

**INSURANCE BOARD
GOVERNMENT OF FEDERATED STATES OF MICRONESIA**



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**APPLICATION FOR
CERTIFICATE OF AUTHORITY**

May 2015

APPLICATION FOR CERTIFICATE OF AUTHORITY

Instruction Guideline

This Instruction Guideline is provided with key information and should be read thoroughly and completely prior to completing the application. Make sure the application is fully completed and all supporting documents are attached prior to filing. This application is for domestic insurers applying for life or non-life License or Certificate of Authority (life, health, property and casualty). Only domestic insurers are qualified for license or Certificate of Authority. A **domestic insurer** is an insurance company incorporated under the laws of the Federated States of Micronesia (FSM) and having its head office in the FSM.

A **foreign insurer**, on the other hand, is an insurance company incorporated under the laws of a jurisdiction other than the Federated States of Micronesia. The foreign insurer must be registered with the FSM Insurance Board in order to engage in insurance business through a licensed agent, unless the foreign insurer wishes to be licensed or exceeds premium collection threshold specified under Subsection 5 of section 301 of 37 FSMC. This application package is NOT for registration of a foreign insurer. Contact us if you need the registration application package or in need of additional assistance or clarifications.

The following items (Application Letter, Parent Company Consent and Application Forms) specified immediately below under headings 1 through 3 must be submitted as preliminary application requirements for license or Certificate of Authority:

- 1). **Application Letter:** A letter from the applicant signed by the authorized officer:
 - i). Requesting for license to conduct or engage in insurance business in the Federated States of Micronesia;
 - ii). A statement that the applicant will keep the FSM Insurance Board informed of any material changes to its operation and significant developments adversely affecting the applicant's financial soundness and/or reputation;
 - iii). A board resolution from the applicant company confirming its full support endorsement for the establishment of the company and a nominated person who will be liaising with the FSM Insurance Board during the licensing process; and
 - iv). A shareholders resolution confirming approval for the establishment, ownership and operation of the insurance business in the Federated States of Micronesia, if the applicant is not a subsidiary of a parent company.
- 2). **Parent Company Consent:** In the case the applicant is a subsidiary of a parent company either locally or foreign owned or both:
 - i). A Board resolution of the parent company, bearing the corporate seal, authorizing: (a) the incorporation of its subsidiary in the FSM, (b) classes and lines of insurance applying for, (c) a guarantee of additional capital injection in the subsidiary if and when needed, and (d) names of individuals to be the directors and officers of its subsidiary applicant company;
 - ii). A signed statement or confirmation from the authorized officer of the applicant's parent company that: (a) the applicant's parent company is or is not in good regulatory standing and is or is not in compliance with all statutory and regulatory requirements and standards within the past three years in its home regulatory jurisdiction, and (b) that its home regulatory authority has objection(s) or no objection for the parent company to establish and own its subsidiary insurance company in the FSM;
 - iii). A copy of approved constitutional or organizational documents, such as Bylaws and Articles of Incorporation, including all amendments;
 - iv). Latest Certificate of Registration and/or Certificate of Incorporation;
 - v). Complete latest three years audited financial reports; and
 - vi). A copy of the applicant's parent company business license. Where the applicant's parent company is an insurer, its latest Certificate of Authority.
- 3). **Application Forms:** Additionally, the following FORMS must be completed thoroughly and fully. These FORMS must be submitted with the documents specified above under 1 and 2 as integral parts of the preliminary application requirements:
 - i) **FORM 1:** (Main Application Form or Operational Document). This Section must be completed by all applicants and signed by two appropriate officers (preferably the Chairman and Secretary of the Board), if

the applicant is a corporation. If the applicant is a sole proprietorship, FORM 1 must be signed by the person who owns the business.

- ii) **FORM 2:** (Subsidiary). This FORM must be completed by the applicant's parent company and submitted with FORM 1 if the applicant is a subsidiary company.
 - iii) **FORM 3-A:** (Applicant's Biographical Affidavit). This Form must be completed by: (1) directors, (2) officers, (3) key managerial personnel, and (4) shareholders with ten percent (10%) or more of the total outstanding shares in the applicant. If the applicant is a sole proprietorship, FORM 3-A must be completed by the owner of the business applicant and the key managerial personnel. **Note:** *For purpose of this application, "Key Managerial Personnel" are all persons responsible for oversight of actuarial, claims, finance, investments, rating, reinsurance, risk management, sales and marketing, and underwriting functions.*
 - iv) **FORM 3-B:** (Parent Company's Corporate Affidavit). FORM 3-B must be completed by the appropriate officer of the applicant's parent company. If the parent company is a shareholding company, FORM 3-B must be completed by the authorized officer of the parent company. FORM 3-A must be completed by each director, officer, and shareholder owning ten percent (10%) or more of the total outstanding shares in the parent company. **Note:** *the key managerial personnel employed by the applicant's parent company are not required to complete FORM 3-A, unless any of the key managerial personnel employed by the parent company serves as also director, officer or shareholder with ten (10%) or more of the total outstanding shares in the applicant's parent company.*
 - v) **FORM 3-C:** (Designation of Independent Auditor and/or Actuary). This Form must be completed and notarized by the independent auditor and/or actuary of the applicant.
 - vi) **FORM 4:** (Business Plan – Guide). FORM 4 is only a guide, to give you a general idea of some of the factors that will be looked at in the review and evaluation of the application. The applicant is encouraged to provide a comprehensive Business Plan that will include, for example, general purpose, main objectives, business strategies and policies [investment, dividend, corporate governance, earning capacity, management quality, asset quality, reinsurance, liquidity, solvency and capital adequacy (how the minimum capital will be maintained)], at least three years financial projections along with written assumptions used to formulate the projections, claim handling, premium rates, underwriting handling, etc.
 - vii) **FORM 5:** (Appointment of Representative Resident for Service of Process). The applicant must appoint a representative resident in the FSM for service of process and to whom notices and orders under 37 FSM Code shall be sent.
4. The below are provided to clarify the requirements in effect and for purpose of selecting the appropriate application package:
- i). Section 301 of 37 FSM Code stipulates that "No insurance business shall be carried on in the Federated States of Micronesia except pursuant to the provision of this Act." In order for an insurer to engage in the business of insurance in the country, the insurer must either be (1) Licensed or (2) Registered. Licensure applies to **domestic insurer**, while Registration applies to **foreign insurer** that wants to engage in insurance business in the country through a licensed agent. Section 102 of 37 FSMC provides definition of "Insurance Business".
 - A **domestic insurer** is a company incorporated under the laws of the Federated States of Micronesia (FSM) and having its head office in the FSM. **Only domestic insurers are qualified for license or Certificate of Authority.** In order for an insurer to become a domestic insurer, it must first be incorporated under the laws of the FSM before obtaining the Certificate of Authority. An applicant may simultaneously file for incorporation and Certificate of Authority. For information on incorporation, please refer to "ii" below.
 - A **foreign insurer**, on the other hand, is an insurance company incorporated under the laws of a jurisdiction other than the Federated States of Micronesia. The foreign insurer must be registered with the FSM Insurance Board in order to engage in insurance business through a licensed agent. **Again, this application package is NOT for foreign insurers who wish to apply for registration to transact or engage in insurance business through a licensed agent.** Contact us if you need the application for registration instead or in need of additional assistance or clarifications.

- To guide you further, the below statutory requirements are provided to assist and guide you:
 - Subsection 5 of Section 301 of 37 FSMC requires that *“A foreign insurer who receives two million dollars or more in income from premiums collected in the Federated States of Micronesia in each fiscal year for three consecutive fiscal years shall be required to become licensed as an insurer.”*
 - Subsection 6 of Section 301 of 37 FSMC provides that *“A foreign insurer who does not make the premium collections described in (5) shall be permitted to do business through a person licensed as an agent if the foreign insurer is registered, unless such foreign insurer chooses to be licensed as an insurer instead.”*
 - Subsection 3 of Section 301 of 37 FSMC requires that *“Only a company may be licensed as an insurer.”*
 - 37 FSMC defines “Company” as a body corporate formed under the laws of and having its head office in the FSM.
- ii). To be a domestic insurer, the first step is incorporation pursuant to 36 FSMC. Incorporation of companies is administered by the Registrar of Corporations, Department of Justice, P.O. Box PS 105, Pohnpei, FM 96941, Phone: (691) 320-8089, Fax: (691) 320-3243, Email: fsmroc@mail.fm. Website: www.fsmroc.fm. We suggest you retain a lawyer in the country to assist you with the incorporation process. There are several legal firms that specialize in corporate laws.
- iii). As stated above, an applicant may apply concurrently for Incorporation and Certificate of Authority. However, a thorough review will not take place on your application until and unless the applicant has been legally constituted. The approved Articles of Incorporation, Bylaws, Certificate of Incorporation, and Charter must be filed with the FSM Insurance Board prior to the review of the application.
- iv). If you are providing additional information and/or relevant or supporting documents with your application, please label them respective of the application FORM and question(s) therein for which such supporting documents are intended.
- v). All questions on the application must be answered completely and as specific as possible. If a question is not applicable, please so state by “Not Applicable.” DO NOT leave a question unanswered. In order for your application to be considered, all questions must be answered and that all required information must be included in the filing. Filings that do not include all required information and supporting document will not be accepted. You may contact us anytime even after filing of your application.
- vi). Subsection 3 of Section 302 of 37 FSMC stipulates that *“The applicant has an ongoing duty to provide the Insurance Board with new or amended information relevant to the application while the application is pending and if a license is issued, after the issuance of a license.”*
- vii). Section 303 states in part that *“The Insurance Board shall review a completed application and conduct any further investigations as deemed necessary”*
- viii). Additional information may be requested during the application review process or anytime thereafter relating to any matter in connection with the application or licensed insurer.
- ix). For additional assistance, please feel free to contact us at: P.O. Box K-2980, Pohnpei, FM 96941, Phone: (691) 320-3423/5426, Fax: (691) 320-1523. You may also contact us through our website: www.fsminsuranceboard.com

APPLICATION CHECKLIST
Domestic Insurer

The application checklist is intended to help you assemble your application properly, completely and in an orderly manner prior to filing. The checklist is not an exhaustive list. Make sure to complete all questions thoroughly on the application and provide all supporting documents. The checklist must also be completed and placed immediately after the Application Letter when application is sent in.

----- **(Checklist)** -----

- Application Letter with contents as specified in the Instruction Guideline signed by the authorized officer.
- Applicant's Board Resolution with contents as specified in the Instruction Guideline.
- Applicant's Shareholders' Resolution with contents as specified in the Instruction Guideline.
- FORM 1 (Main Application Form or Operational Document)
- FORM 2 (Subsidiary)
- FORM 3-A (Applicant's Biographical Affidavit)
- FORM 3-B (Parent Company's Corporate Affidavit)
- FORM 3-C (Designation of Independent Auditor and/or Actuary)
- FORM 4 (Business Plan - Guide).
- FORM 5 (Appointment of Representative Resident for service of process).
- A copy of all adopted and approved constitutional documents (Articles of Incorporation and Bylaws).
- A copy of approved Charter and Certificate of Incorporation.
- Police Clearance, Credit Clearance, Mortgage Clearance, etc as means to also satisfy "good character".
- All proposed or executed agreements, i.e. Agency Agreement.
- Applicant's policy with respect to availability of funds for prompt settlement of claims.
- Applicant's policy regarding investment of consequent annual premium income.
- Evidence of stock ownership (certificate of stock) in the applicant company.
- Certificate of insurance in respect to professional liability insurance policy.
- Copy of Applicant's actual or proposed reinsurance program or treaties.
- Curriculum Vitae on each director, officer, shareholders with ten (10%) or more of outstand shares in the applicant, and key managerial personnel of the applicant.
- Certificate of capitalization.
- Certified copy of each policy to be issued (specimen policy).
- Applicant parent company's Board resolution bearing the corporate seal, authorizing: (a) the incorporation of its subsidiary in the FSM, (b) classes and lines of insurance to be transacted, (c) a guarantee of additional capital injection in the subsidiary if and when needed (continuing guaranty agreement), and (d) names of individuals to be the directors and officers of its subsidiary applicant company.
- Corporate/organization chart - if the applicant's parent is part of a holding system, or has subsidiaries, or affiliates. Place an asterisk* next to all insurers holding a Certificate of Authority.
- Complete audited financial reports for the past three years on the parent company.
- Statutory reports on the parent company for the past three years.
- Actuarial report on the parent company for the past three years.
- A complete copy of the most recent Examination Report on the parent company.
- A copy of the parent company's Certificate of Authority for the most recent year.
- A copy of the parent company's adopted and approved constitutional documents (Bylaws and Articles of Incorporation on the parent company, with all amendments, if any).
- A signed statement or confirmation from the authorized officer of the applicant's parent company that: (a) the applicant's parent company is otherwise in good regulatory standing and in compliance with all statutory and regulatory requirements and standards within the past three years in its home regulatory jurisdiction, and (b) that its home regulatory authority has no objection for the parent company to establish and own its subsidiary insurance company in the FSM.
- Biographical Affidavit on each director, officer and shareholder with ten (10%) or more of the total outstanding shares in the parent company, using FORM 3-A.

FORM 1

MAIN APPLICATION FORM OR OPERATIONAL DOCUMENT

Use additional sheets if more space is needed.

1. Complete name and address of the applicant:

Name _____

Address: _____ Phone: _____ Fax: _____

Email address: _____ Website address: _____

2. Name of person to be contacted regarding the application: _____

Title: _____ Phone No.: _____ Fax No.: _____ Email: _____

3. Classes and lines of insurance applying for: _____

4. Method of incorporation: _____

(e.g. limited by shares or a mutual company)

5. Provide a copy of all adopted and approved constitutional documents (Bylaws, Articles of Incorporation, Certificate of Incorporation, and Charter).

6. If the applicant has been in existence, a complete copy of its audited financial reports, other annual reports filed with the Government and business licenses for the latest three years.

7. Name, title and address of each officer:

8. FORM 5 must be completed (Appointment of Representative Resident in the FSM for service of process to whom notices and orders under 37 FSMC should be sent).

9. Anticipated date of commencement of business in the Federated States of Micronesia: _____.
(If the applicant is currently engaging or has ever been in the insurance business in the FSM, provide the following information):

A. Period: from _____ to _____. Type of business: _____

B. Classes or lines of insurance: _____

C. Total amount of premiums collected in each respective year: _____

D. Total number and amount of claims filed in each respective year: _____

E. Number and amount of claims paid in each respective year: _____

F. Audited financial statements, statutory reports and actuarial reports for at least past three consecutive fiscal years: _____.

10. Provide information and documents on the capital structure of the applicant, including the initial amount of capital, the source of capital funds and dividend policy.

11. Where shares are held by entities or individuals, the beneficial owner must be shown (use additional sheets if needed):

Name:	Quantity and percentage of issued and outstanding stocks:
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

12. State the amount of proposed issued and paid-up capital:

Authorized: _____ par value: _____.

Issued: _____.

Paid-up: _____.

State whether the whole of the capital has been subscribed in cash, and if not provide full details: _____
_____.

13. State the amounts of the total assets and total liabilities at the time of application, and at the time when the applicant expects to commence business.

14. A certified copy of each policy the applicant insurance company will be issuing.

15. Attach a detailed **business plan** with at least three year financial projections, including an actuarial forecast to confirm capacity of the applicant to transact such classes of insurance or viability of the applicant company to engage in such classes of insurance (Refer to FORM 4 to guide you).

16. If the applicant intends to utilize the services of a licensed intermediary (i.e. agent), applicable agreement must be submitted as part of the application, even if such agreement is in draft form. In the event the agreement does not provide that the applicant is liable for premium payments received or otherwise collected by the licensed intermediary on behalf of the applicant, among other risks, an Errors and Omissions or professional indemnification policy covering fraud and negligence satisfactory to the Insurance Board is required.

17. What is the applicant's policy regarding the availability of funds for prompt settlement of claims. If the applicant does not have such a policy, please so indicate: _____
_____.

18. What is the applicant's policy regarding premium income and investment of consequent annual premium income? _____
_____.

19. Name and address of external auditor and actuary and confirmations of their acceptance of the appointment (use FORM 3 - C).

Auditor: _____

Actuary: _____

20. Give detailed particulars and evidence of reinsurance program or treaties for each class of business stating:

- a. The name and address of each reinsurer and most recent international ratings of each reinsurer:
 - b. The class or classes and cessions to be reinsured by each reinsurer:
 - c. Provide copies of all reinsurance contracts or treaties, even if they are in draft form:
21. Curriculum vitae on each **director, officer, shareholder** with ten percent (10%) or more of outstanding shares in the applicant, and **key managerial personnel** detailing experience in the insurance or other related profession must be filed with the application.
 22. Individuals named in **Question #21** must complete FORM 3-A (Applicant's Biographical Affidavit). Where the applicant's parent company is a legal company, FORM 3-B (Parent company's Corporate Affidavit) must be completed by the authorized officer of the parent company, and FORM 3-A (Applicant's Biographical Affidavit) must be completed by each director, officer, and shareholder with ten percent (10%) or more of the outstanding shares in the applicant's parent company.
 23. Provide evidence of good character on each officer of the applicant satisfactory to the FSM Insurance Board (i.e. police clearance).
 24. Have any of the persons named in the application previously applied, either individually or in conjunction with others, for authority to transact insurance business in any other jurisdiction? If so, please provide details.
 25. Please enclose in the application package all payments, if applicable.

I, the undersigned affiant, under the perjury laws, do declare that, being duly authorized to do the same on behalf of the insurer applicant, have carefully examined each of the questions asked in this application and each of the response thereto, and do solemnly swear or affirm that all of the responses, information, exhibits, and documentary evidence submitted in support thereof are true and correct.

I ALSO HEREBY AUTHORIZE the FSM Insurance Board to make such enquiries and seek such further information as it deems appropriate in verifying the information given or in any other documents submitted as part of this application for the purpose of performing its due diligence.

Dated and signed this _____ day of _____, 20__.

(Signature)

(Print Name)

(Title)

Subscribed and sworn before me this _____ day of _____, 20__.

(Notary Seal)

(Notary Public Signature)

FORM 2
SUBSIDIARY

Use additional sheets if more space is needed.

Name and address of the applicant applying for the Certificate of Authority: _____

******* Information on the applicant's parent company *******

1. Registered name and address of the applicant's parent company _____
_____ Telephone: _____
Fax: _____ Website: _____
 - A. Method of Incorporation of the applicant's parent company: _____.
 - B. A copy of the parent company's Certificate of Incorporation or Registration and adopted and approved constitutional documents (By-laws and Articles of Incorporation), including all approved amendments.
 - C. A copy of the parent company's latest Certificate of Authority issued by its home regulatory authority.
 - D. Complete audited financial reports on the parent company for past three years.
 - D. Complete statutory reports on the parent company for past three years.
 - F. Complete actuarial reports on the parent company for past three years, if any _____.
 - G. If the parent company is an insurance company, provide a copy of the most recent Examination Report by its home regulatory authority.
2. A written and signed statement from the authorized officer of the applicant's parent company on whether or not the home regulatory authority has any objections for the parent company to incorporate and/or own a subsidiary insurer in the Federated States of Micronesia: YES ____ NO _____. If YES, please so state:
_____.
3. Details on the authorized officer to be contacted in the applicant's parent company in connection with the applicant's application. Name: _____ Title: _____
Address: _____ Telephone: _____
Email: _____ Website: _____
4. If the parent company is an insurer registered in the United States of America, provide the NAIC number (including group number, if any) and the Federal Employer Identification number, if any.
 - i. NAIC Number: _____.
 - ii. Federal Employer Identification Number: _____.
5. If the parent company is part of a holding system, or has subsidiaries, or affiliates, provide a detailed corporate chart with ownership percentage and place an asterisk* by all insurers holding a Certificate of Authority.
6. All directors, officers and shareholders who own ten percent (10%) or more of the outstanding shares in the parent company must each complete FORM 3(A).
7. FORM 3(B) must be completed and signed by the Secretary of the Board or appropriate officer of the parent company on behalf of the applicant's parent company.

8. Parent company's rating by A.M. Best Company or similar rating assigned by a recognized international insurance rating agency each year for the past three years on the parent company:

Year	Rating	By (Rating Agency)
_____	_____	_____
_____	_____	_____
_____	_____	_____

I, the undersigned officer, HEREBY CERTIFY under the penalty of perjury that the above information is complete and correct to the best of my knowledge and beliefs, and I undertake that I will notify the FSM Insurance Board of any material change affecting this application within fifteen (15) days from the occurrence of such changes. I ALSO HEREBY AUTHORIZE the FSM Insurance Board to make such enquiries and seek such further information as it deems appropriate in verifying the information given in any other documents submitted as part of this application for the purposes of performing its due diligence.

Dated and signed this _____ day of _____, 20__.

(Signature)

(Print Name/Title)

Subscribed and sworn before me this _____ day of _____, 20__.

(Notary Seal)

(Notary Public Signature)

FORM 3 - A

APPLICANT'S BIOGRAPHICAL AFFIDAVIT

This Biographical Affidavit must be completed by: (1) in the case of the applicant, the applicant's officers, directors, shareholders with a 10% or more beneficial ownership in the applicant's total outstanding capital stock, and key managerial personnel and (2) in the case of the applicant's parent company (if the applicant is a subsidiary), the parent company's directors, officers, and shareholders owning ten percent (10%) or more of the total outstanding stock. Use additional sheets if more space is needed.

Name of Applicant Company: _____
Address: _____ Phone: _____
Fax: _____ Email: _____

1. Name of affiant: _____ Title: _____
(Last) (First) (Middle)

2. Place a check mark on the most applicable line(s) below based on your relationship or connection with the applicant:

- A. In the case of the Applicant: __Director __Officer __Shareholder owning ten percent (10%) or more of total outstanding stock in the applicant, and __Key managerial personnel. The total number and percentage of stock I own in the applicant is: _____ or _____ %.
B. In the case of the applicant's parent company: __Director __Officer __Shareholder owning ten percent (10%) or more in total outstanding stock. The total number and percentage of stock I own in the applicant's parent company is: _____ or _____ %.

3. Have you ever used another name? Yes: ____ No: __. If yes, please list all names used, starting with recent name by last name first.

4. Date of Birth: _____ Place of Birth: _____
(m/d/yr) (Country) (State) (City)

5. Passport Number: _____ Country of issuance: _____ Expiration Date: _____

6. Social Security Number: _____ Country: _____

7. Have you or your spouse ever been affiliated or associated with or any way connected with an insurance entity regulated by any insurance regulator? YES ____ NO ____ . If yes, list all such entities, State and Country of Domicile.

8. Education: Please list the most recent education first.

College/University: Location: Date Attended: Degree:

9. List of Membership in Professional Societies or Associations:

10. I own (legally or beneficially) and/or control (directly or indirectly) ten percent (10%) or more of the total outstanding capital stock in the following insurer(s) or company(ies):

Name: Address: Percentage & number of shares owned:

11. Business and Employment records for the past ten (10) years, starting with the most recent first:

Dates: Employer: Address & telephone: Position:

12. Residences for the past ten (10) years, starting with the most recent first:

Date: Address: Telephone:

13. Have you ever filed for bankruptcy? YES____ NO____. If yes, please specify the date filed, date discharged, type of bankruptcy, and location of filing:

14. Have you ever, anywhere or anytime, been; (1) forfeited bail, (2) convicted, (3) fined or (4) placed on probation for any violation of the law other than for minor traffic offenses? YES____ NO____. If yes, please provide date of arrest, place of arrest, type of offense, and disposition:

15. Have you ever been found in violation of, pled no contest to, or settled any proceeding involving insurance law, regulation or rule, or State or Federal securities laws, regulations or rules? YES____ NO____. If yes, please provide date of violation, place of violation, type of violation, and disposition:

16. During the past ten (10) years, have you ever held any professional, occupational and/or vocational licenses? YES____ NO____. If yes, please list:

License Type & No.:	Issuance Date:	Expiration Date:	Issuing Authority & Address:
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

17. During the past ten (10) years, have you ever been refused a professional, occupational and/or vocational license, or has any such license held by you ever been suspended or revoked? YES ____ NO ____ . If yes, please explain. _____

18. Have you ever been named a defendant in a suit or administrative hearing brought by any public or governmental licensing agency or regulatory authority for violation of, or to prevent the violation of, any securities or insurance law? YES ____ NO ____ . If yes, please list:

Date:	Nature of the Action:	Name of Accusing Party:	Address:	Disposition
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

19. Have you ever been found liable in a civil action for fraud? YES ____ NO ____ . If yes, please list:

Date:	Nature of the Action:	Name of Accusing Party:	Address:	Disposition:
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

20. Have you ever been the subject of a cease and desist order, or entered into a settlement with any regulatory authority? YES ____ NO ____ . If yes, please list:

Date:	Nature of the Action:	Name of Agency:	Address	Disposition:
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

21. Have there been or are there any cease and desist orders, civil or criminal actions against you, or any company of which you have been a shareholder, trustee, partner, managing general agent, investment committee member, director, or officer, for fraud, negligence, misconduct or malpractice? YES ____ NO ____ . If yes, please explain: _____

22. Have you ever been a shareholder, director, trustee, partner, managing general agent, investment committee member, or officer of any company that has been wound up or made any compromise agreement with its creditors? YES ____ NO ____ . If yes, please explain: _____

23. Have you ever been a director or officer of other companies? YES ____ NO ____ . If yes, please list your position and company's name(s), starting with the recent.

Your position:	Company's name:	Date (From/To):
_____	_____	_____
_____	_____	_____
_____	_____	_____

24. Please provide your *Curriculum Vitae* including any insurance related experience.

I, the undersigned affiant, under penalty of perjury, do declare that I have carefully examined each of the question asked in this Personal Affidavit and each of my responses thereto, and do solemnly swear or affirm that all of my responses, information, exhibits, and documentary evidence submitted in support thereof are true and correct.

I further agree that I will at all times provide the FSM Insurance Board all information that may be required in connection with the applicant's activities. I am fully aware of the business strategy submitted with the application and the proposed activities of the applicant.

Dated and signed this ____ day of _____, 20__.

(Print or type full name)

(Signature)

Subscribed and sworn before me this ____ day of _____, 20__.

(Notary Seal)

(Notary Public Signature)

FORM 3-B

APPLICANT'S PARENT CORPORATE AFFIDAVIT

This Form must be completed by the authorized officer of the applicant's parent company or owner. Use additional sheets if space more is needed.

Name of Applicant Company: _____
Address: _____ Phone: _____
Fax: _____ Email: _____ Website: _____

1. Name and registered address of the parent company completing this affidavit:

Phone: _____ Fax: _____ Website: _____
2. Name and title of the authorized Officer completing/signing this affidavit on behalf of the parent company:
Name: _____ Title/Position: _____
3. Method of Incorporation of the parent company: _____
4. If the parent company is a corporate body:
 - Date and place of incorporation: _____
 - Ultimate beneficial owner(s): _____
 - Number of shares held and whether fully paid: _____
 - Type of voting rights attached to the shares: _____
5. Has the parent company ever been a shareholder, director, or officer of any company that has been wound up or made any compromise agreement with its creditors? NO ___ YES ___. If yes, provide details: _____
6. Has the parent company previously been involved, actively or otherwise, in any company in the Insurance industry? NO ___ YES ___. If yes, please provide details: _____
7. Has the parent company ever filed for bankruptcy, placed under receivership, named in any complaint, pleading, judgment, order, or decree filed in any court of law which cited violations or alleged violations of applicable laws? NO ___ YES ___. If yes, provide details: _____
8. Have there been or are there any cease and desist orders, civil or criminal actions against parent company, or any company of which the parent company has been a shareholder, director or officer, for fraud, negligence, misconduct or malpractice? NO ___ YES ___. If yes, provide details: _____
9. Has the parent company's Certificate of Authority, license, registration to do business ever been suspended or revoked? NO ___ YES ___. If yes, provide details: _____
10. Has the parent company ever been requested, advised, ordered or told by any government regulatory authority, board, commission or agency to divest any stock ownership or other ownership interest in another entity? NO ___ YES ___. If yes, provide details: _____
11. Has the parent company ever been involved as a named party in any previous or pending legal or administrative hearing, proceeding, or investigation? NO ___ YES ___. If yes, provide details: _____

12. Has there ever been any or pending disciplinary action taken against the parent company by any professional body or association? NO___ YES___. If yes, provide details:

_____.

I, the appropriate Officer of the parent company of the applicant, under the law of perjury, hereby certify that the information provided is true and correct and that I am fully aware of the business strategy and proposed activities of the applicant.

Dated and signed this _____ day of _____, 20__.

(Signature)

(Print or Type Full Name)

Subscribed and sworn before me this _____ day of _____, 20__.

(Seal)

(Notary Public Signature)

FORM 3 - C

DESIGNATION OF INDEPENDENT AUDITOR/ACTUARY

Use additional sheets if more space is needed.

Name of applicant insurer: _____

Address: _____

Telephone: _____ Fax: _____ Email: _____

* * * * *

To: The Insurance Commissioner of the Federated States of Micronesia

In connection with the application for Certificate of Authority filed by the above named applicant insurer, I hereby confirm my appointment by the authorized officer of the applicant insurer to serve as its independent auditor and/or actuary:

Individual _____ Partnership _____ Corporation _____ Other _____

If the answer to any question is "NONE" or "NO EXCEPTIONS", so state. Do not use "N/A"

Notes: (1) For independent individual auditor and/or actuary, please complete questions 1 through 15 only. (2) For independent audit and/or actuary firm, please complete questions 16 through 25.

1. Full Legal Name: _____

2. Business Address: _____ (P.O. Box/Street) _____ (City/Country) _____ (Zip Code) _____ (Phone No.) _____ (Fax) _____ (Email)

3. Personal Data:

A. Resident Address: _____

B. Date of Birth: Day: _____ Month: _____ Year: _____

C. Social Security Number: _____ - _____ - _____ Country: _____

D. Passport Number: _____ Country of Issuance: _____ Expiration Date: _____

4. Education and Degree(s):

A. High School: _____

B. College: _____ Degree: _____ Date: _____

C. Graduate or Professional: _____ Degree: _____ Date: _____

5. List of Membership in Professional Societies or Associations and full contact details:

6. Provide all audit and/or actuarial experience related to insurance. (Attach additional sheets as necessary.)

7. Has the applicant (independent auditor or actuary) ever been arrested, or indicted for and/or convicted of any crime or offense other than a traffic violation? NO__ YES__. If "yes" submit full particulars of each case and disposition thereof: _____

 _____.
8. Do you (independent auditor or actuary) control directly, or own legally or beneficially the outstanding stock of any insurer, brokerage firm, insurance agent, insurance service, or risk management consulting firm? NO__ YES__. If "yes" list them and percentage of ownership in each.
9. Do you (independent auditor or actuary) currently hold or have held any type of insurance license?
 (Type) (State/Country) (Expiration Date)

10. Have you (independent auditor or actuary) ever had a license or privilege refused or revoked by any regulatory or government authority? NO__ YES__. If "yes" provide details: _____
 _____.
11. Has your license (i.e. CPA, FCA, ACAS, etc.) in any jurisdiction ever been suspended or revoked? NO__ YES__. If "yes" please provide details: _____
12. Are you (independent auditor or actuary) currently licensed by any jurisdiction? NO__ YES__. If "yes" provide details:
 (Type of License) (Name of Jurisdiction) (Expiration Date)

13. Are you (independent auditor or actuary) authorized to engage in business in the Federated States of Micronesia? NO__ YES__. If "yes" provide supporting documents (i.e. business license, foreign investment permits, Certificate of Incorporation, Charter, etc.).
14. Do you currently carry any type of indemnity insurance policy? NO__ YES__. If yes please provide certificate of insurance.
15. Provide your complete Curriculum Vitae with this application.

I, under the law of perjury, hereby certify that my responses to the above are true, correct and complete. I also certify that I have read, understood and will comply with Section 322 of 37 FSM Code.

Dated and signed this _____ day of _____, 20__.

 (Signature)

 (Print or Type Full Name)

Subscribed and sworn before me this _____ day of _____, 20__.

(Seal)

 (Notary Public Signature)

FORM 3 -C (continued)

IF APPLICANT'S AUDITOR AND/OR ACTUARY IS OTHER THAN AN INDIVIDUAL

(Complete items 16 through 25)

16. Name of the Independent Auditor or Actuary:

- A. Address and full contact information:
- B. Method of Incorporation:
- C. Place of Incorporation:

17. Do you carry Errors and Omissions Insurance Policy? Yes: ____ No: ____. If "yes", are the liabilities in the FSM covered under the Errors and Omissions Insurance Policy? Yes: ____ No: ____. A copy of the Errors and Omissions Insurance Policy must be filed with your application.

18. Indicate auditing/actuarial experience as related to insurance business of partner, manager, supervisor, and individual(s) who will be responsible for the audit/actuary. Also provide Curriculum Vitae on each.

19. Will you assign only individuals that have a minimum of two years insurance auditing/actuarial experience? NO__ YES__. If no, please provide explanation: _____

20. Do you control directly, or own legally or beneficially the outstanding stock of any insurer, brokerage firm, insurance agent, insurance service, or risk management consulting firm? NO__ YES__. If "yes" list them and provide percentage of ownership in each. _____

21. Do you currently hold or have held any type of insurance license?

(Type) (State/Country) (Expiration Date)

22. Have you ever had a license or privilege refused or revoked by any regulatory or government authority? If "yes" provide details: _____

23. Has your license in any jurisdiction ever been suspended or revoked? YES____ NO__. If "yes" please provide details: _____

24. Are you currently licensed by any jurisdiction? YES ____ NO__. If "yes" provide details:

(Type of License) (Name of Jurisdiction) (Expiration Date)

25. Are you authorized to engage in business in the Federated States of Micronesia? Yes: ____ No: _____. If "yes" provide supporting documents (i.e. business license, foreign investment permits, Certificate of Incorporation, Charter, etc.).

I, the undersigned affiant, under the perjury laws, do declare that being duly authorized to do the same on behalf of the firm, I have carefully examined each of the questions asked in this application and each of the

responses thereto, and do solemnly swear that all of the responses, information, exhibits, and documentary evidence submitted in support thereof are true and correct. I further certify, on behalf of the firm that Section 322 of 37 FSM Code is read, understood and will be complied with.

Dated and signed this ____ day of _____, 20__.

(Signature)

(Print or Type Full Name)

Subscribed and sworn before me this ____ day of _____, 20__.

(Seal)

(Notary Public Signature)

FORM 4

BUSINESS PLAN – Guide

Section 302 of 37 FSM Code requires that an applicant also provides a statement of prospective income, financial conditions and a business plan for the forthcoming three years. This guideline is provided to assist you to meet these requirements. The business plan should present the applicant's key and full background information on its structure, ownership and objectives. Additionally, the business plan should present and address the various strategies, if any, the applicant has developed tailored to how, when and who would be executing such functions of the applicant company to achieve work outputs. Below is a list of areas or factors for consideration. It is not an exhaustive list. The soundness and/or viability of your business plan will play a major factor in the evaluation of your application.

1. Business Strategies and Objectives:

This section of the business plan should clearly present a clear description and background of the applicant. If the applicant is a member of a group of companies, a description of the group and the company's place within it, corporate structure chart with applicable shareholdings, showing the position of the company within the group, the significant activities of the group, a narrative and tabular format of the past history of the book of business should be provided. The applicant's goals, objectives and strategies should also be addressed, and how such objectives and strategies will lead the applicant company, as well as the applicant's strategic key functions supporting its goals, objectives and strategies. Key functions could include, among others, marketing, underwriting, claim, reinsurance, investment and risk management, corporate governance, etc.

2. Financial Resources and Projections:

Details on the financial resources and projections should be addressed and expounded in this section of the business plan which includes among other requirements the amount, forms and sources of capital (i.e. cash, letter of credit, number of shares, type of shares, par value, registered owner, etc) that will be available as projected for at least first three years following authorization. State the assumptions clearly underlying the projections, the reasons for adopting those assumptions and the accounting policies on which the projections are based. This section of the business plan should include all the required financial statements clearly demonstrating that the capital available will be adequate for the applicant's operations:

- Balance Sheet – Balance Sheet for at least first three years.
- Profit and Loss Accounts – Profit and Loss projections for at least first three years of business from each class and/or line of business.
- Underwriting Account – The underwriting account that the company intends to establish and maintain must be submitted along with projected figures for at least first three years.
- Cash Flow Projections – Projections for at least first three years.

Information and discussion on possible unusual or unique circumstances for each year presented in the pro-forma financial statements, including but not limited to net premium/capital ratios, preliminary test for minimum capital requirement, among others. Assumptions used in regard to economic/inflationary adjustment, expected number of claims, allocated loss expense ratio, unallocated loss expense ratio, policy regarding discounting and/or reserves, method by which IBNR losses are treated, possible negative cash flow problems and remedies being contemplated, etc.

3. Underwriting Functions and Strategies:

Details should be presented as to the nature of the insurance business and major risks which the company proposes to cover, the classes of business to be underwritten, underwriting authorizations and monitoring, and the risk assessment methods and procedures to be used. Submit sample policy wordings and/or a specimen copy of each policy, etc.

4. Premium Rates:

Details should be presented with respect to the assumptions underlying the determination of the premium rates, calculation of premium amounts and projected premium growth, whether or not rate setting would be subject to the board's approval, etc.

5. Board of Directors, Management, Personnel, and Internal Controls:

5.1 Board of Directors – details on the composition of the board; names of members whether they are Executive or Independent, qualification and experience of members, minimum number of meetings per year,

list of reports and frequency of such reports required from management, sub-committees and functions, corporate structure chart, etc.

5.2. Corporate/Organizational Structure – details on the corporate structure and description on the proposed apportionment of significant responsibilities between the management team. The structure chart should set out the management structure, responsibilities and reporting lines.

5.3. Personnel and Internal Controls – details on the arrangements by which systems and controls will be established and maintained in the applicant company, including an explanation of how these will be overseen. The set-up of the capacity of the applicant’s systems and controls to monitor and control all significant aspects of the operations, details on controls and/or authorization with respect to underwriting, reinsurance, claims, investments, IT, Money Laundering and Financing of Terrorism, and staff support requirements in each functions such as underwriting, claims, IT, details on staff capacity program or training program, among others.

6. Investment:

Investment strategies, policies and guidelines that may include, among other things, diversification, loans to director, officer, shareholder or employee or any related parties or affiliates, and investments in any related or affiliated company. The applicant should also indicate the name and location of all banks it proposes to use, as well as strategies and policies on expansion of its business, acquisition, exiting business, merge, so on and so forth.

7. Capital Management Plan:

Details on policies, strategies, projections, and management on the applicant’s capital and its growth, etc.

8. Dividend Policy:

Methods, including formula and time frames contemplated in the return of premium to policyholders in the form of dividends, distribution of profits to shareholders, etc.

9. Accounting System:

The proposed accounting methods/software that would be used to prepare financial statements and the internal auditing procedures that will be applied.

10. Management Information System:

Details on the design and operations systems and procedures used to facilitate the recording, analysis and reporting of information for within and outside of the company.

11. Potential Clients/Target Markets & Marketing Strategies:

Discussions and documentations on market trends, products, competitors and clientele the applicant hopes to capture. Market targets and strategies should be clearly identified, for example, whether the applicant wishes to conduct business of insurance only within the FSM, whether such products should be only available to all the States in the FSM, whether the applicant intends to engage services of a licensed agent, whether applicant intends to expand its business into the other Micronesia sub-regions, etc.

12. Reinsurance Arrangements:

Details on the reinsurance arrangements, for example, the net limits and retentions, by line which will be assumed by the applicant. Show how much of the underlying liability will be ceded to the reinsurer and the types of reinsurance treaties being contemplated. Provide a specimen copy of each reinsurance treaty.

13. Risk Management:

Discussions on policies to counter and address risks that the applicant is likely to encounter and remedies to overcome them.

14. Contingency Plan:

The applicant’s contingency plan, including disaster recovery plans to ensure business continuity. This would be the company’s proactive approach in the event of a crisis or unforeseen event(s) that may occur, i.e. natural disaster, insolvency, take-over, voluntary close down, etc.

15. Outsourcing and Third Party Agreements:

Provide information on all existing, proposed or intended third party agreements. Submission of draft agreement/contract is required.

FORM 5

APPOINTMENT OF REPRESENTATIVE RESIDENT FOR SERVICE OF PROCESS

Ref: Subsection 1(c) of Section 302 of 37 FSMC.

KNOW ALL MEN BY THESE PRESENTS:

That pursuant to Subsection 1(c) of Section 302 of 37 FSMC, the _____ *(name and address of applicant in the FSM)*, and as authorized to carry on the business of insurance in the Federated States of Micronesia and as authorized by law (hereinafter called the "Insurer") does hereby:

- 1). Designate and appoint _____ *(Name of Representative Resident)* and having _____ *(Complete address and contact details)*, in the Federated States of Micronesia as the said insurer's Representative Resident (hereinafter called the "Representative");
- 2). Authorize the Representative to accept service of any notice, order or process in any action or proceeding brought or pending in the Federated States of Micronesia upon any cause of action arising in or growing out of insurance business transacted in the Federated States of Micronesia; such authorization to be valid until such time as it shall be revoked by a notice in writing filed with the Insurance Commissioner;
- 3). Stipulate and agree that after being admitted to transact business in the Federated States of Micronesia, it will continue to comply with the requirements as to its business set forth in Title 37 of FSM Code and other laws of the Federated States of Micronesia; and
- 4). Stipulate and agree that before retiring from business in the Federated States of Micronesia, it will reinsure its Federated States of Micronesia business with an insurer under a plan submitted to and approved by the Insurance Commissioner.

This appointment and designation, and the powers delegated hereunder, shall terminate without notice to the appointee upon the filing with the Insurance Commission of a document appointing another person as Representative Resident for the said Insurer pursuant to Subsection 1(c) of Section 302 of 37 FSMC.

IN WITNESS WHEREOF, The said insurer has to these presents caused its name to be subscribed and attested by its President and Secretary at _____ on the _____ day of _____ A.D. 20_____.

By _____
(President)

Attest _____
(Secretary)

(Print Name)

(Print Name)

On _____ before me, _____, personally appeared _____ and subscribed to the within instrument and acknowledged to me that he/she executed the same in his/her authorized capacity, and that by his/her signature on the instrument the person, or the entity upon behalf of which the person and/or entity on behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

[NOTARIAL SEAL]

Signature _____
(Signature of Notary Public)

I, _____, the appointee named above do hereby certify under penalty that I am the individual named therein, that I maintain an office or residence at the address shown thereon, and that I shall be reasonably available during normal business hours at such place for service on me for the appointing company of papers, notice, proofs of loss, summons, writs or other process. I further agree that in the event the address or location of my said office or residence is changed during the existence of this appointment, I will promptly give notice thereof in writing to the Insurance Commissioner and to the appointing company.

Subscribed and sworn before me this _____ day of _____, 20__.

(Seal)

(Notary Public Signature)