
A BILL FOR AN ACT

To further amend title 37 of the Code of the Federated States of Micronesia (Annotated), as amended, by amending section 1003 thereof, as amended by Public Law No. 18-71, to provide that captive insurance licensing is under the authority of the Insurance Commissioner; by enacting a new section 1003A to provide that an application for captive insurance is deemed approved if the application is neither approved nor denied within 14 days of its receipt by the Commissioner; by amending section 1008 thereof, to provide that the payment of captive insurance company dividends is under the authority of the Insurance Commissioner; and for other purposes.

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

1 Section 1. Section 1003 of title 37 of the Code of the
2 Federated States of Micronesia (Annotated), as amended by Public
3 Law No. 18-71, is hereby further amended to read as follows:
4 "Section 1003. Captive Insurance Company Licensing and
5 Captive Insurance Manager's Licensing. The Commissioner
6 ~~[or Insurance Board]~~ may issue two types of licenses
7 with respect to the captive insurance companies pursuant
8 to subsection 1-5 below; the other for business entities
9 which engage in the business of managing captive
10 insurance companies pursuant to subsection 6-9 below.
11 (1) Captive insurance companies shall be licensed in
12 accordance with Chapter 3 of this title; PROVIDED,
13 HOWEVER, that the Commissioner, in lieu of the Insurance
14 Board, is hereby authorized to review and approve or
15 reject a captive insurance company license application
16 pursuant to sections 302, 303, and 304, and this

1 chapter.

2 (2) In considering whether to licensed a captive
3 insurance company under this chapter, the Commissioner
4 [~~and Insurance Board~~] shall consider the following
5 factors:

6 (a) Principal office and principal
7 representatives;

8 (i) The principal office shall maintain a
9 principal place of business within the Federated
10 States of Micronesia;

11 (ii) appoint a principal representative that
12 shall be approved by the Commissioner;

13 (iii) hold an annual board of directors
14 meeting in the Federated States of Micronesia. In
15 meeting the quorum requirements for this annual board
16 meeting, only the principal representative is required
17 to be physically present in the Federated States of
18 Micronesia. The remainder of the quorum may be
19 present via telephone;

20 (iv) the captive insurance company shall
21 maintain in its principal office accurate documents in
22 English of the insurance business and accounting for
23 examination by the Commissioner.

24 (b) Application documents: the captive
25 insurance company shall file the following documents

1 with its application for an insurance license with the
2 Commissioner [~~and Insurance Board~~]:

3 (i) the amount and liquidity of its assets
4 relative to the risks to be assumed;

5 (ii) the adequacy of the expertise,
6 experience and character of the person or persons who
7 will manage it;

8 (iii) the overall soundness of its loss plan
9 of operation;

10 (iv) the adequacy of the loss prevention
11 programs of its insured; and

12 (v) such other factors deemed relevant by
13 the Commissioner in ascertaining whether the proposed
14 captive insurance company will be able to meet its
15 policy obligations.

16 (3) [~~Fee~~] Fee schedule.

17 (a) Each captive insurance company shall pay
18 [~~to the Insurance Board~~] a nonrefundable fee of \$500
19 for examining, investigating, and processing its
20 application for licensing, and the Commissioner is
21 authorized to retain legal, financial and examination
22 services, the reasonable cost of which may be charged
23 against the applicant.

24 (b) In addition, each captive insurance company
25 receiving a license from the Commissioner shall pay a

1 license fee of \$500 for the year of registration or
2 licensure due within thirty 30 days after registration
3 or licensure, and a yearly or annual fee of \$500 due
4 on or before the registration or licensure day and
5 month every year for each year thereafter. Such fees
6 [~~received by the Insurance Board~~] shall be deposited
7 into a revolving fund established under Section 1017.

8 (4) Licensing. If the [~~Insurance Board~~]
9 Commissioner is satisfied that the documents filed by
10 the captive insurance company comply with this title,
11 the Commissioner shall grant a license authorizing it
12 to transact insurance business in the Federated States
13 of Micronesia. The license shall be valid until
14 terminated by surrender, suspension, revocation, or
15 failure to comply with law.

16 (5) No captive insurance company licensed under this
17 chapter shall be allowed to insure the risks of
18 individual citizens of the Federated States of
19 Micronesia.

20 (6) The Insurance Commissioner [~~or Insurance Board~~]
21 is authorized to issue a captive insurance manager's
22 license, which may be signed by the Insurance
23 Commissioner or [~~Insurance Board's~~] the Commissioner's
24 authorized designee, and shall issue the same to any
25 applicant that:

1 (a) has in its bona fide employment a person
2 who is a current member in good standing of an
3 accounting or insurance related professional body or
4 association; or,

5 (b) has in its bona fide employment a person
6 that has minimum of five years experience in the
7 captive management field.

8 (7) The applicant shall be issued a captive
9 insurance manager's license by the Insurance
10 Commissioner [~~or the Insurance Board~~] upon compliance
11 with subsection (6) above without regard to:

12 (a) whether the applicant has or has not
13 applied for a license with a captive insurance
14 company; or,

15 (b) whether the applicant is or is not
16 currently managing domestic captive insurance company.

17 (8) The captive insurance manager's license grants
18 the captive insurance manager the authority to work
19 with or manage:

20 (a) any person or entity intending to form a
21 captive insurance company in the Federated States of
22 Micronesia; or,

23 (b) any domestic captive insurance company
24 licensed by the Insurance Board.

25 (9) The captive insurance manager's license shall be

1 effective for a period of five years from the date of
2 issuance."

3 Section 2. Title 37 of the Code of the Federated States of
4 Micronesia (Annotated), as amended, is hereby further amended by
5 inserting a new section 1003A to read as follows:

6 "Section 1003A. Captive Insurance Company Applications
7 - Approval.

8 An application for a captive insurance company license
9 submitted in accordance with chapter 3 and section 1003
10 of this title shall be deemed approved if the
11 application is neither approved nor denied with 14 days
12 of receipt of the application by the Insurance
13 Commissioner."

14 Section 3. Section 1008 of title 37 of the Code of the
15 Federated States of Micronesia (Annotated), is hereby amended to
16 read as follows:

17 "Section 1008. Dividends. No captive insurance
18 company may pay a dividend out of, or otherwise
19 distribution with respect to, capital or surplus
20 without the prior approval of the Commissioner [~~and~~
21 ~~Insurance Board~~]. A captive insurance company may
22 submit to the Commissioner [~~and Insurance Board~~] for
23 approval[~~7~~] an ongoing plan for the payment of
24 dividends, or other distributions, which will take into
25 account the retention at the time of each payment, and

1 capital or surplus in excess of amounts specified by,
2 or determined in accordance with, formulas approved by
3 the Commissioner [~~and Insurance Board~~].”

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: 11/26/19 Introduced by: /s/ Isaac V. Figir
Isaac V. Figir

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