

A BILL FOR 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 customers
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 and 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 insurers;

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 it neither an
18 insurer, an insurance agent, or 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;

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 documents;

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 has 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;

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 Commission may enter the office of any person
7 licensed under this Act at any reasonable time, without
8 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 or
17 from within the Federated States of Micronesia except
18 pursuant to the 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,

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 violation of, any of the provisions
5 of this Act or regulations or any order of the Insurance
6 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 applicants record of compliance with the
13 law and regulations of and past performance in the
14 Federated States of Micronesia;

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 for a license which shall

1 remain valid unless suspended or canceled 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 licensed and may be varied or revoked during the
10 term 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 whom
5 they represent no longer wishes to be represented by the
6 agent or the insurer is no longer licensed or registered
7 by the Board; in the case of a solicitor, that the agent
8 or insurer whom they represent no longer wishes to be
9 represented by the solicitor or the agent or insurer is
10 no longer licensed or approved by the Board;

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

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

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

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

23 (9) the license holder has misrepresented the terms of
24 any actual or proposed insurance contract or application
25 for insurance;

1 (10) in the case of an insurer, the unencumbered assets
2 of the insurer are insufficient for the proper conduct
3 of his insurance business;

4 (11) the license holder is not conducting business in
5 accordance with sound insurance principles;

6 (12) the license holder has contravened any of the
7 provisions of this Act, regulations or conditions of
8 license."

9 Section 25. The Code of the Federated States of Micronesia,
10 as amended, is hereby further amended by enacting a new section
11 306 of title 37 to read as follows:

12 "Section 306. Suspension or restriction of license.
13 The Insurance Board may suspend or restrict a license by
14 issuing an order of suspension or restriction if the
15 Commissioner is of the belief that the license holder is
16 likely to qualify for cancellation but that suspension
17 or restriction is in the best interests of the policy
18 owners."

19 Section 26. The Code of the Federated States of Micronesia,
20 as amended, is hereby further amended by enacting a new section
21 307 of title 37 to read as follows:

22 "Section 307. Registered Insurers. Only agents
23 transacting insurance business on behalf of registered
24 insurers shall be eligible for a license.

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

3 (2) A foreign insurer who is licensed by another
4 jurisdiction, may be registered by providing the
5 following:

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

14 (b) posting of a bond, or deposit to an escrow
15 account, in the sum of \$100,000, to be withdrawn by the
16 Commissioner upon the occurrence of certain events as
17 stated in the bond or escrow agreement.

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

22 The Commissioner may grant or deny registration of a
23 foreign insurer based on these requirements and a review
24 of the foreign insurer in the same manner as a review of
25 an application for a license under this Act.

1 Section 27. The Code of the Federated States of Micronesia,
2 as amended, is hereby further amended by enacting a new section
3 308 of title 37 to read as follows:

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

15 Section 28. The Code of the Federated States of Micronesia,
16 as amended, is hereby further amended by enacting a new section
17 309 of title 37 to read as follows:

18 "Section 309. Reporting requirements.

19 (1) Licensed insurers and registered insurers shall
20 provide the following information to the Insurance
21 Board:

22 (a) Within three months of the end of each fiscal
23 year:

24 (i) a certified copy of the audited balance
25 sheet and accounts showing the financial position of all

1 the insurance business of the license holder at the
2 close of that year;

3 (ii) a certificate of an auditor stating that
4 the auditor has satisfied himself that the accounts of
5 the insurer have been properly prepared in accordance
6 with the books and records of the insurer and in
7 accordance with Generally Accepted Accounting Principles
8 and such other particulars as may be prescribed by
9 Regulation; and

10 (iii) such other documents and information as
11 the Commissioner may require or as may be prescribed by
12 Regulation.

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

19 (b) A copy of any report on the affairs of the
20 insurer submitted to the policy-owners or shareholders
21 of the insurer in respect of the financial year to which
22 the balance sheet relates.

23 (c) A copy of all contracts of reinsurance at the
24 time they are entered into and upon any amendment.

1 (2) Licensed agents, brokers and solicitors shall
2 provide the following information to the Insurance
3 Board:

4 (a) an accounting of all premiums collected,
5 including the dates of receipt from the policy owner,
6 the dates of remittance to the insurer, and any
7 commissions received."

8 Section 29. The Code of the Federated States of Micronesia,
9 as amended, is hereby further amended by enacting a new section
10 310 of title 37 to read as follows:

11 "Section 310. Periodic investigations to be made into
12 financial position of insurers.

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

20 (2) A licensed insurer shall, whenever its financial
21 position is investigated with a view to a distribution
22 of surplus or in compliance with subsection (1), prepare
23 and furnish to the Commissioner a full report of the
24 actuary by whom the investigation was made or an
25 abstract thereof at the Commissioner's option, and a

1 statement of its life insurance business at that date,
2 as soon as such a report is furnished to the insurer by
3 the actuary. The actuary shall also provide a statement
4 of the assumptions and the methods used in making the
5 valuation."

6 Section 30. The Code of the Federated States of Micronesia,
7 as amended, is hereby further amended by enacting a new section
8 311 of title 37 to read as follows:

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

16 Section 31. The Code of the Federated States of Micronesia,
17 as amended, is hereby further amended by enacting a new section
18 312 of title 37 to read as follows:

19 "Section 312. Life insurance carrying on other
20 business.

21 (1) A licensed insurer which carries on both life
22 insurance business and other insurance business shall
23 conduct the life insurance business in a separate
24 company, and shall thereby segregate the assets and

1 liabilities of its life insurance business from those of
2 its other insurance business.

3 (2) All receipts of a life insurer in respect of its
4 life insurance business shall be carried to and form
5 part of its life insurance fund.

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

13 Section 32. The Code of the Federated States of Micronesia,
14 as amended, is hereby further amended by enacting a new section
15 313 of title 37 to read as follows:

16 "Section 313. Mergers and transfers of insurance
17 business. No domestic insurer shall:

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

20 (2) Transfer its insurance business or a part thereof
21 to, or take transfer of the insurance business or a part
22 thereof from, another insurer, unless the merger,
23 reorganization or transfer is approved by the
24 Commissioner.

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

3 Section 33. The Code of the Federated States of Micronesia,
4 as amended, is hereby further amended by enacting a new section
5 314 of title 37 to read as follows:

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

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

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

23 Section 35. The Code of the Federated States of Micronesia,
24 as amended, is hereby further amended by enacting a new section
25 316 of title 37 to read as follows:

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

12 Section 36. The Code of the Federated States of Micronesia,
13 as amended, is hereby further amended by enacting a new section
14 317 of title 37 to read as follows:

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

20 Section 37. The Code of the Federated States of Micronesia,
21 as amended, is hereby further amended by enacting a new section
22 318 of title 37 to read as follows:

23 "Section 318. Keeping of records.

24 (1) A license holder shall keep within the Federated
25 States of Micronesia and shall make available to the

1 Commissioner on request a record of all domestic
2 policies in force or upon which liabilities are
3 outstanding which have been issued by the insurer or by
4 the agent, broker or solicitor on behalf of an insurer,
5 showing the insurer's rights and obligations there under
6 and recording the premiums received and, in the case of
7 an agent, broker or solicitor, the premiums collected
8 and paid to the insurer and the commissions received.

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

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

19 Section 38. The Code of the Federated States of Micronesia,
20 as amended, is hereby further amended by enacting a new section
21 319 of title 37 to read as follows:

22 "Section 319. Winding up of insurance business.

23 (1) Any license holder may terminate its business in
24 the Federated States of Micronesia with the approval and
25 under the supervision of the Insurance Commissioner and

1 pursuant to Title 31 of the Code of the Federated States
2 of Micronesia as amended by Public Law 13-73.

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

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

11 Section 39. The Code of the Federated States of Micronesia,
12 as amended, is hereby further amended by enacting a new section
13 320 of title 37 to read as follows:

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

24 Section 40. The Code of the Federated States of Micronesia,
25 as amended, is hereby further amended by enacting a new section

1 321 of title 37 to read as follows:

2 "Section 321. Premiums.

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

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

25 Section 41. Title 37 of the Code of the Federated States of

1 Micronesia is hereby enacted by adding a new chapter 4 entitled
2 "Policies".

3 Section 42. The Code of the Federated States of Micronesia,
4 as amended, is hereby further amended by enacting a new section
5 401 of title 37 to read as follows:

6 "Section 401. Disclosures to policy-owners.

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

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

16 Section 43. The Code of the Federated States of Micronesia,
17 as amended, is hereby further amended by enacting a new section
18 402 of title 37 to read as follows:

19 "Section 402. Policy contents.

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

23 (2) The policy must contain:

24 (a) the parties between whom the contract is
25 made;

1 (b) a description of the property, life or
2 interest insured;

3 (c) the interest of the insured;

4 (d) the period during with such insurance is to
5 continue;

6 (e) either a statement of the premium or if
7 insurance is of a character where the exact premium is
8 only determinable upon a termination of the contract, a
9 statement of the basis and rates upon which the final
10 premium is to be determined and paid, with all amounts
11 stated in US dollars.

12 (3) The policy shall be signed by two of the major
13 officers of the insurer as designated by the insurer
14 and, in the case where the insurer is represented by an
15 agent, by the agent.

16 (4) The Insurance Board shall establish through
17 regulations other requirements for policy contents and
18 review by the Insurance Board of policy forms."

19 Section 44. The Code of the Federated States of Micronesia,
20 as amended, is hereby further amended by enacting a new section
21 403 of title 37 to read as follows:

22 "Section 403. Policy not invalid owing to failure to
23 comply with law. A policy issued by any person, whether
24 before, on, or after the coming into force of this Act
25 shall not be invalid by reason only that such person

1 contravened or failed to comply with the provisions of
2 any law or regulation applying to that policy.”

3 Section 45. The Code of the Federated States of Micronesia,
4 as amended, is hereby further amended by enacting a new section
5 404 of title 37 to read as follows:

6 “Section 404. Cancellation of policies.

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

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

17 (3) A policy other than a life insurance policy may be
18 cancelled at any time by an insurer after giving to the
19 policy-owner named therein not less than 90 days' notice
20 in writing of the proposed cancellation by personal
21 service or by certified mail and upon refunding to the
22 insured the excess of paid premium over and above the
23 pro-rata premium for the time the policy has been in
24 force, which refund shall accompany the notice.

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

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

19 (6) Any policy of insurance may be cancelled by the
20 prior mutual consent in writing of the insurer and the
21 policy-owner."

22 Section 46. The Code of the Federated States of Micronesia,
23 as amended, is hereby further amended by enacting a new section
24 405 of title 37 to read as follows:

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

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

12 Section 48. The Code of the Federated States of Micronesia,
13 as amended, is hereby further amended by enacting a new section
14 501 of title 37 to read as follows:

15 "Section 501. Restriction on use of the word
16 'insurance'. Only persons licensed under this Act shall
17 have or use the word 'insurance' or any derivative
18 thereof in the conduct of their business."

19 Section 49. The Code of the Federated States of Micronesia,
20 as amended, is hereby further amended by enacting a new section
21 502 of title 37 to read as follows:

22 "Section 502. Registered names.

23 (1) The Insurance Board shall not issue a license if
24 the name under which the applicant desires to be
25 licensed is identical to or so nearly resembles the name

1 of a person already licensed under this Act as to be
2 likely to be mistaken for it unless that person is in
3 fact affiliated with the applicant and consents to the
4 licensing of the applicant under the name in question,
5 or the licensed person is being wound up or has ceased
6 to transact insurance business in or from within the
7 Federated States of Micronesia and consents to the
8 licensing of the applicant under the name in question.

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

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

24 (4) The Commissioner shall not license an applicant as
25 an agent if the name under which the applicant desires

1 to be registered is likely to suggest that the applicant
2 is an insurer or an broker.

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

6 (6) A licensed insurer, agent, broker, or solicitor
7 shall not change the name under which they are licensed
8 without the prior permission of the Commissioner.

9 Section 50. The Code of the Federated States of Micronesia,
10 as amended, is hereby further amended by enacting a new section
11 503 of title 37 to read as follows:

12 "Section 503. Service of process upon persons licensed
13 under this Act.

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

18 (2) If the principal office or designated agent of a
19 person registered under this Act cannot reasonably be
20 found, any notice served under this Act or process in
21 any legal proceedings may be served by leaving the same
22 at the office of the Commissioner and it shall be deemed
23 to be service upon the person registered under this
24 Act."

25 Section 51. The Code of the Federated States of Micronesia,

1 as amended, is hereby further amended by enacting a new section
2 504 of title 37 to read as follows:

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

11 Section 52. The Code of the Federated States of Micronesia,
12 as amended, is hereby further amended by enacting a new section
13 505 of title 37 to read as follows:

14 "Section 505. Practices injurious to free competition.
15 Unless otherwise permitted by law, no person shall,
16 directly or indirectly, shall enter into any agreement
17 for the purpose of controlling the rates to be charged,
18 or the commissions or other compensations to be paid,
19 for insuring any risk or class of risks or commit any
20 act of boycott, coercion, or intimidation resulting or
21 tending to result in unreasonable restraint of or a
22 monopoly in the business of insurance."

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

1 Section 54. The Code of the Federated States of Micronesia,
2 as amended, is hereby further amended by enacting a new section
3 601 of title 37 to read as follows:

4 "Section 701. Investigation of illegal insurance
5 business; penalties.

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

15 (2) A person doing insurance business without a
16 license in violation of this title shall be subject to a
17 fine of not more than \$50,000 and shall be required to
18 repay any funds obtained as a result of such insurance
19 business. A failure to cease doing insurance business
20 as directed by the Commissioner shall be considered a
21 new violation and subject to an additional fine."

22 Section 55. The Code of the Federated States of Micronesia,
23 as amended, is hereby further amended by enacting a new section
24 602 of title 37 to read as follows:

25 "Section 602. General penalties.

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

13 (2) Any person who violates any provision of this Act
14 or of any Regulations shall be guilty of an offence and,
15 where no specific criminal penalty is otherwise provided
16 in this Act, shall be liable on conviction in a in a
17 court of law, if the offender is an individual, to a
18 fine of \$50,000 or to imprisonment for not more than six
19 months, or to both such fine and imprisonment, or if the
20 offender is not an individual, to a fine of \$100,000.

21 (3) Where any offense under this Act is proved to have
22 been committed with the consent of, or to be
23 attributable to the negligence of an officer the officer
24 shall be deemed to be guilty of that offense and shall
25 be subject to the same penalty."

1 Section 56. This act shall become law upon approval by the
2 President of the Federated States of Micronesia or upon its
3 becoming law without such approval.

4

5 Date: 5/15/06

Introduced by: /s/ Simiram Sipenuk

Simiram Sipenuk
(by request)

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