



BANKING AND INSURANCE BOARD MEETING MINUTES

Thursday, October 20, 2022 at 2:00pm

Zoom Virtual Conference: Meeting ID 828 0124 7170, Passcode: 6711844

<https://us02web.zoom.us/j/82801247170?pwd=UHZPRWtyWjIINERPV0dqU43cGcrZz09>

Facebook Live: Guam Department of Revenue & Taxation

BOARD MEMBERS PRESENT:

Michele B. Santos, Banking & Insurance Commissioner
Danilo Rapadas, SVP/Chief Risk Officer, Bank of Guam
John McKinnon, VP Regulatory Risk Officer, Bankpacific
Raymond Schnabel, Chief of Operations, Calvo's Insurance Underwriters
West Cassidy, EVP/General Manager, Pacific Indemnity Ins. Co.
Dean Manglona, Attorney, Civile & Tang, PLLC

ALSO PRESENT:

Alice Sebastian-Cruz, Regulatory Programs Administrator
Nemencio David Briones, Regulatory Examiner II
Michele Marie R. Rabago, Regulatory Examiner I

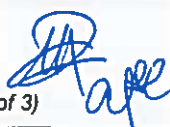
- I. **Call Meeting to Order** – The Commissioner called the meeting to order at 2:02pm.
- II. **Attendance – Roll Call** – The Commissioner did roll call and a quorum was established.
- III. **Approval of Minutes (March 15, 2022)** - A motion to approve March 15, 2022 minutes was made by Member Rapadas and seconded by Member Schnabel. Motion was passed.
- IV. **New Business:**
 - a. **Guam Automobile Tariff (GAT) and Homeowners Tariff (HOT) Update** – The Commissioner reported the Guam Insurance Association presented their proposed tariffs which the Office of the Commissioner (Office) accepted. The next process is the Administrative Adjudication Act (AAA) process. The proposed tariffs will be reviewed by the department's actuary. The department will be hiring an attorney who will start on November 1st. The department's attorney will be the hearing officer. A public hearing will be set up so the public and the industry can make comments to the proposed tariffs. If the public hearing goes well and there are no objections, the Office of the Commissioner will finalize the proposed tariffs and will send them to the Legislature.
 - b. **Military Contractors Project** – The Commissioner reported that the Director updated the Governor regarding the department's tax side working to ensure all military contractors are filing relevant taxes on Guam and are in compliance with Guam tax laws. The Commissioner mentioned the same holds true for the insurance side of all military contractors. Military contractors need to be in compliance with Guam insurance laws.

- c. **Ongoing and Future Financial Examinations** – Alice reported that in compliance of our Guam insurance laws, the Office is currently doing financial examinations, which takes place every three (3) years, for various domestic insurance companies for varying years from 2019 to 2020. The Commissioner reported that financial examinations have been done remotely as a result of the pandemic which has significantly reduced the cost to those insurance companies being examined. Member Cassidy asked about whether financial examinations are being done on wholly-owned subsidiary branches of alien companies that are established as domestic companies on Guam to which Alice responded the Office only does market conduct audits on how they conduct insurance business as their state of domicile will be the one to perform their financial examinations. Alice mentioned one example was USAA where the Office did the market conduct audit. The Commissioner mentioned that our Certified Financial Examiners (CFE) are Bill Fisher and Cathey Legh.
- d. **Insurance, Securities, Banking and Real Estate (ISBRE) Branch Updates – Personnel, Budget, and Other Resources** – The Commissioner mentioned the recent Confirmation Hearing for Board Members Rapadas, McKinnon, and Cassidy; the hiring of the department’s attorney; and the hiring of personnel to fill up the vacancies that the Branch needs with the new fiscal year budget. The Commissioner reported that the Banking and Insurance Enforcement Fund has \$358,000 for year 2022-2023. The Commissioner and Alice will meet and plan how best to utilize the funds to improve the Branch and analyze the cost for personnel.

V. **Old Business – BankPacific Conversion from Savings and Loan to Commercial Bank Update** – The Commissioner reported that she received an email from BankPacific’s (BP) attorney Anita Arriola saying BP is still awaiting word from FDIC. Member McKinnon of BP mentioned they did not anticipate the conversion process to take long. He mentioned the delay is not with FDIC, but with the Office of the Comptroller of Currency (OCC) who is still reviewing and will make the final approval. Member McKinnon mentioned it may take several more months before a decision/approval is made.

VI. **Open Discussion –**

- a. Confirmation Hearing - Member Manglona congratulated the Board Members on their Confirmation Hearing.
- b. Establishing Regular Quarterly Meetings - The Commissioner mentioned the Board was cited for not having regular quarterly meetings as she calls meetings based on banking and insurance issues that arise. The Commissioner would like for the Board to meet regularly to stay active and updated, even if the meetings held will be brief. Member Manglona commends the Board for being very responsive when banking and insurance issues arise.
- c. Amending/Changing Banking and Insurance Laws - The Commissioner mentioned the Office is currently working on amending/changing insurance laws with the department’s oversight Senator Sabina Perez’s office. However, there is also a need to focus also on improving the banking laws to reflect the current industry and technology.
- d. Payment of Stipends - The Commissioner brought up the outstanding stipends that have not been paid to the Board Members. The Office will work to get the stipends paid out as soon as possible.
- e. Announcement of ANZ Bank Closure - The Commissioner announced the closure of ANZ Bank and that Alice is working with their attorney on the closure timeline.
- f. Formation of Potential New Bank - The Commissioner mentioned there have been inquiries regarding the formation of a new bank.



- g. Possible Lawsuit Against the Department - The Commissioner mentioned there may be a possible lawsuit against the Office. She has informed and given a heads-up to the Office of the Attorney General as they would be the department's legal representation.
- h. Board Member Vacancies - The Commissioner mentioned the Board needs to fill in the Board Member vacancies with a member from the banking industry and a member from a Government of Guam agency to ensure that there is a quorum during scheduled board meetings. The Commissioner asked if anyone has any suggestions to fill the vacancies to let her know via email.
- i. Amending/Changing the Guam Laws on Banking - Member Manglona addressed the Board that if there are any laws that needed to be changed or amended, the Board is welcome to hear them. Member Rapadas added that the Guam laws for banking were written in the 1970s and are not aligned with the digital world today, like Uniform Commercial Code (UCC) filings as the department is still doing manual filings and not electronic filings. Alice mentioned that the department is not equipped to handle electronic filings to which the Commissioner mentioned that we can request from the department's Director some of the American Rescue Plan (ARP) funds to establish an electronic filing system. The Commissioner mentioned the best way to approach changing the banking laws is to do it piecemeal so as not to overwhelm the Legislature. Member Rapadas mentioned the formation of bank laws are satisfactory; however, the changes would be made in bank operations, like the UCC, UCCC, statements, accounts, foreign exchange.
- j. Cannabis Update - Member Rapadas reported Bank of Guam is accepting business license fees from Government of Guam. When vendor licenses, tier 1, 2, and 3 licenses applications become available, that is where the banks will have issues in accepting money. The Commissioner mentioned the department is working with the Department of Public Health and Social Services (DPHSS) to establish a Memorandum of Understanding (MOU) to utilize and share the cost of the Metrc system that tracks cannabis from seed to sale and allows banks to see and track the activities.
- k. Tariffs Discussion - There was a discussion regarding the proposed tariffs. Member Schnabel questioned the proposed tariffs being sent to an actuary when the tariffs have already been in existence for many years and approved by the Commissioner. Member Cassidy stated the proposed tariffs and how they are applied and used will allow for standardization across all carriers and ensures that all carriers are in agreeance to the standardizations. Member Cassidy suggested carriers should sign an affidavit agreeing to utilizing the proposed tariffs according to its expressed and defined rules and definitions which would set the groundwork for future market conduct audits and make them a lot simpler. The Commissioner mentioned the proposed tariffs will go through the AAA process and presented to the Legislature.

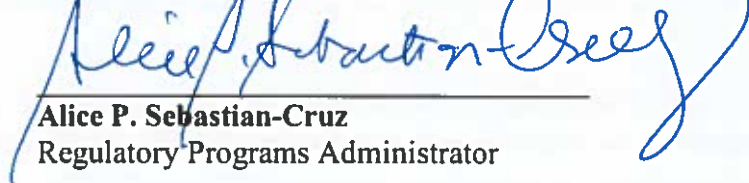
VII. **Meeting Adjournment** - A motion to adjourn the meeting was made by Member Schnabel and seconded by Member Rapadas. Motion was passed. Meeting was adjourned at 2:45pm.

Prepared and Submitted By:



Michele Marie R. Rabago
Regulatory Examiner I

Confirmed By:



Alice P. Sebastian-Cruz
Regulatory Programs Administrator