



The President
Palikir, Pohnpei
Federated States of Micronesia

April 28, 2008

PRESIDENTIAL COMM. NO. 15-184
FSM CONGRESS

The Honorable Isaac V. Figir
Speaker
15th FSM Congress
Palikir, Pohnpei, FM 96941

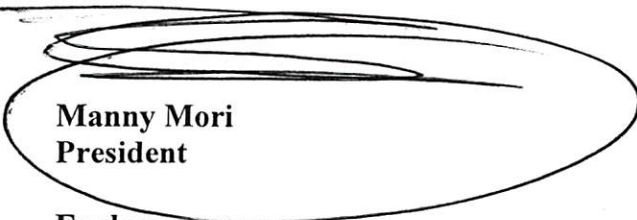
Re: Congressional Act No. 15-39

Dear Speaker Figir:

I have designated the following Congressional Act as Public Law No. 15-34.

Congressional Act No. 15-39, "AN ACT TO FURTHER AMEND SECTIONS 1001, 1002, 1003 AND 1007 OF TITLE 37 OF THE CODE OF THE FEDERATED STATES OF MICRONESIA BY INCLUDING A DEFINITION OF RELATED THIRD PARTY BUSINESS; BY FURTHER DEFINING A CLASS II CAPTIVE INSURANCE COMPANY, BY ADDING A PROHIBITATION ON INSURING INDIVIDUALS; AND BY FURTHER AMENDING THE MINIMUM CAPITAL AND SURPLUS REQUIREMENTS, AND FOR OTHER PURPOSES."

Sincerely,



Manny Mori
President

Enclosures:

XC: Chief Justice, FSM Supreme Court
Secretary, Department of Justice
Legislative Counsel, CFSM
Library, CFSM
Director, SBOC
PIO, FSM





Office of the Chief Clerk

CONGRESS OF THE FEDERATED STATES OF MICRONESIA

P.O. Box PS 3

Palikir, Sokehs

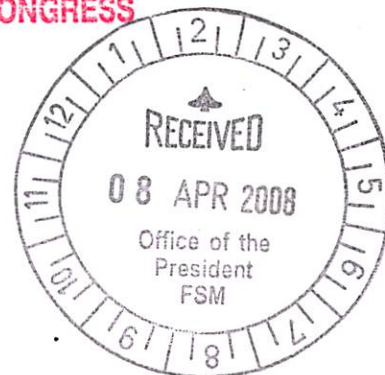
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PRESIDENTIAL COMM. NO. 15-184
FSM CONGRESS

April 08, 2008



His Excellency Manny Mori
President
Federated States of Micronesia
Palikir, Pohnpei FM 96941

Dear Mr. President:

I have the honor to transmit herewith Congressional Act No. 15-39, "AN ACT TO FURTHER AMEND SECTIONS 1001, 1002, 1003 AND 1007 OF TITLE 37 OF THE CODE OF THE FEDERATED STATES OF MICRONESIA BY INCLUDING A DEFINITION OF RELATED THIRD PARTY BUSINESS; BY FURTHER DEFINING A CLASS II CAPTIVE INSURANCE COMPANY; BY ADDING A PROHIBITION ON INSURING INDIVIDUALS; AND BY FURTHER AMENDING THE MINIMUM CAPITAL AND SURPLUS REQUIREMENTS, AND FOR OTHER PURPOSES.", which was passed by the Fifteenth Congress of the Federated States of Micronesia, Fourth Special Session, 2008, by a two-thirds vote of all the State delegations as required and as duly certified.

Sincerely yours,

A handwritten signature in blue ink, appearing to read "Liwiana K. Ramon".

Liwiana K. Ramon
Chief Clerk, Congress of the
Federated States of Micronesia

Enclosures



Office of the Speaker

CONGRESS OF THE FEDERATED STATES OF MICRONESIA

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PRESIDENTIAL COMM. NO. 15-184
FSM CONGRESS

ACT NO. 15-39

(CONGRESSIONAL BILL NO. 15-104)

We hereby certify that on March 31 the foregoing act passed Second and Final Reading of the Fifteenth Congress of the Federated States of Micronesia, Fourth Special Session, 2008, by a two-thirds vote of all the State delegations as required under article IX, section 20, of the Constitution of the Federated States of Micronesia.

A handwritten signature in black ink, appearing to read "Isaac V. Figir".

Isaac V. Figir
Speaker
Congress of the
Federated States of Micronesia

A handwritten signature in blue ink, appearing to read "Liwiana K. Ramon".

Liwiana K. Ramon
Chief Clerk
Congress of the
Federated States of Micronesia

PUBLIC LAW No. 15 - 34



FIFTEENTH CONGRESS OF THE
FEDERATED STATES OF MICRONESIA
FOURTH SPECIAL SESSION
MARCH 24 – APRIL 4, 2008

PRESIDENTIAL COMM. NO. 15-184
FSM CONGRESS

An Act

TO FURTHER AMEND SECTIONS 1001, 1002, 1003 AND 1007 OF TITLE 37 OF THE CODE OF THE FEDERATED STATES OF MICRONESIA BY INCLUDING A DEFINITION OF RELATED THIRD PARTY BUSINESS; BY FURTHER DEFINING A CLASS II CAPTIVE INSURANCE COMPANY; BY ADDING A PROHIBITION ON INSURING INDIVIDUALS; AND BY FURTHER AMENDING THE MINIMUM CAPITAL AND SURPLUS REQUIREMENTS, AND FOR OTHER PURPOSES.

INTRODUCED BY: SENATOR DION G. NETH

DATE: FEBRUARY 13, 2008

REFERRED TO: RESOURCES AND DEVELOPMENT COMMITTEE

S.C.R. NO. 15-87 – FEBRUARY 19, 2008

FIRST READING: FEBRUARY 20, 2008

SECOND READING: MARCH 31, 2008

Liwiana K. Ramon
Chief Clerk, FSM Congress

AN ACT

To further amend sections 1001, 1002, 1003 and 1007 of title 37 of the Code of the Federated States of Micronesia by including a definition of related third party business; by further defining a Class II captive insurance company; by adding a prohibition on insuring individuals; and by further amending the minimum capital and surplus requirements, and for other purposes.

BE IT ENACTED BY THE CONGRESS OF THE FEDERATED STATES OF MICRONESIA:

1 Section 1. Section 1001 of title 37 of the Code of the
2 Federated States of Micronesia, as enacted by Public Law No. 14-88,
3 is hereby further amended to read as follows:

4 "Section 1001. Definitions. As used in this chapter,
5 unless the context otherwise requires:

6 (1) 'Affiliated Company' means any company in the same
7 corporate system as a parent or member organization by
8 virtue of common ownership, control, operation, or
9 management.

10 (2) 'Association' means any legal association of
11 individuals, corporations, partnerships, associations, or
12 other entities that own, control, or hold with power to
13 vote all of the outstanding voting securities of the
14 captive insurance company.

15 (3) 'Captive Insurance Company' means an insurance
16 company formed or licensed under this chapter.

17 (4) 'Commissioner' means the individual appointed as
18 the Insurance Commissioner under this title.

1 (5) 'Domestic captive insurance company' means a
2 captive insurance company organized under the laws of
3 the Federated States of Micronesia.

4 (6) 'Foreign captive insurance company' means a
5 captive insurance company organized under the laws of a
6 jurisdiction other than the Federated States of
7 Micronesia.

8 (7) 'Insurance Manager' means an individual or
9 company which provides insurance expertise to or for
10 captive insurance companies and which has in its bona
11 fide employment a person who is a current member in good
12 standing of the applicable professional body or of some
13 other professional insurance association recognized by
14 the Commissioner for the purpose of providing insurance
15 expertise and has been approved by the Commissioner.

16 (8) 'Member Organization' means any individual,
17 corporation, partnership, association, or other entity
18 that belongs to an association.

19 (9) 'Parent' means a corporation, partnership, other
20 entity, or individual that directly or indirectly owns,
21 controls, or holds with power to vote more than 50% of
22 the outstanding voting securities of a captive insurance
23 company.

24 (10) 'Principal Representative' means any individual
25 or corporation registered and in good standing with the

Federated States of Micronesia, operating in or from within the Federated States of Micronesia who, not being a bona fide employee of the captive insurance company, maintains for the captive insurance company full and proper records of the business activities of the captive insurance company."

(11) 'Unaffiliated business' means any company:

(a) That is not in the corporate system of a parent and affiliated companies;

(b) That has an existing contractual relationship with a parent or affiliated company; and

(c) Whose risks are managed by a captive insurance company in accordance with this chapter.

(12) 'Related Third-Party Business' means any company or other legal entity:

(a) That is not in the corporate system of a parent and affiliated companies;

(b) That has an existing contractual relationship with a parent or affiliated company; and

(c) Whose risks are managed by a captive insurance company in accordance with this chapter.

Section 2. Section 1002 of title 37 of the Code of the Federated States of Micronesia, is hereby amended to read as follows:

"Section 1002. Determination of class of captive

1 insurance companies. Each captive insurance company
2 formed under this chapter shall be designated and
3 licensed as one of the following classes of captive
4 insurance companies.

5 (1) A class 1 company shall be a captive insurance
6 company that insures the risks of its parent and
7 affiliated companies or associations;

8 (2) A class 2 company shall be a captive insurance
9 company that insures the risks of its parent and
10 affiliated companies or associations and/or related
11 third-party businesses.

12 (3) Additional classes of captive insurance companies
13 may, from time to time, be created by amendment of this
14 chapter.

15 Section 3. Section 1003 of title 37 of the Code of the
16 Federated States of Micronesia, is hereby amended to read
17 as follows:

18 "Section 1003. Captive Insurance Company
19 Licensing.

20 (1) Captive insurance companies shall be
21 licensed in accordance with Chapter 3 of this
22 title.

23 (2) In considering whether to license a captive
24 insurance company under this chapter, the
25 Commissioner and Insurance Board shall consider the

1 following factors:

2 (a) Principal office and principal
3 representative;

4 (i) the principal office shall maintain
5 a principal place of business within the Federated
6 States of Micronesia;

7 (ii) appoint a principal representative
8 that shall be approved by the Commissioner;

9 (iii) hold an annual board of directors
10 meeting in the Federated States of Micronesia. In
11 meeting the quorum requirements for this annual
12 board meeting, only the principal representative is
13 required to be physically present in the Federated
14 States of Micronesia. The remainder of the quorum
15 may be present via telephone;

16 (iv) the captive insurance company shall
17 maintain in its principal office accurate documents
18 in English of the insurance business and accounting
19 for examination by the Commissioner.

20 (b) Application documents: the captive
21 insurance company shall file the following documents
22 with its application for an insurance license with
23 the Commissioner and Insurance Board:

24 (i) the amount and liquidity of its
25 assets relative to the risks to be assumed;

1 (ii) the adequacy of the expertise,
2 experience, and character of the person or persons
3 who will manage it;

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

6 (iv) the adequacy of the loss prevention
7 programs of its insured; and

8 (v) such other factors deemed relevant
9 by the Commissioner in ascertaining whether the
10 proposed captive insurance company will be able to
11 meet its policy obligations.

12 (3) Each captive insurance company shall pay to
13 the Insurance Board a nonrefundable fee of \$500 for
14 examining, investigating, and processing its
15 application for licensing, and the Commissioner is
16 authorized to retain legal, financial and
17 examination services, the reasonable cost of which
18 may be charged against the applicant. In addition
19 each captive insurance company shall pay a license
20 fee for the year or registration and a renewal fee
21 each year thereafter of \$500.

22 (4) If the Insurance Board is satisfied that the
23 documents filed by the captive insurance company
24 comply with this title, the Commissioner may grant
25 a license authorizing it to transact business in

1 the Federated States of Micronesia until March 31,
2 of the year of application at which time the
3 license may be renewed.

4 (5) No captive insurance company licensed under
5 this chapter shall be allowed to insure the risks
6 of individual citizens of the Federated States of
7 Micronesia.

8 Section 4. Section 1007 of title 37 of the Code of the
9 Federated States of Micronesia, is hereby amended to read as
10 follows:

11 "Section 1007. Minimum Capital and Surplus Requirements:

12 (1) No captive insurance company shall be
13 registered and issued a license unless it has
14 initial paid-in capital of \$1,000,000 and
15 thereafter maintains a minimum capital and surplus
16 of \$100,000;

17 (2) The Commissioner may prescribe additional
18 capital and surplus based upon the type, volume,
19 and nature of insurance business transacted.

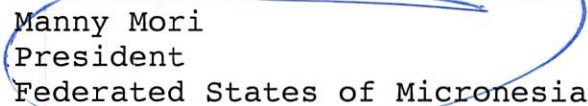
20 (3) Capital and surplus may be in the form of
21 any combination of the following:

- 22 (a) cash
23 (b) letter of credit,
24 (c) investments pursuant to section 1013 of
25 this chapter, or

1 (d) any other security deemed appropriated
2 by the Commissioner."

3 Section 5. This act shall become law upon approval by the
4 President of the Federated States of Micronesia or upon its
5 becoming law without such approval.

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10 04-X, 2008

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16 Manny Mori
17 President
18 Federated States of Micronesia
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