
A BILL FOR AN ACT

To amend title 37 of the Code of the Federated States of Micronesia, as amended by Public Law 14-66, by amending sections 102, 104, 208, 210, 214, 216, 301, 302, 305, 306, 307, 309, 310, 314, 316, 319, 321, 402 and 602, and adding new sections 105, 217, 322, 323, 406 and 506, in order to add and amend definitions, to extend the period for insurer compliance with the Act, to change certain requirements for insurer licensing and registration, to change certain provisions with respect to functioning of the Insurance Board, to reduce penalties, to require auditors and actuaries to make certain disclosures, to change and add provisions regarding winding up, limitation on loans, premium remittance, fraud and claim settlement, and manner of record keeping, to correct typographical errors, and for other purposes.

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

1 Section 1. Section 102 of title 37 of the Code of the
2 Federated States of Micronesia, as amended by Public Law 14-66, is
3 hereby further amended as follows:

4 "Section 102. Definitions. In this Act, unless the
5 context otherwise requires:

6 (1) 'actuary' means an individual qualified as an
7 actuary by such qualifications as the Commissioner may
8 recognize;

9 (2) 'affiliated entity' means a subsidiary, a holding
10 company, a trust controlled or administered by a
11 company, or another company whose board of directors
12 acts in accordance with the directors or instructions of
13 the first company;

14 (3) 'agent' means a person with the authority of an
15 insurer to solicit applications, receive proposals,

1 receive premiums, deliver policies, and to make
2 contracts of insurance;

3 (4) 'auditor' means an independent accountant approved
4 by the Commissioner;

5 (5) 'broker' means a person who acts on behalf of a
6 prospective customer and with the prospective customer's
7 authority arranges insurance business with insurers,
8 including making proposals and paying premiums;

9 (6) 'Commissioner' means the individual appointed as
10 the Insurance Commissioner under this Act;

11 (7) 'company' means a body corporate formed under the
12 laws of and having its head office in the Federated
13 States of Micronesia;

14 [~~(7)~~] (8) 'domestic insurer' means [~~an insurer formed~~
15 ~~under the laws of and having its head office in the~~
16 ~~Federated States of Micronesia]~~ a company that is
17 licensed under this Act to carry on an insurance
18 business in the Federated States of Micronesia;

19 [~~(8)~~] (9) 'domestic policy' means a policy issued on
20 property, lives or other risks located in the Federated
21 States of Micronesia;

22 [~~(9)~~] (10) 'foreign insurer' means an [~~insurer who is~~
23 ~~not a domestic insurer]~~ entity constituted and licensed
24 to conduct an insurance business by a jurisdiction other
25 than the Federated States of Micronesia, that has been

1 registered or licensed under this Act to carry on
2 insurance business in the Federated States of
3 Micronesia;

4 [~~(10)~~] (11) 'insurance' means a contract whereby one
5 undertakes to indemnify another or pay a specified
6 amount upon determinable contingencies;

7 [~~(11)~~] (12) 'insurance business' means the soliciting,
8 effecting or carrying out of contracts of insurance,
9 including re-insurance, and the following transactions;

10 (i) making or negotiating an insurance policy;

11 (ii) making or negotiating a guaranty or surety
12 contract not merely incidental to another legitimate
13 business or activity;

14 (iii) taking, forwarding or receiving and insurance
15 application;

16 (iv) disseminating information concerning coverage
17 and rates;

18 (v) receiving or collecting any consideration for
19 insurance;

20 (vi) issuing or delivering an insurance policy to
21 a resident of, or a person authorized to do business in,
22 the Federated States of Micronesia;

23 (vii) directly or indirectly acting as an agent,
24 broker or solicitor, or any other form of representative
25 of an insurer;

1 (viii) setting rates;
2 (ix) inspecting a risk;
3 (x) investigating or adjusting a claim or loss;
4 (xi) doing or proposing to do any activity that is
5 in substance equivalent to conduct described in this
6 provision.

7 [~~(12)~~] (13) 'insurer' means a [~~person effecting and~~
8 ~~carrying on insurance business in the Federated States~~
9 ~~of Micronesia]~~ a domestic or foreign insurer;

10 [~~(13)~~] (14) 'life insurance' means insurance of human
11 lives and insurance appertaining thereto or connected
12 therewith and includes the granting of annuities,
13 endorsement benefits, sinking fund benefits and benefits
14 in the event of death or disability by accident or
15 sickness, provided that such insurance against
16 disability by accident or sickness is included as an
17 additional benefit in a life insurance policy;

18 (15) 'marine, aviation and transportation policy' means
19 an insurance policy that covers a risk relating to (a)
20 the possession, use or ownership of a vessel, aircraft
21 or other craft; or (b) the conveyance of persons or
22 goods by air, space, land or water; or (c) the storage,
23 treatment or handling of goods so conveyed or to be so
24 conveyed.

25 [~~(14)~~] (16) 'officer' means, in relation to a

1 partnership, corporation, association, trust or any
2 other business entity, a director, manager or secretary
3 of that body, or any person having or exercising powers
4 or duties substantially similar to any of those
5 officers;

6 [~~(15)~~] (17) 'person' means any person, natural or legal,
7 including individuals, partnerships, and corporations [~~7~~
8 ~~associations, trusts or any other business entity~~];

9 [~~(16)~~] (18) 'policy' means any written contract of
10 insurance whether contained in one or more documents;

11 [~~(17)~~] (19) 'policy-owner' means a person who is
12 entitled to claim any benefit provided for in a policy;

13 [~~(18)~~] (20) 'premium' means the money to be paid in return
14 for an undertaking to provide policy benefits;

15 [~~(19)~~] (21) 'reinsurance' means a contract by which an
16 insurer insures any part of the risk insured by the
17 insurer with another insurer;

18 [~~(20)~~] (22) 'related person' with respect to any natural
19 person means his spouse, child, parents brothers, or
20 sisters, or any partnership, corporation, or firm in
21 which he owns more than a ten percent interest;

22 ~~(21)~~ (23) 'regulations' means regulations made by the
23 Insurance Board under this Act.

24 [~~(22)~~] (24) 'solicitor' means an individual who solicits

1 applications for insurance or negotiates insurance
2 business on behalf of an insurer or an agent and earns
3 commissions for each successful sale, but is neither an
4 insurer, an insurance agent, or an employee of an
5 insurer or agent."

6 Section 2. Section 104 of title 37 of the Code of the
7 Federated States of Micronesia, as amended by Public Law 14-66, is
8 hereby further amended as follows:

9 "Section 104. Transition.

10 (1) This Act applies to any person transacting
11 insurance business on or after the effective date of
12 this Act.

13 (2) All persons transacting insurance business as of
14 the effective date of this Act will be permitted a grace
15 period of [~~180~~] 365 days from the effective date of this
16 Act before being penalized for violation of this Act.

17 (3) Any such person must, within [~~180~~] 365 days of the
18 effective date of this Act, apply for a license or
19 registration under this Act or cease their insurance
20 business.

21 (4) Any person who timely files an application shall
22 have their grace period extended until such time as
23 their [~~registration~~] application is approved or denied.

24 (5) Any person who does not file an application within
25 the 180 days or whose timely filed application is denied

1 must stop transacting insurance business, but continue
2 to administer their policies and wind up their business
3 in accordance with the provisions of this Act.”

4 Section 3. The Code of the Federated States of Micronesia,
5 as amended, is hereby further amended by enacting a new section
6 105 of title 37 to read as follows:

7 “Section 105. Manner of record keeping. All
8 information and records required to be produced or
9 maintained pursuant to this Act shall be stated in
10 English and in US Dollars.

11 Section 4. Section 208 of title 37 of the Code of the
12 Federated States of Micronesia, as amended by Public Law 14-66, is
13 hereby further amended as follows:

14 “Section 208. Conflict of interest.

15 (1) Neither a member of the Insurance Board, the
16 Insurance Commissioner or any person acting on behalf or
17 under the supervision of the Board or Commissioner
18 shall, during the discharge of their office:

19 (a) be an officer, director, or employee of any
20 person licensed or registered under this Act or an
21 affiliated entity;

22 (b) own or deal directly or indirectly in the
23 shares or obligations of any person licensed or
24 registered under this Act or an affiliated entity;

1 (c) be an insurer, insurance agent, insurance
2 broker or insurance solicitor;

3 (d) be interested in or receive directly or
4 indirectly from an insurer or affiliated entity, or from
5 any of its officers, directors, or employees, or from
6 any insurance agent, insurance broker or insurance
7 solicitor, any salary, gratuity, compensation, or other
8 thing of value by way of gift, credit, compensation for
9 services, or for any other reason; or

10 (e) be interested in or under obligation to
11 negotiate any contract, obligation, or settlement for
12 another person with such insurer or affiliated entity.

13 (2) Any violation of this Section by any person
14 referred to herein shall be sufficient cause for removal
15 from office.

16 (3) Notwithstanding subsection (1), it shall not be a
17 conflict of interest to be a policy owner or beneficiary
18 provided that full disclosure of such ownership is made
19 to the Insurance Board and in the case of the members of
20 the Insurance Board, disclosure shall be made to the
21 President of the Federated States of Micronesia."

22 Section 5. Section 210 of title 37 of the Code of the
23 Federated States of Micronesia, as amended by Public Law 14-66, is
24 hereby further amended as follows:

25 "Section 210. Appeal.

1 (1) Any order issued under this Act may be appealed to
2 the Insurance Board pursuant to the provisions of title
3 17, chapter 1 of the Code of the Federated States of
4 Micronesia.

5 (2) A decision of the Insurance Board shall be final
6 agency action for purposes of appeal to the Supreme
7 Court of the Federated States of Micronesia. The filing
8 of an appeal for judicial review shall not stay
9 enforcement of an order but the Court may order a stay
10 upon such terms as it deems proper.

11 (3) An appeal must be filed with the Insurance Board
12 within [~~30~~] 20 days of the date of issuance of the order
13 being appealed. Unless an appeal is filed the order
14 shall become final [~~30~~] 20 days after issuance and shall
15 be subject to enforcement. If an appeal is filed, the
16 order shall not become final until and unless it is
17 affirmed by the Insurance Board."

18 Section 6. Section 213 of title 37 of the Code of the
19 Federated States of Micronesia, as amended by Public Law 14-66, is
20 hereby further amended as follows:

21 "Section 213. Commissioner may demand information. The
22 Commissioner may, for the purpose of carrying out the
23 provisions of this Act, demand from a person applying
24 for a license or registration or a person licensed or
25 registered under this Act [~~an applicant for a license or~~

1 ~~a license holder]~~ any document or information relating
2 to any matter connected with his insurance business or
3 transactions, and any such person shall comply with any
4 such demand.”

5 Section 7. Section 214 of title 37 of the Code of the
6 Federated States of Micronesia, as amended by Public Law 14-66, is
7 hereby further amended as follows:

8 “Section 214. Prohibition on disclosure.

9 (1) No person who, in his past or current capacity as an
10 insurer, agent, broker or solicitor has acquired
11 information concerning a policy owner shall disclose
12 such information except:

13 (a) to an affiliated entity in the usual course
14 of business;

15 (b) with the written authorization of the policy
16 owner or his legal personal representative;

17 (c) for the purpose of performing his duties
18 under this Act;

19 (d) when required to do so by a court in the
20 Federated States of Micronesia;

21 (e) in order to comply with the provisions of
22 this Act or any other law.

23 (2) No member of the Insurance Board, the Insurance
24 Commissioner or any employee or agent of the Insurance
25 Board or Commissioner shall disclose to any person any

1 information [~~whatsoever~~] relating to any person licensed
2 or registered under this Act or a policy-owner that he
3 has acquired in the performance of his duties under this
4 [~~title~~] Act except:

5 (a) for the purpose of the performance of his
6 duties or the exercise of his functions;

7 (b) when lawfully required to do so by any court,
8 or in proceedings for an offense against this title;

9 (c) with the consent of the person to whom the
10 information relates;

11 (d) to the extent that the information is
12 available under any other law or in a public documents;

13 (e) in aggregated or summary form, in such a
14 manner as to prevent any information disclosed from
15 being identified by any person has being related to a
16 particular person, including for statistical purposes;

17 or

18 (f) in confidence to a supervisory authority in
19 the Federated States of Micronesia or any other country
20 [~~for the purposes of the exercise of functions~~
21 ~~corresponding to or similar to those conferred on the]~~
22 [~~Insurance Board under this Act~~], so long as the
23 Insurance Board is reasonably satisfied the recipient of
24 the information will maintain confidentiality.

1 (g) In confidence to advisors from the private
2 sector, international organizations or foreign
3 governments for the purpose of improving the regulatory
4 system and performance of the Insurance Board, so long
5 as the Insurance Board is reasonably satisfied the
6 recipient of the information will maintain
7 confidentiality.”

8 Section 8. Section 216 of title 37 of the Code of the
9 Federated States of Micronesia, as amended by Public Law 14-66, is
10 hereby further amended as follows:

11 “Section 216. Examination of affairs.

12 (1) The Commissioner may examine the affairs of any
13 person licensed or registered under this Act or of any
14 person who is or has at any relevant time been an
15 affiliated entity of any person licensed or registered
16 under this Act.

17 (2) The Commissioner may enter the office of any
18 person licensed or registered under this Act at any
19 reasonable time, without notice, for purposes of
20 examination.

21 (3) It shall be the duty of the person under
22 examination, as well as their past and present officers,
23 employees and any affiliated entities, to produce to the
24 Commissioner all books, records and documents relating
25 to the person or affiliated entity under investigation

1 which are in their custody or control, and otherwise to
2 give to the Commissioner all reasonable assistance in
3 connection with the examination.

4 (4) The Commissioner may:

5 (a) examine on oath the officers, employees and
6 agents of the person under examination in relation to
7 its business and may administer an oath accordingly; and

8 (b) if he thinks it necessary for the purpose of
9 his examination that a person whom he has no power to
10 examine on oath should be so examined apply to the
11 court, and the court may, if it sees fit, order that
12 person to attend and be examined on oath before it on
13 any matter relevant to the examination;

14 (5) The Commissioner may designate persons to conduct
15 the examination on behalf of the Commissioner.

16 ~~[(5)]~~ (6) The Commissioner may, if he thinks fit,
17 charge the person whose affairs are examined all
18 expenses properly incurred in connection with the
19 examination or in connection with the proceedings
20 instituted as a result of the examination, which shall
21 be paid as a fee in accordance with the Regulations."

22 Section 9. Title 37 of the Code of the Federated States of
23 Micronesia, as amended by Public Law 14-66, is hereby further
24 amended by enacting a new section 217 to read as follows:

1 "Section 217. Indemnity. Neither the Insurance Board
2 nor any of its members, the Insurance Commissioner,
3 employee or any person duly appointed to assist the
4 Insurance Board in carrying out its powers and duties
5 under this Act shall incur any liability as a result of
6 anything done in good faith in the exercise of any power
7 or the performance of any duty under this title."

8 Section 10. Section 301 of title 37 of the Code of the
9 Federated States of Micronesia, as amended by Public Law 14-66, is
10 hereby further amended as follows:

11 "Section 301. License required.

12 (1) No insurance business shall be carried on, in or
13 from within the Federated States of Micronesia except
14 pursuant to the provisions of this [~~Title~~] Act.

15 (2) Any person who transacts insurance business shall
16 be licensed as either

- 17 (a) an insurer,
18 (b) an agent,
19 (c) a solicitor, or
20 (d) a broker.

21 (3) Only a company may be licensed as an insurer.

22 (4) Only agents transacting insurance business on
23 behalf of licensed or registered insurers shall be
24 eligible for a license.

25 [~~(4)~~] (5) A foreign insurer who receives [~~two~~] three

1 million dollars or more in income from premiums
2 collected in the Federated States of Micronesia in each
3 a fiscal year for three consecutive fiscal years shall
4 be required to become licensed as an insurer.

5 ~~[(5)]~~ (6) A foreign insurer who ~~[receives an amount~~
6 ~~less than two million dollars in income from premiums~~
7 ~~collected in the Federated States of Micronesia in a~~
8 ~~fiscal year]~~ does not make the premium collections
9 described in (5) shall be permitted to do business
10 through a person licensed as an agent if the foreign
11 insurer is registered, unless such foreign insurer
12 chooses to be licensed as an insurer instead.

13 ~~[(6)]~~ (7) A person licensed as an agent may conduct
14 business on behalf of more than one insurer; however,
15 the agent must apply for a separate license as an
16 insurance agent for each insurer."

17 Section 11. Section 302 of title 37 of the Code of the
18 Federated States of Micronesia, as amended by Public Law 14-66, is
19 hereby further amended as follows:

20 "Section 302. Application for license.

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

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

1 (b) In the case of a business entity, the
2 corporate charter and bylaws and the names and address
3 of the officers;

4 (c) The address of the applicant's office in the
5 Federated States of Micronesia and an appointment of a
6 representative resident in the Federated States of
7 Micronesia for service of process and to whom notices
8 and orders under this Act shall be sent;

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

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

18 (f) The type of license requested;

19 (g) The classes of insurance proposed to be
20 transacted and a demonstration of capacity to transact
21 such classes of insurance;

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

1 (i) In the case of applicants for a solicitor's
2 license, the request of a licensed insurer or licensed
3 agent that the applicant be licensed to represent the
4 insurer or agent;

5 (k) An audited financial statement for the most
6 recent fiscal year, a statement of prospective income
7 and a business plan for the forthcoming three years;

8 (l) In the case of applicants for an insurer's
9 license, the insurer must be able to meet the minimum
10 capital requirement of \$100,000 and demonstrate capacity
11 to meet the ongoing minimum capital requirements as
12 specified by the Insurance Board;

13 (m) In the case of applicants for an insurer's
14 license, disclosure of all contracts of reinsurance;

15 (n) In the case of applicants for an insurer's
16 license, if the applicant is a foreign insurer, a
17 certificate issued by the insurance supervisory
18 authority in the place in which the insurer is
19 incorporated or constituted to the effect that [~~he~~] it
20 is complying with all the applicable insurance
21 supervisory requirements of that authority;

22 (o) Other information and fees as required by
23 Regulations.

24 (2) The Insurance Board may require that an
25 examination be made into the business and affairs of the

1 applicant, including, in the case of a foreign insurer,
2 an examination by the insurance authority of the
3 jurisdiction in which such insurer is organized. Such
4 examination shall be at the cost of the applicant.

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

10 Section 12. Section 305 of title 37 of the Code of the
11 Federated States of Micronesia, as amended by Public Law 14-66, is
12 hereby further amended as follows:

13 "Section 305. Cancellation of license. The Insurance
14 Board may cancel a license by issuing an order of
15 cancellation based on any of the following grounds:

16 (1) the license holder or a trustee or receiver
17 appointed by the court has requested cancellation;

18 (2) the license holder has ceased to carry on an
19 insurance business in the Federated States of
20 Micronesia;

21 (3) the license holder has not commenced business in
22 the Federated States of Micronesia within one year of
23 being issued a license;

24 (4) in the case of an agent, that the insurer whom
25 they represent no longer wishes to be represented by the

1 agent or the insurer is no longer licensed or registered
2 by the Insurance Board; in the case of a solicitor, that
3 the agent or insurer whom they represent no longer
4 wishes to be represented by the solicitor or the agent
5 or insurer is no longer licensed or approved by the
6 Insurance Board;

7 (5) false, misleading or inaccurate information was
8 given in an application under this Act or pursuant to
9 reporting requirements or a demand for information under
10 this Act;

11 (6) any cause for which issuance of the license could
12 have been refused if it had then existed and been known
13 to the Commissioner at the time of issuance;

14 (7) in the case of an insurer, the insurer has failed
15 to pay a final judgment for the payment of a claim owed
16 under a policy;

17 (8) in the case of an insurer, the insurer has engaged
18 in unfair trade practices;

19 (9) the license holder has misrepresented the terms of
20 any actual or proposed insurance contract or application
21 for insurance;

22 (10) in the case of an insurer, the unencumbered
23 assets, or capital or solvency requirements as defined
24 by the Commissioner, of the insurer are insufficient for
25 the proper conduct of his insurance business;

1 (11) the license holder is not conducting business in
2 accordance with sound insurance principles;

3 (12) the license holder has contravened any of the
4 provisions of this Act, regulations or conditions of
5 license."

6 Section 13. Section 306 of title 37 of the Code of the
7 Federated States of Micronesia, as amended by Public Law 14-66, is
8 hereby further amended as follows:

9 "Section 306. [~~Suspension or r~~] Restriction of license.
10 The Insurance Board may [~~suspend or~~] restrict a license
11 by issuing an order of [~~suspension or~~] restriction [~~if~~
12 ~~the Commissioner is of the belief that the license~~
13 ~~holder is likely to qualify for cancellation but that~~
14 ~~suspension or restriction is in the best interests of~~
15 ~~the policy owners~~]. Restrictions on a license may
16 include limitations on business activities, prohibitions
17 against writing of new business or commencement of new
18 activities or acquisitions, directions to stop practices
19 that are unsafe or unsound, requirements to put assets
20 of the insurer in trust or restrict disposal of assets,
21 and prohibitions against particular individuals from the
22 business of insurance."

23 Section 14. Section 307 of title 37 of the Code of the
24 Federated States of Micronesia, as amended by Public Law 14-66, is
25 hereby further amended as follows:

1 "Section 307. Registered Foreign Insurers. [~~Only~~
2 ~~agents transacting insurance business on behalf of~~
3 ~~registered insurers shall be eligible for a license.~~]

4 (1) [~~All insurers licensed under this Act are~~
5 ~~registered insurers.~~]

6 [~~(2)~~]A foreign insurer [~~who is licensed by another~~
7 ~~jurisdiction,~~] may be registered by providing the
8 following:

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

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

21 (c) [~~pursuant to Regulations~~], compliance with
22 any a requirement, if set forth in Regulations under
23 this Act, that a certain amount of premiums collected on
24 behalf of the insurer are maintained in the Federated
25 States of Micronesia; and

1 (d) designation of an agent for service of
2 process.

3 (2) A foreign insurer providing a marine, aviation and
4 transportation policy may be registered without posting
5 the bond required in (1) (b).

6 (3) The Commissioner may grant or deny or cancel
7 registration of a foreign insurer based on these
8 requirements and a review of the foreign insurer in the
9 same manner as a review of an application for a license
10 under this Act.

11 (4) Any person registered as an insurer under this Act
12 shall be deemed and held to be doing business in the
13 Federated States of Micronesia and may be sued upon any
14 cause of action arising under any policy of insurance
15 issued by it and any cause of action under the laws of
16 the Federated States of Micronesia in the courts of the
17 Federated States of Micronesia.

18 Section 15. Section 309 of title 37 of the Code of the
19 Federated States of Micronesia, as amended by Public Law 14-66, is
20 hereby further amended as follows:

21 "Section 309. Reporting requirements.

22 (1) Licensed insurers and registered insurers shall
23 provide the following information to the Insurance
24 Board:

1 (a) Within three months of the end of each fiscal
2 year:

3 (i) a certified copy of the audited balance
4 sheet and accounts showing the financial position of all
5 the insurance business of the license holder at the
6 close of that year;

7 (ii) a certificate of an auditor stating that
8 the auditor has satisfied himself that the accounts of
9 the insurer have been properly prepared in accordance
10 with the books and records of the insurer and in
11 accordance with Generally Accepted Accounting Principles
12 and such other particulars as may be prescribed by
13 Regulation[-] ; and

14 (iii) ~~[all insurers who operate as separate~~
15 ~~entities which can be wound up under domestic or foreign~~
16 ~~law shall render separate accounts but where they are~~
17 ~~associated together in a group the holding company shall~~
18 ~~also furnish to the Commissioner consolidated accounts~~
19 ~~of the insurance business for the group as a whole; and]~~
20 such other documents and information as the Commissioner
21 may require or as may be prescribed by Regulation.

22 (iv) ~~[such other documents and information as~~
23 ~~the Commissioner may require or as may be prescribed by~~
24 ~~Regulation]. All ~~[all]~~ insurers who operate as separate
25 entities which can be wound up under domestic or foreign~~

1 law shall render separate accounts but where they are
2 associated together in a group the holding company shall
3 also furnish to the Commissioner consolidated accounts
4 of the insurance business for the group as a whole.

5 (b) A copy of any report on the affairs of the
6 insurer submitted to the policy-owners or shareholders
7 of the insurer in respect of the financial year to which
8 the balance sheet relates.

9 (c) In the case of licensed insurers only, a [A]
10 copy of all contracts of reinsurance at the time they
11 are entered into and upon any amendment.

12 (2) Licensed agents, brokers and solicitors shall
13 provide the following information to the Insurance Board
14 on a quarterly basis and in a form determined by the
15 Insurance Board:

16 (a) an accounting of all premiums collected,
17 including the dates of receipt from the policy owner,
18 the dates of remittance to the insurer, and any
19 commissions received.

20 (b) Such other information as determined by the
21 Insurance Board."

22 Section 16. Section 310 of title 37 of the Code of the
23 Federated States of Micronesia, as amended by Public Law 14-66, is
24 hereby further amended as follows:

1 "Section 310. Periodic investigations to be made into
2 financial position of insurers.

3 (1) A licensed insurer shall, not less than once in
4 every 3 years, cause an investigation into its financial
5 position, including a valuation of its liabilities to be
6 made by an actuary; provided that the Commissioner may
7 require a insurer to cause such an investigation to be
8 made at any time if he deems it to be in the [~~public~~]
9 policy owners interest to do so.

10 (2) A licensed insurer shall, whenever its financial
11 position is investigated with a view to a distribution
12 of surplus or in compliance with subsection (1),
13 [~~prepare and~~] furnish to the Commissioner a full report
14 of the actuary by whom the investigation was made or an
15 abstract thereof at the Commissioner's option, and a
16 statement of its life insurance business at that date,
17 as soon as such a report is furnished to the insurer by
18 the actuary. The actuary shall also provide a statement
19 of the assumptions and the methods used in making the
20 valuation."

21 Section 17. Section 314 of title 37 of the Code of the
22 Federated States of Micronesia, as amended by Public Law 14-66, is
23 hereby further amended as follows:

24 "Section 314. Limitation on Borrowing. At no time may
25 the [~~undischarged~~] amount of moneys to be borrowed or

1 secured by a domestic insurer exceed [~~five per cent~~] ten
2 percent of the assets of the domestic insurer without
3 the written consent of the Commissioner."

4 Section 18. Section 316 of title 37 of the Code of the
5 Federated States of Micronesia, as amended by Public Law 14-66, is
6 hereby further amended as follows:

7 "Section 316. Prohibited investments. [~~No domestic~~
8 ~~insurer shall invest in the stock of any other~~
9 ~~corporation, acquire any real estate, except with the~~
10 ~~approval of the Insurance Commission for use as its~~
11 ~~principal office in the Federated States of Micronesia,~~
12 ~~or pledge any of its assets as security for or guaranty~~
13 ~~any obligations of others.] The Insurance Board may
14 require that a domestic insurer not make investments of
15 a specified class and may in that case require such
16 insurer to liquidate investments of that class within a
17 specified period."~~

18 Section 19. Section 319 of title 37 of the Code of the
19 Federated States of Micronesia, as amended by Public Law 14-66, is
20 hereby further amended as follows:

21 "Section 319. Winding up of insurance business.

22 (1) Any license holder may terminate its business in
23 the Federated States of Micronesia with the approval and
24 under the supervision of the Insurance Commissioner and

1 pursuant to Title 31 of the Code of the Federated States
2 of Micronesia as amended by Public Law 13-73.

3 (2) The Commissioner may present a petition for the
4 winding-up of an insurer in accordance with the
5 provisions of Title 31 of the Code of the Federated
6 States of Micronesia as amended by Public Law 13-73.

7 (3) Notwithstanding any other law, the business and
8 assets of the insurer shall be liquidated in an orderly
9 manner so as to fully protect all of the policy owners
10 of the insurer in the Federated States of Micronesia.
11 Policy owners shall take first priority with respect to
12 payment of the obligations of the insurer."

13 Section 20. Section 321 of title 37 of the Code of the
14 Federated States of Micronesia, as amended by Public Law 14-66, is
15 hereby further amended as follows:

16 "Section 321. Premiums.

17 (1) Any licensed agent, broker or solicitor shall, for
18 the purpose of receiving any premium for a policy, be
19 deemed to be the agent of the insurer and
20 notwithstanding any conditions or stipulations to the
21 contrary the insurer whom they represent shall be deemed
22 to have received any premium received by such agent,
23 broker or solicitor.

24 (2) A licensed agent, broker or solicitor who acts in
25 negotiating or renewing a policy of an insurer and

1 receives payment of the premium for the policy from the
2 policy owner, shall be guilty of an offense if he fails
3 to forward the premium to the insurer within 30 days of
4 the receipt of the premium [~~or such shorter or longer~~
5 ~~period as may be agreed in advance by the insurer~~], less
6 his commission and any other deductions to which by
7 written consent of the insurer he is entitled, provided
8 that if any person charged with an offense under this
9 section shall satisfy the court that he was prevented by
10 illness or other cause beyond his control from due
11 compliance with such provisions and has subsequently
12 paid the premium to the insurer, the same shall be a
13 good defense to the charge."

14 Section 21. Title 37 of the Code of the Federated States of
15 Micronesia, as amended, is hereby further amended by enacting a
16 new section 322 to read as follows:

17 "Section 322. Disclosure of information by auditors.

18 (1) If an auditor or actuary, in the course of
19 reviewing the business of an person licensed under this
20 Act, is satisfied that:

21 (a) there has been a violation of a provision of
22 this Act, or Regulations or Orders under this Act; or

23 (b) a criminal offence involving fraud or
24 dishonesty has been committed; or

1 (c) the business is insolvent or is likely to
2 become insolvent; or

3 (d) there are irregularities which materially
4 prejudice the interests of policy owners; or

5 (e) the business is unable, or is likely to
6 become unable, to meet its liabilities;

7 the auditor or actuary must immediately report the
8 matter to the directors of the business and to the
9 Insurance Board.

10 (2) Failure to report shall constitute a violation of
11 this Act.

12 (3) A person reporting under this provision shall not
13 be liable for any damage which may be a consequence of
14 the report."

15 Section 22. The Code of the Federated States of Micronesia,
16 as amended, is hereby further amended by enacting a new section
17 323 of title 37 to read as follows:

18 "Section 323. Limitations on loans-Maximum amounts.
19 No domestic insurer shall permit a person to become
20 indebted or liable to it, either directly or indirectly,
21 in an amount in excess of 20 percent of the aggregate
22 paid-in and unimpaired capital, surplus, and undivided
23 profits of the insurer."

24 Section 23. Section 402 of title 37 of the Code of the
25 Federated States of Micronesia, as amended by Public Law 14-66, is

1 hereby further amended as follows:

2 "Section 402. Policy contents.

3 (1) A policy must be written in the English language
4 and printed or typed in clearly legible letters, in 10
5 point type or larger.

6 (2) The policy must contain:

7 (a) the parties between whom the contract is
8 made;

9 (b) a description of the property, life or
10 interest insured;

11 (c) the interest of the insured and other
12 interested parties;

13 (d) the period during with such insurance is to
14 continue;

15 (e) either a statement of the premium or if
16 insurance is of a character where the exact premium is
17 only determinable upon a termination of the contract, a
18 statement of the basis and rates upon which the final
19 premium is to be determined and paid, with all amounts
20 stated in US dollars.

21 (3) The policy shall be signed by two of the major
22 officers of the insurer as designated by the insurer
23 and, in the case where the insurer is represented by an
24 agent, by the agent.

1 (4) The Insurance Board [~~shall~~] may establish through
2 regulations other requirements for policy contents and
3 review by the Insurance Board of policy
4 forms."

5 Section 24. The Code of the Federated States of Micronesia,
6 as amended, is hereby further amended by enacting a new section
7 406 of title 37 to read as follows:

8 "Section 406. Claim settlement practices. The
9 following acts are prohibited as unfair claim settlement
10 practices. Knowingly engaging in any of these acts
11 shall be found to be a violation of this Act.

12 (a) Misrepresenting to claimants pertinent facts or
13 policy provisions relating to coverage at issue;

14 (b) Failing to promptly acknowledge pertinent
15 communications regarding claims;

16 (c) Failing to adopt and implement standards for the
17 prompt investigation of claims;

18 (d) Not attempting in good faith to effectuate prompt,
19 fair and equitable settlements of claims submitted in
20 which liability has become reasonably clear; or

21 (e) Compelling policyholders to institute suits to
22 recover amounts due under its policies by offering
23 substantially less than the amount ultimately recovered
24 in suits brought by them."

25 Section 25. The Code of the Federated States of Micronesia,

1 as amended, is hereby further amended by enacting a new section
2 506 of title 37 to read as follows:

3 "Section 506. Fraud. Any person licensed under this
4 Act should have in place internal controls that prevent
5 fraud."

6 Section 26. Section 701 of title 37 of the Code of the
7 Federated States of Micronesia, as amended by Public Law 14-66 is
8 hereby renumbered as section 601.

9 Section 27. Section 602 of title 37 of the Code of the
10 Federated States of Micronesia, as amended by Public Law 14-66 is
11 hereby further amended as follows:

12 "Section 602. General penalties.

13 (1) For any violation of this title, including
14 violation of the regulations, conditions of license
15 imposed by the Commissioner, or orders issued by the
16 Commissioner, the license holder shall be subject to a
17 [~~fine~~] an administrative penalty of not more than \$5,000
18 and if the violation is a continuing one, to a further
19 [~~fine~~] penalty not exceeding \$1,000 for every day during
20 which the violation continues; and, in the case of a
21 material violation, to the cancellation of its license,
22 in addition to any other penalty prescribed by law. The
23 Commissioner shall impose the [~~fine~~] administrative
24 penalty by issuing an order subject to appeal and
25 enforcement under Chapter 2.

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