A BILL FOR AN ACT

To amend title 37 of the Code of the Federated States of Micronesia by adding a new chapter 1 for the purpose of establishing a National Government vehicle self-insurance program, the National Government Self-Insurance Fund, to appropriate the sum of $250,000 from the General Fund of the Federated States of Micronesia for the fiscal year ending September 30, 1990 to capitalize the 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 Micronesia is hereby amended by adding a new chapter 1 entitled "Official Vehicle Insurance Plan."

2 Section 2. Title 37 of the Code of the Federated States of Micronesia is hereby amended by adding a new subchapter I of chapter 1 entitled "General Provisions."

3 Section 3. Title 37 of the Code of the Federated States of Micronesia is hereby amended by adding a new section 101 of subchapter I of chapter 1 to read as follows:

"Section 101. Purpose. The purpose of this chapter is to establish a single self-insurance plan for all National Government entities, to be administered jointly by the Office of Administrative Services and the Department of Finance of the Federated States of Micronesia, for the payment of claims for accidental physical damage or loss, or liability, incurred by such entities in connection with the operation of official vehicles."

4 Section 4. Title 37 of the Code of the Federated States of Micronesia is hereby amended by adding a new section 102 of subchapter I of chapter 1 to read as follows:

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

(1) 'Costs of administration' means the following costs incurred in association with the administration of
the plan:

(a) Wages or salaries for personnel;
(b) Necessary travel for personnel;
(c) Costs and expenses for training of personnel;
(d) Costs and expenses of assessing and processing claims;
(e) Costs of printing informational booklets, claims forms, and other necessary materials;
(f) Costs of necessary supplies; and
(g) Costs of communications necessary to the operation of the plan.

(2) 'Covered event' means any event giving rise to a claim eligible for payment under section 201 of this chapter.

(3) 'Covered property' means official vehicles which are owned and operated by the National Government.

(4) 'Director of OAS' means the Director of the Office of Administrative Services of the National Government of the Federated States of Micronesia.

(5) 'Insurance fund' means the National Government Self-Insurance Fund established pursuant to section 108 of this chapter.

(6) 'National Government' means the National Government of the Federated States of Micronesia.

(7) 'National Government entity' means any branch,
department, office, or agency of the National Government of
the Federated States of Micronesia or any public
corporation.

(8) 'Official vehicle' means any vehicle owned by the
National Government of the Federated States of Micronesia
and registered with the Director of OAS.

(9) 'Payment of claim' means payment of a claim
arising under section 201 of this chapter and shall include
payment of a settlement or judgment arising from a court
proceeding involving such a claim.

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

(11) 'Secretary of Finance' means the Secretary of
Finance of the National Government of the Federated States
of Micronesia."

Section 5. Title 37 of the Code of the Federated States of
Micronesia is hereby amended by adding a new section 103 of
subchapter I of chapter 1 to read as follows:

"Section 103. Official Vehicle Insurance Plan - Powers of
the Director of OAS. The Director of OAS shall be
authorized to:

(1) Enter into, execute and perform such contracts,
leases, or other transactions as may be necessary in the
conduct of the business of the Official Vehicle Insurance
Plan and on such terms as he may deem appropriate;

(2) Determine the character of and the necessity for
obligations and expenditures in connection with the
Official Vehicle Insurance Plan and the manner in which
they shall be incurred; and

(3) Take such other actions as may be necessary
or appropriate to administer and manage the insurance
of covered property as required pursuant to this
chapter."

Section 6. Title 37 of the Code of the Federated States of
Micronesia is hereby amended by adding a new section 104 of
subchapter I of chapter 1 to read as follows:

"Section 104. Official Vehicle Insurance Plan - Powers of
the Secretary of Finance. The Secretary of Finance shall
be authorized to:

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

(2) Buy, sell, hold for investment, and deal in
securities of every description including mortgages, bonds,
debentures, promissory notes, commercial paper, and
securities of other classes;

(3) Execute all instruments necessary or appropriate
in the exercise of any of his powers in connection with the
Official Vehicle Insurance Plan;

(4) Pay claims, the costs of administration of the
Plan or any other costs for the purposes specified or authorized pursuant to this chapter; and
(5) Take such other actions as may be necessary or appropriate in connection with the Insurance Fund to administer and manage the insurance of covered property as required pursuant to this chapter."

Section 7. Title 37 of the Code of the Federated States of Micronesia is hereby amended by adding a new section 105 of subchapter I of chapter I to read as follows:

"Section 105. Official Vehicle Insurance Plan - Duties and responsibilities of the Director of OAS. The Director of OAS shall do all of the following:
(1) Establish terms, conditions and minimum standards, consistent with the provisions of this chapter, for coverage and participation in the program, including standards for risk management and loss control;
(2) Establish acceptable classes of covered property;
(3) Establish terms and procedures for the processing of claims made under the program;
(4) Determine and assess the validity of claims submitted to the Director of OAS for payment;
(5) Investigate and engage reasonable sources for reinsurance;
(6) Defend claims under the program, as necessary;
(7) Request the Secretary of Finance to pay claims,
the costs of administration or any other costs for the
purposes specified or authorized pursuant to this chapter
from the National Government Self-Insurance Fund, as
necessary;

(8) Develop, promulgate, and effectuate loss
prevention programs, risk management programs, and safety
programs; and

(9) Operate the Plan on an actuarially sound
basis so as to become neither more nor less than self-
supporting. For that purpose, loss experience and
expense shall be ascertained and credits, refunds, and
assessments may be made as determined appropriate by the
Director of OAS."

Section 8. Title 37 of the Code of the Federated States of
Micronesia is hereby amended by adding a new section 106 of
subchapter I of chapter 1 to read as follows:

"Section 106. Official Vehicle Insurance Plan - Duties and
responsibilities of the Secretary of Finance. The
Secretary of Finance shall do all of the following:

(1) Pay claims, the costs of administration of the
Plan or any other costs for the purposes specified or
authorized pursuant to this chapter from the National
Government Self-Insurance Fund;

(2) Invest or cause to be invested the Insurance Fund
pursuant to the standards of the National investment
policy; and

(3) Carry out all other activities in connection with
the National Government Self-Insurance Fund which he is
specified or authorized to do pursuant to this chapter."

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

By December 1 of each year, the Director of OAS and the
Secretary of Finance shall jointly transmit to the
President and the Congress of the Federated States of
Micronesia a report generally stating the activities
carried out in connection with the Plan and setting forth
the status of the Insurance Fund as of the close of the
fiscal year. Such report shall include audited financial
statements, a 3 year financial history, and a 5 year
financial forecast."

Section 10. Title 37 of the Code of the Federated States of
Micronesia is hereby amended by adding a new section 108 of
subchapter I of chapter 1 to read as follows:

"Section 108. National Government Self-Insurance Fund -
Establishment. There is hereby created and established
a National Government Self-Insurance Fund, hereinafter the
'Insurance Fund,' which shall be separate from the General
Fund of the Federated States of Micronesia and all other
funds. All sums appropriated by the Congress of the Federated States of Micronesia representing contributions of the National Government to the plan, all sums representing contributions of public corporations or other National Government entities to the plan, all earnings accrued on the investment of the Insurance Fund, and all earnings, revenues and other receipts collected in connection with the plan shall be deposited into the Insurance Fund. Moneys available in the Insurance Fund shall be withdrawn by the Secretary of Finance for the purposes specified or authorized pursuant to this chapter. Any unexpended money in the Insurance Fund shall not revert to the General Fund nor lapse at the end of a fiscal year but shall remain in the Insurance Fund."

Section 11. Title 37 of the Code of the Federated States of Micronesia is hereby amended by adding a new section 109 of subchapter I of chapter 1 to read as follows:

"Section 109. Administration. The Insurance Fund shall be allotted, managed, administered, and accounted for by the Secretary of Finance of the National Government of the Federated States of Micronesia, in accordance with applicable law, including, but not limited to, the Financial Management Act of 1979, as amended."

Section 12. Title 37 of the Code of the Federated States of Micronesia is hereby amended by adding a new subchapter II of chapter
I entitled "Insurance Plan."

Section 13. Title 37 of the Code of the Federated States of Micronesia is hereby amended by adding a new section 201 of subchapter II of chapter 1 to read as follows:

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

(1) The Director of OAS will request the Secretary of Finance to pay those sums that he determines are actual and valid claims for loss, damage or indemnification arising out of or as the result of:

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

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

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

(a) The unauthorized operation of an official

vehicle;

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

(c) Any intentional, dishonest, fraudulent,
criminally malicious or knowingly wrongful acts, errors or
omissions committed by, at the direction of, or with the
knowledge or acquiescence of the covered National
Government entity or its officers or employees; or

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

Section 14. Title 37 of the Code of the Federated States of
Micronesia is hereby amended by adding a new section 202 of
subchapter II of chapter 1 to read as follows:

"Section 202. Covered property; Eligible participants.

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

(2) A National Government entity may request coverage
for its officers or employees under the program and shall
be covered; PROVIDED, however, that they meet all standards
established by the Director of OAS for coverage under the
program. No National Government entity may be denied
coverage unless the Director of OAS determines that the

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agency cannot be actuarially safely underwritten."

Section 15. Title 37 of the Code of the Federated States of Micronesia is hereby amended by adding a new section 203 of subchapter II of chapter 1 to read as follows:

"Section 203. Extent of coverage. The Director of OAS may only cover risks to the extent that liability for:

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

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

Section 16. Title 37 of the Code of the Federated States of Micronesia is hereby amended by adding a new section 204 of subchapter II of chapter 1 to read as follows:

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

Section 17. Title 37 of the Code of the Federated States of Micronesia is hereby amended by adding a new section 205 of subchapter II of chapter I to read as follows:

"Section 205. Payment of Claims; Disposition of Insurance Fund. All money deposited in the Insurance Fund shall be used solely to pay claims for covered events under the plan, except that a sum representing not more than five percent of the balance of the Fund at the end of the preceding fiscal year may be expended for administrative costs. For the fiscal year ending September 30, 1990, the sum expended for administrative costs shall not exceed $12,500."

Section 18. The sum of $250,000, or so much thereof as may be necessary, is hereby appropriated from the General Fund of the Federated States of Micronesia for the fiscal year ending September 30, 1990, for the purpose of capitalizing the National Government Self-Insurance Fund.

Section 19. 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: 01-24-90

Introduced by: [Signature]

Peter M. Christian