

A BILL FOR AN ACT

To amend title 37 of the Code of the Federated States of Micronesia, as amended by Public Law No. 14-87, by amending sections 302 and 307, in order to exempt foreign insurers from certain licensing and bonding requirements, and for other purposes.

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

1 Section 1. Section 302 of title 37 of the Code of the
2 Federated States of Micronesia, as amended by Public Law No. 14-
3 87, is hereby further amended as follows:

4 Section 302. Application for license.

5 (1) An applicant for a license shall submit the
6 following information to the Insurance Board:

7 (a) The name and address of the applicant;

8 (b) In the case of a business entity, the
9 corporate charter and bylaws and the names and address
10 of the officers;

11 (c) The address of the applicant's office in the
12 Federated States of Micronesia and an appointment of a
13 representative resident in the Federated States of
14 Micronesia for service of process and to whom notices
15 and orders under this Act shall be sent; provided the
16 Board may, based upon guidelines established by
17 regulations promulgated pursuant to this title, exempt a
18 foreign insurer from the requirement that it establish
19 an office in the Federated States of Micronesia and

1 appoint a representative resident in the Federated
2 States of Micronesia if it determines that such a
3 exemption will not interfere with its ability to enforce
4 and carry out the provisions of this title and any
5 regulations promulgated pursuant thereto;

6 (d) Evidence of the good character, financial
7 responsibility, business experience and ability of the
8 applicant, or in the case of a business entity, its
9 officers;

10 (e) In the case of applicants for an agent,
11 solicitor or broker's license, information on prior
12 insurance experience of the applicant and the names and
13 addresses of prior insurers or agents represented by the
14 applicant;

15 (f) The type of license requested;

16 (g) The classes of insurance proposed to be
17 transacted and a demonstration of capacity to transact
18 such classes of insurance;

19 (h) In the case of applicants for an agent's
20 license, the request of a licensed or registered insurer
21 that the applicant be licensed to represent the insurer
22 as an agent;

23 (i) In the case of applicants for a solicitor's
24 license, the request of a licensed insurer or licensed
25 agent that the applicant be licensed to represent the
26 insurer or agent;

1 (j) An audited financial statement for the most
2 recent fiscal year, a statement of prospective income
3 and a business plan for the forthcoming three years;

4 (k) In the case of applicants for an insurer's
5 license, the insurer must be able to meet the minimum
6 capital requirement of \$100,000 and demonstrate capacity
7 to meet the ongoing minimum capital requirements as
8 specified by the Insurance Board;

9 (l) In the case of applicants for an insurer's
10 license, disclosure of all contracts of reinsurance;

11 (m) In the case of applicants for an insurer's
12 license, if the applicant is a foreign insurer, a
13 certificate issued by the insurance supervisory
14 authority in the place in which the insurer is
15 incorporated or constituted to the effect that it is
16 complying with all the applicable insurance supervisory
17 requirements of that authority;

18 (n) Other information and fees as required by
19 Regulations.

20 (2) The Insurance Board may require that an
21 examination be made into the business and affairs of the
22 applicant, including, in the case of a foreign insurer,
23 an examination by the insurance authority of the
24 jurisdiction in which such insurer is organized. Such
25 examination shall be at the cost of the applicant.

1 (3) The applicant has an ongoing duty to provide the
2 Insurance Board with new or amended information relevant
3 to the application while the application is pending and
4 if a license is issued, after the issuance of a
5 license."

6 Section 2. Section 307 of title 37 of the Code of the
7 Federated States of Micronesia, as amended by Public Law No. 14-
8 87, is hereby further amended as follows:

9 "Section 307. Registered Foreign Insurers.

10 (1) A foreign insurer may be registered by providing
11 the following:

12 (a) information from the insurer's home
13 supervisory authority that the insurer is solvent and
14 meets all the regulatory requirements in the home
15 jurisdiction and is otherwise in good standing; and
16 a statement from the home supervisory authority that the
17 foreign insurer is approved for transaction of insurance
18 business through an agent in the Federated States of
19 Micronesia; and

20 (b) posting of a bond, or deposit to an escrow
21 account, in the sum of \$100,000, to be withdrawn by the
22 Commissioner upon the occurrence of certain events as
23 stated in the bond or escrow agreement; and

24 (c) compliance with any requirement, if set forth
25 in Regulations under this Act, that a certain amount of

1 premiums collected on behalf of the insurer are
2 maintained in the Federated States of Micronesia; and

3 (d) designation of an agent for service of
4 process.

5 (2) Notwithstanding the bonding requirements under
6 subsection (1)(b) of this section, a foreign insurer may
7 be registered without posting a bond where -

8 (a) [a] the foreign insurer is providing solely [a]
9 marine, aviation and transportation policies [policy may
10 be registered without posting the bond required in
11 (1)(b).]; or

12 (b) in the case of other forms of insurance
13 policies, the foreign insurer provides insurance
14 policies to no more than three policyholders in the
15 Federated States of Micronesia; and

16 (i) the Board exempts the foreign insurer
17 from the bonding requirements based upon guidelines
18 established by regulations promulgated pursuant to this
19 title; and

20 (ii) the policyholders sign a written
21 acknowledgement that the foreign insurer is exempt from
22 the bonding requirements.

23 (3) The Commissioner may grant or deny or cancel
24 registration of a foreign insurer based on these
25 requirements and a review of the foreign insurer in the

1 same manner as a review of an application for a license
2 under this Act.

3 (4) Any person registered as an insurer under this Act
4 shall be deemed and held to be doing business in the
5 Federated States of Micronesia and may be sued upon any
6 cause of action arising under any policy of insurance
7 issued by it and any cause of action under the laws of
8 the Federated States of Micronesia in the courts of the
9 Federated States of Micronesia."

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

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14 Date: 1/11/07

Introduced by: /s/ Simiram Sipenuk

Simiram Sipenuk
(by request)

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