

THE INSURANCE BOARD
GOVERNMENT OF THE FEDERATED STATES OF MICRONESIA
VB Building No.1, Suite 2A, Pohn Umpomp Place
Nett, Pohnpei FM 96941
Telephone (691) 320-3423 5426 Fax: (691) 320-1523

May 8, 2020

His Excellency David W. Panuelo
President
Federated States of Micronesia
Palikir, Pohnpei 96941

RECEIVED
MAY 12 2020
Office of the
President FSM
mj

Dear President Panuelo:

We are pleased to submit herewith the 2019 Annual Report of the Insurance Board as required by Section 205 of Title 37 of the FSM Code (FSMC). This report describes our principal mandates and outlines the activities of the Insurance Board (Board) during the year ended December 31, 2019. The report also presents the general overview and condition of the insurance market in the FSM during 2019 based on reports and data available and submitted.

The Board principal duties are to regulate insurance business in the FSM; to undertake the licensing and supervision of insurance business; to protect the interest of policyholders, and to promote and develop a sound and functioning insurance system in the FSM. The Insurance Board is the sole insurance regulatory agency in the FSM, and is governed by a three-member board. By law, the President appoints a Commissioner to manage the day to day operation of the office.

The insurance market is an important component of our overall financial sector in the FSM. It is regulated and supervised pursuant to Title 37 of the FSMC. The FSM Insurance market (sector) comprises of: (1) regular or conventional insurance, and (2) captive insurance. In the conventional insurance market, we have agents, brokers and solicitors who are in the business of selling insurance products. These products are available to businesses, governments and the general public. The conventional insurance market sells both life and non-life products. Examples of life are life insurance policies and health insurance policies. Examples of non-life policies are fire insurance, homeowners' policies, automobiles insurance policies, marine and cargo policies and workers compensation.

The captive insurance continue to dominate the FSM insurance market in terms of the number of domestically licensed insurers, volume of insurance business, and contributions to the FSM's local economy. Based on available and reported data, in 2019, the captive insurance sector generated more than \$600 million in reinsurance premium collection of which \$16 million were ceded. In the conventional market, based on reported and available data, \$3.2 million were collected in premium with a total of 4,079 policies sold.

During 2019, there were six (6) registered foreign insurers, three (3) licensed insurance agents, and no licensed solicitors. An application for a domestic insurer has been under review and substantial progress has been made leading to approval.

Captive Insurance was introduced when Public Law 14-88 was enacted in 2006. In essence, it is a type of insurance whereby a specialized insurance company is established for the purpose of insuring only the risk of its parent company and affiliated companies. During 2019, there were twenty five (25) actively licensed captive insurance companies in the FSM. All of these captive insurance companies are Japanese companies domiciled and incorporated in the FSM. Exhibit 4 in this annual report shows the listing of these companies.

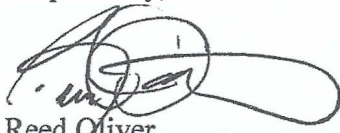
Over the years, both the conventional and captive insurance markets have been a significant source of local revenues for the national government and local governments. FSM National Government collect gross revenue taxes from licensed agents and collect corporate taxes from licensed captive insurance companies.

During the Year 2019, the board undertook the following activities and tasks:

- Three on-site examinations for captive insurance were performed and completed;
- In 2019, the board held five (5) regular meetings and had one (1) special meeting. In the same year, the Board reviewed and acted on thirty seven (37) business plan changes and two (2) applications for captive managers;
- The Board and Commissioner paid their courtesy call on H.E. President Panuelo and briefed the President on insurance issues and matters;
- In conjunction with the Banking Board, the Board and Commissioner visited Chuuk and Yap and held meetings and discussions with states leadership and members from the private sector on insurance issues and matters. On the way back, they met with interested FSM citizens in Guam for the same purpose, and
- The Chairman of the Board and Commissioner attended the 2019 Tokyo MRA Annual Seminar. Commissioner Sana had a presentation on the overview of the captive insurance operation in the FSM and the reporting requirements of the FSM Insurance law.

Lastly, on behalf of the Board and the entire staff, we would like to take this humble opportunity to express our profound appreciation to you and members of congress for the continued support over the years. Your support is greatly appreciated.

Respectfully,



Reed Oliver
Acting Chairman

xc: Vice President



Nakama Sana
Insurance Commissioner

2019 ANNUAL REPORT



FSM INSURANCE BOARD

VB Building No.1, Suite 2A
Pohn Umpomp Place, Nett, Pohnpei FM 96941
P.O. Box K-2980, Kolonia, Pohnpei, FM 96941
Tel: (691) 320-3423/5426
Fax: (691) 320-1523
Website: fsminsuranceboard.com

Contents

Executive Summary	2
Our Mandates:	2
Our Vision:.....	2
Our Mission:	2
Organizational and Functional Charts of the Insurance Board	3
The Insurance System of the FSM.....	4
Regular Insurance Market.....	5
Agents	5
Brokers.....	5
Solicitors	5
Exhibit 1: Conventional Insurance Market Participants.....	6
Exhibit 2: Financial Performance of the Regular Insurance Industry	7
Captive Insurance Market.....	10
Exhibit 3: Historical Recap of Captive Insurance Licensing Activity	11
Exhibit 4: Domestically Licensed Captive Insurance Companies as of December 31, 2019	11
Exhibit 5: Aggregate Financial Highlights of Captive Insurance Market as of December 31,..	12
Activities of the Insurance Board.....	14
Overview of the FSM Insurance Board’s FY2019 Budget.....	15

Executive Summary

This is our annual report for the year ended December 31, 2019. It is hereby submitted pursuant to Title 37, Section 205 of the FSM Code (FSMC). This Report contains information and data on the general condition and status of the insurance system in the Federated States of Micronesia, and other matters covering insurance which includes the activities of the Insurance Board for the year ended December 31, 2019. The Report is available to the general public and can be downloaded from our website which is www.fsminsuranceboard.com. Hard copies are available at our office which is located in Nett, Pohnpei.

The insurance system is an important component of our overall financial sector in the FSM. Insurance supports a stable economic and social environment by:

1. Providing insured individuals, businesses and other organizations with financial protection from potential losses due to unforeseen or unexpected events;
2. Employment of local professionals that are necessary to properly service and administer various insurance products, and
3. Direct and indirect local taxes and fees generated by insurance companies and their respective service providers.

Our Mandates:

The mandates of the Board or Commission are specified in Section 204 of 37 FSMC. They are:

- To regulate insurance business;
- To undertake the licensing and supervision of insurers, insurance agents, insurance brokers, and insurance solicitors;
- To protect the interests of policyholders; and
- To promote the soundness, stability and development of the insurance system in the FSM.

Our Vision:

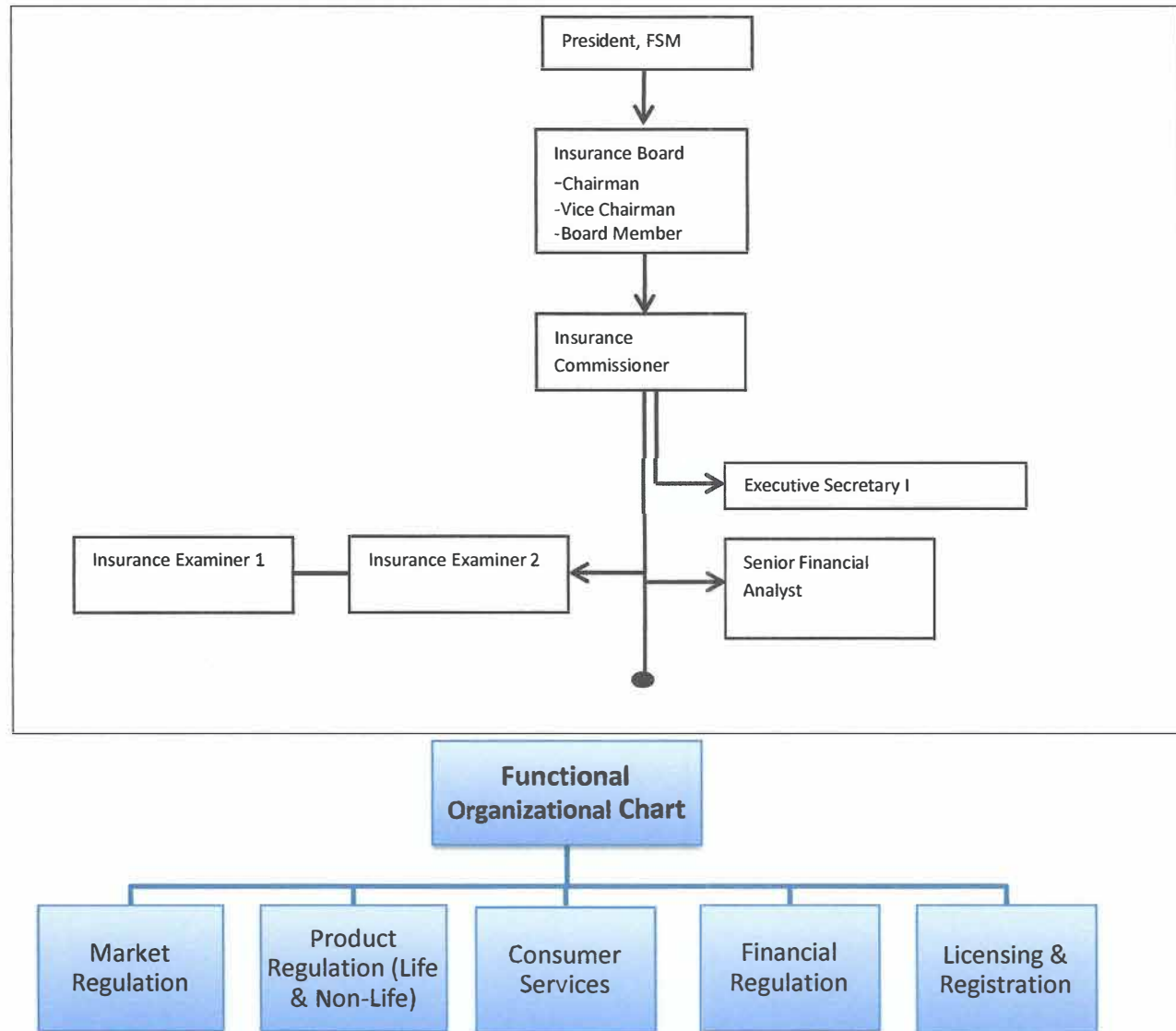
Our Vision is to ensure a confident, stable, sound and healthy FSM insurance market system that is consistent with acceptable and prudential principles for the insuring public, insurers and intermediaries.

Our Mission:

Our Mission is to equitably and efficiently administer and implement the FSM Insurance Act of 2006 or 37 FSM Code and accompanying regulations keeping in mind our four principal duties. In respect to our regulatory functions, we strive to develop and establish practical and acceptable key standards to ensure a stable, sound, healthy, responsible and functioning insurance industry for the insuring public, policyholders, insurers, agents and other intermediaries. In respect to our

licensing authority, we strive to provide transparent and quality service in helping local, regional and international business to understand and meet licensing and reporting responsibilities by applying the insurance laws and regulations with fairness and integrity to all.

Organizational and Functional Charts of the Insurance Board



1. To ensure fairness and reasonableness in products and trade practices, rates are not too excessive, processing complaints in respect to trade practices, verification of claim handling, and other market conduct related issues.
2. Ensure insurance products are consistent with statutory, regulatory and prudential requirements in respect to contents, terms, standards, forms, and other specifications. Ensure and verify rates, forms and policy substance and conditions are fair, reasonable, compliance with legal/regulatory/prudential requirements.

3. Process complaints and undertake public education activities so policyholders, public, insurers, and intermediaries are well informed.
4. Compile financial and statistical data as an integral element in the monitoring process to ensure the reliability and financial soundness, safety and health of insurance companies and intermediaries, making sure annual and quarterly financial reports are filed and analyzed on a timely basis. Compilation and analysis of key data to determine conditions in respect to capital adequacy, risk based profile, corporate and management quality, reinsurance, loss reserve adequacy, investment soundness, liquidity and solvency margin, risk based capital, accounting methods, underwriting, etc.
5. Assist applicants to ensure applications are completed prior to filing and licensure. Ensure licensees comply with statutory, regulatory, and conditions of license. To monitor license conditions, assess and impose fines, etc.

During fiscal year 2019, Nakama Sana was the appointed and sitting Insurance Commissioner and the members of the Insurance Board were as follow:

Name of Board Member	No. of Years	Term of Office
Alexander Narruhn	11 years	Confirmed 04/4/2008
Joe Habuchmai	10 years	Confirmed 12/9/2009
Reed Oliver	06 years	Confirmed 01/22/2013

The FSM Insurance Board is a regulatory agency of the national government and headed by the Commissioner and under the supervision and oversight of the Board. The Board implements Title 37 of the FSMC. In 2006, the FSM Insurance Law was amended to include legislation for captive insurance. Pursuant to Title 37 as amended, the Board oversees and regulates two types of insurance. They are the regular or conventional insurance and captive insurance.

The Insurance System of the FSM

The FSM Insurance market is comprised of two distinct sectors: (1) regular or conventional insurance, and (2) captive insurance. The conventional insurance market is primarily comprised of insurance companies and their agents and insurance brokers and solicitors. The conventional insurance market sells both life and non-life insurance products. Examples of life are life and/or health insurance policies. Examples of non-life policies are homeowners' policies, automobile policies, fire policies, marine and cargo policies, workers' compensation and other lines of coverage.

Regular Insurance Market

The regular or conventional insurance system in the FSM is dominated by foreign insurers. As of year ended December 31, 2019, there were six (6) registered foreign insurers, three (3) licensed insurance agents, two (2) licensed insurance brokers, and no licensed solicitors. During the same calendar year, license for a domestic insurer has expired and has resubmitted a request for review and reconsideration. **Exhibit 1** below shows a listing of currently registered foreign insurers, licensed insurance agents, and insurance brokers during year ended December 31, 2019.

By law, MiCare which is a government owned and operated health insurance provider (carrier) is not under the regulatory and supervisory purview of the Board.

A foreign insurer is an insurance company licensed to conduct insurance business by a jurisdiction other than the FSM and is registered under Section 307 of Title 37 of the FSMC to undertake insurance business in the FSM. Per Section 301 of Title 37 of the FSMC, a foreign insurer who receives two million dollars or more in income from premiums collected in the Federated States of Micronesia in a fiscal year for three consecutive fiscal years shall be required and eligible to become licensed as an insurer. During year ended 2019, there were six (6) registered foreign insurance carriers. *(See tables under **Exhibit 1** for detailed information)*

Agents

Section 102 [3] of Title 37 of FSMC, an agent is defined as “a person with the authority of an insurer to solicit application, receive proposals, receive premiums, deliver policies, and to make contracts of insurance.” The Insurance Act further requires that only agents transacting insurance business on behalf of licensed or registered insurer shall be eligible for a license and may conduct business on behalf of more than one insurer. However, the agent must apply for a separate license as an insurance agent for each insurer or carrier. During year 2019, there were three (3) licensed agents. During the same fiscal year, there was one pending and incomplete application for an agent. *(See tables under **Exhibit 1** for detailed information)*

Brokers

Section 102 [5] of Title 37 of FSMC, a broker is defined as “a person who acts on behalf of a prospective customer and with the prospective customer’s authority to arrange insurance business with insurers, including making proposals and paying premiums.” Brokers represent the customers who are the insured. Agents represent insurers or carriers. During year 2019, there were two (2) licensed brokers. *(See tables under **Exhibit 1** for detailed information)*

Solicitors

A solicitor is 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, or insurance agent, nor an employee of an insurer or agent. During fiscal year 2019, there were no licensed solicitors in the FSM.

Exhibit 1: Conventional Insurance Market Participants

Table 1:Foreign Insurers				
Name of Insure	Registration / License Status	AM Best Rating	Home domicile	Appointed Local Agent
DB Insurance Company, Ltd. (Guam)	Active	Financial Strength: A Category: XV (\$2b or greater)	South Korea / Guam	Moylan’s Insurance Underwriters (FSM), Inc.
First Net Insurance Company	Active	Financial Strength: B++ Category: V(\$10-25m)	Guam	Moylan’s Insurance Underwriters (FSM), Inc.
Liberty Mutual Insurance Company	Active	Financial Strength: A Category: XV (\$2b or greater)	USA	Moylan’s Insurance Underwriters (FSM), Inc.
NetCare Life and Health Insurance Company	Active	NOT RATED	Guam	Moylan’s Insurance Underwriters (FSM), Inc.
Pacific Indemnity Insurance Company	Active	Financial Strength: A- Category: V (\$10-\$25m)	Guam	Actouka Executive Insurance Underwriters
Plateau Insurance Company	Active	Financial Strength: A- Category: V(\$10m-\$25m)	USA	Bank of FSM (BFSM)
<u>Agents</u>				
Name of Agent		License Status	Insurer Appointments	
Actouka Executive Insurance Underwriters		Active	Pacific Indemnity Insurance Company	
Bank of the Federated States of Micronesia		Active	Plateau Insurance Company	
Moylan’s Insurance Underwriters (FSM), Inc.		Active	First Net Insurance Co.; Net Care Life and Health Insurance Co.; Liberty Mutual Insurance Company and DB Insurance Co.	
<u>Brokers</u>				
Name of Broker		License Status		
Oceania Insurance Company		Active		
Micronesia Insurance Brokers Company, Ltd.		Active		

Exhibit 2: Financial Performance of the Regular Insurance Industry

Based on submitted and reported data, the conventional insurance sector generated a total premium collection of \$3,221,442 for life and non-life for the year ended 2019. A total of 4,079 life and non-life policies were sold through the local agents in 2019. Commission earned from life and non-life policies was \$462,793 by agents and \$313,432 by brokers. Below shows the data for number of policies sold, number of claims filed and paid, and the amount of premium collected for Life and Non-Life based on submitted and available data. One registered foreign carrier did not submit data and therefore not included in this report.

Table 2a: Data from Life Business

Coverage	No. of New Policies Sold	Existing Policies in Effect	No. of Participants for Group Policies	No. of Claims Filed	No. of Claims Paid	No. of Claims Outstanding
Annuity	-	-	-	-	-	-
Cancer/Heart Stroke	-	-	-	-	-	-
Credit Life	1,047	1,920	-	797	754	172
Group Life	-	-	-	-	-	-
Ordinary	-	246	-	1	2	(1)
Others: (specify below)						
TOTAL	1,047	2,166	-	798	756	171

Table 2b:

Coverage	Premiums collected for New Policies Sold	Premiums Collected for Existing Policies	Amount of Claims Incurred	Amount of Claims Paid	Amount of Claims Outstanding
Annuity	\$ -	\$ 3,948.00	\$ -	\$ -	\$ -
Cancer/Heart Stroke	-	-	-	-	-
Credit Life	10,853.95	289,189.88	153,611.51	197,956.79	22,431.96
Group Life	-	-	-	-	-
Ordinary	-	104,627.00	17,080.00	28,820.00	6,641.00
Others: (specify below)					
TOTAL	\$ 10,853.95	\$ 397,764.88	\$ 170,691.51	\$226,776.79	\$ 29,072.96

Table 3a: Data from Non-Life Business

<u>Coverage</u>	<u>No. of New Policies Sold</u>	<u>No. of Existing Policies in Effect</u>	<u>No. of Claims Filed</u>	<u>No. of Claims Paid</u>	<u>No. of Outstanding Claims</u>
Accident & Health	44	72	7	7	-
Automobile	105	192	24	24	8
Aviation	-	3	-	-	-
Building and Content	-	-	-	-	-
Burglary	-	5	-	-	-
Comp. Business Package	1	20	1	1	-
Crime	-	1	-	-	-
Earthquake	-	4	-	-	-
Fidelity	-	-	-	-	-
Fire	14	110	-	-	-
General Liability	8	31	1	1	-
Homeowners	-	9	-	-	-
Marine Cargo	6	3	-	-	-
Marine Hull	2	6	-	-	-
Miscellaneous	-	-	-	-	-
Multi-Peril	-	-	-	-	-
Property	3	32	-	-	-
Special Risk	-	-	-	-	-
Surety	1	2	-	-	-
Travel	106	-	-	-	-
Worker's Comp	14	60	8	8	1
Others: (specify below)					
Contractor's All-Risk	1	-	-	-	-
Typhoon (Allied)	-	11	-	1	-
TOTAL	305	561	41	42	9

Table 3b:

<u>Coverage</u>	<u>Premiums collected for New Policies Sold</u>	<u>Premiums Collected for Existing Policies</u>	<u>Amount of Claims Incurred</u>	<u>Amount of Claims Paid</u>	<u>Amount of Claims Outstanding</u>
Accident & Health	\$ 4,114.55	\$ 38,091.58	\$ 4,650.01	\$ 4,650.01	\$ -
Automobile	55,150.35	384,618.89	38,484.89	53,836.49	24,543.40
Aviation	-	111,527.47	-	-	-
Building and Content	-	-	-	-	-
Burglary	-	1,523.85	-	-	-
Comp. Business Package	202,765.00	276,919.90	-	-	-
Crime	-	1,440.00	-	-	-
Earthquake	-	960.00	-	-	-
Fidelity	-	-	-	-	-
Fire	31,074.78	407,003.41	-	-	-
General Liability	22,617.32	140,230.10	1,300.00	1,300.00	-
Homeowners	-	2,055.40	-	-	-
Marine Cargo	4,281.08	33,388.12	-	-	-
Marine Hull	7,457.93	593,052.31	-	-	-
Miscellaneous	-	-	-	-	-
Multi-Peril	-	-	-	-	-
Property	1,857.00	80,073.00	-	-	-
Special Risk	-	-	-	-	-
Surety	9,981.00	14,432.85	-	-	-
Travel	5,933.00	160.00	-	-	-
Worker's Comp	12,394.16	325,232.11	16,064.38	12,302.25	1,793.13
Others: (specify below)					
Contractor's All-Risk	-	-	-	-	-
Typhoon (Allied)	-	44,488.00	2,500.00	-	-
TOTAL	\$ 357,626.17	\$ 2,455,196.99	\$ 57,999.28	\$ 72,088.75	\$ 26,336.53

Table 4: 2019 Earned Commissions

Year 2019			
Commissions	Life	Non-Life	Total
Agent's Commissions		\$ 462,792.51	\$ 462,792.51
Broker's Commissions	69,539.66	243,892.81	313,432.47
Total	\$ 69,539.66	\$ 706,685.32	\$ 776,224.98

Captive Insurance Market

The captive insurance market continues to dominate the FSM insurance market in terms of the number of domestically licensed insurers, volume of insurance business, and contributions to FSM's local and national economies. Based on data submitted and available, more than \$600 million in reinsurance premium were collected during year ended December 31, 2019 with a total of one hundred twelve (112) policies sold. Of this amount, \$16 million were ceded.

Captive insurance companies are owned by a business or organization, and may only insure the risks of its owners and/or affiliates. As a result, unlike conventional insurers, captives are very specialized insurance companies that are not allowed to provide insurance to the general public or unrelated insureds. The specific design and funding structure of each captive insurance company are unique and proprietary to each captive owner, and treated as confidential pursuant to Section 1004 of Title 37 FSMC. As a result, regulatory oversight requires specific understanding and tailored surveillance and monitoring procedures for each captive licensee.

FSM domiciled captive insurance companies are currently exclusively owned by large profitable Japanese-based companies, of which approximately 60% are registered as publicly traded companies in major stock markets in Japan, United States and other established markets.

Since the enactment of FSM's captive insurance law in 2006, 27 captive insurance licenses have been issued through 2018, and 2 licenses were voluntarily terminated in 2018-2019 bringing the total actively licensed captives at the end of 2019 to 25. The terminations are the result of changes in the risk financing strategies of the captive's parent company. The decline in net licenses issued in 2018-2019 is consistent with the trend of other captive insurance jurisdictions and is generally due to increased competition from more captive domiciles, and changes in captive owner's tax and/or operating environments that reduce the efficiencies of utilizing a captive insurance program. **Exhibit 3** is a graphical presentation of captive licensing activity through 2019.

Exhibit 3: Historical Recap of Captive Insurance Licensing Activity

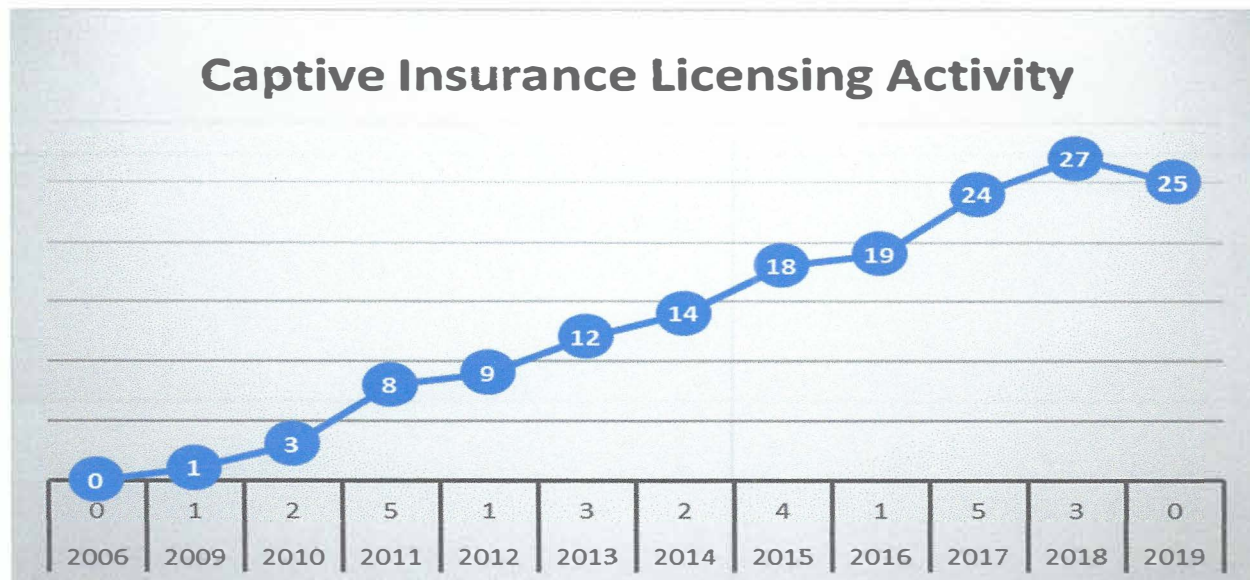


Exhibit 4: Domestically Licensed Captive Insurance Companies as of December 31, 2019

<u>Captive Insurance Company</u>	<u>License Date</u>
ABLE Overseas Reinsurance Company, Ltd.	November 1, 2011
au Reinsurance Corporation	December 23, 2016
Eastern Pacific Insurance, Ltd.	October 29, 2013
Global Micronesia Insurance Corporation	May 29, 2015
Grand Cru Insurance Company Limited	February 20, 2018
Green Sun Insurance, Inc.	March 16, 2015
Hanwa Reinsurance Corporation	December 15, 2017
HS Insurance Co., Ltd.	February 16, 2017
Island Reinsurance Corporation	June 23, 2011
IX Micronesia Reinsurance Corporation	February 1, 2018
Marble Reinsurance Corporation	September 23, 2009
MP Insurance Corporation	June 28, 2013
Mutual Service Aid Guarantee Insurance Corporation	August 22, 2014
Nitto Reinsurance Micronesia Co., Ltd.	July 18, 2017
NRI Reinsurance Micronesia Ltd.	July 27, 2017

Permcore Insurance Co., Ltd.	March 1, 2010
Rainbowseeker Insurance, Inc.	March 29, 2011
SKK Insurance Company Limited	March 13, 2018
Sojitz Reinsurance Company Limited	September 16, 2015
Sumida Insurance Company	December 23, 2015
TamaHome Insurance Co., Ltd.	June 23, 2014
Thanks Insurance Corporation	April 24, 2012
Toyota Tsusho Reinsurance Micronesia Corporation	September 28, 2010
TriFork Reinsurance Corporation	June 25, 2013
Watanabe Reinsurance Micronesia Corporation	October 20, 2017

Owners of FSM licensed captive insurance companies operate in a diverse range of domestic and international markets and industries including but not limited to the following categories:

- Trade and Commerce
- Financial Services
- Real Estate and Construction
- Manufacturing
- Transportation
- Information Technology and Communications

The strong financial condition and stable performance of captives continue to dominate the FSM insurance sector. Following is an aggregated summary of the financial highlights of the FSM captive insurance industry as reported by licensees for their respective fiscal years ending in 2018 and 2017. The aggregated 2019 results are not available at this time because some of the captives with fiscal year ends in December 2019 are not required to file their respective audited financial information until June 2020.

Exhibit 5: Aggregate Financial Highlights of Captive Insurance Market as of December 31,

	<u>2018</u>	<u>2017</u>
Combined Cash and Investments	\$ 441,865,005	\$ 293,418,777
Combined Total Assets	\$ 665,626,050	\$ 370,868,542
Combined Total Capital and Surplus	\$ 402,663,435	\$ 253,911,233
Combined Total Premium Earned	\$ 476,285,302	\$ 152,080,443

The captive insurance market is a relatively *clean* industry that provides significant tangible and intangible benefits to the FSM Government and its citizens. Corporate income and premium tax collections represent the most significant benefit with approximately \$7.9 million collected during the fiscal year ended September 30, 2019, and \$7.8 million for fiscal year ended September 30, 2018 after fees to MRA. The formula for the distribution is 60% of the whole profit goes to the FSM Government and 40% goes to MRA as stated in the partnership agreement. As reported by MRA, the Captive Insurance Business in the FSM has contributed approximately \$40.7 million in to the economy since inception thru FYE 2019.

All captives are required by Section 1003 of Title 37 FSMC to maintain a principal local office, designate a local principal representative and physically hold its annual board of directors meeting in the FSM. The local expenditures incurred for these requirements include payments directly made to professional services providers like attorneys, captive managers, as well as, FSM's hospitality industry that include hotels, rental car companies, restaurants, and other related services. These direct expenditures in turn flow into other sectors of the local economy through wages, rents, taxes and other expenses.

Prudent regulatory oversight of the captive insurance industry and administration of applicable laws require consistent and timely actions by the FSM Insurance Commissioner and his staff. Based on available information for the year ended December 31, 2019, there were approximately 4-8 new requests that were filed with the Insurance Commissioner each month, as well as, mandated annual financial filings and reports made by each licensed captive. Depending on the nature of the request or filing, the Insurance Commissioner and his staff undertake different kinds of quantitative and qualitative evaluations and activities which include, but are not limited to the following:

- Review and analysis of mandated annual filings made by each captive licensee
- Evaluation of new captive insurance company applications, and voluntary terminations
- Evaluation and approval or disapproval of business plan changes to operations, funding, governance, underwriting criteria, service providers, and any other material changes to the application and business plan that was initially approved by the Insurance Board and Insurance Commissioner.
- Coordination and/or administration of regulatory examinations

Two new captive managers were approved in 2019. At the end of year 2019, there were eight (8) active licensed captive managers.

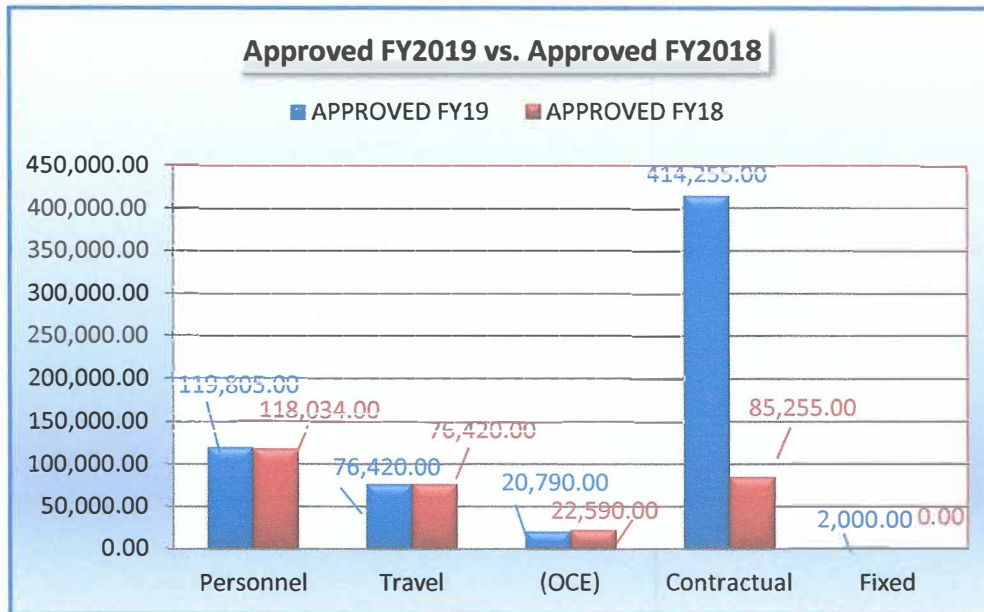
Activities of the Insurance Board

During year ended December 31, 2019, the Board performed and accomplished the following tasks and activities:

- Held five regular meetings and had one special meeting;
- During these meetings, Board reviewed and approved thirty seven (37) business plan changes and issued two licenses (2) for two captive managers;
- Board and with the assistance of Micronesia Registration Advisors (MRA), recruited a captive insurance consultant whose main duties were to assist the staff in reviewing technical requests and proposals from licensed captive insurers, review captive insurance licensing applications, and to provide training sessions and capacity building for staff, and other technical supports;
- Also during the same year, the Board and the Commissioner in conjunction with the Banking Board visited Chuuk and Yap and gave briefings on insurance matters. Both boards also met with interested FSM Citizens residing in Guam and gave updates on banking and insurance;
- Board Chairman, Commissioner and the Captive Insurance Consultant participated in the MRA Tokyo Annual meeting which brought together regulators, captive insurers, captive managers, actuaries and other stakeholders. The Commissioner of the Office had a presentation during the seminar session which gave an overview and update of the captive insurance in the FSM;
- Three (3) on-site examinations of captive insurers were completed and three were initiated, and
- Secured a contract with an IT Expert to improve and strengthen uses, filing, storage and security of data and information.

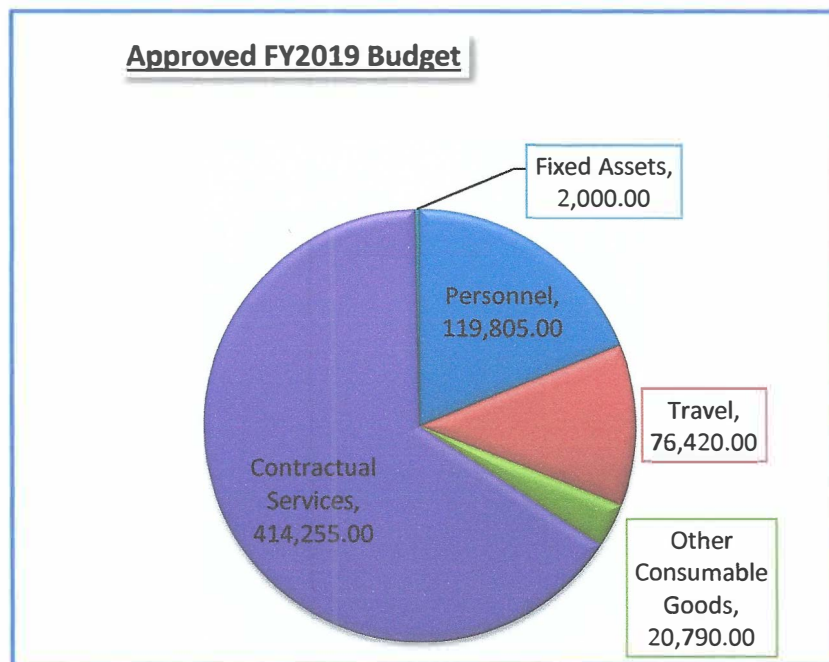
Overview of the FSM Insurance Board's FY2019 Budget

Our approved operational budget for fiscal year 2019 has increased by 109% as compared to fiscal year 2018 approved budget. The increases were mainly in Contractual solely for Contract for a professional Consultant Below are summaries of our fiscal year 2019 approved budget in summary tables and graphic illustration:



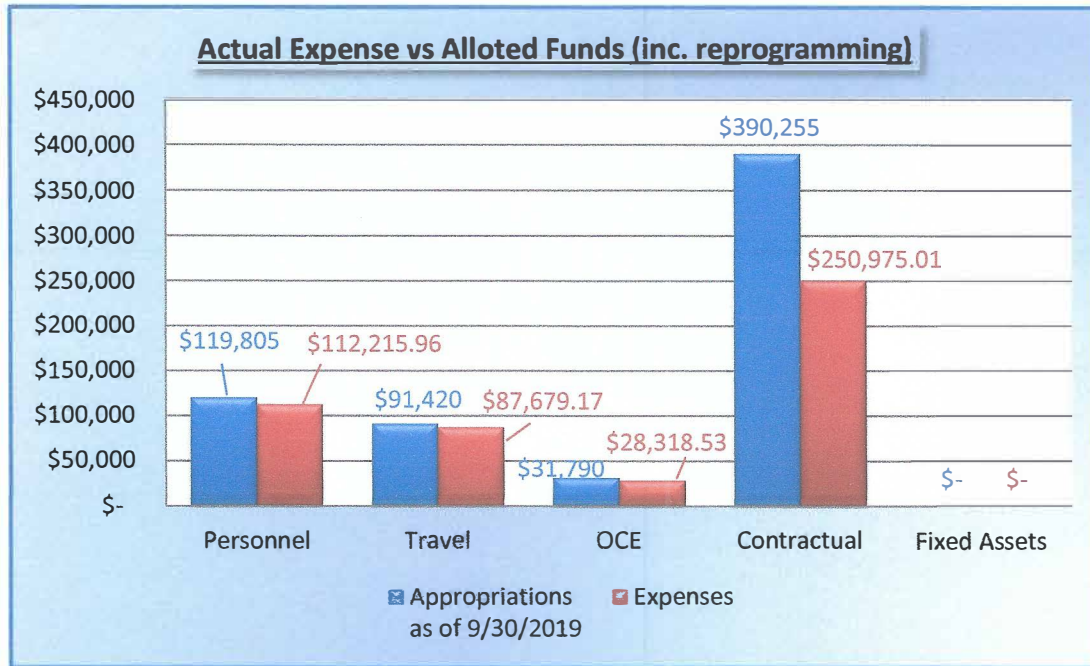
Proposed/Appropriation:

The operation of the Board was funded by Congress appropriation in the amount of \$633,270 for FY2019. Personnel accounted for 19.0% of the approved Budget, followed by Travel 12%, Other Consumable Expenses (OCE) at 3%, Contractual Services accounted as the largest amount with 65.42%, and then Fixed Asset 0.32% of the overall FY2019 Budget. The appropriations per category remained unchanged at the proposed level.



Actual Expense vs. Appropriation/Allotment

Reprogramming of funds among Contractual, Fixed Assets, Other Current Expenditures (OCE) and Travel Services took place to accommodate for operational and Travel needs; also to pay off encumbrances from previous years. Chart below shows expenses incurred in FY2019 vs Allotted Fund, inclusive of reprogrammed amounts.





Courtesy call on His Excellency President David Panuelo, June 2019



Courtesy call on Guam Governor, the Honorable Lourdes Leon Guererro, along with Banking Commissioner Mr. Giltamag, Chairman Narruhn, Vice Chairman Mr. Oliver; July 2019



Insurance Commissioner taking pictures with Mr. Steven Beeghly during one of his official visits to Pohnpei, 2019



Chairman Narruhn, Commissioner Sana, and Mr. Watanabe standing alongside Captive Insurance Company/Manager Officials; Tokyo, Japan; Captive Insurance Seminar 2019.



Insurance Commissioner, Mr. Watanabe, and staff taking pictures with captive insurance company officials; Nett, Pohnpei.





Insurance Board Meeting, with Legal Counsel Mr. Bacalando, 2020



Insurance Board Meeting, with Legal Counsel Josephine Joseph, 2019