

AN ACT

To enact a new title 37 of the Code of the Federated States of Micronesia to establish an Insurance Law for the Federated States of Micronesia, and for other purposes.

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

1           Section 1. The Code of the Federated States of Micronesia,  
2 as amended, is hereby further amended by enacting a new title 37  
3 entitled "The Insurance Act of 2006".

4           Section 2. Title 37 of the Code of the Federated States of  
5 Micronesia is hereby enacted by adding a new chapter 1 entitled  
6 "Interpretation".

7           Section 3. The Code of the Federated States of Micronesia,  
8 as amended, is hereby further amended by enacting a new section  
9 101 of title 37 to read as follows:

10                   "Section 101. Short Title. This Act shall be known as  
11                   the 'Insurance Act of 2006.'"

12           Section 4. The Code of the Federated States of Micronesia,  
13 as amended, is hereby further amended by enacting a new section  
14 102 of title 37 to read as follows:

15                   "Section 102. Definitions. In this Act, unless the  
16                   context otherwise requires:

17                   (1) 'actuary' means an individual qualified as an  
18                   actuary by such qualifications as the Commissioner may  
19                   recognize;

1           (2) 'affiliated entity' means a subsidiary, a holding  
2           company, a trust controlled or administered by a  
3           company, or another company whose board of directors  
4           acts in accordance with the directors or instructions of  
5           the first company;

6           (3) 'agent' means a person with the authority of an  
7           insurer to solicit applications, receive proposals,  
8           receive premiums, deliver policies, and to make  
9           contracts of insurance;

10          (4) 'auditor' means an independent accountant approved  
11          by the Commissioner;

12          (5) 'broker' means a person who acts on behalf of a  
13          prospective customer and with the prospective customer's  
14          authority arranges insurance business with insurers,  
15          including making proposals and paying premiums;

16          (6) 'Commissioner' means the individual appointed as  
17          the Insurance Commissioner under this Act;

18          (7) 'domestic insurer' means an insurer formed under  
19          the laws of and having its head office in the Federated  
20          States of Micronesia;

21          (8) 'domestic policy' means a policy issued on  
22          property, lives or other risks located in the Federated  
23          States of Micronesia;

24          (9) 'foreign insurer' means an insurer who is not a  
25          domestic insurer;

1           (10) 'insurance' means a contract whereby one  
2           undertakes to indemnify another or pay a specified  
3           amount upon determinable contingencies;

4           (11) 'insurance business' means the soliciting,  
5           effecting or carrying out of contracts of insurance,  
6           including re-insurance, and the following transactions:

7                   (i) making or negotiating an insurance policy;

8                   (ii) making or negotiating a guaranty or surety  
9           contract not merely incidental to another legitimate  
10          business or activity;

11                   (iii) taking, forwarding or receiving an insurance  
12          application;

13                   (iv) disseminating information concerning coverage  
14          and rates;

15                   (v) receiving or collecting any consideration for  
16          insurance;

17                   (vi) issuing or delivering an insurance policy to  
18          a resident of, or a person authorized to do business in,  
19          the Federated States of Micronesia;

20                   (vii) directly or indirectly acting as an agent,  
21          broker or solicitor, or any other form of representative  
22          of an insurer;

23                   (viii) setting rates;

24                   (ix) inspecting a risk;

25                   (x) investigating or adjusting a claim or loss;

1                   (xi) doing or proposing to do any activity that is  
2                   in substance equivalent to conduct described in this  
3                   provision.

4                   (12) 'insurer' means a person effecting and carrying on  
5                   insurance business in the Federated States of  
6                   Micronesia;

7                   (13) 'life insurance' means insurance of human lives  
8                   and insurance appertaining thereto or connected  
9                   therewith and includes the granting of annuities,  
10                  endorsement benefits, sinking fund benefits and benefits  
11                  in the event of death or disability by accident or  
12                  sickness, provided that such insurance against  
13                  disability by accident or sickness is included as an  
14                  additional benefit in a life insurance policy;

15                  (14) 'officer' means, in relation to a partnership,  
16                  corporation, association, trust or any other business  
17                  entity, a director, manager or secretary of that body,  
18                  or any person having or exercising powers or duties  
19                  substantially similar to any of those officers;

20                  (15) 'person' means any person, natural or legal,  
21                  including individuals, partnerships, corporations,  
22                  associations, trusts or any other business entity;

23                  (16) 'policy' means any written contract of insurance  
24                  whether contained in one or more documents;

1           (17) 'policy-owner' means a person who is entitled to  
2 claim any benefit provided for in a policy;

3           (18) 'premium' means the money to be paid in return for  
4 an undertaking to provide policy benefits;

5           (19) 'reinsurance' means a contract by which an insurer  
6 insures any part of the risk insured by the insurer with  
7 another insurer;

8           (20) 'related person' with respect to any natural  
9 person means his spouse, child, parents, brothers, or  
10 sisters, or any partnership, corporation, or firm in  
11 which he owns more than a ten percent interest;

12           (21) 'regulations' means regulations made by the  
13 Insurance Board under this Act.

14           (22) 'solicitor' means an individual who solicits  
15 applications for insurance or negotiates insurance  
16 business on behalf of an insurer or an agent and earns  
17 commissions for each successful sale, but is neither an  
18 insurer, an insurance agent, nor an employee of an  
19 insurer or agent."

20           Section 5. The Code of the Federated States of Micronesia,  
21 as amended, is hereby further amended by enacting a new section  
22 103 of title 37 to read as follows:

23           "Section 103. Exemption of Social Security Program and  
24 Health Plan. Nothing in this Act shall apply to the  
25 Social Security Program, Board or Administration, the

1 National Government Employees' Health Plan or any social  
2 security program or health plan regulated by a National  
3 or State Government."

4 Section 6. The Code of the Federated States of Micronesia,  
5 as amended, is hereby further amended by enacting a new section  
6 104 of title 37 to read as follows:

7 "Section 104. Transition.

8 (1) This Act applies to any person transacting  
9 insurance business on or after the effective date of  
10 this Act.

11 (2) All persons transacting insurance business as of  
12 the effective date of this Act will be permitted a grace  
13 period of 180 days from the effective date of this Act  
14 before being penalized for violation of this Act.

15 (3) Any such person must, within 180 days of the  
16 effective date of this Act, apply for a license under  
17 this Act or cease their insurance business.

18 (4) Any person who timely files an application shall  
19 have their grace period extended until such time as  
20 their registration is approved or denied.

21 (5) Any person who does not file an application within  
22 the 180 days or whose timely filed application is denied  
23 must stop transacting insurance business, but continue  
24 to administer their policies and wind up their business  
25 in accordance with the provisions of this Act."

1 Section 7. The Code of the Federated States of Micronesia, as  
2 amended, is hereby further amended by enacting a new chapter 2 to  
3 title 37 entitled "Administration".

4 Section 8. The Code of the Federated States of Micronesia,  
5 as amended, is hereby further amended by enacting a new section  
6 201 of title 37 to read as follows:

7 "Section 201. Establishment of the Insurance Board.

8 The Banking Board established in Section 201 of title 29  
9 of the Code of the Federated States of Micronesia shall  
10 also serve as the Insurance Board and the Board shall  
11 meet as set forth in Section 204 of title 29 of the Code  
12 of the Federated States of Micronesia."

13 Section 9. The Code of the Federated States of Micronesia,  
14 as amended, is hereby further amended by enacting a new section  
15 202 of title 37 to read as follows:

16 "Section 202. Powers. The Insurance Board shall be  
17 responsible for its policy and affairs and shall have  
18 the powers conferred upon it by this Act."

19 Section 10. The Code of the Federated States of Micronesia,  
20 as amended, is hereby further amended by enacting a new section  
21 203 of title 37 to read as follows:

22 "Section 203. Insurance Commissioner.

23 (1) The President shall appoint a person to be the  
24 Insurance Commissioner who shall be responsible to the  
25 Insurance Board for the execution of its policy and the

1 performance of duties and exercise of powers conferred  
2 by this title.

3 (2) The Insurance Commissioner shall be a person of  
4 recognized experience in insurance and financial matters  
5 and shall be eligible for reappointment. The Insurance  
6 Commissioner shall not hold or occupy any other office  
7 unless approved in writing by the President; except that  
8 the person appointed to be the Insurance Commissioner  
9 may also be appointed to be the Banking Commissioner.

10 (3) The remuneration and other terms and conditions of  
11 employment of the Insurance Commissioner shall be  
12 determined from time to time by the Insurance Board.

13 (4) The Insurance Commissioner shall, except as may  
14 otherwise be provided in this title or the resolutions  
15 of the Insurance Board, have the power to act and sign  
16 instruments and documents on behalf of the Insurance  
17 Board.

18 (5) The Insurance Commissioner shall serve, ex  
19 officio, as a non-voting member of the Insurance Board.

20 (6) During any period when there is no duly appointed  
21 person serving as Insurance Commissioner, the Chairman  
22 of the Insurance Board shall perform the duties and  
23 exercise the rights of the Insurance Commissioner."

24 Section 11. The Code of the Federated States of Micronesia,  
25 as amended, is hereby further amended by enacting a new section

1 204 of title 37 to read as follows:

2 "Section 204. Principal purposes. The principal  
3 purposes of the Insurance Board shall be:

4 (1) To regulate insurance business;

5 (2) To undertake the licensing and supervision of  
6 insurers, insurance agents, insurance solicitors and  
7 insurance brokers;

8 (3) To protect the interests of policy owners; and

9 (4) To promote the soundness, stability, and  
10 development of the insurance system in the Federated  
11 States of Micronesia."

12 Section 12. The Code of the Federated States of Micronesia,  
13 as amended, is hereby further amended by enacting a new section  
14 205 of title 37 to read as follows:

15 "Section 205. Reports. The Insurance Board shall  
16 transmit to the President and the Speaker of the  
17 Congress by May 1 of each year a report containing a  
18 tabulated statement and synopsis of the reports which  
19 have been filed with the Board showing the conditions of  
20 every person licensed under this Act, the general  
21 condition of the insurance business in the Federated  
22 States of Micronesia, and other matters covering  
23 insurance and including the activities of the Insurance  
24 Board, for the last fiscal year. This report shall also  
25 be made available to the general public."

1           Section 13. The Code of the Federated States of Micronesia,  
2 as amended, is hereby further amended by enacting a new section  
3 206 of title 37 to read as follows:

4           "Section 206. Services of Public Auditor and others.  
5           The Insurance Board shall be entitled to utilize the  
6           services of the Public Auditor, the Department of  
7           Justice and such independent accountants, lawyers, and  
8           other experts as they may select in carrying out their  
9           powers and duties under this title. The President of  
10          the Federated States of Micronesia shall provide such  
11          administrative support and staff as may be needed to  
12          conduct the business of the Insurance Board."

13          Section 14. The Code of the Federated States of Micronesia,  
14 as amended, is hereby further amended by enacting a new section  
15 207 of title 37 to read as follows:

16          "Section 207. Regulations. The Insurance Board may  
17          make Regulations prescribing anything which under this  
18          Act may be prescribed and generally for carrying into  
19          effect the objects of this Act. Such Regulations shall  
20          be made in accordance with title 17, chapter 1 of the  
21          Code of the Federated States of Micronesia."

22          Section 15. The Code of the Federated States of Micronesia,  
23 as amended, is hereby further amended by enacting a new section  
24 208 of title 37 to read as follows:

25          "Section 208. Conflict of interest.

1           (1) Neither a member of the Insurance Board, the  
2           Insurance Commissioner or any person acting on behalf or  
3           under the supervision of the Board or Commissioner  
4           shall, during the discharge of their office:

5                   (a) be an officer, director, or employee of any  
6           person licensed under this Act or an affiliated entity;

7                   (b) own or deal directly or indirectly in the  
8           shares or obligations of any person licensed under this  
9           Act or an affiliated entity;

10                  (c) be an insurer, insurance agent, insurance  
11           broker or insurance solicitor;

12                  (d) be interested in or receive directly or  
13           indirectly from an insurer or affiliated entity, or from  
14           any of its officers, directors, or employees, or from  
15           any insurance agent, insurance broker or insurance  
16           solicitor, any salary, gratuity, compensation, or other  
17           thing of value by way of gift, credit, compensation for  
18           services, or for any other reason; or

19                  (e) be interested in or under obligation to  
20           negotiate any contract, obligation, or settlement for  
21           another person with such insurer or affiliated entity.

22           (2) Any violation of this Section by any person  
23           referred to herein shall be sufficient cause for removal  
24           from office.

25           (3) Notwithstanding subsection (1), it shall not be a

1 conflict of interest to be a policy owner provided that  
2 full disclosure of such ownership is made to the  
3 Insurance Board and in the case of the members of the  
4 Insurance Board, disclosure shall be made to the  
5 President of the Federated States of Micronesia."

6 Section 16. The Code of the Federated States of Micronesia,  
7 as amended, is hereby further amended by enacting a new section  
8 209 of title 37 to read as follows:

9 "Section 209. Orders. The Insurance Board may issue  
10 such orders as may be necessary to carry out their  
11 powers and duties, including orders granting, revoking,  
12 suspending or restricting licensing and orders imposing  
13 penalties for violation of this Act. Every order and  
14 notice issued by the Insurance Board shall:

15 (1) be in writing and signed by the Commissioner or  
16 under the authority of the Commissioner;

17 (2) contain a concise statement of the grounds upon  
18 which it is based;

19 (3) designate the provisions of law or regulation  
20 pursuant to which action is taken or proposed to be  
21 taken;

22 (4) state the effective date of the order or notice;

23 (5) state the procedure by which appeal of the order  
24 may be taken; and

25 (6) contain such other matters as may be appropriate."

1           Section 17. The Code of the Federated States of Micronesia,  
2 as amended, is hereby further amended by enacting a new section  
3 210 of title 37 to read as follows:

4           "Section 210. Appeal.

5           (1) Any order issued under this Act may be appealed to  
6 the Board pursuant to the provisions of title 17,  
7 chapter 1 of the Code of the Federated States of  
8 Micronesia.

9           (2) A decision of the Board shall be final agency  
10 action for purposes of appeal to the Supreme Court of  
11 the Federated States of Micronesia. The filing of an  
12 appeal for judicial review shall not stay enforcement of  
13 an order but the Court may order a stay upon such terms  
14 as it deems proper.

15           (3) An appeal must be filed with the Board within 30  
16 days of the date of issuance of the order being  
17 appealed. Unless an appeal is filed the order shall  
18 become final 30 days after issuance and shall be subject  
19 to enforcement. If an appeal is filed, the order shall  
20 not become final until and unless it is affirmed by the  
21 Board."

22           Section 18. The Code of the Federated States of Micronesia,  
23 as amended, is hereby further amended by enacting a new section  
24 211 of title 37 to read as follows:

25           "Section 211. Enforcement.

1           (1) The Insurance Board may bring an action in the  
2           Supreme Court of the Federated States of Micronesia to  
3           enforce any order issued under this Act.

4           (2) If the Insurance Board has cause to believe that  
5           any person has violated any provision of this Act that  
6           is subject to criminal penalty, the Insurance Board  
7           shall certify the facts of the violation to the  
8           Department of Justice for investigation and prosecution  
9           by the Department of Justice.

10          (3) If the Insurance Board has cause to believe that  
11          any person is violating, or is about to violate any  
12          provision of this Act or an order made by the Insurance  
13          Board pursuant to this Act, the Insurance Board may  
14          bring an action in the FSM Supreme Court to enjoin the  
15          person from continuing the violation or doing any act in  
16          furtherance thereof."

17          Section 19. The Code of the Federated States of Micronesia,  
18          as amended, is hereby further amended by enacting a new section  
19          212 of title 37 to read as follows:

20                 "Section 212. Commissioner may extend periods specified  
21                 for performance of acts. The Commissioner may extend the  
22                 periods prescribed under this Act for the performance of  
23                 any act."

24          Section 20. The Code of the Federated States of Micronesia,  
25          as amended, is hereby further amended by enacting a new section

1 213 of title 37 to read as follows:

2           "Section 213. Commissioner may demand information. The  
3 Commissioner may, for the purpose of carrying out the  
4 provisions of this Act, demand from an applicant for a  
5 license or a license holder any document or information  
6 relating to any matter connected with his insurance  
7 business or transactions, and any such person shall  
8 comply with any such demand."

9           Section 21. The Code of the Federated States of Micronesia,  
10 as amended, is hereby further amended by enacting a new section  
11 214 of title 37 to read as follows:

12           "Section 214. Prohibition on disclosure.

13           (1) No person who, in his past or current capacity as  
14 an insurer, agent, broker or solicitor, has acquired  
15 information concerning a policy-owner shall disclose  
16 such information except:

17                   (a) to an affiliated entity in the usual course  
18 of business;

19                   (b) with the written authorization of the policy  
20 owner or his legal personal representative;

21                   (c) for the purpose of performing his duties  
22 under this Act;

23                   (d) when required to do so by a court in the  
24 Federated States of Micronesia;

1 (e) in order to comply with the provisions of  
2 this Act or any other law.

3 (2) No member of the Insurance Board, the Insurance  
4 Commissioner or any employee or agent of the Insurance  
5 Board or Commissioner shall disclose to any person any  
6 information whatsoever relating to any person registered  
7 under this Act or a policy-owner that he has acquired in  
8 the performance of his duties under this title except:

9 (a) for the purpose of the performance of his  
10 duties or the exercise of his functions;

11 (b) when lawfully required to do so by any court,  
12 or in proceedings for an offense against this title;

13 (c) with the consent of the person to whom the  
14 information relates;

15 (d) to the extent that the information is  
16 available under any other law or in a public document;

17 (e) in aggregated or summary form, in such a  
18 manner as to prevent any information disclosed from  
19 being identified by any person as being related to a  
20 particular person, including for statistical purposes;

21 or

22 (f) in confidence to a supervisory authority in  
23 any other country for the purposes of the exercise of  
24 functions corresponding to or similar to those conferred  
25 on the Insurance Board under this Act, so long as the

1 Insurance Board is reasonably satisfied the recipient of  
2 the information will maintain confidentiality.”

3 Section 22. The Code of the Federated States of Micronesia,  
4 as amended, is hereby further amended by enacting a new section  
5 215 of title 37 to read as follows:

6 “Section 215. Publication of licenses and  
7 registrations. The Insurance Board shall publish a  
8 list, amended from time to time, of:

9 (1) all applications filed for a license under this  
10 Act and all applications for registration as a foreign  
11 insurer proposing to transact business through an agent;

12 (2) all approved licenses;

13 (3) all foreign insurers registered to transact  
14 business through an agent;

15 (4) all denials of licenses and registrations;

16 (5) all cancellations and suspensions of licenses and  
17 registrations;

18 (6) information relevant to the winding up of any  
19 insurance business; and

20 (7) any other information that is in the public  
21 interest and not in violation of laws or regulations on  
22 confidentiality or privacy.”

23 Section 23. The Code of the Federated States of Micronesia,  
24 as amended, is hereby further amended by enacting a new section  
25 216 of title 37 to read as follows:

1           "Section 216. Examination of affairs.

2           (1) The Commissioner may examine the affairs of any  
3 person registered under this Act or of any person who is  
4 or has at any relevant time been an affiliated entity of  
5 any person registered under this Act.

6           (2) The Commissioner may enter the office of any  
7 person licensed under this Act at any reasonable time,  
8 without notice, for purposes of examination.

9           (3) It shall be the duty of the person under  
10 examination, as well as their past and present officers,  
11 employees and any affiliated entities, to produce to the  
12 Commissioner all books, records and documents relating  
13 to the person or affiliated entity under investigation  
14 which are in their custody or control, and otherwise to  
15 give to the Commissioner all reasonable assistance in  
16 connection with the examination.

17           (4) The Commissioner may:

18           (a) examine on oath the officers, employees and  
19 agents of the person under examination in relation to  
20 its business and may administer an oath accordingly; and

21           (b) if he thinks it necessary for the purpose of  
22 his examination that a person whom he has no power to  
23 examine on oath should be so examined apply to the  
24 court, and the court may, if it sees fit, order that

1 person to attend and be examined on oath before it on  
2 any matter relevant to the examination;

3 (5) The Commissioner may, if he thinks fit, charge the  
4 person whose affairs are examined all expenses properly  
5 incurred in connection with the examination or in  
6 connection with the proceedings instituted as a result  
7 of the examination, which shall be paid as a fee in  
8 accordance with the Regulations."

9 Section 24. The Code of the Federated States of Micronesia,  
10 as amended, is hereby further amended by enacting a new chapter 3  
11 to title 37 entitled "Licensing".

12 Section 25. The Code of the Federated States of Micronesia,  
13 as amended, is hereby further amended by enacting a new section  
14 301 of title 37 to read as follows:

15 "Section 301. License required.

16 (1) No insurance business shall be carried on in the  
17 Federated States of Micronesia except pursuant to the  
18 provisions of this Title.

19 (2) Any person who transacts insurance business shall  
20 be licensed as either

- 21 (a) an insurer,  
22 (b) an agent,  
23 (c) a solicitor, or  
24 (d) a broker.

25 (3) Only a company may be licensed as an insurer.

1           (4) A foreign insurer who receives two million dollars  
2           or more in income from premiums collected in the  
3           Federated States of Micronesia in a fiscal year shall be  
4           required to become licensed as an insurer.

5           (5) A foreign insurer who receives an amount less than  
6           two million dollars in income from premiums collected in  
7           the Federated States of Micronesia in a fiscal year  
8           shall be permitted to do business through a person  
9           licensed as an agent if the foreign insurer is  
10          registered, unless such foreign insurer chooses to be  
11          licensed as an insurer instead.

12          (6) A person licensed as an agent may conduct business  
13          on behalf of more than one insurer; however, the agent  
14          must apply for a separate license as an insurance agent  
15          for each insurer."

16          Section 26. The Code of the Federated States of Micronesia,  
17          as amended, is hereby further amended by enacting a new section  
18          302 of title 37 to read as follows:

19                "Section 302. Application for license.

20                (1) An applicant for a license shall submit the  
21                following information to the Insurance Board:

22                       (a) The name and address of the applicant;

23                       (b) In the case of a business entity, the  
24                corporate charter and bylaws and the names and address  
25                of the officers;

1                   (c) The address of the applicant's office in the  
2                   Federated States of Micronesia and an appointment of a  
3                   representative resident in the Federated States of  
4                   Micronesia for service of process and to whom notices  
5                   and orders under this Act shall be sent;

6                   (d) Evidence of the good character, financial  
7                   responsibility, business experience and ability of the  
8                   applicant, or in the case of a business entity, its  
9                   officers;

10                  (e) In the case of applicants for an agent,  
11                  solicitor or broker's license, information on prior  
12                  insurance experience of the applicant and the names and  
13                  addresses of prior insurers or agents represented by the  
14                  applicant;

15                  (f) The type of license requested;

16                  (g) The classes of insurance proposed to be  
17                  transacted and a demonstration of capacity to transact  
18                  such classes of insurance;

19                  (h) In the case of applicants for an agent's  
20                  license, the request of a registered insurer that the  
21                  applicant be licensed to represent the insurer as an  
22                  agent;

23                  (i) In the case of applicants for a solicitor's  
24                  license, the request of a licensed insurer or licensed

1 agent that the applicant be licensed to represent the  
2 insurer or agent;

3 (k) An audited financial statement for the most  
4 recent fiscal year, a statement of prospective income  
5 and a business plan for the forthcoming three years;

6 (l) In the case of applicants for an insurer's  
7 license, the insurer must be able to meet the minimum  
8 capital requirement of \$100,000;

9 (m) In the case of applicants for an insurer's  
10 license, disclosure of all contracts of reinsurance;

11 (n) In the case of applicants for an insurer's  
12 license, if the applicant is a foreign insurer, a  
13 certificate issued by the insurance supervisory  
14 authority in the place in which the insurer is  
15 incorporated or constituted to the effect that he is  
16 complying with all the applicable insurance supervisory  
17 requirements of that authority;

18 (o) Other information and fees as required by  
19 Regulations.

20 (2) The Insurance Board may require that an  
21 examination be made into the business and affairs of the  
22 applicant, including, in the case of a foreign insurer,  
23 an examination by the insurance authority of the  
24 jurisdiction in which such insurer is organized. Such  
25 examination shall be at the cost of the applicant.

1           (3) The applicant has an ongoing duty to provide the  
2           Insurance Board with new or amended information relevant  
3           to the application while the application is pending and  
4           if a license is issued, after the issuance of a  
5           license."

6           Section 22. The Code of the Federated States of Micronesia,  
7 as amended, is hereby further amended by enacting a new section  
8 303 of title 37 to read as follows:

9           "Section 303. Decision on application. The Insurance  
10          Board shall review a completed application and conduct  
11          any further investigations as deemed necessary,  
12          including public hearings, and approve or reject the  
13          application at the discretion of the Insurance Board  
14          including consideration of the following factors:

15          (1) whether the applicant has provided complete  
16          information and whether the applicant has made any  
17          material misstatements or omissions in the application;

18          (2) the overall financial condition of the applicant  
19          and whether or not granting the application is likely to  
20          result in an over-extension of the applicant's resources  
21          or facilities;

22          (3) the expertise and character of the applicant or  
23          the officers of the applicant, including whether the  
24          applicant or any officer has been convicted of a felony  
25          having as one of its necessary elements a fraudulent act

1 or an act of dishonesty in the solicitation of,  
2 acceptance, custody, or payment of money or property;

3 (4) whether the applicant has refused or failed to  
4 comply with, or is in violation of, any of the  
5 provisions of this Act or regulations or any order of  
6 the Insurance Board or Commissioner;

7 (5) in the case of a foreign insurer, the insurer's  
8 record of compliance with laws and overall performance  
9 in other jurisdictions;

10 (6) in the case of an applicant operating in the  
11 Federated States of Micronesia prior to application for  
12 a license, the applicant's record of compliance with the  
13 law and regulations of and past performance in the  
14 Federated States of Micronesia; and

15 (7) whether the applicant is delinquent in the payment  
16 of any fees, licenses, taxes, fines or penalties owed to  
17 the national government or the government of any State,  
18 or is otherwise in default for failure to comply with  
19 any laws of the Federated States of Micronesia."

20 Section 23. The Code of the Federated States of Micronesia,  
21 as amended, is hereby further amended by enacting a new section  
22 304 of title 37 to read as follows:

23 "Section 304. Notification of decision on application.

24 (1) If the application is approved, the Commissioner  
25 shall provide the applicant with a license which shall

1           remain valid unless suspended or cancelled in accordance  
2           with the provisions of this Act. The license shall be  
3           displayed conspicuously in a public part of all places  
4           of business of the license holder in the Federated  
5           States of Micronesia.

6           (2) The Insurance Board may approve an application  
7           subject to conditions deemed necessary to protect  
8           policy-owners. Any such conditions shall be noted on  
9           the license and may be varied or revoked during the term  
10          of the license.

11          (3) If the application is denied, an order denying a  
12          license shall be issued."

13          Section 24. The Code of the Federated States of Micronesia,  
14 as amended, is hereby further amended by enacting a new section  
15 305 of title 37 to read as follows:

16          "Section 305. Cancellation of license. The Insurance  
17          Board may cancel a license by issuing an order of  
18          cancellation based on any of the following grounds:

19               (1) the license holder or a trustee or receiver  
20               appointed by the court has requested cancellation;

21               (2) the license holder has ceased to carry on an  
22               insurance business in the Federated States of  
23               Micronesia;

1           (3) the license holder has not commenced business in  
2           the Federated States of Micronesia within one year of  
3           being issued a license;

4           (4) in the case of an agent, that the insurer  
5           represented by that agent no longer wishes to be  
6           represented by the agent or the insurer is no longer  
7           licensed or registered by the Board; in the case of a  
8           solicitor, that the agent or insurer represented by that  
9           solicitor no longer wishes to be represented by the  
10          solicitor or the agent or insurer is no longer licensed  
11          or approved by the Board;

12          (5) false, misleading or inaccurate information was  
13          given in an application under this Act or pursuant to  
14          reporting requirements or a demand for information under  
15          this Act;

16          (6) any cause for which issuance of the license could  
17          have been refused if it had then existed and been known  
18          to the Commissioner at the time of issuance

19          (7) in the case of an insurer, the insurer has failed  
20          to pay a final judgment for the payment of a claim owed  
21          under a policy;

22          (8) in the case of an insurer, the insurer has engaged  
23          in unfair trade practices;

1           (9) the license holder has misrepresented the terms of  
2           any actual or proposed insurance contract or application  
3           for insurance;

4           (10) in the case of an insurer, the unencumbered assets  
5           of the insurer are insufficient for the proper conduct  
6           of his insurance business;

7           (11) the license holder is not conducting business in  
8           accordance with sound insurance principles; or

9           (12) the license holder has contravened any of the  
10          provisions of this Act, regulations or conditions of  
11          license."

12          Section 25. The Code of the Federated States of Micronesia,  
13 as amended, is hereby further amended by enacting a new section  
14 306 of title 37 to read as follows:

15                "Section 306. Suspension or restriction of license.

16                The Insurance Board may suspend or restrict a license by  
17                issuing an order of suspension or restriction if the  
18                Commissioner is of the belief that the license holder is  
19                likely to qualify for cancellation but that suspension  
20                or restriction is in the best interests of the policy-  
21                owners."

22          Section 26. The Code of the Federated States of Micronesia,  
23 as amended, is hereby further amended by enacting a new section  
24 307 of title 37 to read as follows:

1           "Section 307. Registered Insurers. Only agents  
2           transacting insurance business on behalf of registered  
3           insurers shall be eligible for a license.

4           (1) All insurers licensed under this Act are  
5           registered insurers.

6           (2) A foreign insurer who is licensed by another  
7           jurisdiction, may be registered by providing the  
8           following:

9           (a) information from the insurer's home  
10          supervisory authority that the insurer is solvent and  
11          meets all the regulatory requirements in the home  
12          jurisdiction and is otherwise in good standing; and  
13          a statement from the home supervisory authority that the  
14          foreign insurer is approved for transaction of insurance  
15          business through an agent in the Federated States of  
16          Micronesia;

17          (b) posting of a bond, or deposit to an escrow  
18          account, in the sum of \$100,000, to be withdrawn by the  
19          Commissioner upon the occurrence of certain events as  
20          stated in the bond or escrow agreement; and

21          (c) pursuant to Regulations, a requirement that a  
22          certain amount of premiums collected on behalf of the  
23          insurer are maintained in the Federated States of  
24          Micronesia.

25          (3) The Commissioner may grant or deny registration of

1 a foreign insurer based on these requirements and a  
2 review of the foreign insurer in the same manner as a  
3 review of an application for a license under this Act.

4 Section 27. The Code of the Federated States of Micronesia,  
5 as amended, is hereby further amended by enacting a new section  
6 308 of title 37 to read as follows:

7 "Section 308. Policies issued before refusal of  
8 application or cancellation of license. An insurer,  
9 agent, broker or solicitor whose application for a  
10 license has been denied or cancelled shall continue to  
11 carry on business relating to policies issued by the  
12 insurer, or the insurer represented by the agent, broker  
13 or solicitor, prior to the date on which it was notified  
14 of such denial or cancellation until the Insurance Board  
15 is satisfied that the insurer, agent, broker or  
16 solicitor has made suitable arrangements for the  
17 obligations under the policies to be met."

18 Section 28. The Code of the Federated States of Micronesia,  
19 as amended, is hereby further amended by enacting a new section  
20 309 of title 37 to read as follows:

21 "Section 309. Reporting requirements.

22 (1) Licensed insurers and registered insurers shall  
23 provide the following information to the Insurance  
24 Board:

1                   (a) Within three months of the end of each fiscal  
2                   year:

3                   (i) a certified copy of the audited balance  
4                   sheet and accounts showing the financial position of all  
5                   the insurance business of the license holder at the  
6                   close of that year;

7                   (ii) a certificate of an auditor stating that  
8                   the auditor is satisfied that the accounts of the  
9                   insurer have been properly prepared in accordance with  
10                  the books and records of the insurer and in accordance  
11                  with Generally Accepted Accounting Principles and any  
12                  such other particulars as may be prescribed by  
13                  Regulation.

14                  (iii) all insurers who operate as separate  
15                  entities which can be wound up under domestic or foreign  
16                  law shall render separate accounts but where they are  
17                  associated together in a group the holding company shall  
18                  also furnish to the Commissioner consolidated accounts  
19                  of the insurance business for the group as a whole; and

20                  (iv) such other documents and information as  
21                  the Commissioner may require or as may be prescribed by  
22                  Regulation.

23                  (b) A copy of any report on the affairs of the  
24                  insurer submitted to the policy-owners or shareholders

1 of the insurer in respect of the financial year to which  
2 the balance sheet relates; and

3 (c) A copy of all contracts of reinsurance at the  
4 time they were entered into and upon any amendment.

5 (2) Licensed agents, brokers and solicitors shall  
6 provide the following information to the Insurance  
7 Board:

8 (a) an accounting of all premiums collected,  
9 including the dates of receipt from the policy-owner,  
10 the dates of remittance to the insurer, and any  
11 commissions received."

12 Section 29. The Code of the Federated States of Micronesia,  
13 as amended, is hereby further amended by enacting a new section  
14 310 of title 37 to read as follows:

15 "Section 310. Periodic investigations to be made into  
16 financial position of insurers.

17 (1) A licensed insurer shall, not less than once in  
18 every 3 years, cause an investigation into its financial  
19 position, including a valuation of its liabilities to be  
20 made by an actuary; provided that the Commissioner may  
21 require a insurer to cause such an investigation to be  
22 made at any time he deems it to be in the public  
23 interest to do so.

24 (2) A licensed insurer shall, whenever its financial  
25 position is investigated with a view to a distribution

1 of surplus or in compliance with subsection (1), prepare  
2 and furnish to the Commissioner a full report of the  
3 actuary by whom the investigation was made or an  
4 abstract thereof at the Commissioner's option, and a  
5 statement of its life insurance business at that date,  
6 as soon as such a report is furnished to the insurer by  
7 the actuary. The actuary shall also provide a statement  
8 of the assumptions and the methods used in making the  
9 valuation."

10 Section 30. The Code of the Federated States of Micronesia,  
11 as amended, is hereby further amended by enacting a new section  
12 311 of title 37 to read as follows:

13 "Section 311. Separate accounts for business other than  
14 insurance business. A licensed insurer or insurance  
15 agent who transacts, besides insurance, any other  
16 business shall conduct the insurance business in a  
17 separate company and shall thereby segregate the assets  
18 and liabilities of its insurance business from those of  
19 its other business."

20 Section 31. The Code of the Federated States of Micronesia,  
21 as amended, is hereby further amended by enacting a new section  
22 312 of title 37 to read as follows:

23 "Section 312. Life insurance carrying on other  
24 business.

1           (1) A licensed insurer who carries on both life  
2 insurance business and other insurance business shall  
3 conduct the life insurance business in a separate  
4 company, and shall thereby segregate the assets and  
5 liabilities of its life insurance business from those of  
6 its other insurance business.

7           (2) All receipts of a life insurer in respect of its  
8 life insurance business shall be carried to and form  
9 part of its life insurance fund.

10          (3) Payments from the life insurance fund of a  
11 licensed insurer shall not be made directly or  
12 indirectly for any purpose other than those of its life  
13 insurance business, except insofar as such payments can  
14 be made out of any surplus disclosed on an actuarial  
15 valuation and certified by the actuary to be  
16 distributable otherwise than to policy-owners."

17          Section 32. The Code of the Federated States of Micronesia,  
18 as amended, is hereby further amended by enacting a new section  
19 313 of title 37 to read as follows:

20           "Section 313. Mergers and transfers of insurance  
21 business. No domestic insurer shall:

22           (1) Merge or reorganize, whether by agreement, order  
23 or takeover, with any one or more insurers; or

24           (2) Transfer its insurance business or a part thereof  
25 to, or take transfer of the insurance business or a part

1           thereof from, another insurer, unless the merger,  
2           reorganization or transfer is approved by the  
3           Commissioner.

4           (3) No merger or transfer shall be approved that  
5           lessens the policy benefits of policy owners."

6           Section 33. The Code of the Federated States of Micronesia,  
7 as amended, is hereby further amended by enacting a new section  
8 314 of title 37 to read as follows:

9           "Section 314. Limitation on Borrowing. At no time may  
10          the undischarged amount of moneys to be borrowed or  
11          secured by a domestic insurer exceed five per cent of  
12          the assets of the domestic insurer without the written  
13          consent of the Commissioner."

14          Section 34. The Code of the Federated States of  
15 Micronesia, as amended, is hereby further amended by enacting a  
16 new section 315 of title 37 to read as follows:

17          "Section 315. Prohibition of loans to directors. A  
18          domestic insurer shall not, directly or indirectly,  
19          without the approval of the Commissioner, lend any of  
20          its funds to any of its officers or related persons; or  
21          enter into any guarantee or provide any security in  
22          connection with a loan to an officer or related person  
23          by any other individual; provided that loans may be so  
24          made within the surrender value of a life policy issued  
25          by the insurer to such individual."

1           Section 35. The Code of the Federated States of Micronesia,  
2 as amended, is hereby further amended by enacting a new section  
3 316 of title 37 to read as follows:

4           "Section 316. Prohibited investments. No domestic  
5 insurer shall invest in the stock of any other  
6 corporation, acquire any real estate, except with the  
7 approval of the Commissioner for use as its principal  
8 office in the Federated States of Micronesia, or pledge  
9 any of its assets as security for or guaranty any  
10 obligations of others. The Insurance Board may require  
11 that a domestic insurer not make investments of a  
12 specified class and may in that case require such  
13 insurer to liquidate investments of that class within a  
14 specified period."

15          Section 36. The Code of the Federated States of Micronesia,  
16 as amended, is hereby further amended by enacting a new section  
17 317 of title 37 to read as follows:

18          "Section 317. Ownership limitations. No person or  
19 group of related persons or affiliated entities may  
20 acquire ten percent or more of the stock of a domestic  
21 insurer without the prior approval of the Insurance  
22 Board."

23          Section 37. The Code of the Federated States of Micronesia,  
24 as amended, is hereby further amended by enacting a new section  
25 318 of title 37 to read as follows:

1           "Section 318. Keeping of records.

2           (1) A license holder shall keep within the Federated  
3 States of Micronesia and shall make available to the  
4 Commissioner on request a record of all domestic  
5 policies in force or upon which liabilities are  
6 outstanding which have been issued by the insurer or by  
7 the agent, broker or solicitor on behalf of an insurer,  
8 showing the insurer's rights and obligations thereunder  
9 and recording the premiums received and, in the case of  
10 an agent, broker or solicitor, the premiums collected  
11 and paid to the insurer and the commissions received.

12           (2) A license holder shall keep, for a period of at  
13 least 5 years, the original or an accurate copy of  
14 policies, premium payments, claims made and paid, and  
15 other items comprising records of transactions processed  
16 by it.

17           (3) Notwithstanding the provisions of any other law, a  
18 copy of an item made pursuant to this section shall be  
19 admissible as evidence in any legal proceeding to the  
20 same extent as the item of which it is a copy would have  
21 been admissible."

22           Section 38. The Code of the Federated States of Micronesia,  
23 as amended, is hereby further amended by enacting a new section  
24 319 of title 37 to read as follows:

25           "Section 319. Winding up of insurance business.

1           (1) Any license holder may terminate its business in  
2           the Federated States of Micronesia with the approval and  
3           under the supervision of the Insurance Commissioner and  
4           pursuant to Title 31 of the Code of the Federated States  
5           of Micronesia as amended by Public Law 13-73.

6           (2) The Commissioner may present a petition for the  
7           winding-up of an insurer in accordance with the  
8           provisions of Title 31 of the Code of the Federated  
9           States of Micronesia as amended by Public Law 13-73.

10          (3) Notwithstanding any other law, the business and  
11          assets of the insurer shall be liquidated in an orderly  
12          manner so as to fully protect all of the policy owners  
13          of the insurer in the Federated States of Micronesia.”

14          Section 39. The Code of the Federated States of Micronesia,  
15          as amended, is hereby further amended by enacting a new section  
16          320 of title 37 to read as follows:

17                 “Section 320. Lists of representatives to be  
18                 maintained. Every license holder shall maintain and  
19                 post in its office an accurate list of all persons  
20                 associated with it as an insurer, agent, solicitor or  
21                 broker in the Federated States of Micronesia, and shall  
22                 provide the list to the Insurance Board along with the  
23                 full details of the association with such agent,  
24                 solicitor or broker including a copy of any employment

1 contract, every time it is amended or on demand of the  
2 Commissioner."

3 Section 40. The Code of the Federated States of Micronesia,  
4 as amended, is hereby further amended by enacting a new section  
5 321 of title 37 to read as follows:

6 "Section 321. Premiums.

7 (1) Any licensed agent, broker or solicitor shall, for  
8 the purpose of receiving any premium for a policy, be  
9 deemed to be the agent of the insurer and  
10 notwithstanding any conditions or stipulations to the  
11 contrary the insurer whom they represent shall be deemed  
12 to have received any premium received by such agent,  
13 broker or solicitor.

14 (2) A licensed agent, broker or solicitor who acts in  
15 negotiating or renewing a policy of an insurer and  
16 receives payment of the premium for the policy from the  
17 policy-owner, shall be guilty of an offense if he fails  
18 to forward the premium to the insurer within 30 days of  
19 the receipt of the premium or such shorter or longer  
20 period as may be agreed in advance by the insurer, less  
21 his commission and any other deductions to which by  
22 written consent of the insurer he is entitled, provided  
23 that if any person charged with an offense under this  
24 section shall satisfy the court that he was prevented by  
25 illness or other cause beyond his control from due

1 compliance with such provisions and has subsequently  
2 paid the premium to the insurer, the same shall be a  
3 good defense to the charge."

4 Section 41. Title 37 of the Code of the Federated States of  
5 Micronesia is hereby enacted by adding a new chapter 4 entitled  
6 "Policies".

7 Section 42. The Code of the Federated States of Micronesia,  
8 as amended, is hereby further amended by enacting a new section  
9 401 of title 37 to read as follows:

10 "Section 401. Disclosures to policy-owners.

11 (1) A policy-owner must be provided with a copy of the  
12 policy within 30 days of it coming into effect.

13 (2) An insurer shall, at the request of the policy-  
14 owner, furnish the policy owner free of charge with a  
15 copy of the relevant financial statements prepared by  
16 the insurer to meet the reporting requirements of this  
17 Act, and shall make available for inspection, at the  
18 request of the policy-owner, a copy of the last  
19 actuarial report."

20 Section 43. The Code of the Federated States of Micronesia,  
21 as amended, is hereby further amended by enacting a new section  
22 402 of title 37 to read as follows:

23 "Section 402. Policy contents.

1           (1) A policy must be written in the English language  
2           and printed or typed in clearly legible letters, in 10  
3           point type or larger.

4           (2) The policy must contain:

5                   (a) the parties between whom the contract is  
6           made;

7                   (b) a description of the property, life or  
8           interest insured;

9                   (c) the interest of the insured;

10                  (d) the period during with such insurance is to  
11           continue;

12                  (e) either a statement of the premium or if  
13           insurance is of a character where the exact premium is  
14           only determinable upon a termination of the contract, a  
15           statement of the basis and rates upon which the final  
16           premium is to be determined and paid, with all amounts  
17           stated in US dollars.

18           (3) The policy shall be signed by two of the major  
19           officers of the insurer as designated by the insurer  
20           and, in the case where the insurer is represented by an  
21           agent, by the agent.

22           (4) The Insurance Board shall establish through  
23           regulations other requirements for policy contents and  
24           review by the Insurance Board of policy forms."

25           Section 44. The Code of the Federated States of Micronesia,

1 as amended, is hereby further amended by enacting a new section  
2 403 of title 37 to read as follows:

3           "Section 403. Policy not invalid owing to failure to  
4           comply with law. A policy issued by any person, whether  
5           before, on, or after the coming into force of this Act  
6           shall not be invalid by reason only that such person  
7           contravened or failed to comply with the provisions of  
8           any law or regulation applying to that policy."

9           Section 45. The Code of the Federated States of Micronesia,  
10 as amended, is hereby further amended by enacting a new section  
11 404 of title 37 to read as follows:

12           "Section 404. Cancellation of policies.

13           (1) No policy shall be liable to cancellation except  
14           in accordance with the provisions of this section.

15           (2) A policy other than a life insurance policy may be  
16           cancelled at any time by the policy-owner after giving  
17           to the insurer not less than 30 days' notice in writing  
18           of the proposed cancellation by service in accordance  
19           with the provisions of this Act, and the insurer shall,  
20           upon the surrendering of the policy, refund the excess  
21           of any premiums paid over and above the pro-rata premium  
22           for the period when the policy has been in force.

23           (3) A policy other than a life insurance policy may be  
24           cancelled at any time by an insurer after giving to the  
25           policy-owner named therein not less than 90 days' notice

1           in writing of the proposed cancellation by personal  
2           service or by certified mail and upon refunding to the  
3           insured the excess of paid premium over and above the  
4           pro-rata premium for the time the policy has been in  
5           force, which refund shall accompany the notice.

6           (4) Notwithstanding the provisions of subsections (2)  
7           and (3), the policy-owner and the insurer may agree at  
8           the time any policy of insurance referred to therein is  
9           issued that the same shall be incapable of cancellation,  
10          provided that a clause to such effect is included in the  
11          policy.

12          (5) A life insurance policy may be cancelled by the  
13          insurer in the event of non-payment of any renewal  
14          premiums due but only after notice in writing specifying  
15          the default and the intention of the insurer to cancel  
16          the policy has been given to the insured by personal  
17          service or by certified mail; provided that the insurer  
18          may not cancel the life insurance policy if full payment  
19          is made within 10 days of receipt of the notice;  
20          provided further that a life insurance policy shall not  
21          be cancelled by reason only of the non-payment of a  
22          premium unless at least 28 days have elapsed since the  
23          premium became due.

1           (6) Any policy of insurance may be cancelled by the  
2           prior mutual consent in writing of the insurer and the  
3           policy-owner."

4           Section 46. The Code of the Federated States of Micronesia,  
5 as amended, is hereby further amended by enacting a new section  
6 405 of title 37 to read as follows:

7           "Section 405. Jurisdiction of domestic courts. Any  
8           provision contained in a domestic policy whereby the  
9           jurisdiction of the courts in the Federated States of  
10          Micronesia is in any way circumscribed or avoided shall  
11          to that extent be of no effect; however, this section  
12          does not limit the inclusion of provisions in domestic  
13          policies requiring alternative dispute resolution prior  
14          to court action."

15          Section 47. Title 37 of the Code of the Federated States of  
16 Micronesia is hereby enacted by adding a new chapter 5 entitled  
17 "General Provisions".

18          Section 48. The Code of the Federated States of Micronesia,  
19 as amended, is hereby further amended by enacting a new section  
20 501 of title 37 to read as follows:

21          "Section 501. Restriction on use of the word  
22          'insurance'. Only persons licensed under this Act shall  
23          have or use the word 'insurance' or any derivative  
24          thereof in the conduct of their business."

25          Section 49. The Code of the Federated States of Micronesia,

1 as amended, is hereby further amended by enacting a new section  
2 502 of title 37 to read as follows:

3 "Section 502. Registered names.

4 (1) The Insurance Board shall not issue a license if  
5 the name under which the applicant desires to be  
6 licensed is identical to or so nearly resembles the name  
7 of a person already licensed under this Act as to be  
8 likely to be mistaken for it unless that person is in  
9 fact affiliated with the applicant and consents to the  
10 licensing of the applicant under the name in question,  
11 or the licensed person is being wound up or has ceased  
12 to transact insurance business in or from within the  
13 Federated States of Micronesia and consents to the  
14 licensing of the applicant under the name in question.

15 (2) The Commissioner shall not license an applicant as  
16 an insurer, agent, broker or solicitor if the name under  
17 which the applicant desires to be registered suggests  
18 falsely that the applicant has a special status in  
19 relation to or derived from the municipal, State or  
20 National government of the Federated States of  
21 Micronesia or has the official backing of or acts on  
22 behalf of said government or official thereof or is  
23 recognized in the Federated States of Micronesia as a  
24 national or central insurer, insurance agent, insurance  
25 broker or insurance solicitor.

1           (3) The Commissioner shall not license an applicant as  
2 broker or solicitor if the name under which the  
3 applicant desires to be registered is likely to suggest  
4 that the applicant is an insurer or agent.

5           (4) The Commissioner shall not license an applicant as  
6 an agent if the name under which the applicant desires  
7 to be registered is likely to suggest that the applicant  
8 is an insurer or an broker.

9           (5) The Commissioner may refuse to license an  
10 applicant under a name that is likely to mislead policy-  
11 owners or which is contrary to the public interest.

12           (6) A licensed insurer, agent, broker, or solicitor  
13 shall not change the name under which it is licensed  
14 without the prior permission of the Commissioner.

15           Section 503. The Code of the Federated States of Micronesia,  
16 as amended, is hereby further amended by enacting a new section  
17 503 of title 37 to read as follows:

18           "Section 503. Service of process upon persons licensed  
19 under this Act.

20           (1) Any notice issued under any provisions of this Act  
21 and any process in legal proceedings may be served upon  
22 a person licensed under this Act by leaving the same at  
23 the principal office or designated agent of the person.

24           (2) If the principal office or designated agent of a  
25 person registered under this Act cannot reasonably be

1 found, any notice served under this Act or process in  
2 any legal proceedings may be served by leaving the same  
3 at the office of the Commissioner and it shall be deemed  
4 to be service upon the person registered under this  
5 Act."

6 Section 51. The Code of the Federated States of Micronesia,  
7 as amended, is hereby further amended by enacting a new section  
8 504 of title 37 to read as follows:

9 "Section 504. Control of advertisements. No  
10 advertisement shall be used by any person licensed under  
11 this Act which, directly or by implication, has the  
12 capacity and tendency to mislead or deceive prospective  
13 policy-owners with respect to an insurer's assets,  
14 corporate structure, financial standing, age or relative  
15 position in the insurance business, the terms of a  
16 policy or in any other material respect."

17 Section 52. The Code of the Federated States of Micronesia,  
18 as amended, is hereby further amended by enacting a new section  
19 505 of title 37 to read as follows:

20 "Section 505. Practices injurious to free competition.  
21 Unless otherwise permitted by law, no person shall,  
22 directly or indirectly, enter into any agreement for the  
23 purpose of controlling the rates to be charged, or the  
24 commissions or other compensations to be paid, for  
25 insuring any risk or class of risks or commit any act of

1           boycott, coercion, or intimidation resulting or tending  
2           to result in unreasonable restraint of or a monopoly in  
3           the business of insurance."

4           Section 53. Title 37 of the Code of the Federated States of  
5 Micronesia is hereby enacted by adding a new chapter 6 entitled  
6 "Violations and Penalties".

7           Section 54. The Code of the Federated States of Micronesia,  
8 as amended, is hereby further amended by enacting a new section  
9 601 of title 37 to read as follows:

10           "Section 701. Investigation of illegal insurance  
11           business; penalties.

12           (1) Where the Insurance Board has reason to believe  
13 that a person is engaging in insurance business without  
14 a license in violation of this title, it may cause an  
15 examination of the books, accounts and records of such a  
16 person to determine if this is the case. The Insurance  
17 Board may apply to the Supreme Court for a warrant to  
18 enter any premises belonging to or in the control of  
19 such a person and remove any document, material or other  
20 thing therein for the purposes in the warrant.

21           (2) A person doing insurance business without a  
22 license in violation of this title shall be subject to a  
23 fine of not more than \$50,000 and shall be required to  
24 repay any funds obtained as a result of such insurance  
25 business. A failure to cease doing insurance business

1 as directed by the Commissioner shall be considered a  
2 new violation and subject to an additional fine."

3 Section 55. The Code of the Federated States of Micronesia,  
4 as amended, is hereby further amended by enacting a new section  
5 602 of title 37 to read as follows:

6 "Section 602. General penalties.

7 (1) For any violation of this title, including  
8 violation of the regulations, conditions of license  
9 imposed by the Commissioner, or orders issued by the  
10 Commissioner, the license holder shall be subject to a  
11 fine of not more than \$5,000 and if the violation is a  
12 continuing one, to a further fine not exceeding \$1,000  
13 for every day during which the violation continues; and,  
14 in the case of a material violation, to the cancellation  
15 of its license, in addition to any other penalty  
16 prescribed by law. The Commissioner shall impose the  
17 fine by issuing an order subject to appeal and  
18 enforcement under Chapter 2.

19 (2) Any person who violates any provision of this Act  
20 or of any Regulations shall be guilty of an offence and,  
21 where no specific criminal penalty is otherwise provided  
22 in this Act, shall be liable on conviction in a court of  
23 law, if the offender is an individual, to a fine of  
24 \$50,000 or to imprisonment for not more than six months,

