

**TITLE 37**  
**INSURANCE**

**SUBTITLE I**  
**Insurance Act of 2006**

**CHAPTERS**

- 1 Interpretation (§§ 101-105)**
- 2 Administration (§§ 201-217)**
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**Editor's note:** Title 37 had been reserved with the title of "Insurance" in the original Code of the Federated States of Micronesia.

PL 14-66 enacted a new title 37 entitled The Insurance Act of 2006. This Act was signed into law by President Joseph J. Urusemal on June 20, 2006.

To retain the integrity of The Insurance Act of 2006 and allow for further laws on insurance not a part of The Insurance Act of 2006, this Act has been codified in its own subtitle I entitled Insurance Act of 2006.

**OTHER CHAPTERS**

- 7 [Reserved]**
- 8 [Reserved]**
- 9 [Reserved]**

**10 The Captive Insurance Act of 2006 (§§ 1001-1016)**

**SUBTITLE I  
INSURANCE ACT OF 2006**

**CHAPTER 1  
Interpretation**

**SECTIONS**

- § 101. Short title.**
- § 102. Definitions.**
- § 103. Exemption of Social Security Program and Health Plan.**
- § 104. Transition.**
- § 105. Manner of record keeping.**

**Editor's note:** Section 2 of PL 14-66 enacted new chapter 1 of this title entitled Interpretation.

**§ 101. Short title.**

This subtitle shall be known as the “Insurance Act of 2006.”

**Source:** PL 14-66 § 3.

**§ 102. Definitions.**

In this subtitle, unless the context otherwise requires:

- (1) “actuary” means an individual qualified as an actuary by such qualifications as the Commissioner may recognize;

- (2) “affiliated entity” means a subsidiary, a holding company, a trust controlled or administered by a company, or another company whose board of directors acts in accordance with the directors or instructions of the first company;
- (3) “agent” means a person with the authority of an insurer to solicit applications, receive proposals, receive premiums, deliver policies, and to make contracts of insurance;
- (4) “auditor” means an independent accountant approved by the Commissioner;
- (5) “broker” means a person who acts on behalf of a prospective customer and with the prospective customer’s authority arranges insurance business with insurers, including making proposals and paying premiums;
- (6) “Commissioner” means the individual appointed as the Insurance Commissioner under this subtitle;
- (7) “company” means a body corporate formed under the laws of and having its head office in the Federated States of Micronesia;
- (8) “domestic insurer” means a company that is licensed under this subtitle to carry on an insurance business in the Federated States of Micronesia;
- (9) “domestic policy” means a policy issued on property, lives or other risks located in the Federated States of Micronesia;
- (10) “foreign insurer” means an entity constituted and licensed to conduct an insurance business by a jurisdiction other than the Federated States of Micronesia, that has been registered or licensed under this subtitle to carry on insurance business in the Federated States of Micronesia;
- (11) “insurance” means a contract whereby one undertakes to indemnify another or pay a specified amount upon determinable contingencies;
- (12) “insurance business” means the soliciting, effecting or carrying out of contracts of insurance, including re-insurance, and the following transactions:
- (a) making or negotiating an insurance policy;
  - (b) making or negotiating a guaranty or surety contract not merely incidental to another legitimate business or activity;
  - (c) taking, forwarding or receiving an insurance application;
  - (d) disseminating information concerning coverage and rates;
  - (e) receiving or collecting any consideration for insurance;
  - (f) issuing or delivering an insurance policy to a resident of, or a person authorized to do business in, the Federated States of Micronesia;
  - (g) directly or indirectly acting as an agent, broker or solicitor, or any other form of representative of an insurer;
  - (h) setting rates;
  - (i) inspecting a risk;
  - (j) investigating or adjusting a claim or loss;

(k) doing or proposing to do any activity that is in substance equivalent to conduct described in this provision.

(13) “insurer” means a domestic or foreign insurer;

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

(15) “marine, aviation and transportation policy” means an insurance policy that covers a risk relating to

- (a) the possession, use or ownership of a vessel, aircraft or other craft; or
- (b) the conveyance of persons or goods by air, space, land or water; or
- (c) the storage, treatment or handling of goods so conveyed or to be so conveyed.

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

(17) “person” means any person, natural or legal, including individuals, partnerships, and corporations;

(18) “policy” means any written contract of insurance whether contained in one or more documents;

(19) “policy-owner” means a person who is entitled to claim any benefit provided for in a policy;

(20) “premium” means the money to be paid in return for an undertaking to provide policy benefits;

(21) “reinsurance” means a contract by which an insurer insures any part of the risk insured by the insurer with another insurer;

(22) “related person” with respect to any natural person means his spouse, child, parents, brothers, or sisters, or any partnership, corporation, or firm in which he owns more than a ten percent interest;

(21) “regulations” means regulations made by the Insurance Board under this subtitle.

(22) “solicitor” means an individual who solicits applications for insurance or negotiates insurance business on behalf of an insurer or an agent and earns commissions for each successful sale, but is neither an insurer, an insurance agent, nor an employee of an insurer or agent.

**Source:** PL 14-66 § 4; PL 14-87 § 1.

### **§ 103. Exemption of Social Security Program and Health Plan.**

Nothing in this subtitle shall apply to the Social Security Program, Board or Administration, the National Government Employees’ Health Plan or any social security program or health plan regulated by a National or State Government.

**Source:** PL 14-66 § 5.

**Cross-reference:** The statutory provisions on the National Government Employees' Health Plan are found in chapter 4 of title 52 (Public Employment) of this code. The statutory provisions on Social Security and Prior Service Benefits are found in title 53 of this code.

**§ 104. Transition.**

- (1) This subtitle applies to any person transacting insurance business on or after the effective date of this Act.
- (2) All persons transacting insurance business as of the effective date of this Act will be permitted a grace period of 270 days from the effective date of this Act before being penalized for violation of this subtitle.
- (3) Any such person must, within 270 days of the effective date of this Act, apply for a license or registration under this subtitle or cease their insurance business.
- (4) Any person who timely files an application shall have their grace period extended until such time as their registration is approved or denied.
- (5) Any person who does not file an application within the 270 days or whose timely filed application is denied must stop transacting insurance business, but continue to administer their policies and wind up their business in accordance with the provisions of this subtitle.

**Source:** PL 14-66 § 6; PL 14-87 § 2.

**§ 105. Manner of record keeping.**

All information and records required to be produced or maintained pursuant to this subtitle shall be stated in the English language and in US Dollars.

**Source:** PL 14-87 § 3.