

STANDING COMMITTEE REPORT NO. 16-81

RE: C.B. NO. 16-81

SUBJECT: SEPARATE FUNCTIONS OF THE INSURANCE BOARD AND
INSURANCE COMMISSIONER FROM THE BANKING BOARD AND
BANKING COMMISSIONER

MAY 27, 2010

The Honorable Isaac V. Figir
Speaker, Sixteenth Congress
Federated States of Micronesia
Fourth Regular Session, 2010

Dear Mr. Speaker:

Your Committee on Resources and Development, to which was referred C.B. No. 16-81, entitled:

"A BILL FOR AN ACT TO AMEND SECTIONS 201 AND 203 OF TITLE 37 OF THE CODE OF THE FEDERATED STATES OF MICRONESIA, AS ESTABLISHED BY PUBLIC LAW NO. 14-66, TO SEPARATE THE FUNCTIONS OF THE INSURANCE BOARD AND THE INSURANCE COMMISSIONER FROM THE BANKING BOARD AND THE BANKING COMMISSIONER, AND FOR OTHER PURPOSES.",

begs leave to report as follows:

Your Committee held public hearings on February 18 and 19, 2010 in Kosrae State; February 21, 2010 in Chuuk State; and on February 24 and 25, 2010 in Yap State. On May 07, 2010, the Chairman of the Committee wrote to Governor John Ehsa and Speaker Nelson Pelep and solicited Pohnpei State's views and comments on C.B. No. 16-81.

The intent and purpose of the bill are expressed in its title.

The Committee notes that all the states supported the intent of the bill on the basis that insurance activities in the Federated States of Micronesia have dramatically increased, and it is fitting to clearly separate the functions of the Insurance Commissioner and Insurance Board from the Banking Commissioner and Banking Board.

The current law, P.L. No. 14-66, establishing Section 201 of title 37 of the Code of the Federated States of Micronesia creates the Insurance Board, but directs that the Banking Board, established by section 209 of title 29 of the Code of the Federated States of Micronesia shall serve as the Insurance Board. In essence, the Banking Board still regulates insurance

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activities in the Federated States of Micronesia.

Recently, the President appointed Jesse Giltamag, the Insurance Examiner, to be the Insurance Commissioner. In addition to this appointment of an Insurance Commissioner, the President transmitted to Congress draft legislation, introduced as C.B. No. 16-81, which is a bill to separate the functions of the two Boards.

Currently, there are five employees working for the FSM Banking and Insurance Boards: (1) Banking Commissioner (Wilson Waguk), (2) Insurance Commissioner (Jesse Giltamag), still retaining the salary of the Insurance Examiner, (3) Insurance Examiner (vacant), (4) Bank Examiner (Melsiner Hadley), (4) Financial Analyst (Joloulyn Gonzales), and (5) Secretary (Remina Tara) with an approved budget for fiscal year 2010 of \$103,281.

What is deemed peculiar is that the Insurance Commissioner is under the direction of the Banking and Insurance Board. Hence, the proposed bill is intended to establish an Insurance Board with three members to govern insurance matters.

Some of the recommendations received from the states include:

1. The authority to appoint the Insurance Commissioner should not be with the President but with the Insurance Board.
2. The bill should incorporate provisions for term limits of the Board members, vacancy positions on the Board, qualifications of Board members, and for members from the private sector to be represented on the Board.

During the discussion on the bill, the Committee recommends that prior to the appointment and confirmation of the members of the Insurance Board, the existing FSM Banking and Insurance Board shall serve as the Insurance Board. In addition, until separate logistical and administrative support is available to the Insurance Commissioner, the Insurance Commissioner shall utilize on a temporary basis the logistical and administrative support available to the Banking Commissioner.

Therefore, the Committee recommends the following amendments to the bill:

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1. Page 1, between lines 6 and 7, insert the following:

" (1) There is hereby established an Insurance Board which shall be composed of three members appointed by the President with the advice and consent of the Congress of the Federated States of Micronesia.

(2) All appointments shall be for a term of four years; PROVIDED HOWEVER, that, unless otherwise provided by the President, all rights and powers of an Insurance Board member shall be maintained by each member until the appointment of such member's successor. Insurance Board members shall be eligible for reappointment.

(3) The Chairman of the Insurance Board shall be elected by the members at the first organizational meeting of the Board.

(4) Prior to the appointment of members of the Insurance Board constituting a quorum, the Banking Board shall serve as the Insurance Board. Furthermore, until separate logistical and administrative support is available to the Insurance Commissioner, the Insurance Commissioner shall utilize on a temporary basis the logistical and administrative support available to the Banking Commissioner. Nothing herein derogates the authority and prerogative of the President to provide administrative support to the Insurance Board and the Insurance Commissioner pursuant to the provision of section 206."

2. Page 1, lines 5 through 7, delete in their entirety.

3. Page 1, line 8, delete "the Federated States of Micronesia."

Your Committee on Resources and Development is in accord with the intent and purpose of C.B. No. 16-81, as amended herein, and recommends its passage on First Reading, and that it be placed on the calendar for Second and Final reading in the form attached hereto as C.B. No. 16-81, C.D.1.

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Respectfully submitted,

/s/ Roger S. Mori
Roger S. Mori, chairman

/s/ Tony H. Otto
Tony H. Otto, vice chairman

/s/ Peter M. Christian
Peter M. Christian, member

/s/ Dion G. Neth
Dion G. Neth, member

/s/ Peter Sitan
Peter Sitan, member

Joseph J. Urusemal, member

/s/ Paliknoa K. Welly
Paliknoa K. Welly, member