



**CAPTIVE INSURANCE COMPANY  
APPLICATION PACKAGE**

**Banking and Insurance Board  
P.O.Box 1887,Kolonia, Pohnpei  
FEDERATED STATES OF MICRONESIA  
Phone No.(691) 320-2015, Fax No.320-5433**

**FEDERATED STATES OF MICRONESIA  
CAPTIVE INSURANCE COMPANY  
APPLICATION PACKAGE**

GENERAL INFORMATION

This document and its contents represent the basic application materials that should be used to expedite the FSM Banking and Insurance Board’s evaluation of the formation and licensing of a prospective captive insurance company pursuant to 37 FSMC Chapter 10.

The application package contains the following:

<u>Description</u>	<u>Form</u>
Steps in Forming FSM Captive Insurance Company	A-1
Instructions for Captive Insurance Company Application	B-1
Application for Admission	C-1
Business Plan Components	
Supplementary Data/Application: Class 1 and 2 Supplementary Data	D-1
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Application as an Independent Certified Public Accountant for Captive	H-1
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STEPS IN FORMING A FSM CAPTIVE INSURANCE COMPANY

These steps will generally be followed in the process of incorporating a captive insurance company in Federated States of Micronesia and applying for a license from the Banking and Insurance Board.

1. Arrange a meeting with the Banking and Insurance Board Staff to make introductions and to briefly explain the who, why, what, where, when and how of the proposed captive.
2. Prepare documents necessary for incorporation. The services of local legal counsel may be desirable. Clear the name of the proposed captive company to avoid delays after application review.
3. Prepare documents necessary for application to the Banking and Insurance Board (see Application for Admission for list of documentation requirements).
4. Submit one (1) original and (1) copy of all documentation required in items 2 and 3 above to the Insurance Commissioner. Include \$500 non-refundable application fee.

**Federated States of Micronesia  
Banking and Insurance Board**

**INSTRUCTIONS FOR CAPTIVE INSURANCE COMPANY APPLICATION**

General

The application package should generally be completed after the introductory meeting between the prospective captive applicant and the Banking and Insurance Board. This will enable applicant to address any issues or concerns that may have been raised during the meeting, and also expedite the application review process.

The application must be filled out in its entirety and should include all material requested together with a non-refundable application fee of \$500 made payable to “Government of the Federated States of Micronesia”. Incomplete submissions can significantly delay the application process, and in some cases, may be returned to the applicant for resubmission. As a result, it is strongly recommended that the anticipated independent captive insurance manager or an appropriate consultant with proven experience in the successful formation and licensing of captives be actively involved in the preparation and submission of the captive application.

CHANGES TO APPLICATION AND BUSINESS PLAN

The documents and forms included in this package should also be utilized for submitting changes to the initial or currently approve captive application business plan.

**Banking and Insurance Board  
FEDERATED STATES OF MICRONESIA**

**CAPTIVE INSURANCE COMPANY APPLICATION FOR ADMISSION**

1. Name of proposed captive: \_\_\_\_\_  
\_\_\_\_\_

2. Type of Captive:  
Class 1 \_\_\_\_\_  
Class 2 \_\_\_\_\_

3. Address and telephone number of principal office:  
In Federated States of Micronesia:  
Elsewhere:

4. Attach a Resolution of the Parent’s Board of Directors, bearing the corporate seal, designating individuals(s) to:
- a) Establish captive and vote the stock of the captive shareholders.
  - b) Negotiate a Letter of Credit, Repayment Agreement and/or Continuing Guaranty Agreement

5. List ultimate beneficial owner(s) of the captive. If more than one owner, describe the relationship(s) between them.

6. Attach a copy of the most recent Audited Financial Statements, Annual Report and other required public filings for each beneficial owner.

7. If Letter of Credit is to be used, show name and address of bank and amount(s) Form J-1 (enclosed), **MUST** be used.

8. Name, address and telephone number of:
- a) Lawyer:
  - b) CPA:
  - c) Captive Manager:
  - d) Actuary:

10. Name and resident address of each captive director.

**Note: A Biographical Affidavit must be submitted for each Captive Director.**

11. List title, name, and resident address of each captive officer.

**Note: A Biographical Affidavit must be submitted for each Captive Officer.**

12. Include the following information with this Application:

a. Name, address, and telephone number of person to be contacted regarding this application.

b. Copy of proposed captive's Charter and By-laws.

c. A check for \$500 non-refundable application fee made payable to Government of the Federated States of Micronesia with the applicant's name noted on the check or remittance portion of the check.

d. An Economic Feasibility Study by an actuary approved by the Insurance Commissioner

e. Comprehensive Business Plan, Pro-Forma Financial Projections and any other relevant documentation and information.

I CERTIFY THAT TO THE BEST OF MY KNOWLEDGE AND BELIEF, ALL OF THE INFORMATION GIVEN IN THIS APPLICATION IS TRUE AND CORRECT AND THAT ALL ESTIMATES GIVEN ARE TRUE ESTIMATES BASED UPON FACTS WHICH HAVE BEEN CAREFULLY CONSIDERED AND ASSESSED.

Name \_\_\_\_\_ Date \_\_\_\_\_

Signature of Director: \_\_\_\_\_

**Banking and Insurance Board  
FEDERATED STATES OF MICRONESIA**

**SUPPLEMENTARY DATA**

**CLASS 1 and 2 AND CAPTIVE PARENT, SUBSIDIARIES, AFFILIATES AND PARTICIPANTS**

1. Provide operating names of parent, subsidiaries and affiliates.
2. Is the parent owned or controlled by another?
3. Type of business
4. Legal status and domicile.
5. Countries in which the parent, subsidiaries, affiliates and participants do business.
6. Combined annual gross revenues and number of employees.
7. Describe long range (five years) plans with respect to:
  - a. Mergers/Acquisitions by Parent
  - b. Disposition or Reorganization
8. Attach a schedule of current corporate insurance coverage.

**Banking and Insurance Board  
Federated States of Micronesia**

**ECONOMIC FEASIBILITY STUDY**

1. What is the premise for the captive? Describe the general purpose and main objectives of the captive being created
2. What will be the initial capital for the proposed captive? How will this be funded? (i.e. cash, Letter of Credit, other)
3. Describe the net limits and retentions, by line, which will be assumed by the proposed captive. How much of the underlying liability will be ceded to reinsurers?
4. Please provide a brief discussion of the assumptions underlying the determination of the premium rates and projected premium growth. Include the following items within your discussion:
  - a. Basis for determining rates.
  - b. Projected premium growth.
5. Display estimated gross premium income, net premium income after reinsurance ceded, expenses and taxes for the first five years of operation.
6. Please provide the following information and a brief discussion of any unusual or unique circumstances for each year presented in the accompanying pro formas:
  - a. Net Premium/Capital ratios:
  
  - b. Preliminary test for regulatory compliance:
    - Minimum Capital.
7. While it is realized that the forecast of losses is subject to the outcome of unknown future contingent events, the underlying assumptions regarding incurred losses must be reasonable within today's economic environment. Please provide a brief discussion of the assumptions used in regard to the following:
  - a. Economic/inflationary adjustments
  - b. Expected number of claims
  - c. Allocated loss expense ratio
  - d. Unallocated loss expense ratio
  - e. Policy regarding discounting or reserves
  - f. Method by which IBNR losses are treated.

8. Please provide a brief discussion and series of exhibits regarding the investment philosophy and cash flow position of the proposed captive. This discussion should include:
  - a. Cash flow exhibits
  - b. Interest rate assumptions
  - c. Portfolio assumptions
  
9. Pro-forma Balance Sheet:
  - a. Assets
    - i. Cash
    - ii. Investments
    - iii. Real Property
    - iv. Other
  - b. Liabilities
    - i. Loss Reserves
    - ii. Other
    - iii. Paid Capital
  - c. Retained Earnings
  - d. Tax impacts
  - e. Underwriting Profit/Loss
  - f. Dividends (Paid or Declared)
  - g. Capital and Surplus

**Banking and Insurance Board  
Federated States of Micronesia**

**CAPTIVE STRATEGIC PLAN  
(FIVE-YEAR)**

**A. GENERAL**

1. Give proposed name for captive insurance company. Include alternate name in the event the original choices cannot be registered.
2. What is the proposed date for commencement of business?
3. State ending date of financial reporting year (calendar/fiscal).

**B. ACCOUNTING AND FINANCIAL**

**1. Indicate which of the following will be located in FSM**

- a. \_\_\_\_\_ General Ledger
  - b. \_\_\_\_\_ General Journal
  - c. \_\_\_\_\_ Subsidiary Ledgers (referred to in General Ledger)
  - d. \_\_\_\_\_ Cash Books – Receipts and Disbursements
  - e. \_\_\_\_\_ Premium Registers
  - f. \_\_\_\_\_ Loss Registers
  - g. \_\_\_\_\_ Reinsurance Reports
  - h. \_\_\_\_\_ Daily Reports of Claim Files
  - i. \_\_\_\_\_ Copies of Policies
  - j. \_\_\_\_\_ Copies of Reinsurance Treaties and Agreements
2. Give names and locations of all banks which the captive proposes to use.
  3. Provide details of capitalization, including number of shares, per value, classes of shares, registered owners, additional paid in capital and total contributed capital and surplus.
  4. Have cash flow projections considered the possibility of negative cash flow if claim patterns are adverse? How will this be handled?
  5. How will deficiencies in required capital be handled, if needed?
  6. Please describe methods, including formula and time frames, contemplated in the return of premium to policyholders in the form of dividends, or distribution of profits to shareholders.

7. Describe any loans which the captive has made or contemplated making to any director, officer, shareholder or employee of the captive or any related or affiliated company and any investments in any related or affiliated company.
8. Describe the contingency plan in the event the captive becomes insolvent, if the parent or sponsor is taken over by another company, or if it is decided to voluntarily close down the captive operation.

**C. INSURANCE/REINSURANCE**

1. What lines of business are to be written by the captive?
2. Does the parent own or have an investment in other captives? If yes, list name(s) and domicile(s). Will the proposed FSM captive conduct any reinsurance business with this (these) captive(s)? If yes, describe fully.
3.
  - a. Describe excess insurance or reinsurance arrangements above the captive's net retentions, up to policy limits. Separately describe excess of loss and aggregate stop loss requirements.
  - b. Will any portion of the limits above the net retention not be insured or reinsured?
  - c. Provide the names and domiciles of insurance and reinsurance companies and respective brokers or intermediaries for the program.
4. Does the captive intend to assume reinsurance from unrelated sources? If so, describe the captive's procedures for underwriting these risks.
5. Who will prepare the Reinsurance Contract?
6. In addition to the usual reinsurance terms, certain special clauses are needed. Indicated if the contract wording includes:
  - a. Cancellation clause with period of notice which exceeds 30 days that period stipulated in the original policy, with a copy to the Insurance Commissioner.
  - b. Prompt reimbursement clause of losses paid which exceed the reinsurance premium due.
  - c. Authority to the company to pay and settle claims without approval of the reinsurer who shall be obligated for its share of the loss.
  - d. Empowerment clause for the company to immediately draw upon Letters of Credit in the event of breach of any of provisions of the reinsurance contract.
  - e. Reinsurer's liability surviving cancellation clause with respect to claims presented thereafter.

7. State the method by which business will be obtained. (i.e. by the captive's own employees, by brokers, by both.)
8. Attach a specimen copy of each policy form including all endorsements to be used for each line of coverage.
9. If the captive will be reinsuring a front (ceding) company, please provide the following information:
  - a. Name and domicile of the front company.
  - b. Net retention of the fronting company.
  - c. Allocation factors for premiums to be retained by the front company and ceded to the captive.
  - d. Indicate the fronting fee in dollars and as percent of gross primary premium.
10. Claims Administration:
  - a. Claims Administrator:  
Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
Telephone: \_\_\_\_\_
  - b. Describe claims management program and loss control or safety measures.
  - c. Who will develop claims statistical and accounting data, and how will it be used?

**BANKING & INSURANCE BOARD  
FEDERATED STATES OF MICRONESIA**

**CAPTIVE INSURANCE COMPANY  
BIOGRAPHICAL AFFIDAVIT**

(Print or Type)

Name of Captive Insurance Company: \_\_\_\_\_  
Existing Licensee: \_\_\_\_\_

Captive Status: Application Pending:

\* \* \* \* \*

To the Insurance Commissioner, Federated States of Micronesia:

In connection with the above-named company, I herewith make representation and disclosures about myself.

**Attach a separate sheet if necessary.**

**If answer is “NONE” or “NO EXCEPTIONS”, so state. Do not use “N/A”**

1. Affiant’s Full Name: \_\_\_\_\_

Passport Number: \_\_\_\_\_

Country of Issue: \_\_\_\_\_

Expiration Date: \_\_\_\_\_

Social Security Number; if applicable: \_\_\_\_\_

2. Other names used at any time: \_\_\_\_\_

3. Date of Birth: \_\_\_\_\_ Place of Birth: \_\_\_\_\_

4. Education and Degrees: \_\_\_\_\_

High School: \_\_\_\_\_

College: \_\_\_\_\_

Graduate or Professional: \_\_\_\_\_

(List all educational institutions and locations on additional sheet, if necessary).

5. Member of Professional Societies or Associations (list):

6. I control directly or indirectly, or own legally or beneficially 10% or more of the outstanding stock (in voting power) of the following insurers, brokerage, insurance services or risk management consultation firms:

7. Present Chief Occupation:

Position/Title:

How Long:

Employer's Name:

Address:

Length of Employment

Where:

8. Other jobs, positions, directorates, or officerships held at present:

9. Employment Record:

Date:

Employer & Address:

Title:

10. For the last 10 years, I have lived at the following address(es):

11. I have never been adjudicated as bankrupt, except as follows:

12. I have never been convicted or had a sentence imposed, or suspended or had a pronouncement of a sentence suspended or been pardoned for conviction of or pleaded guilty of or nolo contendere to any information or an indictment charging any felony, or charging a misdemeanor involving embezzlement, theft or larceny, mail fraud, or charging a violating of any corporate securities statute or any insurance law, nor have I been the subject of any cease and desist order or any disciplinary proceedings of any regulatory agency, except as follows:

13. I have neither been refused a professional license issued by any public or governmental licensing agency or regulatory authority, nor has such a license held by me ever been suspended or revoked, except as follows:

14. I presently hold or have held in the past, the following professional, occupational, or vocational license issued by a public or governmental licensing agency or authority (state date license issued, issuer of license, date terminated, reason for termination):

15. I have never been an officer, director, trustee, investment committee member, key employee, or controlling stockholder of an insurer which, while I occupied any such position or in the 12 months subsequent or capacity with respect to it, became insolvent or was placed in conservatorship, or was enjoined from or ordered to cease and desist from violating any securities or insurance law, except as follows:

16. The Certificate of Authority or license to do business of any insurance company of which I was an officer or director or key management person has never been suspended or revoked while I occupied such position or in the 12 months subsequent, except as follows:

17. No insurer of which I was an officer, director, or key management person at the time or 12 months subsequent has ever been denied or refused or voluntarily withdrawn its application for a license or certificate or authority, except as follows:

Date and signed this \_\_\_\_\_ day of \_\_\_\_\_  
at \_\_\_\_\_

**I hereby certify under penalty as provided by law that the foregoing statements are true and correct to the best of my knowledge and belief.**

\_\_\_\_\_  
(Signature of Affiant)

BANKING & INSURANCE BOARD  
FEDERATED STATES OF MICRONESIA

**APPLICATION AS AN INDEPENDENT CERTIFIED  
PUBLIC ACCOUNTANT FOR CAPTIVE INSURANCE BUSINESS**  
*(Print or Type)*

Name of Captive Insurance Company: \_\_\_\_\_

Captive Status: Pending Application: \_\_\_\_\_ Existing Licensee: \_\_\_\_\_

\* \* \* \* \*

To the Insurance Commissioner, Federated States of Micronesia:

I hereby apply as a/an:

Individual \_\_\_\_\_ Partnership \_\_\_\_\_ Corporation \_\_\_\_\_ Other \_\_\_\_\_

**Attach a separate sheet if necessary.**

**If answer is “NONE” or “NO EXCEPTIONS”, so state. Do not use “N/A”**

**IF APPLICANT IS AN INDIVIDUAL**  
*(Complete Items 1 through 10)*

1. Full Legal Name: \_\_\_\_\_

2. Business Address: \_\_\_\_\_

(Street)

(Telephone)

(City or Town)

(State)

(Zip Code)

3. Personal Data:

a. Residence Address:

\_\_\_\_\_

b. Date of Birth: \_\_\_\_\_/\_\_\_\_\_/\_\_\_\_\_

c. Social Security Number; if applicable: \_\_\_\_\_-\_\_\_\_\_-\_\_\_\_\_

If not available, then complete the following:

Passport Number: \_\_\_\_\_

Country of Issue: \_\_\_\_\_

Expiration Date: \_\_\_\_\_

d. Education and Degree(s):

High School: \_\_\_\_\_

College: \_\_\_\_\_

Graduate or Professional: \_\_\_\_\_

4. List all insurance and/or captive auditing experience. (Attached additional sheets as necessary.)

5. Has applicant ever been arrested, or indicted for and/or convicted of any crime or offense other than a traffic violation? \_\_\_\_\_

If "YES," submit full particulars of each case and disposition thereof.

6. Do you control directly, or own legally or beneficially the outstanding stock of any insurers, brokerage firm, insurance services or risk management consulting firm?

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

\_\_\_\_\_  
(Type) (State) (Expiration Date)

8. Have you ever had a license or privilege refused or revoked by an Insurance or other Regulator from any jurisdiction?

If so, give details.

9. Are you currently licensed by any jurisdiction as a CPA/Chartered Accountant?

a) If yes, name of jurisdiction

b) How long?

10. Has your license as a CPA/Chartered Accountant in this jurisdiction or any other jurisdictions ever been suspended or revoked?

If so, give details.

**I hereby certify that my responses to the above are true and complete;** (Also, include completed Biographical Affidavit.)

Signed: \_\_\_\_\_ Date: \_\_\_\_\_

Subscribed and sworn to before me this \_\_\_\_\_ Day  
of \_\_\_\_\_ 20 \_\_\_\_

Signature of Notary Public: \_\_\_\_\_

**NOTARY SEAL** Notary Public authorized by law to administer oaths.

My commission expires on \_\_\_\_\_

**IF APPLICANT IS OTHER THAN AN INDIVIDUAL**  
(Complete items 11 through 14)

11. Name of Partnership, Corporation, etc.

Business Address:

Federated States of Micronesia business ID No.; if applicable:

Telephone:

12. Describe insurance and/or auditing experiences (attach additional sheets as necessary):

13. Indicate insurance experience of partner, manager, supervisor, etc. of individual(s) responsible for auditing captive(s):

14. Will you assign only individuals that have a minimum of two years insurance auditing experience? If no, please provide explanation.

Yes: \_\_\_\_\_ No: \_\_\_\_\_

**I hereby certify that my responses to the above are true and complete.**

Signed: \_\_\_\_\_ Date: \_\_\_\_\_

Subscribed and sworn to before me this \_\_\_\_\_ Day  
of \_\_\_\_\_ 20 \_\_\_\_

Signature of Notary Public: \_\_\_\_\_

**NOTARY SEAL** Notary Public authorized by law to administer oaths.

My commission expires on \_\_\_\_\_

FEDERATED STATES OF MICRONESIA  
BANKING & INSURANCE BOARD

**Application as an Insurance Manager for Captive Insurance Business**

1. Name of captive insurance management firm: \_\_\_\_\_
2. Business address: \_\_\_\_\_ Phone No. \_\_\_\_\_
3. Name, telephone and fax numbers, and e-mail address for the captive insurance manager’s authorized representative:  
\_\_\_\_\_  
\_\_\_\_\_
4. Is the Applicant a
  - corporation  partnership  limited liability company
  - other form of business entity \_\_\_\_\_
  - a. Date of incorporation or formation: \_\_\_\_\_
  - b. Place of incorporation or formation: \_\_\_\_\_
5. During the past five years, has the Applicant operated under any different name, or has the Applicant purchased, consolidated or merged with any other business, or has the Applicant been purchased?  
  
 Yes  No If yes, please explain: \_\_\_\_\_  
\_\_\_\_\_
6. Provide the address where captive insurance management services will be performed, if different from #2 above.  
\_\_\_\_\_
7. Please provide the following information about the Applicant:
  - a. Location where insurance captive records will be maintained, if different from #2 above: \_\_\_\_\_
  - b. Names and titles of all staff (complete Biographical Affidavit) for each, except clerical staff):
    - i. Principals/partners: \_\_\_\_\_
    - ii. Officers/Professional Staff: \_\_\_\_\_
    - iii. Clerical and all others: \_\_\_\_\_

- c. Number of captive insurance companies under management: \_\_\_\_\_
- d. Names of all domiciles where licensed or approved as a captive insurance manager: \_\_\_\_\_  
\_\_\_\_\_
8. State captive insurance management services provided directly by the Applicant.  
\_\_\_\_\_
9. State captive insurance management services Applicant intends to subcontract to third parties (include copies of such agreements). \_\_\_\_\_  
\_\_\_\_\_
10. Does the Applicant currently carry any of the following types of insurance: Directors and Officers Liability, Errors and Omissions, or Fidelity/Crime?
- Yes       No      If yes, please attach policy.
11. After inquiry of all professional employees at the date of this application, have any of them ever been the subject of a regulatory reprimand or disciplinary action, refused admission or approval, or lost any license as a result of professional activities.
- Yes       No      If yes, please explain: \_\_\_\_\_  
\_\_\_\_\_
12. Has the Applicant ever been denied approval as a captive insurance manager in any jurisdiction?
- Yes       No      If yes, please explain: \_\_\_\_\_  
\_\_\_\_\_
13. After inquiry of all directors, officers, principals, partners, and professional employees at the date of the application, have any claims or suits ever been made against the Applicant or any of the directors, officers, principals, partners, or employees arising out of professional arising out of professional services?
- Yes       No      If yes, please explain: \_\_\_\_\_  
\_\_\_\_\_
14. State whether any director, officer, principal, partner or professional employee has any ownership interest in any captive insurance company under management. \_\_\_\_\_  
\_\_\_\_\_
15. State whether any director, officer, principal, partner or professional employee serve as a board member on any captive insurance company it currently manages or will manage.  
\_\_\_\_\_  
\_\_\_\_\_

16. State whether any director, officer, principal, partner or professional employee performs or intends to perform any services other than captive insurance management services to a captive insurance company under management or to a shareholder of a captive insurer.

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**I HEREBY SWEAR OR AFFIRM UNDER PENALTY OF LAW THAT THE INFORMATION PROVIDED HEREIN IS, TO THE BEST OF MY KNOWLEDGE, COMPLETE AND TRUTHFUL IN ALL RESPECTS. I FURTHER UNDERSTAND THAT THE SUBMISSION OF FALSE OR INACCURATE INFORMATION SHALL BE GROUNDS FOR DENIAL OF APPROVAL TO ACT AS A MANAGER OF CAPTIVE INSURANCE COMPANIES IN FSM.**

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Name and Title

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Signature and Date

**BANKING & INSURANCE BOARD  
FEDERATED STATES OF MICRONESIA**

**CAPTIVE INSURANCE COMPANY**  
**IRREVOCABLE LETTER OF CREDIT**

Date \_\_\_\_\_

Letter of Credit No. \_\_\_\_\_

Banking&Insurance Commissioner  
FSM Banking & Insurance Board  
Town Plaza Building, Suites 3 & 4  
P.O. Box 1887  
Kolonia, Pohnpei State, FM 96941

Commissioner:

1. We hereby establish our **IRREVOCABLE LETTER OF CREDIT** in your favor for the account of: \_\_\_\_\_

\_\_\_\_\_ up to the aggregate amount of \$ \_\_\_\_\_ available by your draft(s) drawn on drawn on us, at sight, bearing the number of this **IRREVOCABLE LETTER OF CREDIT NO.**

\_\_\_\_\_ This **LETTER OF CREDIT** shall expire at our: [Address], (Attn: Standby Letter of Credit Department)

\_\_\_\_\_ At our close of business as of, \_\_\_\_\_, unless as hereinafter extended.

2. This **LETTER OF CREDIT** is issued pursuant to the provisions of \_\_\_\_\_ on behalf of the above-mentioned:

**[CAPTIVE]**

\_\_\_\_\_ which is applying for a license to engage in the insurance business in the Federated States of Micronesia as a captive insurance company.

\_\_\_\_\_ We understand and agree that **[CAPTIVE]** \_\_\_\_\_ has no obligation to reimburse us and we have no right to set off against any funds held by us for **[CAPTIVE]** \_\_\_\_\_

in the event this **LETTER OF CREDIT** is drawn down, in whole or in part. By issuing this **LETTER OF CREDIT**, we waive any common law, statutory or contractual right of reimbursement or set off against **[CAPTIVE]** \_\_\_\_\_ that may arise in the event this **LETTER OF CREDIT** is drawn down, in whole or in part.

3. It is a condition of the **LETTER OF CREDIT** that it shall be automatically extended for additional periods, each of one year, unless at least 90 calendar days prior to the then relevant expiration date we have advised you in writing that we elect not to extend. In that event, you may draw hereunder on or prior to the then relevant expiration date, up to the full amount then available hereunder, against your sight draft(s) on us, bearing the number of this **LETTER OF CREDIT**.
4. This **LETTER OF CREDIT** sets forth in full the terms of our undertaking, and such undertaking shall not in any way be modified, amended or amplified by reference to any note, document, instrument or agreement referred to herein or in which this **LETTER OF CREDIT** is referred to or to which this **LETTER OF CREDIT** relates and any such reference shall not be deemed to incorporate herein by reference any note, document, instrument or agreement.
5. Each sight draft so drawn and presented shall be promptly honored by us if presented on or prior to the above-stated expiration date or any extension thereof as above provided.
6. This **LETTER OF CREDIT** is subject to the conditions that the Banking and Insurance Board is satisfied as to its sufficiency, validity and collectability.

Sincerely,

\_\_\_\_\_

\_\_\_\_\_ (Printed Name)

\_\_\_\_\_ (Title)

**BANKING & INSURANCE BOARD  
FEDERATED STATES OF MICRONESIA**

**RESOLUTION OF BOARD OF DIRECTORS OF INSURER  
CONSENTING THAT SERVICE OF PROCESS ON THE  
INSURANCE COMMISSIONER OF THE FEDERATED STATES OF  
MICRONESIA BE VALID SERVICE ON THE INSURER**

RESOLVED, by the Directors of \_\_\_\_\_, a captive insurer organized under the laws of Federated States of Micronesia and authorized to do business in the Federated States of Micronesia (hereinafter called the “Insurer”), that, pursuant to the requirements of the laws of the Federated States of Micronesia, the said Board of Directors for and in behalf of said Insurer does hereby:

- (1) Consent that service of process be made upon the Insurance Commissioner of the FSM Banking & Insurance Board of the Federated States of Micronesia (always for the time being), in any action or proceeding against said insurer at any time brought or pending in Federated States of Micronesia upon any cause of action arising in or growing out of business transacted in Federated States of Micronesia;
- (2) Consent that service so made shall be valid and effective service upon said Insurer; and
- (3) Stipulate that such consent shall be and is hereby made irrevocable so long as the license of said Insurer shall remain in force in the Federated States of Micronesia or any loss remains unpaid therein.

\_\_\_\_\_  
[Name] ss.

\_\_\_\_\_  
[Name], being duly sworn, deposes and says that: He is the

Secretary of the \_\_\_\_\_; the foregoing is a true copy of the resolution  
adopted at the meeting of the Board of Directors of the :

\_\_\_\_\_  
\_\_\_\_\_, held \_\_\_\_\_  
, 20 \_\_\_\_\_ : a quorum of said Board was present at the said meeting.

Secretary: \_\_\_\_\_

Subscribed and sworn to before me this \_\_\_\_\_ day of  
\_\_\_\_\_, 2008

My commission expires: \_\_\_\_\_