

BANKING AND INSURANCE BOARD
MINUTES OF THE MEETING
September 14, 2017, Thursday, 2:00 p.m.
Director's Conference Room, Department of Revenue and Taxation
1240 Army Drive, Barrigada, Guam 96913

Attendance:

Present:

Artemio B. Ilagan, Chairperson and Insurance and Banking Commissioner

Edelfrida A. Ada
William West Cassidy
Raymond Schnabel

Danilo Rapadas
Cesar Garcia
Elizabeth Fisher

Katherine Kakigi

Also Present:

Alice P. Sebastian-Cruz, Regulatory Examiner Supervisor
Francine Salas, Special Projects Coordinator
Robert Tongson, Regulatory Examiner II

Mario Palisoc
Brion Kanda

Maria Taitano
Bobbie Howard

Call to Order:

The meeting was called to order at 2:10 p.m.

Approval of Minutes:

The minutes of the prior board meeting held on November 17, 2016 was presented and opened for review. A motion to approve the minutes was made by Danilo Rapadas and seconded by William Cassidy. The minutes were unanimously approved.

Philippine National Bank (OPHL)

Marion Palisoc from the Philippine National Bank ("PNB") presented an option to allow Guam residents to obtain residential loans to purchase real estate investments in the Philippines. He is seeking approval from the Board for the Own a Philippine Home Loan program expected to launch in the first quarter of 2018. Bank of Guam currently has a relationship with PNB to facilitate a similar program wherein the Bank of Guam would serve as a servicer of the loan and would only include condominiums and townhomes from accredited developers. Mr. Rapadas raised the question if approval of the program was required from the Board according to law. Cesar Garcia also inquired if the presentation was informational. All of the requirements of reporting and tax consequences for PNB would not be affected by this program. The Commissioner thanked Mr. Palisoc for his information. Edelfrida Ada inquired if the developers would come to Guam to market the properties, and if so, they would need to comply with the real estate law. Mr. Palisoc responded that PNB has advised the developers to contact Rev & Tax for compliance in coming to Guam.

Publication of Request for Proposal ("RFP") for Certified Financial Examiner ("CFE")

The contracts with the last examiners will expire next year. Need to reissue the RFP for CFEs. In the past, the DRT only had one (1) examiner, but the Board requested two (2) to compare costs. The examiners are conducting examinations on domestic insurance companies. Market conduct examinations are also being held in tandem to examine business practices, adherence to Guam Tariff, auto, home, and personal lines rates.

Previous audits showed non-compliance with the rates filed. Mr. Cassidy raised the question if the examinations are being conducted with non-domestic companies. Ms. Cruz confirmed the non-domestic companies are subject to market conduct examinations. She also mentioned by law, ISBRE can conduct market conduct audits to point-of-sale companies, like brokers, to examine business practices, customer service, complaints, etc.

Raymond Schnabel mentioned that tariff rates are rates filed by the member companies of the Guam Insurance Association to be used by the member companies of the Guam Insurance Association. Mr. Schnabel raised the issue that the tariff rates are proprietary rates. Mr. Cassidy said the preferred approach is to have non-member companies either become members of the Guam Insurance Association or file their own rate program. Mr. Cassidy asked who determines whether the non-domestic

companies are compliant. Alice Cruz reinforced that compliance to rates filed is one of the items examined during a market conduct audit and that eventually, the audits will be extended to foreign companies.

Raymond Schnabel raised an inquiry on the expenses associated with the financial examinations being conducted. Mr. Schnabel mentioned the costs are passed on to the insurance companies and it doesn't seem that there are any controls over the amount of expenses incurred. Mr. Schnabel mentioned members of the insurance industry added up the costs incurred by the off-island financial examiners and it amounts to over \$1.5M. Mr. Ilagan stated that is the reason the RFP for next year is being brought to the Board. Raymond Schnabel mentioned the examiners are on island now, and asked if some cost controls can be imposed currently. Industry members were present to echo Mr. Schnabel's issue and request if some caps can be implemented. Ms. Cruz mentioned industry's input will affect the upcoming RFP.

Industry was not allowed to provide input to the RFP that was originally issued. The terms of the new RFP will be issued with the input from industry. Katherine Kakigi will provide some assistance with the RFP in providing expenditure limits imposed by GovGuam to the consultants it hires.

Old Business:

A letter to the Attorney General Office asking for the opinion on funds deposit with eligible banks for GovGuam Agencies was resent again on September 11, 2017. A response is still pending.

Insurance Enforcement Fund (Bill 166-33)

The Insurance Securities and Banking branch ("ISBRE") is requesting the Board's approval to use funds from the Insurance Enforcement Fund in order to purchase electronics and office supplies. This purchase would include newer computers, office furniture, phones, and other office supplies. Katherine Kakigi also requested a nominal amount for DOA to pay for the managing of the fund.

There was an additional motion to request to include Board member stipends, NAIC fees, and publications to be paid by the Enforcement Fund. Katherine Kakigi moved to approve the additional expenses, and the motion was seconded by Edelfrida Ada. The motion was approved by the Board.

New Business

Danilo Rapadas mentioned a letter was sent notifying the closing of the Bank of Guam's Santa Cruz branch effective December 11th. FDIC approved the closure. Edelfrida Ada moved to approve the closure of the branch, and the motion was seconded by Katherine Kakigi. The motion was approved by the Board.

Money Services Businesses (MSB)

Mr. Ilagan mentioned the branch will start looking into the companies conducting foreign exchange. Danilo Rapadas offered the assistance of Bank of Guam's BSA group. Alice Cruz is working with the Conference of State Bank Supervisors (CSBS) in getting registrations filed online through the NMLS system. Mr. Rapadas mentioned that it is very easy to become an MSB.

Other Business:

Cesar Garcia mentioned an invitation from B.J. Cruz was received by Board members to a public hearing on September 19th on the health insurance medical loss ratio issue. The proposed bill discusses establishing a law to enforce the health insurance rates and medical loss ratios (MLR) filed with the Department falling under the purview of the Board and the Commissioner. Mr. Garcia indicated the Chamber of Commerce is opposing the bill. Board members will submit a position to the Commissioner prior to the hearing. The Commissioner will compile the responses and present at the hearing.

Next board meeting will tentatively be held on December 14, 2017 pending the availability of board members. The following tentative meeting dates are March 15th, June 14th, and September 13th. The Banking and Insurance meeting was adjourned at 3:29 p.m. motioned by Edelfrida Ada and seconded by Danilo Rapadas.

Prepared and submitted by:



Francine Salas
Special Projects Coordinator

Confirmed by:



Alice P. Sebastian Cruz
Regulatory Examiner Supervisor