
A BILL FOR AN ACT

To further amend sections 1003 and 1015 of title 37 of the Code of the Federated States of Micronesia, as enacted by Public Law No. 14-88 and as amended by Public Laws Nos. 15-34 and 16-17, and inserting new sections 1017, 1018, 1019, and 1020 to clarify and establish a revolving fund for the fees and premium tax revenues collected thereunder for such purposes and functions stated therein, and for other purposes.

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

1 Section 1. Section 1003 and title 37 of Code of the
2 Federated States of Micronesia, as amended by Public Laws Nos. 15-
3 34 and 16-17, 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 with
7 respect to the captive insurance companies pursuant to
8 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.

13 (2) In considering whether to licensed a captive
14 insurance company under this chapter, the Commissioner
15 and Insurance Board shall consider the following
16 factors:

17 (a) Principal office and principal

1 representatives;

2 (i) The principal office shall maintain a
3 principal place of business within the Federated
4 States of Micronesia;

5 (ii) appoint a principal representative that
6 shall be approved by the Commissioner;

7 (iii) hold an annual board of directors
8 meeting in the Federated States of Micronesia. In
9 meeting the quorum requirements for this annual board
10 meeting, only the principal representative is required
11 to be physically present in the Federated States of
12 Micronesia. The remainder of the quorum may be
13 present via telephone;

14 (iv) the captive insurance company shall
15 maintain in its principal office accurate documents in
16 English of the insurance business and accounting for
17 examination by the Commissioner.

18 (b) Application documents: the captive insurance
19 company shall file the following documents with its
20 application for an insurance license with the
21 Commissioner and Insurance Board:

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

24 (ii) the adequacy of the expertise,
25 experience and character of the person or persons who

1 will manage it;

2 (iii) the overall soundness of its loss plan
3 of operation;

4 (iv) the adequacy of the loss prevention
5 programs of its insured; and

6 (v) such other factors deemed relevant by
7 the Commissioner in ascertaining whether the proposed
8 captive insurance company will be able to meet its
9 policy obligations.

10 (3) Feed schedule.

11 (a) Each captive insurance company shall pay to
12 the Insurance Board a nonrefundable fee of \$500 for
13 examining, investigating, and processing its
14 application for licensing, and the Commissioner is
15 authorized to retain legal, financial and examination
16 services, the reasonable cost of which may be changed
17 against the applicant.

18 (b) In addition, each captive insurance company
19 receiving a license from the Commissioner shall pay a
20 license fee of \$500 for the year of registration or
21 licensure due within thirty (3) days after
22 registration or licensure, and a yearly or annual fee
23 of \$500 due on or before the registration or licensure
24 day and month every year for [renewal fee] each year
25 thereafter [of \$500]. Such fees received by the

1 Insurance Board shall be deposited into a revolving
2 fund established under Section 1017.

3 (4) Licensing. If the Insurance Board is satisfied
4 that the documents filed by the captive insurance
5 company comply with this title, the Commissioner shall
6 ~~[may]~~ grant a license authorizing it to transact
7 insurance business in the Federated States of
8 Micronesia. The license shall be valid until
9 terminated by surrender, suspension, revocation, or
10 failure to comply with law. ~~[until March 31, of the~~
11 ~~year of application at which time the license maybe~~
12 ~~renewed.]~~

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

17 (6) The Insurance Commissioner or Insurance Board is
18 authorized to issue a captive insurance manager's
19 license, which may be signed by the Insurance
20 Commissioner or Insurance Board's authorized designee,
21 and shall issue the same to any applicant that:

22 (a) has in its bona fide employment a person
23 who is a current member in good standing of an
24 accounting or insurance related professional body or
25 association; or,

1 (b) has in its bona fide employment a person
2 that has minimum of five years experience in the
3 captive management field.

4 (7) The applicant shall be issued a captive
5 insurance manager's license by the Insurance
6 Commissioner or the Insurance Board upon compliance
7 with subsection (6) above without regard to:

8 (a) whether the applicant has or has not
9 applied for a license with a captive insurance
10 company; or,

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

13 (8) The captive insurance manager's license grants
14 the captive insurance manager the authority to work
15 with or manage:

16 (a) any person or entity intending to form a
17 captive insurance company in the Federated States of
18 Micronesia; or,

19 (b) any domestic captive insurance company
20 licensed by the Insurance Board.

21 (9) The captive insurance manager's license shall be
22 effective for a period of five years from the date of
23 issuance."

24 Section 2. Section 1015 title 37 of the Code of the
25 Federated States of Micronesia, as enacted by Public Law No.

1 14-88, is hereby amended to read as follows:

2 "Section 1015. Tax on Premium Collected.

3 (1) Each captive insurance company shall pay into
4 the General Fund of the Federated States of Micronesia
5 on or before June 1 each year, a tax on gross premiums
6 as follows:

7 (a) .05 percent of gross premiums for insurance
8 written on all risks or property resident, situated or
9 located within the Federated States of Micronesia, and
10 on risks and property situated elsewhere upon which no
11 premium tax is otherwise paid during the year ending
12 on the preceding March 31, less return premiums and
13 less any reinsurance accepted;

14 (b) the annual maximum aggregate tax on
15 premiums to be paid by a captive insurance company
16 calculated under subsection (a) of this section shall
17 be \$20,000.00.

18 (2) Two or more captive insurance companies under
19 common ownership and control shall be taxed, as though
20 they were a single captive insurance company.

21 (a) For the purpose of this section common
22 ownership and control shall mean:

23 (i) in the case of stock corporation, the
24 direct or indirect ownership of 80 percent or more of
25 the outstanding voting stock of two or more

1 corporation by the same shareholder or shareholders;
2 and

3 (ii) in the case of mutual corporation, the
4 direct or indirect ownership of 80 percent or more of
5 the surplus and the voting power of two or more
6 corporations by the same member or members.

7 (3) Annually, ten percent of the premium tax
8 revenues collected pursuant to this section or
9 \$150,000, whichever is greater shall be transferred to
10 the Insurance Board for the regulation of captive
11 insurance companies under this chapter. Any fund
12 derived hereunder shall be deposited in the revolving
13 fund established under Section 1017.

14 (4) The tax provided for in this section shall be
15 calculated on an annual basis, notwithstanding
16 policies or contracts of insurance or contracts or
17 reinsurance issued on a multiyear basis. In the case
18 of multiyear policies or contracts, the premium shall
19 be prorated for purposes of determining the tax under
20 this section.

21 Section 3. Title 37 of the Code of the Federated States of
22 Micronesia, as amended, is hereby further amended by inserting a
23 new section 1017 under chapter 10 to read as follows:

24 "Section 1017. There shall be established a revolving
25 fund called the 'Insurance Board Revolving Fund.' The

1 deposits in the revolving fund do not lapse.”

2 Section 4. Title 37 of the Code of the Federated States of
3 Micronesia, as amended, is hereby further amended by inserting a
4 new section 1018 under chapter 10 to read as follows:

5 “Section 1018. The revolving fund shall be used for
6 the purpose of the regulation of captive insurance
7 companies, as a specified in section 1015(3).”

8 Section 5. Title 37 of the Code of the Federated States of
9 Micronesia, as amended, is hereby further amended by inserting a
10 new section 1019 under chapter 10 to read as follows:

11 “Section 1019. The revolving fund shall hold all fees
12 collected under section 1003(3) and funds derived
13 under section 1015(3).”

14 Section 6. Title 37 of the Code of the Federated States of
15 Micronesia, as amended, is hereby further amended by inserting a
16 new section 1020 under chapter 10 thereof to read as follows:

17 “Section 1020. A complete and comprehensive annual
18 report on the revolving fund shall be prepared and
19 transmitted as a component of the report submitted
20 pursuant to section 205.”

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25 Section 7. This act shall become law upon approval by the

1 President of the Federated States of Micronesia or upon its
2 becoming law without such approval.

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4 Date: 3/26/14

Introduced by: /s/ Florencio S. Harper
Florencio S. Harper
(by request)

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