

BANKING AND INSURANCE

BOARD OF DIRECTORS MINUTES

April 18, 2019, Thursday, 2:00 P.M.

Director's Conference Room, Department of Revenue and Taxation
1240 Army Drive, Barrigada, Guam 96913

Attendance:

Present:

Dafne Mansapit-Shimizu, Chairwoman, and Acting Banking and Insurance Commissioner
Michele Santos, Deputy Director of Department of Revenue and Taxation

Board Members:

Ray Schnabel	Catherine Kakigi	Cesar L. Garcia
Danilo Rapadas	William West Cassidy	Tyrone Taitano-(One-time Designated Acting Board Member)

Also Present:

Alice P. Sebastian-Cruz, Regulatory Examiner Supervisor
Nemencio David E. Briones, Regulatory Examiner II
Francine Salas, Representative of Senator Sabina Perez

1. Call to Order:

Deputy Director Mrs. Santos have acknowledged the presence of Mrs. Alice Cruz, Supervisor of Banking and Insurance Branch, the five Board Members including designated Acting Board Member Mr. Taitano and called the Banking and Insurance Board Meeting to order at 2:11P.M.

2. Approval of Minutes:

The minutes of the prior board meeting held on April 5, 2018, was presented and opened for review and discussion. A motion to approve the minutes was made by Mr. Rapadas and seconded by Mr. Schnabel. The minutes were unanimously approved.

3. New Business

- a. Proposal of the Insurance Association of Guam (IAG) regarding pre-licensing, licensing, and continuing education for insurance licenses. Mr. Taitano asked Mrs. Santos if the Department had reviewed the proposal. Mrs. Cruz was asked by Mrs. Santos as requested by Mr. Taitano to explain what have been discussed by IAG and the Department about the proposal. Mrs. Cruz explained that the Department wants to implement the continuing education which has never been implemented for 30 years. The former Banking & Insurance

Commissioner (Mr. Ilagan) approved the implementation along with the Task Force that was created for this proposal. Mr. Taitano asked if there is pending recommendation on the proposal from IAG. Ms. Cruz stated that the previous proposal for WebCE for implementation of CE is already on going and the Department and IAG is already connected to WebCE . The new proposal of IAG now is we connect to the WebCE to give the pre-licensing examination. Mrs. Cruz stated that the Department, the AIG, and WebCE people are in communication on how to go to the proposal that IAG will pay the cost of \$3.00 per question with total of 300 questions and the Department will hold the certificate. Mr. Taitano reiterated and asked Mrs. Santos if the Department has to implement the proposal and if the Department has recommendation on the proposal. Mrs. Santos recommended that the Department pay for the cost of pre-licensing examination and she confirmed it to Mr. Villanueva, DRT Chief of Administration. Mrs. Santos stated that it will only take 2 to 3 days to fund it using the special fund (Banking and Insurance Enforcement Fund) and the Governor has executive order that the Department can do their own purchasing under \$10,000 and there is no need to go through GSA. Mr. Rapadas moved the approval and seconded by Mr. Schnabel. The proposal was approved by the 6 Board Members and the Deputy Director.

- b. The Proposed revision of 30 GAR Continuing Education is still under review of the office of Senator Sabina Perez. Ms. Francine Salas confirmed that the proposal was forwarded to their office and they are still reviewing it. They are expecting numerous corrections on the current law that is why the proposed revision has not been introduced yet.

The Acting Banking & Insurance Commissioner, Ms. Dafne Mansapit-Shimizu, joined the meeting at this time.

- c. Proposed increases of insurance licenses fees. Mrs. Santos explained to the board that Senator San Agustin is encouraging the Department to increase its fees across the board. Mrs. Santos also stated that GAR fees has not change as of May 2007. Mrs. Cruz prepared a schedule for the proposed increases on fees for ISBRE Branch. Mrs. Cruz explained that the proposed rate increases is based on the research that the Department made in comparison with 50 States. Mrs. Santos explained that the proposed fees will be introduced though legislature and transmitted to Senator San Agustin and they also discussed this proposed fees with Senator Perez.
- d. Proposal to have the COA application be on line with NAIC/UCAA. Mr. Cassidy asked Mrs. Cruz if there is additional fees if Guam COA application will be on line with NAIC/UCAA. Mrs. Cruz informed the board that the fees would not be far from current fees if Guam chooses to adopt UCAA and she explained to the Director & Deputy Director the meaning of UCAA (Uniform Certificate Authority Act) and the main purpose of it, if Guam chooses to adopt this process the application for renewal and amendment of Certificate of Authority of Insurers in Guam and 50 States will be one time through UCAA and this will help the processing much easier. Mrs. Santos proposed if the department will introduce this to the legislature she wants Ms. Alice to draft the proposed language and email it to the board members for review. Mrs. Alice added that this is purely informational for now and action of the Board is not required. Ms. Salas mentioned that if the Department has the language and it is ready just submit it to the office of Senator Perez.

e. Case of Pinoy Express is for informational purposes only. Pinoy Express was audited back in May 15, 2017 and finalized on March 19, 2018. The audit result found out numerous violations and non-compliance of the establishment. Attorney General Office assisted ISBRE Branch on the case and as a result Pinoy Express agreed on the issuance of release settlement agreement along with the penalty of \$79,000.00. ISBRE Branch prepared a table that shows the schedule of payments and the last payment was made in April 1st 2019.

f. Proposed statute revisions:

- On Mortgage Licensing via NMLS Mr. Rapadas talked about some history about MSB's (Money Services Business) issues of the bank and asked some clarification about NMLS function on MSB and Mortgage Loan Business. Ms. Alice responded that NMLS is the third party that is assisting ISBRE Branch in licensing MSB and Mortgage Loan Business. Mrs. Cruz explained that by utilizing NMLS licensing and regulating both MSB and Mortgage Loan Businesses can be improved. Mr. Rapadas inquired if IRS regulations on MSB is stricter than NMLS. Ms. Alice explained that NMLS main focus is strict licensing and regulations of MSB and Mortgage Loan Businesses. Acting Commissioner Shimizu asked Mrs. Cruz to explain further to the Board the purpose of MSB to be licensed through NMLS. Ms. Cruz explained that the main reason of the proposed inclusion of MSB through NMLS is to avoid some business establishment doing business of Money Services Business without the proper license like Mom and Pop Stores doing check cashing. This is what the Department wants to curtail. Mr. Rapadas agreed to the proposed move because as a banker, he had some experiences about Mom & Pop Stores doing business without proper license like check cashing and selling debit cards because they don't know about the regulation of federal government. Mrs. Santos and Mrs. Shimizu advised Mrs. Cruz to work with Mae Linda from General Licensing Branch to catch businesses that operating without proper licenses on MSB by screening their renewal application form description of business. Mr. Rapadas mentioned Jo Mariano wants to talk to Ms. Santos about this issue.
- On Insurance matters Mr. Cassidy opened up a discussion on definition of some items in banking and insurance law. He mentioned the law that empowers the Board that allows the members to define certain terms that are not specifically defined in the insurance law and to be clarified or can at least ratify by the Board. Ms. Santos recommend to table this on next board meeting and she wants the board to review whatever changes the board wants to make on the statue of the law. Mr. Cassidy also mentioned none of these issues were raised in the past but only 5 or 6 years ago when the Board contracted CFEs to examine domestic insurance companies. Ms. Cruz explained the reason why these issues didn't come out until 5 or 6 years ago is because there has been no insurance examination and market conduct on domestic insurance companies on Guam.

4. General Discussion / Announcements

- a. Acting Commissioner Shimizu explained to the Board members that in FY2019 the Department didn't have a budget to hire an attorney and FY2020 the department is pushing to hire an in-house attorney because the Department don't have anyone from the AG's office who is really dedicated for the Department and can assists ISBRE Branch to all consumer complaints.

- b. Proposal to reduce the members of the Banking and Insurance Board. Acting Commissioner Shimizu explained that the main reason for this proposal is to have a quorum every scheduled meeting because it's always an issue of lack of number of board members that is available to attend the meeting. Ms. Santos stated that it is up to the Board if they want to leave the members at 9. A suggestion from one of the Board Members is if a Board Member can attend remotely. Acting Commissioner Shimizu wants to confirm first the legality if a Board Member can attend the meeting remotely.
- c. Ms. Santos suggested to table the proposal to hire Bank Examiner to do periodic examination on foreign banks that are doing business on Guam under the regulation of Department of Revenue and Taxation. She wants Ms. Cruz to work on this first.
- d. Mrs. Cruz and Mrs. Santos reported to the Board members that ISBRE Branch switched to the new system that has more capabilities in terms of processing the licenses using the new program instead of processing the licenses manually. DRT hired DMR company to install the new program to ISBRE Branch system.

5. Adjournment

The board decided to set the schedule for the next three (3) board meeting this year tentatively. One is on June 20, 2019, next is on September 19, 2019 and the last meeting is on November 7, 2019. A motion to adjourn the meeting was made by Mr. Rapadas and seconded by Mr. West. Mrs. Shimizu adjourned the meeting at 3:16 PM.

Prepared and Submitted by:



Nemencio David E. Briones
Regulatory Examiner II

Confirmed by:



Alice P. Sebastian Cruz
Regulatory Examiner Supervisor



BANKING & INSURANCE BOARD MEETING AGENDA
April 18, 2019, 2:00pm, Thursday

1. CALL TO ORDER

2. APPROVAL OF MINUTES -April 5, 2018 *(Attachment I)*

3. NEW BUSINESS

- a. Proposal of the Insurance Association of Guam (IAG) regarding pre-licensing, licensing and continuing education for insurance licenses. *(Attachment II)*
- b. Proposed revision of 30 GAR Continuing Education.
- c. Proposed Increases of Insurance Fees (COA) *(Attachment III)*
- d. Proposal to have the COA application be on line with NAIC/UCAA (Uniform Certificate of Authority Act) *(Attachment IV)*
- e. Case of Pinoy Express *(Attachment V)*
- f. Proposed Statute Revisions
 - On Mortgage Licensing Via NMLS (18 GCA, Chapter 36) *(Attachment V)*
 - On Money Service Business (MSB) Via NMLS *(Attachment V)*
 - On Insurance Matters: *(Attachment V)*

4. GENERAL DISCUSSION /ANNOUNCEMENTS:

- a. All consumer complaints on Insurance, Securities, Banking & Real Estates. *(Attachment V)*
- b. Proposal to reduce the members of the Banking and Insurance Board *(Attachment V)*
- c. Proposal to hire a Bank Examiner to do periodic examination on foreign banks that are doing business on Guam under the regulation of DRT. *(Attachment V)*

d. Public Law 33-91, Banking and Insurance Enforcement Fund, Section 3, Subsection c.
(Attachment VI)

e. PROGRESS REPORT ON LICENSING. *(Attachment V)*

5. ADJOURNMENT

Apsc/04/11/19