

**TITLE 4: ECONOMIC RESOURCES**  
**DIVISION 7: INSURANCE**

**§ 7306. Domestic Insurers.**

(a) *Scope of Section.* The provisions of this section apply only to domestic insurers; provided, that the domestic insurers are also subject to all other applicable provisions of this division from which they are not otherwise specifically excepted.

(b) *Organization.* It is unlawful for a domestic insurer to be formed, or to transact insurance in the Commonwealth unless it is incorporated under the laws of the Commonwealth and in conformance with the applicable provisions of this division and unless all of its voting shares of stock have a par value as certified in its articles of incorporation.

(c) *Application to Organize.* Any number of persons sufficient to organize a corporation in the Commonwealth may file an application with the commissioner for authority to organize as an insurance corporation. No person may organize an insurance corporation until written authority for that purpose has been obtained from the commissioner. The application shall be in duplicate and may contain the information required herein:

(1) The proposed location of its principal office, amount of paid-in capital, and corporate name which shall include the word “insurance”;

(2) The proposed articles of incorporation showing the classes of insurance business which it proposes to transact;

(3) Evidence of character, financial responsibility, business experience and ability of the proposed incorporators, directors and officers;

(4) All other information required to be filed with the articles of incorporation under the laws of the Commonwealth for the purpose of receiving a corporate charter, or by regulations of the commissioner, or specifically requested of the incorporator by the commissioner.

(d) *Issuance of Authority.* Upon receipt of the application in subsection (c) of this section, the commissioner shall review the application for compliance with applicable law. Within 45 days of receipt of the application, the commissioner shall issue an order granting or denying the application for organization and notify the applicant in writing of the reasons for the order. An applicant who also receives a denial may request a hearing under 4 CMC § 7201.

(e) *Incorporation.* Within 90 days after the date of the commissioner’s order granting the application to organize, the applicant shall file the articles of incorporation and pay fees required by Commonwealth law.

(f) *License Authority.* Notwithstanding any provision of this section, it is unlawful for any applicant to transact insurance until it has complied with 4 CMC § 7301.

(g) *Promotional Expense.* The commissioner shall not grant an application to organize any domestic insurer where the commissioner’s examination shows that the expense of organization and promotion exceeds 10 percent of the total amount actually paid on its capital stock.

(h) *Capital: Other than Life Insurer.* Every domestic insurer shall have a minimum paid-in capital of \$25,000 which shall be sufficient for the transaction of any one class of insurance authorized under this division, except life insurance. For each additional class of insurance to be transacted, except life insurance, there shall be an additional paid-in capital of \$15,000, but any insurer having a

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paid-in capital of \$100,000 may transact any or all classes of insurance authorized, except life insurance. Paid-in capital required under this section must be paid in cash.

(i) *Capital: Increase and Decrease.*

(1) Any admitted domestic insurer may increase or decrease the amount of its capital after giving notice once a week for four consecutive weeks in a newspaper of general circulation in the Commonwealth of its intention, and by filing with the commissioner a copy of its advertisement together with a declaration under its corporate seal, signed by stockholders representing three-fourths of its capital, of their desire so to do.

(2) If any person objects to such increase or decrease within one week from the date of last publication and gives good cause therefor, the commissioner may order the insurer not to so increase or decrease its capital.

(3) If the insurer receives no such order from the commissioner within 10 days after last publication, it may proceed with the announced plan.

(j) *Merger; Consolidation.* A domestic insurer may merge or consolidate with another insurer, subject to the following conditions:

(1) The plan of merger or consolidation must be submitted to and be approved by the commissioner in advance of the merger and consolidation;

(2) The commissioner shall not approve any such plan unless the commissioner finds, after a hearing, that it is fair, equitable, consistent with law, and that no reasonable objection exists. If the commissioner fails to approve the plan, he shall state reasons for such failure in his order made on such hearing.

(k) *Life Insurer: Capital.* Every domestic insurer desiring to transact, or transacting, life insurance in the Commonwealth, shall have a minimum paid-in capital of \$100,000, exclusive of and in addition to the minimum paid-in capital required for other classes of insurance as provided in subsection (h) of this section. Paid-in capital required under this section must be paid in cash.

(l) *Life Insurer: Reserve.*

(1) Every domestic insurer authorized to transact, or transacting, life insurance shall provide, hold and maintain minimum reserves for each such life policy based upon Standard Ordinary Mortality Tables acceptable to the commissioner and interest at 3.5 percent per annum.

(2) The minimum reserves required by this section to be maintained shall be kept on deposit in any Commonwealth bank or banks, or such other financial institutions, located in the Commonwealth, as are approved for these purposes by the commissioner. The deposits shall at all times include lawful money of the United States or securities of the types allowable as investments for domestic insurers under subsection (p) of this section, or any combination of such money and securities.

(m) *Life Insurer: Policy.* Every life policy form used by a domestic insurer shall be approved by the commissioner prior to such issuance as provided in 4 CMC § 7502(h); provided, that it shall contain in substance the following provisions:

(1) A provision that the insured, after three months' premiums have been paid, is entitled to a premium grace period of not less than 31 days during which period of grace the policy shall continue in full force; provided, that in

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case the policy becomes a claim during any period of grace, the amount of such premium due may be deducted from the amount payable under the claim;

(2) A provision that the policy shall be incontestable after it has been in force during the lifetime of the insured for a period of two years from date of issue, except for nonpayment of premium;

(3) A provision that the policy as issued shall constitute the entire contract between the parties; provided, that the insurer may make the application for the policy a part of the contract by endorsing it upon, or attaching it to, the policy;

(4) A provision that if the age of the insured has been misstated, the contract shall be valid but the amount payable under the policy shall be such as the premium would have purchased at the correct age in accordance with the table of premium rates of the insured;

(5) A provision that in the event of default of any premium payment after three full annual premiums shall have been paid on the policy, the net value of the policy, which net value shall be at least equal to its entire net reserve at the date of default less a surrender charge of not more than 2.5 percent of the face amount of the policy and less any indebtedness to the company on or secured by the policy, shall be applied as a single premium to the purchase of one of the following forms of insurance, unless the policy holder shall elect the cash surrender of the policy:

(A) Paid-up term insurance for such a period as the net value outlined above will purchase at the net single premium at the attained age of the insured at the time of the lapse;

(B) Paid-up insurance payable at the time and on the conditions named in the policy for such an amount as the net value outlined above will purchase at the net single premium at the attained age of the insured at the time of the lapse.

(6) A provision that in event of default of any premium payment after three full annual premiums shall have been paid, the policy may be surrendered to the insurer within 60 days after date of premium default for a cash value which shall be at least equal to the sum which would be otherwise available for the purchase of paid-up insurance as provided above if the insured so elects.

(n) *Life Insurer: Violation.* Any policy issued in violation of subsection (m) of this section shall nevertheless be held valid but shall be construed as provided in subsection (m) of this section, and when any provision in the policy conflicts with any provision of this section, or of any other statutory provision, the rights, duties and obligations of the insurer, the policy holder and the beneficiary shall be governed and interpreted in accordance with this division.

(o) *Supervision.*

(1) Every admitted domestic insurer shall, on or before April 1 of each year, file with the commissioner a financial statement, verified under oath, setting forth its financial condition, transactions and affairs as of the 31st day of December immediately preceding, in general form and context as approved by the National Association of Insurance Commissioners, plus any additional information required by the commissioner.

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(2) Every such insurer shall keep full and complete books, records, accounts, and vouchers and shall keep them at all times in such manner that its financial condition can be readily ascertained, its financial statement readily verified, and its compliance with this division seen.

(3) The commissioner may make a detailed examination into the affairs of any domestic insurer as often as the commissioner deems it expedient for the protection of the people of the Commonwealth, and shall make such detailed examination of every domestic insurer at least once in every three years. The cost of the examination shall be paid by the insurer examined.

(4) The commissioner shall make a full and true report of every examination made together with any conclusions and recommendations as may be reasonably warranted by the facts. The report shall be filed in the official permanent files of the commissioner and shall be admissible in evidence in any action or proceeding in the name of the government against the insurer.

(5) When the assets of any domestic insurer, computed at their actual fair value, are less than the aggregate amount of the insurer's liabilities and outstanding capital stock, the commissioner shall determine the amount of the impairment of capital and shall order the insurer to eliminate the impairment within the period he designates, not more than six months from the service of the order; the commissioner may by order prohibit the insurer from issuing any new policies while the impairment exists. If the amount of the impairment is equal to or more than 25 percent of the insurer's outstanding capital stock, or is such that the insurer does not have the minimum capital required by this division, the commissioner shall suspend the insurer's certificate of authority until the impairment is fully eliminated; and if the impairment is not fully eliminated within the period designated by the commissioner, the commissioner shall by order revoke the insurer's certificate and shall apply to the Commonwealth Superior Court for an order upon the insurer to show cause why its articles should not be revoked and a receiver appointed to liquidate its affairs.

(p) *Investments.* It is unlawful for any domestic insurer, except a domestic insurer authorized to transact offshore surety insurance, to invest any of its assets otherwise than is authorized by this section:

(1) Real estate as may be reasonably required for its home and branch offices; except that where title to real estate is, or has been, acquired under the conditions of any mortgage, or by purchase or set off on execution upon judgment for debts contracted in the course of business, or by other process in settlement for debts, the same may be held for a period not to exceed five years unless permission to hold for a longer period is granted in writing by the commissioner.

(2) Bonds or notes secured by first mortgages or deeds of trust upon improved real estate, which improvements may be, or include those to be, placed thereon by the proceeds of the bonds or notes, in a maximum amount not to exceed 20 percent of its assets; provided, that the value of the security shall, at the time of the investment, be at least 50 percent more than the principal of the obligations secured thereby, except when the mortgage loans are guaranteed or insured by the government of the United States or any agency thereof.

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(3) Interest bearing bonds, notes or obligations of the Commonwealth, the United States, or any political subdivision of the Commonwealth or the United States, or any incorporated city of the United States, of a population of not less than 50,000 inhabitants as shown by the next preceding federal census; provided, that there has been no default in the payment of either principal or interest on any of the general obligations of issuer for a period of 15 years next preceding the date of such investment.

(4) Stocks issued by any federal home loan bank of which such insurer may be eligible to become a member; bonds, debentures and notes issued by any federal home loan bank.

(5) Not more than 10 percent of any insurer's capital may be invested in or loaned upon the security of any one person, nor loaned upon the security of any one parcel of property.

(6) Loans upon the security of its own policies not making the loan.

(q) *Penalty.* Any person violating any of the provisions of this section may be found guilty of a misdemeanor, and shall, upon conviction, be subject to a fine of not more than \$1,000 if the person convicted is not a natural person; or if the person convicted is a natural person, a fine of not more than \$500, or imprisonment of not more than six months, or both such fine and imprisonment.

**Source:** PL 3-107, § 20, modified; amended by PL 6-18, § 8.

**Commission Comment:** In subsection (m)(6), the Commission inserted "available for the purchase of paid up insurance as provided," correcting a clerical error.