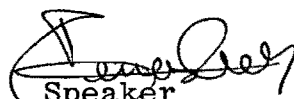


I HEREBY CERTIFY that the attached document is a fair print of an Act entitled the Insurance Act, 1974 that has been made by Parliament and is now presented to the Speaker for his Certificate under Article 47 of the Constitution.



Clerk of Parliament  
23/7/'74

Pursuant to Article 35 (3) and 47 of the Constitution, I, KENAS AROI, Speaker of Parliament, HEREBY CERTIFY that the Insurance Act, 1974 a copy of which is attached has been passed by Parliament.



Speaker  
23/7/'74

REPUBLIC OF NAURU

INSURANCE ACT 1974

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REPUBLIC OF NAURU  
(No. 6 of 1974)

AN ACT

To establish the Nauru Insurance Corporation and to make provision relating to the carrying-on of the businesses of insurance and re-insurance in Nauru.

(Certified : 23/7/1974 )

Enacted by the Parliament of Nauru as follows :

PART I - PRELIMINARY

SHORT TITLE AND COMMENCEMENT

1. This Act may be cited as the Insurance Act 1974 and shall come into force on a date to be notified by the Minister in the Gazette after consultation with the Council.

INTERPRETATION

2. In this Act, unless the context otherwise requires -
- "corporation" means a corporation incorporated in Nauru or registered under section 15A of the Corporation Act 1972;
  - "foreign corporation" means a corporation incorporated elsewhere than in Nauru;
  - "licensee" means a corporation or foreign corporation licensed under subsection (3) of section 31 of this Act to carry on in Nauru the business of re-insurance;
  - "officer" includes, in respect of the Corporation, a member of the Board and an acting member of the Board and, in respect of any other corporation or foreign corporation, a director of that corporation or foreign corporation;
  - "statutory corporation" includes the Nauru Phosphate Royalties Trust;
  - "the Board" means the Board of Directors of the Corporation appointed by the Council under section 6 of this

Act;  
"the Chairman" means the Chairman of the Board;  
"the Corporation" means the Nauru Insurance Corporation incorporated by section 3 of this Act;  
"the Managing Director" means the person appointed under section 17 of this Act to be the Managing Director of the Corporation.

## PART II - THE NAURU INSURANCE CORPORATION

### INCORPORATION OF THE NAURU INSURANCE CORPORATION

3. There is hereby incorporated a corporation by the name of the Nauru Insurance Corporation.

(2) The sole incorporator of the Corporation is and shall be deemed to be the Nauru Local Government Council.

(3) The Corporation is a body corporate with a corporate seal and perpetual succession.

(4) The Corporation may sue and be sued in and by its corporate name.

(5) The Corporation has the powers, rights, obligations, duties, facilities and functions set forth in the Schedule to this Act in addition to such as are set forth in the body of this Act.

(6) The provisions of the Corporation Act 1972 shall not apply to the Corporation except insofar as such provisions are expressly made applicable to the Corporation by this Act.

### CERTAIN OBLIGATIONS OF THE CORPORATION GUARANTEED BY THE REPUBLIC

4. (1) The liabilities of the Corporation in respect of its obligations to assured persons arising out of its contracts of insurance or re-insurance are hereby guaranteed by the Republic; any payment which it may be necessary for the Republic to make in order to discharge its obligations under this subsection shall be made from, and be a charge upon, the Treasury Fund.

(2) If the Corporation is unable at any time to discharge any such obligation as is referred to in the preceding subsection the Board shall inform the Minister in writing of the extent of that obligation and the reasons why the Corporation is unable to discharge it and shall supply him with all such information as he requires in order to be

satisfied as to those reasons.

(3) Before authorising the payment of any moneys from the Treasury Fund to discharge an obligation of the Corporation, the Minister shall require the Council to inform him in writing whether it will subscribe sufficient additional moneys as the capital of the Corporation in order that the Corporation may be able to discharge that obligation but, unless the Council informs him in writing within seven days of the date on which such requirement is made that it will do so within two weeks of that date and subscribes those additional moneys within that period, the Minister shall authorise the payment of sufficient moneys from the Treasury Fund to the person to whom the Corporation is so obligated in discharge of that obligation and the moneys shall be paid out of the Treasury Fund to that person forthwith.

(4) If the Council, having been required by the Minister to inform him whether it will subscribe sufficient additional moneys as the capital of the Corporation, informs him in writing within seven days of the date on which such requirement is made that it will do so within two weeks of that date and subscribes those additional moneys within that period, the Minister shall not authorise the payment of any moneys from the Treasury Fund to discharge that obligation of the Corporation.

(5) Where the Minister authorises under this section the payment of any moneys for the discharge of any obligation of the Corporation, he shall, on the first sitting day of Parliament thereafter, report to Parliament the amount of money authorised to be paid and the reasons, as ascertained by him, why the Corporation was unable to discharge that obligation.

(6) Where any moneys are paid out of the Treasury Fund for the discharge of any obligation of the Corporation, the Republic shall recover from the Council the amount of the moneys so paid; the assets of the Nauru Royalty Fund and the Nauru Development Fund shall, immediately upon the moneys being paid out of the Treasury Fund, become charged in favour of the Republic and, if the Council does not pay to the Republic within two months thereafter the amount of the moneys so paid, the Republic may recover it from the assets of those funds.

(7) In the last preceding subsection reference to the assets of the Nauru Royalty Fund and the Nauru Development Fund includes assets received into those funds after the date

on which the moneys are paid by the Republic to discharge the Corporation's obligation; and assets so received shall upon such receipt become charged in favour of the Republic. The charge upon the assets of the funds shall remain until the Republic has recovered the full amount of the moneys paid by it to discharge the Corporation's obligation.

#### OBJECTS AND POWERS OF THE CORPORATION

5. (1) The objects of the Corporation are -
- (a) to carry on the business of insurance in Nauru and elsewhere;
  - (b) to carry on the business of re-insurance in Nauru and elsewhere;
  - (c) to act as the agent of a corporation or other person, whether such corporation or other person is resident in Nauru or not, in the carrying-on in Nauru by that corporation or other person of the business of insurance or the business of re-insurance or both such businesses;
  - (d) to advise the Minister on the exercise of his powers under this Act to regulate the carrying-on in Nauru of the businesses of insurance and re-insurance and on the issue of licences for the carrying-on in Nauru of the business of re-insurance;
  - (e) to supervise the carrying-on in Nauru of the business of re-insurance by corporations and foreign corporations for the purpose of ensuring their compliance with the laws of Nauru, with the terms and conditions of their licences to carry on such businesses and with their obligations to the Republic and to the Corporation.

(2) The Corporation has all such powers, and is entitled, through its officers, employees and agents to do all such things, as are necessary or convenient to enable it to pursue or to achieve any of its objects.

(3) Without prejudice to the generality of its powers under the last preceding subsection, the Corporation may and, if so required by the Minister, shall -

- (a) require any corporation or foreign corporation licensed under subsection (3) of section 31 to carry on in Nauru the business of re-insurance to give to it such information, including making available to an officer, employee or agent of the Corporation for inspection any book, record or other paper in its possession or under its control in such form and at such times as the Corporation

considers necessary or desirable for the pursuit or achievement of any of its objects; and

(b) where it has cause to believe or suspect that any information which it has required under the preceding paragraph to be given to it, by any corporation or foreign corporation is inaccurate or incomplete, inspect, by any of its officers or employees or by an agent, the books, records and other papers of that corporation or foreign corporation, or in its possession or under its control, including the reports of its auditors, and to enter any premises in Nauru and, upon giving a written acknowledgement of receipt thereof, to remove such books, records and papers to its own offices for such purpose; and the Corporation may and, if so directed by the Minister, shall inform the Minister of such information as it thereby obtains.

(4) Any power conferred on the Corporation by or by virtue of this section to inspect books, records or papers of a corporation or foreign corporation, or in its possession or under its control, includes a power -

(a) if the books, records or papers are inspected -

- (i) to take copies of them or extracts from them; and
- (ii) to require any person who is a present or past officer of, or is or was at any time employed by, the corporation or foreign corporation to provide an explanation of any of them; and

(b) if the books, records or other papers are not inspected, to require any such person as is referred to in the preceding paragraph to state to the best of his knowledge the details of their contents.

(5) Save for the purposes of proceedings in a Court in Nauru, information obtained by the Corporation as the result of the exercise of its powers under subsections (3) and (4) of this section shall not be disclosed by the Corporation to any person other than the Minister.

(6) Any officer, employee or agent of the Corporation who, save for the purpose of proceedings in a Court in Nauru, discloses to any person other than the Minister or, for the purpose of the proper performance by the Corporation of any of its functions or of the proper exercise of any of its powers, an officer, employee or agent of the Corporation any information obtained by the exercise of the powers conferred on the Corporation by subsections (3) and (4) of this section is guilty of an offence and is liable to



imprisonment for three months.

#### THE BOARD OF DIRECTORS OF THE CORPORATION

6. (1) Subject to this Act, the business and the other activities of the Corporation shall be controlled by a Board of Directors appointed by the Council by notice in the Gazette, such Board being constituted by such number of persons, not being less than four, as the Council may from time to time determine.

(2) The Board may act notwithstanding a vacancy in its membership and the presence or participation of a person not entitled to be present at, or to participate in, the proceedings of the Board shall not invalidate those proceedings.

(3) Subject to the provisions of sections 11 and 12, a member of the Board shall hold office for such period, not exceeding four years, as is fixed by the Council in the notice of his appointment.

(4) Subject to subsection (2) of section 11, a member of the Board is eligible for reappointment.

(5) A member of the Board may be paid by the Corporation such allowances, and a member who is not the Managing Director or a public officer may be paid by the Corporation such fees, as the Council may from time to time determine.

#### ACTING MEMBERS OF THE BOARD

7. (1) Where any member of the Board is unable to perform his duties by reason of illness or because he has been granted leave of absence or for any other reason, the Head Chief or, if the Head Chief is not present in Nauru, the Secretary of the Council, may, by notice in the Gazette, appoint a person as an acting member to act in place of that member during his illness or absence.

(2) The appointment of an acting member shall terminate when the member in place of whom he is acting is again able to perform his duties.

(3) The Head Chief or, if the Head Chief is not present in Nauru, the Secretary of the Council, may, by notice in the Gazette, terminate the appointment of an acting member.

(4) An acting member may be paid such allowances and fees as the Council may from time to time determine.

#### THE CHAIRMAN OF THE BOARD

8. (1) The Council shall, by notice in the Gazette, appoint a member of the Board to be its Chairman.

(2) The Chairman shall exercise such powers and perform such functions as the Council prescribes by regulation.

(3) The Council may, by notice in the Gazette, revoke any appointment made under subsection (1) of any person to be the Chairman.

(4) If at any time the office of the Chairman is vacant or the Chairman is for any reason unable to exercise any of his powers or perform any of his functions, the Head Chief or, if the Head Chief is not present in Nauru, the Secretary of the Council, may, by an instrument in writing under his hand, nominate another person who is a member or an acting member of the Board to exercise or perform all of the Chairman's powers and functions or such of them as may be specified in that instrument for such period as may be specified therein, and may in similar manner revoke any such nomination:

Provided that, where at any meeting of the Board the Chairman is absent but there is a quorum present, the members and acting members present may appoint one of themselves to preside at that meeting, unless the Head Chief or the Secretary of the Council has nominated one of them to perform that function of the Chairman.

#### LEAVE OF ABSENCE

9. The Secretary of the Council may, upon such terms and conditions as, subject to any directions given to him by the Council, he determines, grant leave of absence to a member of the Board.

#### TERMS, ETC., OF APPOINTMENT OF MEMBERS OF THE BOARD

10. A member of the Board shall hold his appointment on such terms and conditions as may, from time to time, be determined by the Council.

#### TERMINATION OF APPOINTMENT OF MEMBERS OF THE BOARD

11. (1) The Council may, by notice in the Gazette, terminate summarily and without assigning a reason therefor the appointment of a member of the Board.

(2) Where a member -

(a) is adjudicated bankrupt or insolvent, applies to take the benefit of any law for the relief of bankrupt or

- insolvent debtors, compounds with his creditors or makes an assignment of his remuneration for their benefit;
- (b) is absent, except with leave of absence granted by the Secretary of the Council, from three successive meetings of the Board;
  - (c) fails to comply with his obligations under section 13;
  - (d) is considered by a medical board consisting of not less than three medical practitioners appointed by the Minister to be incapable by reason of ill-health, infirmity or injury of performing his duties efficiently; or
  - (e) is convicted of any offence involving fraud or dishonesty punishable on conviction by imprisonment for a period exceeding one year;

the Secretary of the Council shall, by notice in the Gazette, terminate the appointment of that member; and he shall thereafter be ineligible to be appointed to be a member or an acting member of the Board.

#### RESIGNATION

12. A member of the Board may resign from his office by notice given in writing to the Secretary of the Council and shall cease to be a member of the Board upon giving that notice or, subject to any prior termination of his appointment under section 11, at such later date as may be specified therein.

#### DISCLOSURE OF INTEREST

13. (1) A member of the Board who is, otherwise than as a public officer or member of the Council, directly or indirectly interested in a contract made or proposed to be made by the Corporation shall disclose the nature of his interest at a meeting of the Board as soon as possible after the relevant facts have come to his knowledge.

(2) A disclosure under the preceding subsection shall be recorded in the minutes of the Board and the member shall -

- (a) not take part in voting on a matter in respect of that contract; and
- (b) shall be disregarded for the purposes of constituting a quorum of the Board in that deliberation or decision.

#### MEETINGS OF THE BOARD

14. (1) The Board shall hold such meetings as, in

the opinion of the Chairman, are necessary for the conduct of its business.

(2) The Chairman shall, on the receipt of a direction from the Secretary of the Council or a written request signed by not less than two members, call a meeting of the Board not later than one month after he receives that direction or request.

(3) At a meeting of the Board three members shall constitute a quorum.

(4) Subject to section 8, the Chairman shall preside at meetings of the Board.

(5) The decision of the majority of the members and acting members present at a meeting and eligible to vote on any question requiring to be decided by the Board shall be the decision of the Board in respect of that question: Provided that, in the event of an equality of votes, the member or acting member presiding at the meeting shall, in addition to having a deliberative vote, also have a casting vote.

#### PLACE OF MEETINGS

15. (1) The Board shall meet at such place as it shall from time to time determine.

(2) Where the place for a meeting has not previously been determined, the meeting shall be held at a place appointed by the Chairman.

(3) The Board shall meet at the Head Office of the Corporation not less than once in each financial year.

#### HEAD OFFICE

16. (1) The Head Office of the Corporation shall be in Nauru.

(2) The Corporation may establish other offices at such places outside Nauru as the Board shall, with the approval of the Council, from time to time determine.

#### APPOINTMENT OF A MANAGING DIRECTOR

17. (1) The Council shall, as soon as possible after this Act comes into force, by notice in the Gazette appoint a member of the Board having suitable experience of the businesses of insurance and re-insurance to be the Managing Director of the Corporation.

(2) The Council may, by notice in the Gazette,

summarily and without assigning a reason therefor revoke any appointment made under the preceding subsection; where the person whose appointment has been revoked under this subsection would, if the appointment had not been revoked, have been entitled under the terms of a contract of service between himself and the Council or the Corporation to continue to be employed as the Managing Director of the Corporation for a further period after the date from which his appointment is revoked, he shall cease as from that date to be so employed but shall be entitled to be paid the salary of that office for that period:

Provided that nothing in this section shall be taken as entitling any person whose employment has been summarily terminated for misconduct or inefficiency to be paid a salary for any period after that termination.

(3) If the office of the Managing Director is vacant or the Managing Director is unable for any reason to exercise his powers or to perform his functions, the Head Chief or, if he is absent from Nauru, the Secretary of the Council may by an instrument in writing under his hand appoint a member of the Board, or an acting member, to exercise and perform all the powers and functions delegated to the Managing Director by the Board, or such of them as are specified in that instrument, for such period as may be specified therein, and may in similar manner revoke any such appointment.

(4) The Managing Director shall be the chief executive officer of the Corporation.

(5) The Board may from time to time delegate to the Managing Director, or to any member or acting member of the Board appointed by the Head Chief or the Secretary of the Council under subsection (3) to exercise and perform the functions of the Managing Director, such of its powers and functions under this Act as it determines:

Provided that the delegation of any of its powers or functions to the Managing Director or to any such member or acting member shall not preclude the Board from itself exercising those powers or functions.

(6) The Managing Director shall not, except with the prior written approval of the Secretary of the Council, in Nauru or elsewhere -

(a) accept or continue to hold, or to discharge the duties of, or be employed in, a paid office in connection with any banking, insurance, mining, mercantile or other commercial business, whether carried on by a corporation, company, firm or individual;

(b) engage in or undertake any such business, whether as principal or agent; or

(c) engage or continue in private practice of any profession, occupation or trade or enter into any employment, whether remunerative or not, with any corporation, company, firm or individual who or which is so engaged.

#### OFFICERS AND STAFF OF THE CORPORATION

18. (1) The Corporation may, subject to any directions given to it by the Council, -

(a) appoint, engage or employ, and

(b) apply such terms and conditions of service in respect of,

such officers and staff as the Board considers necessary or desirable for the conduct of the business, and the performance of the other functions, of the Corporation and may terminate their employment as required by the interests of the Corporation. Provided that the terms and conditions of service of officers and staff shall be subject to approval by the Council.

(2) Nothing in this section shall be taken as preventing the Corporation from obtaining the advice of experts in insurance or re-insurance and paying such persons proper fees for such advice:

Provided that no fee shall be payable to a member of the Board, except as provided for by section 6, or to any officer or employee of the Corporation.

#### SALARIES AND ALLOWANCES

19. The Managing Director and other officers and staff of the Corporation shall be paid such salaries and allowances as the Council may from time to time determine. Such salaries and allowances shall be paid by the Corporation from its own funds.

#### CAPITAL OF THE CORPORATION

20. (1) The Council shall be the sole member of the Corporation.

(2) The capital of the Corporation shall be such sum as the Council may from time to time decide.

(3) The Council is hereby authorised and empowered to pay from the Nauru Local Government Council Fund, the Nauru Royalty Fund and the Nauru Development Fund or any one or more of them such amounts as it may from time to time decide should be subscribed as the capital of the Corporation.

(4) Where the Council borrows any moneys from a statutory corporation for the purpose of subscribing those moneys as capital of the Corporation, it shall forthwith inform the Minister in writing of the amount borrowed and the statutory corporation from which it was borrowed; and the Minister shall, within seven days of the first sitting day of Parliament thereafter, report those facts to Parliament.

(5) For the purpose of the last preceding subsection, the Council shall be deemed to have borrowed moneys for the purpose of subscribing those moneys as capital of the Corporation if it has borrowed moneys within six months before it subscribes moneys as capital of the Corporation and if on the date when those moneys are subscribed the moneys available to the Council in the Nauru Local Government Council Fund, the Nauru Royalty Fund and the Nauru Development Fund for that purpose without the amount so borrowed would have been inadequate for it to have done so.

#### DIVIDENDS TO BE PAID BY THE CORPORATION

21. The Board shall, at the same time as it sends to the Council a copy of its annual accounts as required by subsection (2) of section 26, recommend what amount of dividend, if any, should be declared in favour of the Council, and shall thereafter declare and pay into the Nauru Local Government Council Fund such dividend as the Council shall direct: Provided that no moneys shall be paid by the Corporation in respect of any dividend unless the auditor appointed under section 27 has certified that the reserves and other assets of the Corporation which will remain after such payment has been made should be adequate to enable the Corporation to discharge its obligations to persons, including the Republic, whose property or other interests it has insured or re-insured or who have lent money to the Corporation or discharged its obligations on its behalf.

#### THE CORPORATION'S POWER TO BORROW

22. (1) The Corporation may, subject to prior written authority therefor having been given by the Council, borrow moneys for carrying on its business and performing its other

functions in such amount and upon such terms and conditions as the Board thinks fit.

(2) Where the Corporation -

(a) borrows any moneys from a statutory corporation; or

(b) borrows any moneys from the Council and the Council has itself borrowed any moneys from a statutory corporation within the preceding six months,

the Council shall forthwith inform the Minister in writing of the amount borrowed by the Corporation and the details of the borrowing from the statutory corporation.

(3) The Council may by regulations authorise the Corporation to issue debentures charged upon its assets to secure the repayment of any moneys borrowed by it.

THE CORPORATION MAY PLACE MONEYS ON INTEREST-BEARING DEPOSIT  
23.

The Corporation may place on interest-bearing deposit with a commercial and trading bank, in Nauru or any other country approved in writing by the Council, moneys held in reserve or otherwise not required immediately for the business of the Corporation.

THE CORPORATION NOT TO CHARGE ASSETS EXCEPT WITH APPROVAL OF THE COUNCIL

24. The Corporation shall not charge, pledge or grant a lien over any of its assets, or acquire any assets subject to a charge, pledge or lien, otherwise than as permitted by regulations which have been laid before Parliament not less than fourteen days before the assets are charged, or pledged or a lien is granted over them, or the assets subject to a charge, pledge or lien are acquired.

BANK ACCOUNTS

25. (1) The Board may open and maintain an account or accounts in the name of the Corporation with a commercial and trading bank or banks, within or outside Nauru, approved by the Council.

(2) Upon receipt by the Corporation or by any person for or on behalf of the Corporation of money, it or he shall immediately pay such money into an account opened under the provisions of this section.

THE CORPORATION'S ACCOUNTS

26. (1) The Board shall cause to be kept such books of account and minute books as are required to be kept by a



corporation incorporated under the provisions of the Corporation Act 1972.

(2) As soon as practicable within the period of sixty days next following the end of each financial year, the Corporation shall submit to the auditor appointed under section 27 its annual accounts for that financial year together with a copy of its recommendation as to a dividend given to the Council under section 21 and a copy of the report made to the Council by the Board under section 29 in respect of that financial year, and shall send to the Council a copy of the annual accounts.

(3) The annual accounts shall bear a declaration by the Managing Director verifying that they are, to the best of his knowledge and belief, complete and correct.

(4) The financial year of the Corporation shall end on the thirtieth day of June in each year.

#### AUDIT OF THE CORPORATION'S ACCOUNTS

27. (1) The Board shall, not later than three months after the commencement of this Act, appoint in writing an auditor who shall audit the annual accounts and the books, records, papers, securities and transactions of the Corporation and report in writing to the Board and to the Council thereon each year within thirty days after the submission to him of the annual accounts and at such other times as he thinks fit or the Council requires:

Provided that no person shall be appointed to be an auditor unless either he is, or is acting as, the Director of Audit of the Republic or he is a registered corporation auditor.

(2) Where -

(a) the person appointed by the Board under the preceding subsection to be the auditor of the Corporation -

(i) dies,

(ii) resigns his office, or

(iii) ceases to hold, or to act in, the office of Director of Audit of the Republic or to be a registered corporation auditor, as the case may be; or

(b) the Board terminates his appointment;

the Board shall forthwith appoint in writing another person to be the auditor of the Corporation in his place:

Provided that -

(i) the Board shall not terminate the appointment of the Corporation's auditor within two years of his appointment as such; and

(ii) no person shall be appointed under this subsection to be an auditor of the Corporation unless either he is, or is acting as, the Director of Audit of the Republic or he is a registered corporation auditor.

(3) The costs of audit shall be borne by the Council and the duty of the auditor shall be in the first instance to the Council but without relieving him from an obligation to bring to the attention of the Board any matters which ought to be brought to its attention and to take reasonable steps to discover and warn the Board of any impropriety.

(4) The auditor shall, at the same time as he sends a report to the Council under this section, send to the Cabinet a copy of that report and that copy shall be laid before Parliament by the Cabinet on, or within seven days after, the first sitting day of Parliament next after it is received by the Cabinet; where the report relates to the annual accounts of the Corporation, a copy of the annual accounts shall be sent to the Cabinet by the Council and shall be laid before Parliament at the same time as the report.

#### APPLICATION OF THE CORPORATION'S FUNDS

28. The funds of the Corporation shall be applied in the following order -

- (a) in payment or discharge of the expenses, costs, charges and obligations properly incurred or undertaken by the Corporation;
- (b) in payment of the salaries, fees and allowances of officers and staff of the Corporation;
- (c) in the creation of any provision which may be required;
- (d) in payment to the Council of dividends in accordance with section 21 of this Act.

#### REPORTS BY THE BOARD

29. (1) The Board shall report to the Council in writing during the month of August in every year, and at such other times as the Council may require or as the Board may think fit, on the financial situation of the Corporation, the business transacted by it in the twelve months prior to the thirtieth day of June in that year and on the performance of its other functions and the exercise of its powers during that period.

(2) A copy of every report made to the Council under the preceding subsection shall be sent at the same time by the Board to the Cabinet, and shall be laid before Parliament by the Cabinet on, or within seven days after, the first sitting day of Parliament next after the copy is received by the Cabinet.

#### REGULATIONS

30. The Council may make regulations prescribing all matters necessary or convenient to be prescribed for carrying out or giving effect to the provisions of this Part of this Act.

### PART III - REGULATION OF INSURANCE AND RE-INSURANCE BUSINESS

#### NO INSURANCE OR RE-INSURANCE BUSINESS TO BE CARRIED ON WITHOUT A LICENCE

31. (1) No person, other than the Nauru Insurance Corporation, shall carry on in Nauru, otherwise than through the agency of the Nauru Insurance Corporation, the business of insurance of any risk:

Provided that, where any person has lawfully entered into a contract in Nauru to insure any risk in Nauru before the commencement of this Act, that person may, until the expiration of the period for which the risk has been insured by the contract, carry on in Nauru the business of insurance for the purpose of the performance of that contract.

(2) No person, other than the Nauru Insurance Corporation, shall carry on in Nauru, otherwise than through the agency of the Nauru Insurance Corporation, the business of re-insurance except under, and in accordance with the terms and conditions of, a licence issued by the Minister under the next following subsection authorising the carrying-on of that business.

(3) The Minister may issue licences authorising the carrying-on in Nauru of the business of re-insurance and such a licence -

(a) may authorise the carrying-on of any such business generally or in respect of any class of re-insurance specified therein or in respect of one or more re-insurance transactions specified therein; and

(b) shall be for such period as the Minister thinks fit,

not exceeding five years.

(4) No licence shall be issued under the last preceding subsection to any person other than a corporation incorporated in Nauru, or a foreign corporation registered in Nauru or exempted under the provisions of section 246 of the Corporation Act 1972 from registration in Nauru, which has satisfied the Minister of such matters as he may require to know in order to ascertain whether it will be able to honour in full all obligations which it may incur in carrying on in Nauru the business authorised by the licence, in addition to its existing obligations.

(5) Before issuing a licence under subsection (3) the Minister may require the corporation or foreign corporation to which it is to be issued to execute a bond in such sum and with such securities as the Minister may consider desirable to safeguard the proper interests of the Republic, and of the Corporation and any other persons with whom the licensee may do re-insurance business in Nauru.

(6) The Cabinet may prescribe fees to be paid to the Minister upon the issue of a licence under subsection (3); all such fees shall be paid into the Treasury Fund.

(7) The Minister may, in his discretion, waive any fee payable upon the issue of a licence, either wholly or in part.

#### REVOCATION OF LICENCES

32. (1) The Minister may at any time, if he considers it to be in the best interests of the Republic to do so, revoke a licence issued under subsection (3) of section 31 and it shall not be necessary for him to state any reason for doing so; but, if he thinks fit, he may, before revoking a licence, give notice to the licensee of his intention to revoke it and state his reasons therefor, and by such notice he may invite the licensee to show cause why the licence should not be revoked.

(2) Where the Minister notifies a licensee of his intention to revoke a licence and invites the licensee to show cause why the licence should not be revoked, the Minister may suspend the licence and, upon being notified by the Minister in writing of such suspension, the licensee shall, for so long as the licence remains suspended, not be authorised to carry on in Nauru the business previously authorised by the licence. If a licence

which has been suspended is not revoked within twenty-eight days of the date on which it was suspended, the suspension shall forthwith lapse and the licence shall thereupon become fully effective again.

(3) The revocation or suspension of a licence issued under subsection (3) of section 31 shall not affect the obligations of the licensee incurred before such revocation or suspension but no person shall be liable to pay to the licensee any premium or other moneys which would otherwise be due thereafter under any contract of re-insurance.

#### OFFENCES AND PENALTIES

33. (1) Any person, other than the Nauru Insurance Corporation, who carries on in Nauru the business of insurance otherwise than through the agency of the Nauru Insurance Corporation or as authorised by the proviso to subsection (1) of section 31 or by subsection (2) of section 37 or the business of re-insurance otherwise than through the agency of the Nauru Insurance Corporation or under and in accordance with a licence issued under subsection (3) of section 31 is guilty of an offence and is liable to imprisonment for twelve months and a fine of ten thousand dollars and, in the case of a corporation incorporated in Nauru, to be compulsorily wound up.

(2) Any officer, employee or agent of a corporation or a foreign corporation who takes part in the carrying-on in Nauru of the business of insurance or re-insurance by that corporation or foreign corporation knowing that that business is not carried on through the agency of the Nauru Insurance Corporation and is not authorised by, or is carried on otherwise than in accordance with, the proviso to subsection (1) of section 31 or a licence issued under subsection (3) of section 31 is guilty of an offence and is liable to imprisonment for twelve months and a fine of two thousand dollars.

(3) Where a corporation or a foreign corporation licensed under subsection (3) of section 31 to carry on in Nauru the business of re-insurance is lawfully required by the Corporation on its behalf, to give to the Corporation any information fails to give that information in the form or at the time required or gives information which is inaccurate or incomplete, the corporation or foreign corporation is guilty of an offence and is liable to a fine of ten thousand dollars and, in the case of a corporation incorporated in Nauru, to be compulsorily wound up, and any officer,

employee or agent, or any former officer, employee or agent, who is knowingly a party to the corporation's, or the foreign corporation's, failure to give to the Corporation the information in the form and at the time required or to the corporation's or the foreign corporation's, giving to the Corporation information which is inaccurate or incomplete is guilty of an offence and is liable to imprisonment for twelve months and to a fine of two thousand dollars.

(4) Any person who wilfully prevents or hinders an officer, employee or agent of the Corporation who lawfully seeks to inspect, copy or remove any book, record or paper of, or in the possession or control of, a corporation or a foreign corporation from inspecting, copying or removing that book, record or paper is guilty of an offence and is liable to imprisonment for twelve months and to a fine of two thousand dollars.

#### REGULATIONS

34. (1) The Cabinet may make regulations prescribing all matters necessary or convenient to be prescribed for carrying out or giving effect to this Part of this Act.

(2) Without prejudice to the generality of the power conferred by the preceding subsection, the Cabinet may make regulations in relation to corporations and foreign corporations licensed to carry on, or applying for a licence to carry on, in Nauru the business of re-insurance -

- (a) requiring the separation of funds relating to different classes of business;
- (b) prescribing how annual accounts and balance sheets are to be prepared;
- (c) requiring periodic investigation of a licensee's financial condition by an actuary;
- (d) providing for the audit of accounts;
- (e) providing for amalgamations of licensees with other corporations or foreign corporations and the transfer of certain classes of business to be subject to approval by the Minister;
- (f) prescribing the margin of solvency to be maintained and for the investigation of licensees of doubtful solvency;
- (g) providing for the winding-up of a licensee on the petition of some or all of its policy-holders;
- (h) regulating the advertising in Nauru by licensees;
- (i) providing for the prevention of unfit persons from being associated with licensees;

- (j) empowering the Minister to impose requirements with respect to the initial conduct of business by licensees;
- (k) requiring persons acquiring or relinquishing control of a licensee, or of the holding corporation of any such licensee, to notify the Minister of that fact;
- (l) prescribing the manner in which application is to be made for a licence to be issued under subsection (3) of section 31 and for the documents to be presented with the application;
- (m) providing for default in complying with any regulation to be an offence, and, in the case of defaults by corporations and foreign corporations, for an officer, employee or agent of a corporation or foreign corporation who is knowingly a party to such a default by the corporation or foreign corporation to be himself guilty of an offence, and prescribing a penalty not exceeding five hundred dollars in respect of any such offence or, in the case of a continuing offence, one hundred dollars for every day on which the default continues.

(3) Until such time as regulations are made under this section, the provisions of the Insurance Companies Act, 1958, of the Parliament of the United Kingdom and of regulations made by the Board of Trade under section 34 of that Act, being provisions which were in force in England on 31st January, 1968, shall, so far as they are applicable and can be applied to the circumstances of Nauru and are not repugnant to or inconsistent with this Act or any other written law, and with such modifications as are necessary for such application, be deemed to be regulations made by the Cabinet under this section and have force and effect as such in Nauru; and, for so long as those provisions have force and effect as such in Nauru, default in compliance with any of those provisions is an offence and the corporation or foreign corporation in default, and every officer, employee or agent of the corporation or foreign corporation who is knowingly a party to that default, is guilty of an offence and is liable to a fine of five hundred dollars or, in the case of a continuing default, to a fine of one hundred dollars for every day on which the default continues.

#### APPLICATION OF CERTAIN APPLIED STATUTES TO CONTINUE

35. Save insofar as any of their provisions are repugnant to or inconsistent with the provisions of this Act the common law and statutes of general application

relating to insurance, and the rules, regulations and orders of general application made thereunder, which were in force in England on 31st January, 1968, and which were adopted as laws of Nauru by section 4 of the Custom and Adopted Laws Act 1971 shall, subject to the other provisions of that Act, continue to have effect as laws of Nauru.

#### EXEMPTION OF BANKERS

36. A person who lawfully carries on in Nauru the business of banking and who carries on pecuniary loss insurance business solely in the course of carrying on that banking business and for the purpose of that business shall be exempted from the operation of this Act so far as regards that insurance business.

#### REPEAL, SAVING AND AMENDMENT

37. (1) Part II of the Motor Vehicles (Third-Party Insurance) Act 1967-1972 is repealed with effect from 1st September, 1974.

(2) Notwithstanding the other provisions of this Part, where a licence granted under section 5 of the Motor Vehicles (Third-Party Insurance) Act 1967-1972 was in force immediately before the commencement of this Act, the licensee may carry on the business of insurance for the purpose of that Act until 1st September, 1974; and, where the licensee has, in the course of doing so, lawfully issued on or before that date any third-party insurance policy, it may carry on the business of insurance after that date for the purpose of discharging its obligations under the policy and shall be deemed, for that purpose but no other, to continue to be a licensed insurer under the said Motor Vehicles (Third-Party Insurance) Act 1967-1972.

(3) In subsection (1) of section 4 of the Motor Vehicles (Third-Party Insurance) Act 1967-1972 the definitions of "licence" and "licensed insurer" are repealed with effect from 1st September, 1974, and the following new definition of "licensed insurer" is substituted thereafter for the latter definition -

"licensed insurer" means -

- (a) the Nauru Insurance Corporation; and
- (b) a person carrying on in Nauru the business of writing third-party policies through the agency of the Nauru Insurance Corporation."

(4) Section 5 of the Corporation Act 1972 is amended -



- (a) by deleting the words and punctuation ", insurance," in subsection (1); and
- (b) by deleting the words and punctuation "insurance," in subsections (2) and (5).

SCHEDULE  
(Section 3)

POWERS OF THE NAURU INSURANCE CORPORATION

- (1) To do all things which a trading corporation incorporated under the Corporation Act 1972 may do; and
- (2) to carry on the business of insurance and re-insurance.