

# Federated States of Micronesia

Micronesia is particularly appreciated by captive owners with operations in the Asia Pacific region, especially in Japan due to its proximity and the tax treaty between the two countries, as well as Micronesia's stable, strong regulatory structure.

As of 31 December 2016, there were 19 captive insurance companies licensed in Micronesia. It has statutory authority to captive insurance/reinsurance companies as follows:

- Class 1: Single-parent
- Class 2: Parents and affiliates, associations, and related third-party business
- Class 3: Multiple corporate captive entity (akin to cell structures)

The initial minimum capital for Class 1, Class 2 and Class 3 core members is USD 1 million. Capital can be in the form of cash, letters of credit, investments pursuant to certain provisions, or any other security deemed appropriate by the commissioner. Applicants are encouraged to capitalise their captives as early as possible after incorporation. Issuance of a licence is also contingent upon presentation of authentic documentation from a bank that the applicant has in fact met the minimum capitalisation requirement.

Class 3 insurers consist of one or more corporations organised, or with the intent to organise, as a group of corporate captive insurance companies under the laws of Micronesia, which require: (i) Each member captive is formed and owned by a different parent company for the purpose of insuring risks of its parent company or related third-party businesses, respectively; (ii) each member captive that make up the multiple corporate captive entity is deemed an individual captive insurance company; (iii) the core multiple corporate captive entity must be licensed first, before any of its member captives; and (iv) all member captive insurance companies are together deemed to constitute a group.

The core member captive insurance companies must hold at least 5 percent in shares in each other, each member must permit one or more directors from the core member captive on its board of directors, the core must maintain a minimum paid in capital and surplus of at least USD 1 million, and each member must maintain a minimum paid in capital and surplus of at least USD 100,000.

Redomestication are allowed, although the process is slightly different to incorporation of a new captive insurance company, so applicants are encouraged to contact the regulator to find out more.

More information on captive insurance in Micronesia is available at [www.fsmininsuranceboard.com](http://www.fsmininsuranceboard.com).



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