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

1           Section 1. Title 37 of the Code of the Federated States of Micronesia is  
2 hereby repealed in its entirety.

3           Section 2. Title 37 of the Code of the Federated States of Micronesia is  
4 hereby enacted by adding a new section 101 to read as follows:

5 "Section 101. Short Title. This act may be cited as the  
6 'Insurance Law of 1997'."

7           Section 3. Title 37 of the Code of the Federated States of Micronesia is  
8 hereby enacted by adding a new section 102 to read as follows:

9 "Section 102. Provisions construed as continuations. The  
10 provisions statutory provisions relating to the same subject  
11 matter shall be construed as restatements and continuations  
12 thereof, and not as new enactment's."

13           Section 4. Title 37 of the Code of the Federated States of Micronesia is  
14 hereby enacted by adding a new section 103 to read as follows: 🇫🇸

15 "Section 103 Not retroactive. No action or proceedings  
16 commenced, and no right accrued, prior to the effective  
17 date hereof, is affected by the provisions of this Title, but  
18 all procedure hereafter taken shall conform to the  
19 provisions of this title so far as possible."

20           Section 5. Title 37 of the Code of the Federated States of Micronesia is  
21 hereby enacted by adding a new section 104 to read as follows:

22 "Section 104. Definitions. The rules and definitions contained in  
23 this section shall be used in interpreting the provisions of this title.

24 (a) The present tense includes the past and future  
25 tenses; and the future, the present.

1 (b) The masculine gender includes the feminine and  
2 neuter.

3 (c) The singular number includes the plural, and the plural  
4 includes the singular.

5 (d) The word 'shall' is mandatory and the word 'may'  
6 is permissive, unless otherwise apparent from the context.

7 (e) 'Adjuster' means any person, who acts for or on  
8 behalf an insurer or an insured in determining and making  
9 settlement of amount payable to the insured for any loss or  
10 damage under a policy.

11 (f) 'Admitted' in relation to a person, means entitled to  
12 transact insurance business in FSM under the laws of FSM; 'non  
13 admitted" in relation to a person, means not entitled to transact  
14 insurance business in FSM under the laws of FSM.

15 (g) 'Advisory organization' means every person, other  
16 than an admitted insurer, who prepares policy forms or makes  
17 underwriting rules, or who collects and furnishes loss or expense  
18 statistics or other statistical information and data and acts in an  
19 advisory, as distinguished from a rate making, capacity. No duly  
20 authorized attorney-at-law acting in the usual course of his  
21 profession shall be deemed an advisory organization.

22 (h) 'Agent' means both general agent and sub-agent,  
23 unless otherwise apparent from the context.

24 (i) 'Alien' means organized under the laws of any  
25 government other than FSM , whether or not admitted.

1 (j) 'Broker' means a person who for compensation and  
2 on behalf of another person, transacts insurance business other  
3 than as insurer, general agent, sub-agent or solicitor.

4 (k) 'Certificate' means the Certificate of Authority  
5 required of an insurer to transact insurance business in FSM.

6 (l) 'Office' means the office of the Commissioner and  
7 'Department' means the Department of Finance.

8 (m) [Skipped.]

9 (n) 'Domestic' means organized under the laws of FSM,  
10 whether or not admitted.

11 (o) 'Foreign' means not organized under the laws of  
12 FSM.

13 (p) 'General Agent' means a person authorized by an  
14 insurer to countersign, issue and deliver new policies, to accept  
15 service of process on behalf of the insurer, and vested with full  
16 authority to consummate a contract of insurance and to transact  
17 all other necessary business of the insurer in FSM.

18 (q) 'Insurance' is a contract whereby one undertakes to  
19 indemnify another against loss, damage, or liability arising from  
20 contingent or unknown events.

21 (r) 'Insurer' means the person who undertakes to  
22 indemnify another by insurance; insured' means the person so  
23 indemnified.

24 (s) 'Issue' means to write, renew, execute, effect or  
25 otherwise enter into a contract of insurance.



1 (t) 'Paid-in capital' or 'Capital paid-in' means the lower  
2 of the following amounts:

3 (1) The value of an insurer's assets in excess of  
4 the sum of its liabilities for losses reported, expenses, taxes, and  
5 all other indebtedness and reinsurance of outstanding risks as  
6 provided by law;

7 (2) The aggregate par value of an insurer's  
8 issued shares of stock, including treasury shares. For the  
9 purpose of computing "paid-in capital" or "capital, paid in,"  
10 shares of stock are not considered as liabilities.

11 (u) 'Person' means any person, association,  
12 organization, partnership, business trust, or corporation.

13 (v) 'Policy' means the written instrument in which  
14 a contract of insurance is set forth.

15 (w) 'Rating bureau' means every person, other than an  
16 admitted insurer, who has as his object or purpose the making of  
17 rates, rating plans or rating systems.

18 (x) 'Reinsurance' means the insurance ceded and  
19 accepted between two insurers one of whom has effected the  
20 direct insurance.

21 (y) 'Signature' includes a mark when the signer or  
22 subscriber cannot write, provided his name is written near the  
23 mark by a witness who also signs the instrument together with a  
24 second witness.

25 (z) 'Solicitor' means a person authorized by either the

1 insurer or its general agent or a sub-agent to act as its  
2 representative but whose duties and authority are confined merely  
3 to soliciting insurance and aiding in the preparation of applications  
4 for insurance.

5 (aa) 'Sub-agent' means a person authorized by  
6 either the insurer or its general agent to solicit applications,  
7 receive proposals, receive premiums, deliver policies, and to make  
8 contracts of insurance. The receipt by a sub-agent of any  
9 premiums shall bind the insurer on the contract of insurance for  
10 that period of time covered by the premium payment.

11 (bb) 'Transact' means, when applied to insurance,  
12 solicitation, negotiations preliminary to execution, execution or  
13 transaction subsequent to execution, or a contract of insurance  
14 or matters appertaining thereto.

15 (cc) 'United States' means its entire system and  
16 group of political jurisdictions including the States, the District of  
17 Columbia, territories, possessions, or commonwealths.

18 (dd) 'Writing' means any form of recorded  
19 message capable of comprehension by ordinary visual means.

20 Section 6. Title 37 of the Code of the Federated States of Micronesia is  
21 hereby enacted by adding a new section 105 to read as follows:

22 "Section 105. Exercise of power. Whenever, by the provisions of  
23 this Title, a power is granted to a public officer or a duty imposed  
24 upon such officer, the power or duty may be performed by a  
25 deputy or assistant of such officer authorized to do so".

1 Section 7. Title 37 of the Code of the Federated States of Micronesia is  
2 hereby enacted by adding a new section 106 to read as follows:

3 "Section 106. Notice. Whenever any notice is required by this  
4 Title, it shall be in writing unless expressly otherwise provided. Any  
5 required notice may be given by mailing such notice, postage  
6 prepaid, addressed to the person to be notified, at his last known  
7 residence or his principal place of business, unless expressly  
8 otherwise provided. An affidavit setting for the facts of such  
9 mailing by the person doing so is prima facie evidence of such  
10 notice".

11 Section 8. Title 37 of the Code of the Federated States of Micronesia is  
12 hereby enacted by adding a new section 107 to read as follows:

13 "Section 107. Time. Any date or time mentioned in this  
14 Title, or in any policy of insurance issued under authority  
15 thereof, shall be conclusively presumed to refer to FSM time  
16 unless specifically and clearly otherwise stated".

17 Section 9. Title 37 of the Code of the Federated States of Micronesia is  
18 hereby enacted by adding a new section 108 to read as follows:

19 "Section 108. Scope of Title. All insurance transacted in  
20 FSM is governed by the provisions of this Title".

21 Section 10. Title 37 of the Code of the Federated States of Micronesia  
22 is hereby enacted by adding a new section 109 to read as follows:

23 "Section 109. Penalty. A person violating any of the provisions of  
24 this Title, or of any regulation issued hereunder, or any lawful  
25 order of the Commissioner, for which a penalty is not otherwise

1 specifically provided, shall be guilty of a petty misdemeanor."

2 Section 11. Title 37 of the Code of the Federated States of Micronesia

3 is hereby enacted by adding a new section 110 to read as follows:

4 "Section 110. False swearing. Any person who shall knowingly  
5 swear to, or verify, any false or fraudulent statement, or who,  
6 when testifying at any hearing, examination or inquiry pursuant to  
7 this Title shall make any false or fraudulent statement, shall be  
8 guilty of a felony."

9 Section 12. Title 37 of the Code of the Federated States of Micronesia

10 is hereby enacted by adding a new section 111 to read as follows:

11 "Section 111. Insurance Commissioner. There is hereby created  
12 the office of Insurance Commissioner, who is charged with the  
13 execution of this Title, and other laws relative to insurance. The  
14 director of Revenue and Taxation, ex officio, shall be the Insurance  
15 Commissioner. He shall perform all duties imposed upon him by  
16 the provisions of this Title and other laws regulating the business  
17 of insurance in FSM and shall enforce all such provisions and laws."

18 Section 13. Title 37 of the Code of the Federated States of Micronesia

19 is hereby enacted by adding a new section 112 to read as follows:

20 "Section 112. Same: Deputy: Other employees. The  
21 Commissioner may appoint a Deputy who may be delegated all  
22 the duties and powers of the Commissioner, and such additional  
23 employees as may be necessary for the performance of the  
24 functions of his office."

25 Section 14. Title 37 of the Code of the Federated States of Micronesia



1 is hereby enacted by adding a new section 113 to read as follows:

2 "Section 113. Same: Qualifications: Bond, (a) Neither the  
3 Commissioner, Deputy Commissioner, nor any employee of the  
4 office of Insurance Commissioner shall be a broker, agent nor or  
5 solicitor, or an officer or employee of an insurer, or in any way,  
6 directly or indirectly, participate in or have any financial interest in,  
7 or be affiliated with, any insurance business, except as a  
8 policyholder."

9 Section 15. Title 37 of the Code of the Federated States of Micronesia

10 is hereby enacted by adding a new section 114 to read as follows:

11 "Section 114. Same: General powers. (a) In addition to such  
12 powers as are elsewhere in this Title specifically conferred upon  
13 him, the commissioner shall have all such authority and powers as  
14 are reasonably necessary for the proper administration and  
15 enforcement of this Title and other laws relating to the business  
16 of insurance.

17 (b) He may examine, or cause to be examined, the books,  
18 papers, and property, and into the affairs to any insurer, broker,  
19 agent solicitor, or rating bureau, or any person engaged in  
20 organizing, promoting, or forming any insurer, or any person  
21 believed by him to be violating any provisions of this Title and  
22 other laws relating to the business of insurance, and generally he  
23 may make such examinations, conduct such inquiries, and hold  
24 such hearings as are specifically provided for in this Title or as are  
25 reasonably necessary for the proper discharge of his duties.



(c) In connection with any such examination, inquiry, or hearing, the Commissioner shall have the power to administer oaths: to summon and compel the attendance of witnesses: to examined under oath all persons having information or believed by him to have information concerning the affairs of any Insurer, broker, agent, solicitor, or rating bureau, or any person engaged in organizing, promoting, or forming an Insurer, or any person whom the Commissioner believes issue violating any provision of this Title and other laws relating to the business of Insurance, and to compel such person to produce any books or papers under his custody or control relevant thereto."

Section 16. Title 37 of the Code of the Federated States of Micronesia is hereby enacted by adding a new section 115 to read as follows:

"Section 115. Order of the Commissioner. (a) Any finding, discussion or order of the Commissioner shall be deemed an order within the provisions of this article when it is in writing and adversely and directly affects any person.

(b) No order of the Commissioner shall become effective until the same has become a final order as provided herein.

(c) An order of the Commissioner shall become a final order (1) when confirmed or amended after a hearing as provided in 030, or (2) if no such hearing is requested, then automatically on the tenth (10th) day after serving of notice."

Section 17. Title 37 of the Code of the Federated States of Micronesia is hereby enacted by adding a new section 116 to read as follows:

1 "Section 116. Hearing. Within ten (10) days after the serving of  
2 notice of any order by the Commissioner, any person adversely  
3 and directly affected thereby may request a hearing thereon  
4 before the Commissioner. A final order shall be made within ten  
5 (10) days after the final close of such hearing."

6 Section 18. Title 37 of the Code of the Federated States of Micronesia  
7 is hereby enacted by adding a new section 117 to read as follows:

8 "Section 117. Records. The Commissioner shall keep and  
9 preserve in a permanent form a full record of all proceedings,  
10 including all of his orders, findings and decisions and a full  
11 statement of his reasons for arriving at and issuing the same."

12 Section 19. Title 37 of the Code of the Federated States of Micronesia  
13 is hereby enacted by adding a new section 118 to read as follows:

14 "Section 118. Enforcement of orders. If any person fails to  
15 comply with an order that has become final, the Commissioner  
16 may apply for the enforcement of the order to the Supreme Court  
17 of FSM. If the court determines that the order was made and  
18 served in accordance with the law and that such person failed to  
19 comply therewith, the court shall enforce obedience to the order  
20 by writ of injunction or otherwise to enjoin upon such person  
21 compliance with the order."

22 Section 20. Title 37 of the Code of the Federated States of Micronesia  
23 is hereby enacted by adding a new section 119 to read as follows:

24 "Section 119. Reports. The Commissioner shall transmit to the  
25 President and to the Legislature on or before July of each year, a

1 report containing at tabulated statement and synopsis of the  
2 reports which have been filed in his office showing the conditions  
3 of every admitted insurer, the general condition of the insurance  
4 business and interests in FSM, and other matters covering  
5 insurance, for the last preceding calendar year."

6 Section 21. Title 37 of the Code of the Federated States of Micronesia  
7 is hereby enacted by adding a new section 120 to read as follows:

8 "Section 120. Regulations. (a) There are hereby authorized to  
9 be promulgated such regulations not inconsistent with law, as  
10 may be reasonably necessary or appropriate for the  
11 administration of this Title and other laws of FSM relating to  
12 insurance. Such regulations shall be promulgated, amended, or  
13 repealed in accordance with the procedure provided by this  
14 section.

15 (b) The Commissioners shall formulate such regulations  
16 as he deems necessary and transmit the same to the Attorney  
17 General over his signature.

18 (c) The Attorney General on receipt hereof shall review  
19 the same to see if they are legally sufficient and within the  
20 Commissioner's authority, and if there are, he shall transmit the  
21 same to the President with this formal opinion attached thereto; if  
22 not, he shall return them to the Commissioner with his formal  
23 opinion attached thereto.

24 (d) The President on receipt of such regulations from the  
25 Attorney General shall either:

1                               (1)   Forthwith approve the same, execute them as  
2                               an Executive Order, and cause a notice thereof to be published  
3                               once in a newspaper of general circulation in FSM; or

4                               (2)   Disapprove and return them to the  
5                               Commissioner with his written objections; or

6                               (3)   If he deems them of sufficient general public  
7                               interest he may, at his discretion, require the Commissioner to  
8                               hold a public hearing, or hearings, thereon in which case the  
9                               Commissioner shall cause notice of such public hearing to be  
10                              published once in a newspaper of general circulation in FSM at  
11                              least three (3) days prior to said hearing, setting for the subject,  
12                              time, date, and place thereof. After the hearing the Commissioner  
13                              shall make full written report to the President who shall then either  
14                              approve or disapprove the regulations as provided above.

15                           (e)   The amendment or repeal of regulations shall require  
16                           the same procedure as set forth for their promulgation.

17                           (f)   An Executive Order promulgating, amending or  
18                           repealing any regulations shall become effect at midnight of the  
19                           fifth (5th) day after such publication, Saturdays, Sundays and  
20                           holidays included, except where a later date is provided therein.

21                           (g)   All regulations promulgated, amended or repealed  
22                           under this Title shall be made available to any person requesting  
23                           the same."

24                   Section 22. Title 37 of the Code of the Federated States of Micronesia  
25                   is hereby enacted by adding a new section 121 to read as follows:



1 "Section 121. Practices injurious to free competition.

2 Except as otherwise expressly provided by law, no person  
3 directly or indirectly shall enter into any contract,  
4 understanding or combination with any insurer or manager,  
5 agent or representative thereof for the purpose any act or  
6 engage in any practice for the purpose of:

7 (a) Controlling the rates to be charged, or the  
8 commissioners or other compensations to be paid, for insuring at  
9 risk or class of risks;

10 (b) Entering into any agreement to commit, or  
11 individually or by any concerned action committing any act of  
12 boycott, coercion, or intimidation resulting or tending to result in  
13 unreasonable restraint of , or a monopoly in, the business of  
14 insurance."

15 Section 23. Title 37 of the Code of the Federated States of Micronesia  
16 is hereby enacted by adding a new section 122 to read as follows:

17 "Section 122. Authority of insurer. A person shall not transact  
18 insurance in FSM as an insurer without being admitted, and when  
19 admitted, shall not transact any class of insurance which is not  
20 specifically authorized by his certificate."

21 Section 24. Title 37 of the Code of the Federated States of Micronesia  
22 is hereby enacted by adding a new section 123 to read as follows:

23 "Section 123. Certificate of Authority. Admission is secured by  
24 procuring a Certificate of Authority from the Commissioner. Such  
25 certificate shall not be granted until the applicant conforms to the

1 applicable requirements of this Title and of the other laws of FSM  
2 prerequisite to its issue. After a certificate is granted, the insurer  
3 shall continue to comply with the requirements pertaining to it as  
4 set forth in this Title and in the other laws of FSM."

5 Section 25. Title 37 of the Code of the Federated States of Micronesia  
6 is hereby enacted by adding a new section 124 to read as follows:

7 "Section 124. Same: Application. Any person desiring to  
8 transact insurance business in FSM as an insurer, shall file with the  
9 commissioner an application for a certificate stating the class or  
10 classes of insurance which it proposes to transact accompanied  
11 by the followings:

12 (a) A copy of its charter, article o association  
13 article of incorporation, or other controlling instruments  
14 certified by the official who is required to keep or record  
15 the same in the jurisdiction under the laws of which the  
16 insurer is organized or incorporated;

17 (b) A resolution adopted by its governing body in  
18 accordance with its by-laws or the internal laws, consenting  
19 that service of process upon the Commissioner in any  
20 action or proceedings against such insurer brought or  
21 pending in FSM upon any cause of action arising in or  
22 growing out of business transacted in FSM, shall be valid  
23 personal service upon such insurer, irrevocable so long as a  
24 policy of such company shall remain n force in FSM, or any  
25 loss remains unpaid therein;

1 (c) A statement setting forth the location and  
2 post office address of its principal office, and such shall  
3 continue until changed by a similar statement filed with the  
4 Commissioner;

5 (d) A statement of its financial condition and  
6 business in such form as prescribed by, or acceptable to,  
7 the Commissioner, signed and sworn to be the president  
8 and secretary or other principal officers of the insurer;

9 (e) If a foreign insurer, a copy of the last report  
10 of examination certified to the Insurance Commissioner, or  
11 like officer of the political subdivision in which said insurer is  
12 organized.

13 (f) A good and sufficient bond, with a surety  
14 company approved by the Director of Revenue and  
15 taxation, with the applicant as principal, in a form to be  
16 approved by the Commissioner, and running to the  
17 Commissioner and his successor in office in the sum of fifty  
18 thousand dollars (\$50,000), with the condition that the  
19 surety on the bond shall be answerable up to the amount  
20 of the bond for all judgments, decrees, or orders given,  
21 made or rendered against the principal on the bond by any  
22 court in FSM for late payment of money. In case of any  
23 breach of the condition of any bond, the Commissioner may,  
24 and upon demand and receipt of satisfactory assurance  
25 for the payment of costs, shall enforce the bond either in

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his own name or in the name of the interested party  
thereto for the use and benefit of nay person injured by the  
beach. The surety on the above bond may withdraw from  
the same upon given to the Commissioner written notice of  
such intention not less than sixty (60) days prior to the  
date on which the then existing certificate of such principal  
insurer is to expire, such withdrawal to then be effective on  
the date of expiration of said certificate; or in lieu of he  
bond as required by this paragraph, the applicant may  
deposit with the Commissioner acceptable unencumbered  
securities or other unencumbered assets of the value of  
fifty thousand dollars (\$50,000.00) as surety subject to  
the same conditions as such bond as set forth in this  
paragraph;

(g) A resolution adopted by this governing body  
in accordance with its by-laws or other internal laws  
consenting to being sued by the injured person or his heirs  
or representatives in a direct action on any policy of liability  
insurance in accordance with section43354, whether or not  
the policy of insurance sued upon was written or delivered  
in FSM, and whether or not such policy contains a provision  
forbidding such direct action, provided that the cause of  
action arose in FSM;

(h) Such further information as the Commissioner  
shall require by regulation or specifically request from the



1 applicant."

2 Section 26. Title 37 of the Code of the Federated States of Micronesia  
3 is hereby enacted by adding a new section 125 to read as follows:

4 "Section 125. Annual renewal of certificate. Unless sooner  
5 revoked by the Commissioner, every certificate shall expire on the  
6 first day of July after its issuance, unless renewed annually as  
7 provided in this article, or extended by the Commissioner for a  
8 period of not exceeding sixty (60) days, for good cause."

9 Section 27. Title 37 of the Code of the Federated States of Micronesia  
10 is hereby enacted by adding a new section 126 to read as follows:

11 "Section 126. Same: Application. All insurers holding a current  
12 certificate shall annually, not later than June 1, file with the  
13 Commissioner an application for renewal together with the  
14 information required by this section:

- 15 (a) A request for renewal of general agent's licenses;  
16 (b) An affidavit setting for the that it has continued to  
17 comply with all applicable provisions of this Title;  
18 (c) Such other information as the commissioner shall  
19 require by regulations or request specifically from the applicant."

20 Section 28. Title 37 of the Code of the Federated States of Micronesia  
21 is hereby enacted by adding a new section 127 to read as follows:

22 "Section 127. Refusal, suspension or revocation. The  
23 Commissioner may refuse to grant or renew a certificate, or may  
24 suspend or revoke a certificate, for any one of the reasons  
25 provided in this section:

1 (a) The insurer's refusal or failure to comply with, or  
2 the violation of, any of the provisions of this Title applicable to  
3 such insurer or any lawful order or regulation of the  
4 Commissioner;

5 (b) the Insurer is delinquent in the payment of any fees,  
6 licenses, taxes, assessments, fines or penalties owed to the  
7 government of FSM, or is otherwise in default for failure to comply  
8 with any of the laws of FSM;

9 (c) Whenever in the judgment of the Commissioner the  
10 assets of such Insurer are not in such condition as to make  
11 available within a reasonable time sufficient monies to meet  
12 promptly any demand which might in the ordinary course of its  
13 Insurance business be properly made against the Insurer;

14 (d) Whenever in the judgment of the Commissioner the  
15 insurer is involvement or in an unsafe financial condition which  
16 would render any insurance of such insurer unsafe or  
17 unsatisfactory;

18 (e) Whenever the insurer, or a then present officer or  
19 director of the insure, has been convicted of a felony having as  
20 one of its necessary elements a fraudulent act or an act of  
21 dishonesty in the solicitation of, acceptance, custody, or payment  
22 of money or property."

23 Section 29. Title 37 of the Code of the Federated States of Micronesia  
24 is hereby enacted by adding a new section 128 to read as follows:

25 "Section 128. Same: Procedure. (a) Whenever the

1 Commissioner shall refuse, suspend or revoke a certificate he shall  
2 issue an order to that effect and promptly give notice of the  
3 same by mailing a copy of such order in a sealed, postpaid,  
4 registered envelope to each license general agent and to the  
5 principal office of such insurer.

6 (b) Any insurer receiving such order may request  
7 a review by the Commissioner under 030section.

8 (c) The order of refusal, suspension or revocation  
9 shall cite therein the cause for such action.

10 (d) After review by the Commissioner, he shall  
11 issue his final order and cause a copy of the same to be  
12 mailed to the persons, and in a like manner, as provided for  
13 the giving of the original notice.

14 (e) Any insurer whose application for a certificate has  
15 been refused, or whose certificate has been revoked, may file a  
16 new application for a certificate with the Commissioner at any  
17 time by complying with the requirements for the original issue of  
18 said certificate and the making of a showing at the reason for  
19 such refusal or revocation has been corrected, and the payment  
20 of the necessary fees."

21 Section 30. Title 37 of the Code of the Federated States of Micronesia  
22 is hereby enacted by adding a new section 129 to read as follows:

23 "Section 129. Suspension. (a) Whenever the Commissioner shall  
24 order the suspension of a certificate, such suspension shall before  
25 a period of not more than ninety (90) days.

1 (b) The period of suspension set by the Commissioner  
2 shall run from the date the order becomes final.

3 (c) The Commissioner may grant an additional period of  
4 suspension not to exceed thirty (30) days, to run from the last  
5 days of original suspension period on application of the Insurer  
6 and a showing of good cause.

7 (d) After the period of suspension has run, the  
8 Commissioner shall either reinstate or revoke the certificate,  
9 depending on whether the insurer remedied the reasons for such  
10 suspension.

11 (e) It shall be unlawful for an insurer whose certificate is  
12 under suspension to transact new insurance in FSM during such  
13 period of suspension, but it shall continue in business solely for the  
14 benefit of its policyholders and claimants under insurance effected  
15 while its certificate was valid and in force.

16 Section 31. Title 37 of the Code of the Federated States of Micronesia  
17 is hereby enacted by adding a new section 130 to read as follows:

18 "Section 130. Expiration or revocation. Any insurer whose  
19 certificate has expired or has been revoked shall transact no new  
20 insurance in FSM thereafter but shall continue in business solely for  
21 the benefit of its policy holders and claimants under insurance  
22 effected while its certificate was valid and in force until such a  
23 time as it complies with the prerequisites of withdrawal as  
24 provided in Section 112 or until it has been issued a new  
25 certificate."



1           Section 32. Title 37 of the Code of the Federated States of Micronesia  
2 is hereby enacted by adding a new section 131 to read as follows:

3           "Section 131. Fees. (a) The Commissioner shall require the  
4 payment in advance of the following fees:

5           Filing of application for certificate, of authority..... \$100.00

6           Filing of application for renewal of certification  
7 of authority ..... 50.00

8           Filing of any other certificate, statement, paper or  
9 exhibit required by this title..... 10.00

10          Filing of new application after refusal to issue  
11 original certificate..... 100.00

12          Filing of application for issuance of certificate after  
13 revocation or expiration ..... 500.00

14          Filing of application for withdrawal..... 10.00

15          Furnishing copies of paper filed, per document..... .50

16          Certifying copies of paper filed, per document..... 2.00

17          Fees paid in accordance with the provisions of this section  
18 shall not be refundable under any circumstances.

19                 (b) All funds deriving from this section shall be  
20 deposited in the Treasury of FSM for the Credit of the  
21 General Fund."

22          Section 33. Title 37 of the Code of the Federated States of Micronesia  
23 is hereby enacted by adding a new section 132 to read as follows:

24                 "Section 132. Maximum single risk. The maximum single risk which  
25 may be assumed by any insurer after the deduction of any

reinsurance taking effect simultaneously with the policy, shall be ten percent (10%) of the paid-in capital and surplus of such insurer; provided, however, that a corporate insurer may assume any net single risk in excess of ten percent (10%) of its capital and surplus if it deposits with the Commissioner, prior to the assumption of said risk, a collateral agreement and collateral security, both of which shall be subject to approval by the Commissioner, in an amount not less than that proportion in excess of the foregoing limitation."

Section 34. Title 37 of the Code of the Federated States of Micronesia is hereby enacted by adding a new section 133 to read as follows:

"Section 133. Reserves. Except as provided in section 162, every insurer authorized to transact insurance, or transacting insurance, in FSM shall at all times maintain, in addition to reserves for all other liabilities, reserves as follows: (a) Loss or claim reserves in an amount estimated in the aggregate to provide for the payment of all unpaid and for which such insurer may be liable, together with an amount estimated to provide for the expense of adjustment or settlement of such claims, and (b) premium reserves equal to the unearned portions of the gross premiums charged on unexpired or undermined risks and policies."

Section 35. Title 37 of the Code of the Federated States of Micronesia is hereby enacted by adding a new section 134 to read as follows:

"Section 134. Withdrawal. (a) An insurer who desires to withdraw from FSM must first make application to the

1 Commissioner for an order granting permission to withdrawal.

2 (b) Such application shall be accompanied by an affidavit  
3 of its principal officer and general agent, that:

4 (1) It desires to withdraw and to permanently  
5 discontinue the transaction of the insurance business in FSM;

6 (2) All its outstanding policies have either expired  
7 or have been reinsured, in which case it shall file an affidavit by the  
8 reinsuring company stating tha it has reinsured certain polices of  
9 the withdrawing company and setting forth in detail the polices it  
10 has reinsured; and that

11 (3) All existing claims arising out of insurance  
12 transacted in FSM have been paid in full.

13 (c) It shall cause publication of a notice of its intention  
14 to withdraw in a newspaper or general circulation in FSM once a  
15 week for four (4) consecutive weeks, and shall cause said  
16 newspaper to file affidavit of publication with the Commissioner.

17 (d) If any person shall object to such withdrawal within  
18 one (1) week from date of last public action, and give good and  
19 sufficient cause therefore, the Commissioner may order that  
20 permission for such withdrawal be refused.

21 (e) If the insurer has complied with the provisions of this  
22 section and to objection has been made, or if objection is made  
23 but without good and sufficient cause, the commissioner shall  
24 order the permission to withdraw and the withdrawing insurer  
25 shall deliver to the Commissioner for cancellation its Certificate of

1 Authority and current licenses of its agents and solicitors."

2 Section 36. Title 37 of the Code of the Federated States of Micronesia  
3 is hereby enacted by adding a new section 135 to read as follows:

4 "Section 135. Representing or placing insurance with unauthorized  
5 insurers prohibited. No person, corporation, association or  
6 partnership shall, in this territory, act as agent for any insurer not  
7 authorized to transact business in this territory, or negotiate for  
8 or place or aid in plain insurance coverage in this territory for  
9 another with any such insurer."

10 Section 37. Title 37 of the Code of the Federated States of Micronesia  
11 is hereby enacted by adding a new section 136 to read as follows:

12 "Section 136. Aiding unauthorized insurers. No person,  
13 corporation, association or partnership shall, in this territory, aid  
14 any unauthorized insurer in adjusting insurance or in transacting  
15 insurance business in s this territory, either by fixing rates, by  
16 adjusting or investigating losses, by inspecting or examining risks,  
17 by acting as attorney-in-fact or as attorney for service of  
18 process, or otherwise, except as provided in section129."

19 Section 38. Title 37 of the Code of the Federated States of Micronesia  
20 is hereby enacted by adding a new section 137 to read as follows:

21 "Section 137. Representing or adding insured in effecting  
22 insurance on property on risk in unauthorized state. No person,  
23 corporation, association or partnership shall make, negotiate for  
24 or place, or aid in negotiating or placing any insurance contract in  
25 this territory for another who is an applicant for insurance



1 covering any property or risk in another state, territory or  
2 district of the United States with any insurer not authorized to  
3 transact insurance business in the state, territory or district  
4 wherein such property or risk or any part thereof is located."

5 Section 39. Title 37 of the Code of the Federated States of Micronesia  
6 is hereby enacted by adding a new section 138 to read as follows:

7 "Section 139. Excepted contracts and activities. The provisions  
8 of the foregoing sections do not apply to contracts of  
9 reinsurance or to contracts of Insurance covering risks of  
10 transportation and navigation, or to contracts of Insurance made  
11 through authorized surplus line broker or agents, no do they  
12 apply to an insurer not authorized in this territory or its  
13 representatives, in investigating, adjusting losses or otherwise  
14 complying in this territory with the terms of this insurance  
15 contract made in a state wherein the insurer was authorized and  
16 in which the property or risk was located or residing at time of  
17 the execution of the contract."

18 Section 40. Title 37 of the Code of the Federated States of Micronesia  
19 is hereby enacted by adding a new section 139 to read as follows:

20 "Section 139. Service of process upon unauthorized insurer. (a)  
21 The transacting of business in its territory by a foreign or alien  
22 insurer without a certificate of authority and the insurance or  
23 delivery by such foreign or alien insurer of a policy or contract of  
24 insurance to a citizen of this territory or to a resident thereof, or  
25 to a corporation authorized to do business therein, is equivalent

1 to an appointment by such insurer to the Commissioner and his  
2 successor or successors in office, to be its true and lawful  
3 attorney, upon whom may be served all lawful process in any  
4 action, suit or proceeding arising out of such policy or contract of  
5 insurance, and the said issuance or delivery is a signification of its  
6 agreement that any such service or process is of the same legal  
7 force and validity as personal service of process in this territory  
8 upon it.

9 (b) Such service of process shall be made by delivering  
10 and leaving with the Commissioner or to some person in apparent  
11 charge of this office two (2) copies thereof and the payment to  
12 him of such fees as may be prescribed by law. The Commissioner  
13 shall forthwith mail by registered mail one (1) of the copies of  
14 such process to the defendant at his last known principal place of  
15 business and shall keep a record of all processes so served upon  
16 him. Such service of process is sufficient, provided notice of such  
17 service and a copy of the process are sent within ten (10) days  
18 thereafter by registered mail by plaintiff's attorney to the  
19 defendant at his last known principal place of business, and the  
20 defendant's receipt, or receipt issued by the post office with  
21 which the letter is registered, showing the name of the sender of  
22 the letter and the name and address of the person to whom the  
23 letter is addressed, and the affidavit of the plaintiff's attorney  
24 showing a compliance herewith, are filed with the clerk of the  
25 court in which such action is pending on or before the date the

defendant is required to appear, or within such further time as the court may allow. However, no plaintiff or complainant shall be entitled to a judgment by default, or a judgment with leave to prove damages, or a judgment pro confesso under this section until the expiration of thirty (30) days from date of the filing of the affidavit of compliance.

(c) Service of process in any such action, suit or proceedings shall. In addition to the manner provided in subsection (b) of this section, be valid if served upon any person within this territory who, In this territory, on behalf of such Insurer, is (1) soliciting insurance, or (2) making any contract of Insurance or issuing or delivering any policies or written contracts of insurance, or (3) collecting or receiving any premium for insurance, and a copy f such process is sent within ten (10) days thereafter by registered mail by the plaintiff's attorney to the defendant at the last known principal place or business of the defendant, and the defendant's attorney showing compliance herewith, are filed with the clerk of the court in which such action is pending on or before the date the defendant is required to appear, or with such further time as the court may allow.

(d) Nothing in this section contained shall limit or abridge the right to serve any process, notice or demand upon any insurer in any other manner now or hereafter permitted by law."

Section 41. Title 37 of the Code of the Federated States of Micronesia is hereby enacted by adding a new section 140 to read as follows:

1 "Section 140. Institution of action, etc., by unauthorized insurer.  
2 No unauthorized insurer shall institute or file, or cause to be  
3 instituted or filed, any suit, action or proceeding in this territory to  
4 enforce any right, claim or demand arising out of the transaction  
5 of business in this territory until such insurer shall have obtained a  
6 certificate of authority to transact insurance business in this  
7 territory."

8 Section 42. Title 37 of the Code of the Federated States of Micronesia  
9 is hereby enacted by adding a new section 141 to read as follows:

10 "Section 141. Defense of action by unauthorized insurer, (a)  
11 Before any unauthorized insurer shall file or cause to be filed any  
12 pleading in any action, suit or proceeding instituted against it,  
13 such unauthorized insurer shall either (1) file with the clerk of the  
14 court in which such action, suit or proceeding is pending a bond  
15 with good and sufficient sureties, to be approved by the court, in  
16 an amount to be fixed by the court sufficient to secure the  
17 payment of any final judgment which may be rendered in such  
18 action; or (2) procure a certificate of authority to transact the  
19 business of insurance in this territory.

20 (b) The court in any action, suit, or proceeding, in which  
21 service is made in the manner provided in subsection (b) or (c) If  
22 section 129 may order such postponement as may be necessary  
23 to afford the defendant reasonable opportunity to comply with  
24 the provisions of subsection (a) of this section and to defend such  
25 action.

1                   (c)    Noting in subsection (a) of this section is to be  
2                   construed to prevent an unauthorized insurer from filing a motion  
3                   to quash a writ or to set aside service therefore made in the  
4                   manner provided in subsections (b) or (c) of section 129 hereof  
5                   on the ground either (1) that no policy or contract of insurance  
6                   has been issued or delivered to a citizen or resident of this  
7                   territory or to a corporation authorized to do business therein,  
8                   or (2) that such insurer has not been transacting business in this  
9                   territory, or (3) that the person on whom service was made  
10                  pursuant to subsection (3) of section 129 was not doing any of  
11                  the acts therein enumerated."

12                Section 43. Title 37 of the Code of the Federated States of Micronesia  
13                is hereby enacted by adding a new section 142 to read as follows:

14                "Section 142. Penalty. Any person, corporation, association or  
15                partnership violating any of the provisions of section 125 through  
16                section 131 shall be guilty of a misdemeanor and shall, in addition  
17                to any other penalty authorized by law, be subject to fine of not  
18                more than one thousand dollars (\$1,000.00)".

19                Section 44. Title 37 of the Code of the Federated States of Micronesia  
20                is hereby enacted by adding a new section 143 to read as follows:

21                "Section 143. Uniformity of interpretation. This Act shall be so  
22                interpreted and construed as to effectuate its general purpose."

23                Section 45. Title 37 of the Code of the Federated States of Micronesia  
24                is hereby enacted by adding a new section 144 to read as follows:

25                "Section 144 Scope of article. The provisions of this article shall

1 apply only to domestic insurers; provided, that such domestic  
2 insurers are also subject to all other applicable provisions of its  
3 Title from which they are not otherwise specifically excepted."

4 Section 46. Title 37 of the Code of the Federated States of Micronesia  
5 is hereby enacted by adding a new section 145 to read as follows:

6 "Section 145. Organization. It shall be unlawful for a domestic  
7 insurer to be formed, or to transact insurance in FSM, unless it is  
8 incorporated under the laws of FSM and in conformance with the  
9 applicable provisions of this Title and unless all of its voting shares  
10 of stock have a par value as certified in its articles of  
11 incorporation."

12 Section 47. Title 37 of the Code of the Federated States of Micronesia  
13 is hereby enacted by adding a new section 146 to read as follows:

14 "Section 146. Application for authority. Any number of persons  
15 sufficient to organize a corporation in FSM may file an application  
16 with the Commission for authority to organize as an insurance  
17 corporation. No person shall organize an insurance corporation  
18 until written authority for that purpose has been obtained from  
19 the Commissioner. The application shall be in duplicate and shall  
20 contain the information required herein.

21 (a) The proposed location of its principal office, amount  
22 of paid-in capital, and corporate name which shall include the  
23 word "insurance";

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

1 (c) Evidence of the character, financial responsibility,  
2 business experience and ability of the proposed incorporates,  
3 directors and officers;

4 (d) All other information required to filed with the  
5 articles of incorporation under the laws of the FSM for the  
6 purpose of receiving corporate charter, or by regulations of the  
7 Commissioner, or specifically requested of the incorporates by the  
8 Commissioner."

9 Section 48. Title 37 of the Code of the Federated States of Micronesia  
10 is hereby enacted by adding a new section 147 to read as follows:

11 "Section 147. Same: notice. The applicant shall publish notice of  
12 the filing of such application at least once a week for three (3)  
13 consecutive weeks in a daily news paper of general circulation in  
14 the Territory of FSM in a form approved by the Commissioner; the  
15 notice shall contain the date of filing of the application, the  
16 proposed corporate name, the address of its principal office, the  
17 classes of insurance it processes to transact, the amount of  
18 proposed paid-in-capital, the names of the applicants and of the  
19 proposed officers and directors, and the time and place  
20 appointed by the Commissioner for the hearing of said application.  
21 The first publication of said notice shall be made within ten (10)  
22 days of the date of filing the application and proof of public action  
23 shall be filed wit the commissioner on or before the date  
24 appointed for the hearing."

25 Section 49. Title 37 of the Code of the Federated States of Micronesia

1 is hereby enacted by adding a new section 148 to read as follows:

2 "Section 148. Same: hearing. (a) Upon receipt of the  
3 application the commissioner shall make investigation and after  
4 publication of notice, shall hold a hearing to hear nay objection. If  
5 any, to the proposed organization.

6 (b) The Commissioner may provide for the procedure  
7 and conduct of such hearing by regulation.

8 (c) If the Commissioner is satisfied after such hearing  
9 and investigation that the proposed corporation is formed for a  
10 legitimate purpose under this Title, and in conformance thereto,  
11 and that the character, financial responsibility, general fitness and  
12 competency of persons names in the application are sufficient,  
13 and that the approval of the application would be to the best  
14 interests of all concerned of the application would be to the best  
15 interests of all concerned, then he shall approve the application  
16 and issue an order of such approval.

17 (d) If the Commissioner is not so satisfied, he shall  
18 endorse his disapproval thereon and return one (1) of the  
19 duplicate applications to the applicant together with his order of  
20 refusal containing his reasons thereof. An applicant receiving such  
21 an order may request a hearing the Commissioner under Section  
22 30."

23 Section 50. Title 37 of the Code of the Federated States of Micronesia  
24 is hereby enacted by adding a new section 149 to read as follows:

25 "Section 149. Time to incorporate. Within ninety (90) days after



1 the date of the Commissioner's approval, the applicant shall file  
2 articles of incorporation in the Department of Revenue and  
3 Taxation and pay the fee required in accordance with law."

4 Section 51. Title 37 of the Code of the Federated States of Micronesia  
5 is hereby enacted by adding a new section 150 to read as follows:

6 "Section 150. Certificate of Authority. After its incorporation, it  
7 shall be unlawful for the applicant to transact insurance until it has  
8 obtained a certificate of Authority."

9 Section 52. Title 37 of the Code of the Federated States of Micronesia  
10 is hereby enacted by adding a new section 151 to read as follows:

11 "Section 151. Promotional expense. The Commissioner shall not  
12 issue a certificate to any domestic insurer where the  
13 Commissioner's examination shows that he expense of  
14 organization and promotion exceeds ten percent (10%) of the  
15 total amount actually paid on its capital stock."

16 Section 53. Title 37 of the Code of the Federated States of Micronesia  
17 is hereby enacted by adding a new section 152 to read as follows:

18 "Section 152. Capital: other than life insurer. Every domestic  
19 insurer shall have a minimum paid-in-capital of twenty-five  
20 thousand dollars (\$25,000), which shall be sufficient for the  
21 transaction of any one (1) class of insurance authorized under  
22 this Title, except life insurance. For each additional class of  
23 insurance to be transacted, except life insurance, there shall be an  
24 additional paid-in-capital of fifteen thousand dollars (\$15,000.00),  
25 but any insurer having a paid-in-capital of one hundred thousand

1 dollars (\$100,000.00) may transact any or all classes of  
2 insurance authorized, except life insurance. Paid-in-capital required  
3 under this section must be paid in cash."

4 Section 54. Title 37 of the Code of the Federated States of Micronesia  
5 is hereby enacted by adding a new section 153 to read as follows:

6 "Section 153. Same: Increase and decrease. (a) Any admitted  
7 domestic insurer may increase or decrease the amount of its  
8 capital after giving notice once a week for four (4) consecutive  
9 weeks in a newspaper of general circulation in FSM of such  
10 intention, and by filing with the Commissioner a copy of such  
11 advertisement together with a declaration under its corporate  
12 seal, signed by stockholders representing three-fourths (3/4) of  
13 its capital, of their desire so to do.

14 (b) If any person shall object to such increase or  
15 decrease within one (1) week from date of last publication and  
16 give good cause therefor, the Commissioner may order the insurer  
17 not to so increase or decrease its capital.

18 (c) If the insurer receives not such order from the  
19 Commissioner within ten (10) days after last publication, it may  
20 proceed with the announced plan."

21 Section 55. Title 37 of the Code of the Federated States of Micronesia  
22 is hereby enacted by adding a new section 154 to read as follows:

23 "Section 154. Merger: consolidation. A domestic insurer may  
24 merge or consolidate with another insurer, subject to be following  
25 conditions:

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

4 (b) The Commissioner shall not approve any such plan  
5 unless he finds, after a hearing, that it is fair, equitable, consistent  
6 with law, and that no reasonable objection exists. If the  
7 Commissioner fails to approve the plan, he shall state his reasons  
8 for such failure in this order made on such hearing."

9 Section 56. Title 37 of the Code of the Federated States of Micronesia  
10 is hereby enacted by adding a new section 155 to read as follows:

11 "Section 155. Life insurer: capital. Every domestic insurer  
12 desiring to transact, or transacting, life insurance in FSM, shall  
13 have a minimum paid-in-capital of one hundred thousand dollars  
14 (\$100,000.00) exclusive of and in addition to the minimum paid-in-  
15 capital required for other classes of insurance as provided in  
16 section 158. Paid-in-capital required under this section must be  
17 paid in cash."

18 Section 57. Title 37 of the Code of the Federated States of Micronesia  
19 is hereby enacted by adding a new section 156 to read as follows:

20 "Section 156. Same: reserve. (a) Every domestic insurer  
21 authorized to transact, or transacting, life insurance shall provide,  
22 hold and maintain minimum reserves for each such life policy  
23 based upon the Commissioner's Standard Ordinary Mortality  
24 Table.

25 (b) The minimum reserves required by this section to be

1 maintained shall be kept on deposit in such bank or banks, or  
2 other financial institutions, located in FSM, as are approved for  
3 such purposes by the Commissioner. Such deposits shall at all  
4 times include lawful money of the United States equaling at least  
5 twenty five percent (25%) of the required minimum reserves; the  
6 remainder of such deposits may consist of lawful money of the  
7 United States or securities of the types allowable as investments  
8 for domestic insurers under Section 166 of this Title, or any  
9 combination of such money and such securities."

10 Section 58. Title 37 of the Code of the Federated States of Micronesia  
11 is hereby enacted by adding a new section 157 to read as follows:

12 Section 157. Same: policy. Every life policy form used by a  
13 domestic insurer shall be approved by the Commissioner prior to  
14 such insurance as provided in section 335; provided that it shall  
15 contain in substance the following provisions:

16 (a) A provision tha the insured, after three (3) months"  
17 premiums have been paid, is entitled to a premium grace period of  
18 not less than thirty-one (31) days during which period of grace  
19 the policy shall continue in full force; provided that in case the  
20 policy becomes a claim during any period of grace, the amount of  
21 such premium due may be deducted form the amount payable  
22 under the c!aim;

23 (b) A provision that the policy shall e incontestable after  
24 it has been in force during the lifetime of the insured for a period  
25 of two (2) years from date of issue, except for nonpayment of

1 premium;

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

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

11 (e) A provision that in the event of default of any  
12 premium payment after three (3) full annual premiums shall have  
13 been paid on such policy, the net value of such policy, which net  
14 value shall be at least equal to its entire net reserve at the date  
15 of default, less a surrender charge of not more than two and one-  
16 half percent (2 1/2%) of the face amount of the policy and less  
17 any indebtedness to the company on or secured by the policy,  
18 shall be applied as a single premium to the purchase of one of the  
19 following forms of insurance, unless the policyholder shall elect the  
20 cash surrender of the policy:

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

24 (2) Paid-in-insurance payable at the time and on  
25 the conditions named in the policy for such an amount as the net

1 value outlined above will purchase at the net single premium at the  
2 attained age of the insured at the time of the lapse;

3 (f) A provision that in the event of default of any  
4 premium payment after three (3) full annual premiums shall have  
5 been paid, the policy may be surrendered to the insurer within  
6 sixty (60) days after date of premium default for a cash value  
7 which shall be at least equal to the sum which would be otherwise  
8 available for the purchase of paid-up-insurance as provided above  
9 if the insured so elects."

10 Section 59. Title 37 of the Code of the Federated States of Micronesia  
11 is hereby enacted by adding a new section 158 to read as follows:

12 "Section 158. Same: same: violation. Any policy issued in  
13 violation of section 163, and when any provision therein conflicts  
14 with any provision of said section, or of any other statutory  
15 provision, the rights, duties and obligations of the insurer, the  
16 policyholder and the beneficiary shall be governed and interpreted  
17 in accordance with this Title."

18 Section 60. Title 37 of the Code of the Federated States of Micronesia  
19 is hereby enacted by adding a new section 159 to read as follows:

20 "Section 159. Supervision. (a) Every admitted domestic insurer  
21 shall, on or before April 1 of each year, file with the Commissioner  
22 a financial statement, verified under oath; setting for the its  
23 financial condition, transactions and affairs as of the 31st day of  
24 December. Immediately preceding, in general form and context as  
25 approved by the National Association of Insurance

1 Commissioners, plus any additional Information required by the  
2 Commissioner.

3 (b) Every such insurer shall keep full and complete books,  
4 records, accounts, and vouchers, and shall keep them at all times  
5 in its financial statement readily verified, and its compliance with  
6 this Title seen.

7 (c) The Commissioner may make a detailed examination  
8 into the affairs of any domestic insurer as often as he deems it  
9 expedient for the protection of the people of FSM, and shall make  
10 such detailed examination of every domestic insurer at least once  
11 in every three (3) years. The cost of such examination shall be  
12 paid by the insurer examined.

13 (d) The Commissioner shall make a full and true report  
14 of every examination made by him together with such conclusions  
15 and recommendations as may be reasonably warranted by the  
16 facts, which report shall be filed in the official permanent files of  
17 the Commissioner and shall be admissible in evidence in any action  
18 or proceeding in the name of the government against the insurer:

19 (e) When the assets of any domestic insurer, computed  
20 at their actual fair value, are less than the aggregate amount of  
21 such insurer's liabilities and outstanding capital stock, the  
22 Commissioner shall determine the amount of such impairment of  
23 capital and shall order such insurer to eliminate such impairment  
24 within such period as order as he shall designate, not more than  
25 six (6) months from the serves of the order; the Commissioner

may also by order prohibit such insurer from issuing any new policies while such impairment exists. If the amount of such impairment is equal to or more than twenty -five percentum (25%) of the insurer"s outstanding capital stock, or is such that the insurer does not have the minimum capital required by its title, the Commissioner shall suspend such insurer"s certificate of Authority until such time as the impairment is fully eliminated; and if such impairment is not fully eliminate within the period designated by the Commissioner, he shall by order revoke the insurer"s certificate and shall apply to the Superior Court for an order upon such insurer to show cause why its articles should not be revoked and a receiver appointed to liquidate its affairs."

Section 61. Title 37 of the Code of the Federated States of Micronesia is hereby enacted by adding a new section 160 to read as follows:

"Section 160. Investments. It shall be unlawful for any domestic insurer to invest any of its assets otherwise than is authorize by this section:

(a) 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 period not to exceed five (5) years unless permission to hold for longer period is granted in writing by the Commissioner;



(b) 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 said bonds or notes, in a maximum amount not to exceed twenty percent (20%) of its assets; provided that the value of the security shall, at the time of the investment be at least fifty percent (50%) 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;

(c) Interest bearing bonds, notes or obligations are the United States, or any political subdivision of the United States or any Incorporated city of the United States of a population of not less than fifty thousand (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 fifteen (15) years next preceding the date of such investment;

(d) Stock 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;

(e) Not more than ten percent (10%) of an 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;

1 (f) Loans upon the security of its own policies not  
2 exceeding the cash surrender value thereof at the time of making  
3 the loan."

4 Section 62. Title 37 of the Code of the Federated States of Micronesia  
5 is hereby enacted by adding a new section 161 to read as follows:

6 "Section 161. Scope of article. The provisions of this article shall  
7 apply only to foreign insurers; provided that such foreign insurers  
8 are also subject to all other provisions of this Title from which  
9 they are not otherwise specifically excepted."

10 Section 63. Title 37 of the Code of the Federated States of Micronesia  
11 is hereby enacted by adding a new section 162 to read as follows:

12 "Section 162. General agent. A foreign insurer shall not be  
13 granted a certificate unless and until it has duly complied with the  
14 provisions of this section:

15 (a) Duly appointed a licensed resident general agent who  
16 shall have a power of attorney of the insurer which authorizes him  
17 to appoint sub-agents and solicitors for the insurer;

18 (b) Filed with the Commissioner its consent that its  
19 resident general agent shall be authorized to accept service of  
20 process on its behalf for all cases, and that such service shall  
21 constitute personal service upon such insurer;

22 (c) Filed with the Commissioner a power of attorney  
23 that the resident general agent shall have authority to countersign  
24 all policies of the foreign insurer effected on risks in FSM."

25 Section 64. Title 37 of the Code of the Federated States of Micronesia

1 is hereby enacted by adding a new section 163 to read as follows:

2 "Section 163. Examination. Whenever any foreign insurer applies  
3 for admission, the Commissioner may cause to be made by the  
4 insurance examination of its business and affair"s, and report of  
5 such examination be made to him. AT such other times as the  
6 Commissioner shall deem necessary and proper, he may cause a  
7 like examination to be made. The cost of such examination shall  
8 be paid by the insurer examined."

9 Section 65. Title 37 of the Code of the Federated States of Micronesia  
10 is hereby enacted by adding a new section 164 to read as follows:

11 "Section 164. Annual financial statement Every admitted foreign  
12 insurer shall, or before April 1 of each year, file with the  
13 Commissioner an annual financial statement, verified under oath,  
14 setting forth its financial condition, transactions and affairs as of  
15 the 31st day of December immediately preceding. In general form  
16 and context as approved by the National Association of Insurance  
17 Commissioners of the United States plus any additional  
18 information required by the Commissioner."

19 Section 66. Title 37 of the Code of the Federated States of Micronesia  
20 is hereby enacted by adding a new section 165 to read as follows:

21 "Section 165. Definitions. For the purpose of this article:

22 (a) "Insurer" means any person, fir, corporation,  
23 association, or aggregation of persons doing any insurance  
24 business subject to the insurance supervisory authority of the  
25 Insurance Commissioner of this territory, or the equivalent

1 insurance supervisory official of another state.

2 (b) "Delinquency proceeding" means any proceeding  
3 commenced against an insurer for the purpose of liquidating,  
4 rehabilitating, reorganizing, or conserving such insurer.

5 (c) "State" means any state of the United State, its  
6 territories and possessions, and the District of Columbia.

7 (d) "Foreign country" means territory not in any state.

8 (e) "Domiciliary state" means the state in which an  
9 insurer is incorporated or organized, or, in the case of an insurer  
10 incorporated or organized in a foreign country, the state in which  
11 such insurer, having become authorized to do business in such  
12 state, has, at the commencement of delinquency proceedings, the  
13 largest amount of its assets held in trust, and assets held on  
14 deposit for the benefit of its shareholders or policyholders or  
15 policyholders and creditors in the United States; and any such  
16 insurer is deemed to be domiciled in such state.

17 (f) "Ancillary state" means any state other than a  
18 domiciliary state.

19 (g) "Reciprocal state" means any state other than this  
20 country in which, in substance and effect, the provisions of this  
21 article are in force, including the provisions requiring that the  
22 Insurance Commissioner or equivalent insurance supervisory official  
23 be the receiver of a delinquent insurer.

24 (h) "General assets" means all property, real, personal,  
25 or otherwise encumbered for the security or benefit of specified

persons, or a limited class or classes of persons, and as to such specifically encumbered property the term includes all such property or its proceeds in excess of the amount necessary to discharge the sum or sums secured thereby. Assets held in trust and assets held on deposit for the security or benefit of all policyholders, or all policyholders and creditors in the United States, shall be deemed general assets.

(i) "preferred claim" means any claim with respect to which the law of a state or of the United States accords priority of payment from the general assets of the insurer.

(j) "Special deposit claim" means any claim secured by a deposit made pursuant to statute for the security or benefit of a limited class or classes of persons, but not including any general assets.

(k) "Secured claim" means any claim secured by mortgage, trust, deed, pledge, deposit as a security, escrow, or otherwise, but not including special deposit claims or claims against general assets. The term also includes claims which more than four (4) months prior to the commencement of delinquency proceedings in the state of the insurer's domicile have become liens upon specific assets by reason of judicial process.

(l) "Receiver" means receiver, liquidator, rehabilitator, or conservator, as the context may require."

Section 67. Title 37 of the Code of the Federated States of Micronesia is hereby enacted by adding a new section 166 to read as follows:

1 "Section 166. Conduct of delinquency proceedings against  
2 insurers domiciled in the FSM.

3 (a) Whenever under the laws of the FSM a receiver is to  
4 be appointed in delinquency proceedings for an insurer domiciled in  
5 this territory, the court shall appoint a competent receiver who  
6 shall furnish proper bond in an amount determined by said court.  
7 The court shall direct the receiver forthwith to take possession of  
8 the assets of the insurer and to administer the same under  
9 orders of this court.

10 (b) The domiciliary receiver and his successors in office  
11 shall be vested by operation of law with the title to all of the  
12 property, contracts, and rights of actin, and all of the books and  
13 records of the insurer wherever located, as of the date of entry  
14 of the order directing possession to be taken, and he shall have  
15 the right to recover the same and reduce the same to  
16 possession; except that ancillary receivers in reciprocal states  
17 shall have, as to assets located in their respective states, the  
18 rights and powers which are herein after prescribed for ancillary  
19 receivers appointed in this territory as to assets located in this  
20 territory. The filling or recording of the order directing  
21 possessions to be taken, or a certified copy thereof, in the office  
22 where instruments affecting title to property are required to be  
23 deed, bill of sale, or other evidence of the title duly filed or  
24 recorded. The domiciliary receiver shall be responsible on his  
25 official bond for the proper administration of all assets coming

1 into his possession or control. The court may at any time require  
2 an additional bond from him or his deputies if deemed desirable  
3 for the protection of the assets.

4 (c) Upon taking possession of the assets of a delinquent  
5 insurer, the domiciliary receiver shall, subject to the direction of  
6 the court, immediately proceed to conduct the business of the  
7 insurer or to take such steps as are authorized by the laws of  
8 this territory for the purpose of liquidating, rehabilitating,  
9 reorganizing, or conserving proceedings, he may, with the  
10 approval of the court, appoint one or more special deputy  
11 receivers to act for him and employ such counsel, clerks, and  
12 assistants as he deems necessary. The compensation of the  
13 special deputies, counsel, clerks, or assistants and all expenses of  
14 taking possession of the delinquent insurer and of conducting the  
15 delinquency proceedings shall be fixed by the receiver, subject to  
16 the approval of the court, and shall be paid out of funds or  
17 assets of the insurer. Within the limit of the duties imposed upon  
18 them, special deputies shall possess all the powers, shall be subject  
19 to all of the duties imposed upon them, special deputies shall  
20 possess all the powers given to, all of the duties imposed upon  
21 the receiver with respect to delinquency proceedings."

22 Section 68. Title 37 of the Code of the Federated States of Micronesia  
23 is hereby enacted by adding a new section 167 to read as follows:

24 "Section 167. Conduct of delinquency proceedings against  
25 insurers not domiciled in this territory. (a) whenever under the

1 laws of its territory an ancillary receiver is to be appointed in  
2 delinquency proceedings for an insurer not domiciled in this  
3 territory, the Commissioner shall file petition requesting the  
4 appointment (1) if he finds that there are sufficient assets of such  
5 insurer located in this territory to justify the appointment of an  
6 ancillary receiver, or (2) if ten (10) or more person resident in this  
7 territory, having claims against such insurer, file a petition with the  
8 Commissioner requesting the appointment of such ancillary  
9 receiver.

10 (b) The domiciliary receiver of an insurer domiciled in a  
11 reciprocal state shall be vested by operation of law with the title  
12 to all of the property, contracts, and rights of action, and all of  
13 the books and records of the insurer located in this territory, and  
14 he shall have the immediate right to recover balances due from  
15 local agents and to obtain possession of nay books and records  
16 of the insurer found in this territory. H shall also be entitled to  
17 recover the other assets of the insurer located in this territory  
18 except that upon appointment of an ancillary receiver in this  
19 territory, the ancillary receiver shall, during the ancillary  
20 receivership proceedings, have the sole right to receiver such  
21 other assets. The ancillary receiver shall, as soon as practicable,  
22 liquidate from their respective securities those special deposit  
23 claims and secured claims which are proved and allowed in the  
24 ancillary proceedings in this territory and shall pay the necessary  
25 expenses of the proceedings. All remaining assets he shall



promptly transfer to the domiciliary receiver. Subject to the foregoing provisions, the ancillary receiver and his deputies with respect to the administration of such assets as a receiver of an insurer domiciled in this territory."

Section 69. Title 37 of the Code of the Federated States of Micronesia is hereby enacted by adding a new section 168 to read as follows:

"Section 168. Filing and proving of claims of nonresidents against delinquent insurers domiciled in this territory. (a) In a delinquency proceeding begun in this territory against an insurer domiciled in this territory , claimants resident in reciprocal states may file claims either with the ancillary receivers, if any, in their respective states, or with the domiciliary receiver. All such claims must be filed on or before the last date fixed for the filing of claims in the domiciliary delinquency proceedings.

(b) Controverted claims belonging to claimants residing in reciprocal states may either (1) be proved in this territory as provided by law, or (2) if ancillary proceedings have been commenced in such reciprocal states, may be proved in those proceedings. In the event a claimant elects to prove this claim in ancillary proceedings, if notice of the claim and opportunity to appear and be heard is afforded the domiciliary receiver of this territory, as provided in section 229 with respect to ancillary proceedings in this territory, as provided in final allowance of such claim by the courts in the ancillary state shall be accepted in this territory as conclusive as to its amount and shall be accepted as

1 conclusive as to its priority, if any, against special deposits or  
2 other security located within the ancillary state."

3 Section 70. Title 37 of the Code of the Federated States of Micronesia  
4 is hereby enacted by adding a new section 169 to read as follows:

5 "Section 169. Filing and proving of claims of residents against  
6 delinquent insurers compiled in reciprocal states (a) In a  
7 delinquency proceeding in a reciprocal state against an insurer  
8 domiciled in that state, claimants against such insurer who reside  
9 within this territory may file claims either with the ancillary  
10 receiver, if any appointed in this territory or with the domiciliary  
11 receiver. All such claims must be filed on or before the last date  
12 fixed for the filing of claims in the domiciliary delinquency  
13 proceedings.

14 (b) Controverted claims belonging to claimants residing  
15 in this territory may either (1) by proved in the domiciliary state  
16 has provided by the law of that state, or (2) if ancillary  
17 proceedings have been commenced in this territory, be proved in  
18 those proceedings. In the event that any such claimant elects to  
19 prove his claim in this territory, he shall file his claim with the  
20 ancillary receiver in he manner provided by the law of this territory  
21 for the proving of claims against insurers domiciled in this  
22 territory, and he shall give notice in writing to the receiver in the  
23 domiciliary state, either by registered mail or by personal service,  
24 at least forty (40) days prior to the date set for hearing. The  
25 notice shall contain a concise statement of the amount of the

claim, the facts on which the claim is based, and the priorities asserted, if any. I the domiciliary receiver, within thirty (30) days after the given of such notice, shall give notice in writing to the ancillary receiver and to the claimant, either by registered mail or by personal service, of his intention to contest such claim, he shall be entitled to appear or to be represented in any proceedings in this territory involving the adjudication of the claim. The final allowance of the claim by the courts of this territory shall be accepted as conclusive as to its amount and shall also be accepted as conclusive as to its priority, if any, against special deposits or other security located within this territory."

Section 71. Title 37 of the Code of the Federated States of Micronesia is hereby enacted by adding a new section 170 to read as follows:

"Section 170. Priority of preferred claims. (a) In a delinquency proceeding against an insurer domiciled in this territory, claims owing to residents of ancillary states shall be preferred claims if like claims are preferred under the laws of this territory. All such claims whether owing to residents or non-residents shall be given equal priority of payment from general assets regardless of where such assets are located.

(b) In a delinquency proceeding against an insurer domiciled in a reciprocal state, claims owing to residents of this territory shall be preferred if like claims are preferred by the laws of that state."

Section 72. Title 37 of the Code of the Federated States of Micronesia

1 is hereby enacted by adding a new section 171 to read as follows:

2 "Section 171. Priority of special deposit claims. The owners of  
3 special deposit claims against an insurer for which receiver is  
4 appointed in this or any other states shall be given priority  
5 against their several special deposits in accordance with the  
6 provisions of the statutes governing the creation and maintenance  
7 of such deposits. If there is deficiency in any such deposit so that  
8 the claims secured in the general assets, but such sharing shall be  
9 deferred until general creditors, and also claimants against other  
10 special deposits which have received smaller percentages from  
11 their respective special deposits, have been paid percentages of  
12 their claims equal to the percentages paid from the special  
13 deposits."

14 Section 73. Title 37 of the Code of the Federated States of Micronesia  
15 is hereby enacted by adding a new section 172 to read as follows:

16 "Section 172. Priority of secured claims. The owner of a secured  
17 claim against an insurer for which a receiver has been appointed in  
18 this or any other state may surrender his security and file his  
19 claim as a general creditor, or the claim be discharged by resort  
20 to the security, in which case the deficiency, if any, shall be treated  
21 as a claim against the general assets of the insurer on the same  
22 basis as been adjudicated in ancillary proceedings as provided in  
23 this Act, or proceeding in which the receiver has had notice and  
24 opportunity to be heard, such amount shall be conclusive;  
25 otherwise the amount shall be determined in the delinquency

1 proceeding in the domiciliary state."

2 Section 74. Title 37 of the Code of the Federated States of Micronesia  
3 is hereby enacted by adding a new section 173 to read as follows:

4 "Section 173. Attachment and garnishment of assets. During the  
5 tendency of delinquency proceedings in this or any reciprocal  
6 state, no action or proceeding in the nature of an attachment,  
7 garnishment, or execution shall be commenced or maintained in  
8 the courts of this territory against the delinquent insurer or its  
9 assets. Any lien prior to the commencement of any such  
10 delinquency proceedings or at any time thereafter, shall be void as  
11 against any rights arising in such delinquency proceeding."

12 Section 75. Title 37 of the Code of the Federated States of Micronesia  
13 is hereby enacted by adding a new section 174 to read as follows:

14 "Section 174. Right of domiciliary receiver to sue in this territory.  
15 The domiciliary receiver of an insurer domiciled in a reciprocal  
16 state may sue in this territory to record any assets of such  
17 insurer to which he may be entitled under the laws of this  
18 territory.

19 Section 76. Title 37 of the Code of the Federated States of Micronesia  
20 is hereby enacted by adding a new section 175 to read as follows:

21 "Section 175. Severability clause. If any provision of this article  
22 or the application thereof to any person or circumstance is held  
23 invalid, such invalidity shall not affect other provisions or  
24 applications of the article which can be given effect without the  
25 invalid provision of application, and to this end the provisions of

1 the article are declared to be several".

2 Section 77. Title 37 of the Code of the Federated States of Micronesia  
3 is hereby enacted by adding a new section 176 to read as follows:

4 "Section 176 Uniformity of interpretation. This article shall be so  
5 interpreted and construed as to effectuate its general purpose to  
6 make uniform the law of those states that enact it."

7 Section 78. Title 37 of the Code of the Federated States of Micronesia  
8 is hereby enacted by adding a new section 177 to read as follows:

9 "Section 177. License. It shall be unlawful for any person to do  
10 or perform any act in FSM as an insurance broker, general agent,  
11 sub-agent, or solicitor, or hold himself out as such, for any kind of  
12 insurance without holding a license then in force. Issued by the  
13 Commissioner and the renewals thereof shall be for a term  
14 expiring the 1st day of July occurring after issuance. The fee for  
15 each type of license and the renewal thereof shall be ten dollars  
16 (\$50.00)".

17 Section 79. Title 37 of the Code of the Federated States of Micronesia  
18 is hereby enacted by adding a new section 178 to read as follows:

19 "Section 178. Endorsement of qualifications. The Commissioner  
20 shall investigate the qualifications of any person applying for a  
21 license or renewal. For the purpose of his investigation, he shall  
22 require the applicant to file with him a statement, verified under  
23 oath, as follows:

24 (a) To name, age, business and residence address of the  
25 applicant, and if the applicant is a firm or corporation the name

1 and address of each person thereof designated to act for him;

2 (b) The type of license applied for and a description of  
3 the type of business to be engaged in under such licenses,  
4 including the classes of insurance he proposes to represent;

5 (c) The previous insurance experience of he applicant, if  
6 any, together with the names and addresses of all insurers or  
7 agents whom he represented or was employed by;

8 (d) A statement that the principal use of such license is  
9 not to effect insurance on the applicant"s own life, property or  
10 risks, or on the life, property or risks of an employee or member  
11 of his family;

12 (e) Such other information as the commissioner shall  
13 require by regulations or specifically request of the applicant."

14 Section 80. Title 37 of the Code of the Federated States of Micronesia  
15 is hereby enacted by adding a new section 179 to read as follows:

16 "Section 179. Same: additional requirements. The statement of  
17 the applicant required by section 251 shall be accompanied by  
18 the following:

19 (a) If the application is for a general agent"s license, the  
20 request of the insurer that the applicant be licensed to represent  
21 such insurer as a general agent;

22 (b) If the application is for a sub-agent"s license, the  
23 request of either an insurer or general agent that such applicant  
24 be licensed to represent such insurer or general agent as a sub-  
25 agent;

1 (c) If the application is for a solicitor's license, the  
2 request of either an insurer, general agent or a sub-agent that  
3 such applicant be licensed to represent such insurer, general agent  
4 of sub-agent as a solicitor."

5 Section 81. Title 37 of the Code of the Federated States of Micronesia  
6 is hereby enacted by adding a new section 180 to read as follows:

7 "Section 180. Same: refusal, suspension, revocation. (a) The  
8 Commissioner may, for the reasons contained herein, refuse to  
9 issue or renew a license, or my suspend or revoke a license, for  
10 any of the following reasons:

11 (1) The person has willfully violated any provision  
12 of this Title;

13 (2) The person has intentionally made a material  
14 misstatement in his application;

15 (3) The person has been guilty or fraudulent or  
16 dishonest practices;

17 (4) The person has misappropriated or converted  
18 to his own use or illegal withheld monies held in fiduciary capacity;

19 (5) The person has misrepresented the terms and  
20 conditions of policies;

21 (6) The person has been guilty of rebating;

22 (7) The person has conducted his business in such  
23 a manner as to cause injury to the public or to those with whom  
24 he is dealing;

25 (8) The person does not meet the necessary



1 qualifications to act in such capacity.

2 (b) A license may be suspended for not more than sixty  
3 (60) days. A person whose license has been revoked shall not be  
4 eligible to apply for a new license for a period of three (3)  
5 months.

6 (c) A refusal, suspension, or revocation under this  
7 section shall be by order of Commissioner, and the person  
8 adversely affected may request a hearing pursuant to section  
9 030.

10 (d) Notice of any refusal, suspension or revocation of a  
11 license under this section shall be given to the insurer general  
12 agent or sub-agent requesting that such applicant be licensed."

13 Section 82. Title 37 of the Code of the Federated States of Micronesia  
14 is hereby enacted by adding a new section 181 to read as follows:

15 "Section 181. Commissions. (a) The paying or allowing of any  
16 commission or other valuable consideration on insurance  
17 transacted in FSM by an insurer or its agent to other admitted  
18 insurers or to licensed brokers, agents, or solicitors for  
19 solicitation of the business is lawful.

20 (b) If at the time of the solicitation and insurance of a  
21 policy of insurance which by its terms continues until canceled, a  
22 licensed person may lawfully receive commissions thereon, such  
23 person or this person representative may continue to receive  
24 commissions thereon during the continuance in force or renewal of  
25 such policy without being licensed.

1 (c) It is unlawful for nay insurance agent who is not also  
2 a licensed insurance broker to receive commissions derived from  
3 insurance placed with an insurer which has not appointed him to  
4 act as its agent in the transaction of such insurance.

5 (d) It is unlawful for an insurance agent who is to also a  
6 licensed insurance broker to receive commissions on insurance  
7 from any source other than an insurer for whom he is licensed."

8 Section 83. Title 37 of the Code of the Federated States of Micronesia  
9 is hereby enacted by adding a new section 182 to read as follows:

10 "Section 182. Rebates. (a) It is unlawfully for an insurer, broker,  
11 agent, or solicitor to pay or offer to pay, directly or indirectly, to  
12 any person as an inducement for such person to enter into an  
13 insurance contract on any risk in FSM, any rebate of the whole or  
14 part of the premium or commission payable thereon, of any  
15 valuable consideration which is not clearly specified, promised or  
16 provided for in the policy.

17 (b) It is unlawful for any person to accept, directly or  
18 indirectly, as an inducement to such person to enter into an  
19 insurance contract on any risk in FSM, any rebate of the whole or  
20 part of the premium or commission payable thereon, or any  
21 valuable consideration which is not clearly specified, promised or  
22 provided for in the policy.

23 (c) It is unlawfully for any insurer or general agent to  
24 appoint an agent for the purpose of enabling such agent, or other  
25 person, to obtain at a cost less than that specified in the policy

1 any insurance from such insurer".

2 Section 84. Title 37 of the Code of the Federated States of Micronesia  
3 is hereby enacted by adding a new section 183 to read as follows:

4 "Section 183. Misrepresentation of policy. It is unlawful for an  
5 insurer, broker, agent, or solicitor to cause or permit to be  
6 issued, circulated or used, any misrepresentation of the following:

7 (a) The terms of a policy issued by the insurer or sought  
8 to be negotiated by the person making or permitting the  
9 misrepresentation;

10 (b) The benefits or privileges promised thereunder;

11 (c) The future dividends payable thereunder".

12 Section 85. Title 37 of the Code of the Federated States of Micronesia  
13 is hereby enacted by adding a new section 184 to read as follows:

14 "Section 184. Compensation of adjuster. It is unlawful for an  
15 insurer to pay any representative who is given discretion as to the  
16 settlement or adjustment of claims under any insurance, whether  
17 in direct negotiations or in supervision of the person negotiating,  
18 which in any way is contingent upon the amount of settlement of  
19 such claim, except that this section shall not apply to marine  
20 insurance."

21 Section 86. Title 37 of the Code of the Federated States of Micronesia  
22 is hereby enacted by adding a new section 185 to read as follows:

23 "Section 185. Insurance adjusters. No person, except a person  
24 otherwise licensed under this article, shall make any adjustment  
25 under an insurance policy covering hazards described in Article I

1 of Chapter III of this Title, unless he shall hold a license under this  
2 section or is exempted therefrom.

3 (a) An insurance adjuster's license may be issued by the  
4 Commissioner to any person filing an application on a prescribed  
5 from, and upon payment of a license fee to ten dollars (\$10.00).  
6 Licenses of renewals thereof shall be for a term expiring one (1)  
7 year after the date of issue.

8 (b) Any license under this section may be refused,  
9 suspended or revoked for any of the reasons set forth in section  
10 253 of this Title and in the manner so provided therein".

11 Section 87. Title 37 of the Code of the Federated States of Micronesia  
12 is hereby enacted by adding a new section 186 to read as follows:

13 "Section 186. Issuance of licenses: ~~fee:~~ authority conferred by  
14 license. The insurance Commissioner, upon receipt of an  
15 application in proper form and license fee of fifty dollars (\$50.00),  
16 may issue a surplus line license to any dully qualified broker or  
17 agent of FSM. Such license shall permit the broker or agent  
18 named there in to act as broker or agent in FSM for any foreign  
19 company or insurer not authorized to transact business in FSM in  
20 securing, issuing or placing policies of insurance, contracts, of  
21 indemnity and/or surety bonds on property located in, or  
22 undertaking to be carried out in FSM for such companies".

23 Section 88. Title 37 of the Code of the Federated States of Micronesia  
24 is hereby enacted by adding a new section 187 to read as follows:

25 "Section 187. Execution and delivery of bond; amount of bond;

condition; rights conferred by license; expiration date. Before receiving such license, such surplus line broker or agent shall execute and deliver to the commission a bond in the penal sum of two thousand dollars (\$2,000.00) in such form and with such sureties as the Commissioner shall approve, conditioned that he will fully comply with all requirements of this article. Such license shall entitle such broker or agent to transact business for any or all unauthorized insurance companies or insurers as provided in this article, and shall expire on the first day of July next following the date of issue."

Section 89. Title 37 of the Code of the Federated States of Micronesia is hereby enacted by adding a new section 188 to read as follows:

"Section 188. Affidavit as prerequisite to procurement of insurance; contents. Before the person named in such license shall procure, effect or issue any such insurance policy or indemnity contract or surety bond, he shall in every case execute and file with the Commissioner his affidavit in acceptable form that the insured is unable to procure in any company or companies or insurers admitted to do business in FSM the amount or kind of insurance necessary to protect the property or undertakings of the insured, described in such affidavit at rates not less than the minimum rates on such property promulgated by an authorized rating bureau or other bureau or conference whose rates have been accepted by the insurance Commissioner, and filed in the insurance department as the fair and equitable

1 rate."

2 Section 90. Title 37 of the Code of the Federated States of Micronesia  
3 is hereby enacted by adding a new section 189 to read as follows:

4 "Section 189. Limitation on issuance: endorsement on policy: filing  
5 of power of attorney: validity of power. Such surplus line  
6 insurance shall not only be issued after the insured has procured  
7 insurance in companies admitted to do business in FSM to the full  
8 amount which such companies are willing to write on such  
9 property. Every policy issued under this section shall be endorsed  
10 "issued in an unauthorized company, under agent"s (or broker"s)  
11 license No. \_\_\_" which endorsement shall be property filed in and  
12 signed by the broker or agent. Before registering and delivering  
13 any such policy for an unauthorized insurance company or insurer,  
14 such broker or agent shall procure from such company or insurer  
15 a power of attorney which shall employ him as its attorney in  
16 fact to receive and accept on its behalf service of any and all  
17 writs, processes and summonses requisite or necessary to give  
18 complete jurisdiction of any such company or insurer to any of the  
19 courts of FSM, and shall be deemed to constitute such attorney  
20 the authorized agent of such company or insurer upon whom  
21 lawful service may be made of all risks, processes and summons  
22 in any case, suit or proceeding in any court mentioned herein.  
23 Such power of attorney shall be valid so long as such company or  
24 insurer has any liability existing in FSM on account of any  
25 outstanding policies or unpaid claims pending against it. Such

1 broker or agent shall file such power of attorney with the  
2 insurance Commissioner promptly on receipt of same."

3 Section 91. Title 37 of the Code of the Federated States of Micronesia  
4 is hereby enacted by adding a new section 190 to read as follows:

5 "Section 190. Record of business: filing of statement: contents,  
6 Every such broker or agent shall keep a separate account of the  
7 business done under his surplus in license and on or before the  
8 first day of July 1 each year, shall file with the Commissioner a  
9 statement for he calendar year proceeding, giving the name of the  
10 insured to whom such policy or indemnity contract granting such  
11 unauthorized insurance has been issued, the name and home office  
12 of each company issuing any such policy or contract, the amount  
13 of such insurance, the great premiums charged therein or  
14 therefor, the date and term of the policy, and the amount of  
15 premium returned on each policy canceled or not taken, with such  
16 other information and upon such form as required by the  
17 Commissioner, and pay the Commissioner an amount equal to the  
18 taxes imposed by law on the premiums of like authorized  
19 insurance companies."

20 Section 92. Title 37 of the Code of the Federated States of Micronesia  
21 is hereby enacted by adding a new section 191 to read as follows:

22 "Section 191. Status of companies issuing insurance: liability to  
23 suit: duty of agent on being served with process; time for  
24 answer; when jurisdiction deemed acquired. Every company,  
25 insurer or insures making insurance under the provisions of this

1 section shall be deemed and held to be sued upon any cause of  
2 action arising under any policy of insurance so issued and  
3 delivered by it. Any broker or agent being served with summons  
4 and complaints in any such cause shall forthwith mail such  
5 summons and compliant, or true and complete copies thereof, by  
6 registered letter with proper postage affixed, properly addressed  
7 to the company sued, and such company shall have forty (40)  
8 days from the date of the service of such summons and  
9 complaint upon said broker or agent in which to plead, answer or  
10 defend any such cause. Upon service of summons and complaint  
11 being had upon such broker or agent for such company, the court  
12 in which such action is begun shall be deemed to have duly  
13 acquired jurisdiction in personal of the defendant company so  
14 served."

15 Section 93. Title 37 of the Code of the Federated States of Micronesia  
16 is hereby enacted by adding a new section 192 to read as follows:

17 "Section 192. Penalty for failure to file statement and pay tax:  
18 action for recover: revocation of license: conditions prerequisite  
19 to reinsurance. Every such broker or agent who fails or refuses  
20 to make and file said annual statement, and to pay the taxes  
21 required to be paid thereon prior to the first day of July after  
22 such tax is due, shall e liable for a fine of twenty-five dollars  
23 (\$25.00) for each day of said delinquency. Such tax and fine may  
24 be recovered in any action to be instituted by the Commissioner in  
25 the name of territory, the attorney general representing him, in



any court of competent jurisdiction, and the fine, when so collected, shall be paid to the credit of the general fund. If any such broker or agent shall fail to make and file said annual statement and pay the said taxes, or shall refuse to allow the Commissioner to inspect and examine his records of the business transacted by him pursuant to his section, or shall fail to keep such records in manner as required by the Commissioner, or shall refuse or neglect to immediately notify the insurance company for whom he has place, registered or delivered a policy, of the commencement of any action or proceeding in any court against such company, the license of such broker or agent shall be immediately revoked by the Commissioner, and no license shall e issued to such broker or agent within one (1) year from the date of such revocation, nor until all such taxes and fines are paid, and the Commissioner shall be satisfied that full compliance with the provisions of this section will be had.

Section 94. Title 37 of the Code of the Federated States of Micronesia is hereby enacted by adding a new section 193 to read as follows:

"Section 193. Limitations. An insurer authorized to do business i FSM may only write classes of insurance authorized by this article and by the insurer"s Certificate of Authority."

Section 95. Title 37 of the Code of the Federated States of Micronesia is hereby enacted by adding a new section 194 to read as follows:

"Section 194. Fire insurance. Fire insurance includes insurance upon buildings and other property against loss or damage by fire,

1                   lighting, windstorms, cyclones, tornadoes, typhoons, hail or  
2                   earthquakes, water from the breakage or leakage of sprinklers,  
3                   pumps or other apparatus erected for extinguishing fires, and  
4                   water pipes; and against loss or damage arising from the  
5                   prevention or suspension of rent or use and occupation of any  
6                   building, plant or manufacturing establishment, due to the hazard  
7                   or peril against which the insurance is carried."

8                   Section 96. Title 37 of the Code of the Federated States of Micronesia  
9                   is hereby enacted by adding a new section 195 to read as follows:

10                   "Section 195. Marine insurance. Marine insurance includes  
11                   insurance upon ocean and inland risks, and transportation, but  
12                   not including any other casualty insurance as hereinafter  
13                   provided."

14                   Section 97. Title 37 of the Code of the Federated States of Micronesia  
15                   is hereby enacted by adding a new section 196 to read as follows:

16                   "Section 196. Life insurance. Life insurance includes insurance in  
17                   all forms of life, endowments and annuities, but doe not include  
18                   health, accident or sickness insurance or any other casualty  
19                   insurance as hereinafter provided."

20                   Section 98. Title 37 of the Code of the Federated States of Micronesia  
21                   is hereby enacted by adding a new section 197 to read as follows:

22                   "Section 197. Accident, sickness, health, property damage and  
23                   liability insurance. Accident insurance and sickness or health  
24                   insurance includes insurance against injury, disablement or death  
25                   resulting from sickness, and every insurance appertaining thereto.

1           Property damage insurance includes all types of insurance against  
2           loss or damage to property and liability therefor. Liability  
3           insurance includes all insurance against loss or damage resulting  
4           from accident to, or injury, fatal or non-fatal, suffered by any  
5           person, and for which the insurer is liable."

6           Section 99. Title 37 of the Code of the Federated States of Micronesia  
7   is hereby enacted by adding a new section 198 to read as follows:

8           "Section 198. Fidelity and surety insurance. Fidelity and surety  
9           insurance includes all guaranteeing or persons holding place of  
10          public trust, and of the performance of contracts other than  
11          insurance policies. it also includes the execution of all bonds  
12          undertakings and contracts of suretyship."

13          Section 100. Title 37 of the Code of the Federated States of Micronesia  
14   is hereby enacted by adding a new section 199 to read as follows:

15          "Section 199. Motor vehicle insurance. Motor vehicle insurance  
16          includes all insurance on motor or power driven vehicles, except  
17          those operating on water or on rails, against loss or damage to  
18          or loss of use of the vehicle or its tools, appliances or equipment,  
19          against legal liability for loss or damage to persons or property  
20          resulting through the operation of the vehicle caused by fire, self  
21          ignition explosion, theft, collision or other insurance hazards,  
22          including hazards incident to transporting such vehicle by land or  
23          water."

24          Section 101. Title 37 of the Code of the Federated States of Micronesia  
25   is hereby enacted by adding a new section 200 to read as follows:

1 "Section 200. Title insurance. Title insurance includes insurance or  
2 guaranty of title to real or personal property or any interest or  
3 encumbrance thereon, or of information relative to real property,  
4 against loss by reason of defective titles, encumbrances, or  
5 adverse claims of title, or otherwise."

6 Section 102. Title 37 of the Code of the Federated States of Micronesia  
7 is hereby enacted by adding a new section 201 to read as follows:

8 "Section 201. Workmen's compensation insurance. Workmen's  
9 compensation insurance includes insurance against loss from  
10 liability imposed by law upon employers to compensate employees  
11 and their dependents for injury sustained by employees arising out  
12 of and in the course or scope of their employment."

13 Section 103. Title 37 of the Code of the Federated States of Micronesia  
14 is hereby enacted by adding a new section 202 to read as follows:

15 "Section 202. Miscellaneous. Miscellaneous insurance includes  
16 insurance upon any risk not included within or under any of the  
17 foregoing classes and which is a proper subject for insurance,  
18 not prohibited by law or contrary to sound public policy.

19 Section 104. Title 37 of the Code of the Federated States of Micronesia  
20 is hereby enacted by adding a new section 203 to read as follows:

21 "Section 203. Capacity to insure. Any person capable of making  
22 a contract may be an insurer, subject to the restrictions imposed  
23 by this Title."

24 Section 105. Title 37 of the Code of the Federated States of Micronesia  
25 is hereby enacted by adding a new section 204 to read as follows:

1 "Section 204. Capacity to be insured. Any person except a public  
2 enemy may be insured or may be a beneficiary.

3 Section 106. Title 37 of the Code of the Federated States of Micronesia  
4 is hereby enacted by adding a new section 205 to read as follows:

5 "Section 205. Events subject to insurance. except as provided in  
6 this article, any contingent or unknown event, whereto past or  
7 future, which may damnify a person having an insurable interest,  
8 or create a liability against him, may be insured against, subject  
9 to the provision of this Title."

10 Section 107. Title 37 of the Code of the Federated States of Micronesia  
11 is hereby enacted by adding a new section 206 to read as follows:

12 "Section 206. Insurable interest. (a) Every interest in property,  
13 or any relation thereto, or any liability in respect thereto, of such  
14 a nature that a contemplated peril might directly damnify the  
15 insured, is an insurable interest. A mere contingent or expectant  
16 interest in anything, not founded upon an actual right to or in the  
17 thing, not upon any valid contract for it, is not insurable.

18 (b) Every person has an insurable interest in the life and  
19 health of:

20 (1) Himself;

21 (2) Any person upon whom he depends wholly or  
22 in part for education or support;

23 (3) Any person under a legal obligation to him for  
24 the payment f money or respecting property or services, of which  
25 death or illness might delay or prevent performance;

1 (4) Any person upon whose life any estate or  
2 interest vested in him depends.

3 (c) If the insured has no insurable interest, the contract  
4 is void."

5 Section 108. Title 37 of the Code of the Federated States of Micronesia  
6 is hereby enacted by adding a new section 207 to read as follows:

7 "Section 207. Same: measure. Except in the case of property  
8 held by the insured as a carrier or depository, the measure of an  
9 insurable interest in property is the extend to which the insured  
10 might be damnified by loss of, or injury to, the property."

11 Section 109. Title 37 of the Code of the Federated States of Micronesia  
12 is hereby enacted by adding a new section 208 to read as follows:

13 "Section 208. Same: carrier or depository. A carrier or  
14 depository of any kind has an insurable interest in a thing held by  
15 him as such to the extent of its value."

16 Section 110. Title 37 of the Code of the Federated States of Micronesia  
17 is hereby enacted by adding a new section 209 to read as follows:

18 "Section 209. Same: type of existence. An interest in property  
19 insured must exist when the insurance takes effect and when the  
20 loss occurs but need not exist in the meantime; an interest in the  
21 life or health of a person insured must exist when the insurance  
22 takes effect but need not exist thereafter or when the loss  
23 occurs."

24 Section 111. Title 37 of the Code of the Federated States of Micronesia  
25 is hereby enacted by adding a new section 210 to read as follows:

1 "Section 210. Same: change. Except in the cases herein  
2 specified, and in the cases of life and disability insurance, a change  
3 of interest in any part of a subject insured, unaccompanied by a  
4 corresponding change of interest in the insurance, suspends the  
5 insurance to an equivalent extent until the interest in the subject  
6 and the interest in the insurance are vested in the same person.

7 (a) A change of interest in a subject insured after the  
8 occurrence or an injury which results in a loss does not affect the  
9 right of the insured to indemnity for the lost.

10 (b) A change of interest in one or more of several  
11 distinct subjects separately insured by one policy does not avoid  
12 the insurance as to the others.

13 (c) A change of interest by will or succession, on the  
14 death of the insured, does not avoid insurance, and his interest in  
15 the insurance passes to the person taking his interest in the  
16 subject matter insured.

17 (d) In the case of partners, joint owners, or owners in  
18 common, who are jointly insured, a transfer of interest by one to  
19 another thereof does not avoid insurance even though it has been  
20 agreed that the insurance shall cease upon an alienation of the  
21 subject insured."

22 Section 112. Title 37 of the Code of the Federated States of Micronesia  
23 is hereby enacted by adding a new section 211 to read as follows:

24 "Section 211. Same: transfer. The mere transfer of subject  
25 matter insured does not transfer the insurance, but suspends it

1                   until the same person becomes the owner of both the insurance  
2                   and the subject matter insured.

3           Section 113. Title 37 of the Code of the Federated States of Micronesia  
4 is hereby enacted by adding a new section 212 to read as follows:

5           "Section 212. Contents. The written instrument in which a  
6 contract of insurance is set forth is the policy and it shall contain  
7 the information required herein:

- 8                   (a) The parties between whom the contract is made;  
9                   (b) A description of the property, life or interest insured;  
10                  (c) The interest of the insured;  
11                  (d) the risk insured against;  
12                  (e) The period during which such insurance is to continue;  
13                  (f) Either a statement of the premium or if the insurance  
14 is of a character where the exact premium is only determinable  
15 upon the termination of the contract, a statement of the basis  
16 and rates upon which the final premium is to be determined and  
17 paid."

18          Section 114. Title 37 of the Code of the Federated States of Micronesia  
19 is hereby enacted by adding a new section 213 to read as follows:

20          "Section 213. Signature. All policy issued on risks in FSM shall be  
21 signed and subscribed as provided in this section:

- 22                  (a) If the insurer is an admitted domestic insurer, each  
23 policy shall be signed and subscribed by two (2) of the major  
24 officers of the insurer designated in its articles of incorporation or  
25 in its by-laws to do so.



(b) If the insurer is an admitted foreign insurer, it shall be signed and subscribed by two (2) of the major officers of the insurer authorized to do so and in all cases it shall be countersigned by such insurer's authorized resident general agent, or shall have attached thereto an appropriate countersignature endorsement signed by such resident general agent.

(c) Countersignature, by an authorized resident general agent of the insurer originating a contract of insurance participated in by other insurers as co-sureties or co-indemnitors, shall satisfy all countersignature requirements in respect of such contract of insurance.

(d) The provisions of this section relating to countersignature by an insurer's authorized general agent shall not apply to: (1) any contract of insurance covering the rolling stock of any railroad, or covering any vessel, aircraft, or motor carrier used in interstate or foreign commerce, or covering any liability or other risk incident to the ownership, maintenance or operation thereof; (2) any contract of reinsurance between any insurance companies or other insurers; (3) any contract of insurance covering any property in interstate or foreign commerce, or any liability or risks incident thereto."

Section 115. Title 37 of the Code of the Federated States of Micronesia is hereby enacted by adding a new section 214 to read as follows:

"Section 214. Coverage. When the name of the person intended

1 to be insured is specified in a policy. It can be applied only to his  
2 own interest."

3 Section 116. Title 37 of the Code of the Federated States of Micronesia  
4 is hereby enacted by adding a new section 215 to read as follows:

5 "Section 215. Subsequent owner of interest. A policy may be so  
6 framed that it will inure to the benefit of whosoever, during the  
7 continuance of the risk, becomes the owner of the interest  
8 insured."

9 Section 117. Title 37 of the Code of the Federated States of Micronesia  
10 is hereby enacted by adding a new section 216 to read as follows:

11 "Section 216. Liability policy: Direct action. On any policy of  
12 liability insurance the injured person or his heirs or representatives  
13 shall have a right of direct action against the insurer within the  
14 terms and limits of the policy, whether or not the policy of  
15 insurance sued upon was written or delivered in FSM, and whether  
16 or not such policy contains a provision forbidding such direct  
17 action, provided that the cause of action arose in FSM. Such  
18 action may be brought against the insurer alone, or against both  
19 the insured and insurer."

20 Section 118. Title 37 of the Code of the Federated States of Micronesia  
21 is hereby enacted by adding a new section 217 to read as follows:

22 "Section 217. Same: Insolvency or bankruptcy. No policy of  
23 liability insurance shall be issued or delivered in FSM, unless it  
24 contains provisions to the effect that the insolvency or  
25 bankruptcy of the insured shall not release the insurer from the

1 payment of damages for injuries sustained or loss occasioned  
2 during the term of such policy, and that in case execution against  
3 he insured is returned unsatisfied in any action brought by the  
4 injured person or his heirs, because of such insolvency or  
5 bankruptcy, an action may be maintained by the injured person or  
6 his heirs or representatives against such insurer within the terms  
7 and limits of the policy for the amount of The judgment not  
8 exceeding the amount of the policy."

9 Section 119. Title 37 of the Code of the Federated States of Micronesia  
10 is hereby enacted by adding a new section 218 to read as follows:

11 "Section 218. Open or valued. A policy is either: (a) An open  
12 policy that is one wherein the value of the subject matter is not  
13 agreed upon but is left to be ascertained in case of loss. An open  
14 policy shall not be written on real property for fire insurance or  
15 miscellaneous insurance.

16 (b) A valued policy which is one containing on its face an  
17 expressed agreement that the thing insured shall be valued at a  
18 specified sum."

19 Section 120. Title 37 of the Code of the Federated States of Micronesia  
20 is hereby enacted by adding a new section 219 to read as follows:

21 "Section 219. Form: Approval. It shall be unlawful for an insurer  
22 to use a policy form in affecting insurance without first obtaining  
23 the Commissioner's approval thereof as provided herein:

24 (a) The Commissioner shall study each form for the  
25 purpose of guarding against any fraud, misrepresentation or

1 other forms of unfairness to the writings of the insured; if he shall  
2 approve a form, he shall endorse his approval on the face of both  
3 duplicates and transmit one to the insured and keep one in his  
4 permanent files; if he shall disapprove a form, he shall issue an  
5 order of disapproval stating therein his reasons and transmit a  
6 copy of the same to the insurer.

7 (b) All policies and provisions therein shall be printed in a  
8 type which the face is not smaller than ten-point."

9 Section 121. Title 37 of the Code of the Federated States of Micronesia  
10 is hereby enacted by adding a new section 220 to read as follows:

11 "Section 220. Coinsurance clause explanation. Where a policy  
12 contains a coinsurance clause, the insurer shall notify the policy  
13 holder of its existence, such notification to include the following  
14 information:

15 (a) The name of the insured;

16 (b) The policy number of the policy and the effective  
17 date thereof;

18 (c) The following notice in type of which the face is not  
19 smaller than six points:

20 "Important, this policy contains a coinsurance clause. If the  
21 amount of insurance purchased is not equal to the cash or  
22 replacement cost of your insured property then the settlement  
23 you receive arising from future losses will not be sufficient to  
24 replace the loss you have suffered. It is your responsibility as the  
25 insured to make certain the insured values, as stated below, it

1 equal to cash value or full replacement cost of your insured  
2 property if you desire full protection."

3 (d) The coinsurance clause in its entirety is a type of  
4 which the face is not smaller than six points;

5 (e) The insured value of the property."

6 Section 122. Title 37 of the Code of the Federated States of Micronesia  
7 is hereby enacted by adding a new section 221 to read as follows:

8 "Section 221. Same: Notification. Notification of the coinsurance  
9 clause, as required by Section 358, shall be made in the manner  
10 and at such intervals in time as shall be prescribed by the  
11 insurance Commissioner."

12 Section 123. Title 37 of the Code of the Federated States of Micronesia  
13 is hereby enacted by adding a new section 222 to read as follows:

14 "Section 222. Accrual of premium. The insurer is entitled to  
15 payment of the premium as soon the subject matter insured is  
16 exposed to the peril insured against."

17 Section 124. Title 37 of the Code of the Federated States of Micronesia  
18 is hereby enacted by adding a new section 223 to read as follows:

19 "Section 223. Right to return of premium. Unless the insurance  
20 contract otherwise provides, a person insured is entitled to a  
21 return of premium after a policy is canceled or rescinded as  
22 provided herein:

23 (a) To the whole premium if no part of is interest in the  
24 thing insured is exposed to any of the perils insured against;

25 (b) Where the insurance is for a definite term, and the

1 insured surrenders his policy, to such proportion of the premium  
2 as corresponds to the un expired portion of the term after  
3 deducting from the whole premium any claim for loss or damage  
4 which has previously accrued;

5 (c) When the contract is void or avoidable on account of  
6 the fraud or misrepresentation of the insurer;

7 (d) When the contract is void or voidable on account of  
8 facts of the existence of which the insured are ignorant without  
9 his fault;

10 (e) When, by and default of the insured other than  
11 actual fraud, the insurer did not incur any liability under the policy."

12 Section 125. Title 37 of the Code of the Federated States of Micronesia  
13 is hereby enacted by adding a new section 224 to read as follows:

14 "Section 224. Acknowledgment of receipt of premium. An  
15 acknowledgment in a policy of receipt of the premium is conclusive  
16 evidence of its payment, so far as to make the policy binding,  
17 notwithstanding any stipulation in the policy that it shall not be  
18 binding until the premium is actually paid".

19 Section 126. Title 37 of the Code of the Federated States of Micronesia  
20 is hereby enacted by adding a new section 225 to read as follows:

21 "Section 225. Approval. (a) All rates, rate schedules, rate plans,  
22 and methods of computing rates to be applied to any insurance  
23 transacted in the FSM shall be filed in the office of the  
24 Commissioner, and before any rates may be charged, advertised,  
25 publicized or otherwise represented, they shall have the approval

1 of the Commissioner.

2 (b) It shall be unlawful for any insurer to use rates in  
3 violation of the provisions of this section, or to after, amend or  
4 otherwise change any rates without the approval of the  
5 Commissioner.

6 (c) It shall be unlawful for any insure to charge any rate  
7 for any insurance transacted in FSM other than the rate approved  
8 by the Commissioner for such insurer for such risk and class of  
9 insurance."

10 Section 127. Title 37 of the Code of the Federated States of Micronesia  
11 is hereby enacted by adding a new section 226 to read as follows:

12 "Section 226. Standards. An insurer in making rates, and the  
13 Commissioner in approving them, shall apply the standards  
14 prescribed in this section:

15 (a) Rates shall not be excessive or inadequate, as herein  
16 provided, nor shall they be unfairly discriminatory.

17 (b) No rate shall e held excessive unless such rate is  
18 unreasonably high for the insurance provided and reasonable  
19 degree of competition does not exist in FSM with respect to the  
20 classification to which such rate is applicable.

21 (c) No rate shall be held inadequate unless such rate is  
22 unreasonably low for the insurance provided and the continued  
23 use of such rate endangers the solvency of the insurer; or unless  
24 such rate is unreasonably low for the insurance provided and the  
25 use of such rate by the insurer will have the effect of destroying

1 competition in FSM.

2 (d) Consideration shall be given, to the extent applicable,  
3 to past and prospective loss experiences, to prevailing hazards,  
4 and to underwriting profits, contingencies, expenses and other  
5 normal business requirements and factors."

6 Section 128. Title 37 of the Code of the Federated States of Micronesia  
7 is hereby enacted by adding a new section 227 to read as follows:

8 "Section 227. Rating bureaus. Insurers are authorized to  
9 become members or subscribers of rating bureaus, or advisory  
10 organizations of a like nature and may use the rates, rating  
11 systems, and underwriting rules and policy forms of such  
12 organizations, provided the same are not excessive, inadequate,  
13 nor unfairly discriminatory, conform to the provisions of this Title,  
14 and are approved by the Commissioner prior to their use as  
15 provided".

16 Section 129. Title 37 of the Code of the Federated States of Micronesia  
17 is hereby enacted by adding a new section 228 to read as follows:

18 "Section 228. Peril no insured against: rescue efforts. An Insurer  
19 is liable:

20 (a) Where the thing insured is rescued from a peril  
21 insured against and which would otherwise have caused a loss if in  
22 the course of such rescue, the thing is exposed to a peril not  
23 insured against, and which permanently deprives the insured of its  
24 possession, in whole or in part.

25 (b) If a loss is caused by efforts to rescue the thing



1 insured from a peril insured from a peril insured against."

2 Section 130. Title 37 of the Code of the Federated States of Micronesia  
3 is hereby enacted by adding a new section 229 to read as follows:

4 "Section 229. Willful act of insured: negligence. An insurer is not  
5 liable for a loss caused by the willful act of the insured; but he is  
6 exonerated by the negligence of the insured or of the insurer's  
7 agents or others."

8 Section 131. Title 37 of the Code of the Federated States of Micronesia  
9 is hereby enacted by adding a new section 230 to read as follows:

10 "Section 230. Notice of loss. Failure to give notice of loss  
11 covered by marine or fire insurance within any period provided for  
12 by the policy or otherwise, shall not exonerate the insurer if the  
13 notice is given within a reasonable time after the insured loss has  
14 or should have first knowledge of said loss. In all other classes of  
15 insurance, the insured shall have at least twenty (20) days after  
16 the event within which to give notice of loss. No requirement of  
17 notice within a lesser period is valid."

18 Section 132. Title 37 of the Code of the Federated States of Micronesia  
19 is hereby enacted by adding a new section 231 to read as follows:

20 "Section 231. Preliminary proof of loss. When preliminary proof  
21 of loss is required by a policy, the insured is not bound to give  
22 such proof as would be necessary in a court of justice, but it is  
23 sufficient for him to give the best evidence in his power at the  
24 time."

25 Section 133. Title 37 of the Code of the Federated States of Micronesia

1 is hereby enacted by adding a new section 232 to read as follows:

2 "Section 232. Waiver of defects in notice or preliminary proof. All  
3 defects in a notice of loss, or in preliminary proof thereof, which  
4 the insured might remedy, and which the insurer omits to specify  
5 to him, without unnecessary delay, as grounds of objection, are  
6 waived."

7 Section 134. Title 37 of the Code of the Federated States of Micronesia  
8 is hereby enacted by adding a new section 233 to read as follows:

9 "Section 233. Waiver of delay. Delay in the presentation to an  
10 insurer of notice, or preliminary proof of loss, is waived if caused  
11 by an act of the insurer, or if he omits to make objection  
12 promptly and specifically upon that ground."

13 Section 135. Title 37 of the Code of the Federated States of Micronesia  
14 is hereby enacted by adding a new section 234 to read as follows:

15 "Section 234. Policy requiring proof by third person: Sufficiency of  
16 compliance. If a policy requires, by way of preliminary proof of  
17 loss, the certificate or testimony of a person other than the  
18 insured beneficiary, there is sufficient compliance with the  
19 requirement if the insured or the beneficiary (a) uses reasonable  
20 diligence to procure the certificate or testimony, and (b) in case  
21 of refusal to give it to him, furnishes reasonable evidence to the  
22 insurer that the refusal was not induced by just grounds of  
23 disbelief in the facts necessary to be certified or testified to."

24 Section 136. Title 37 of the Code of the Federated States of Micronesia  
25 is hereby enacted by adding a new section 235 to read as follows:

1           "Section 235. Failure to pay loss, recovery of amount due and  
2           damages. In all cases where loss occurs and the insurer liable  
3           therefor shall fail to pay the same within the time specified in the  
4           policy, after demand made therefor, such insurer shall be liable to  
5           pay the holder of such policy, in addition to the amount of such  
6           loss, twelve percent (20%) damages upon the amount of such  
7           loss, together with all reasonable attorney"s fees for the  
8           prosecution and collection of said loss; said attorney"s fees for  
9           the prosecution and collection of said loss; said attorney"s fees  
10          to be taxed by the court where the same is heard on original  
11          action, by appeal or otherwise, and to be taxed as a part of the  
12          costs therein, and collected as other cost are or may be by law  
13          collected; and writs of attachment or garnishment filed or issued  
14          after proof of loss or death has been received by the insurer shall  
15          not defeat the provisions of this section, provided the insurer  
16          desiring to pay the amount of the claim as shown in the proof of  
17          loss or death may pay said amount into the registry of the court  
18          after issuance of writs of attachment and garnishment, in which  
19          event there shall be no further liability on the part of said insurer."

20          Section 137. Title 37 of the Code of the Federated States of Micronesia  
21          is hereby enacted by adding a new section 236 to read as follows:

22               "Section 236. Total loss by fire or miscellaneous insurance:  
23               recovery of full amount. A fire or miscellaneous insurance policy, in  
24               case of a total loss of any risk insured under the classes specified  
25               in this Title as fire or miscellaneous insurance shall be held and

1 considered to be a liquidated demand against the insurer taking  
2 such risk for the full amount stated in such policy, or the full  
3 amount upon which the insurer charges, collects or receives a  
4 premium; provided the provisions of this article shall not apply to  
5 personal property. In the event of a total loss or destruction of  
6 any personal property on which the amount of the appraisal or  
7 agreed loss is less than the total amount insured thereon, the  
8 insurer shall return to the insured the unearned premium for the  
9 excess of insurance over the appraised or agreed loss, to be paid  
10 at the same time and in the same manner as the loss shall be  
11 paid; and the unearned premium shall be a just and legal claim  
12 against the insurer."

13 Section 138. Title 37 of the Code of the Federated States of Micronesia  
14 is hereby enacted by adding a new section 237 to read as follows:

15 "Section 237. Double insurance. Double insurance exists when the  
16 same person is insured by several insurers separately in respect  
17 to the same subject, interest and risk."

18 Section 139. Title 37 of the Code of the Federated States of Micronesia  
19 is hereby enacted by adding a new section 238 to read as follows:

20 "Section 238. Same: Contribution. In case of double insurance,  
21 the several insurers are liable to pay losses thereon as follows:

22 (a) Fire insurance. In fire and miscellaneous insurance,  
23 each insurer shall contribute ratably without regard to the dates  
24 of the several policies.

25 (b) Marine insurance. In marine insurance, the liability of

the several insurers for a total loss, whether actual or constructive, where the policies are not simultaneous, is in the order of these dates of the several policies. No liability attaches to a second or other subsequent policy, except as to the excess of the loss over the amount of all previous policies on the same interest. If two (2) or more policies bear the same date, they are deemed to be simultaneous, and each insurer on simultaneous policies shall contribute ratably, the insolvency of any of the insurers does not affect the proportionate liability of the other insurers. All insurers on the same marine interest shall contribute ratably for a partial or average loss."

Section 140. Title 37 of the Code of the Federated States of Micronesia is hereby enacted by adding a new section 239 to read as follows:

"Section 239. Definitions. A contract of reinsurance is one by which an insurer procures a third person to insure him against loss or liability by reason of such original Insurance."

Section 141. Title 37 of the Code of the Federated States of Micronesia is hereby enacted by adding a new section 240 to read as follows:

"Section 240. Authorization. No admitted insurer shall reinsure with any other insurer who has not been previously admitted in FSM, or who has not been approved by the Commissioner as a reinsure."

Section 142. Title 37 of the Code of the Federated States of Micronesia is hereby enacted by adding a new section 241 to read as follows:

"Section 241. Definitions. As used in this Chapter the following

1 definitions shall apply:

2 (a) "Policy of automobile insurance" or "policy" means a  
3 policy of motor vehicle insurance as defined by section 306 of this  
4 Title.

5 (b) "Renewal" or "to renew" means the issuance and  
6 delivery by an insurer of a policy superseding at the end of the  
7 policy period a policy previously issued and delivered by the same  
8 insurer, such renewal policy to provide types and limits of  
9 coverage at least equal to those contained in the policy being  
10 superseded, or the issuance and delivery of a certificate or notice  
11 extending the term of a policy beyond its policy period or term  
12 with types and limits of coverage at least equal to those  
13 contained in the policy being extended; Provided, however, that  
14 any policy with a policy period or term of less than twelve (12)  
15 months or any period with no fixed expiration date shall for the  
16 purpose of this Chapter be considered as if written for successive  
17 policy periods or terms of twelve (12) months.

18 (c) "Insurer" Means any insurance company, association  
19 or exchange authorized to transact the business of automobile  
20 insurance in FSM.

21 (b) "Nonpayment of premium" means failure of the  
22 named insured to discharge when due any of his obligations in  
23 connection with the payment of premiums on a policy, or any  
24 installment of such premium, whether the premium is payable  
25 directly to the insurer or its agent or indirectly under any premium

1 finance plan or extension of credit."

2 Section 143. Title 37 of the Code of the Federated States of Micronesia  
3 is hereby enacted by adding a new section 242 to read as follows:

4 "Section 242. Coverage. This Chapter shall apply only to that  
5 portion of a policy of automobile insurance providing bodily injury  
6 and property damage liability, comprehensive, and collision  
7 coverage"s and to the provisions therein, if any, relating to  
8 medical payments and uninsured motorists coverage."

9 Section 144. Title 37 of the Code of the Federated States of Micronesia  
10 is hereby enacted by adding a new section 243 to read as follows:

11 "Section 243. Discrimination. No insurer shall cancel or refuse to  
12 write or renew a policy of automobile insurance solely because of  
13 the age, residence, race, color, creed, national origin, ancestry or  
14 lawful occupation (including the military service) of anyone who is  
15 or seeks to become insured, or solely because another insurer has  
16 refused to write a policy, or has canceled, or has refused to  
17 renew an existing policy in which that person was the named  
18 insured."

19 Section 145. Title 37 of the Code of the Federated States of Micronesia  
20 is hereby enacted by adding a new section 244 to read as follows:

21 "Section 244. Cancellation of policies. No insurer shall cancel a  
22 policy except for one or the other of the following specified  
23 reasons:

24 (a) Nonpayment of premium; or

25 (b) The driver"s license or motor vehicle registration of

1 the named insured has been under suspension or revocation  
2 during the policy period; the applicability of this reason to one who  
3 either is a resident in the same household or who customarily  
4 operates an automobile insured under the policy shall be proper  
5 reason for the insurer thereafter excluding such individual from  
6 coverage under the policy, but not for canceling the policy."

7 Section 146. Title 37 of the Code of the Federated States of Micronesia  
8 is hereby enacted by adding a new section 245 to read as follows:

9 "Section 245. Notice to insured. No cancellation or refusal to  
10 renew by an insurer of a policy of automobile insurance shall be  
11 effective unless the insurer shall deliver or mail, to the named  
12 insured at the address shown in the policy, a written notice of the  
13 cancellation or refusal to renew. Such notice shall:

14 (a) Be approved as to form by the insurance  
15 Commissioner prior to use;

16 (b) State the date, not less than thirty (30) days after  
17 the date of such mailing or delivering on which such cancellation or  
18 refusal to new shall become effective, except that such effective  
19 date may be fifteen (15) days fro the date of mailing or delivery  
20 when it is being canceled or not renewed for the reason set forth  
21 in section 528(a);

22 (c) State the specific reason or reasons of the insurer  
23 for cancellation or refusal to renew or be accompanied by a  
24 statement that upon written request of the named insured, mailed  
25 or delivered to the insurer not less than twenty (20) days prior to



1 the effective date of cancellation or refusal to renew, the insurer  
2 will specify the reason or reasons for such cancellation, or refusal  
3 to renew, the insurer to supply such information within five (5)  
4 days of receipt by it of such request;

5 (d) Advise the insured of his right to request in writing,  
6 within ten (10) days of the receipt of the notice of cancellation or  
7 intention not to renew, or of the receipt of the reason or reasons  
8 for the cancellation or refusal to renew, if they were not stated in  
9 the notice of cancellation or of intention not to renew, that the  
10 insurance Commissioner review the action of the insurer."

11 Section 147. Title 37 of the Code of the Federated States of Micronesia  
12 is hereby enacted by adding a new section 246 to read as follows:

13 "Section 246. Application. Nothing in this chapter shall apply:

14 (a) If the insurer has manifested its willingness to renew  
15 by issuing or offering to issue a renewal policy, certificate or other  
16 evidence of renewal, or has manifested such intention by any other  
17 means;

18 (b) If the named insured has demonstrated by some  
19 over the action to the insurer or its agent that he wishes the  
20 policy to be canceled, or that he does not wish the policy to be  
21 renewed;

22 (c) To any policy of automobile insurance which has been  
23 in effect less than sixty (60) days, unless it is a renewal policy,  
24 except that no insurer shall decline to continue in force such a  
25 policy of automobile insurance solely on the basis of the ground

1 set forth in section 527;

2 (d) To any policy issued under an automobile assigned  
3 risk plan, nor to any policy insuring more than four (4)  
4 automobiles, nor to any policy covering garage, automobile sales  
5 agency repair shop, service station or public parking plan  
6 operation hazards."

7 Section 148. Title 37 of the Code of the Federated States of Micronesia  
8 is hereby enacted by adding a new section 247 to read as follows:

9 "Section 247. Information. There shall be no liability on the part  
10 of and no cause of action of any nature shall arise against the  
11 Insurance Commissioner, any insurer, the authorized  
12 representatives, agents and employees of either or any firm,  
13 person, or corporation, furnishing to the insurer information as to  
14 reasons for cancellation or refusal to write or renew, for any  
15 statement made by any of them in complying with this Chapter or  
16 for the providing of information pertaining thereto."

17 Section 149. Title 37 of the Code of the Federated States of Micronesia  
18 is hereby enacted by adding a new section 248 to read as follows:

19 "Section 248. Request for review. (a) Any insured may, within ten  
20 (10) days of the receipt by the insured of notice of cancellation or  
21 notice of intention not to renew, or of the receipt of the reason or  
22 reasons for the cancellation or refusal to renew, if they were not  
23 stated in the notice, request in writing to the Insurance  
24 Commissioner that he review the action of the insurer in canceling  
25 or refusing to renew the policy of such insured.

1 (b) Any applicant for a policy who is refused such policy  
2 by an insurer may in writing within ten (10) days of notice of such  
3 refusal request the insurer to supply the reasons for such refusal.  
4 The insurer shall supply such reasons within five (5) days of  
5 receipt by it of such request. Within ten (10) days of the receipt  
6 of such reasons, the applicant may request in writing to the  
7 Insurance Commissioner that he review the action of the insurer in  
8 refusing to write a policy for the applicant."

9 Section 150. Title 37 of the Code of the Federated States of Micronesia  
10 is hereby enacted by adding a new section 249 to read as follows:

11 "Section 249. Review. On receipt of a request for review, the  
12 Insurance Commissioner or his designated representative shall  
13 notify the insurer thereof, and shall review the matter to  
14 determine whether the cancellation or refusal to renew or to write  
15 was in violation of this Chapter, and shall within forty (40) days of  
16 the receipt of such request either order the policy written or  
17 reinstated, or uphold the cancellation or refusal to renew. In the  
18 case of a cancellation of or refusal to renew a policy, such policy  
19 shall remain in effect until the conclusion of such review."

20 Section 151. Title 37 of the Code of the Federated States of Micronesia  
21 is hereby enacted by adding a new section 250 to read as follows:

22 "Section 250. Rules and regulations. The Insurance Commissioner  
23 shall promulgate rules and regulations necessary for the  
24 administration of this Chapter. The Commissioner may provide in  
25 such rules and regulations for the establishment of a filing fee, to

1 accompany the request for review. Should the Insurance  
2 commissioner decide the appeal in favor of the insured, the filing  
3 fee shall be returned immediately and fee shall be paid by the  
4 insurer."

5 Section 152. Title 37 of the Code of the Federated States of Micronesia  
6 is hereby enacted by adding a new section 251 to read as follows:

7 "Section 251. Records. Each insurer shall maintain records of the  
8 numbers of cancellations and refusals to write or renew policies  
9 and the reasons therefor and shall supply to me Insurance  
10 Commissioner such information as he may request."

11 Section 153. Title 37 of the Code of the Federated States of Micronesia  
12 is hereby enacted by adding a new section 252 to read as follows:

13 "Section 252. Short title. This chapter shall be known and may  
14 be cited as "Uniform Consumer Credit Code-Insurance."

15 Section 154. Title 37 of the Code of the Federated States of Micronesia  
16 is hereby enacted by adding a new section 253 to read as follows:

17 "Section 253. Scope. This chapter applies to insurance provided  
18 or to be provided in relation to a consumer credit sale (section  
19 104), a consumer lease (section 106), or a consumer loan  
20 (section 104). Except as provided in this chapter as to  
21 cancellation of insurance pursuant to a premium finance loan  
22 (section 401), it does not apply to insurance the financing of  
23 which is the primary purpose of the loan."

24 Section 155. Title 37 of the Code of the Federated States of Micronesia  
25 is hereby enacted by adding a new section 254 to read as follows:

1 "Section 254. Definition. In this chapter "consumer credit  
2 insurance" means insurance, other than insurance on property, by  
3 which the satisfaction of debt in whole or in part is a benefit  
4 provided, but does not include insurance issued as an isolated  
5 transaction of the part of the insurer not related to an  
6 agreement or plan for insuring debtors of the creditor."

7 Section 156. Title 37 of the Code of the Federated States of Micronesia  
8 is hereby enacted by adding a new section 255 to read as follows:

9 "Section 255. Creditor's provision of and charge for insurance.  
10 Except as otherwise provided in this chapter, a creditor may  
11 agree to provide insurance, and may contract for and receive a  
12 charge for insurance separate form and in addition to other  
13 charges. A creditor need not make a separate charge for  
14 insurance provided or required by him. This Act does not  
15 authorize the issuance of any insurance prohibited under any  
16 statute, or rule thereunder, governing the business of insurance."

17 Section 157. Title 37 of the Code of the Federated States of Micronesia  
18 is hereby enacted by adding a new section 256 to read as follows:

19 "Section 256. Conditions applying to insurance to be provided by  
20 creditor. If a creditor agrees with a debtor that insurance will be  
21 provided:

22 (1) the insurance shall be evidenced by an individual  
23 policy or certificate of insurance;

24 (2) the policy or certificate of insurance shall be  
25 delivered to the debtor, or sent to him at his address as stated

1 by him, within thirty (30) days after the term of the insurance  
2 commences under the agreement between the creditor and  
3 debtor; and

4 (3) the creditor shall promptly notify the debtor of any  
5 failure or delay in providing the insurance."

6 Section 158. Title 37 of the Code of the Federated States of Micronesia  
7 is hereby enacted by adding a new section 257 to read as follows:

8 "Section 257. Unconscionability resulting from insurance charge.

9 (1) In applying the provisions of this Act on Unconscionability to  
10 a separate charge for insurance, consideration shall be given  
11 among other factors, to:

12 (a) Potential benefits to the debtor including the  
13 satisfaction of his obligations;

14 (b) the creditor's need for the security provided  
15 by the insurance; and

16 (c) the relation between the amount and terms of  
17 credit granted and the insurance benefits provided.

18 (2) If consumer credit insurance otherwise complies wit this  
19 chapter, neither the term nor the amount of the insurance is of  
20 itself unconscionable."

21 Section 159. Title 37 of the Code of the Federated States of Micronesia  
22 is hereby enacted by adding a new section 258 to read as follows:

23 "Section 258. Maximum charge by creditor for insurance. (1)

24 Except as provided in Subsection (2), if a creditor contracts for  
25 or receives a separate charge for insurance, the amount charged

1 to the debtor for the insurance may not exceed the premium to  
2 be charged by the insurer, as computed at the time the charge to  
3 the debtor is determined, conforming to any rate filings required  
4 by law and made by the insurer with the Commissioner of  
5 insurance.

6 (2) A creditor who provides consumer credit insurance in  
7 relation to a revolving charge account or revolving loan account  
8 may calculate the charge to the debtor by applying, in each billing  
9 cycle, the current premium rate to the debtor's unpaid balance  
10 upon which the credit service charge or loan finance charge is  
11 calculated.

12 Section 160. Title 37 of the Code of the Federated States of Micronesia  
13 is hereby enacted by adding a new section 259 to read as follows:

14 "Section 259. Refund or credit required; amount. (1) This chapter  
15 does not require a creditor to grant a refund or credit to the  
16 debtor if all and refund and credits due to the debtor under this  
17 chapter amount to less than one dollar (\$1.00), and does not  
18 require the creditor to account to the debtor for any portion of a  
19 separate charge for insurance because:

20 (a) the insurance is terminated by performance of  
21 the insurer's obligation;

22 (b) the creditor pays or accounts for premiums  
23 to the insurer in amounts and at times determined by the  
24 agreement between them; or

25 (c) under any policy of insurance, the creditor

1 receives directly or indirectly a gain or advantage not prohibited  
2 by law.

3 (2) Except as provided in Subsection (1), the creditor  
4 shall promptly make or cause to be made an appropriate refund  
5 or credit to the debtor with respect to any separate charge  
6 made to him for insurance if:

7 (a) the insurance is not provided or is provided  
8 for a shorter term than that for which the charge to the debtor  
9 for insurance was computed; or

10 (b) the insurance terminates prior to the term for  
11 which it was written because of repayment in full or otherwise.

12 (3) A refund or credit required by Subsection (2) is  
13 appropriate as to amount if it is computed according to a  
14 method prescribed or approved by the Commissioner of Insurance  
15 or a formula filed by the insurer with the Commissioner of  
16 Insurance at least thirty (30) days before the debtor's right to a  
17 refund or credit becomes determinable, unless the method or  
18 formula is employed after the Commissioner of Insurance notifies  
19 the insurer that he disapproves it."

20 Section 161. Title 37 of the Code of the Federated States of Micronesia  
21 is hereby enacted by adding a new section 260 to read as follows:

22 "Section 260. Existing insurance; choice of insurer, if a creditor  
23 requires insurance, upon notice to him debtor shall have the option  
24 of providing the required insurance through existing policies of  
25 insurance owned or controlled by him, or thorough policies to be



1           obtained and paid for by him, but the creditor may for reasonable  
2           cause decline the insurance provided by the debtor."

3           Section 162. Title 37 of the Code of the Federated States of Micronesia  
4   is hereby enacted by adding a new section 261 to read as follows:

5           "Section 261. Charge for insurance in connection with a  
6           deferment, refinancing or consolidation; duplicate charges. (1) A  
7           creditor may not contract for or receive a separate charge for  
8           insurance in connection with a deferment a refinancing, or a  
9           consolidation unless:

10                   (a)   the debtor agrees at or before the time of  
11           the deferment, refinancing or consolidation that the charge may  
12           be made;

13                   (b)   coverage is provided or to be provided to the  
14           debtor, as to term, amount or kind of insurance, in addition to  
15           that to which he would have been entitled had there been no  
16           deferment, refinancing or consolidation;

17                   (c)   the debtor receives the refund or credit on  
18           account of any un expired term of existing insurance that would  
19           be appropriate as to amount if the insurance were terminated  
20           (108): and

21                   (d)   the charge does not exceed the amount  
22           permitted by this chapter.

23                   (2)   A creditor may not contract for or receive a  
24           separate charge for insurance which duplicates insurance with  
25           respect to which the creditor has previously contracted for or

1 received a separate charge."

2 Section 163. Title 37 of the Code of the Federated States of Micronesia  
3 is hereby enacted by adding a new section 262 to read as follows:

4 "Section 262. Cooperation between Administrator and  
5 Commissioner of insurance. The Administrator and the  
6 Commissioner of Insurance are authorized and directed to consult  
7 and assist one another in maintaining compliance with this  
8 chapter. They may jointly pursue investigations, prosecute suits  
9 and take other official action, as may seem to them appropriate,  
10 if either of them is otherwise empowered to take the action. If  
11 the Administrator is informed of a violation or supposed violation  
12 by an insurer of this chapter, or of the insurance laws and  
13 regulations of this territory, he shall advise the Commissioner of  
14 insurance of the circumstances".

15 Section 164. Title 37 of the Code of the Federated States of Micronesia  
16 is hereby enacted by adding a new section 263 to read as follows:

17 "Section 263. Term of Insurance. (1) Consumer credit insurance  
18 provided by a creditor may be subject to the furnishing of  
19 evidence of insurability satisfactory to the insurer. Whether or not  
20 such evidence is required, the term of the insurance shall  
21 commence no later than at the time when the debtor becomes  
22 obligated to the creditor or on the date the debtor applies for  
23 the insurance, whichever is later, except as follows:

24 (a) If any required evidence of insurability is not  
25 furnished until more than thirty (30) days after the term would

1 otherwise commence, the term may commence on the date when  
2 the insurer determines the evidence to be satisfactory; and

3 (b) If the creditor provides insurance not  
4 previously provided covering debts previously created, the term  
5 may commence on the effective date of the policy.

6 (2) The originally scheduled term of the insurance shall  
7 extend at least until the due date of the last scheduled payment  
8 of the debt except as follows:

9 (a) If the insurance relates to a revolving charge  
10 account or revolving loan account, the term need extend only until  
11 the payment of the debt under the account and may be sooner  
12 terminated after at least thirty (30) days" notice to the debtor;  
13 and

14 (b) If the debtor is advised in writing that the  
15 insurance will be written for a specified shorter time, the term  
16 need extend only until the end of the specified time.

17 (3) The term of the insurance shall not extend more than  
18 fifteen (15) days after the originally scheduled due date of the  
19 last scheduled payment of the debt unless it is extended without  
20 additional cost to the debtor or as an incident to a deferment,  
21 refinancing or consolidation."

22 Section 165. Title 37 of the Code of the Federated States of Micronesia  
23 is hereby enacted by adding a new section 264 to read as follows:

24 "Section 264. Amount of consumer credit Insurance. (1) Except  
25 as provided in Subsection (2):

1 (a) in the case of credit life insurance, the amount  
2 of insurance may not initially exceed the debt and, if the debt is  
3 payable in installments, may not at any time exceed the greater  
4 of the scheduled or actual amount of the debt; or

5 (b) in the case of any other consumer credit  
6 insurance, the total of scheduled unpaid installments of the debt,  
7 and the amount of any periodic benefit may not exceed the  
8 original amount of debt divided by the number of periodic  
9 installments in which it is payable.

10 (2) If consumer credit insurance is provided in connection  
11 with a revolving charge account or revolving loan account, or in  
12 connection with a commitment to grant credit in the future, the  
13 amounts payable as insurance benefits may be reasonably  
14 commensurate with the total from time of the amount of debt  
15 and the amount of any commitment. If the debt or commitment  
16 is primarily for an agricultural purpose, and there is no regular  
17 schedule of payment, the amounts payable as insurance benefits  
18 may equal the total of the initial amount of debt and the amount  
19 of any commitment.

20 (3) The excess amount of a charge for Insurance  
21 provided for in agreements in violation of this Section is an excess  
22 charge for the purposes of the provisions of the chapter on  
23 Remodels and Penalties (Chapter 5) as to the effect of violations  
24 on rights of parties (section 201) and of the provisions of the  
25 chapter on Administration (Article 6) as to administrative

1 enforcement orders (section 018) and as to civil actions by the  
2 Administrator (section 113)."

3 Section 166. Title 37 of the Code of the Federated States of Micronesia  
4 is hereby enacted by adding a new section 265 to read as follows:

5 "Section 265. Filing and approval of rates and forms. (1) A  
6 creditor may not provide consumer credit Insurance upon a form  
7 delivered or issued for delivery in this territory or at a premium  
8 rate or charge unless the form and premium rate or charge have  
9 been approved by the Commissioner of Insurance or have been on  
10 file with him for thirty (30) days and he has not notified the  
11 Insurer of his disapproval.

12 (2) All policies, certificates of Insurance, notices of  
13 proposed Insurance, applications for Insurance, endorsements and  
14 riders relating to consumer credit Insurance delivered or issued  
15 for delivery in this territory and the schedules of premium rates or  
16 charges pertaining thereto shall be filed by the insurer with the  
17 Commissioner of Insurance.

18 (3) If a group policy of consumer credit Insurance has  
19 been or is delivered in another state before or after the effective  
20 date of this Act, the Insurer shall file with the Commissioner of  
21 Insurance the group certificate of Insurance and notice of  
22 proposed Insurance delivered or issued for delivery in this territory  
23 and the schedules of premium rates or charges pertaining  
24 thereto.

25 (4) The Commissioner of Insurance shall, within thirty

1 (30) days after the filing, according to Subsection (2) or (3), of  
2 any form or schedule of premium rates or charges, disapprove  
3 the form or schedule of premium rates or charges and notify the  
4 Insurer of his disapproval:

5 (a) If the premium rates or charges are  
6 unreasonable in relation to the benefits provided under the form;  
7 or

8 (b) If the form contains provisions which are  
9 unjust, unfair, inequitable or deceptive or encourage  
10 misrepresentation of the coverage or are contrary to any  
11 provision of the Insurance Code, Title 37 Code of FSM or of any  
12 rule or regulation promulgated thereunder.

13 (5) A term of consumer credit Insurance of ten (10)  
14 years or less is presumed not to be unjust, unfair or inequitable."

15 Section 167. Title 37 of the Code of the Federated States of Micronesia  
16 is hereby enacted by adding a new section 266 to read as follows:

17 "Section 266. Property Insurance. (1) A creditor may not  
18 contract for or receive a separate charge for Insurance against  
19 loss of or damage to property unless:

20 (a) the Insurance covers a substantial risk of loss  
21 of or damage to property related to the credit transaction;

22 (b) the amount, terms and conditions of the  
23 Insurance are reasonable in relation to the character and value of  
24 the property Insured or to be Insured; and

25 (c) the term of the Insurance is reasonable in



1 relation to the terms of credit.

2 (2) The term of the Insurance is reasonable if it is  
3 customary and does not extend substantially beyond a scheduled  
4 maturity.

5 (3) A creditor may not contract for or receive a  
6 separate charge for Insurance against loss of or damage to  
7 property unless the amount financed or principal exclusive of  
8 charges for the Insurance is three hundred dollars (\$300.00) or  
9 more, or the - value of the property is three hundred dollars  
10 (\$300.00) or more.

11 (4) The excess amount of charge for insurance provided  
12 for agreements in violation of this Section is an excess charge for  
13 the purposes of the provisions of the chapter on Remedies and  
14 Penalties (Chapter 5) as to the effect of violations on rights or  
15 parties (section 201) and of the provisions of the chapter on  
16 Administration (Chapter 6) as to administrator (section 113).

17 (5) The amounts of three hundred dollars (\$300.00) in  
18 Subsection (3) are subject to change pursuant to the provisions o  
19 adjustment of dollar amounts (section 106)."

20 Section 168. Title 37 of the Code of the Federated States of Micronesia  
21 is hereby enacted by adding a new section 267 to read as follows:

22 "Section 267. Insurance on creditor's interest only. If a creditor  
23 contracts for or receives a separate charge for insurance against  
24 loss of or damage to property, the risk of accidental loss or  
25 damage is on the debtor only to the extent of any deficiency in

1 the effective coverage of the insurance, even though the insurance  
2 covers only the interest of the creditor.

3 Section 169. Title 37 of the Code of the Federated States of Micronesia  
4 is hereby enacted by adding a new section 268 to read as follows:

5 "Section 268. Liability insurance. A creditor may not contract for  
6 or receive a separate charge for insurance against liability unless  
7 the insurance covers a substantial risk of liability arising out of the  
8 ownership or use of property related to the credit transaction.  
9 The excess amount of a charge for insurance provided for in  
10 agreements in violation of this Section is an excess charge for the  
11 purposes of the provisions of the chapter on Remedies and  
12 Penalties (Chapter 5) as to the effect of violations on rights of  
13 parties (section 201) and of the provisions of the chapter on  
14 Administration (Article 6) as to administrative enforcement  
15 orders (section 108) and as to civil actions by the Administrator  
16 (section 6113)."

17 Section 170. Title 37 of the Code of the Federated States of Micronesia  
18 is hereby enacted by adding a new section 269 to read as follows:

19 "Section 269. Cancellation by creditor. A creditor shall not  
20 request cancellation of a policy of property or liability insurance  
21 except in accordance with a written authorization by the debtor  
22 and with a written notice delivered to him or mailed to him at his  
23 address as stated by him. The notice shall state that the policy is  
24 to be canceled on a date not less than ten (10) days after the  
25 notice is delivered, or, if the notice is mailed, not less than thirteen



1 (13) days after it is mailed."

2 Section 171. Title 37 of the Code of the Federated States of Micronesia  
3 is hereby enacted by adding a new section 270 to read as follows:

4 "Section 270. Cancellation of Insurance pursuant to a premium  
5 finance loan.

6 (1) With respect to a premium finance loan, the debtor  
7 may give the lender authority to cancel insurance contracts  
8 obtained for the debtor pursuant to the premium finance loan  
9 agreement.

10 (2) A lender may not cancel unless he gives the debtor  
11 fifteen (15) days written notice that cancellation of a specified  
12 insurance contract will become effective on a stated date and at  
13 a stated time unless the debtor before that date cures his default  
14 with respect to the premium finance loan. The debtor may cure  
15 his default by paying to the lender the amount of the installment  
16 payments due, without acceleration of the unpaid balance of the  
17 principal, at the time notice is given, together with the amount of  
18 delinquency or deferral charges due at that time.

19 (3) Upon cancellation the lender shall rebate or refund to  
20 the debtor the amount of any unearned loan finance charge. The  
21 amount of the rebate shall be equal to the amount of the  
22 unearned loan finance charge that would have been rebated or  
23 refunded pursuant to section 210) if the loan had been prepaid in  
24 full at the date of cancellation.

25 (4) All laws of this territory relating to cancellation of

1 insurance contracts must be complied with, when cancellation  
2 occurs pursuant to this Section.

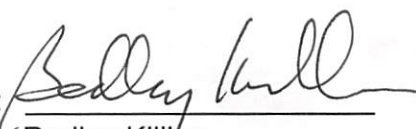
3 (5) If the Insurance contract with, when cancellation of  
4 insurance contracts must be complied with, when cancellation  
5 occurs pursuant to this Section.

6 (a) The notice of cancellation shall briefly inform the  
7 debtor of the consequences under the law of this territory of  
8 operating a motor vehicle without liability Insurance;and

9 (b) A copy of the notice of cancellation shall be sent to  
10 the Division of Licenses and Registration of the Department of  
11 Revenue and Taxation. Effective Date."

12 Section 172. This act shall become law upon approval by the President  
13 of the Federated States of Micronesia, or upon its becoming law without such  
14 approval.

15  
16 Date: Aug. 08, 1997

Introduced by:   
Redley Killion