

## **BANKING AND INSURANCE**

### **BOARD OF DIRECTORS MINUTES**

November 7, 2019, Thursday, 2:00 pm

Deputy Director's Office, Department of Revenue and Taxation  
1240 Army Drive, Barrigada, Guam 96913

**Present:** Dafne M. Shimizu, Acting Banking and Insurance Commissioner  
William Cassidy Raymond Schnabel  
Leah Beth Naholowaa Dean Manglona  
Danilo Rapadas

**Also Present:** Michele Santos, Deputy Director of Department of Revenue and Taxation  
Alice Sebastian-Cruz, ISBRE Supervisor  
Christina T. Dela Cruz, ISBRE staff

**Meeting Called to Order at 2:08 pm by Acting Commissioner Dafne M Shimizu**

**Approval of Minutes-April 18, 2019**

Motion to approve minutes subject to correction by Mrs. Naholowaa and seconded by Mr. Rapadas

#### **Old Business**

##### **A. Proposed Revisions and Transfer of Insurance Continuing Education**

Mrs. Cruz explained that 30 GAR (Chapter 19 Continuing Education) had just been recently implemented after 30 years in law and that she is working with Attorney Serge from the AG's office to make corrections starting with the title correction from 30 GAR (Revenue and Taxation) to 12 GAR (Insurance). Amendments are subject to change when the Attorney General's office can produce the final draft of changes, after which will be presented to the Board for review.

Mr. Schnabel asked if there was a target date for the amendments to take effect to which Mrs. Cruz responded that the target is before the license renewal period starts in March. Mr. Cassidy questioned if the amendments are available to be shared with the insurance industry to which Mrs. Cruz said it is allowed in the event they wish to participate in the amendment process. Mr. Manglona expressed concern with the allotment of time for enforcement in regards to the increase of penalties for violations to which Mrs. Cruz expressed the need for legal guidance.

Mrs. Santos suggested the compliance of the regulations be implemented the following renewal. Mrs. Naholowaa stated the need for advertising the amendments before implementation. Mrs. Cruz confirmed the changes are mainly for the language and location from 30 GAR to 12 GAR. Mrs. Cruz has a scheduled meeting with Attorney Serge on November 14<sup>th</sup> and will update the Board on any development.

#### **New Business**

##### **A. Proposed Insurance Language Revision**

Mrs. Cruz stated that Attorney Serge is aware of the revisions that need to be worked on, however, 30 GAR will need to be worked on first. Mrs. Cruz stated that certain sections and fees will be amended accordingly and is currently with Senator Joe San Augustin. She also stated that there has been lack of compliance amongst the licensees due to the lack of penalties, fees, or deadlines. Mr. Cassidy expressed concern for the proposed fees of reinsurance companies stating that they are higher than premiums which may make it cost prohibitive. Mrs. Cruz stated that the proposed fees are based on a nationwide comparison with consideration of the Guam population and will forward the fee schedule to the Board members.

**B. Dialogue with FINRA and SEC**

ISBRE department is looking to obtain the ability for Guam securities license applicants to submit applications online. Mrs. Cruz confirmed she is in talks with FINRA for the fees and SEC for the legal language, however she needs assistance from local lawyer. Mrs. Cruz confirmed that having applicants apply for licenses online will not cost the department and that payments will be applied as EFT to the general fund account. Mrs. Cruz also stated that Guam needs to submit a letter of request for the capability to the SEC.

Acting Commissioner Shimizu questioned this capability as being the pathway to being accredited by FINRA to which Mrs. Cruz confirmed. Mrs. Naholowaa asked if this capability will have the potential to produce income for the government to which Mrs. Cruz confirmed. Mr. Rapadas questioned if the current application process is that which applicants file submissions manually; Mrs. Cruz confirmed.

**C. Market Conduct Examination**

Mrs. Cruz stated that market conduct is being conducted on foreign insurance companies, in addition to domestic companies. Certified Financial Examiners (CFE) are contracted to perform audits of domestic company financials and solvency according to the requirements of the NAIC (National Association of Insurance Commissioners). In the case of foreign companies, because they are regulated by their domicile state, the CFEs conduct market conduct and audit policies, claims, and rates. Mrs. Cruz stated that the contracts are reviewed by the board members every four years. Mr. Schnabel questioned the law requirement of using a CFE to carry out a market conduct. Mrs. Cruz stated that the requirement is based on the contract of the CFE. Mr. Schnabel stated his uncertainty of the requirement by law, but its requirement of the NAIC guidelines. Acting Commissioner Shimizu stated she will reach out to other commissioners to inquire on their practices regarding the market conduct examination. Mr. Schnabel suggested the contracting of a local company to be to do market conducts in order to deter unnecessary communication problems.

Mr. Schnabel reiterated the question of need for a CFE to conduct market conduct. Mr. Cassidy stated the issues lie with the time and attention required when conducting a market conduct. Mr. Cassidy also stated that exam results should only be reviewed at the Banking and Insurance Department level, not open for public viewing due to the pricing and exclusivity of privilege to marketing secrets.

Acting Commissioner Shimizu stated the purpose of a financial statement audit is to make sure they are in conformity with the Generally Accepted Accounting Principles (GAAP) and financial examination is to determine financial solvency. Acting Commissioner Shimizu also stated that financial examiners should pay more attention to IRIS (Insurance Regulatory Information System) and RBC (Risk-Based Capital) and as a Board determine what improvements can be made to the process and issues of the examinations.

#### Other Business

##### A. Materials Received from FDIC

Mrs. Cruz stated the locally regulated banks are PNB and First Commercial Bank, but have not been audited in over ten years. Mrs. Cruz stated that the FDIC has provided resources and materials to assist with the training of regulators to audit these banks. Mrs. Cruz clarified the intent is to audit foreign banks not regulated by FDIC.

#### Open Discussion

Acting Commissioner Shimizu stated that because Rev and Tax oversees the Cannabis Board, she intends to have the business of banking and cannabis added to the agenda for next meeting discussion. Mr. Rapadas stated that CBD as the issue is not presently legal under federal law. Mrs. Naholowaa stated the Governor wishes the Board to review the rules and regs in regards to marijuana and CBD products and banking issues.

Board proposed next meeting for February 13, 2020, and proposed following meetings on the second Thursday in May, August, and November.

Motion to adjourn meeting by Mr. Raymond Schnabel and seconded by Mrs. Leah Naholowaa at 3:39 pm.

Prepared and Submitted By



Christina Taimanao De la Cruz  
Regulator Examiner I

Approved By



Alice Sebastian-Cruz  
Regulatory Examiner Supervisor

