

CHAPTER 4

Policies

SECTIONS

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Editor's note: Section 41 of PL 14-66 enacted new chapter 4 of this title entitled Policies.

§ 401. Disclosures to policy-owners.

(1) A policy-owner must be provided with a copy of the policy within 30 days of it coming into effect.

(2) An insurer shall, at the request of the policy-owner, furnish the policy owner free of charge with a copy of the relevant financial statements prepared by the insurer to meet the reporting requirements of this subtitle, and shall make available for inspection, at the request of the policy-owner, a copy of the last actuarial report.

Source: PL 14-66 § 47/42.

Editor's note: PL 14-66 contained overlapping section numbers by repeating section numbers 22-26. The first section number in the source of this section represents what the correct section number should have been and the second section number represents the actual section number in PL 14-66.

§ 402. Policy contents.

(1) A policy must be written in the English language and printed or typed in clearly legible letters, in ten point type or larger.

(2) The policy must contain:

- (a) the parties between whom the contract is made;
- (b) a description of the property, life or interest insured;

(c) the interest of the insured and other interested parties;

(d) the period during with such insurance is to continue;

(e) either a statement of the premium or if insurance is of a character where the exact premium is only determinable upon a termination of the contract, a statement of the basis and rates upon which the final premium is to be determined and paid, with all amounts stated in US dollars.

(3) The policy shall be signed by two of the major officers of the insurer as designated by the insurer and, in the case where the insurer is represented by an agent, by the agent.

(4) The Insurance Board shall establish through regulations other requirements for policy contents and review by the Insurance Board of policy forms.

Source: PL 14-66 § 48/43; PL 14-87 § 23.

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§ 403. Policy not invalid owing to failure to comply with law.

A policy issued by any person, whether before, on, or after the coming into force of this subtitle shall not be invalid by reason only that such person contravened or failed to comply with the provisions of any law or regulation applying to that policy.

Source: PL 14-66 § 49/44.

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§ 404. Cancellation of policies.

(1) No policy shall be liable to cancellation except in accordance with the provisions of this section.

(2) A policy other than a life insurance policy may be cancelled at any time by the policy-owner after giving to the insurer not less than 30 days' notice in writing of the proposed cancellation by service in accordance with the provisions of this subtitle, and the insurer shall, upon the surrendering of the policy, refund the excess of any premiums paid over and above the *pro-rata* premium for the period when the policy has been in force.

(3) A policy other than a life insurance policy may be cancelled at any time by an insurer after giving to the policy-owner named therein not less than 90 days' notice in writing of the proposed cancellation by personal service or

by certified mail and upon refunding to the insured the excess of paid premium over and above the *pro-rata* premium for the time the policy has been in force, which refund shall accompany the notice.

(4) Notwithstanding the provisions of subsections (2) and (3) of this section, the policy-owner and the insurer may agree at the time any policy of insurance referred to therein is issued that the same shall be incapable of cancellation, provided that a clause to such effect is included in the policy.

(5) A life insurance policy may be cancelled by the insurer in the event of non-payment of any renewal premiums due but only after notice in writing specifying the default and the intention of the insurer to cancel the policy has been given to the insured by personal service or by certified mail; provided that the insurer may not cancel the life insurance policy if full payment is made within ten days of receipt of the notice; provided further that a life insurance policy shall not be cancelled by reason only of the non-payment of a premium unless at least 28 days have elapsed since the premium became due.

(6) Any policy of insurance may be cancelled by the prior mutual consent in writing of the insurer and the policy-owner.

Source: PL 14-66 § 50/45.

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§ 405. Jurisdiction of domestic courts.

Any provision contained in a domestic policy whereby the jurisdiction of the courts in the Federated States of Micronesia is in any way circumscribed or avoided shall to that extent be of no effect; however, this section does not limit the inclusion of provisions in domestic policies requiring alternative dispute resolution prior to court action.

Source: PL 14-66 § 51/46.

Cross-reference: The statutory provisions on the FSM Supreme Court and the Judiciary are found in title 4 of this code.

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§ 406. Claim settlement practices.

The following acts are prohibited as unfair claim settlement practices. Knowingly engaging in any of these acts shall be found to be a violation of this subtitle.

- (1) Misrepresenting to claimants pertinent facts or policy provisions relating to coverage at issue;
- (2) Failing to promptly acknowledge pertinent communications regarding claims;
- (3) Failing to adopt and implement standards for the prompt investigation of claims;
- (4) Not attempting in good faith to effectuate prompt, fair and equitable settlements of claims submitted in which liability has become reasonably clear; or
- (5) Compelling policyholders to institute suits to recover amounts due under its policies by offering substantially less than the amount ultimately recovered in suits brought by them.

Source: PL 14-87 § 24.