

## AMENDMENT OF THE CAPTIVE INSURANCE REGULATION

Pursuant to the authority vested in me by the FSM Code, Title 17, Section 102, the FSM Captive Insurance Regulations originally adopted on December 18, 2008 is further amended by amending sections "IX" and "X" to read, as follows:

"IX. Capital Requirements – The capital required for a Captive Insurance Company is:

- A. For a Class 1 Captive - \$100,000
- B. For a Class 2 Captive – the greater of:
  1. \$100,000; or
  2. Amount determined by the Insurance Commissioner.
- C. For a Class 3 Core Captive – the greater of:
  1. \$1,000,000; or
  2. Amount determined by the Insurance Commissioner.
- D. For a Class 3 Member Captive - \$100,000.
- E. For a Class 4 Captive – the greater of:
  1. \$5,000,000; or
  2. Amount determined by the Insurance Commissioner."

"X. Solvency Margin – The minimum margin in solvency for a captive insurer is the amount by which the total value of the insurer's assets must exceed the total amount of liabilities.

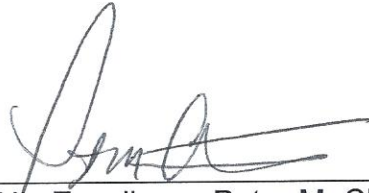
A. The solvency margin of a captive insurer in any year is an amount equal to the greater of:

1. Twenty percent (20%) of the net premium income; or
2. Five percent (5%) of the value of loss reserves.

B. If net premium income is greater than \$100 million, then the captive insurer may request that the solvency margin be determined by the Insurance Commissioner."

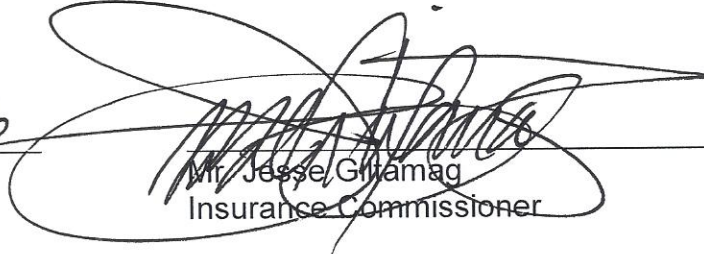
These Permanent Regulations are proposed to take effect forty days from the date of the posting of this Notice. Any person affected should assume that these proposed Permanent Regulations became effective on that date, unless they learn otherwise. The actual date of effectiveness will be noted on the certified copy of the Permanent Regulations to be filed pursuant to 17 F.S.M.C. Section 103(1).

Date: 2/9/16



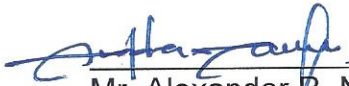
His Excellency Peter M. Christian  
President, Federated States of Micronesia

Date: 2/8/16



Mr. Jesse Gilamag  
Insurance Commissioner

Date: 2/8/16



Mr. Alexander R. Narruhn  
Chairman, Insurance Board

Approved as to legal sufficiency:

Date: FEB. 09, 2016



Mr. Jose R. Gallen, Sr.  
Secretary of Justice