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A BILL FOR AN ACT

To amend title 37 of the Code of the Federated States of Micronesia by adding a new chapter I for the purpose of establishing a National Government vehicle self-insurance program, the National Government Self-Insurance Fund, and for other purposes.

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

1 Section 1. Title 37 of the Code of the Federated States of
2 Micronesia is hereby amended by adding a new chapter I entitled
3 "Official Vehicle Insurance Plan."

4 Section 2. Title 37 of the Code of the Federated States of
5 Micronesia is hereby amended by adding a new section 101 of
6 subchapter I of chapter 1 to read as follows:

7 "Section 101. Purpose. The purpose of this chapter is to
8 establish a single self-insurance plan for all National
9 Government entities, to be administered by a National
10 Government agency, for the payment of claims for
11 accidental physical damage or loss, or liability, incurred
12 by such entities in connection with the operation of
13 official vehicles."

14 Section 3. Title 37 of the Code of the Federated States of
15 Micronesia is hereby amended by adding a new section 102 of
16 subchapter I of chapter 1 to read as follows:

17 "Section 102. Definitions. As used in this chapter,
18 unless the context otherwise requires, the following
19 definitions shall apply:

20 (1) 'Authority' means the National Insurance Authority
21 established pursuant to section 103 of this chapter.

22 (2) 'Board' means the Board of Directors of the
23 National Insurance Authority.

24 (3) 'Costs of administration' means the following
25 costs incurred in association with the administration of

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- 1 the plan:
- 2 (a) Wages or salaries for personnel;
- 3 (b) Necessary travel for personnel;
- 4 (c) Costs and expenses for training of personnel;
- 5 (d) Costs and expenses of assessing and
- 6 processing claims;
- 7 (e) Costs of printing informational booklets,
- 8 claims forms, and other necessary materials;
- 9 (f) Costs of necessary supplies; and
- 10 (g) Costs of communications necessary to the
- 11 operation of the plan.
- 12 (4) 'Covered event' means any event giving rise to a
- 13 claim eligible for payment under section 201 of this
- 14 chapter.
- 15 (5) 'Covered property' means official vehicles
- 16 which are owned and operated by the National Government.
- 17 (6) 'Insurance fund' means the National Self-Insurance
- 18 Fund established pursuant to section 110 of this chapter.
- 19 (7) 'National Government' means the National
- 20 Government of the Federated States of Micronesia.
- 21 (8) 'National Government entity' means any branch,
- 22 department, office, or agency of the National Government of
- 23 the Federated States of Micronesia or any public
- 24 corporation.
- 25 (9) 'Official vehicle' means any vehicle owned by the

1 National Government of the Federated States of Micronesia
2 and registered with the Authority.

3 (10) 'Plan' means the plan of official vehicle
4 collision, damage and liability insurance established by
5 this chapter."

6 Section 4. Title 37 of the Code of the Federated States of
7 Micronesia is hereby amended by adding a new section 103 of
8 subchapter I of chapter 1 to read as follows:

9 "Section 103. National Insurance Authority - Creation.

10 (1) There is hereby created in the Federated States
11 of Micronesia a Government authority to be known as the
12 'National Insurance Authority.' The Authority shall have
13 the powers and duties set forth in this chapter.

14 (2) The Authority shall be organized and administered
15 by a board of directors."

16 Section 5. Title 37 of the Code of the Federated States of
17 Micronesia is hereby amended by adding a new section 104 of
18 subchapter I of chapter 1 to read as follows:

19 "Section 104. National Insurance Authority - General
20 powers. The Authority shall be authorized to:

21 (1) Administer, manage, account for, deal with and
22 invest the Insurance Fund;

23 (2) Enter into and perform such contracts, leases,
24 or other transactions as may be necessary in the conduct
25 of its business and on such terms as it may deem

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- 1 appropriate;
- 2 (3) Buy, sell, hold for investment, and deal in
3 securities of every description including mortgages, bonds,
4 debentures, promissory notes, commercial paper, and
5 securities of other classes;
- 6 (4) Determine the character of and the necessity for
7 its obligations and expenditures and the manner in which
8 they shall be incurred;
- 9 (5) Execute all instruments necessary or appropriate
10 in the exercise of any of its powers; and
- 11 (6) Take such other actions as may be necessary
12 or appropriate to administer and manage the insurance
13 of covered property as required pursuant to this
14 chapter."

15 Section 6. Title 37 of the Code of the Federated States of
16 Micronesia is hereby amended by adding a new section 105 of
17 subchapter I of chapter 1 to read as follows:

- 18 "Section 105. National Insurance Authority - Duties and
19 responsibilities. The Authority shall do all of the
20 following:
- 21 (1) Establish terms, conditions and minimum
22 standards, consistent with the provisions of this chapter,
23 for coverage and participation in the program, including
24 standards for risk management and loss control in addition
25 to those other standards that the board deems appropriate;

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- 1 (2) Establish acceptable classes of covered property;
- 2 (3) Establish terms and procedures for the processing
- 3 of claims made under the program;
- 4 (4) Determine and assess the validity of claims
- 5 submitted to the Authority for payment;
- 6 (5) Investigate and engage reasonable sources for
- 7 reinsurance;
- 8 (6) Defend and pay claims under the program, as
- 9 necessary; and
- 10 (7) Develop, promulgate, and effectuate loss
- 11 prevention programs, risk management programs, and safety
- 12 programs."

13 Section 7. Title 37 of the Code of the Federated States of
14 Micronesia is hereby amended by adding a new section 106 of
15 subchapter I of chapter 1 to read as follows:

16 "Section 106. National Insurance Authority - Fiscal
17 responsibilities and duties.

- 18 (1) The Authority shall be operated on an actuarially
- 19 sound basis and become neither more nor less than
- 20 self-supporting. For that purpose, loss experience and
- 21 expense shall be ascertained and credits, refunds, and
- 22 assessments may be made as determined appropriate by the
- 23 Board.
- 24 (2) Invest or cause to be invested the Insurance Fund
- 25 pursuant to the standards of the National investment policy

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1 adopted by the Federated Development Authority.

2 (3) By December 1 of each year, the Authority shall
3 transmit to the President and the Congress of the Federated
4 States of Micronesia a report generally stating the
5 activities of the Authority and setting forth the status of
6 the insurance fund as of the close of the fiscal year.
7 Such report shall include audited financial statements, a 3
8 year financial history, and a 5 year financial forecast."

9 Section 8. Title 37 of the Code of the Federated States of
10 Micronesia is hereby amended by adding a new section 107 of
11 subchapter I of chapter 1 to read as follows:

12 "Section 107. Audit. The books and records of the
13 Authority shall be audited annually, or at such other times
14 as the President of the Federated States of Micronesia may
15 direct, by the Public Auditor of the Federated States of
16 Micronesia or by qualified independent auditors selected at
17 the President's discretion."

18 Section 9. Title 37 of the Code of the Federated States of
19 Micronesia is hereby amended by adding a new section 108 of
20 subchapter I of chapter 1 to read as follows:

21 "Section 108. Tax exemption. It is hereby declared that
22 the purpose for which the Authority is created is a public
23 purpose for the benefit of the Nation of the Federated
24 States of Micronesia, and that the Authority shall not be
25 required to pay any taxes or assessments on any of the

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1 property acquired or to be acquired by it, or on its
2 income, operations, or activities."

3 Section 10. Title 37 of the Code of the Federated States of
4 Micronesia is hereby amended by adding a new section 109 of
5 subchapter I of chapter 1 to read as follows:

6 "Section 109. Debts of Authority not public debts. The
7 debts or obligations of the Authority shall not be debts or
8 obligations of the National Government of the Federated
9 States of Micronesia, nor shall it be responsible for the
10 same."

11 Section 11. Title 37 of the Code of the Federated States of
12 Micronesia is hereby amended by adding a new section 110 of
13 subchapter I of chapter 1 to read as follows:

14 "Section 110. National Government Self-Insurance Fund -
15 Establishment. There is hereby created and established
16 a National Government Self-Insurance Fund, hereinafter the
17 'Insurance Fund,' which shall be separate from the General
18 Fund of the Federated States of Micronesia and all other
19 funds. All sums appropriated by the Congress of the
20 Federated States of Micronesia representing contributions
21 of the National Government to the plan, all sums
22 representing contributions of public corporations or other
23 National Government entities to the plan, all earnings
24 accrued on the investment of the Insurance Fund, and
25 all earnings, revenues and other receipts collected in

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1 connection with the plan shall be deposited into the
2 Insurance Fund. Moneys available in the Insurance Fund
3 shall be withdrawn by the National Insurance Authority
4 for the purposes specified or authorized pursuant to this
5 chapter. Any unexpended money in the Insurance Fund shall
6 not revert to the General Fund nor lapse at the end of a
7 fiscal year but shall remain in the Insurance Fund."

8 Section 12. Title 37 of the Code of the Federated States of
9 Micronesia is hereby amended by adding a new section 111 of
10 subchapter I of chapter 1 to read as follows:

11 "Section 111. Administration. The Insurance Fund shall be
12 allotted, managed, administered, and accounted for by the
13 Board of Directors of the National Insurance Authority, in
14 accordance with applicable law, including, but not limited
15 to, the Financial Management Act of 1979, as amended."

16 Section 13. Title 37 of the Code of the Federated States of
17 Micronesia is hereby amended by adding a new subchapter II of chapter
18 I entitled "Insurance Plan."

19 Section 14. Title 37 of the Code of the Federated States of
20 Micronesia is hereby amended by adding a new section 201 of
21 subchapter II of chapter 1 to read as follows:

22 "Section 201. Insurance of official vehicles - Eligible
23 claims.

24 (1) The National Insurance Authority will pay those
25 sums that it determines are actual and valid claims for

1 loss, damage or indemnification arising out of or as the
2 result of:

3 (a) Any direct and accidental loss of, or damage
4 to, any official vehicle; and

5 (b) Any liability of a National Government
6 entity, or of an official or employee of any National
7 Government entity, for all sums which it or he shall become
8 legally obligated to pay as damages because of bodily
9 injury sustained by any person, or because of injury to or
10 destruction of property, caused by accident and arising out
11 of the National Government's ownership, maintenance or use
12 of an official vehicle; subject to more specific terms,
13 conditions and limitations as the Authority may establish.

14 (2) Notwithstanding the provisions of subsection (1)
15 of this section, the program shall not cover, nor shall any
16 payments thereunder be made for claims arising out of or in
17 connection with:

18 (a) The unauthorized operation of an official
19 vehicle;

20 (b) The use of an official vehicle other than in
21 the course of official National Government business;

22 (c) Any intentional, dishonest, fraudulent,
23 criminally malicious or knowingly wrongful acts, errors or
24 omissions committed by, at the direction of, or with the
25 knowledge or acquiescence of the covered National

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1 Government entity or its officers or employees; or
2 (d) Any criminal conduct committed by persons
3 for whom the National Government entity or its officers or
4 employees are legally liable."

5 Section 15. Title 37 of the Code of the Federated States of
6 Micronesia is hereby amended by adding a new section 202 of
7 subchapter II of chapter 1 to read as follows:

8 "Section 202. Covered property; Eligible participants.

9 (1) All official vehicles shall be covered under the
10 plan.

11 (2) A National Government entity may request coverage
12 for its officers or employees under the program and shall
13 be covered; PROVIDED, however, that they meet all standards
14 established by the Authority for coverage under the
15 program. No National Government entity may be denied
16 coverage unless the Authority determines that the agency
17 cannot be actuarially safely underwritten."

18 Section 16. Title 37 of the Code of the Federated States of
19 Micronesia is hereby amended by adding a new section 203 of
20 subchapter II of chapter 1 to read as follows:

21 "Section 203. Extent of coverage. The Authority may only
22 cover risks to the extent that liability for:

23 (1) Physical damage or loss to an official vehicle
24 on any one occurrence is greater than \$200 but does not
25 exceed the replacement value of the vehicle;

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1 (2) Indemnification of a National Government entity,
 2 or any of such entity's officials or employees, on any one
 3 occurrence exceeds \$1,000 but does not exceed coverage
 4 for any amount of liability on any one occurrence which
 5 exceeds \$12,000."

6 Section 17. Title 37 of the Code of the Federated States of
 7 Micronesia is hereby amended by adding a new section 204 of
 8 subchapter II of chapter 1 to read as follows:

9 "Section 204. Plan contributions. No National Government
 10 entity shall be required to pay a premium for coverage
 11 under the plan; however, an assessment for extraordinary
 12 contributions may be levied, from time to time as
 13 necessary, upon public corporations or may be made by the
 14 National Government; PROVIDED, however, that all such
 15 contributions shall be based upon all appropriate actuarial
 16 data, including, but not limited to, claims and loss
 17 experience of the National Government entity."

18 Section 18. Title 37 of the Code of the Federated States of
 19 Micronesia is hereby amended by adding a new section 205 of
 20 subchapter II of chapter 1 to read as follows:

21 "Section 205. Payment of Claims; Disposition of Insurance
 22 Fund. All money deposited in the Insurance Fund shall be
 23 used solely to pay claims for covered events under the
 24 plan, except that a sum representing not more than 5
 25 percent of the balance of the Fund at the end of the

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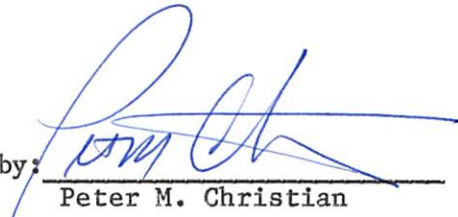
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1 preceding fiscal year may be expended for administrative
2 costs. For the fiscal year ending September 30, 1990, the
3 sum expended for administrative costs shall not exceed
4 \$12,500."

5 Section 19. The sum of \$250,000, or so much thereof as may be
6 necessary, is hereby appropriated from the General Fund of the
7 Federated States of Micronesia for the fiscal year ending September
8 30, 1990, for the purpose of capitalizing the National Government
9 Self-Insurance Fund.

10 Section 20. This act shall become law upon approval by the
11 President of the Federated States of Micronesia or upon its becoming
12 law without such approval.

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14 Date: 06-09-89

Introduced by: 
Peter M. Christian

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