A BILL FOR AN ACT

To repeal title 37 of the Code of the Federated States of Micronesia in its entirety, and to establish a National Insurance Code for the Federated States of Micronesia

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

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 Title 37 of the Code of the Federated States of Micronesia is hereby repealed in its entirety.

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

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

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

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

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

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

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

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

(a) The present tense includes the past and future tenses; and the future, the present."
(b) The masculine gender includes the feminine and neuter.

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

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

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

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

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

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

(i) 'Alien' means organized under the laws of any government other than FSM, whether or not admitted.
(j) 'Broker' means a person who for compensation and on behalf of another person, transacts insurance business other than as insurer, general agent, sub-agent or solicitor.

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

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

(m) [Skipped.]

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

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

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

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

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

(s) 'Issue' means to write, renew, execute, effect or otherwise enter into a contract of insurance.
(t) 'Paid-in capital' or 'Capital paid-in' means the lower of the following amounts:

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

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

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

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

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

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

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

(z) 'Solicitor' means a person authorized by either the
insurer or its general agent or a sub-agent to act as its
representative but whose duties and authority are confined merely
to soliciting insurance and aiding in the preparation of applications
for insurance.

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

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

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

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

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

"Section 105. Exercise of power. Whenever, by the provisions of
this Title, a power is granted to a public officer or a duty imposed
upon such officer, the power or duty may be performed by a
deputy or assistant of such officer authorized to do so".
Section 7. Title 37 of the Code of the Federated States of Micronesia is hereby enacted by adding a new section 106 to read as follows:

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

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

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

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

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

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

"Section 109. Penalty. A person violating any of the provisions of this Title, or of any regulation issued hereunder, or any lawful order of the Commissioner, for which a penalty is not otherwise
specifically provided, shall be guilty of a petty misdemeanor."

Section 11. Title 37 of the Code of the Federated States of Micronesia is hereby enacted by adding a new section 110 to read as follows:

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

Section 12. Title 37 of the Code of the Federated States of Micronesia is hereby enacted by adding a new section 111 to read as follows:

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

Section 13. Title 37 of the Code of the Federated States of Micronesia is hereby enacted by adding a new section 112 to read as follows:

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

Section 14. Title 37 of the Code of the Federated States of Micronesia
is hereby enacted by adding a new section 113 to read as follows:

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

Section 15. Title 37 of the Code of the Federated States of Micronesia is hereby enacted by adding a new section 114 to read as follows:

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

(b) He may examine, or cause to be examined, the books, papers, and property, and into the affairs to any insurer, broker, agent solicitor, or rating bureau, or any person engaged in organizing, promoting, or forming any insurer, or any person believed by him to be violating any provisions of this Title and other laws relating to the business of insurance, and generally he may make such examinations, conduct such inquiries, and hold such hearings as are specifically provided for in this Title or as are 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:
"Section 116. **Hearing.** Within ten (10) days after the serving of notice of any order by the Commissioner, any person adversely and directly affected thereby may request a hearing thereon before the Commissioner. A final order shall be made within ten (10) days after the final close of such hearing."

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

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

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

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

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

"Section 119. **Reports.** The Commissioner shall transmit to the President and to the Legislature on or before July of each year, a
report containing at tabulated statement and synopsis of the
reports which have been filed in his office showing the conditions
of every admitted insurer, the general condition of the insurance
business and interests in FSM, and other matters covering
insurance, for the last preceding calendar year."

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

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

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

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

(d) The President on receipt of such regulations from the
Attorney General shall either:
(1) Forthwith approve the same, execute them as an Executive Order, and cause a notice thereof to be published once in a newspaper of general circulation in FSM; or

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

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

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

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

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

Section 22. Title 37 of the Code of the Federated States of Micronesia is hereby enacted by adding a new section 121 to read as follows:
"Section 121. Practices injurious to free competition.

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

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

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

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

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

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

"Section 123. Certificate of Authority. Admission is secured by
procuring a Certificate of Authority from the Commissioner. Such
certificate shall not be granted until the applicant conforms to the
applicable requirements of this Title and of the other laws of FSM
prerequisite to its issue. After a certificate is granted, the insurer
shall continue to comply with the requirements pertaining to it as
set forth in this Title and in the other laws of FSM."
Section 25. Title 37 of the Code of the Federated States of Micronesia
is hereby enacted by adding a new section 124 to read as follows:
"Section 124. Same: Application. Any person desiring to
transact insurance business in FSM as an insurer, shall file with the
commissioner an application for a certificate stating the class or
classes of insurance which it proposes to transact accompanied
by the followings:

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

(b) A resolution adopted by its governing body in
accordance with its by-laws or the internal laws, consenting
that service of process upon the Commissioner in any
action or proceedings against such insurer brought or
pending in FSM upon any cause of action arising in or
growing out of business transacted in FSM, shall be valid
personal service upon such insurer, irrevocable so long as a
policy of such company shall remain in force in FSM, or any
loss remains unpaid therein;
(c) A statement setting forth the location and post office address of its principal office, and such shall continue until changed by a similar statement filed with the Commissioner;

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

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

(f) A good and sufficient bond, with a surety company approved by the Director of Revenue and taxation, with the applicant as principal, in a form to be approved by the Commissioner, and running to the Commissioner and his successor in office in the sum of fifty thousand dollars ($50,000), with the condition that the surety on the bond shall be answerable up to the amount of the bond for all judgments, decrees, or orders given, made or rendered against the principal in the bond by any court in FSM for late payment money. In case of any beach of the condition of any bond, the Commissioner may, and upon demand and receipt of satisfactory assurance for the payment of costs, shall enforce the bond either in
his own name or in the name of the interested party
thereof for the use and benefit of any 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
Section 26. Title 37 of the Code of the Federated States of Micronesia is hereby enacted by adding a new section 125 to read as follows:

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

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

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

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

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

"Section 127. Refusal, suspension or revocation. The Commissioner may refuse to grant or renew a certificate, or may suspend or revoke a certificate, for any one of the reasons provided in this section:
(a) The insurer's refusal or failure to comply with, or the violation of, any of the provisions of this Title applicable to such insurer or any lawful order or regulation of the Commissioner;

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

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

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

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

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

"Section 128. Same Procedure. (a) Whenever the
Commissioner shall refuse, suspend or revoke a certificate he shall issue an order to that effect and promptly give notice of the same by mailing a copy of such order in a sealed, postpaid, registered envelope to each license general agent and to the principal office of such insurer.

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

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

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

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

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

"Section 129. Suspension. (a) Whenever the Commissioner shall order the suspension of a certificate, such suspension shall before a period of not more than ninety (90) days.
(b) The period of suspension set by the Commissioner shall run from the date the order becomes final.

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

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

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

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

"Section 130. Expiration or revocation. Any insurer whose certificate has expired or has been revoked shall transact no new insurance in FSM thereafter but shall continue in business solely for the benefit of its policy holders and claimants under insurance effected while its certificate was valid and in force until such a time as it complies with the prerequisites of withdrawal as provided in Section 112 or until it has been issued a new certificate."
Section 32. Title 37 of the Code of the Federated States of Micronesia is hereby enacted by adding a new section 131 to read as follows:

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

Filing of application for certificate, of authority...... $100.00
Filing of application for renewal of certification of authority............................................... 50.00
Filing of any other certificate, statement, paper or exhibit required by this title.............................. 10.00
Filing of new application after refusal to issue original certificate.................................................. 100.00
Filing of application for issuance of certificate after revocation or expiration.................................. 500.00
Filing of application for withdrawal................................. 10.00
Furnishing copies of paper filed, per document............. .50
Certifying copies of paper filed, per document............. 2.00

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

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

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

"Section 132. Maximum single risk. The maximum single risk which 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 of
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 un expired 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
Commissioner for an order granting permission to withdrawal.

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

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

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

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

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

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

(e) If the insurer has complied with the provisions of this section and to objection has been made, or if objection is made but without good and sufficient cause, the commissioner shall order the permission to withdraw and the withdrawing insurer shall deliver to the Commissioner for cancellation its Certificate of
Authority and current licenses of its agents and solicitors."

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

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

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

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

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

"Section 137. Representing or adding insured in effecting insurance on property on risk in unauthorized state. No person, corporation, association or partnership shall make, negotiate for or place, or aid in negotiating or placing any insurance contract in this territory for another who is an applicant for insurance
covering any property or risk in another state, territory or
district of the United States with any insurer not authorized to
transact insurance business in the state, territory or district
wherein such property or risk or any part thereof is located."

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

"Section 138. Excepted contracts and activities. The provisions
of the foregoing sections do not apply to contracts of
reinsurance or to contracts of insurance covering risks of
transportation and navigation, or to contracts of insurance made
through authorized surplus line broker or agents, no do they
apply to an insurer not authorized in this territory or its
representatives, in investigating, adjusting losses or otherwise
complying in this territory with the terms of this insurance
contrast made in a state wherein the insurer was authorized and
in which the property or risk was located or residing at time of
the execution of the contract."

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

"Section 139. Service of process upon unauthorized insurer. (a)
The transacting of business in its territory by a foreign or alien
insurer without a certificate of authority and the insurance or
delivery by such foreign or alien insurer of a policy or contract of
insurance to a citizen of this territory or to a resident thereof, or
to a corporation authorized to do business therein, is equivalent
to an appointment by such insurer to the Commissioner and his
successor or successors in office, to be its true and lawful
attorney, upon whom may be served all lawful process in any
action, suit or proceeding arising out of such policy or contract of
insurance, and the said issuance or delivery is a signification of its
agreement that any such service or process is of the same legal
force and validity as personal service of process in this territory
upon it.

(b) Such service of process shall be made by delivering
and leaving with the Commissioner or to some person in apparent
charge of this office two (2) copies thereof and the payment to
him of such fees as may be prescribed by law. The Commissioner
shall forthwith mail by registered mail one (1) of the copies of
such process to the defendant at his last known principal place of
business and shall keep a record of all processes so served upon
him. Such service of process is sufficient, provided notice of such
service and a copy of the process are sent within ten (10) days
thereafter by registered mail by plaintiff's attorney to the
defendant at his last known principal place of business, and the
defendant's receipt, or receipt issued by the post office with
which the letter is registered, showing the name of the sender of
the letter and the name and address of the person to whom the
letter is addressed, and the affidavit of the plaintiff's attorney
showing a 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 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 polices or written contracts
of insurance, or (3) collecting or receiving any premium for
insurance, and a copy of 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:
"Section 140. Institution of action, etc., by unauthorized insurer.

No unauthorized insurer shall institute or file, or cause to be
instituted or filed, any suit, action or proceeding in this territory to
enforce any right, claim or demand arising out of the transaction
of business in this territory until such insurer shall have obtained a
certificate of authority to transact insurance business in this
territory."

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

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

(b) The court in any action, suit, or proceeding, in which
service is made in the manner provided in subsection (b) or (c) If
section 129 may order such postponement as may be necessary
to afford the defendant reasonable opportunity to comply with
the provisions of subsection (a) of this section and to defend such
action."
(c) Noting in subsection (a) of this section is to be construed to prevent an unauthorized insurer from filing a motion to quash a writ or to set aside service therefore made in the manner provided in subsections (b) or (c) of section 129 hereof on the ground either (1) that no policy or contract of insurance has been issued or delivered to a citizen or resident of this territory or to a corporation authorized to do business therein, or (2) that such insurer has not been transacting business in this territory, or (3) that the person on whom service was made pursuant to subsection (3) of section 129 was not doing any of the acts therein enumerated."

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

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

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

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

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

"Section 144 Scope of article. The provisions of this article shall
apply only to domestic insurers; provided, that such domestic
insurers are also subject to all other applicable provisions of its
Title from which they are not otherwise specifically excepted."

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

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

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

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

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

(b) The proposed articles of incorporation showing the
classes of insurance business which it proposes to transact;
(c) Evidence of the character, financial responsibility, business experience and ability of the proposed incorporates, directors and officers;

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

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

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

Section 49. Title 37 of the Code of the Federated States of Micronesia
is hereby enacted by adding a new section 148 to read as follows:

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

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

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

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

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

"Section 149. Time to incorporate. Within ninety (90) days after
the date of the Commissioner's approval, the applicant shall file
articles of incorporation in the Department of Revenue and
Taxation and pay the fee required in accordance with law."

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

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

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

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

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

"Section 152. Capital: other than life insurer. Every domestic
insurer shall have a minimum paid-in-capital of twenty-five
thousand dollars ($25,000), which shall be sufficient for the
transaction of any one (1) class of insurance authorized under
this Title, except life insurance. For each additional class of
insurance to be transacted, except life insurance, there shall be an
additional paid-in-capital of fifteen thousand dollars ($15,000.00),
but any insurer having a paid-in-capital of one hundred thousand
dollars ($100,000.00) may transact any or all classes of
insurance authorized, except life insurance. Paid-in-capital required
under this section must be paid in cash."

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

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

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

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

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

"Section 154. Merger: consolidation. A domestic insurer may
merge or consolidate with another insurer, subject to be following
conditions:
(a) The plan of merger or consolidation must be submitted to and be approved by the commissioner in advance of the merger and consolidation.

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

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

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

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

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

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

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

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

(a) A provision that the insured, after three (3) months' premiums have been paid, is entitled to a premium grace period of
not less than thirty-one (31) days during which period of grace
the policy shall continue in full force; provided that in case the
policy becomes a claim during any period of grace, the amount of
such premium due may be deducted from the amount payable
under the claim;

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

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

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

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

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

2. Paid-in-insurance payable at the time and on the conditions named in the policy for such an amount as the net
value outlined above will purchase at the net single premium at the
attained age of the insured at the time of the lapse;

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

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

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

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

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

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

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

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

(e) When the assets of any domestic insurer, computed
at their actual fair value, are less than the aggregate amount of
such insurer's liabilities and outstanding capital stock, the
Commissioner shall determine the amount of such impairment of
capital and shall order such insurer to eliminate such impairment
within such period as order as he shall designate, not more than
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;
(f) Loans upon the security of its own policies not exceeding the cash surrender value thereof at the time of making the loan."

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

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

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

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

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

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

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

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
insurance supervisory official of another state.

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

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

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

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

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

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

(h) "General assets" means all property, real, personal, 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 ass's.

(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.

(ii) "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 secure 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
lines 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:
"Section 166. Conduct of delinquency proceedings against
insurers domiciled in the FSM.

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

(b) The domiciliary receiver and his successors in office
shall be vested by operation of law with the title to all of the
property, contracts, and rights of actin, and all of the books and
records of the insurer wherever located, as of the date of entry
of the order directing possession to be taken, and he shall have
the right to recover the same and reduce the same to
possession; except that ancillary receivers in reciprocal states
shall have, as to assets located in their respective states, the
rights and powers which are herein after prescribed for ancillary
receivers appointed in this territory as to assets located in this
territory. The filling or recording of the order directing
possessions to be taken, or a certified copy thereof, in the office
where instruments affecting title to property are required to be
deed, bill of sale, or other evidence of the title duly filed or
recorded. The domiciliary receiver shall be responsible on his
official bond for the proper administration of all assets coming
into his possession or control. The court may at any time require
an additional bond from him or his deputies if deemed desirable
for the protection of the assets.

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

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

"Section 167. Conduct of delinquency proceedings against

insurers not domiciled in this territory. (a) whenever under the
laws of its territory an ancillary receiver is to be appointed in
delinquency proceedings for an insurer no: domiciled in this
territory, the Commissioner shall file petition requesting the
appointment (1) if he finds that there are sufficient assets of such
insurer located in this territory to justify the appointment of an
ancillary receiver, or (2) if ten (10) or more person resident in this
territory, having claims against such insurer, file a petition with the
Commissioner requesting the appointment of such ancillary
receiver.

(b) The domiciliary receiver of an insurer domiciled in a
reciprocal state shall be vested by operation of law with the title
to all of the property, contracts, and rights of action, and all of
the books and records of the insurer located in this territory, and
he shall have the immediate right to recover balances due from
local agents and to obtain possession of any books and records
of the insurer found in this territory. He shall also be entitled to
recover the other assets of the insurer located in this territory
except that upon appointment of an ancillary receiver in this
territory, the ancillary receiver shall, during the ancillary
receivership proceedings, have the sole right to receiver such
other assets. The ancillary receiver shall, as soon as practicable,
liquidate from their respective securities those special deposit
claims and secured claims which are proved and allowed in the
ancillary proceedings in this territory and shall pay the necessary
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
conclusive as to its priority, if any, against special deposits or
other security located within the ancillary state."

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

"Section 169. Filing and proving of claims of residents against
delinquent insurers compiled in reciprocal states (a) In a
delinquency proceeding in a reciprocal state against an insurer
domiciled in that state, claimants against such insurer who reside
within this territory may file claims either with the ancillary
receiver, if any appointed in this territory 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 this territory may either (1) by proved in the domiciliary state
has provided by the law of that state, or (2) if ancillary
proceedings have been commenced in this territory, be proved in
those proceedings. In the event that any such claimant elects to
prove his claim in this territory, he shall file his claim with the
ancillary receiver in the manner provided by the law of this territory
for the proving of claims against insurers domiciled in this
territory, and he shall give notice in writing to the receiver in the
domiciliary state, either by registered mail or by personal service,
at least forty (40) days prior to the date set for hearing. The
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
is hereby enacted by adding a new section 171 to read as follows:

"Section 171. Priority of special deposit claims. The owners of
special deposit claims against an insurer for which receiver is
appointed in this or any other state shall be given priority
against their several special deposits in accordance with the
provisions of the statues governing the creation and maintenance
of such deposits. If there is deficiency in any such deposit so that
the claims secured in the general assets, but such sharing shall be
defered until general creditors, and also claimants against other
special deposits which have received smaller percentages from
their respective special deposits, have been paid percentages of
their claims equal to the percentages paid from the special
deposits."

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

"Section 172. Priority of secured claims. The owner of a secured
claim against an insurer for which a receiver has been appointed in
this or any other state may surrender his security and file his
claim as a general creditor, or the claim be discharged by resort
to the security, in which case the deficiency, if any, shall be treated
as a claim against the general assets of the insurer on the same
basis as been adjudicated in ancillary proceedings as provided in
this Act, or proceeding in which the receiver has had notice and
opportunity to be heard, such amount shall be conclusive;
otherwise the amount shall be determined in the delinquency
Section 74. Title 37 of the Code of the Federated States of Micronesia is hereby enacted by adding a new section 173 to read as follows:

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

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

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

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

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

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

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

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

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

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

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

(a) To name, age, business and residence address of the applicant, and if the applicant is a firm or corporation the name
and address of each person thereof designated to act for him;

(b) The type of license applied for and a description of

the type of business to be engaged in under such licenses,

including the classes of insurance he proposes to represent;

(c) The previous insurance experience of he applicant, if

any, together with the names and addresses of all insurers or

agents whom he represented or was employed by;

(d) A statement that the principal use of such license is

not to effect insurance on the applicant's own life, property or

risks, or on the life, property or risks of an employee or member

of his family;

(e) Such other information as the commissioner shall

require by regulations or specifically request of the applicant."

Section 80. Title 37 of the Code of the Federated States of Micronesia

is hereby enacted by adding a new section 179 to read as follows:

"Section 179. Same: additional requirements. The statement of

the applicant required by section 251 shall be accompanied by

the following:

(a) If the application is for a general agent's license, the

request of the insurer that the applicant be licensed to represent

such insurer as a general agent;

(b) If the application is for a sub-agent's license, the

request of either an insurer or general agent that such applicant

be licensed to represent such insurer or general agent as a sub-

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

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

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

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

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

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

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

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

(6) The person has been guilty of rebating;

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

(8) The person does not meet the necessary
qualifications to act in such capacity.

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

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

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

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

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

(b) If at the time of the solicitation and insurance of a policy of insurance which by its terms continues until canceled, a licensed person may lawfully receive commissions thereon, such person or this person representative may continue to receive commissions thereon during the continuance in force or renewal of such policy without being licensed.
(c) It is unlawful for any insurance agent who is not also a licensed insurance broker to receive commissions derived from insurance placed with an insurer which has not appointed him to act as its agent in the transaction of such insurance.

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

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

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

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

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

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

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

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

(b) The benefits or privileges promised thereunder;

(c) The future dividends payable thereunder".

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

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

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

"Section 185. Insurance adjusters. No person, except a person otherwise licensed under this article, shall make any adjustment under an insurance policy covering hazards described in Article I
of Chapter III of this Title, unless he shall hold a license under this section or is exempted therefrom.

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

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

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

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

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

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

"Section 189. Limitation on issuance; endorsement on policy; filing of power of attorney; validity of power. Such surplus line insurance shall not only be issued after the insured has procured insurance in companies admitted to do business in FSM to the full amount which such companies are willing to write on such property. Every policy issued under this section shall be endorsed "issued in an unauthorized company, under agent"s (or broker"s) license No._" which endorsement shall be properly filed in and signed by the broker or agent. Before registering and delivering any such policy for an unauthorized insurance company or insurer, such broker or agent shall procure from such company or insurer a power of attorney which shall employ him as its attorney in fact to receive and accept on its behalf service of any and all writs, processes and summonses requisite or necessary to give complete jurisdiction of any such company or insurer to any of the courts of FSM, and shall be deemed to constitute such attorney the authorized agent of such company or insurer upon whom lawful service may be made of all risks, processes and summons in any case, suit or proceeding in any court mentioned herein. Such power of attorney shall be valid so long as such company or insurer has any liability existing in FSM on account of any outstanding policies or unpaid claims pending against it. Such
broker or agent shall file such power of attorney with the
insurance Commissioner promptly on receipt of same.*

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

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

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

"Section 191. Status of companies issuing insurance: liability to
suit: duty of agent on being served with process; time for
answer; when jurisdiction deemed acquired. Every company,
insurer or insures making insurance under the provisions of this
section shall be deemed and held to be sued upon any cause of
action arising under any policy of insurance so issued and
delivered by it. Any broker or agent being served with summons
and complaints in any such cause shall forthwith mail such
summons and complaint, or true and complete copies thereof, by
registered letter with proper postage affixed, properly addressed
to the company sued, and such company shall have forty (40)
days from the date of the service of such summons and
complaint upon said broker or agent in which to plead, answer or
defend any such cause. Upon service of summons and complaint
being had upon such broker or agent for such company, the court
in which such action is begun shall be deemed to have duly
acquired jurisdiction in personal of the defendant company so
served."

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

"Section 192. Penalty for failure to file statement and pay tax:
action for recover: revocation of license: conditions prerequisite
to reinsurance. Every such broker or agent who fails or refuses
to make and file said annual statement, and to pay the taxes
required to be paid thereon prior to the first day of July after
such tax is due, shall be liable for a fine of twenty-five dollars
($25.00) for each day of said delinquency. Such tax and fine may
be recovered in any action to be instituted by the Commissioner in
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,
lighting, windstorms, cyclones, tornadoes, typhoons, hail or
earthquakes, water from the breakage or leakage of sprinklers,
pumps or other apparatus erected for extinguishing fires, and
water pipes; and against loss or damage arising from the
prevention or suspension of rent or use and occupation of any
building, plant or manufacturing establishment, due to the hazard
or peril against which the insurance is carried."

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

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

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

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

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

"Section 197. **Accident, sickness, health, property damage and
liability insurance.** Accident insurance and sickness or health
insurance includes insurance against injury, disablement or death
resulting from sickness, and every insurance appertaining thereto.
Property damage insurance includes all types of insurance against
loss or damage to property and liability therefor. Liability
insurance includes all insurance against loss or damage resulting
from accident to, or injury, fatal or non-fatal, suffered by any
person, and for which the insurer is liable."

Section 99. Title 37 of the Code of the Federated States of Micronesia
is hereby enacted by adding a new section 198 to read as follows:
"Section 198. Fidelity and surety insurance. Fidelity and surety
insurance includes all guaranteeing or persons holding place of
public trust, and of the performance of contracts other than
insurance policies. It also includes the execution of all bonds
undertakings and contracts of suretyship."

Section 100. Title 37 of the Code of the Federated States of Micronesia
is hereby enacted by adding a new section 199 to read as follows:
"Section 199. Motor vehicle insurance. Motor vehicle insurance
includes all insurance on motor or power driven vehicles, except
those operating on water or on rails, against loss or damage to
or loss of use of the vehicle or its tools, appliances or equipment,
against legal liability for loss or damage to persons or property
resulting through the operation of the vehicle caused by fire, self
ignition explosion, theft, collision or other insurance hazards,
including hazards incident to transporting such vehicle by land or
water."

Section 101. Title 37 of the Code of the Federated States of Micronesia
is hereby enacted by adding a new section 200 to read as follows:
"Section 200. Title insurance. Title insurance includes insurance or
guaranty of title to real or personal property or any interest or
cumbrance thereon, or of information relative to real property,
against loss by reason of defective titles, encumbrances, or
adverse claims of title, or otherwise."

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

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

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

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

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

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

Section 105. Title 37 of the Code of the Federated States of Micronesia
is hereby enacted by adding a new section 204 to read as follows:
"Section 204. Capacity to be insured. Any person except a public
enemy may be insured or may be a beneficiary.

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

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

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

"Section 206. Insurable interest. (a) Every interest in property,
or any relation thereto, or any liability in respect thereto, of such
a nature that a contemplated peril might directly damnify the
insured, is an insurable interest. A mere contingent or expectant
interest in anything, not founded upon an actual right to or in the
thing, not upon any valid contract for it, is not insurable.
(b) Every person has an insurable interest in the life and
health of:

(1) Himself;
(2) Any person upon whom he depends wholly or
in part for education or support;
(3) Any person under a legal obligation to him for
the payment of money or respecting property or services, of which
death or illness might delay or prevent performance;
(4) Any person upon whose life any estate or interest vested in him depends.

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

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

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

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

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

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

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

Section 111. Title 37 of the Code of the Federated States of Micronesia is hereby enacted by adding a new section 210 to read as follows:
"Section 210. Same: change. Except in the cases herein
specified, and in the cases of life and disability insurance, a change
of interest in any part of a subject insured, unaccompanied by a
corresponding change of interest in the insurance, suspends the
insurance to an equivalent extent until the interest in the subject
and the interest in the insurance are vested in the same person.

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

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

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

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

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

"Section 211. Same: transfer. The mere transfer of subject
matter insured does not transfer the insurance, but suspends it
until the same person becomes the owner of both the insurance
and the subject matter insured.

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

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

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

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

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

(a) If the insurer is an admitted domestic insurer, each
policy shall be signed and subscribed by two (2) of the major
officers of the insurer designated in its articles of incorporation or
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
Section 116. Title 37 of the Code of the Federated States of Micronesia is hereby enacted by adding a new section 215 to read as follows:

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

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

"Section 216. Liability policy. Direct action. On any policy of liability insurance the injured person or his heirs or representatives shall have a right of direct action against the insurer within the terms and limits of the policy, 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. Such action may be brought against the insurer alone, or against both the insured and insurer."

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

"Section 217. Same: Insolvency or bankruptcy. No policy of liability insurance shall be issued or delivered in FSM, unless it contains provisions to the effect that the insolvency or bankruptcy of the insured shall not release the insurer from the
payment of damages for injuries sustained or loss occasioned
during the term of such policy, and that in case execution against
he insured is returned unsatisfied in any action brought by the
injured person or his heirs, because of such insolvency or
bankruptcy, an action may be maintained by the injured person or
his heirs or representatives against such insurer within the terms
and limits of the policy for the amount of The judgment not
exceeding the amount of the policy."

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

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

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

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

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

(a) The Commissioner shall study each form for the
purpose of guarding against any fraud, misrepresentation or
other forms of unfairness to the writings of the insured; if he shall
approve a form, he shall endorse his approval on the face of both
duplicates and transmit one to the insured and keep one in his
permanent files; if he shall disapprove a form, he shall issue an
order of disapproval stating therein his reasons and transmit a
copy of the same to the insurer.

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

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

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

(a) The name of the insured;

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

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

"Important, this policy contains a coinsurance clause. It the
amount of insurance purchased is not equal to the cash or
replacement cost of your insured property then the settlement
you receive arising from future losses will not be sufficient to
replace the loss you have suffered. It is your responsibility as the
insured to make certain the insured values, as stated below, it
equal to cash value or full replacement cost of your insured
property if you desire full protection."
(d) The coinsurance clause in its entirety is a type of
which the face is not smaller than six points;
(e) The insured value of the property."
Section 122. Title 37 of the Code of the Federated States of Micronesia
is hereby enacted by adding a new section 221 to read as follows:
"Section 221. Same: Notification. Notification of the coinsurance
clause, as required by Section 358, shall be made in the manner
and at such intervals in time as shall be prescribed by the
insurance Commissioner."
Section 123. Title 37 of the Code of the Federated States of Micronesia
is hereby enacted by adding a new section 222 to read as follows:
"Section 222. Accrual of premium. The insurer is entitled to
payment of the premium as soon the subject matter insured is
exposed to the peril insured against."
Section 124. Title 37 of the Code of the Federated States of Micronesia
is hereby enacted by adding a new section 223 to read as follows:
"Section 223. Right to return of premium. Unless the insurance
contract otherwise provides, a person insured is entitled to a
return of premium after a policy is canceled or rescinded as
provided herein:
(a) To the whole premium if no part of is interest in the
thing insured is exposed to any of the perils insured against;
(b) Where the insurance is for a definite term, and the
insured surrenders his policy, to such proportion of the premium
as corresponds to the un expired portion of the term after
deducting from the whole premium any claim for loss or damage
which has previously accrued;

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

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

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

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

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

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

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

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

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

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

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

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

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

(c) No rate shall be held inadequate unless such rate is
unreasonably low for the insurance provided and the continued
use of such rate endangers the solvency of the insurer; or unless
such rate is unreasonably low for the insurance provided and the
use of such rate by the insurer will have the effect of destroying
competition in FSM.

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

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

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

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

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

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

(b) If a loss is caused by efforts to rescue the thing
Section 130. Title 37 of the Code of the Federated States of Micronesia
is hereby enacted by adding a new section 229 to read as follows:

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

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

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

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

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

Section 133. Title 37 of the Code of the Federated States of Micronesia
is hereby enacted by adding a new section 232 to read as follows:

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

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

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

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

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

Section 136. Title 37 of the Code of the Federated States of Micronesia is hereby enacted by adding a new section 235 to read as follows:
"Section 235. Failure to pay loss, recovery of amount due and damages. In all cases where loss occurs and the insurer liable therefor shall fail to pay the same within the time specified in the policy, after demand made therefor, such insurer shall be liable to pay the holder of such policy, in addition to the amount of such loss, twelve percent (20%) damages upon the amount of such loss, together with all reasonable attorney's fees for the prosecution and collection of said loss; said attorney's fees for the prosecution and collection of said loss; said attorney's fees to be taxed by the court where the same is heard on original action, by appeal or otherwise, and to be taxed as a part of the costs therein, and collected as other cost are or may be by law collected; and writs of attachment or garnishment filed or issued after proof of loss or death has been received by the insurer shall not defeat the provisions of this section, provided the insurer desiring to pay the amount of the claim as shown in the proof of loss or death may pay said amount into the registry of the court after issuance of writs of attachment and garnishment, in which event there shall be no further liability on the part of said insurer."

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

"Section 236. Total loss by fire or miscellaneous insurance; recovery of full amount. A fire or miscellaneous insurance policy, in case of a total loss of any risk insured under the classes specified in this Title as fire or miscellaneous insurance shall be held and
considered to be a liquidated demand against the insurer taking such risk for the full amount stated in such policy, or the full amount upon which the insurer charges, collects or receives a premium; provided the provisions of this article shall not apply to personal property. In the event of a total loss or destruction of any personal property on which the amount of the appraisal or agreed loss is less than the total amount insured thereon, the insurer shall return to the insured the unearned premium for the excess of insurance over the appraised or agreed loss, to be paid at the same time and in the same manner as the loss shall be paid; and the unearned premium shall be a just and legal claim against the insurer."

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

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

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

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

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

(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
definitions shall apply:

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

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

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

(b) "Nonpayment of premium" means failure of the named insured to discharge when due any of his obligations in connection with the payment of premiums on a policy, or any installment of such premium, whether the premium is payable directly to the insurer or its agent or indirectly under any premium
Section 143. Title 37 of the Code of the Federated States of Micronesia is hereby enacted by adding a new section 242 to read as follows:

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

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

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

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

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

(a) Nonpayment of premium; or

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

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

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

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

(a) Be approved as to form by the insurance

Commissioner prior to use;

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

(c) State the specific reason or reasons of the insurer
for cancellation or refusal to renew or be accompanied by a
statement that upon written request of the named insured, mailed
or delivered to the insurer not less than twenty (20) days prior to
the effective date of cancellation or refusal to renew, the insurer
will specify the reason or reasons for such cancellation, or refusal
to renew, the insurer to supply such information within five (5)
days of receipt by it of such request;
(d) Advise the insured of his right to request in writing,
within ten (10) days of the receipt of the notice of cancellation or
intention not to renew, or of the receipt of the reason or reasons
for the cancellation or refusal to renew, if they were not stated in
the notice of cancellation or of intention not to renew, that the
insurance Commissioner review the action of the insurer."

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

"Section 246. Application. Nothing in this chapter shall apply:
(a) If the insurer has manifested its willingness to renew
by issuing or offering to issue a renewal policy, certificate or other
evidence of renewal, or has manifested such intention by any other
means;
(b) If the named insured has demonstrated by some
over the action to the insurer or its agent that he wishes the
policy to be canceled, or that he does not wish the policy to be
renewed;
(c) To any policy of automobile insurance which has been
in effect less than sixty (60) days, unless it is a renewal policy,
except that no insurer shall decline to continue in force such a
policy of automobile insurance solely on the basis of the ground
set forth in section 527;

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

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

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

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

"Section 248. Request for review. (a) Any insured may, within ten
(10) days of the receipt by the insured of notice of cancellation or
notice of intention not to renew, or of the receipt of the reason or
reasons for the cancellation or refusal to renew, if they were not
stated in the notice, request in writing to the Insurance
Commissioner that he review the action of the insurer in canceling
or refusing to renew the policy of such insured.
(b) Any applicant for a policy who is refused such policy by an insurer may in writing within ten (10) days of notice of such refusal request the insurer to supply the reasons for such refusal. The insurer shall supply such reasons within five (5) days of receipt by it of such request. Within ten (10) days of the receipt of such reasons, the applicant may request in writing to the Insurance Commissioner that he review the action of the insurer in refusing to write a policy for the applicant."

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

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

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

"Section 250. Rules and regulations. The Insurance Commissioner shall promulgate rules and regulations necessary for the administration of this Chapter. The Commissioner may provide in such rules and regulations for the establishment of a filing fee, to
accompany the request for review. Should the Insurance
commissioner decide the appeal in favor of the insured, the filing
fee shall be returned immediately and fee shall be paid by the
insurer."

Section 152. Title 37 of the Code of the Federated States of Micronesia
is hereby enacted by adding a new section 251 to read as follows:
"Section 251. Records. Each insurer shall maintain records of the
numbers of cancellations and refusals to write or renew policies
and the reasons therefor and shall supply to me Insurance
Commissioner such information as he may request."

Section 153. Title 37 of the Code of the Federated States of Micronesia
is hereby enacted by adding a new section 252 to read as follows:
"Section 252. Short title. This chapter shall be known and may
be cited as "Uniform Consumer Credit Code-Insurance."

Section 154. Title 37 of the Code of the Federated States of Micronesia
is hereby enacted by adding a new section 253 to read as follows:
"Section 253. Scope. This chapter applies to insurance provided
or to be provided in relation to a consumer credit sale (section
104), a consumer lease (section 106), or a consumer loan
(section 104). Except as provided in this chapter as to
cancellation of insurance pursuant to a premium finance loan
(section 401), it does not apply to insurance the financing of
which is the primary purpose of the loan."

Section 155. Title 37 of the Code of the Federated States of Micronesia
is hereby enacted by adding a new section 254 to read as follows:
"Section 254. Definition. In this chapter "consumer credit insurance" means insurance, other than insurance on property, by which the satisfaction of debt in whole or in part is a benefit provided, but does not include insurance issued as an isolated transaction of the part of the insurer not related to an agreement or plan for insuring debtors of the creditor."

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

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

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

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

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

(2) the policy or certificate of insurance shall be delivered to the debtor, or sent to him at his address as stated
by him, within thirty (30) days after the term of the insurance
commences under the agreement between the creditor and
debtor; and
(3) the creditor shall promptly notify the debtor of any
failure or delay in providing the insurance."

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

"Section 257. Unconscionability resulting from insurance charge.
(1) In applying the provisions of this Act on Unconscionability to
a separate charge for insurance, consideration shall be given
among other factors, to:
(a) Potential benefits to the debtor including the
satisfaction of his obligations;
(b) the creditor's need for the security provided
by the insurance; and
(c) the relation between the amount and terms of
credit granted and the insurance benefits provided.
(2) If consumer credit insurance otherwise complies wit this
chapter, neither the term nor the amount of the insurance is of
itself unconscionable."

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

"Section 258. Maximum charge by creditor for insurance. (1)
Except as provided in Subsection (2), if a creditor contracts for
or receives a separate charge for insurance, the amount charged
to the debtor for the insurance may not exceed the premium to
be charged by the insurer, as computed at the time the charge to
the debtor is determined, conforming to any rate filings required
by law and made by the insurer with the Commissioner of
insurance.

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

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

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

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

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

(c) under any policy of insurance, the creditor
receives directly or indirectly a gain or advantage not prohibited by law.

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

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

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

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

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

"Section 260. Existing insurance; choice of insurer, if a creditor requires insurance, upon notice to him debtor shall have the option of providing the required insurance through existing policies of insurance owned or controlled by him, or thorough policies to be
obtained and paid for by him, but the creditor may for reasonable
cause decline the insurance provided by the debtor.*

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

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

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

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

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

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

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

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

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

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

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

(a) If any required evidence of insurability is not
furnished until more than thirty (30) days after the term would
otherwise commence, the term may commence on the date when
the insurer determines the evidence to be satisfactory; and

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

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

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

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

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

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

"Section 264. Amount of consumer credit insurance. (1) Except
as provided in Subsection (2):
(a) in the case of credit life insurance, the amount of insurance may not initially exceed the debt and, if the debt is payable in installments, may not at any time exceed the greater of the scheduled or actual amount of the debt; or

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

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

(3) The excess amount of a charge for Insurance provided for in agreements in violation of this Section is an excess charge for the purposes of the provisions of the chapter on Remodels and Penalties (Chapter 5) as to the effect of violations on rights of parties (section 201) and of the provisions of the chapter on Administration (Article 6) as to administrative
enforcement orders (section 018) and as to civil actions by the
Administrator (section 113)."

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

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

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

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

(4) The Commissioner of Insurance shall, within thirty
(30) days after the filing, according to Subsection (2) or (3), of any form or schedule of premium rates or charges, disapprove the form or schedule of premium rates or changes and notify the Insurer of his disapproval:

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

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

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

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

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

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

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

(c) the term of the Insurance is reasonable in
1 relation to the terms of credit.
2
3 (2) The term of the insurance is reasonable if it is customary and does not extend substantially beyond a scheduled maturity.
4
5 (3) A creditor may not contract for or receive a separate charge for insurance against loss of or damage to property unless the amount financed or principal exclusive of charges for the insurance is three hundred dollars ($300.00) or more, or the - value of the property is three hundred dollars ($300.00) or more.
6
7 (4) The excess amount of charge for insurance provided for agreements in violation of this Section is an excess charge for the purposes of the provisions of the chapter on Remedies and Penalties (Chapter 5) as to the effect of violations on rights or parties (section 201) and of the provisions of the chapter on Administration (Chapter 6) as to administrator (section 113).
8
9 (5) The amounts of three hundred dollars ($300.00) in Subsection (3) are subject to change pursuant to the provisions of adjustment of dollar amounts (section 106)."
10 Section 168. Title 37 of the Code of the Federated States of Micronesia is hereby enacted by adding a new section 267 to read as follows:
11
12 *Section 267. Insurance on creditor's interest only. If a creditor contracts for or receives a separate charge for insurance against loss of or damage to property, the risk of accidental loss or damage is on the debtor only to the extent of any deficiency in
the effective coverage of the insurance, even though the insurance
covers only the interest of the creditor.

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

"Section 268. Liability insurance. A creditor may not contract for
or receive a separate charge for insurance against liability unless
the insurance covers a substantial risk of liability arising out of the
ownership or use of property related to the credit transaction.

The excess amount of a charge for insurance provided for in
agreements in violation of this Section is an excess charge for the
purposes of the provisions of the chapter on Remedies and
Penalties (Chapter 5) as to the effect of violations on rights of
parties (section 201) and of the provisions of the chapter on
Administration (Article 6) as to administrative enforcement
orders (section 108) and as to civil actions by the Administrator
(section 6113)."

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

"Section 269. Cancellation by creditor. A creditor shall not
request cancellation of a policy of property or liability insurance
except in accordance with a written authorization by the debtor
and with a written notice delivered to him or mailed to him at his
address as stated by him. The notice shall state that the policy is
to be canceled on a date not less than ten (10) days after the
notice is delivered, or, if the notice is mailed, not less than thirteen
Section 171. Title 37 of the Code of the Federated States of Micronesia is hereby enacted by adding a new section 270 to read as follows:

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

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

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

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

   (4) All laws of this territory relating to cancellation of
insurance contracts must be complied with, when cancellation occurs pursuant to this Section.

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

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

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

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

Date: Aug. 08, 1997

Introduced by Redley Kilion