
A BILL FOR AN ACT

To further amend sections 1001, 1002 and 1007 of title 37 of the Code of the Federated States of Micronesia, as amended by Public Laws Nos. 15-34 and 16-17, by including a definition for Class IV captive insurance companies, and for other purposes.

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

1 Section 1. Section 1001 of title 37 of the Code of the
2 Federated States of Micronesia, as amended by Public Laws Nos.
3 15-34 and 16-17, is hereby further amended to read as follows:

4 "Section 1001. Definitions. As used in this chapter,
5 unless the context otherwise requires:

6 (1) 'Affiliated Company' means any company in the same
7 corporate system as a parent or member organization by
8 virtue of common ownership, control, operation, or
9 management.

10 (2) 'Association' means any legal association of
11 individuals, corporations, partnerships, associations,
12 or other entities that own, control, or hold with power
13 to vote all of the outstanding voting securities of the
14 captive insurance company.

15 (3) 'Captive Insurance Company' means an insurance
16 company formed or licensed under this chapter.

17 (4) 'Commissioner' means the individual appointed as
18 the Insurance Commissioner under this title.

19 (5) 'Domestic captive insurance company' means a

1 captive insurance company organized under the laws of
2 the Federated States of Micronesia.

3 (6) 'Foreign captive insurance company' means a
4 captive insurance company organized under the laws of a
5 jurisdiction other than the Federated States of
6 Micronesia.

7 (7) 'Insurance Manager' means an individual or company
8 which provides insurance expertise to or for captive
9 insurance companies and which has in its bona fide
10 employment a person who is a current member in good
11 standing of the applicable professional body or of some
12 other professional insurance association recognized by
13 the Commissioner for the purpose of providing insurance
14 expertise and has been approved by the Commissioner.

15 (8) 'Member Organization' means any individual,
16 corporation, partnership, association, or other entity
17 that belongs to an association.

18 (9) 'Parent' means a corporation, partnership, other
19 entity, or individual that directly or indirectly owns,
20 controls, or holds with power to vote more than 50% of
21 the outstanding voting securities of a captive insurance
22 company.

23 (10) 'Principal Representative' means any individual or
24 corporation registered and in good standing with the
25 Federated States of Micronesia, operating in or from

1 within the Federated States of Micronesia who, not being
2 a bona fide employee of the captive insurance company,
3 maintains for the captive insurance company full and
4 proper records of the business activities of the captive
5 insurance company.

6 (11) 'Unaffiliated business' means any company:

7 (a) That is not in the corporate system of a
8 parent and affiliated companies; and

9 (b) That has [~~an existing contractual~~] a business
10 relationship with a parent or affiliated company; and

11 (c) Whose commercial risks are [~~managed by a~~
12 captive insurance company in accordance with this
13 chapter.] located outside of the Federated States of
14 Micronesia;

15 (1) Does not include homeowners insurance, or personal
16 automobile insurance; or

17 (2) Personal lines insurance of citizens of the
18 Federated States of Micronesia; and

19 (a) The risk is only reinsured by a class 4
20 captive insurance company in accordance with this
21 chapter and derives a maximum of 30% of its net written
22 premium after deducting ceded premium for this source."

23 Section 2. Section 1002 of title 37 of the Code of the
24 Federated States of Micronesia, as amended by Public Laws Nos.
25 15-34 and 16-17, is hereby further amended to read as follows:

1 "Section 1002. Determination of class of captive
2 insurance companies. Each captive insurance company
3 formed under this chapter shall be designated and
4 licensed as one of the following classes of captive
5 insurance companies.

6 (1) A class 1 company shall be a captive insurance
7 company that insures the risks of its parent and
8 affiliated companies or associations;

9 (2) A class 2 company shall be a captive insurance
10 company that insures the risks of its parent and
11 affiliated companies or associations and/or related
12 third-party businesses;

13 (3) A class 3 company shall be a captive insurance
14 company that constitutes part of a Multiple Corporate
15 Captive Insurance Company as defined in section 1001(13)
16 of this chapter;

17 (4) A class 4 company shall be captive insurance
18 company that insures the risks of its parent and
19 affiliated companies or associations or related third-
20 party business or unaffiliated business.

21 ~~[(4)]~~ (5) Additional classes of captive insurance
22 companies may, from time to time, be created by
23 amendment of this chapter."

24 Section 3. Section 1007 of title 37 of the Code of the
25 Federated States of Micronesia, as amended by Public Laws Nos.

1 15-34 and 16-17, is hereby further amended to read as follows:

2 "Section 1007. Minimum Capital and Surplus
3 Requirements:

4 (1) No captive insurance company shall be registered
5 and issued a license unless it has initial paid-in
6 capital of \$1,000,000 and thereafter maintains a minimum
7 capital and surplus of \$100,000;

8 (2) Provided however with respect to multiple
9 corporate captive insurance companies the core member
10 captive insurance company shall maintain a minimum paid
11 in capital and surplus of \$1,000,000 and each member
12 corporate captive insurance company shall maintain paid
13 in capital and surplus of \$100,000.

14 (3) With respect to Class 4 captive insurance company,
15 minimum capital and surplus will be determined based on
16 the type, volume and nature of insurance business being
17 transacted, but shall at a minimum maintain \$5,000,000.

18 [~~(2)~~] (4) The Commissioner may prescribe additional capital
19 and surplus based upon the type, volume, and nature of
20 insurance business transacted.

21 [~~(3)~~] (5) Capital and surplus may be in the form of any
22 combination of the following:

- 23 (a) cash
24 (b) letter of credit,
25 (c) investments pursuant to section 1013 of this

1 chapter, or

2 (d) any other security deemed appropriated by the
3 Commissioner."

4 Section 4. This act shall become law upon approval by the
5 President of the Federated States of Micronesia or upon its
6 becoming law without such approval.

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8 Date: 9/12/13

Introduced by: /s/ Florencio S. Harper

Florencio S. Harper
(by request)

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