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A BILL FOR AN ACT

To amend section 1013 of title 37 of the Federated States of Micronesia, as enacted by Public Law No. 14-88, to eliminate certain restrictions on a captive insurance company for loans to or investments in its parent company or affiliates, and for other purposes.

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

1           Section 1. Section 1013 of title 37 of the Code of the  
2   Federated States of Micronesia, as enacted by Public Law No.  
3   14-88, is hereby amended to read as follows:

4                   "Section 1013. Legal Investments.

5                   (1) Each captive insurance company shall be allowed  
6                   to invest any of its funds without limitation in any  
7                   government obligation issued by and backed by the  
8                   full faith and credit of the Government of the United  
9                   States of America or the Government of Japan.

10                  (2) Each captive insurance company shall be allowed  
11                  to invest in any type of investment subject to a  
12                  limitation of 10% of total captive insurance company  
13                  assets in any one issuer, if that investment is rated  
14                  by one of the following:

15                               (a) Rating and Investment Information, Inc.  
16                               rating of BBB or higher;

17                               (b) Moody's rating of Baa3 or higher;

18                               (c) S&P rating of BBB- or higher;

19                               (d) Fitch rating of BBB- or higher;

1           (3) Other investments as approved by the Insurance  
2           Board;

3           (4) A captive insurance company may make a loan to  
4           or an investment in its parent company or affiliates  
5           ~~up to 50% of total captive insurance company assets,~~  
6           subject to the approval of the Insurance Board. Any  
7           such loan or investment must be evidenced by  
8           documentation approved by the Insurance Board. Loans  
9           of minimum capital and surplus funds required by  
10          section 1007 are prohibited

11          (5) The Commissioner and Insurance Board may  
12          prohibit or limit any investment that threatens the  
13          solvency or liquidity of any such captive insurance  
14          company."

15          Section 2. This act shall become law upon approval by the  
16          President of the Federated States of Micronesia or upon its  
17          becoming law without such approval.

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19          Date: 3/22/11

Introduced by: /s/ Roger S. Mori  
Roger S. Mori

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