

STANDING COMMITTEE REPORT NO. 18-164

RE: C.B. NO. 18-152/R&D

SUBJECT: ESTABLISHMENT OF A CAPTIVE  
INSURANCE REVOLVING FUND

MAY 30, 2014

The Honorable Dohsis Halbert  
Speaker, Eighteenth Congress  
Federated States of Micronesia  
Fourth Regular Session, 2014

Dear Mr. Speaker:

Your Committee on Resources and Development, to which was referred C.B. No. 18-152, entitled:

"A BILL 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 INSETING 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." ,

begs leave to report as follows:

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

On January 21, 2014, the President transmitted the proposed bill through Presidential Communication No. 18-197. The purpose of the bill is to set up a revolving fund to facilitate the Insurance Commission's Regulation of Captive Insurance and to clarify that a license shall be valid until terminated by surrender, suspension, revocation, or failure to comply with law. The current law provides that a captive insurance license issued by the Insurance Board expires on

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March 31 of the year of application at which time the license maybe renewed.

Your committee was informed that the renewal of a license annually has created a problem. When a captive insurance company's license is about to expire pursuant to the current law, that specific captive insurance company cannot assure others that its license will be valid throughout the year. According to testimony received, the March 31 date line complicates the continued transaction between the captive insurance company with other companies because there is no assurance of the validity of its license. The proposed amendment here will reassure other companies that a captive insurance company has already been issued a license by the Insurance Board and can continue to deal with other companies.

Another purpose of the bill is to establish a revolving fund to be called "Insurance Board Revolving Fund". As proposed any revenues receive pursuant to subsections 1003(3)(a), 1003(b) and 1015(3) shall be deposited in the Revolving Fund. It is recommended that the threshold amount of the Revolving Fund is capped at \$100,000.

Your committee wishes to offer the following amendments to C.B. No. 18-152 as follows:

1. Page 3, line 22, delete "(3)", and insert "(30)" in lieu thereof.
2. Page 8, line 1, after "Fund.'", insert "The threshold amount of the revolving fund is capped at \$100,000."

**Recommendations of your committee**

Your Committee on Resources and Development is in accord with the intent and purpose of C.B. No. 18-152 and recommends its passage on First Reading and that it be placed on the Calendar for Second and Final Reading in the forma attached hereto as C.B. No 18-152, C.D.1.

Respectfully submitted,

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/s/ David W. Panuelo  
David W. Panuelo, chairman

Victor Gouland, vice chairman

/s/ Tiwiter Aritos  
Tiwiter Aritos, member

/s/ Florencio S. Harper  
Florencio S. Harper, member

/s/ Berney Martin  
Berney Martin, member

Joseph J. Urusemal, member

Paliknoa K. Welly, member