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:

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

"Section 1013. Legal Investments.

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

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

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

(b) Moody’s rating of Baa3 or higher;

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

(d) Fitch rating of BBB- or higher;
(3) Other investments as approved by the Insurance Board;

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

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

Section 2. 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: 3/22/11

Introduced by: /s/ Roger S. Mori

Roger S. Mori