

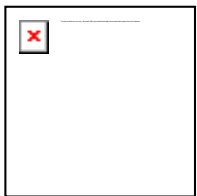
From: Committee on Rules 36GL <cor@guamlegislature.org>
Sent: Thursday, April 15, 2021 2:21 PM
To: Clerks; Rennae Meno
Subject: Messages and Communications for Doc. No. 36GL-21-0447*
Attachments: 36GL-21-0447.pdf

Håfa Adai Clerks,

Please see attached M&C Doc. No. 36GL-21-0447 for processing:

36GL-21-0447	Guam Banking and Insurance Board Meeting Minutes for Friday, April 9, 2021.* Guam Banking and Insurance Board Meeting held on April 9, 2021*	Department of Revenue & Taxation Department of Revenue and Taxation
--------------	---	--

Si Yu'os Ma'åse',



COMMITTEE ON RULES
Vice Speaker Tina Rose Muña Barnes
36th Guam Legislature
I Mina'trentai Sais Na Liheslaturan Guåhan
163 Chalan Santo Papa Hågatña Guam 96910
Email: cor@guamlegislature.org

"Disclaimer: This message is intended only for the use of the individual or entity to which it is addressed and may contain information which is privileged, confidential, proprietary, or exempt from disclosure under applicable law. If you are not the intended recipient or the individual responsible for delivering the message to the intended recipient, you are strictly prohibited from disclosing, distributing, copying, or in any way using this message. If you have received this communication in error, please notify the sender and immediately delete any copies you may have received. Thank you."

----- Forwarded message -----

From: Speaker Therese M. Terlaje <speaker@guamlegislature.org>
Date: Thu, Apr 15, 2021 at 12:25 PM
Subject: Messages and Communications for 36GL-21-0447
To: Legislative Secretary Amanda Shelton <officeofsenatorshelton@guamlegislature.org>, Committee on Rules 36GL <cor@guamlegislature.org>

36GL-21-0447	Guam Banking and Insurance Board Meeting Minutes for Friday, April 9, 2021.*	Department of Revenue & Taxation
--------------	--	----------------------------------

Please see attached M&C Doc. No. 36GL-21-0447.

Si Yu'os Ma'åse,

Maria Abante
Legislative Assistant

Office of Speaker Therese M. Terlaje
Committee on Health, Land, Justice and Culture

I Mina'trentai Sais na Liheslaturan Guåhan
36th Guam Legislature

Office Location: Ada Plaza Center, Suite 207, 173 Aspinall Avenue, Hagåtña, Guam 96910

Address: Guam Congress Building, 163 Chalan Santo Papa, Hagåtña, Guam 96910

T: (671) 472-3586 F: (671) 989-3590 Email: speaker@guamlegislature.org

website: www.senatorterlaje.com

----- Forwarded message -----

From: **Michele Rabago** <Michele.Rabago@revtax.guam.gov>

Date: Wed, Apr 14, 2021 at 11:08 AM

Subject: RE: Submission of Guam Banking and Insurance Board Meeting Minutes 04/09/2021 at 2:00PM

To: speaker@guamlegislature.org <speaker@guamlegislature.org>, senatorterlajeguam@gmail.com
<senatorterlajeguam@gmail.com>

Cc: Nemencio Briones <Nemencio.Briones@revtax.guam.gov>, Alice PS. Cruz <Alice.Cruz@revtax.guam.gov>

Håfa Adai Honorable Madam Speaker,

I apologize as I didn't send the rest of the board meeting details. Please disregard previous email. I will re-include the board meeting minutes on this email. Thank you.

Attached are the following:

1. AGENDA – April 9, 2021
2. MINUTES BANKING and INSURANCE 12.17.2020 – Attachment (A-1)
3. Adjuster ECO Final Submitted_03_06_2020 – Attachment (A-2)
4. Guam PC Producer Exam Outline Annotated (Jan. 28 2021) – Attachment (A-3)
5. CAPTIVE INSURANCE UPDATE – Attachment (A-4)
6. BankingInsuranceBoardMeetingMinutes_04092021_2PM – Signed

Stay safe and healthy.

Si Yu'os Ma'åse,

Michele Marie R. Rabago

Regulatory Examiner

Insurance, Securities, Banking & Real Estate (ISBRE) Branch

Guam Department of Revenue and Taxation



Hours of Operation: 8:00AM – 5:00PM excluding holidays (*ISBRE PCOR2 Operations: 8:00am-9:00am Manamko'/Senior Citizen Hour; All Others by Appointment Only*)

Physical Address: 1240 Army Drive; Barrigada, Guam 96913

Mailing Address: P.O. Box 23607, Guam Main Facility; Barrigada, Guam 96921

Branch Email: isbre@revtax.guam.gov

Website: guamtax.com / myguamtax.com

ISBRE Documents: http://www.govguamdocs.com/revtax/index_revtax.htm

Phone: (671) 635-1846 (ISBRE Branch)

Fax: (671) 633-2643

The information contained in this electronic message and any attachments contain information that may be confidential and/or privileged. If you are not the intended recipient, you are hereby notified that any disclosure, reproduction, distribution or use of this information is strictly prohibited. If you have received this communication in error, please notify the sender immediately by email or by telephone at 671-635-1846 and destroy this communication.

From: Michele Rabago
Sent: Wednesday, April 14, 2021 10:44 AM
To: speaker@guamlegislature.org; senatorterlajeguam@gmail.com
Cc: Nemencio Briones <Nemencio.Briones@revtax.guam.gov>; Alice PS. Cruz <Alice.Cruz@revtax.guam.gov>
Subject: Submission of Guam Banking and Insurance Board Meeting Minutes 04/09/2021 at 2:00PM

Håfa Adai Honorable Madam Speaker,

As part of the requirements, I am submitting the Guam Banking and Insurance Board meeting minutes to the Office of the Speaker for meeting held last Friday, April 9, 2021 at 2:00PM via Google Meet.

Stay safe and healthy.

Si Yu'os Ma'åse,

Michele Marie R. Rabago

Regulatory Examiner

Insurance, Securities, Banking & Real Estate (ISBRE) Branch

Guam Department of Revenue and Taxation



Hours of Operation: 8:00AM – 5:00PM excluding holidays (*ISBRE PCOR2 Operations: 8:00am-9:00am Manamko'/Senior Citizen Hour; All Others by Appointment Only*)

Physical Address: 1240 Army Drive; Barrigada, Guam 96913

Mailing Address: P.O. Box 23607, Guam Main Facility; Barrigada, Guam 96921

Branch Email: isbre@revtax.guam.gov

Website: guamtax.com / myguamtax.com

ISBRE Documents: http://www.govguamdocs.com/revtax/index_revtax.htm

Phone: (671) 635-1846 (ISBRE Branch)

Fax: (671) 633-2643

The information contained in this electronic message and any attachments contain information that may be confidential and/or privileged. If you are not the intended recipient, you are hereby notified that any disclosure, reproduction, distribution or use of this information is strictly prohibited. If you have received this communication in error, please notify the sender immediately by email or by telephone at 671-635-1846 and destroy this communication.



Speaker Therese M. Terlaje <senatorterlajeguam@gmail.com>

RE: Submission of Guam Banking and Insurance Board Meeting Minutes 04/09/2021 at 2:00PM

Michele Rabago <Michele.Rabago@revtax.guam.gov>

Wed, Apr 14, 2021 at 11:07 AM

To: "speaker@guamlegislature.org" <speaker@guamlegislature.org>, "senatorterlajeguam@gmail.com"

<senatorterlajeguam@gmail.com>

Cc: Nemencio Briones <Nemencio.Briones@revtax.guam.gov>, "Alice PS. Cruz" <Alice.Cruz@revtax.guam.gov>

Håfa Adai Honorable Madam Speaker,

I apologize as I didn't send the rest of the board meeting details. Please disregard previous email. I will re-include the board meeting minutes on this email. Thank you.

Attached are the following:

1. AGENDA – April 9, 2021
2. MINUTES BANKING and INSURANCE 12.17.2020 – Attachment (A-1)
3. Adjuster ECO Final Submitted_03_06_2020 – Attachment (A-2)
4. Guam PC Producer Exam Outline Annotated (Jan. 28 2021) – Attachment (A-3)
5. CAPTIVE INSURANCE UPDATE – Attachment (A-4)
6. BankingInsuranceBoardMeetingMinutes_04092021_2PM – Signed

Stay safe and healthy.

Si Yu'os Ma'åse,

*Michele Marie R. Rabago***Regulatory Examiner**

Insurance, Securities, Banking & Real Estate (ISBRE) Branch

Guam Department of Revenue and Taxation



Hours of Operation: 8:00AM – 5:00PM excluding holidays (*ISBRE PCOR2 Operations: 8:00am-9:00am Manamko/Senior Citizen Hour; All Others by Appointment Only*)

Physical Address: 1240 Army Drive; Barrigada, Guam 96913

Doc Type: 36GL-21-0447
 OFFICE OF THE SPEAKER
 THERESE M. TERLAJE
 04 14 2021
 Time: 11:07 am
 Received: [Signature]

COMMITTEE ON RULES

RECEIVED:

April 15, 2021

12:25 P.M.

4/14/2021

Gmail - RE: Submission of Guam Banking and Insurance Board Meeting Minutes 04/09/2021 at 2:00PM

Mailing Address: P.O. Box 23607, Guam Main Facility; Barrigada, Guam 96921

Branch Email: isbre@revtax.guam.gov

Website: guamtax.com / myguamtax.com

ISBRE Documents: http://www.govguamdocs.com/revtax/index_revtax.htm

Phone: (671) 635-1846 (ISBRE Branch)

Fax: (671) 633-2643

The information contained in this electronic message and any attachments contain information that may be confidential and/or privileged. If you are not the intended recipient, you are hereby notified that any disclosure, reproduction, distribution or use of this information is strictly prohibited. If you have received this communication in error, please notify the sender immediately by email or by telephone at 671-635-1846 and destroy this communication.

THE OFFICE OF THE SPEAKER
OFFICE OF THE SPEAKER

Time:

From: Michele Rabago

Sent: Wednesday, April 14, 2021 10:44 AM

To: speaker@guamlegislature.org; senatorterlajeguam@gmail.com

Cc: Nemencio Briones <Nemencio.Briones@revtax.guam.gov>; Alice PS. Cruz <Alice.Cruz@revtax.guam.gov>

Subject: Submission of Guam Banking and Insurance Board Meeting Minutes 04/09/2021 at 2:00PM

Håfa Adai Honorable Madam Speaker,

As part of the requirements, I am submitting the Guam Banking and Insurance Board meeting minutes to the Office of the Speaker for meeting held last Friday, April 9, 2021 at 2:00PM via Google Meet.

Stay safe and healthy.

Si Yu'os Ma'åse,

Michele Marie R. Rabago

Regulatory Examiner

Insurance, Securities, Banking & Real Estate (ISBRE) Branch

Guam Department of Revenue and Taxation



Hours of Operation: 8:00AM – 5:00PM excluding holidays (*ISBRE PCOR2 Operations: 8:00am-9:00am Manamko/Senior Citizen Hour; All Others by Appointment Only*)

Physical Address: 1240 Army Drive; Barrigada, Guam 96913

Mailing Address: P.O. Box 23607, Guam Main Facility; Barrigada, Guam 96921

Branch Email: isbre@revtax.guam.gov

Website: guamtax.com / myguamtax.com







ISBRE Documents: http://www.govguamdocs.com/revtax/index_revtx.htm

Phone: (671) 635-1846 (ISBRE Branch)

Fax: (671) 633-2643

The information contained in this electronic message and any attachments contain information that may be confidential and/or privileged. If you are not the intended recipient, you are hereby notified that any disclosure, reproduction, distribution or use of this information is strictly prohibited. If you have received this communication in error, please notify the sender immediately by email or by telephone at 671-635-1846 and destroy this communication.

6 attachments

-  **AGENDA - April 9, 2021.pdf**
202K
-  **MINUTES BANKING and INSURANCE 12.17.2020.pdf**
134K
-  **Adjuster ECO Final Submitted_03_06_2020.pdf**
217K
-  **Guam PC Producer Exam Outline Annotated (Jan. 28 2021).pdf**
339K
-  **CAPTIVE INSURANCE UPDATE (A-4).pdf**
761K
-  **BankingInsuranceBoardMeetingMinutes_04092021_2PM.pdf**
196K



Dipåtamenton Kontribusion yan Adu'aña

DEPARTMENT OF

REVENUE AND TAXATION

GOVERNMENT OF GUAM

Gubetnamenton Guåhan

LOURDES A. LEON GUERRERO, Governor / *Maga'håga*
JOSHUA F. TENORIO, Lt. Governor / *Tiñente Gubetnadot*

DAFNE M. SHIMIZU, Acting Director
Direktot
FRANK LEON GUERRER, Deputy Director
Segundo Direktot

BANKING & INSURANCE BOARD MEETING AGENDA

April 9, 2021, 2:00pm, Friday

Via Google Meet

1. CALL TO ORDER

2. APPROVAL OF MINUTES -December 17, 2020 (A-1)

3. OLD BUSINESS

a. WebCE contract with DRT – online insurance licensing examination and Online Course Review

i. Final online Adjuster's Licensing Exam delivered by WebCE to UOG (Carlos Taitano) on January 21, 2021. (A-2)

ii. Submission of Exam Content Outline (ECO) for Property & Casualty (P & C) to WebCE on January 28, 2021. (A-3)

b. Update on proposed amendments on Insurance Continuing Education (CE)

i. Under review by Policy Analyst at the office of Senator Sabina Perez.

4. NEW BUSINESS

a. Banking and Insurance Enforcement Fund

b. Captive Insurance Update (A-4)

5. DISCUSSION/OTHER MATTERS

6. ADJOURNMENT

Apsc/04052021



Dipattamenton Kontribusion yan Adu'aña

DEPARTMENT OF

REVENUE AND TAXATION

GOVERNMENT OF GUAM

Gubetnamenton Guåhan

LOURDES A. LEON GUERRERO, Governor Maga'håga
JOSHUA F. TENORIO.Lt. Governor Sigundo Maga'låhi

DAFNE MANSAPIT-SHIMIZU, Director
Direktot
MICHELE B. SANTOS, Deputy Director
Segundo Direktot

BANKING & INSURANCE BOARD OF DIRECTORS MEETING

MINUTES OF THE MEETING VIA GOOGLE MEET

December 17, 2020, Thursday, 2:00 pm

PRESENT:

(A-1)

Michelle B. Santos, Banking & Insurance Commissioner

Roland Biscoe

Dean Manglona

Danilo Rapadas

Michael Sgro

West Cassidy

Leah Beth Naholowaa

Ray Schnabel

Peter Valdez

John McKinnon

ALSO, PRESENT:

Alice Sebastian-Cruz, Regulatory Examiner Supervisor

Nemencio David Briones, Regulatory Examiner II

Timothy CSA. Lujan, Special Projects Coordinator

Francine Salas, Senator Sabina Perez's Representative

1. CALL TO ORDER:

The Banking & Insurance Commissioner acknowledged the presence of all the Board Members and called the meeting to order at 2:05pm.

2. APPROVAL OF MINUTES

The minute of the prior board meeting held on November 7, 2019, was presented and opened for review and discussion. Two of the board members expressed their concerns and requested to make changes on the minutes. First was Mr. Cassidy wanted to clarify what he said on 1st paragraph of page 2, of the minutes "for the proposed fees of reinsurance companies stating that they are higher than premiums which may make it cost prohibitive". Mr. Cassidy stated that he wants to change it to they can be higher than premiums. Second board member is Mr. Manglona expressed concern on subsection A, 2nd paragraph on page 2 of the minutes. Mr. Manglona expressed concern with the allotment of time for enforcement. He stated that his concern is not having ample time to review the proposed regulations, especially considering we are seeking to enforce them and significantly increasing penalties for violations.

Commissioner Santos asked to get a motion for approval on stated changes made by Mr. Cassidy and concern of Mr. Manglona. A motion to approve the changes and the minutes was made by Mr. Rapadas and seconded by Mr. Manglona. Motion was unanimously approved.

Commissioner Santos asked Ms. Cruz to introduce all members of the board new and current. It started with the introduction of new Banking and Insurance Commissioner, Michelle Santos.

3. OLD BUSINESS

WebCE contract with DRT – online insurance licensing examination and Online Course Review. Commissioner Santos asked Ms. Cruz if this is informational only and asked her to explain their last meeting with Mr. Dan Tromblay

Ms. Cruz explained that the plan is to revise the contents of the insurance examinations. New and updated questions will be established for all LOAs like Life Insurance, Health, P&C, and Adjusters. WebCE will produce 300 questions on all categories and interchangeably and to be used by the examinees. The first set being worked on is for Adjusters. This will be finished by first quarter of 2021 then it will be followed by the P&C and then by life and health category. Ms. Cruz mentioned the industry members are instrumental in preparation of the Exam Content Outline (ECO) where WebCe are extracting their questions from

Mr. Schnabel stated that the various sectors of the insurance industry are very involved in working with Web CE in restructuring in order to pass the exams and fulfilling the continuing education requirements for licensing.

Commissioner Santos explained that the projected completion of the project is around end of August or early September of 2021. Content License and Distribution Agreement between DRT and Web CE was signed on July 21, 2020.

The Commissioner asked to move on to the second item which is the update on proposed amendments on Insurance Continuing Education (CE). Ms. Cruz explained that after DRT had finished compiling the revisions, they forwarded it to DRT's Oversight Chairman, Senator Sabina Perez. They met with Policy Analyst Ms. Francine Salas via Zoom on October 13, 2020 at 1pm.

Ms. Salas explained that the plan of Senator Perez to introduce it to legislature during the new 2021 term and the target date is by February of 2021. Ms. Salas added that potential issue is the new senators coming on board may have questions and may cause delays. The Commissioner added that there is no guaranty that Senator Sabina Perez will be the Oversight Chairwoman on the next Legislature.

4. NEW BUSINESS

Reminder memo was sent to auto insurance carriers on auto policy upload to DRT-DMV website in compliance with 16 GCA, Chapter 19, Section 19103 (4) (a).

Ms. Cruz explained to the board members that not all insurance carriers were complying with section of the law. Therefore, DRT sent out the Memo dated June 22, 2020 as a reminder to all automobile insurers. Assigned Risk was added on to the choices in the drop-down box so we are able to capture the motor vehicles that are under the Assigned Risk Program as mandated by law.

Commissioner Santos reminded that the two divisions that are behind in workload activity is Motor Vehicle and Driver's License because we are unable to service them due to Governor's order that limits who can service and 25% allowed capacity and only by appointment. We are pushing online registration and has been working very well for us, we're very up-to-date on that and we send it out daily and online registration is really working. She stated that the manner of getting policies uploaded really helps the Department.

Letter to insurance companies doing business but not admitted in Guam. Letters were sent to four (4) auto insurance carriers: Geico, State Farm, Progressive, and All State Insurance.

Ms. Cruz explained DRT discovered that military personnel, construction company employees or people coming to Guam on a temporary basis, who bring their vehicles from abroad, register their vehicle on Guam with insurance carriers not admitted to do business on Guam.

With the cooperation of DMV, we are now looking at vehicle registrations with off-island insurance carriers to obtain a copy of their auto policies with terms and conditions extending insurance coverage to territories of the US like Guam. We are looking to ensure they want to continue doing business on Guam, that they must be admitted. It's just not fair for the Insurance Carriers admitted on Guam to pay taxes and the foreign companies not admitted to be doing business in Guam without paying their fair share of tax payment. Ms. Cruz explained that these companies are cooperative and communicating with her and are working with their legal division to come to some kind of resolution.

5. DISCUSSIONS / OTHER MATTERS

Ms. Leah Beth Naholowaa asked the status of Banking and Insurance enforcement fund. Commissioner Santos said she will look into the matter and report at the next scheduled meeting. The former chief of administration of DRT has retired and she will have to see who is in charge and look the current position of the fund.

The Commissioner moved the discussion on cannabis and banking issues and she called on Mr. Rapadas. Mr. Rapadas stated that they would like to see little more visibility when they confirm and verify licenses and it takes lengthy time to verify individual. The Commissioner suggested to set up a point of contact as licenses come in related to cannabis and forward a list to the bank on a monthly basis. Mr. Rapadas agreed to her suggestion. He also added that almost 99% of the banks do not want to deal with marijuana business.

Mr. Rapadas also informed the Bank of Guam will closing four (4) branches and the FDIC approved it already. Ms. Cruz reminded Mr. Rapadas of the \$500.00 fee per bank branch closure which he acknowledged in return.

The following are tentative dates for 2021 Banking and Insurance Board Meetings:

March 11, 2021

June 7, 2021

September 16, 2021

December 16, 2021

6. ADJOURNMENT

Meeting was adjourned at 2:57 pm.

/2021BoardMeetingIns&Bank (Minutes12172020)(w)

Your Exam Content Outline

(A-2)

The following outline describes the content of one of the Guam insurance examinations. The examination will contain questions on the subjects contained in the outline. The percentages indicate the relative weight assigned to each section of the examination. For example, 10 percent means that 6 questions will be drawn from the section on a 60-question exam, 10 will be drawn on a 100-question exam and 15 will be drawn on a 150-question exam.

Guam Independent Adjuster Examination

100 questions – 2-hour time limit

Live Date - _____

1.0 Insurance Regulation 10%

1.1 Licensing requirements

Compensation of Adjuster -22GCA, §15709

Insurance Adjusters -22GCA, §15710

No Reciprocity

1.2 Maintenance Duration

Renewal -22GCA, §15906

Continuing Education -22GCA, §15703

1.3 Disciplinary Actions

-22GCA, §15705

Cease and desist

Suspension, revocation, and

Nonrenewal

Penalties 22GCA, §15712

1.4 Claim settlement laws and regulations

Unfair claims practices -22GCA, §15708

Misrepresentation -22GCA, §12111.1

Suit against insurer -22GCA, §12111

Prohibitions -22GCA, §12112

Consumer privacy regulation

1.5 Guam Insurance Regulations

Direct Action -22GCA, §18305

Imputed Negligence -16GCA, Chapter 17

Safe Street Act -16GCA, Chapter 18

1.6 Federal regulation

Fraud and false statement including waiver

Terrorism Risk Insurance program

Reauthorization Act of 2015

2.0 Insurance Basics 10%

2.1 Contract basics

Elements of a legal contract

Offer and acceptance

Consideration

Competent parties

2.1 Contract basics (Continue)

Elements of a legal contract

Offer and acceptance

Consideration

Competent parties

Legal purpose

Distinct characteristics of an insurance contact

Contract of adhesion

Aleatory contact

Personal contract Unilateral contact

Conditional contract

Legal interpretations affecting contracts

Indemnity

Utmost good faith

Representations/misrepresentations

Warranties

Concealment

Fraud

Waiver and estoppel

2.2 Insurance principles and concepts

Insurable interest

Hazards

Physical

Moral

Morale

Negligence

Elements of a negligent act

Defenses against negligence

Damages

Compensatory – special versus general

Punitive

Absolute liability

Strict liability

Vicarious liability

Named perils versus open perils (All risk)

Direct loss

Consequential or indirect loss

Blanket versus specific insurance

Basic types of construction

Legal purpose

2.2 Insurance principles and concepts (continue)

Loss valuation

Actual cash value

Broad evidence rule

Replacement cost

Guaranteed

Functional

Market value

Agreed value

Stated amount

2.3 Policy structure

Declarations definitions

Insuring agreement or clause

Additional/supplementary coverage

Conditions

Exclusions

Endorsements

2.4 Common policy provisions

Insureds – named, first named,

Additional, defined

Policy period

Policy territory

Cancellation and nonrenewal

Deductibles

Other insurance Non-concurrency

Primary

Excess

Pro rata

Contribution by equal shares

Limits of liability

Per occurrence (accident)

Per person

Aggregate

Split

Combined single

Reinstatement of limits

Coinsurance

Vacancy or unoccupancy

Named insured provisions

Assignment

Abandonment

Duties after loss

Insurer provisions

Liberalization

Subrogation

Salvage

Loss settlement options

Duty to defend

Third-party provisions

Standard mortgage clause

Loss payable clause

3.0 Adjusting Losses 11%

3.1 Role of the adjuster

Duties and responsibilities

Staff and independent adjuster versus
Public adjuster

Relationship to the legal profession

3.2 Claim reporting

Claim investigation

Claim file documentation of events

Types of reports

Initial or first field

Interim or status

Full formal

3.3 Property losses

Duties of insured after a loss

Notice to insurer

Mitigating the loss

Proof of loss

Special requirements

Produce books and reports

Abandonment

Determining value and loss

Burden of proof of value and loss

Estimates

Depreciation

Salvage

Claim settlement options

Payment and discharge

Total Loss Valuation Methods

3.4 Liability losses

Investigation procedures

Verifying coverage

Determine liability

Gathering evidence

Physical evidence

Witness statements

Determining value of intangible
damages

3.5 Coverage problems

Dealing with coverage disputes

Reservation of rights letter

Nonwaiver agreement

Declaratory judgment action

3.6 Claims adjustment procedures

Settlement procedures

Advance payments

Draft authority

Execution of releases

Subrogation procedures

No benefit to the Bailee

3.6 Claims adjustment procedures (Continue)

- Alternative dispute resolution
 - Appraisal
 - Competitive estimates
 - Negotiation
 - Arbitrator
 - Mediator
- Coverage problems
 - Reservation of Rights Letter
 - Non-Waiver Agreement

4.0 Accident and Health Insurance Basics 1%

4.1 Definition of potential claims

- Accidental injury
- Sickness and health

4.2 Principal types of claims and benefits

- Loss of income from disability
- Hospital and medical expense
- Long-term care expense

4.3 Classes of accident and health insurance policies

- Individual and group
- Private versus government
- Limited versus comprehensive
- Self-insured versus insured

4.4 Common exclusions from coverage

- Cosmetic Experimental/investigation
- Medical necessities
- Workers compensation

5.0 Understanding the Language of Medical Reports 6%

5.1 Medical terminology and abbreviations

- Location terms
- Movements terms
- Prefixes, suffixes and root words
- Abbreviations used in medical reports
- Medical specialties

5.2 Basic human anatomy

- Skeletal structure
- Nervous system
- Respiratory system
- Cardiovascular system
- Abdominal organs

5.3 Common injuries and diseases

- Strains and sprains
- Dislocations
- Fractures
- Soft tissue injuries
- Brain injuries
- Burn classifications
- Cumulative trauma
- Repetitive motion injuries
- Diabetes mellitus
- Glaucoma
- Hypertension
- Arthritis Osteomyelitis Stroke
- Tachycardia Atherosclerosis
- Coronary thrombosis
- Mental wellness

5.4 Medical tests

- Laboratory
- Radiography (x-ray)
- Magnetic resonance imaging (MRI)
- Computerized tomography (CT or CAT)
- Electromyography (EMG)
- Nerve conduction studies
- Myelography Arthroscopy
- Electrocardiogram (EKG or ECG)
- Electroencephalography (EEG)

6.0 Dwelling Policy 6%

6.1 Coverage forms – Perils insured against

- Basic
- Broad
- Special

6.2 Property coverages

- Coverage A – Dwelling
- Coverage B – Other Structures
- Coverage C – Personal Property
- Coverage D – Fair Rental Value
- Coverage E – Additional living expense
- Other coverages

6.3 General Exclusions

6.4 Conditions

6.5 Selected endorsements

- Additional Insured
- Broad theft coverage
- Dwelling under construction

6.6 Personal liability supplement

7.0 Homeowners Policy 10%

7.1 Definitions

7.2 Section I – Property coverages

- Coverage A – Dwelling
- Coverage B – Other structures
- Coverage C – Personal property
- Coverage D – Loss of use
- Additional coverages

7.3 Section II – Liability coverages

- Coverage E – Personal liability
- Coverage F – Medical payments to others
- Additional coverages

7.4 Perils insured against

7.5 Exclusions

7.6 Conditions

7.7 Selected endorsements

- Special provisions
- Earthquake
- Scheduled personal property
- Personal property replacement cost
- Home business
- Personal injury
- Additional Residence – Rented to others
- Workers' compensation – certain residence employees
- Trust Endorsement

8.0 Auto Insurance 12%

8.1 Laws

- Guam Mandatory insurance law - **16GCA, Chapter 16, §§19101-19106**
 - Required limits of liability
 - Required proof of insurance
 - Notice of claim
 - Medical
 - Rehabilitation
 - Loss of earnings
 - Funeral
 - Substitution service
 - Tort limitation/verbal threshold
- Cancellation/nonrenewal
 - Grounds
 - Notice
- Choice of repair shop

8.2 Vehicle parts and construction

8.2 Vehicle parts and construction (Continue)

- Rear body
- Quarter panels
- Doors
- Roof
- Bumpers/urethane repairs
- Lamps
- Cowl
- Floor pan
- Rocker panel
- Pillars
- Substructure
- Frame
- Unibody
- Mechanical
 - Engine
 - Cooling system
 - Electrical system/computers
 - Exhaust system
 - Fuel system
 - Heating and air conditioning systems
- Brakes/ABS
- Steering
- Suspension
- Transmission
- Air bags/SRS (seat belts)
- Glass
- Interior
- Paint

8.3 Personal auto policy

- Definitions
- Liability coverage
 - Bodily injury and property damage
 - Supplementary payments
 - Who is insured
- Exclusions
- Medical payments coverage
- Coverage for damage to your auto
 - Collision
 - Other than collision/Comprehensive
- Deductibles
- Transportation expense
- Exclusions
- Duties after an accident or loss
- Optional coverages
 - Uninsured Motorists
 - Stacking vs Non-stacking
- Selected endorsements
 - Amendment of policy provisions
 - Towing and labor costs

Body

Front end

8.3 Personal auto policy (continue)

Extended non-owned coverage for

Named individual

Joint ownership coverage

Out of state coverage

Named driver exclusion

Transportation expense coverage

Federal employee non-own
endorsement

8.4 Commercial auto

Commercial auto coverage forms

Business auto

Garage

Motor carrier

Coverage form sections

Covered Autos

Garage keepers coverage

Physical damage coverage

Exclusions

Conditions

Definitions

Hired auto and non-owned auto
liability

Selected endorsement

Lessor – additional insured and loss
payee

Mobile equipment

Auto medical payments coverage

Drive other car coverage

Individual named insured

Employees as insureds

Commercial carrier regulations

The Motor Carrier Act of 1980

Endorsement for motor carrier
policies of insurance for public
liability (MCS-90)

9.0 Commercial Package Policy (CPP) 9%

9.1 Components of a commercial policy

Common policy declarations

Common policy conditions

First named insured

Monoline versus package

9.2 Commercial general liability

Commercial general liability coverage
forms

Bodily injury and property damage
liability

Personal and advertising injury
liability

Medical payments

Exclusions

Miscellaneous type vehicle

Rental vehicle coverage

9.2 Commercial general liability (Continue)

Limits of insurance

Conditions

Definitions

Occurrence versus claims-made

Claims-made and reported

Claims made features

Trigger

Retroactive date

Extended reporting periods – basic
versus supplemental

Claim information

Premises and operations

Products and completed operations

Insured contract

Owners and contractors protective
liability

9.3 Commercial property

Commercial property conditions form

Coverage forms

Building and personal property

Condominium association

Condominium commercial unit-owners

Builders risk

Business income/extra expense

Business Interruption

Legal Liability

Definitions

Causes of loss forms

Basic

Broad

Special

Selected endorsements

Ordinance of law

Spoilage

Earthquake and volcanic eruption

Flood coverage

Peak season limit of insurance

Value reporting form

Protective safeguard

9.4 Commercial crime

General definitions

Burglary

Theft

Robbery

Crime coverage forms

Commercial crime coverage forms
(discovery/loss sustained)

Coverages

Employee theft

Supplementary payments
Who is an insured

9.4 Commercial crime (continue)

Inside the premises – theft of money and securities
Inside the premises – robbery or safe burglary of other property
Outside the premises
Funds transfer fraud
Money orders and counterfeit money
Identity theft

9.5 Commercial inland marine

Bailee insurance
Nationwide marine definition
Commercial inland marine conditions form
Commercial inland marine coverage forms
Accounts receivable
Commercial articles
Contractors equipment floater
Electronic data processing
Equipment dealers
Jewelers floater
Jewelers block
Signs
Valuable papers and records
Transportation coverages

10.0 Businessowners Policy 5%

10.1 Characteristics and purpose

10.2 Businessowners property coverage forms (standard and special)

Coverage
Causes of loss
Exclusions
Who is insured
Limits of insurance
Deductibles
Loss conditions
General conditions
Optional coverages
Additional coverages
Definitions

10.3 Businessowners liability coverage form

Coverages
Exclusions
Who is an insured
Limits of insurance

Forgery or alteration
Computer fraud

10.4 Businessowners common policy conditions

10.5 Selected endorsements

Protective safeguards
Hired auto and non-owned auto liability

11.0 Workers Compensation Insurance 9%

11.1 Workers compensation laws

22GCA, Chapter 9 §§9101-9129

Types of laws

Monopolistic versus competitive
Compulsory versus elective

Guam Workers' Compensation Law

Exclusive remedy

Employment covered (required, voluntary)

Covered injuries

Occupational illness and diseases

Benefits provided

Special disability fund

Claims reporting requirements

Volunteer Workers' Benefit

Federal workers' compensation law

Federal employers liability act (FELA) (45 USC 51-60)

U.S. Longshore and Harbor Workers' Compensation Act (33 USC 904)

The Jones Act (46 USC 688)

11.2 Workers compensation and employers liability insurance policy

General section

Part One – Workers' compensation Insurance

Part Two – Employers liability Insured

Part Three – Other states insurance

Part Four – Your duties if injury Occurs

Part Five – Premium

Part Six – Conditions

Selected endorsements

Voluntary compensation

Foreign coverage endorsement

12.0 Surety Bonds 2%

12.1 Nature of surety bonds

Surety bonds versus insurance
Parties of a surety bond

General conditions
Definitions

12.2 Types of surety bonds

Contract bonds
Bid
Performance
Payment
Commercial Surety Bonds
Public official bond
Judicial bonds
Fiduciary bonds
Miscellaneous surety bonds
Indemnity
Tax preparer
Financial guarantee
Freight Forwarders

13.0 Fidelity Coverages 1%

13.1 Nature of fidelity bonds

Insuring agreement
Discovery versus loss sustained forms
Bond period
Discovery period
Limit of liability
Aggregate
Single loss
Termination of coverage

13.2 Employee dishonesty coverage

Individual bonds
Blanket
Scheduled
Named employee
Specified position
Pension plan, ERISA compliance

14.0 Other Coverages and Options 8%

14.1 Umbrella/excess liability policies

Personal
Commercial

14.2 Specialty liability insurance

Errors and omissions
Professional liability
Directors and officers liability
Fiduciary liability
Liquor liability
Employment practice liability
Cyber liability

14.3 Excess lines

Definitions and markets
Licensing requirements

Principal
Obligee
Surety

14.4 National Flood Insurance Program

"Write your own" versus direct
Eligibility
Coverage
Flood definition
Limits
Deductibles
Increased cost of compliance
Proof of loss requirement
Forms
Dwelling
General
Residential Condominium
Building Association Policy

14.5 Ocean marine insurance

Major coverages
Hull insurance
Cargo insurance
Freight insurance
Protection and indemnity
Implied warranties
Perils
General and particular average

14.6 Other Policies

Watercraft
Difference in conditions
Aircraft
Hull
Identity theft
Personal recreation vehicles (ATVs, snowmobiles)

Your Exam Content Outline (A-3)

The following outline describes the content of one of the Guam insurance examinations. The examination will contain questions on the subjects contained in the outline. The percentages indicate the relative weight assigned to each section of the examination. For example, 10 percent means that 6 questions will be drawn from the section on a 60-question exam, 10 will be drawn on a 100-question exam and 15 will be drawn on a 150-question exam.

Yellow Highlight = Content prepared for course manuscript.

Blue Highlight = Content to be added to course manuscript.

Underscore = Guam citations necessary, if applicable to topic.

Guam Property & Casualty Examination

100 questions – 2-hour time limit
Live Date - _____

1.0 Principles of Insurance 3.5%

1.1 Risk

Managing Risk

1.2 Insurance

Definition

1.3 Law of Large Numbers

1.4 Elements of Insurability

Pure and Speculative Risks

Insurable Interest

Other Elements of Insurability

1.5 Other Insurance Terms

Peril

Hazard

Physical

Morale

Moral

2.0 Insurance Contract 3.5%

2.1 Contract Basics

Elements of a legal/valid contract

Offer and acceptance

Consideration

Competent parties

Legal purpose

2.2 Characteristics of an Insurance Contract

Principle of Indemnity

Personal

Aleatory

Adhesion

Unilateral

2.3 Policy Parts & Structure (Con't)

Exclusions

Definitions

3.0 Insurance Company Organization and Regulation 3.5%

3.1 Types of Insurance Organization

Stock and Mutual Companies

Reciprocal Insurers

Lloyd's Associations

Fraternal Benefit Societies

Risk Retention Groups and Purchasing Groups

Self-Insurance

Private Versus Government Insurers

3.2 Lines of Insurance

Property

Casualty

Life

Health and Disability

3.3 Insurance Company Organization

Agents and Their Duties

Continuing Education Needs for Agents

Authority of Agents

Insurance Marketing Systems

Other Insurance Professionals

Solicitor

Producer

Other Insurance Functions

Underwriting Department

Policy Issue and Administration

Claims Department

Actuarial and Statistical Department

Accounting Department

Investment Department

Legal Department

Audit Department

Loss Control Department

Contract of Utmost Good Faith
Conditional

2.3 Parts of the Insurance Contract

Declarations
Insuring Agreements/Clause
Conditions

3.4 Regulation of Insurance (Con't)

Regulation of Companies
Admitted and Nonadmitted Companies
Domestic, Foreign, and Alien Companies
Financial Regulation
Company Ratings

Regulation of Agents
Licensing
Codes Regulating Agents

Forms and Rate Filings
Rating Organizations

Enforcement

Federal Regulation

Guam Regulation
Reporting Requirements

4.0 Insurance Transactions 3.5%

4.1 Applications

4.2 Binders

4.3 Underwriting a Policy

Fair Credit Reporting Act
Adverse Selection

4.4 Rating a Policy

Judgment Rating
Manual Rating
Merit Rating

4.5 Certificates of Insurance

4.6 Misrepresentation, Concealment, and Fraud

4.7 Representations and Warranties

4.8 Waiver and Estoppel

4.9 Cancellation and Nonrenewal

Notification Requirements
Circumstances for cancellation

5.0 Introduction to Property Insurance 7.5%

5.1 Declarations

Who Is Insured

Agency Department
Marketing Department
Reinsurance Department
Miscellaneous Support Departments

3.4 Regulation of Insurance

State Insurance Regulation

5.2 Insuring Agreements (Con't)

Perils Insured Against
Direct and Indirect Loss

5.3 Exclusions and Limitations

Categories of Exclusions
Non accidental losses
Losses controllable by the insured
Extra-hazardous perils
Catastrophic losses
Property covered in other policies

Concurrent Causation

5.4 Conditions

Duties Following Loss
Giving prompt notice
Protecting the property
Proof of Loss
Making property available for
inspection
Submitting to examination
Assisting the insurer as requested
during claim investigation

Valuation

Actual Cash Value
Repair Cost
Replacement Cost
Market value
Coinsurance

When Losses Are Paid

Pair or Set Clauses
Deductible
Salvage and Abandonment
Subrogation
Appraisal and Arbitration

Other Insurance

Primary and excess
Pro Rata Liability

Liberalization

Assignment

No Benefit to Bailee
Mortgage Condition
Policy Period and Policy Territory

What Property Is Covered and Where
When Property Is Insured
How Much Property Is Insured For
Endorsements That Apply

5.2 Insuring Agreements

Property Covered

6.0 Introduction to Liability Insurance 7.5%

6.1 Negligence

Establishing Negligence

Legal duty owed

Breach of legal duty owed

Proximate cause

Damages

6.2 Defenses Against Negligence

Contributory Negligence

Comparative Negligence

Other Defenses Against negligence

6.3 Absolute Liability

Dangerous materials

Hazardous operations

Dangerous animals

6.4 Vicarious Liability

Employer and employee relationship

Parent-Child relationship

6.5 Liability Insurance

Third Party Losses

Types of Damages

Insuring Agreement

Coverages

Defense Costs

Prejudgment Interest

Supplementary Payments

Policy Limits

Exclusions

Conditions

Duties After Loss

Other Insurance

7.0 Dwelling Insurance 2%

7.1 Eligibility and Insureds

7.2 Basic Form (DP-1)

Major Policy Coverages

Coverage A – Dwelling

Coverage B – Other Structures

Vacancy and Unoccupancy

5.5 Reporting Forms

Nonreporting versus Reporting basis

Flat Premium

Deposit or Estimate Premium

Premium Audit

Extended Coverage Perils

Windstorm or hail

Explosion

Riot of civil commotion

Aircraft

Vehicles

Smoke

Volcanic eruption

Other Coverages

Other Structures

Debris Removal

Property Removed

Reasonable Repairs

Improvements, Alterations, and
Additions

Fire Department Service Charge

Worldwide Coverage

Rental Value

Exclusions

Losses resulting from ordinances
or laws

Losses resulting from earth
movement

Water damage in general

Losses due to power interruption

Insured's failure to protect property

War

Nuclear hazard

Losses caused by insured or by
someone else at the insured's
direction

Conditions

Loss Settlement

Our Option

Deductible

Pair or Set

Loss Payment

Other Insurance

Recovered Property

7.3 Basic Form (DP-2) and Special Form Form (DP-3)

Covered Perils – Broad Form

Covered Perils – Special Form

Coverage C – Personal Property
Coverage D – Fair Rental Value

Perils Insured Against

Fire
Lightning
Internal explosion

7.3 Basic Form (DP-2) and Special Form Form (DP-3) (Con't)

Other Coverages
Trees, shrubs, and other plants
Collapse
Glass or safety glazing material

Replacement Cost Coverage

7.4 Dwelling Forms Comparison

7.5 Dwelling Policy Endorsements

Broad Theft Coverage
Limited Theft Coverage
Personal Liability and Medical
Payments to Others

7.6 Dwelling 2002 Forms

8.0 Homeowners Insurance 7.5%

8.1 Eligibility and Insureds

8.2 Extent and Scope

Section I – Property Insurance
Section II – Liability and Medical

Homeowner Forms

HO-2 Broad Form
HO-3 Special Form
HO-4 Contents Broad form
HO-5 Comprehensive form
HO-6 Unit-Owners form
HO-8 Modified Coverage

8.3 Section I – Property

Coverage A – Dwelling
Coverage B – Other Structures
Coverage C – Personal Property
Coverage D – Loss of Use

Additional Coverages

Debris Removal – General
Debris Removal – Trees
Reasonable Repairs
Reasonable Repairs
Trees, Shrubs, and Other Plants
Fire Department Service Charge
Property Removed

Major Policy Coverages

Coverage A – Dwelling
Coverage B – Other Structures
Coverage C – Personal Property
Coverage D – Fair Rental Value
Coverage E – Additional Living
Expense

8.3 Section I – Property (Con't)

Basic Named Perils

Fire
Lightning
Windstorm or hail
Explosion
Riot or civil commotion
Aircraft
Vehicles
Smoke
Vandalism and malicious
mischief
Theft
Volcanic eruption

Broad Named Perils

Special Form Coverage

Comprehensive Coverage

Exclusions

Losses resulting from ordinances
or laws
Losses resulting from earth
movement and mine subsidence
Water damage in general
Losses due to power interruption
Insured's failure to protect property
War
Nuclear hazard
Losses caused by insured or by
someone else at the insured's
direction
Destruction, confiscation, or seizure
of property by the government
or a public authority

Conditions

Loss Settlement

Limits of Liability - Deductible

8.4 Section II – Liability

Coverage E – Personal Liability
Premises in the declaration
Residences newly acquired
Temporary residence

Credit Card, Electronic Fund Transfer
Card, Access Device, Forgery, and
Counterfeit Money
Loss Assessment
Glass or Safety Glazing material

Renting for non-business use
Vacant land owned or rented
Land which a residence is being
Built
Cemetery plots or burial vaults

8.4 Section II – Liability (Con't)

Exclusions
Additional Coverages
Claims Expenses
First Aid Expenses
Damage To Property of Others
Loss Assessment

8.5 Homeowners Endorsements

Section I Endorsements
Jewelry
Furs and fur-trimmed garments
Cameras, projectors, films, and
related equipment
Musical instruments
Silverware
Golf equipment
Fine arts
Postage stamps
Coins

Section II Endorsements

Limited Fungi, Wet or Dry Rot or
Bacteria Coverage

8.6 Homeowners Forms Comparison

9.0 Personal Auto Insurance 7.5%

9.1 Organization and Eligibility

Part A - Liability Coverage
Part B – Medical Payments Coverage
Part C – Uninsured Motorists Coverage
Part D – Coverage for Damage to Your
Auto (Physical Damage)

9.2 Definitions

For Liability, Medical Payments, and
Uninsured Motorists Coverage
For Physical Damage Coverage

9.3 Part A – Liability Coverage

Who Is an Insured
Supplementary Payments
Exclusions
Limits of Liability
Financial Responsibility

Coverage F – Medical Payments 9.5 Part C– Uninsured Motorists Coverage

Coverage
Definition of Uninsured Motor Vehicle
Who Is Insured
Exclusions
Limit of Liability
Other Insurance
Arbitration

9.6 Part D– Coverage for Damage to Your Auto

Coverage
Collision
Other than Collision or Comprehensive
Transportation Expenses
Exclusions
Other Provisions

9.7 Parts E and F – Conditions

9.8 Underinsured Motorists Coverage

9.9 Personal Auto Policy Endorsements

9.10 No-Fault Insurance

9.11 Assigned Risk Plans

10.0 Miscellaneous Personal Insurance
3.5%

10.1 Flood Insurance

Eligibility
Coverage
Other Provisions
Write Your own Program
Application Procedures

10.2 Earthquake Insurance

10.3 Mobile Home Insurance

10.4 Personal Inland Marine insurance

10.5 Personal Watercraft Insurance

Boatowners and Outboard Motor and

Out of State Coverage

Other Insurance

9.4 Part B- Medical Payments Coverage

Coverage-Who Is an Insured

Exclusions

Limits of Liability and Other Insurance

10.7 FAIR Plans

11.0 The Commercial Package Policy 7.5%

11.1 Eligible Coverages

Commercial property coverage

Commercial general liability coverage

Commercial auto coverage

Commercial crime coverage

Commercial inland marine coverage

Boiler and machinery coverage

Professional liability coverage

Employment practices liability

Farm coverage

11.2 Common Policy Declarations

Name and mailing address of the named insured

The policy period, including the time and date coverage begins and ends

A description of the covered business

The coverage parts purchased and their premiums

11.3 Common Policy Conditions

Cancellation

Changes and Premiums

Examination of Books and Records

Inspections and Surveys

Transfer of Rights and Duties

12.0 The Businessowners Policy 7.5%

12.1 Eligibility and Policy Organization

Organization

12.2 Property Coverage

Coverage A - Buildings

Building and structures

Completed additions

Permanently installed machinery and equipment

Fixtures

Personal property used to maintain or service buildings

Personal property furnished by the insured in rented premises

Boat Policies

Personal Yacht Policies

10.6 Personal Umbrella Insurance

Excess Liability Coverage

Coverage for Excluded Losses

12.2 Property Coverage (Con't)

Coverage B - Business Personal

Property Coverage

Tenants improvements and Betterments

Leased personal property

Exterior building glass

Property Not Covered

Covered Causes of Loss

Fire

Lightning

Explosion

Windstorm or hail

Smoke

Aircraft or vehicles

Riot or civil commotion

Vandalism

Leakage from fire extinguishing

Equipment

Sinkhole collapse

Volcanic action

Falling objects

Weight of snow, ice or sleet

Water damage

Limitations

Exclusions

Additional Coverages

Debris Removal

Collapse

Business Income

Extra Expense

Increased Cost of Construction

Civil Authority

Forgery and Alteration

Business Income from Dependent Properties

Other Additional Coverages

Coverage Extensions

Optional Coverages

Coverage B – Business Personal
Property Coverage
Property owned and used by the
insured in the business
Property of other in the insured's
care, custody or control

Employee Dishonesty
Mechanical Breakdown

Limits of Insurance

Deductible

12.3 Liability and Medical Expense Coverage

Liability Coverage

Supplementary Payments

Medical Expense Coverage

First aid
Medical and surgical services
Hospital services
X-ray services
Ambulance services
Professional nursing services
Dental services
Funeral services

Exclusions

Who Is an Insured

Limits of Insurance

12.4 Conditions

Common policy conditions
Property

Property general conditions
Property loss conditions

Liability

Liability and medical expenses
general conditions

12.5 Endorsements

Utility Services Endorsements

Protective Safeguards Endorsement

Hired Auto and Nonowned Auto Liability

12.6 Comparison of Commercial Package Policy and Businessowners Policy

13.0 Commercial Property Insurance 5%

13.1 Commercial Property Coverage Part

Commercial Property Declaration and
Coverage Form

Building and Personal Property

13.1 Commercial Property Coverage Part (Con't)

Causes of Loss Forms

Basic
Broad
Special

Commercial Property Conditions Form

Control of Property
Legal Action Against Us
Other Insurance
Policy Period Coverage Territory
Transfer of Rights of Recovery
Against Others to Us
Concealment or Fraud
Insurance Under Two or More
Coverages
No Benefit to Bailee
Liberalization

13.2 Building and Personal Property Coverage Form

Property Covered

Building and Personal property
Completed additions
Fixtures, including outdoor
Permanently installed machinery
and equipment
Personal property used to main-
tain or service the premises
Outdoor furniture, floor coverings,
and certain appliances
Additions under construction and
Alterations or repairs

Business Personal Property

Furniture
Fixtures
Machinery
Equipment
Stock
Other owned personal property
used in the business
Value of labor, parts, or services
on the personal property of
Others
Tenant improvements

Builders Risk
Condominium Association
Condominium Commercial Unit-Owners
Business Income with Extra Expense
Business Income Without Extra Expense
Extra Expense
Legal Liability

13.2 Building and Personal Property Coverage Form (Con't)

Property Not Covered

Additional Coverages

Debris Removal
Fire Department Service Charge
Pollutant Cleanup and Removal
Increased Cost of Construction
Electronic Data

Coverage Extension

Newly Acquired or Constructed Property
Personal Effects and Property of Others
Valuable Papers and Records
Property Off-Premises
Outdoor Property
Nonowned Detached Trailers

Conditions

Duties in the Event of Loss
Notify the insurer
Notify the Police
Protect the covered property
Provide a complete inventory
Allow insurer to inspect
Testify under oath on claim
Statement of Loss

Optional Coverages

Agreed Value coverage
Replacement Cost coverage

13.3 Builders Risk Coverage Form

Property Covered

Amount of Coverage Available

Miscellaneous Conditions

Builders Risk Reporting Form

13.4 Condominium Coverage Form

Buildings

Leased personal property

Stock

Improvements and Betterments

Personal Property of Others

13.5 Business Income Coverage Form (Con't)

Business Income with Extra Expense
Business Income without Extra Expense

Additional Coverages

Optional Coverages

Business Income from Dependent Properties - Broad Form

13.6 Extra Expense Coverage Form Time Element Coverage

13.7 Legal Liability Coverage Form

13.8 Causes of Loss Forms

Basic Form

Fire
Lightning
Explosion
Windstorm or hail
Smoke
Aircraft or vehicles
Riot or civil commotion
Vandalism
Sprinkler leakage
Sinkhole
Volcanic eruption

Broad Form – Causes of Loss in Basic

Additional perils
Falling Objects
Weight of snow, ice or sleet
Water damage
Cost of tearing out or replacing any part of a building
Collapse

Special Form

Direct physical loss

Limitations

Causes of Loss – Earthquake and

Business personal property

Personal property of others in the care
custody or control of the association

13.5 Business Income Coverage Form Time Element Coverages

14.0 Ocean and Inland Marine Insurance 3%

14.1 Ocean Marine Insurance

Categories of Ocean Marine Insurance

Hull Insurance

Cargo Insurance

Freight Insurance

Protection and Indemnity Insurance

Characteristics of Ocean Marine
Insurance

Perils of the sea

14.2 Inland Marine Insurance

Nationwide Definition

Categories of Marine risks

Imports

Exports

Domestic shipments

Instrumentalities of transportation
or communication

Personal property floater risks

Commercial property floater risks

Filed Coverage Forms

Mail

Physicians and surgeons

Equipment

Theatrical property

Film

Commercial articles

Accounts receivable

Valuable papers and records

Signs

Jewelers block

Floor plan

Equipment dealers

Camera and musical instrument
Dealers

14.3 Filed Forms

Commercial Inland Marine Coverage
Part

Policy Declarations

Conditions

Commercial Inland Marine

Volcanic Eruption

Comparison of Causes of Loss

13.9 Endorsements

Value Reporting Endorsements

Ordinance or Law Coverage

Spoilage

Commercial Inland Marine Conditions

Insured's Duties in the Event of
Loss

Other Insurance

Reinstatement of Limit After Loss

14.4 Nonfiled Forms

Domestic Shipments

Instrumentalities of Transportation
and Communication

Commercial Property Floater Risks

15.0 Commercial General Liability Insurance 5%

15.1 Business Liability Exposures

Premises and Operations Exposure

Products-Completed Operations
Exposure

Indirect or Contingent Liability
Exposure

Exposures Covered by Commercial
General Liability Insurance

15.2 Commercial General Liability Coverage Part

Occurrence Form

Claims-Made Form

15.3 Definitions

15.4 CGL Coverages Provided

Coverage A – Bodily Injury and
Property Damage Liability

Coverage B – Personal and
Advertising Injury Liability

Coverage C – Medical Payments

15.5 Coverage A – Bodily Injury and Property Damage Liability

Exclusions – Coverage A

15.6 Coverage B – Personal and Advertising Injury Liability

Exclusions – Coverage B

15.7 Coverage A and B – Supplemen- tary Payments

declarations form
Commercial Inland Marine
conditions form
One or more of the 12 filed
coverage forms

15.10 Limits of Insurance

General Aggregate Limit
Products-completed Operations
Aggregate
Personal and Advertising Injury Limit
Per Occurrence
Damage to Premises Rented to the
Insured Limit
Medical Expense

15.11 Conditions

Duties in the Event of Occurrence,
Offense, Claim, or Suit
Nonrenewal
Other Insurance
Claim Information

15.12 Other Commercial General Liability Coverage Forms and Endorsements

Pollution Liability
Owners and Contractors Protective
Liability (OCP)
Liquor Liability
Pollution Liability

16.0 Commercial Auto Insurance 7%

16.1 Commercial Auto Coverage Part

Common Policy declaration
Common Policy conditions
Separate Coverage forms
Appropriate declarations

16.2 Business Auto Coverage Form

Definitions
Covered Auto
Liability Coverage
Physical Damage Coverage
Conditions

16.3 Garage Coverage Form

Covered Autos
Liability Coverage
Garagekeepers Coverage
Physical Damage Coverage

16.4 Truckers Coverage Form

15.8 Coverage C – Medical Payments

Exclusions – Coverage C

15.9 Who Is an Insured?

Named Insured
Others Who May Be Insured
Newly Acquired Organizations

16.5 Motor Carrier Coverage Form

Motor carrier Act of 1980

16.6 Endorsements

Drive Other Car Coverage
Endorsement
Individual Named Insured
Employees as Additional Insureds
Other Endorsements
Medical Payments
Additional Insured – Lessor
Specified Hired Autos
Mobile Equipment

17.0 Commercial Crime Insurance 3%

17.1 Types of Crime Forms

Loss Sustained
Discovery

17.2 Definitions

Types of Crimes
Safe burglary
Robbery
Theft
Forgery

Other Definitions

Custodian
Messenger
Watchperson
Employee benefit plan
Money
Other property
Securities

17.3 Insuring Agreements and Endorsements

Employee Theft
Forgery or Alteration
Inside the Premises – Theft of
Money and Securities
Inside the Premises – Robbery or
Safe Burglary
Outside the Premises
Computer Fraud
Money Orders and Counterfeit
Paper Currency

Covered Autos
Liability Coverage
Trailer Interchange
Physical Damage

16.5 Motor Carrier Coverage Form

17.0 Commercial Crime Insurance (Con't)

17.5 Conditions

Cancellation as to Any Employee
Valuation
Other Conditions That Apply to All Coverages
Conditions That Apply to Selected Coverages

17.6 Fidelity Bond

Parties to a Bond
Principal
Surety
Obligee

Types of Fidelity Bonds
Named Scheduled bonds
Position Scheduled bonds
Commercial Blanket bonds
Blanket Position bonds

18.0 Workers Compensation 7.5%

18.1 Workers Compensation Laws

Exclusive liability
Three Common Law Defenses
Assumption of risk
Contributory negligence
Fellow servant rule
Occupations Covered
Benefit Provided
Disability/loss of income benefits
Medical benefits
Survivor/death benefits
Rehabilitation benefits
Compensable Injuries
Types of Disability
Compulsory Versus Elective

18.2 Funding

18.3 Workers Compensation and Employers Liability Policy

Coverages
Part One – Workers Compensation
Part Two – Employers Liability
Part Three – Other States
Part Four – Your duties If Injury

Funds Transfer Fraud
Extortion-Commercial Entities

17.4 Exclusions

For All Coverages
For Selected Coverages

18.0 Workers Compensation (Con't)

18.4 Federal Workers Compensation Law

18.5 Rating Workers Compensation Coverage

18.6 Workers Compensation

Compensation Benefits
Maximum and Minimum
Disability
Death
Notice Requirements

19.0 Miscellaneous Commercial Insurance 2.5%

19.1 Farm Insurance

Farm Property Coverage Forms
Covered Property
Causes of Loss and Other Provisions
Farm Liability Coverage Form

19.2 Boiler and Machinery Insurance

Coverage Part
Equipment Breakdown Protection

Coverage Form
Definitions
Coverages Provided
Exclusions
Limits of Insurance

Deductible
Loss Conditions
General Conditions

19.3 Aviation Insurance

Physical Damage Coverage
Liability Coverage

19.4 Professional Liability Insurance

Malpractice insurance
Errors and Omissions (E&O)

Occurs
Part Five – Premium
Part Six – Conditions

Exclusions
Endorsements

19.8 Surety Bonds

Contract Bonds

Bid Bonds
Performance bonds
Payment bonds
Supply bonds
Completion bonds
Judicial Bonds
Fiduciary bonds
Court bonds
Other Types of Bonds
Public Official bonds
License and Permit bonds

19.9 Surplus Lines

Unauthorized Market and Surplus Lines
Conditions for Obtaining Coverage

19.10 Federal Terrorism Risk Insurance Act of 2002

Background
Temporary Program
Definitions
General Overview of Program
Insurer deductibles
Cap on Annual Liability

9.5 Employment Practices Liability Insurance (EPL)

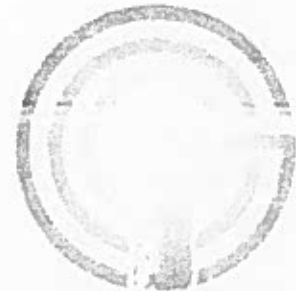
19.6 Difference in Conditions Insurance (DIC)

19.7 Commercial Umbrella Insurance

20.0 Insurance Laws of Guam 2.5%

20.1 Automobile/Vehicle Mandatory Insurance Requirement

Required Limits of Liability
Required Proof of Insurance
Notice of Claim
Medical
Rehabilitation
Loss of Earnings
Substitution Service
Tort limitation/verbal threshold
Assigned Risk Plan



**PROPOSED ECONOMIC DIVERSIFICATION
INITIATIVES FOR GUAM
BY THE GUAM CHAMBER OF COMMERCE**

372 West Soledad Avenue
Hagåtña, Guam
GuamChamber.com.gu

INTRODUCTION

In March 2020 the Coronavirus Pandemic altered reality as we knew it. COVID-19's unfortunate arrival on our shores paved the way to the demise of several Guam businesses and temporarily shuttered the establishments of a great number of private companies impacting the livelihood of over 35,000 workers and thousands of businesses. The Government of Guam's coffers will undoubtedly be impacted by the shutdown of private businesses and an out of work workforce.

For years, the Guam Chamber of Commerce has recognized that industry diversification is vital to sustaining our local and regional economies in the Marianas and in Micronesia. With Tourism and Federal Government investment as the main economic drivers for Guam, any regional nuance or catastrophic event will impact the island's fragile tourism economy in a heartbeat. As fruitful as tourism has been for Guam and our neighboring islands, the fragility of the industry has tested Guam and the Region's business community over the years through natural disasters and global crises. The magnitude of the current global pandemic on tourism has forced us to fully examine initiatives to support our economy in spite of the current challenges. The uncertainties of this situation have clearly and painfully demonstrated to us how vulnerable our current economic model is and how imperative it is that we develop and sustain new industries that will capitalize on our existing strengths and encourage our workforce to seek higher skillsets.

The Chamber convened several business professionals from its membership to explore and discuss economic opportunities in the short and long term. Over the course of several weeks, the Chamber's Think Tank conducted research and held discussions with various industry experts and government entities on the feasibility of exploring these initiatives for Guam. This paper reports on the Guam Chamber's efforts in exploring the following undertakings for Guam:

- Alternative Dispute Resolution (ADR)
- Guam Captive Insurance
- Guam Trust Incentives Act Program
- Relocation of High Wealth Businesses/Individuals from Asia
- Pharmaceutical Manufacturing Relocation
- Construction & Labor
- Ship Repair Industry
- Safe Haven Port
- Silicon Village Initiative
- Satellite Launching Industry

The objectives of this paper are to:

- Identify potential new industries or ideas;
- Identify and address any barriers;
- Provide a suggested action plan for the implementation of each idea of industry; and,
- Demonstrate the benefit of each industry to our island.

EXECUTIVE SUMMARY

The Guam Chamber of Commerce, in keeping with its vision of *"Being the catalyst for sustainable economic growth that improves the quality of life in Guam"*, has embarked on the mission to identify industries and ideas that can help with Guam's economic recovery as the island works to rebound from the COVID-19 pandemic.

Guam's main economic drivers are Tourism and Federal Government investment, with much of the federal dollars coming from the Department of Defense related to the realignment of U.S. Marine Forces to Guam. Guam's Tourism Industry generates nearly \$3 billion annually and represents sixty percent (60%) of Guam's annual business revenue. Tourism employs over 18,000 island residents or 31% of non-federal employment. The Department of Defense (DOD) continues to build Guam's defense infrastructure capacity and will accelerate with preparation for the U.S. Marine Corps relocation among several national security programs slated for Guam. During the last decade, DOD construction contracts have totaled over \$2 billion and have averaged nearly \$240 million annually in the most recent years.

Guam is dependent on Tourism and the U.S. Military spending to power its economy and the current economic crisis COVID-19 has crippled our visitor industry. The Guam Visitors Bureau predicts 250,000 to 400,000 tourist arrivals in FY2021 compared to the 1.6 million tourist arrivals in FY2019. With the vast decrease in incoming tourists, many business closures have resulted due to the COVID-19 pandemic leaving thousands of residents unemployed for the unforeseeable future. The uncertainties of this situation have clearly demonstrated how vulnerable Guam's current economic model is and how imperative it is that we develop and sustain new industries that will capitalize on our existing strengths and encourage our workforce to seek higher skillsets.

The Guam Chamber in collaboration with a diverse group of industry professionals and experts in their fields came together over the course of several weeks to provide thoughtful discourse on possible opportunities that would benefit our island. The group identified the following industries that would be a good fit for Guam because of the current accessible infrastructure available to support industry needs; Guam's geographic location; and, our relationship with the United States as a safe and secure place to do business. These initiatives are set to support our economic base and can be seen below in the following categories: Short Term (90 days), Mid Term (180 days), and Long Term (500 days).

SHORT TERM

1. **Alternative Dispute Resolution (ADR):**

In our global economy, international commercial disputes have become increasingly prevalent. Bypassing traditional litigation engagement which tend to be lengthy and costly, corporations are now seeking alternative dispute resolution (ADR) to resolve disputes and preserve relationships. ADR refers to a wide range of practices that allow disputing parties to reach a confidential agreement without litigation. ADR has proven benefits over formal litigation practices: ADR is less costly and more time efficient, but also less restrictive in relation to determining the processes and rules that govern the proceeding.

There is a growing opportunity on Guam to invest in developing and promoting the island as an ideal venue for international ADR and eventually establishing an arbitral institution by partnering with an internationally recognized arbitral entity. Through this partnership, the island will be able to use

administrative resources and gain access to a larger network of arbitrators and mediators to grow the industry.

Required Actions:

- Government of Guam to contact the UNCITRAL Secretariat about P.L. 27- 81 as a first step in achieving global recognition.
- Guam Judiciary to designate a sitting judge to serve as the head of arbitration-related court proceedings.
- The Guam Economic Development Authority (GEDA) to continue promoting Guam as a venue of choice for arbitration and mediation.

2. Captive Insurance:

A captive insurance company is a wholly owned subsidiary company that provides risk-mitigation services for its parent company or a group of related companies. A captive insurance company may form if the parent company cannot find an outside firm to insure them against particular business risks, if the premiums paid to the captive insurer creates tax savings; if the insurance provided is more affordable; or it offers better coverage for the parent company's risks.

In 1996, former Governor Carl T. Gutierrez signed into law Bill 23-299 which established the Captive Insurance Industry on Guam. Since its inception, 4 captives have been established compared to 25 captive insurance companies in the Federated States of Micronesia (FSM) and 238 in the state of Hawaii. By revisiting the fees and regulations associated with the current law we must compare them with other domiciles to develop a strategy that will successfully attract Captives to the island.

The Guam Chamber, through its membership and affiliations, can assist in marketing this initiative to potential foreign companies interested in establishing a Captive Insurance Company on Guam.

Required Actions:

- GEDA to revisit fees and regulations associated with the mandate to develop a more attractive cost compared to other domiciles.
- GEDA and Guam Chamber to develop marketing materials and promote to potential foreign companies.

3. Guam Trust Law:

Just as with the Captive Insurance Industry, Guam's laws have established the mechanism for the creation and regulation of trust companies on Guam. The law allows for "foreign" persons a place under U.S. law to secure the ownership of their assets. The income derived from the earnings of any Guam Trust asset are eligible to receive a 100% rebate from the Guam Economic Development Authority (GEDA).

The original concept for the law was to target "foreign" persons that lived in South East Asia. However, the definition of "foreign" person was broad enough to include U.S. Citizens that were not residents of Guam. The U.S. Treasury immediately ruled that Guam Trusts would be considered U.S. Domestic Trusts subjecting Trust earnings to U.S. Taxes, which effectively extinguished the program from existence.

Missing in this program was the original intent of the law which is to target only "non-U.S." foreign persons. Many high net worth individuals in Asia work and own assets in locations where local

ownership rules may threaten their ability to continue to own successful business enterprises and assets. The advantage for Guam is introducing itself to high net worth foreign investors to not only establish a trust company on Guam but to invest in Guam as well. Immediately, Guam would receive the interest free use of their tax payments for six months.

The Guam Trust Law is even more relevant today than it was when it was first established in 1999. Guam needs to take a proactive stance in marketing the Guam Trust Law to high wealth individuals in Asia. In recent discussions with GEDA, the organization is extremely interested in revitalizing the program and developing a marketing strategy to promote the Guam Trust program.

Required Action:

- Work with GEDA to pursue a robust marketing strategy for high wealth foreign individuals

MID TERM

4. **Construction and Labor:**

The Government of Guam has roughly \$750 million in infrastructure projects approved for funding which have remained stagnant primarily due to the labor shortage on island. There are three solutions to the current labor shortage:

1. In coordination with Guam Community College and Guam Trades Academy, there is opportunity to retrain the local unemployed workforce that have been laid off due to the COVID-19 pandemic.
2. In coordination with U.S. recruiting agencies, there is opportunity to attract an affordable workforce from the U.S.
3. The initiative to extend H-2B workers on Guam from military realignment to much needed civilian projects.

Required Actions:

- Identify potential alternate labor sources (interested local workforce currently unemployed / U.S. workforce through a recruiting company) and connect with local contractors.
- Push project workload out to local contractors for execution.

5. **Ship Repair:**

Guam plays a strategic role in the defense of the United States which is driving the increasing development on Guam. Throughout this ongoing pandemic, heavy restrictions have been implemented on American travel in countries that previously allowed U.S. Military vessels to pull into foreign ports. This restriction offers an opportunity for Guam to capitalize on the influx of U.S. military vessels pulling into Guam's port by demonstrating capabilities on afloat repairs and maintenance for the vessels because of our "Safe Haven" designation.

Required Action:

- Identify upcoming military vessels routine maintenance schedule in the region.
- Market Guam's capabilities for providing maintenance and repair for military vessels to contracting officers.

6. **Safe Haven Port:**

Guam proved its ability to be a safe haven port with the crew of the U.S.S. Theodore Roosevelt (CVN-71), which has resulted in very positive media and U.S. Federal Government attention for the island. The impact of the quarantine measures implemented for each military personnel, sustained

the employment of many of our residents and provided much needed business for supporting services.

The Guam Chamber's Armed Forces Committee (AFC) has advocated for ship visits since its inception in 1998. These visits not only boost Guam's economy, the visits are an important factor in the health and well-being of each visiting military personnel. In the AFC annual visits to the Pentagon and Capitol Hill in Washington DC, the topic of continued presence and activity of allied ships and assets is recognized as crucial to the mission and important for business. The AFC's continued advocacy of Guam as a safe and welcoming destination has been well received by the DoD and is echoed by the positive feedback of its sailors, airmen and corpsman and has earned Guam's designation as a favored port call.

The Coronavirus health crises has restricted ports of call for all military ships worldwide. Because of Guam's low risk and high safety protocols in place, Guam has been designated a "Safe Haven" port. Guam's public and private sectors should continue to work collaboratively with Joint Region Marianas and U.S. Indo-Pacific Command to support future visits, especially as the island remains closed to tourism.

LONG TERM

7. Relocation of high wealth individuals & businesses from Asia:

Businesses operating in Guam have a distinct advantage over other region locations because of Guam's U.S. dollar-based economy, U.S. judicial system, U.S. banking regulations, and proximity to regional economic hubs. Additionally, Guam is home to state-of-the-art communications, and growing business infrastructure.

With China's recent enactment of the National Security Law, which has caused national unrest and instability in the Territory and the United States' revoking of the US-HK special economic status as well as the ending of Controlled Defense Exports to Hong Kong, there is good reason for American businesses in HK to look at Guam as a potential place to relocate offices and potentially whole subsidiaries.

Guam has an opportunity to showcase itself as USA in Asia, with the stability and the security of the American Flag. Additionally, doing business from Guam makes doing business with Asia more advantageous as the time zones are just a few hours apart and travel time to most major cities in Asia is convenient. The Chamber seeks opportunities to relocate Hong Kong's capital, assets, and business operations to Guam as a haven from that city's political uncertainty. These potential industries would include financial services and technology. The Chamber is also exploring incentives to entice individuals and businesses from the industrialized countries of Taiwan and South Korea to expand on Guam.

Required Actions:

- Introduce and promote Guam as a business hub "America in Asia".
- Highlight the strength of the Guam EB-5 program, which offers attractive tax incentives compared with other states of the U.S.

- Work with local government officials including the Guam Economic Development Authority and the Guam Visitors Bureau to review local laws and policies that are prohibitive to starting a business on Guam.

8. Pharmaceutical manufacturing relocation to USA territories:

U.S. Senators drafted a bill to incentivize pharmaceutical companies and increase U.S. drug manufacturing. The Bring Entrepreneurial Advancements to Consumers Here in North America (BEAT CHINA) Act's goal is to reduce the country's over-dependence on China for critical medications and increase U.S. manufacturing of prescription drugs. The pharmaceutical industry in Puerto Rico, a U.S. Island territory in the Caribbean, has become the most prominent industry. It generates over 18,000 jobs, pays more than \$3 billion USD in taxes, comprises about half of total exports, and has generated more than 25% of the island's GDP for the past four decades. Guam, having similar tax incentives as Puerto Rico, would be able to attract pharmaceutical companies to establish manufacturing operations on island.

The current pandemic has created significant concerns about the international supply chain for face masks, pharmaceuticals, and other critical medical supplies. There has been a staggering 75% rise in U.S. imports of pharmaceuticals from China between 2010 to 2018. This concern has renewed interest for tax incentives to lure manufacturers back to the U.S. According to a recent Bloomberg report, lobbyists and advocates see the next pandemic relief package as a potential vehicle for the new tax benefits for pharmaceutical and medical manufacturing companies.

Incentivizing pharmaceutical manufacturers, along with medical device and supply manufacturers would mean significant tax breaks to spur relocation to the United States, including U.S. Territories. The last two decades have witnessed a massive shift in our manufacturing overseas. While this has minimized costs, it has also meant jeopardizing our supply chains, losing American jobs, and created dependency on the competitor. Guam has similar tax incentives as Puerto Rico and should be able to attract some light pharmaceutical manufacturing by providing various tax and economic incentives to Asian companies. The economic multiplier impact for Guam could be relatively significant both directly and indirectly.

Required Actions:

- Promote Guam as an ideal location for pharmaceutical companies to conduct production and packaging to export drugs to the continental U.S.
- Seek opportunities from pharmaceutical companies from Japan, South Korea, the Philippines, Taiwan, etc.

9. Silicon Village Initiative:

Due to Guam's location as the United States' westernmost territory with close proximity to Asia, as well as an abundance of global subsea internet cable connections, we are in an ideal environment to attract Technology-related companies to establish a presence. Creating new opportunities for digital connectivity through the region will help create new jobs and additional economic activity benefitting our island community.

The Silicon Village initiative was started in 2016 to explore the possibility of adding a third pillar to Guam's economy: Information Technology. This initiative is divided into two main objectives: grow

and develop local talent to build a skilled workforce to support the industry and explore opportunities and develop demand for tech investment into Guam.

Required Actions:

- Invest in local labor force to support the IT-focused economic driver.
- Workforce development in technology field education both at the high school and post-secondary level.
- Promote the Guam Chamber and Guam Community College's "Partners in Excellence" program.

10. Satellite Launching:

While Virgin Orbit announced in April 2019 that Guam was chosen as one of its newest launch sites, the reality is that there is so much opportunity for growth. With the increasing demand for high speed mobile communication networks, high definition TV conversion, remote sensing, and so much more in technology, the global market for satellite launching continues to emerge. It has been reported that due to a number of factors including the ongoing Coronavirus pandemic, the industry has been sluggish but expects to ramp up in 2021. Because of Guam's proximity to the equator, the island has become an attractive launch destination, thus a focus on developing a marketing campaign to attract more players to the island should be provided some serious consideration.

Required Actions:

- Work with the Department of Public Works and other Government of Guam entities on current regulations that are prohibitive in the hauling, transport and warehousing of satellite launching equipment and assets.
- Develop a marketing and incentives program with the Guam Economic Development Authority to attract companies in the satellite launch industry to consider Guam as a future launch site.

This report concludes that each of the initiatives is worthwhile and have merits worth exploring for the positive growth of our island and the Region. The groundwork has been set to forge ahead in setting the infrastructure for long term prospects as outlined in this report. While Guam's tourism industry recovery is slated to take up to two years, it is imperative for our island to act swiftly on these initiatives as other countries in Asia and Oceania are also exploring ways to diversify their own economies during this time of economic vulnerabilities associated with COVID-19.

APPENDICES

Alternative Dispute Resolution.....	Page 10
Captive Insurance.....	Page 15
Guam Trust Law.....	Page 4
Relocation of High Wealth Businesses and Individuals from Asia.....	Page 19
Pharmaceutical Manufacturing Relocation to U.S. Territories.....	Page 29
Construction and Labor.....	Page 34
Ship Repair.....	Page 37
Safe Haven Port.....	Page 39
Silicon Village Initiative.....	Page 40
Acknowledgements.....	Page 42

ALTERNATIVE DISPUTE RESOLUTION (ADR):

INTRODUCTION

In our global economy, international commercial disputes have become increasingly prevalent. Traditionally, corporations would engage in litigation to resolve their disputes. However, these legal proceedings have proven to create an unnecessary strain for both parties to navigate, as they can be lengthy and costly to finalize with the possibility of permanently severing relationships. This has created a growing trend in the usage of alternative dispute resolution (ADR) with more commercial contracts including provisions that require ADR before litigation can be sought.

Alternative dispute resolution refers to a wide range of practices that allow disputing parties to reach a confidential agreement without litigation. ADR is not only less costly and more time efficient, but also less restrictive in relation to determining the processes and rules that govern the proceeding. The two most common methods of ADR are mediation and arbitration. In mediation, parties meet with a mediator who serves as only a facilitator for the negotiation process. The mediator does not have the power to impose a judgement on the case. Therefore, mediation is a non-binding process, and no conclusion is reached until both parties are satisfied and agree to sign a mediation settlement agreement. In contrast, arbitration is a slightly more formal process where both parties present their arguments and evidence to an arbitrator who then decides on an award for the dispute. The arbitrator's award can be binding or non-binding contingent on what the parties agree to beforehand.

Today, many organizations, referred to as arbitral institutions, provide administrative support for international ADR proceedings. The five most preferred arbitral institutions worldwide are the International Chamber of Commerce (ICC), London Court of International Arbitration (LCIA), Arbitration Institute of the Stockholm Chamber of Commerce (SCC), Singapore International Arbitration Centre (SIAC), and the Hong Kong International Arbitration Centre (HKIAC).

With the ongoing political unrest between Hong Kong and mainland China, international corporations that conduct their alternative dispute resolutions in Hong Kong may be inclined to find other countries nearby with more stable and democratic institutions for these proceedings. In addition, ASEAN countries have been experiencing rapid economic growth and a shift away from manufacturing in China which will likely result in an increase in cross-border commercial disputes. For these reasons, there exists a growing opportunity to invest in developing and promoting Guam as an ideal venue for international alternative dispute resolution.

This report will focus on delineating the requisite first steps to develop and sustain a thriving ADR industry on Guam by analyzing Guam's strengths and weaknesses and studying the factors other countries have attributed their success to in this endeavor.

UNCITRAL OBJECTIVES

Founded in 1966 as a subsidiary body of the General Assembly of the United Nations, UNCITRAL aims to address the disparities in national laws on international trade. Regarding ADR, the Commission has created legislative and non-legislative texts to propagate modernization and harmonization. Legislative texts are divided into 3 categories: model laws, conventions, and legislative guides. UNCITRAL states that model laws are a suggested pattern for lawmakers in national governments to consider adopting as part of their domestic legislation, while conventions are a binding instrument under international law on States and other entities with treaty-making capacity that choose to become a party to that instrument. On the other hand, non-legislative texts are categorized as either contractual or explanatory texts, which are used by parties to international trade contracts.

In an effort to establish Guam as a potential venue to hold international arbitral proceedings, the 27th Guam Legislature passed Bill No. 172, which was signed into law by Governor Felix Camacho on May 6, 2004 as Public Law 27-81. Other parties involved in supporting the enactment of this legislation were the Guam Judiciary and the Guam Bar Association. Chapter 42-A of P.L. 27-81, known as the Guam International Arbitration Chapter, is based on the UNCITRAL Model Law on International Commercial Arbitration. However, UNCITRAL adopted amendments and new additions to the Model Law in 2006, 2 years after the enactment of P.L. 27-81. For this reason, it is recommended that these revisions are identified by Guam lawmakers and the necessary changes be made to P.L. 27-81 to improve Guam's position relative to international standards. Comprehensive information can be found on UNCITRAL's website at the following link:

https://uncitral.un.org/en/texts/arbitration/modellaw/commercial_arbitration

Furthermore, the UNCITRAL documents on its website different States that have enacted domestic legislation based on the Model Law. However, Guam is currently not included on this list, which can be found at the following link:

https://uncitral.un.org/en/texts/arbitration/modellaw/commercial_arbitration/status

This may affect the credibility of Guam in its marketing efforts, since UNCITRAL cannot attest to P.L. 27-81's accordance with the Model Law. Inclusion on the UNCITRAL's list only requires the UNCITRAL Secretariat to be informed of Guam's domestic legislation. It is recommended that the Government of Guam contact the UNCITRAL Secretariat about P.L. 27-81 as a first step in achieving global recognition.

Below is the contact information of the UNCITRAL Secretariat:

UNCITRAL Secretariat

Vienna International Centre

P.O. Box 500
A-1400 Vienna, Austria
Telephone: 43-(1) 26060-4060 or 4061
Fax: 43-(1) 26060-5813
Email: uncitral@un.org

THE GUAM JUDICIARY'S RESPONSIBILITIES IN P.L. 27-81

In P.L. 27-81, the Superior and Supreme Court of Guam were tasked with specific responsibilities in relation to establishing the legal infrastructure for arbitral proceedings.

Section 42302 of the Guam International Arbitration Chapter states that the Superior Court of Guam must assume the appointment of an arbitrator if the parties fail to do so. It is crucial that the Superior Court of Guam has a strategy in place for this scenario by either maintaining a list of qualified and ready arbitrators or establishing a partnership with an arbitral institution. It is unclear from online research on the Guam Judiciary's website whether this has been accomplished. The failure of parties to appoint an arbitrator is a rare case. However, no strategy in place by the time the Superior Court of Guam must practice this responsibility will be detrimental to Guam's reputation in the international arbitration community, since it will result in delays and added costs for both disputing parties. It is recommended to contact the Superior Court of Guam to confirm the status of its strategy to appoint arbitrators.

Section 42309 states that the Supreme Court of Guam must adopt ethical and training standards for all neutral arbitrators and mediators. The Local Rules of the Superior Court of Guam reveals the adoption of the 2005 Model Standards of Conduct for Mediators as the standards of conduct for mediators in Guam. However, no ethical and training standards for arbitrators were found on the Guam Judiciary's website. It is recommended to contact the

Supreme Court of Guam to confirm the adoption of ethical and training standards for arbitrators. If no standards exist, the adoption of the American Arbitration Association's Code of Ethics for Commercial Arbitrators is an option worth considering.

APPOINTMENT OF SUPERIOR COURT JUDGE TO HEAD OF ARBITRATION-RELATED PROCEEDINGS

For the development of Guam's international ADR industry, the Guam Judiciary's continued involvement and support are required to create the most conducive legal environment. It is recommended that the Guam Judiciary designate a sitting judge to serve as the head of arbitration-related court proceedings. This judge will ensure that the Guam courts retain a consistent, pro-arbitration stance. With all arbitration-related litigation directed to a single judge, he or she will be able to better identify and propose changes that can improve the neutrality, operational efficiency, deployment of resources, and effectiveness of the Guam courts. According to the 2018 International Arbitration Survey by Queen Mary University of London and White & Case LLP, users' perception of a country's formal legal infrastructure is one of the primary determinants in choosing a given country as the seat of arbitration. The appointment of a specialist judge will be a tangible step in actively improving Guam's formal legal infrastructure. Hong Kong employs a similar strategy with the Honourable Justice Mimmie Chan as the official in charge of its Construction and Arbitration List of the Court of First Instance.

IMPROVE GEDA'S ONLINE PROMOTIONAL EFFORTS ON ADR

The Guam Economic Development Authority (GEDA) has continued to promote Guam as a venue of choice for arbitration and mediation in the "Legal Advantages" and "Investment Opportunities" sections under the "Business in Guam" tab of its website. Although these resources provide adequate information on P.L. 27-81, more information should be included on the merits of Guam's court system, specifically its track record in enforcing agreements and arbitral awards as well as evidence that supports the neutrality and impartiality of the local legal system.

Listed below are different arbitration-related court proceedings from the Guam Compiler of Laws' website found using the word "arbitration" in the search function:

*medical malpractice arbitration cases are not included

- 2019 Guam 4 (Supreme Court Opinion on Dresser-Rand Company v. Guam Industrial Services, Inc. dba Guam Shipyard)
 - Conclusion: Supreme Court of Guam affirms the Superior Court of Guam's Decision and Order denying Shipyard's Motion to Vacate a Domesticated Judgment
- Hargopal S Sachdev v. Amarjit S. Sachdev, Pichet, Paul's (Guam) Inc, CV0626-11
 - Conclusion: The Court AFFIRMS the Referee's Decision and Recommendation on Plaintiff's Order to Show Cause and adopts the findings and conclusions contained therein. Thus, the Court finds the Defendants in contempt for willfully failing to comply with the terms of the Judgment.
- Rong Chang Co. v. M2P, Inc., CV1450-08
 - Conclusion: The Court finds that the parties have agreed that there are no viable claims against Becco, Guam, Inc., and arbitration between Plaintiff Rong Chang and Defendant M2P is required by the disputed contract in this case and 7 GCA 5 42202. Based upon the foregoing, the motion to dismiss all claims against Becco, Guam, Inc., and stay the case pending arbitration is GRANTED.
 - Conclusion: The Court DENIES the Plaintiffs Motion for Reconsideration and Motion to Set Aside Judgment on the basis that the Court was not required to hold a hearing on the untimely and improperly filed Motion to Vacate Arbitrator's Award, and therefore, the motions fail to set forth a valid basis for "reconsideration" under Rule 60(b)(6).
- Guam Yooshin Corp. v. Lee, CV1986-10

- o Conclusion: Defendant's Motion to Stay the Proceedings Pending Arbitration is hereby GRANTED.
- Oxford Properties & Finance Ltd. v. Lee, CV1049-16
 - o Conclusion: The Court hereby GRANTS Defendants' Motion to Stay Litigation Pending Mediation and Arbitration
- AB Won Pat Int'l Airport Auth v. DFS Guam, CV0371-16, CV0595-16, SP0128-16
 - o Conclusion: The Court DENIES GIAA's Motion to Vacate Arbitration Award. Accordingly, pursuant to 7 GCA § 42A702, the Court GRANTS DFS's Application for Order to Confirm Arbitration Award, and CONFIRMS the Tribunal's Final Award
- Reyes v. Guam Education Policy Board and Guam Public School System for the Government of Guam, SP0160-08
 - o Conclusion: Petitioner motion to confirm arbitration award is granted. Based upon the amount of economic damages proposed in Petitioner's memoranda presented to it the court is unable to find that the arbitrators exceeded their authority.
- Melwani & Pacific Tri Star INC. v. Arnold dba Pacific Superior Enterprises Corp., SP0057-07
 - o Conclusion: The court denies Defendant's motions for relief from judgment (that confirmed the arbitrator's award).
- Perez and Perez, Perez v. Abraham; Nilasoni Landscape, INC.; Chung Kuo Insurance Company, LTD., and Does 1-10, Inclusive, CV0928-05
 - o Conclusion: Defendant Chung Kuo Insurance Co., Ltd.'s Motion to Stay Pending Arbitration is hereby GRANTED.
- Asia Pacific Hotel Guam, Inc. v. Dongbu Insurance Co., CV0194-06, CV0303-06
 - o Conclusion: Asia Pacific's motion to vacate the arbitration award is hereby DENIED. Further, Dongbu's motion to confirm the award is hereby GRANTED.
- 2015 Guam 3 (Supreme Court Opinion on Asia Pacific Hotel Guam, Inc. v. Dongbu Insurance Co.)
 - o Conclusion: The Court affirms the trial court's denial of Asia Pacific's motion to vacate the arbitration award
- 2011 Guam 18 (Supreme Court Opinion on Asia Pacific Hotel Guam, Inc. v. Dongbu Insurance Co.)
 - o Conclusion: Pursuant to the provisions of the GIAC, the trial court erred in confirming the arbitrators' award, as the award was impermissibly indefinite or non-final under the standards of 7 GCA 42701(b)(4). Accordingly, the judgment of the trial court is REVERSED and the matter is REMANDED to the Arbitration Panel for further proceedings consistent with this opinion.
- Kim v. Kim et al., CV0710-11
 - o Conclusion: Movants' request that the Court enter an order denying the portion of Defendants Jeong's pleading entitled Demand for Arbitration was denied.
- Marianas Properties v. Estate of Lujan et al., SP0019-11
 - o Conclusion: The court DENIES Defendant's motion to dismiss and find Marianas Property did not impliedly waive their right to arbitrate
 - o Conclusion: The court grants Plaintiffs motion to remove Douglas B. Moylan as the Estate's arbitrator.
- Guam YTK Corp. v. Port Authority of Guam, CV1170-12
 - o Conclusion: The Court DENIES the Defendant's Motion to Vacate Arbitration Award and GRANTS the Plaintiffs Motion to Confirm Arbitration Award.
- 2014 Guam 7 (Supreme Court Opinion on Guam YTK Corp. v. Port Authority of Guam)
 - o Conclusion: The Court finds that the Arbitration Agreement is valid and enforceable and that arbitration is not barred by sovereign immunity and the Government Claims Act.
- Reaction Co. v. Sofintek Inc., SP0078-15
 - o Conclusion: The Court hereby GRANTS Petitioner's motion to confirm the arbitration award rendered on June 3, 2015.
- IMCO General Construction v. DCK Pacific Guam LLC et al., CV1168-15
 - o Conclusion: The Court GRANTS Defendant DCK's Motion to Stay Pending Arbitration, and further GRANTS Defendant DCK's Motion to Stay Cross Complaint Pending Arbitration.
- Association of Apartment Owners of Guam Yamanoi Condominium v. Guam Yamanoi Inc., CV0097-16
 - o Conclusion: The Court finds the arbitration clause of the HPR valid, but chooses to grant the Plaintiff's Motion for Summary Judgment
- Melwani v. Arnold, CVA08-001 (consolidated with CVA09-007)

- Conclusion: The decisions of the trial court confirming the arbitrator's award and denying Arnold Rule 60(b) relief are hereby AFFIRMED.
- 1997 Guam 08 (Supreme Court Opinion on Sumitomo Construction Co., Ltd. v. Zhong Ye, Inc.)
 - Conclusion: The Judgment of the Superior Court confirming the arbitration award is AFFIRMED.
- 2005 Guam 18 (Supreme Court Opinion on Fletcher Pacific Constr. Co. v. Sherwood Ltd.)
 - Conclusion: The Superior Court's confirmation award did not include the cost of the defective EIFS. We agree and therefore, AFFIRM the decision of the trial court.
- 2004 Guam 22 (Supreme Court Opinion on Pacific Superior v. Melwani)
 - Conclusion: We hold that the trial court erred in its interpretation of the June 10, 1994 contract between the parties, and for this reason, we REVERSE. Relatedly, we hold that the issue of whether a party waived its right to enforce arbitration is a determination which must be made by the arbitrator.
- 2003 Guam 2 (Supreme Court Opinion on Brown v. Dillingham Const.)
 - Conclusion: We find that both the arbitration clause and the contractual limitation period clause are applicable to Circle A's negligence and breach of contract claims for relief because the claims "arise from," "relate to," or are "based on" the Subcontract.

PARTNER WITH AN INTERNATIONALLY RECOGNIZED ARBITRAL INSTITUTION TO REATTEMPT THE ESTABLISHMENT OF GIMAC

The most formidable challenge for Guam to develop an international ADR industry is the establishment of a sustainable on island arbitral institution. After the enactment of P.L. 27-81, private stakeholders in Guam's legal community worked with the Judicial Arbitration and Mediation Services (JAMS) to realize this goal. Their concept was called the Guam International Mediation and Arbitration Center (GIMAC). The venture was ultimately unsuccessful due to site and budget issues as well as a loss of momentum and interest. Today, the only arbitral institution on island is the Pacific Arbitration & Mediation Services, Inc. (PAMS). PAMS works mainly in servicing ADR proceedings in Guam and its neighboring islands. It does not market itself to the international arbitration community.

Due to the lack of professional expertise in ADR on Guam, seeking a partnership with an internationally recognized arbitral institution may be the most effective strategy in reattempting the establishment of an on island arbitral institution. The partnership will be instrumental in providing resources for administrative support and access to a larger network of arbitrators and mediators. Since the case for Guam as a seat for international ADR proceedings has become stronger due to the situation in Hong Kong, JAMS may have more incentive to support the establishment of GIMAC if stakeholders on Guam were to initiate the conversation and process. The American Arbitration Association is another organization that should be approached for this partnership considering

CAPTIVE INSURANCE

A captive insurance company is a wholly owned subsidiary company that provides risk-mitigation services for its parent company or a group of related companies. A captive insurance company may form if the parent company cannot find an outside firm to insure them against particular business risks, if the premiums paid to the captive insurer creates tax savings, or if the insurance provided is more affordable or offers better coverage for the parent company's risks. A captive insurance company is a form of corporate "self-insurance." There are complex compliance issues to consider when operating a Captive Insurance Company. As a result, larger corporations predominantly establish these entities.

The Advantages of a Captive Insurance Company Include:

- o Availability of coverage — The captive can be utilized in resolving market cycles and providing a continuity of coverage for a price the insured is prepared to pay.
- o Access to reinsurance markets — The captive can have direct access to the reinsurance markets around the world. This can help to lower the program costs.
- o Insurance program flexibility — A captive can tailor its own insurance policy for the coverage the parent requires.
- o Cost Reduction — A captive can reduce the overall cost of an insurance program by retaining the premium for the expected losses thereby avoiding the premium loading for a commercial insurer's overhead and profit.
- o Improved cash flow — The captive has control of its premium flow. It can be held to pay future losses and invested. This income can be used to offset the cost of running the captive.

In 1996 Carl T. Gutierrez, then Governor of Guam, signed into law Bill 23-299 which established the Captive Insurance industry on Guam. In his transmittal letter to the Speaker of the Legislature, he wrote:

"This legislation offers significant tax neutrality in the form of Guam Economic Development Authority Qualifying Certificates in order to increase, also significantly, the insurance business on Guam, specifically underwriters. This legislation does not affect existing service entities in the insurance industry, nor does it change Guam's insurance laws, however this legislation will encourage new underwriters to do business here. It is designed to obtain for Guam the same type of business presently enjoyed in other locations, such as the Cayman Islands and Bermuda in the Caribbean, which enjoy record-breaking growth in the development of insurance business and other financial business, such as banking. This legislation is designed to enable Guam to position itself as a location for Asian companies to enter the captive insurance industry, just as North American and European companies now are able to enter the captive insurance industry in various locations in the Caribbean. Since captive insurance is a new opportunity in the Asian region, Guam is uniquely situated to be the Asian region's insurance center. This will be a new business for Guam; to diversify Guam's economy which is now concentrated on the visitor industry."

Despite this vision, twenty-four (24) years later, the Captive Insurance Industry is virtually non-existent. Since its inception, 4 captives have been established. Meanwhile, our neighbors in the FSM have 25 captive insurance companies and the State of Hawaii has 238!

One of the barriers to developing this industry on island is related to the abatement of Gross Receipts Tax. This has been a source of contention with the legislature and in some cases the administration. However, it needs to be pointed out that we currently have little to no revenue from this industry. Companies that choose to domicile in other countries and states result in Guam not getting any taxes. Therefore, this is not a loss to the Government of Guam. The purpose of the abatement is to encourage their development.

When a Captive is created on island, it is the residual benefit from the services that are paid for to support the company that should be focused on. An example of this is auditing services, tax preparation, office rental, captive insurance management services, etc. Further, Captive companies are required to hold board meetings. Generally, the directors are from off-island and will need to travel to Guam. They will secure a

hotel room, visit our restaurants, and shop in our retail establishments. These are taxed and support jobs in our economy. As in the case of FSM, they have found that these directors often bring their families which mean more revenue for businesses on island that pay taxes. Providing the tax incentive to a Captive Insurance is the government's investment in the industry which in turn creates revenue from the other businesses that are needed to support it. The more Captive Companies developed on Guam, the more revenue is received by the Government for the support services needed by the company. Other industries on island also benefit such as airlines, hotels, and retail establishments.

Initially, the law provided tax incentives for captive insurance companies to domicile on Guam. Specifically, in 22 GCA, Chapter 23, Captive Insurance Companies, § 23113 Tax on Premiums Collected: "No taxes on qualified captive insurers. Each captive insurance company to which is issued a Special Qualifying Certificate pursuant to the provisions of Chapter 58, Title 12, Guam Code Annotated, shall pay no taxes to the government of Guam on its premium or other insurance income except ad valorem taxes on real and personal property used in the production of income, and to the extent that it is first required to pay its Guam income tax liability thereon before the same is rebated in full,"

However, through legislative and administrative revisions to the program, Guam as a domicile became illogical. In addition to the implementation of Gross Receipts Tax on these companies, the application and annual fees made it more costly to establish one on Guam. The cost comparison below illustrates the disparity. It would cost a company \$30-\$50k more to domicile on Guam just in the first year of start-up. In addition to this, if any taxes were to be abated through the issuance of a qualifying certificate, it would only be granted for a 3-year period. Thereafter, they would need to reapply for this benefit. This simply would not be appealing to anyone who was considering Guam against other domiciles that have clear rules on the liability the captive has throughout it's existence. Further to this issue, the difficulty of applying for and obtaining a license as well as a qualifying certificate is an added burden. On Guam, the company would first need to apply through the Department of Revenue and Taxation for an Insurance License. Once the license is issued, the company would then need to submit a similar application and go through another process with the Guam Economic Development Authority to obtain the Qualifying Certificate.

Cost Comparison between Domiciles

	Guam	FSM	HAWAII
Start up/Annual Fees			
Application Fee	200	500	1,000
License/Incorporation/Registration	51	500	95
Annual Licensing Fee	2,500	500	315
Review Fee	3,500		
Qualifying Certificate	750		
QC Annual Srveyance Fee	1,000		
Total	8,001	1,500	1,410
Taxation			
Premium Tax/GRT	5% all in	5% - max \$20k	.25 - max \$200k
Corporate Tax		21%-30%	21% flat rate
Annual Premium	2,000,000	2,000,000	2,000,000
Premium/GRT	100,000	20,000	
Corporate Tax		103,311	103,311
GEDA Additional Tax	50,000		
Total Tax Paid	150,000 *	123,311 *	103,311
TOTAL COST	158,001	124,811	104,721

*at the time of app
& renewal*

**note: - Premium in Hawaii is exempt from tax if annual contribution is less than \$2.2 million.
Max taxation on income is \$200k annually

The Guam Chamber of Commerce made recommendations to the Guam Economic Development Authority to revisit the fees and regulations associated with the mandate; and compare them with other domiciles to develop a program that will successfully attract Captives to the island. On July 23, 2020, the Board of Directors of the Guam Economic Development Authority convened and passed a resolution which GEDA Management is now in the process of implementing. The passage of Resolution 20-12 rescinds Resolution

20-06. Resolution 20-06 limited the term of the captive QC to three years and eliminated the BPT benefit. By rescinding this resolution, the Board of GEDA is now open to longer term captives as well as extending full BPT benefits subject to a Public Investment negotiated by the Board of Directors, currently at a rate of 5%.

This effectively allowed the Captive Insurance costs to be more favorable than the neighboring domiciles:

	Guam	FSM	HAWAII
Start up/Annual Fees			
Application Fee	200	500	1,000
License/Incorporation/Registration	51	500	95
Annual Licensing Fee	2,500	500	315
Review Fee			
Qualifying Certificate			
QC Annual Sveyance Fee			
Total	2,751	1,500	1,410
Taxation			
Premium Tax/GRT	5% all in	5% - max \$20k	.25 - max \$200k
Corporate Tax		21%-30%	21% flat rate
Annual Premium	2,000,000	2,000,000	2,000,000
Premium/GRT		20,000	
Corporate Tax		103,311	103,311
GEDA Additional Tax	100,000		
Total Tax Paid	100,000	123,311	103,311
TOTAL COST	102,751	124,811	104,721

Cost Comparison based on Revised Program

This is just the first step to making the development of this industry successful. There still exists the administrative burden of establishing the Captive Company on Guam. Specifically, after obtaining approval from the Insurance Commissioner and the Guam Department of Revenue and Taxation, the captive company would then need to formally apply to GEDA for the qualifying certificate. The Qualifying Certificate Program is "subject to all rules under 22 GCA §23113, 12 GCA Chapter 58 and in particular §58127.5 which includes an application process, review by the Guam Economic Development Authority team to determine the extent to which the QC will benefit Guam, and subsequent evaluations for approval by the Board of Directors and ultimately, the Governor of Guam." GEDA has advised that they are intent on supporting this industry. However, it must be noted that the administrative burden of going through this process is a deterrent to companies interested in domiciling on Guam. In other jurisdictions, once the Captive is granted the Business Insurance License, they automatically qualify for the benefits prescribed by law. Only on Guam is the 2-step process required. The Guam Chamber of Commerce recommends the review and approval process be a dual effort by both DRT and GEDA. Further, that the benefits afforded to the captive not be subject to administrative changes but be a standard that can attract and retain them here on Guam.

Once the financial and administrative deterrents are removed, the Guam Chamber of Commerce encourages GEDA to develop marketing materials to be used to entice companies to domicile on Guam. The Chamber, through its membership and affiliations, can assist in marketing this to potential foreign companies interested in establishing a Captive Insurance Company.

Marketing should be targeted to industries and countries that already have corporations who have captives domiciled elsewhere - such as Japan. Clearly there exists a market for this which is evidenced by FSM's concentration on the country. On their Captive Insurance Website, it indicates "FSM is a relatively new captive insurance domicile. Our aim is to become the premier Japanese Captive domicile in the next few years. Our captive legislation and regulation are enacted and promulgated with the view to offer the best yet safe and sound regime to assist and attract Japanese captives." In the 2019 Annual Report to the President, the insurance board reported that Captive Insurance companies generated \$600 million in insurance premiums collected, with only \$16 million ceded.

Hawaii Captives have a vast range of companies. A breakdown on their Captive Insurance Fact Sheet illustrates that the Construction/Real Estate industry, followed by Telecommunications & Manufacturing are the largest segment.

Captive Owners by Industry Groups

Construction / Real Estate	68
Health Care	30
Telecommunications & Manufacturing	49
Retail & Other Services	29
Financial Services	32
Transportation / Energy	30
Total at 6/30/2020	<u>238</u>

Source: Hawaii Captive Insurance Fact Sheet

With respect to their composition of U.S. vs. Foreign Captives, 83% (197) are based in the United States; whilst 17% are foreign companies specifically identified as being from the Asia/Pacific Region. This is where the opportunity lies for Guam. Our Close proximity to Asia makes the island an ideal location as they can easily travel to the Guam to fulfill any business requirements.

Captive Owners by Location

U.S.	Western	151
	Eastern	24
	Central	22
	Total U.S.	<u>197</u>
Non-U.S.	Asia / Pacific	41
	Total at 6/30/2020	<u>238</u>

Source: Hawaii Captive Insurance Fact Sheet

Captive Insurance Companies in Hawaii have been a significant source of revenue for their economy. In a release from the Department of Commerce and Consumer Affairs, it reported that "In 2016, Hawaii's captive insurers wrote more than \$6.22 billion in premium volume, invested nearly \$1.05 billion in assets through Hawaii financial institutions and generated approximately \$23 million in economic benefits to Hawaii through various taxes and fees, professional services, annual conferences and visitor industry business. Hawaii was ranked third in the U.S. based upon total premium, fourth in the U.S. for largest captive domiciles and eleventh in the world based on total number of active captive licenses."

The success of both the FSM and Hawaii in the Captive Insurance industry serves as a model for Guam. It is imperative that we address the administrative, financial, and bureaucratic barriers to developing this industry so that the island can benefit from the potential revenue that can be generated.



BANKING & INSURANCE BOARD MEETING MINUTES

Friday, April 9, 2021 at 2:00pm

Google Meet Virtual Meeting (meet.google.com/qty-odht-scj)

BOARD MEMBERS PRESENT:

Michelle B. Santos, Banking & Insurance Commissioner

Roland Biscoe
West Cassidy
Dean Manglona
John McKinnon
Leah Beth Nahalowaa

Danilo Rapadas
Raymond Schnabel
Michael Sgro
Peter Valdez

ALSO PRESENT:

Alice Sebastian-Cruz, Regulatory Examiner Supervisor
Nemencio David Briones, Regulatory Examiner II
Michele Marie R. Rabago, Regulatory Examiner I
Francine Salas, Policy Analyst/Representative from the Office of Senator Sabina Perez

1. CALL TO ORDER – The meeting was called to order by Commissioner Santos at 2:04pm.

2. APPROVAL OF MINUTES (DATED DECEMBER 17, 2020)

Mr. West Cassidy wanted to re-amend the minutes on Line Item 2. *Approval of Minutes* to state “that in some cases with regard to property and casualty insurance, the proposed filing fees can be as high as the reinsurance premiums paid”.

Mr. Danilo Rapadas wanted to amend the last sentence of the second paragraph on Line Item 5. *Discussion/Other Matters* under marijuana business to read that “Majority of banks do not bank marijuana businesses.”. Also, Mr. Rapadas wanted to clarify that the licenses being referred to were “marijuana issued” licenses, that it is understood to mean “marijuana issued” licenses.

Commissioner Santos mentioned that she will follow up with the status of the Rules and Regulations of the Cannabis Board and update the board on the next meeting.

Commissioner Santos asked the board for a motion to be made for the approval of last meeting’s board minutes to include the amendments made during the meeting by Mr. Cassidy and Mr. Rapadas. A motion was made by Mr. Roland Biscoe and seconded by Mr. Rapadas. Motion was unanimously approved and carried.

3. OLD BUSINESS

a. WebCE Contract with DRT – Online Insurance Licensing Examination and Online Course Review

Ms. Sebastian-Cruz reported that WebCE is compiling all the curriculum set of exam questions for adjusters, property and casualty, and life and health. UOG started the new set of exams on April 7, 2021 for adjusters only on paper format. Eventually adjuster exams will be done online and will still be proctored by UOG.

In addition, Ms. Sebastian-Cruz mentioned WebCE emailed last week and is ready to deliver the next set of exam questions for property and casualty.

As for life and health exam questions, Ms. Sebastian-Cruz mentioned they are still in the initial stages and there are people from the association [Insurance Association of Guam] assisting with the Exam Content Outline (ECO). Once complete, Ms. Sebastian-Cruz will provide the necessary Guam statutes and WebCE will begin producing the life and health set of exam questions.

Ms. Leah Beth Nahalowaa, along with Commissioner Santos, suggested sending out a press release to announce the adjuster exam and provide the schedule. According to Ms. Sebastian-Cruz, Monique Basinger of the Insurance Association of Guam, has a schedule of the adjuster exams from April to the end of year 2021.

Mr. Peter Valdez asked, for those interested in taking the adjuster exam, what type of learning material is available out there to assist in preparing for exam. Ms. Sebastian-Cruz answered that WebCE offers a review course on WebCE.com for a fee. There is a Guam drop down menu where you will find review materials exclusive for adjusters, property and casualty, and life and health.

Mr. Dean Manglona suggested when issuing out online adjuster exam notices, there are application forms available online on the Guam Board of Accountancy's (GBA) website that can be used as templates and a good guide, instead of reinventing the wheel, as GBA announced their new online CPA application process.

Ms. Nahalowaa volunteered to write up the press release. Commissioner Santos emphasized that review materials for adjuster exam and where to find them on WebCom.com should be included in the press release.

b. Update on Proposed Amendments on Insurance Continuing Education (CE)

Commissioner Santos stated that she and Ms. Francine Salas [Policy Analyst at the Office of Senator Sabina Perez] had a discussion earlier today regarding the proposed legislation on Insurance CE and law changes. Ms. Salas had suggestions on what the Banking and Insurance Board submitted to the Legislature. Commissioner Santos, Ms. Sebastian-Cruz, and Ms. Salas will be meeting next week and will continue meeting until they are comfortable with the review of the proposed amendments and law changes.

Ms. Nahalowaa brought up a concern that the proposed legislation was already submitted to the Legislature awhile back since the last term and wanted to know if there was already an action decided. Commissioner



Santos mentioned the Legislature is working on and reviewing it. She added they will all meet together to ensure the Legislature and the Banking and Insurance Board are both on the same page.

Ms. Salas stated the proposed legislation needs to be broken down into several bills as it is 54 pages long. Ms. Salas suggested updating laws as needed, strengthening and redefining what is required for CE, and removing specific forms from Guam Administrative Rules and Regulations (GARR) to allow forms to be living documents and be amended as needed with the approval of the Banking and Insurance Board instead of approval by the Legislature.

Commissioner Santos suggested to set a target date to complete the proposed amendments. In addition, she asked Ms. Salas if she could arrange with Senator Sabina Perez to get the proposed amendments onto the agenda at the Legislature, which Ms. Salas acknowledged to do.

4. NEW BUSINESS

a. Banking and Insurance Enforcement Fund

Commissioner Santos broke down the available balances in the Banking and Insurance Enforcement Fund: (1) Contracts - \$148,952.00, (2) Supplies - \$4,250.00, and (3) Miscellaneous - \$2,200.00. These available balances are as of yesterday, April 8, 2021. Commissioner Santos mentioned they do not anticipate any large purchases. She added that they do want to open a position that would be beneficial to the branch. Commissioner Santos mentioned that this still needs to be discuss with DRT Director Dafne Mansapit-Shimizu to see how this position could be funded.

Ms. Nahalowaa brought up the hiring of a lawyer that was discussed in the last meeting. Commissioner Santos mentioned that decision would be decided by Director Mansapit-Shimizu. She further added the search for a lawyer is much needed and still ongoing as a lot of DRT issues have been sent to the Office of Attorney General for guidance and have not been resolved.

b. Captive Insurance Update

Commissioner Santos mentioned she is part of the Governor's Economic Diversification Task Force specifically under the Captive Insurance Program. Commissioner Santos was asked to lead the program committee, but due to conflict of interest as a regulator, she declined and did not feel it was in her position to market captive insurance and regulate it at the same time. Commissioner Santos will be a member of the Captive Insurance Program Committee and will assist the program in providing guidance and information as a regulator on the requirements of how to get licensed and how to expedite the process, as well as providing information regarding the program's tax requirements. Commissioner Santos believes Christine Baletto from Docomo Pacific is leading the program committee along with the Guam Economic Development Authority (GEDA). Commissioner Santos mentioned the Governor wants captive insurance companies to form on Guam as a way to diversify Guam's economy, especially with Federated States of Micronesia (FSM) and Hawaii having over 200 captive insurance companies doing business.

Commissioner Santos mentioned that Guam is on the European Union (EU) blacklist for money laundering, according to Deputy Tax Commissioner Paul Pablo, and no one knows how Guam ended up on the list. Mr. Rapadas added that he does not know how Guam ended up on the list especially when the banks on Guam

are required to follow federal laws relative to terrorism, financing, and reporting. Ms. Salas stated that under financial crimes, Guam is not on the radar for anti-money laundering (AML) fraud from the U.S.'s perspective. Commissioner mentioned that Guam being on the list discourages Japan from doing business on Guam.

5. DISCUSSION/OTHER MATTERS

Ms. Nahalowaa thanked Commissioner Santos for arranging the ethics class for the board members. Ms. Nahalowaa added the board members were reminded to get the educational class from the Insurance and Banking Commission that is supposed to update the board members of the Triple-A process and what the commission is all about. Ms. Sebastian-Cruz mentioned it is a 180-hour class. Ms. Nahalowaa inquired if the recent ethics class they took could be counted towards the 180 hours, but it is not counted. Commissioner Santos will get more information regarding the educational programs and update the board in the next meeting. Mr. Raymond Schnabel inquired on whether the ethics classes taken for CE as licensure is counted and Commissioner Santos confirmed that it does count. Mr. Biscoe stated that the ethics class had a different take than what he usually takes for Insurance CE as it focused more on the role as government servants and members of the board.

Mr. Rapadas brought up a concern on whether the government has established laws and regulations or authorizations regarding holding offsite Banking and Insurance Board meetings and other government board meetings on Google Meet or via other social media like Zoom, as meetings could be challenged by the public. He added that Bank of Guam had to amend their By-Laws to allow for virtual meetings and allow for technical advances. Ms. Salas stated that there was a law passed two (2) terms ago that allowed for attending meetings remotely, in which a public notice would go out and the invite would be extended to the public to attend, and recordings of the board meeting and all government board meetings are uploaded on the Office of Public Accountability website for the public to listen to.

Commissioner stated that for future meetings, if board members wanted items to be discussed on the agenda to let them know.

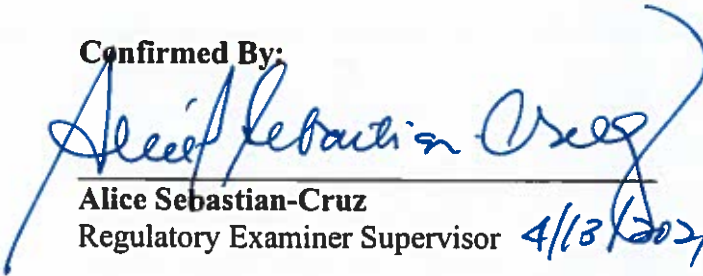
Ms. Salas mentioned that if anyone needs resources or has questions regarding public law, she is willing to provide and serve in that role.

6. ADJOURNMENT – Meeting was adjourned at 2:40pm.

Prepared and Submitted By:


Michele Marie R. Rabago
Regulatory Examiner I

Confirmed By:


Alice Sebastian-Cruz
Regulatory Examiner Supervisor