A BILL FOR AN ACT

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

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

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

Section 302. Application for license.

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

(a) The name and address of the applicant;

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

(c) The address of the applicant’s office in the Federated States of Micronesia and an appointment of a representative resident in the Federated States of Micronesia for service of process and to whom notices and orders under this Act shall be sent; provided the Board may, based upon guidelines established by regulations promulgated pursuant to this title, exempt a foreign insurer from the requirement that it establish an office in the Federated States of Micronesia and
appoint a representative resident in the Federated States of Micronesia if it determines that such an exemption will not interfere with its ability to enforce and carry out the provisions of this title and any regulations promulgated pursuant thereto;

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

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

(f) The type of license requested;

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

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

(i) In the case of applicants for a solicitor’s license, the request of a licensed insurer or licensed agent that the applicant be licensed to represent the insurer or agent;
(j) An audited financial statement for the most recent fiscal year, a statement of prospective income and a business plan for the forthcoming three years;

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

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

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

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

(2) The Insurance Board may require that an examination be made into the business and affairs of the applicant, including, in the case of a foreign insurer, an examination by the insurance authority of the jurisdiction in which such insurer is organized. Such examination shall be at the cost of the applicant.
(3) The applicant has an ongoing duty to provide the Insurance Board with new or amended information relevant to the application while the application is pending and if a license is issued, after the issuance of a license."

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

"Section 307. Registered Foreign Insurers.

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

(a) information from the insurer's home supervisory authority that the insurer is solvent and meets all the regulatory requirements in the home jurisdiction and is otherwise in good standing; and

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

(c) compliance with any requirement, if set forth in Regulations under this Act, that a certain amount of
premiums collected on behalf of the insurer are maintained in the Federated States of Micronesia; and

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

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

(a) the foreign insurer is providing solely marine, aviation and transportation policies; or

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

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

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

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

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

Section 3. 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: 1/11/07

Introduced by: /s/ Simiram Sipenuk

Simiram Sipenuk
(by request)