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SIXTH CONGRESS OF THE FEDERATED STATES OF MICRONESIA

SECOND SPECIAL SESSION, 1990

C. B. No. 6-172

A BILL FOR AN ACT

To amend title 37 of the Code of the Federated States of Micronesia by adding a new chapter 1 for the purpose of establishing a National Government vehicle self-insurance program, the National Government Self-Insurance Fund, to appropriate the sum of \$250,000 from the General Fund of the Federated States of Micronesia for the fiscal year ending September 30, 1990 to capitalize the Self-Insurance Fund, and for other purposes.

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
2 Micronesia is hereby amended by adding a new chapter I entitled
3 "Official Vehicle Insurance Plan."

4 Section 2. Title 37 of the Code of the Federated States of
5 Micronesia is hereby amended by adding a new subchapter I of chapter
6 1 entitled "General Provisions."

7 Section 3. Title 37 of the Code of the Federated States of
8 Micronesia is hereby amended by adding a new section 101 of
9 subchapter I of chapter 1 to read as follows:

10 "Section 101. Purpose. The purpose of this chapter is to
11 establish a single self-insurance plan for all National
12 Government entities, to be administered jointly by the
13 Office of Administrative Services and the Department of
14 Finance of the Federated States of Micronesia, for the
15 payment of claims for accidental physical damage or loss,
16 or liability, incurred by such entities in connection with
17 the operation of official vehicles."

18 Section 4. Title 37 of the Code of the Federated States of
19 Micronesia is hereby amended by adding a new section 102 of
20 subchapter I of chapter 1 to read as follows:

21 "Section 102. Definitions. As used in this chapter,
22 unless the context otherwise requires, the following
23 definitions shall apply:

24 (1) 'Costs of administration' means the following
25 costs incurred in association with the administration of

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1 the plan:

2 (a) Wages or salaries for personnel;

3 (b) Necessary travel for personnel;

4 (c) Costs and expenses for training of personnel;

5 (d) Costs and expenses of assessing and

6 processing claims;

7 (e) Costs of printing informational booklets,

8 claims forms, and other necessary materials;

9 (f) Costs of necessary supplies; and

10 (g) Costs of communications necessary to the

11 operation of the plan.

12 (2) 'Covered event' means any event giving rise to a

13 claim eligible for payment under section 201 of this

14 chapter.

15 (3) 'Covered property' means official vehicles

16 which are owned and operated by the National Government.

17 (4) 'Director of OAS' means the Director of the

18 Office of Administrative Services of the National

19 Government of the Federated States of Micronesia.

20 (5) 'Insurance fund' means the National Government

21 Self-Insurance Fund established pursuant to section 108 of

22 this chapter.

23 (6) 'National Government' means the National

24 Government of the Federated States of Micronesia.

25 (7) 'National Government entity' means any branch,

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1 department, office, or agency of the National Government of
2 the Federated States of Micronesia or any public
3 corporation.

4 (8) 'Official vehicle' means any vehicle owned by the
5 National Government of the Federated States of Micronesia
6 and registered with the Director of OAS.

7 (9) 'Payment of claim' means payment of a claim
8 arising under section 201 of this chapter and shall include
9 payment of a settlement or judgment arising from a court
10 proceeding involving such a claim.

11 (10) 'Plan' means the plan of official vehicle
12 collision, damage and liability insurance established by
13 this chapter.

14 (11) 'Secretary of Finance' means the Secretary of
15 Finance of the National Government of the Federated States
16 of Micronesia."

17 Section 5. Title 37 of the Code of the Federated States of
18 Micronesia is hereby amended by adding a new section 103 of
19 subchapter I of chapter 1 to read as follows:

20 "Section 103. Official Vehicle Insurance Plan - Powers of
21 the Director of OAS. The Director of OAS shall be
22 authorized to:

23 (1) Enter into, execute and perform such contracts,
24 leases, or other transactions as may be necessary in the
25 conduct of the business of the Official Vehicle Insurance

1 Plan and on such terms as he may deem appropriate;
2 (2) Determine the character of and the necessity for
3 obligations and expenditures in connection with the
4 Official Vehicle Insurance Plan and the manner in which
5 they shall be incurred; and
6 (3) Take such other actions as may be necessary
7 or appropriate to administer and manage the insurance
8 of covered property as required pursuant to this
9 chapter."

10 Section 6. Title 37 of the Code of the Federated States of
11 Micronesia is hereby amended by adding a new section 104 of
12 subchapter I of chapter 1 to read as follows:

13 "Section 104. Official Vehicle Insurance Plan - Powers of
14 the Secretary of Finance. The Secretary of Finance shall
15 be authorized to:

16 (1) Administer, manage, account for, deal with and
17 invest the Insurance Fund;

18 (2) Buy, sell, hold for investment, and deal in
19 securities of every description including mortgages, bonds,
20 debentures, promissory notes, commercial paper, and
21 securities of other classes;

22 (3) Execute all instruments necessary or appropriate
23 in the exercise of any of his powers in connection with the
24 Official Vehicle Insurance Plan;

25 (4) Pay claims, the costs of administration of the

1 Plan or any other costs for the purposes specified or
2 authorized pursuant to this chapter; and
3 (5) Take such other actions as may be necessary
4 or appropriate in connection with the Insurance Fund to
5 administer and manage the insurance of covered property as
6 required pursuant to this chapter."

7 Section 7. Title 37 of the Code of the Federated States of
8 Micronesia is hereby amended by adding a new section 105 of
9 subchapter I of chapter 1 to read as follows:

10 "Section 105. Official Vehicle Insurance Plan - Duties and
11 responsibilities of the Director of OAS. The Director of
12 OAS shall do all of the following:

13 (1) Establish terms, conditions and minimum standards,
14 consistent with the provisions of this chapter, for coverage
15 and participation in the program, including standards for
16 risk management and loss control;

17 (2) Establish acceptable classes of covered property;

18 (3) Establish terms and procedures for the processing
19 of claims made under the program;

20 (4) Determine and assess the validity of claims
21 submitted to the Director of OAS for payment;

22 (5) Investigate and engage reasonable sources for
23 reinsurance;

24 (6) Defend claims under the program, as necessary;

25 (7) Request the Secretary of Finance to pay claims,

1 the costs of administration or any other costs for the
2 purposes specified or authorized pursuant to this chapter
3 from the National Government Self-Insurance Fund, as
4 necessary;

5 (8) Develop, promulgate, and effectuate loss
6 prevention programs, risk management programs, and safety
7 programs; and

8 (9) Operate the Plan on an actuarially sound
9 basis so as to become neither more nor less than self-
10 supporting. For that purpose, loss experience and
11 expense shall be ascertained and credits, refunds, and
12 assessments may be made as determined appropriate by the
13 Director of OAS."

14 Section 8. Title 37 of the Code of the Federated States of
15 Micronesia is hereby amended by adding a new section 106 of
16 subchapter I of chapter 1 to read as follows:

17 "Section 106. Official Vehicle Insurance Plan - Duties and
18 responsibilities of the Secretary of Finance. The
19 Secretary of Finance shall do all of the following:

20 (1) Pay claims, the costs of administration of the
21 Plan or any other costs for the purposes specified or
22 authorized pursuant to this chapter from the National
23 Government Self-Insurance Fund;

24 (2) Invest or cause to be invested the Insurance Fund
25 pursuant to the standards of the National investment

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1 policy; and

2 (3) Carry out all other activities in connection with
3 the National Government Self-Insurance Fund which he is
4 specified or authorized to do pursuant to this chapter."

5 Section 9. Title 37 of the Code of the Federated States of
6 Micronesia is hereby amended by adding a new section 107 of
7 subchapter I of chapter 1 to read as follows:

8 "Section 107. Official Vehicle Insurance Plan - Report.
9 By December 1 of each year, the Director of OAS and the
10 Secretary of Finance shall jointly transmit to the
11 President and the Congress of the Federated States of
12 Micronesia a report generally stating the activities
13 carried out in connection with the Plan and setting forth
14 the status of the Insurance Fund as of the close of the
15 fiscal year. Such report shall include audited financial
16 statements, a 3 year financial history, and a 5 year
17 financial forecast."

18 Section 10. Title 37 of the Code of the Federated States of
19 Micronesia is hereby amended by adding a new section 108 of
20 subchapter I of chapter 1 to read as follows:

21 "Section 108. National Government Self-Insurance Fund -
22 Establishment. There is hereby created and established
23 a National Government Self-Insurance Fund, hereinafter the
24 'Insurance Fund,' which shall be separate from the General
25 Fund of the Federated States of Micronesia and all other

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1 funds. All sums appropriated by the Congress of the
2 Federated States of Micronesia representing contributions
3 of the National Government to the plan, all sums
4 representing contributions of public corporations or other
5 National Government entities to the plan, all earnings
6 accrued on the investment of the Insurance Fund, and
7 all earnings, revenues and other receipts collected in
8 connection with the plan shall be deposited into the
9 Insurance Fund. Moneys available in the Insurance Fund
10 shall be withdrawn by the Secretary of Finance for the
11 purposes specified or authorized pursuant to this chapter.
12 Any unexpended money in the Insurance Fund shall not revert
13 to the General Fund nor lapse at the end of a fiscal year
14 but shall remain in the Insurance Fund."

15 Section 11. Title 37 of the Code of the Federated States of
16 Micronesia is hereby amended by adding a new section 109 of
17 subchapter I of chapter 1 to read as follows:

18 "Section 109. Administration. The Insurance Fund shall be
19 allotted, managed, administered, and accounted for by the
20 Secretary of Finance of the National Government of the
21 Federated States of Micronesia, in accordance with
22 applicable law, including, but not limited to, the
23 Financial Management Act of 1979, as amended."

24 Section 12. Title 37 of the Code of the Federated States of
25 Micronesia is hereby amended by adding a new subchapter II of chapter

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1 I entitled "Insurance Plan."

2 Section 13. Title 37 of the Code of the Federated States of
3 Micronesia is hereby amended by adding a new section 201 of
4 subchapter II of chapter 1 to read as follows:

5 "Section 201. Insurance of official vehicles - Eligible
6 claims.

7 (1) The Director of OAS will request the Secretary of
8 Finance to pay those sums that he determines are actual and
9 valid claims for loss, damage or indemnification arising
10 out of or as the result of:

11 (a) Any direct and accidental loss of, or damage
12 to, any official vehicle; and

13 (b) Any liability of a National Government
14 entity, or of an official or employee of any National
15 Government entity, for all sums which it or he shall become
16 legally obligated to pay as damages because of bodily
17 injury sustained by any person, or because of injury to or
18 destruction of property, caused by accident and arising out
19 of the National Government's ownership, maintenance or use
20 of an official vehicle; subject to more specific terms,
21 conditions and limitations as the Director of OAS may
22 establish.

23 (2) Notwithstanding the provisions of subsection (1)
24 of this section, the program shall not cover, nor shall any
25 payments thereunder be made for claims arising out of or in

1 connection with:

2 (a) The unauthorized operation of an official
3 vehicle;

4 (b) The use of an official vehicle other than in
5 the course of official National Government business;

6 (c) Any intentional, dishonest, fraudulent,
7 criminally malicious or knowingly wrongful acts, errors or
8 omissions committed by, at the direction of, or with the
9 knowledge or acquiescence of the covered National
10 Government entity or its officers or employees; or

11 (d) Any criminal conduct committed by persons
12 for whom the National Government entity or its officers or
13 employees are legally liable."

14 Section 14. Title 37 of the Code of the Federated States of
15 Micronesia is hereby amended by adding a new section 202 of
16 subchapter II of chapter 1 to read as follows:

17 "Section 202. Covered property; Eligible participants.

18 (1) All official vehicles shall be covered under the
19 plan.

20 (2) A National Government entity may request coverage
21 for its officers or employees under the program and shall
22 be covered; PROVIDED, however, that they meet all standards
23 established by the Director of OAS for coverage under the
24 program. No National Government entity may be denied
25 coverage unless the Director of OAS determines that the

1 agency cannot be actuarially safely underwritten."

2 Section 15. Title 37 of the Code of the Federated States of
3 Micronesia is hereby amended by adding a new section 203 of
4 subchapter II of chapter 1 to read as follows:

5 "Section 203. Extent of coverage. The Director of OAS may
6 only cover risks to the extent that liability for:

7 (1) Physical damage or loss to an official vehicle
8 on any one occurrence is greater than \$200 but does not
9 exceed the replacement value of the vehicle; and

10 (2) Indemnification of a National Government entity,
11 or any of such entity's officials or employees, on any one
12 occurrence exceeds \$1,000 but does not exceed coverage
13 for any amount of liability on any one occurrence which
14 exceeds \$12,000."

15 Section 16. Title 37 of the Code of the Federated States of
16 Micronesia is hereby amended by adding a new section 204 of
17 subchapter II of chapter 1 to read as follows:

18 "Section 204. Plan contributions. No National Government
19 entity shall be required to pay a premium for coverage
20 under the plan; however, an assessment for extraordinary
21 contributions may be levied, from time to time as
22 necessary, upon public corporations or may be made by the
23 National Government; PROVIDED, however, that all such
24 contributions shall be based upon all appropriate actuarial
25 data, including, but not limited to, claims and loss

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1 experience of the National Government entity."

2 Section 17. Title 37 of the Code of the Federated States of
3 Micronesia is hereby amended by adding a new section 205 of
4 subchapter II of chapter 1 to read as follows:

5 "Section 205. Payment of Claims; Disposition of Insurance
6 Fund. All money deposited in the Insurance Fund shall be
7 used solely to pay claims for covered events under the
8 plan, except that a sum representing not more than five
9 percent of the balance of the Fund at the end of the
10 preceding fiscal year may be expended for administrative
11 costs. For the fiscal year ending September 30, 1990, the
12 sum expended for administrative costs shall not exceed
13 \$12,500."

14 Section 18. The sum of \$250,000, or so much thereof as may be
15 necessary, is hereby appropriated from the General Fund of the
16 Federated States of Micronesia for the fiscal year ending September
17 30, 1990, for the purpose of capitalizing the National Government
18 Self-Insurance Fund.

19 Section 19. This act shall become law upon approval by the
20 President of the Federated States of Micronesia or upon its becoming
21 law without such approval.

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23 Date: 01-24-90

Introduced by: 
Peter M. Christian

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