisdiction over the transaction. Any captive insurance company may reinsure workers compensation of a qualified self-insured plan of its parent and affiliated entities.

(b) No captive insurance company shall do any insurance business on CNMI unless:

(1) It first obtains from the Commissioner a license authorizing it to do business in the CNMI;

(2) It maintains its principal place of business in the CNMI;

(3) It appoints a resident registered agent to accept the service of process and to otherwise act on its behalf on CNMI. Whenever such registered agent cannot with reasonable diligence be found at the registered office of the captive insurance company, the Director shall be an agent of such captive insurance company upon whom any process, notice or demand may be served; and

(4) It is incorporated in CNMI, except that a non-domestic insurance company that has operated as an insurance company on CNMI pursuant to a CNMI Certificate of Authority during the five (5) years immediately preceding enactment of this Chapter shall be issued a license under this Chapter; provided that it maintains a place of business on CNMI and otherwise qualifies for a license under this Chapter, except it shall not be required to comply with subsection 7802(b)(2) and (b)(3) of this Section and section 7806 of this Chapter.

(c) (1) Before receiving a license, a captive insurance company shall file with the Commissioner a certified copy of its Charter and By-Laws, a statement under oath of

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1 its President and Secretary showing its financial condition, and any other statements or
2 documents required by the Commissioner.

3 (2) In addition to the information required by Subdivision (1) of this
4 Subsection (c), each applicant captive insurance company shall file with the
5 Commissioner evidence of the following:

6 (i) the amount of liquidity of its assets relative to the risks to be
7 assumed;

8 (ii) the adequacy of the expertise, experience, and character of the
9 person or persons who will manage it;

10 (ii) a description of the coverages, deductibles, coverage limits, and
11 rates, together with such additional information as the Commissioner may
12 reasonably require. In the event of any subsequent material change in any item
13 in such description, the captive insurance company shall submit to the
14 Commissioner for approval an appropriate revision and shall not offer any
15 additional kinds of insurance until a revision of such description is approved by
16 the Commissioner. The captive insurance company shall inform the
17 Commissioner of any material changes in rates within 30 days of the adoption
18 of such change;

19 (iv) the overall soundness of its plan of operation;

20 (v) the adequacy of the loss prevention programs of its parent, group
21 member organizations, or industrial insureds as applicable; and

22 (vi) such other factors deemed relevant by the Commissioner in
23 ascertaining whether the proposed captive insurance company will be able to
24 meet its policy obligations.

25 (d) Each captive insurance company shall pay the Commissioner a non-refundable fee
26 of Five Hundred Dollars (US\$500.00) and each special purpose financial insurance company
27 shall pay to the Commissioner a nonrefundable fee of Two Thousand Five Hundred Dollars
28 (\$2,500.00) for examining, investigating, and processing its application for the license and for
29 issuing of the same and the Commissioner is authorized to retain legal, financial and

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1 examination services from outside the Department, the reasonable cost of which may be
2 charged against the applicant. In addition, each captive insurance company shall pay a license
3 renewal fee for each year thereafter of Five Hundred Dollars (US\$500.00), and each special
4 purpose financial insurance company shall pay to the Commissioner a nonrefundable fee of
5 Two Thousand Five Hundred Dollars (US\$2,500.00).

6 (e) Any insurance company already chartered and doing business in CNMI that is a
7 captive insurance company in compliance with the provisions of this Chapter shall
8 automatically qualify for Licensure.

9 (f) If the Commissioner is satisfied that the documents and statements that such
10 captive insurance company has filed, comply with the provisions of this Chapter, the
11 Commissioner may grant a license authorizing it to do insurance business in the CNMI until
12 January 1 thereafter, which license may be renewed.

13 **§7903. Names of Companies.**

14 No captive insurance company shall adopt a name that is the same, deceptively
15 similar, or likely to be confused with or mistaken for any other existing business name
16 registered on CNMI.

17 **§7904. Minimum Capital.**

18 No pure captive insurance company, group captive insurance company incorporated as
19 a stock insurer or industrial insured captive insurance company incorporated as a stock
20 insurer, a rent-a-captive or a protected cell captive insurance company shall be issued a
21 license unless it shall possess and thereafter maintain unimpaired paid-in capital of:

22 (a) in the case of a pure captive insurance company, not less than Fifty
23 Thousand Dollars (\$50,000.00);

24 (b) in the case of a group captive insurance company incorporated as a stock
25 insurer, not less than One Hundred Thousand Dollars (\$100,000.00);

26 (c) in the case of an industrial insured captive insurance company incorporated
27 as a stock insurer not less than One Hundred Fifty Thousand Dollars (\$150,000.00);
28 and

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(d) in the case of a rent-a-captive or a protected cell captive, not less than One Hundred Fifty Thousand Dollars (\$150,000.00) for the first client or cell, increasing by One Hundred Fifty Thousand Dollars (\$150,000.00) for each additional client or cell up to a maximum of Seven Hundred Fifty Thousand Dollars (\$750,000.00).

(e) in the case of a risk retention group, not less than Five Hundred Thousand Dollars (US\$500,000).

Such capital may be in the form of cash deposited in a member bank of the Federal Reserve System licensed to do business in the CNMI and approved by the Commissioner. Within 30 days after commencing business, each captive insurance company shall file with the Commissioner a statement under oath of its president and secretary certifying that a captive insurance company possessed the requisite unimpaired paid-in capital and surplus prior to commencing business.

§7905. Minimum Surplus; Letter of Credit.

No captive insurance company shall be issued a license unless it shall possess and thereafter maintain a free surplus of:

(a) in the case of a pure captive insurance company, not less than One Hundred Thousand Dollars (\$100,000.00);

(b) in the case of a group captive insurance company incorporated as a mutual insurer, not less than One Hundred Fifty Thousand Dollars (\$150,000.00);

(c) in the case of an industrial insured captive insurance company incorporated as a stock insurer, not less than Two Hundred Thousand Dollars (\$200,000.00);

(d) in the case of a group captive insurance incorporated as a mutual insurer, not less than Two Hundred Thousand Dollars (\$200,000.00);

(e) in the case of an industrial insured captive insurance company incorporated as a mutual insurer, not less than Two Hundred Thousand Dollars (\$200,000.00); and

(f) in the case of a rent-a-captive or a protected cell company, not less than Two Hundred Fifty Thousand Dollars (\$250,000.00).

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Such surplus may be in the form of (i) cash or an irrevocable letter of credit issued by a member bank of the Federal Reserve System and approved by the Commissioner, or (ii) any other acceptable to the Commissioner.

§7906. Formation of Captive Insurance Companies in the CNMI.

(a) A pure captive insurance company shall be incorporated as a stock insurer with its capital divided into shares and held by the stockholders.

(b) A group captive insurance company or an industrial insured captive insurance company may be incorporated:

(1) as a stock insurer with its capital divided into shares and held by the stockholders; or

(2) as a mutual insurer without capital stock, the governing body of which is elected by the member organizations of its group.

(c) A captive insurance company shall have not less than three (3) incorporators of whom not less than one (1) shall be a resident of CNMI.

(d) Before the Articles of Incorporation are transmitted to the Director, the incorporators shall petition the Commissioner to issue a certificate setting forth his findings that the establishment and maintenance of the proposed corporation will promote the general good of CNMI. In arriving at such finding, the Commissioner shall consider:

(1) the character, reputation, financial standing, and purpose of the incorporators or attorney-in-fact;

(2) the character, reputation, financial responsibility, insurance experience, and business qualifications of the officers and directors;

(3) the amount and liquidity of its assets relative to the risks to be assumed;

(4) the adequacy of the expertise, experience, and character of the persons who will manage the captive insurer;

(5) the overall soundness of its plan of operation;

(6) the adequacy of the loss prevention programs of its parent or member organizations;

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(7) the establishment of business relationships with banks and services including, but not limited to, accountants, attorneys, investment advisers, broker-dealers, and other professionals that are licensed to transact business in CNMI; and

(8) such other aspects as the Commissioner shall deem advisable.

(e) The Articles of Incorporation, such certificate, and the organization fee shall be transmitted to the Director, who shall thereupon record both the Articles of Incorporation and the certificate.

(f) The capital stock of a captive insurance company incorporated as a stock insurer shall be issued at not less than Ten Dollars (\$10.00) par value.

(g) At least one (1) of the members of the Board of Directors of a captive insurance company incorporated on CNMI shall be a resident of CNMI.

(h) Captive insurance companies formed under the provisions of this Chapter shall have the privileges and be subject to the provisions of the General Corporation Law, as well as the applicable provisions contained in this Chapter. In the event of a conflict between the provisions of said General Corporation Law and the provisions of this Chapter, the latter shall control.

(i) The Articles of Incorporation or bylaws of a captive insurance company may authorize a quorum of a board of directors to consist of no fewer than the required majority of the board members as specified in the Articles of Incorporation.

(j) Establishment of Protected Cells.

(1) A protected cell company may establish one (1) or more protected cells with the prior written approval of the Commissioner of a plan of operation or amendments thereto submitted by the protected cell company with respect to each protected cell in connection with an insurance securitization. Upon the written approval of the Commissioner of the plan of operation, which shall include, but not be limited to, the specific business objectives and investment guidelines of the protected cell, the protected cell may, in accordance with the approved plan of operation, attribute to the protected cell insurance obligations with respect to its insurance business and obligations relating to the insurance securitization and assets to fund the

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1 obligations. A protected cell shall have its own distinct name or designation, which
2 shall include the words protected cell. The protected cell company shall transfer all
3 assets attributable to a protected cell to one (1) or more separately established and
4 identified protected cell accounts bearing the name or designation of that protected
5 cell. Protected cell assets shall be held in the protected cell accounts for the purpose of
6 satisfying the obligations of that protected cell.

7 (2) All attributions of assets and liabilities between a protected cell and the
8 general account shall be in accordance with the plan of operation approved by the
9 Commissioner. No other attribution of assets or liabilities may be made by a protected
10 cell company between the protected cell company's general account and its protected
11 cells. Any attribution of assets and liabilities between the general account and a
12 protected cell, or from investors in the form of principal on a debt instrument issued by
13 a protected cell company in connection with a protected cell company securitization
14 shall be in cash or in readily marketable securities with established market values.

15 (3) The creation of a protected cell does not create, in respect of that protected
16 cell, a legal person separate from the protected cell company. Amounts attributed to a
17 protected cell under this Chapter, including assets transferred to a protected cell
18 account, are owned by the protected cell company, and the protected cell company
19 may not be, nor hold itself out to be, a trustee with respect to those protected cell
20 assets of that protected cell account. Notwithstanding the foregoing, the protected cell
21 company may allow for a security interest to attach to protected cell assets or a
22 protected cell account when in favor of a creditor of the protected cell and otherwise
23 allowed under applicable law.

24 (4) This Chapter shall not be construed to prohibit the protected cell company
25 from contracting with or arranging for an investment advisor, commodity trading
26 advisor, or another third party to manage the protected cell assets of a protected cell,
27 provided that all remuneration, expenses, and other compensation of the third party
28 advisor or manager are payable from the protected cell assets of that protected cell and

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1 not from the protected cell assets of other protected cells or the assets of the protected
2 cell company's general account.

3 (5) (i) A protected cell company shall establish administrative and accounting
4 procedures necessary to properly identify one (1) or more protected cells of the
5 protected cell company and the protected cell assets and protected cell liabilities
6 attributable to the protected cells. It shall be the duty of the directors of a protected cell
7 company to:

8 (A) keep protected cell assets and protected cell liabilities separate and
9 separately identifiable from the assets and liabilities of the protected cell
10 company's general account; and

11 (B) keep protected cell assets and protected cell liabilities attributable
12 to one (1) protected cell separate and separately identifiable from protected cell
13 assets and protected cell liabilities attributable to other protected cells.

14 (ii) Notwithstanding the foregoing, if this Section is violated, the remedy of
15 tracing shall be applicable to protected cell assets when commingled with protected
16 cell assets of other protected cells or the assets of the protected cell company's general
17 account. The remedy of tracing shall not be construed as an exclusive remedy.

18 (6) The protected cell company shall, when establishing a protected cell,
19 attribute to the protected cell assets with a value at least equal to the reserves and other
20 insurance liabilities attributed to that protected cell.

21 (k) Use and operation of protected cells.

22 (1) The protected cell assets of a protected cell may not be charged with
23 liabilities arising out of any other business the protected cell company may conduct.
24 All contracts or other documentation reflecting protected cell liabilities shall clearly
25 indicate that only the protected cell assets are available for the satisfaction of those
26 protected cell liabilities.

27 (2) The income, gains, and losses, realized or unrealized, from protected cell
28 assets and protected cell liabilities shall be credited to or charged against the protected
29 cell without regard to other income, gains or losses of the protected cell company,

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1 including income, gains or losses of other protected cells. Amounts attributed to any
2 protected cell and accumulations on the attributed amounts may be invested and
3 reinvested and the investments in a protected cell or cells shall not be taken into
4 account in applying the investment limitations otherwise applicable to the investments
5 of the protected cell company.

6 (3) Assets attributed to a protected cell shall be valued at their fair value on the
7 date of valuation.

8 (4) A protected cell company shall, in respect of any of its protected cells,
9 engage in fully funded indemnity-triggered insurance securitization to support in full
10 the protected cell exposures attributable to that protected cell. A protected cell
11 company insurance securitization that is non-indemnity triggered shall qualify as an
12 insurance securitization under the terms of this Chapter only after the Commissioner,
13 in accordance with the authority granted under Section 7814 of this Chapter, adopts
14 regulations addressing the methods of funding of the portion of the risk that is not
15 indemnity based, account, disclosure, risk-based capital treatment, and assessing risks
16 associated with such securitizations. A protected cell company insurance securitization
17 that is not fully funded, whether indemnity triggered or non-indemnity triggered, is
18 prohibited. Protected cell assets may be used to pay interest or other consideration on
19 any outstanding debt or other obligation attributable to that protected cell, and nothing
20 in this Subsection shall be construed or interpreted to prevent a protected cell company
21 from entering into a swap agreement or other transaction for the account of the
22 protected cell that has the effect of guaranteeing interest or other consideration. In all
23 protected cell company insurance securitizations, the contracts or other documentation
24 effecting the transaction shall contain provisions identifying the protected cell to
25 which the transaction will be attributed. In addition, the contracts or other
26 documentation shall clearly disclose that the assets of that protected cell, and only
27 those assets, are available to pay the obligations of that protected cell. Notwithstanding
28 the foregoing, and subject to the provisions of this Chapter and any other applicable
29 law or regulation, the failure to include the language in the contracts or other

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1 documentation shall not be used as the sole basis by creditors, reinsurers or other
2 claimants to circumvent the provisions of this Chapter.

3 (5) A protected cell company shall only be authorized to attribute to a protected
4 cell account the insurance obligations relating to the protected cell company's general
5 account. Under no circumstances shall a protected cell be authorized to issue insurance
6 or reinsurance contracts directly to policyholders or reinsured or have any obligation to
7 the policyholders or reinsured of the protected cell company's general account.

8 (6) At the cessation of business of a protected cell in accordance with the plan
9 approved by the Commissioner, the protected cell company shall voluntarily close out
10 the protected cell account.

11 (l) Reach of creditors and other claimants.

12 (1) (i) Protected cell assets shall only be available to the creditors of the
13 protected cell company that are creditors in respect to that protected cell and
14 shall thereby be entitled, in conformity with the provisions of this Chapter, to
15 have recourse to the protected cell assets attributable to that protected cell, and
16 shall be absolutely protected from the creditors of the protected cell company
17 that are creditors in respect of that protected cell and who, accordingly, shall
18 not be entitled to have recourse to the protected cell assets attributable to that
19 protected cell. Creditors, with respect to a protected cell, shall not be entitled to
20 have recourse against the protected cell assets of other protected cells or the
21 assets of the protected cell company's general account.

22 (ii) Protected cell assets shall only be available to creditors of a
23 protected cell company after all protected cell liabilities have been
24 extinguished or otherwise provided for in accordance with the plan of
25 operation relating to that protected cell.

26 (2) When an obligation of a protected cell company to a person arises from a
27 transaction or is otherwise imposed, in respect of a protected cell:

28 (i) that obligation of the protected cell company shall extend only to the
29 protected cell assets attributable to that protected cell, and the person shall,

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1 with respect to that obligation, be entitled to have recourse only to the protected
2 cell assets attributable to that protected cell; and

3 (ii) that obligation of the protected cell company shall not extend to the
4 protected cell assets of any other protected cell or the assets of the protected
5 cell company's general account, and that person shall not, with respect to that
6 obligation, be entitled to have recourse to the protected cell assets of any other
7 protected cell or the assets of the protected cell company's general account.

8 (3) When an obligation of a protected cell company relates solely to the general
9 account, the obligation of the protected cell company shall extend only to, and that
10 creditor shall, with respect to that obligation, be entitled to have recourse only to, the
11 assets of that protected cell company's general account.

12 (4) The activities, assets, and obligations relating to a protected cell are not
13 subject to the provisions of any guaranty fund, and neither a protected cell nor a
14 protected cell company shall be assessed by or otherwise be required to contribute to
15 any guaranty fund or the guaranty association in CNMI with respect to the activities,
16 assets, or obligations of a protected cell. Nothing in this Subsection shall affect the
17 activities or obligations of an insurer's general account.

18 (5) In no event shall the establishment of one (1) or more protected cells alone
19 constitute or be deemed to be a fraudulent conveyance, an intent by the protected cell
20 company to defraud creditors, or the carrying out of business by the protected cell
21 company for any other fraudulent purpose.

22 (m) Conservation, rehabilitation, or liquidation of protected cell companies.

23 (1) Notwithstanding any contrary provision in the insurance code of CNMI, the
24 regulations promulgated under the insurance code of CNMI, or any other applicable
25 law or regulation, upon any order of conservation, rehabilitation, or liquidation of a
26 protected cell company, the receiver shall be bound to deal with the protected cell
27 company's assets and liabilities, including protected cell assets and protected cell
28 liabilities, in accordance with the requirements set forth in this Chapter.

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(2) With respect to amounts recoverable under a protected cell company insurance securitization, the amount recoverable by the receiver shall not be reduced or diminished as a result of the entry of an order of conservation, rehabilitation, or liquidation with respect to the protected cell company notwithstanding any provisions to the contrary in the contracts or other documentation governing the protected cell company insurance securitization.

§7907. Rules for controlled unaffiliated business.

The Commissioner may adopt rules establishing standards to ensure that a parent or its affiliated company, or an industrial insured or its affiliated company is able to exercise control of the risk management function of any controlled unaffiliated business to be insured by a pure captive insurance company or an industrial insured captive insurance company, respectively; provided, however, that until such time as rules under this section are adopted, the Commissioner may approve the coverage of such risks by a pure captive insurance company or an industrial insured captive insurance company.

§7908. Financial Statements and Reports.

(a) Each pure captive insurance company shall submit to the Commissioner a statement of financial condition written according to generally accepted accounting principles and audited by an independent certified public accountant, on or before the last day of the sixth (6th) month following the end of the company's fiscal year.

(b) Each captive insurance company that is not a pure captive insurance company shall annually file with the Commissioner the following:

(1) Annual statement and audit:

(i) On or before March 1, or such day subsequent thereto as the Commissioner upon request and for cause may specify, an annual statement using the National Association of Insurance Commissioners annual statement form plus any additional information required by the Commissioner, which shall be a true statement of its financial condition, transactions, and affairs as of the immediately preceding December 31. The reported information shall be verified by oaths of at least two (2) of the captive's principal officers;

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(ii) On or before June 1, or such day subsequent thereto as the Commissioner upon request and for cause may specify, an audit by a designated independent certified public accountant or accounting firm of the financial statements reporting the financial condition and results of the operation of the captive;

(iii) The annual statement and audit shall be prepared in accordance with the National Association of Insurance Commissioners annual statement instructions and Accounting Practices and Procedures Manual; and

(2) On or before each March 1, or such day subsequent thereto as the Commissioner upon request and for cause may specify, a risk-based capital report; provided that the RAC insurance companies shall not be required to file their risk-based capital reports with the National Association of Insurance Commissioners.

(c) The statements required to be filed in Subsections (a) and (b) shall include, but not be limited to, actuarially appropriate reserves for:

(1) known claims and expenses associated therewith;

(2) claims incurred but not reported and expenses associated therewith;

(3) unearned premiums; and

(4) bad debts, reserves for which shall be shown as liabilities. An actuarial opinion regarding reserves for known claims and expenses associated therewith and claims incurred but not reported and expenses associated therewith shall be included in the audited statements, except that the actuarial opinion for captive insurance companies other than pure captive insurance companies shall be filed with the annual statement required under Subsection (b), on or before March 1 each year. The actuarial opinion shall be given by a member of the American Academy of Actuaries or other qualified loss reserve specialist as defined in the annual statement adopted by the National Association of Insurance Commissioners.

(d) The Commissioner may prescribe the format and frequency of other reports which may include, but shall not be limited to, summary loss reports and quarterly financial statements.

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(e) The Commissioner may suspend or revoke the certificate of authority or fine any captive insurer that fails to file any of the documents required by Subsections (a) and (b). The fine shall not be more than Five Hundred Dollars (\$500) per day past the due date.

(f) The failure of any captive insurance company to file a report of financial condition prior to the due date of each year shall constitute grounds for suspension, revocation, or non-renewal of the license to transact captive insurance business in CNMI.

§7909. Dividends.

No captive insurance company may pay a dividend out of, or other distribution with respect to, capital or surplus without the prior approval of the Commissioner. Approval of an ongoing plan for the payment of dividends or other distributions shall be conditioned upon the retention, at the time of each payment, of capital or surplus in excess of amounts specified by, or determined in accordance with formulas approved by, the Commissioner. A captive insurance company or incorporated protected cell organized under the provisions of Title 4, Chapter 8 may make such distributions as are in conformity with its stated purposes and approved by the Commissioner.

§7910. Examinations and Investigations.

At least once in three (3) years, and whenever the Commissioner determines it to be prudent, he shall personally, or by some competent person appointed by him, visit each captive insurance company and thoroughly inspect and examine its affairs to ascertain its financial condition, its ability to fulfill its obligations and whether it has complied with the provisions of this Chapter. The Commissioner upon application, in his discretion, may enlarge the aforesaid three (3) year period to five (5) years, provided said captive insurance company is subject to a comprehensive annual audit during such period of a scope satisfactory to the Commissioner by independent auditors approved by him. The Commissioner may use independent contractor examiners to conduct examinations pursuant to this Section. The expenses and charges of the examination shall be paid to the government of CNMI by the company or companies examined and the Commissioner shall issue his warrants for the proper charges incurred in all examinations.

§7911. Grounds and Procedures for Suspension or Revocation of License.

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(a) The license of a captive insurance company to do an insurance business on CNMI may be suspended or revoked by the Commissioner for any of the following reasons:

- (1) Insolvency or impairment of capital or surplus;
- (2) Failure to meet the requirements of § 7904 or 7905 of this Chapter;
- (3) Refusal or failure to submit an annual report, as required by § 7908 of this Chapter, or any other report or statement required by law or by lawful order of the Commissioner;
- (4) Failure to comply with the provisions of its own Charter or By-Laws;
- (5) Failure to submit to examinations or any legal obligation relative thereto, as required by § 7908 of this Chapter.
- (6) Refusal or failure to pay the cost of examination as required by § 7908 of this Chapter.
- (7) Use of methods that, although not otherwise specifically prohibited by law, nevertheless render its operation detrimental or its condition unsound with respect to the public or to its policyholders;
- (8) Failure otherwise to comply with the laws of CNMI.

(b) If the Commissioner finds, upon examination, and hearing, any of the acts specified in Subsection (a), he may suspend or revoke such license if he deems it in the best interest of the public and the policyholders of such captive insurance company, notwithstanding any other provision of this Title.

§7912. Legal Investments.

(a) No pure captive insurance company, group captive insurance company, or industrial insured captive insurance company shall be subject to any restrictions on allowable investments whatever, including those limitations contained in Section 7816 of this Title; provided, however, that the Commissioner may prohibit or limit any investment that threatens the solvency or liquidity of any such company.

§7913. Reinsurance.

(a) Any captive insurance company may provide reinsurance, as defined and authorized in 4 CMC § 7507, on risks ceded by any other insurer.

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1 (b) Any captive insurance company may take credit for reserves on risks ceded to a
2 reinsurer; provided, however, that no captive insurance company shall reinsure a risk or part
3 thereof with reinsurers not complying with the provisions of Title 4, Division 7, of the
4 Commonwealth Code.

5 (c) A captive insurance company may take credit for reserves on risks or portions of
6 risks ceded to a pool, exchange, or association acting as a reinsurer that has been authorized
7 by the Commissioner. The Commissioner may require any other documents, financial
8 information, or other evidence that such a pool, exchange, or association will be able to
9 provide adequate security for its financial obligations. The Commissioner may deny
10 authorization or impose any limitations on the activities of a reinsurance pool, exchange, or
11 association that, in his judgment, are necessary and proper to provide adequate security for the
12 ceding captive insurance company and for the protection and consequent benefit of the public
13 at large.

14 (d) For all purposes of this Chapter, insurance by a captive insurance company of any
15 workers' compensation qualified self-insured plan of its parent and affiliates shall be deemed
16 to be reinsurance.

17 **§7914. Exemption from Compulsory Associations; Ratings Organizations.**

18 No captive insurance company shall be required to join a rating organization or to join
19 or contribute financially to any plan, pool, association, or guaranty or insolvency fund in the
20 CNMI, nor shall any captive insurance company, or its insured, or its parent or any affiliated
21 company, or any member organization of its association, receive any benefits from any such
22 plan, pool, association, or guaranty or insolvency fund for claims arising out of the operations
23 of such captive insurance company.

24 **§7915. Tax on Premiums Collected.**

25 Each captive insurance established in the CNMI shall pay 2% taxes to the government
26 of the CNMI on its premium or other insurance income.

27 **§7916. Rules and Regulations.**

28 The Commissioner may establish and from time to time amend such rules relating to
29 captive insurance companies as are necessary to enable him to carry out the provisions of this

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Chapter. The regulations authorized by this Section shall be promulgated within 180 days from the date of enactment of this Section.

§7917. Laws Applicable.

Other than provisions contained in this Chapter or contained in specific references contained in this Chapter shall apply to captive insurance companies.

§7918. Establishment of the CNMI Captive Insurance Advisory Committee; Members:

(a) The CNMI Captive Insurance Advisory Committee, the “Committee,” shall consist of such persons, not fewer than three (3) in number, to be appointed by the Commissioner. The membership shall, to the extent possible, consist of one (1) person who is a certified public accountant, one (1) person who is a banker or officer of a CNMI financial institution, and one (1) person who is actively employed in the insurance community.

(b) Any Committee member shall excuse himself from reviewing any applicant for licensing if a conflict of interest exists.

§7919. Duties of the Committee.

The Committee’s duties are as prescribed by the Commissioner, and shall include:

(a) The review of each application for a captive insurance company license, and a recommendation to the Commissioner as to whether or not the applicant should be granted a license to do an insurance business under this Chapter and including the reasons for its recommendation. Recommendations to the Commissioner shall be made within thirty (30) days of receipt of the financial and other information provided by the Commissioner.

(b) In formulating its recommendations, the Committee shall employ the following criteria:

(1) Whether such applicant meets the financial requirements of this Chapter;

(2) Whether such applicant’s proposal is actuarially sound and is adequately capitalized to meet the requirements of the risks it has undertaken or proposed to insure. For the purposes of this actuarial determination, the Committee shall consider, if advisable, the formal opinion of a certified property/casualty actuary who is a member in good standing of an acknowledged academy or society of actuaries;

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(3) Whether or not the parent's officers, directors, and administrative and managerial personnel are of good moral character; and

(4) Such other criteria as the Committee, with the consent of the Commissioner, deems appropriate.

(c) Meetings of the Committee may be conducted by telephone except that at least one (1) meeting per year shall be held in the CNMI, and shall be attended personally by its members.

(d) Recommendations made by the Committee to the Commissioner shall be advisory in nature. A Committee member, or the Committee as a whole, shall not be held liable in any claim or suit for damages arising solely from a recommendation to the Commissioner, or for the results of any action taken or implemented by the Commissioner pursuant to any such Committee recommendation.

(e) The Commissioner shall supply the Committee with the financial and other information required by the Committee to conduct its investigation under this Section.

(f) The Commissioner shall receive the recommendations of the Committee with respect to the financial, actuarial, and managerial soundness of each applicant, and shall give appropriate consideration to all such recommendations in conjunction with his duties under this Chapter.

§ 7920. Insolvency Proceedings.

In the event a captive insurance company is declared insolvent by its board of directors or by the Commissioner or is placed in receivership for rehabilitation or liquidation any reinsurance due or becoming due and payable by the reinsurer shall be paid without diminution directly to the ceding company, or to the Commissioner or to the court-appointed receiver or liquidator. This provision shall be deemed to be incorporated in any contract of reinsurance for any risks insured in CNMI.

§ 7921. Confidential Treatment of Captive Information.

All information pertaining to the CNMI Captive Insurance Companies shall be deemed proprietarily and confidential unless:

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1 (a) The Commissioner deems it in the public interest to make such information
2 available for public inspection; or

3 (b) The Parent company authorizes the Commissioner to make available such
4 information for public inspection.”

5 **Section 3. Severability.** If any provision of this Act or the application of any such
6 provision to any person or circumstance should be held invalid by a court of competent
7 jurisdiction, the remainder of this Act or the application of its provisions to persons or
8 circumstances other than those to which it is held invalid shall not be affected thereby.

9 **Section 4. Savings Clause.** This Act and any repealer contained herein shall not be
10 construed as affecting any existing right acquired under contract or acquired under statutes
11 repealed or under any rule, regulation, or order adopted under the statutes. Repealers
12 contained in this Act shall not affect any proceeding instituted under or pursuant to prior law.
13 The enactment of the Act shall not have the effect of terminating, or in any way modifying,
14 any liability, civil or criminal, which shall already be in existence on the date this Act
15 becomes effective.

16 **Section 5. Effective Date.** This Act shall take effect upon its approval by the
17 Governor or becoming law without such approval.

CERTIFIED BY:



DENNIS C. MENDIOLA
PRESIDENT OF THE SENATE

ATTESTED BY:



FRANCISCO Q. CRUZ
SENATE LEGISLATIVE SECRETARY

Approved this 12th day of June, 2025



ARNOLD I. PALACIOS
Governor
Commonwealth of the Northern Mariana Islands