

BANKING AND INSURANCE BOARD

MINUTES OF MEETING

April 5, 2018 Thursday, 2:00pm

Director's Conference Room, Department of Revenue and Taxation

1240 Army Drive (Route 16), Barrigada, Guam 96913

Attendance:

Present:

John P. Camacho, Chairman and Banking and Insurance Commissioner, Acting

William West Cassidy

Elizabeth Fisher

Edelfrida Ada (not present)

Cesar Garcia

Katherine Kakigi

Danilo Rapadas

Raymond Schnabel

Also Present:

Alice S. Cruz, Regulatory Examiner Supervisor

Robert D. Tongson, Regulatory Examiner

Call to Order:

The Chairman called the Banking and Insurance Board Meeting to order at 2:39 PM. The Chairman acknowledged the attendance of the board members.

Approval of minutes:

The minutes of the prior board meeting of September 14, 2017, was presented and opened for review and discussion. Mr. Cassidy requested to clarify his statement on the last sentence of page 1. Mr. Cassidy stated that it should be "the preferred approach is to have them either become members of the insurance association or file their own rate programs." Mr. Schnabel moved to approve the minutes, seconded by Mr. Rapadas. The minutes were unanimously approved.

The Commissioner opened the meeting to discuss the following:

Old Business:

The report on the Banking & Insurance Enforcement Fund:

Ms. Kakigi reported the status of the funds for two (2) periods and stated that fiscal period begins October 1st and ends on September 30th the following year.

For the period ending September 30, 2017, the total funds received was \$373, 809.

For the period ending March 31, 2018, the balance was \$397,383. Ms. Kakigi identified the following itemized lists associated with the fund.

List of items purchased totaling \$38,567.75:

1. \$930.75 Appraisers Online Course (186.15 each X 5)
2. \$2000.00 American Printing Corp.
3. \$25,360.00 Dell Optix Desktop Systems (10 desktop systems)
4. \$8,777.00 American Printing Corp.
5. \$1,500.00 American Printing Corp.

List of items committed with purchase orders totaling \$7,144:

1. \$3,277.00 Xerox Corp. Printer
2. \$360.00 Guam Daily Post (advertisements for 4 days)
3. \$105.00 Diamond Auto Parts
4. \$330.00 American Printing Corp.
5. \$1,728.00 Guam Daily Post
6. \$1,152.00 Diamond Auto Parts
7. \$192.00 American Printing Corp.

List of items committed under requisition totaling \$110, 319:

1. \$95,844.00 Not identified
2. \$14,475.00 Dell Laptops 17.3-inch (\$2,895 each X 5 laptops)

Discussion on items being purchased with the fund, **most of the items were identified as not being authorized by the board for purchase**. Ms. Cruz identified 5 items, the Appraisers online courses, the Dell Optix Desktop Systems, the \$360 Guam Daily Post advertisements, the Xerox Corp. Printer, and the Dell Laptops, as being authorized by the Board. Ms. Kakigi stated that she will look into the items in question. Ms. Cruz and Ms. Kakigi reiterated that the Banking and Insurance Commissioner and the Board Members are responsible for the fund and only they have authority to allocate use of the funds.

Mr. Rapadas questioned the procurement process for the desktops and laptops. The cost and type of computers were questioned for the type of use for the office staff. Also, Mr. Rapadas stated that the desktops should not have dvd burners or USB outlets as it poses a security issue. Ms. Cruz stated that she would inquire with the department IT staff regarding the computers purchased.

Ms. Kakigi requested from the Board that funds to be allocated to purchase a laptop and printer for her use to manage the fund. She stated that she is currently using her personal laptop for work purposes. The Board proposed a total of \$2,500 maximum be allocated to purchase a laptop for Ms. Kakigi's use. A motion to approve allocating the \$2,500 was made by Mr. Rapadas and seconded by Mr. Schnabel. The motion was approved by the board.

Ms. Kakigi asked if the board members would prefer to be emailed the balance and status of the funds on a monthly basis. Mr. Garcia proposed a motion to approve emailing the board members on a monthly basis, the status of the funds and a report of all items requested to be purchased for review and approval by the board members. He stated that should board members not raise any issues in 2 to 3 days by email, the items are deemed approved for purchase. Seconded by Mr. Schnabel. The motion was approved by the board.

Proposed purchase of Vehicle for use by ISBRE staff:

The procurement process in regards to the Banking and Insurance Enforcement Fund was questioned by Ms. Cruz. The issue was that the process has involved the Department's Chief of Administration. Ms. Kakigi has stated that the procurement process does not require the Chief of Administration's involvement or approval, it is strictly under the jurisdiction of the Banking and Insurance Commissioner and the Board.

The quotations for the purchase of a new vehicle was reviewed and discussed. A consensus was reached and the Board chose to purchase the 2018 Hyundai Tucson SUV 2WD. The quoted price was \$20,500. A motion to approve the purchase of the Tucson was made by Mr. Rapadas and seconded by Ms. Fisher. The motion to purchase the Tucson was approved by the Board.

Status of Certified Financial Examinations of insurance companies and Request for Proposal:

Examinations of the domestic insurance companies are on-going and will conclude on April 30, 2018.

Ms. Cruz stated that the deadline for submissions for the new Request for Proposal (RFP) for Certified Financial Examiner (CFE) for financial examinations of insurance companies was March 12, 2018. Replies to the RFP were received prior to the deadline and will be opened and reviewed at a scheduled date by the following persons, the Commissioner, Regulatory Examiner Supervisor, and three board members. Mr. Schnabel, Mr. Rapadas, and Ms. Kakigi, volunteered to review the replies to the RFP with Mr. Camacho and Ms. Cruz.

Amendments to the 30 GAR is being transferred to 12 GAR on Continuing Education (CE) for insurance companies:

Due to the Government of Guam's financial issues, Ms. Cruz stated that the senators have not had the time to address the amendments to the legislation regarding the licensing of insurance companies and agents. The legislation will be reviewed at a later date and implementation of the new continuing education requirements will be scheduled for next year's renewal period. In the interim the current continuing education requirements will be implemented and enforced for this renewal period.

Foreign Exchange Audit-Pinoy Express:

In regards to Pinoy Express, Ms. Cruz stated that the company was found to have violated certain business practices and penalized. The company settled with the Department of Revenue and Taxation and agreed to pay a settlement amount in installments.

Ms. Cruz added that Money Services Businesses (MSBs) such as foreign exchanges are being licensed through the NMLS in some jurisdictions in the mainland. Guam is in the process of using the NMLS to license MSBs, pending approval and passage of legislation.

(For reference, here is a background of the the Nationwide Mortgage Licensing System (NMLS), it was originally intended to license mortgage lending companies and mortgage loan originators, but it has since also began licensing Money Services Businesses and it just kept the abbreviation of NMLS. The NMLS has been operated by the Conference of State Banking Supervisors (CSBS) since the inception).

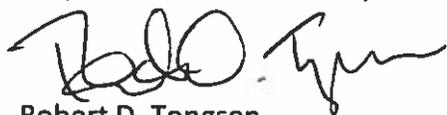
Other matters:

Mr. Schnabel asked if Bitcoin was under the purview of the board. Ms. Cruz stated that this issue was brought to the attention of the FDIC and only the state of New York had regulations for Bitcoin, no other jurisdiction has regulations. Mr. Rapadas added that the Securities and Exchange Commission (SEC) is getting involved and clarifying the Bitcoin issue.

Adjournment:

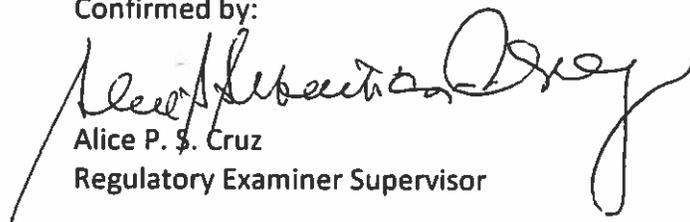
The next board meeting date was tentatively schedule for Thursday, July 19, 2018 at 2:00 PM. A motion to adjourn the meeting was made by Mr. Schnabel and seconded by Mr. Rapadas. Mr. Camacho adjourned the meeting at 3:53 PM.

Prepared and submitted by:



Robert D. Tongson
Regulatory Examiner II

Confirmed by:



Alice P. S. Cruz
Regulatory Examiner Supervisor