



The President
Palikir, Pohnpei
Federated States of Micronesia

PRESIDENTIAL COMM. NO. 18-304
FSM CONGRESS

June 25, 2014

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



Dear Speaker Halbert:

I am pleased to transmit the following Congressional Act, which I signed to become Public Law No. 18-71:

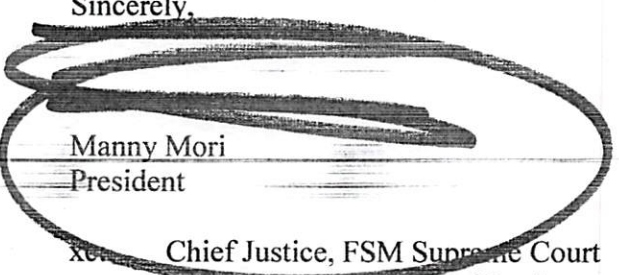
Congressional Act No. 18-77, entitled: "AN ACT TO FURTHER AMEND SECTIONS 1003 AND 1015 OF TITLE 37 OF THE CODE OF THE FEDERATED STATES OF MICRONESIA, AS ENACTED BY PUBLIC LAW NO. 14-88 AND AS AMENDED BY PUBLIC LAWS NOS. 15-34 AND 16-17, AND INSERTING NEW SECTIONS 1017, 1018, 1019, AND 1020 TO CLARIFY AND ESTABLISH A REVOLVING FUND FOR THE FEES AND PREMIUM TAX REVENUES COLLECTED THEREUNDER FOR SUCH PURPOSES AND FUNCTIONS STATED THEREIN, AND FOR OTHER PURPOSES."

The intention of the Act is to bring stability to the captive insurance by making its license valid until terminated by surrender, suspension, revocation, and failure to comply with law. The Act also establishes a revolving fund that will help in the regulation of captive insurance and the review of license application.

There are errors in the Act consisting of typo on page 3, line 11 (the correct word is "fee" not "feed") and ambiguity in section 1017. Section 1017 does not give indication on how the cap of \$50,000 will operate as a threshold. Additionally, the timing of enforcing the cap is ambiguous, since section 1017 does not indicate whether the cap applies at the beginning or closing of fiscal year. Section 1017 also does not state what will happen to the funds in excess of \$50,000. I urge respectfully Congress to review these errors at the earliest opportunity and take the necessary actions to rectify them.

I thank Congress for passing this important legislation.

Sincerely,



Manny Mori
President

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



CONGRESS OF THE FEDERATED STATES OF MICRONESIA

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Office of the Chief Clerk

PRESIDENTIAL COMM. NO. 18-304
FSM CONGRESS

June 04, 2014

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. 18-77, "AN ACT TO FURTHER AMEND SECTIONS 1003 AND 1015 OF TITLE 37 OF THE CODE OF THE FEDERATED STATES OF MICRONESIA, AS ENACTED BY PUBLIC LAW NO. 14-88 AND AS AMENDED BY PUBLIC LAWS NOS. 15-34 AND 16-17, AND INSERTING NEW SECTIONS 1017, 1018, 1019, AND 1020 TO CLARIFY AND ESTABLISH A REVOLVING FUND FOR THE FEES AND PREMIUM TAX REVENUES COLLECTED THEREUNDER FOR SUCH PURPOSES AND FUNCTIONS STATED THEREIN, AND FOR OTHER PURPOSES.", which was passed by the Eighteenth Congress of the Federated States of Micronesia, Fourth Regular Session, 2014, by a two-thirds vote of all the State delegations as required and as duly certified.

Sincerely yours,

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

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

Enclosures



PRESIDENTIAL COMM. NO. 18-304
FSM CONGRESS

EIGHTEENTH CONGRESS OF THE
FEDERATED STATES OF MICRONESIA
FOURTH REGULAR SESSION
MAY 12 - 31, 2014

PUBLIC LAW No. 18- 71

An Act

TO FURTHER AMEND SECTIONS 1003 AND 1015 OF TITLE 37 OF THE CODE OF THE FEDERATED STATES OF MICRONESIA, AS ENACTED BY PUBLIC LAW NO. 14-88 AND AS AMENDED BY PUBLIC LAWS NOS. 15-34 AND 16-17, AND INSERTING NEW SECTIONS 1017, 1018, 1019, AND 1020 TO CLARIFY AND ESTABLISH A REVOLVING FUND FOR THE FEES AND PREMIUM TAX REVENUES COLLECTED THEREUNDER FOR SUCH PURPOSES AND FUNCTIONS STATED THEREIN, AND FOR OTHER PURPOSES.

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

DATE: MAY 26, 2014

REFERRED TO: COMMITTEE ON RESOURCES AND DEVELOPMENT

S.C.R. NO. 18-164 - MAY 30, 2014

FIRST READING: MAY 30, 2014

SECOND READING: MAY 31, 2014

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

Liwiana Ramon Ioanis
Chief Clerk, FSM Congress



CONGRESS OF THE FEDERATED STATES OF MICRONESIA

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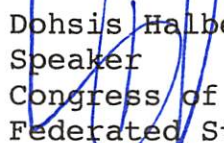
Office of the Speaker

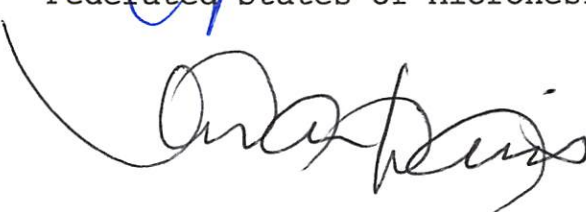
PRESIDENTIAL COMM. NO. 18-304
FSM CONGRESS

ACT NO. 18-77

(CONGRESSIONAL BILL NO. 18-152, C.D.1)

We hereby certify that on May 31 the foregoing act passed
Second and Final Reading of the Eighteenth Congress of the
Federated States of Micronesia, Fourth Regular Session,
2014, 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

THIRD SPECIAL SESSION, 2014

CONGRESSIONAL BILL NO. 18-152, C.D.1

PUBLIC LAW No. 18-71

AN ACT

To further amend sections 1003 and 1015 of title 37 of the Code of the Federated States of Micronesia, as enacted by Public Law No. 14-88 and as amended by Public Laws Nos. 15-34 and 16-17, and inserting new sections 1017, 1018, 1019, and 1020 to clarify and establish a revolving fund for the fees and premium tax revenues collected thereunder for such purposes and functions stated therein, and for other purposes.

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

1 Section 1. Section 1003 and title 37 of 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 1003. Captive Insurance Company Licensing and
5 Captive Insurance Manager's Licensing. The Commissioner
6 or Insurance Board may issue two types of licenses with
7 respect to the captive insurance companies pursuant to
8 subsection 1-5 below; the other for business entities
9 which engage in the business of managing captive
10 insurance companies pursuant to subsection 6-9 below.

11 (1) Captive insurance companies shall be licensed in
12 accordance with Chapter 3 of this title.

13 (2) In considering whether to licensed a captive
14 insurance company under this chapter, the Commissioner
15 and Insurance Board shall consider the following
16 factors:

1 (a) Principal office and principal
2 representatives;

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

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

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

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

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

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

25 (ii) the adequacy of the expertise,

1 experience and character of the person or persons who
2 will manage it;

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

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

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

11 (3) Feed schedule.

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

19 (b) In addition, each captive insurance company
20 receiving a license from the Commissioner shall pay a
21 license fee of \$500 for the year of registration or
22 licensure due within thirty 30 days after registration
23 or licensure, and a yearly or annual fee of \$500 due
24 on or before the registration or licensure day and
25 month every year for each year thereafter. Such fees

1 received by the Insurance Board shall be deposited
2 into a revolving fund established under Section 1017.

3 (4) Licensing. If the Insurance Board is satisfied
4 that the documents filed by the captive insurance
5 company comply with this title, the Commissioner shall
6 grant a license authorizing it to transact insurance
7 business in the Federated States of Micronesia. The
8 license shall be valid until terminated by surrender,
9 suspension, revocation, or failure to comply with law.

10 (5) No captive insurance company licensed under this
11 chapter shall be allowed to insure the risks of
12 individual citizens of the Federated States of
13 Micronesia.

14 (6) The Insurance Commissioner or Insurance Board is
15 authorized to issue a captive insurance manager's
16 license, which may be signed by the Insurance
17 Commissioner or Insurance Board's authorized designee,
18 and shall issue the same to any applicant that:

19 (a) has in its bona fide employment a person
20 who is a current member in good standing of an
21 accounting or insurance related professional body or
22 association; or,

23 (b) has in its bona fide employment a person
24 that has minimum of five years experience in the
25 captive management field.

PUBLIC LAW No. 18-71

1 (7) The applicant shall be issued a captive
2 insurance manager's license by the Insurance
3 Commissioner or the Insurance Board upon compliance
4 with subsection (6) above without regard to:

5 (a) whether the applicant has or has not
6 applied for a license with a captive insurance
7 company; or,

8 (b) whether the applicant is or is not
9 currently managing domestic captive insurance company.

10 (8) The captive insurance manager's license grants
11 the captive insurance manager the authority to work
12 with or manage:

13 (a) any person or entity intending to form a
14 captive insurance company in the Federated States of
15 Micronesia; or,

16 (b) any domestic captive insurance company
17 licensed by the Insurance Board.

18 (9) The captive insurance manager's license shall be
19 effective for a period of five years from the date of
20 issuance."

21 Section 2. Section 1015 title 37 of the Code of the
22 Federated States of Micronesia, as enacted by Public Law No.
23 14-88, is hereby amended to read as follows:

24 "Section 1015. Tax on Premium Collected.

25 (1) Each captive insurance company shall pay into

1 the General Fund of the Federated States of Micronesia
2 on or before June 1 each year, a tax on gross premiums
3 as follows:

4 (a) .05 percent of gross premiums for insurance
5 written on all risks or property resident, situated or
6 located within the Federated States of Micronesia, and
7 on risks and property situated elsewhere upon which no
8 premium tax is otherwise paid during the year ending
9 on the preceding March 31, less return premiums and
10 less any reinsurance accepted;

11 (b) the annual maximum aggregate tax on
12 premiums to be paid by a captive insurance company
13 calculated under subsection (a) of this section shall
14 be \$20,000.00.

15 (2) Two or more captive insurance companies under
16 common ownership and control shall be taxed, as though
17 they were a single captive insurance company.

18 (a) For the purpose of this section common
19 ownership and control shall mean:

20 (i) in the case of stock corporation, the
21 direct or indirect ownership of 80 percent or more of
22 the outstanding voting stock of two or more
23 corporation by the same shareholder or shareholders;
24 and

25 (ii) in the case of mutual corporation, the

~~PUBLIC LAW No. 18-71~~

1 direct or indirect ownership of 80 percent or more of
2 the surplus and the voting power of two or more
3 corporations by the same member or members.

4 (3) Annually, ten percent of the premium tax
5 revenues collected pursuant to this section or
6 \$150,000, whichever is greater shall be transferred to
7 the Insurance Board for the regulation of captive
8 insurance companies under this chapter. Any fund
9 derived hereunder shall be deposited in the revolving
10 fund established under Section 1017.

11 (4) The tax provided for in this section shall be
12 calculated on an annual basis, notwithstanding
13 policies or contracts of insurance or contracts or
14 reinsurance issued on a multiyear basis. In the case
15 of multiyear policies or contracts, the premium shall
16 be prorated for purposes of determining the tax under
17 this section.

18 Section 3. Title 37 of the Code of the Federated States of
19 Micronesia, as amended, is hereby further amended by inserting a
20 new section 1017 under chapter 10 to read as follows:

21 "Section 1017. There shall be established a revolving
22 fund called the 'Insurance Board Revolving Fund.' The
23 threshold amount of the Revolving Fund is capped at
24 \$50,000. The deposits in the revolving fund do not
25 lapse."

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1 Section 4. Title 37 of the Code of the Federated States of
2 Micronesia, as amended, is hereby further amended by inserting a
3 new section 1018 under chapter 10 to read as follows:

4 "Section 1018. The revolving fund shall be used for
5 the purpose of the regulation of captive insurance
6 companies, as a specified in section 1015(3)."

7 Section 5. Title 37 of the Code of the Federated States of
8 Micronesia, as amended, is hereby further amended by inserting a
9 new section 1019 under chapter 10 to read as follows:

10 "Section 1019. The revolving fund shall hold all fees
11 collected under section 1003(3) and funds derived
12 under section 1015(3)."

13 Section 6. Title 37 of the Code of the Federated States of
14 Micronesia, as amended, is hereby further amended by inserting a
15 new section 1020 under chapter 10 thereof to read as follows:

16 "Section 1020. A complete and comprehensive annual
17 report on the revolving fund shall be prepared and
18 transmitted as a component of the report submitted
19 pursuant to section 205."

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PUBLIC LAW No. 18-71

1 Section 7. This act shall become law upon approval by the
2 President of the Federated States of Micronesia or upon its
3 becoming law without such approval.

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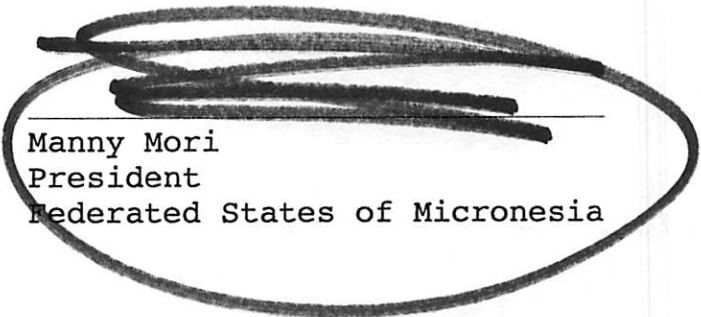
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June 25, 2014


Manny Mori
President
Federated States of Micronesia