



The President
Palikir, Pohnpei
Federated States of Micronesia

October 22, 2013

The Honorable Dohsis Halbert
Speaker
18th FSM Congress
Palikir, Pohnpei FM 96941

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OCT 22 2013

FSM Congress
Speakers Office

PRESIDENTIAL COMM. NO. 18/131
FSM CONGRESS

Dear Speaker Halbert:

I am pleased to transmit the following Congressional Action, which I have signed to become Public Law No. 18-20:

Congressional Act No. 18-17, "AN ACT TO FURTHER AMEND SECTIONS 1001, 1002 AND 1007 OF TITLE 37 OF THE CODE OF THE FEDERATED STATES OF MICRONESIA, AS AMENDED BY PUBLIC LAWS NOS. 15-34 AND 16-17, BY INCLUDING A DEFINITION FOR CLASS IV CAPTIVE INSURANCE COMPANIES, AND FOR OTHER PURPOSES."

The Act establishes new class of captive insurance known as class 4 captive insurance. This type of captive insurance will provide coverage to the risks of parent and affiliated companies, associations, related third party business, and unaffiliated business. Since the insurance industry recommended the passage of this act, additional captive insurance companies are expected to register in FSM and pay the corporate tax. The Act will certainly add competitive advantage to the captive insurance scheme and enhance the national revenue.

I thank Congress for passing this important legislation.

With warm personal regards, I remain,

Sincerely,

Manny Mori
President

cc. Chief Justice, FSM Supreme Court
Secretary, Department of Justice
Director, Office of SBOC
Legislative Counsel, CFSM
Library, CFSM
FSM PIO



CONGRESS OF THE FEDERATED STATES OF MICRONESIA

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Office of the Chief Clerk

October 02, 2013

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

Dear President Mori:

I have the honor to transmit herewith Congressional Act No. 18-17, "AN ACT TO FURTHER AMEND SECTIONS 1001, 1002 AND 1007 OF TITLE 37 OF THE CODE OF THE FEDERATED STATES OF MICRONESIA, AS AMENDED BY PUBLIC LAWS NOS. 15-34 AND 16-17, BY INCLUDING A DEFINITION FOR CLASS IV CAPTIVE INSURANCE COMPANIES, AND FOR OTHER PURPOSES.", which was passed by the Eighteenth Congress of the Federated States of Micronesia, Second Regular Session, 2013, by a two-thirds vote of all the State delegations as required and as duly certified.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Liwiana Ramon Ioanis".

Liwiana Ramon Ioanis
Chief Clerk, Congress of the
Federated States of Micronesia

Enclosures

PRESIDENTIAL COMM. NO. 18-131
FSM CONGRESS





PRESIDENTIAL COMM. NO. 18131
FSM CONGRESS

EIGHTEENTH CONGRESS OF THE
FEDERATED STATES OF MICRONESIA
SECOND REGULAR SESSION
SEPTEMBER 11 – OCTOBER 01, 2013

PUBLIC LAW No. 18-20

An Act

TO FURTHER AMEND SECTIONS 1001, 1002 AND 1007 OF TITLE 37 OF THE CODE OF THE FEDERATED STATES OF MICRONESIA, AS AMENDED BY PUBLIC LAWS NOS. 15-34 AND 16-17, BY INCLUDING A DEFINITION FOR CLASS IV CAPTIVE INSURANCE COMPANIES, AND FOR OTHER PURPOSES.

INTRODUCED BY SENATOR: FLORENCIO S. HARPER (BY REQUEST)

DATE: SEPTEMBER 12, 2013

REFERRED TO: COMMITTEE ON RESOURCES AND DEVELOPMENT

S.C.R. NO. 18-38 – SEPTEMBER 25, 2013

FIRST READING: SEPTEMBER 25, 2013

SECOND READING: SEPTEMBER 26, 2013

A handwritten signature in dark ink, appearing to read "Liwiana Ramon Ioanis", is written over a horizontal line.

Liwiana Ramon Ioanis
Chief Clerk, FSM Congress



CONGRESS OF THE FEDERATED STATES OF MICRONESIA

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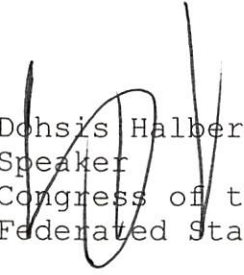
Office of the Speaker

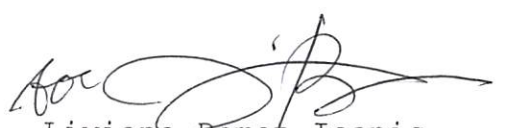
PRESIDENTIAL COMM. NO. 18-131
FSM CONGRESS

ACT NO. 18-17

(CONGRESSIONAL BILL NO. 18-63, C.D.1, C.D.2)

We hereby certify that on September 26 the foregoing act passed Second and Final Reading of the Eighteenth Congress of the Federated States of Micronesia, Second Regular Session, 2013, by a two-thirds vote of all the State delegations as required under article IX, section 20, of the Constitution of the Federated States of Micronesia.


Dohsis Halbert
Speaker
Congress of the
Federated States of Micronesia


Liwiana Ramon Ioanis
Chief Clerk
Congress of the
Federated States of Micronesia

EIGHTEENTH CONGRESS OF THE FEDERATED STATES OF MICRONESIA

SECOND REGULAR SESSION, 2013 CONGRESSIONAL BILL NO. 18-63, C.D.1, C.D.2

~~PUBLIC LAW NO. 18-20~~

AN ACT

To further amend sections 1001, 1002 and 1007 of title 37 of the Code of the Federated States of Micronesia, as amended by Public Laws Nos. 15-34 and 16-17, by including a definition for Class IV captive insurance companies, and for other purposes.

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

1 Section 1. Section 1001 of title 37 of the Code of the
2 Federated States of Micronesia, as amended by Public Laws Nos.
3 15-34 and 16-17, is hereby further amended to read as follows:

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

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

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

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

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

PUBLIC LAW No. 18-20

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

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

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

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

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

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

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

7 (11) 'Unaffiliated business' means any company:

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

10 (b) That has a business relationship with a
11 parent or affiliated company; and

12 (c) Whose commercial risks are located outside
13 of the Federated States of Micronesia;

14 (1) Do not include homeowners insurance, or personal
15 automobile insurance; or

16 (2) Personal lines insurance of citizens of the
17 Federated States of Micronesia; and

18 (d) Whose commercial risk is only reinsured by a
19 class 4 captive insurance company in accordance with
20 this chapter and derives a maximum of 30% of its net
21 written premium after deducting ceded premium for this
22 source.

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

25 (a) That is not in the corporate system of a

parent and affiliated company;

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

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

(13) 'Multiple Corporate Captive Insurance Companies' or 'MCC' means one or more corporations organized, or with the intent to organize, as a group of corporate captive insurance companies under the laws of the Federated States of Micronesia:

(a) where each member captive insurance company is formed and owned by a different parent company for the purpose of insuring risks of its parent company or related third party businesses respectively; and

(b) where all member captive insurance companies are together deemed to constitute a group under the laws of the Federated States of Micronesia subject to the following condition:

(i) the core member captive insurance company shall hold 5% or more of the shares of each of the other member captive insurance companies;

(ii) each member captive insurance company shall permit one or more directors from the core member captive insurance company on its board of directors;

(iii) a core member captive insurance company

~~PUBLIC LAW NO. 18-20~~

1 must maintain a minimum paid in capital and surplus of
2 at least \$1,000,000; and

3 (iv) each member captive insurance company
4 must maintain a minimum paid in capital and surplus of
5 at least \$100,000.

6 (c) Each member captive insurance company making
7 up an MCC is deemed an individual captive insurance
8 company for purposes of the laws of the Federated States
9 of Micronesia.

10 (d) The license issued to the core member
11 captive insurance company meeting the capital
12 requirements of subsection (13)(b)(iii) above shall
13 precede issuance of licenses to any of the member
14 captive insurance companies meeting the capital
15 requirements of subsection (13)(b)(iv) above."

16 Section 2. Section 1002 of title 37 of the Code of the
17 Federated States of Micronesia, as amended by Public Laws Nos.
18 15-34 and 16-17, is hereby further amended to read as follows:

19 "Section 1002. Determination of class of captive
20 insurance companies. Each captive insurance company
21 formed under this chapter shall be designated and
22 licensed as one of the following classes of captive
23 insurance companies.

24 (1) A class 1 company shall be a captive insurance
25 company that insures the risks of its parent and

~~PUBLIC LAW NO. 18-20~~

1 affiliated companies or associations;

2 (2) A class 2 company shall be a captive insurance
3 company that insures the risks of its parent and
4 affiliated companies or associations and/or related
5 third-party businesses;

6 (3) A class 3 company shall be a captive insurance
7 company that constitutes part of a Multiple Corporate
8 Captive Insurance Company as defined in section 1001(13)
9 of this chapter;

10 (4) A class 4 company shall be captive insurance
11 company that insures the risks of its parent and
12 affiliated companies and/or associations and/or related
13 third-party business and/or unaffiliated business and/or
14 Multiple Corporate Captive business.

15 (5) Additional classes of captive insurance
16 companies may, from time to time, be created by
17 amendment of this chapter."

18 Section 3. Section 1007 of title 37 of the Code of the
19 Federated States of Micronesia, as amended by Public Laws Nos.
20 15-34 and 16-17, is hereby further amended to read as follows:

21 "Section 1007. Minimum Capital and Surplus
22 Requirements:

23 (1) No captive insurance company shall be registered
24 and issued a license unless it has initial paid-in
25 capital of \$1,000,000 and thereafter maintains a minimum

1 capital and surplus of \$100,000;

2 (2) Provided however with respect to multiple
3 corporate captive insurance companies the core member
4 captive insurance company shall maintain a minimum paid
5 in capital and surplus of \$1,000,000 and each member
6 corporate captive insurance company shall maintain paid
7 in capital and surplus of \$100,000.

8 (3) With respect to Class 4 captive insurance
9 company, minimum capital and surplus will be determined
10 based on the type, volume and nature of insurance
11 business being transacted, but shall at a minimum
12 maintain \$5,000,000.

13 (4) The Commissioner may prescribe additional capital
14 and surplus based upon the type, volume, and nature of
15 insurance business transacted.


16 (5) Capital and surplus may be in the form of any
17 combination of the following:

- 18 (a) cash
19 (b) letter of credit,
20 (c) investments pursuant to section 1013 of this
21 chapter, or
22 (d) any other security deemed appropriate by the
23 Commissioner."

PUBLIC LAW No. 18-20

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

October 22, 2013


Manny Mori
President
Federated States of Micronesia