

**Superseded 5/12/2015**

**31A-37-401 Sponsored captive insurance companies -- Formation.**

- (1) One or more sponsors may form a sponsored captive insurance company under this chapter.
- (2) A sponsored captive insurance company formed under this chapter may establish and maintain a protected cell to insure risks of a participant if:
  - (a) the shareholders of a sponsored captive insurance company are limited to:
    - (i) the participants of the sponsored captive insurance company; and
    - (ii) the sponsors of the sponsored captive insurance company;
  - (b) each protected cell is accounted for separately on the books and records of the sponsored captive insurance company to reflect:
    - (i) the financial condition of the protected cell;
    - (ii) the results of operations of the protected cell;
    - (iii) the net income or loss of the protected cell;
    - (iv) the dividends or other distributions to participants of the protected cell; and
    - (v) other factors that may be:
      - (A) provided in the participant contract; or
      - (B) required by the commissioner;
  - (c) the assets of a protected cell are not chargeable with liabilities arising out of any other insurance business the sponsored captive insurance company may conduct;
  - (d) a sale, exchange, or other transfer of assets is not made by the sponsored captive insurance company between or among any of the protected cells of the sponsored captive insurance company without the consent of the protected cells;
  - (e) a sale, exchange, transfer of assets, dividend, or distribution is not made from a protected cell to a sponsor or participant without the commissioner's approval, which may not be given if the sale, exchange, transfer, dividend, or distribution would result in insolvency or impairment with respect to a protected cell;
  - (f) a sponsored captive insurance company annually files with the commissioner financial reports the commissioner requires under Section 31A-37-106, including accounting statements detailing the financial experience of each protected cell;
  - (g) a sponsored captive insurance company notifies the commissioner in writing within 10 business days of a protected cell that is insolvent or otherwise unable to meet the claim or expense obligations of the protected cell;
  - (h) a participant contract does not take effect without the commissioner's prior written approval; and
  - (i) the addition of each new protected cell and withdrawal of a participant of any existing protected cell does not take effect without the commissioner's prior written approval.