



CARL T.C. GUTIERREZ
GOVERNOR OF GUAM

Office of the Speaker
ANTONIO R. UNPINGCO

Date: 5/13/97

Time: 1030

Rec'd by: [Signature]

Print Name: Charlene Duanas

MAY 13 1997

The Honorable Antonio R. Unpingco
Speaker
Twenty-Fourth Guam Legislature
Guam Legislature Temporary Building
155 Hesler Street
Agana, Guam 96910

OFFICE OF THE LEGISLATIVE SECRETARY
ACKNOWLEDGMENT RECEIPT
Received By [Signature]
Time 4:43pm
Date 5-13-97

Dear Speaker Unpingco:

Enclosed please find a copy of Bill No. 29 (LS), "AN ACT TO ESTABLISH RULES AND REGULATIONS RELATIVE TO CAPTIVE INSURANCE PURSUANT TO PUBLIC LAW NO. 23-109 FOR THE GUAM ECONOMIC DEVELOPMENT AUTHORITY", which has been enacted into law without the signature of the Governor. This legislation is now designated **Public Law No. 24-22.**

Very truly yours,

Carl T. C. Gutierrez


Attachment 00202

cc: The Honorable Joanne M. S. Brown
 Legislative Secretary

TWENTY-FOURTH GUAM LEGISLATURE
1997 (FIRST) Regular Session


CERTIFICATION OF PASSAGE OF AN ACT TO THE GOVERNOR

This is to certify that Bill No. 29 (COR), "AN ACT TO ESTABLISH RULES AND REGULATIONS RELATIVE TO CAPTIVE INSURANCE PURSUANT TO PUBLIC LAW NO. 23-109 FOR THE GUAM ECONOMIC DEVELOPMENT AUTHORITY," was on the 30th day of April, 1997, duly and regularly passed.



ANTONIO R. UNPINGCO
Speaker

Attested:

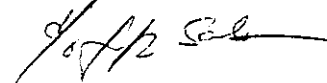


JOANNE M.S. BROWN
Senator and Legislative Secretary

This Act was received by the Governor this 24th day of April 30, 1997, at
11:04 o'clock P.M.

Assistant Staff Officer
Governor's Office

APPROVED:



CARL T. C. GUTIERREZ
Governor of Guam

Date: _____

Public Law No. 24-22

(Became law without the Governor's signature)

TWENTY-FOURTH GUAM LEGISLATURE
1997 (FIRST) Regular Session

Bill No. 29 (COR)

Introduced by:

A.R. Unpingco
by request of the Governor in
accordance with the Organic
Act of Guam.

AN ACT TO ESTABLISH RULES AND
REGULATIONS RELATIVE TO CAPTIVE
INSURANCE PURSUANT TO PUBLIC LAW NO.
23-109 FOR THE GUAM ECONOMIC
DEVELOPMENT AUTHORITY.

1 BE IT ENACTED BY THE PEOPLE OF THE TERRITORY OF GUAM:

2 Section 1. (a) Authority for Guam Economic Development
3 Authority to promulgate rules and regulations. Section 6 of Public Law No.
4 23-109 authorizes the Guam Economic Development Authority to promulgate
5 rules or regulations providing for governing the application for, and issuance
6 of qualifying certificates for insurers, as authorized by Public Law No. 23-109.
7 Public Law No. 23-109 also states that it goes into effect on January 1, 1997, or
8 until the rules and regulations contained in Subsection (c) of this Section and
9 the rules and regulations also promulgated by the Department of Revenue
10 and Taxation are also in place.

11 The rules and regulations contained in Subsection (c) of this Section had
12 a public hearing by the Guam Economic Development Authority on
13 December 19, 1996.

14 (b) Submission of rules and regulations in bill form. Public Law 22-

1 96 requires that rules and regulations proposed by a government agency, after
2 submission to the Governor, be transmitted to the Legislature in bill form for
3 the convenience of the Legislature. After the passage of Forty-five (45)
4 calendar days plus Seven (7) legislative days, the rules and regulations are
5 approved.

6 (c) **Approval of rules and regulations provided by the [name the**
7 **agency here].** The following rules and regulations for the Guam Economic
8 Development Authority are rejected:

9 "RULES AND REGULATIONS OF
10 THE GUAM ECONOMIC DEVELOPMENT AUTHORITY
11 ON THE ISSUANCE OF QUALIFYING CERTIFICATES
12 PART 2
13 QUALIFYING CERTIFICATES FOR DOMESTIC INSURERS
14 CHAPTER 1
15 LICENSURE BY INSURANCE COMMISSIONER

16 *Introduction*

17 §2408-2.01. The rules and regulations (the 'Rules') set out in this
18 chapter describe the procedure, pursuant to the provisions of §2408, Article
19 4, Chapter 2, Title 12, Guam Code Annotated (the 'QC Law') and Section 6
20 of Public Law 23-109, for obtaining a recommendation from the Guam
21 Economic Development Authority for the issuance of a Qualifying
22 Certificate ('QC') to a Domestic Insurer which has obtained a Guam
23 Certificate or License issued by the Insurance Commissioner.

24 *Purpose*

25 §2408-2.02. The purpose of these Rules is to provide standard

1 procedures governing the application for, and the issuance of QCs to
2 Domestic Insurers pursuant to and as authorized by the provisions of the
3 QC Law and Public Law 23-109.

4 *Definitions*

5 §2408-2.03. In these Rules, the following terms shall have the
6 following meanings:

7 (a) *Board*. 'Board' means the board of directors of GEDA.

8 (b) *Commissioner*. 'Commissioner' means the Insurance
9 Commissioner established in §12201, Article 2, Chapter 12, Division
10 2, Title 22, Guam Code Annotated.

11 (c) *Certificate*. A 'Certificate' is a certificate of authority
12 issued by the Commissioner to Domestic Insurers, pursuant to
13 Article 3 (Domestic Insurers), Chapter 15, Division 2, Title 22, Guam
14 Code Annotated.

15 (d) *Domestic Insurer*. A 'Domestic Insurer' is an entity
16 incorporated in Guam under the General Corporation Law and the
17 Insurance Law (§§15301 *et seq.*, Article 3, Chapter 5, Title 22, Guam
18 Code Annotated) which is the holder of a Certificate issued by the
19 Commissioner as a commercial insurer or a reinsurer, or which is the
20 holder of License issued by the Commissioner as a captive insurer.

21 (e) *GEDA*. 'GEDA' means the Guam Economic
22 Development Authority.

23 (f) *License*. A 'License' is an insurance license issued to a
24 captive insurer by the Commissioner pursuant to Chapter 23, Title 22,

1 Guam Code Annotated.

2 (g) QC. A 'QC' is a qualifying certificate issued by the
3 Governor of Guam on the recommendation of GEDA which grants to
4 the beneficiary of such QC an abatement and/or rebate of a portion
5 of all of certain Guam taxes for stated periods of time.

6 *QCs for Guam Insurers*

7 §2408-2.04. Any Domestic Insurer shall be entitled to a QC granting
8 abatements and rebates of *all* Guam's taxes for periods not to exceed
9 twenty (20) years; *provided*, that the Domestic Insurer at all times during
10 such periods holds a valid Certificate or License, and complies with the
11 provisions of the QC Law, the Insurance Law, rules and regulations issued
12 under the Insurance Law governing insurance companies and captive
13 insurance companies, these Rules, and its QC.

14 *Application for a QC*

15 §2408-2.05. To apply for a QC, a Domestic Insurer shall file the
16 following with GEDA:

17 (a) *Certificate or License.* A certified copy of its Certificate
18 or License.

19 (b) *Copy of application.* A certified copy of its application to
20 the Commissioner for a Certificate or License, as the case may be,
21 including all exhibits and attachments thereto;

22 (c) *Application form.* A completed and verified application
23 on GEDA Form QC-1I.

24 (d) *Affidavit of compliance.* A completed and verified

1 affidavit of compliance on GEDA Form QC-2I.

2 (e) *Commissioner's certificate of compliance.* A certificate of
3 compliance from the Commissioner that the applicant is in
4 compliance with the Insurance Law, and the rules and regulations
5 issued thereunder, that no adverse administrative or legal action is
6 pending against the applicant, or if such action is pending, or has
7 been taken against the applicant, that the Commissioner nevertheless
8 consents to the issuance of the QC to the applicant.

9 (f) *Fee.* A check in the sum of Seven Hundred Fifty Dollars
10 (\$750) as the filing fee for its application.

11 *Application forms*

12 §2408-2.06. GEDA Forms QC-1I and 2I are attached to these Rules
13 and are incorporated herein.

14 *GEDA's recommendation*

15 §2408-2.07. Upon ascertaining that the forms, certified copies of its
16 application for a Certificate or License, the Certificate or License, the
17 Commissioner's compliance certificate, and the application fee furnished
18 by the applying Domestic Insurer are complete and in proper order, GEDA
19 shall thereupon promptly hold a public hearing on the application and
20 thereafter, at its next Board meeting, after reviewing the submissions of the
21 Domestic Insurer and the report on the public hearing, forward to the
22 Governor of Guam its recommendation for issuance of the QC, if the Board
23 approves the application therefor.

24 *Interpretation of Rules*

1 §2408-2.08. These Rules are designed to facilitate the issuance of QCs
2 to Domestic Insurers qualified therefor in order to contribute to the goal of
3 making Guam a financial center of the Pacific. Accordingly, the Board and
4 staff of GEDA are to process QC applications for Domestic Insurers as
5 rapidly as possible, conducting the necessary hearings quickly and taking
6 the appropriate Board action expeditiously, combining where possible the
7 various applications for a single public hearing and consideration by the
8 Board at one meeting so that QCs can be issued to Domestic Insurers
9 quickly and inexpensively so as to attract to Guam as many insurers as
10 possible.

11 \
12 \\
13 \\\

14 BEFORE
15 THE
16 GUAM ECONOMIC DEVELOPMENT AUTHORITY ('GEDA')

17 _____
18 In the Matter of the Application) Case No. _____
19 for a Qualifying Certificate) APPLICATION FOR A
20) QUALIFYING
21 by) CERTIFICATE BY A DOMESTIC
22 _____) INSURER, [§2404 *et seq.*, Article 4,
23 a corporation, doing business as) Chapter 2, Title 12, Guam Code
24 a Domestic Insurer under the name) Annotated]
25 _____)
26)
27 Applicant.)
28 _____

1 In accordance with Article 4, Chapter 2, Title 12, Guam Code
2 Annotated (the 'QC Law') and Division 2, Title 22, Guam Code Annotated
3 (the 'Insurance Law'), _____, a Guam corporation
4 ('Applicant'), requests the issuance of a Qualifying Certificate ('QC')
5 thereunder, and submits the following:

6 **ARTICLE 1**

7 **APPLICANT**

8 §1.01. *Name of Applicant:* _____ (It will
9 conduct its business under the fictitious name of _____.)

10 §1.02. *Address and telephone number of principal Guam office:*
11 _____, municipality of _____, Guam 969 ____;
12 telephone #: (671) ____-_____.

13 §1.03. *Rent:* Annual rent to be paid for Guam office: \$ _____.

14 §1.04. *Name, address and telephone number of Applicant's*
15 *attorney or other representative, if any:* _____
16 municipality of _____, Guam 969 ____; telephone #: (671) ____-____;
17 fax #: (671) ____-_____.

18 **ARTICLE 2**

19 **TYPE OF INSURANCE BUSINESS**

20 §2.01. *Corporate tax structure:* Indicate whether Applicant is a so-
21 called 'Subchapter S' corporation.

22 §2.02. *Insurance business for which QC is sought:* Mark each form
23 of insurance business which Applicant plans to undertake in Guam:

24 [] Commercial Insurance; [] Reinsurance; [] Captive Insurance.

1 §2.03. *Licensed Guam Broker:* The name(s) and address(es) of
2 the licensed Guam insurance broker(s) through whom Applicant intends to
3 issue insurance policies to Guam policy holders and covering Guam risks:
4 _____, municipality of _____, Guam
5 969__.

6 ARTICLE 3

7 SUPPLEMENTAL FORMS AND DOCUMENTS

8 §3.01. *Certificate or License:* A certified copy of the certificate of
9 authority or license issued by the Insurance Commissioner to Applicant.
10 See Exhibit 1.

11 §3.02. *Insurance documentation:* A certified copy of Applicant's
12 application to the Insurance Commissioner for a certificate of authority or
13 license, as the case may be, including (i) all exhibits and attachments
14 thereto, and (ii) the Certificate of Compliance set out in paragraph (3) of
15 §2.408-2.05 of Chapter 2 of GEDA's rules and regulations on issuing QCs.
16 See Exhibits 2-1 and 2-2.

17 §3.03. *Affidavit of compliance:* An affidavit of compliance with
18 the QC Law on or following GEDA Form QC-2I. See Exhibit 3.

19 ARTICLE 4

20 INSURANCE SERVICES

21 §4.01. *Brief description of insurance services to be offered:*

22 _____
23 _____
24 _____

1 _____
2 _____
3 _____
4 _____
5 _____

6 §4.02. *Estimated annual premiums for insurance policies written at*
7 *projected rate of operations:* _____
8 _____ Dollars (\$) (first full year); _____
9 Dollars (\$) (fifth year).

10 **ARTICLE 5**
11 **EMPLOYEES**

12 §5.01. *Anticipated total number of Guam employees:* _____
13 _____ () full-time employees, _____ ()
14 part-time.

15 §5.02. *Annual gross Guam payroll:* _____
16 _____ Dollars (\$) (fifth year).

17 §5.03. *Classification of proposed Guam payroll for the first (1st) year*
18 *of operations:*

	<i>Classification:</i>	<i>Number:</i>	<i>Annual gross payroll:</i>
19			
20	_____ department,	_____	\$ _____
21	_____ department,	_____	\$ _____
22	_____ department,	_____	\$ _____
23	_____ department,	_____	\$ _____
24	_____ department,	_____	\$ _____

1 **Total:** _____ \$ _____

2 §5.04. *Analysis of nationality of proposed total number of Guam*
3 *employees after first (1st) year of operations:*

4 Citizens or permanent residents of the United States: _____.

5 Aliens: _____.

6 **ARTICLE 6**

7 **CONCLUSION**

8 §6.01. *Entitlement:* [Brief summary of why Applicant qualifies for
9 a QC as a Domestic Insurer.]

10 _____
11 _____
12 _____
13 _____
14 _____
15 _____

16 §6.02. *Request for QC:* On the basis of the information presented in
17 this application and the accompanying exhibits, Applicant requests the
18 issuance of a QC by the Governor of Guam, upon the recommendation of
19 GEDA, granting to Applicant the tax relief provided by §§2427.5 and 2428.4
20 of the QC Law as follows:

<i>Nature of tax.</i>	<i>Periods requested:</i>	<i>Percentages requested:</i>
Corporate income tax,	_____ (____) years,	_____ percent (____%),
Gross receipts tax	_____ (____) years,	_____ percent (____%),
*Income tax on corporate dividends	_____ (____) years,**	_____ percent (____%).

1 * Only if the stockholder receiving the dividend is a Guam taxpayer.

2 ** Maximum is seventy-five percent (75%).

3 *Execution*

4 EXECUTED this ___ Day of _____, 199__.

5
6 _____
7 Applicant,

8
9 by _____
10 _____, duly
11 authorized representative.
12

13
14 TERRITORY OF GUAM,))
15 (ss.:
16 City of Agaña.)

17
18 On this _____ day of _____, 19__, before me, a notary
19 public in and for the territory of Guam, personally appeared _____
20 _____, known to me to be the duly authorized representative of ____
21 _____, who executed the foregoing application, and he
22 acknowledged to me that such corporation executed the same.

23 WITNESS my hand and official seal.

24
25
26 _____)SEAL(
27 \

28 \\

1 \ \ \

2 AFFIDAVIT OF COMPLIANCE WITH
3 THE QC LAW BY A GUAM INSURER

4
5 TERRITORY OF GUAM,)

6 (ss.:
7 City of Agaña.)

8
9 _____, being first duly sworn, states that
10 he is the duly authorized representative of _____, a
11 Guam corporation ('Applicant'), which is applying, as a qualified Guam
12 Insurer, for a Qualifying Certificate ('QC') under the provisions of Article 4,
13 Chapter 2, Title 12, Guam Code Annotated and Division 2, Title 22, Guam
14 Code Annotated, and that:

15 §1. *Fringe benefits.* The following fringe benefits will be given to
16 all those employees of Applicant who are employed in Guam:

17 _____
18 _____
19 _____
20 _____

21 §2. *Transfer of benefits of QC:* GEDA's permission will be sought
22 *prior* to any transfer of (i) a majority of the voting stock of Applicant or (ii)
23 a substantial part of Applicant's assets by way of lease, sale, assignment or
24 other transfer, either of which constitutes a transfer of the benefits of the
25 QC.

26 §3. *Commencement of Applicant's operations:* Applicant's
27 insurance services will be available in Guam within _____ (_____)

1 months from the date of execution by the Governor of Applicant's QC.

2 §4. *No conflicts of interest:* No (i) GEDA employee or board
3 member, (ii) member of the Legislature, (iii) full-time employee of the
4 executive branch of the government of Guam from the level of first
5 assistant to the agency head and up (iv) employee of the Governor's office,
6 (v) judge of any of the courts of Guam, nor (vi) the spouse of any of the
7 foregoing, has any financial interest, direct or indirect, in Applicant.

8 §5. *Semi-annual employment reports.* Applicant shall furnish
9 GEDA semi-annual reports of the number of its Guam employees and its
10 total gross Guam payroll, broken down into all job titles, with rates of pay,
11 with identification of all employees not citizens or permanent residents of
12 the United States, beginning six (6) months after the date of the issuance of
13 its QC. GEDA agrees that such reports shall be confidential.

14 §6. *All local insurance issued through Guam brokers.* All insurance
15 policies to be issued to Guam policy holder(s) covering Guam risk(s) shall
16 not be issued by Applicant directly to the Guam policy holder but only
17 through a licensed Guam insurance broker.

18 DATED this ____ day of _____, 199__.

19
20
21

Applicant,

1 by _____
2 _____, affiant.

3
4 SUBSCRIBED and SWORN to before me, a notary public, this ____
5 day of _____, 199__.

6
7
8
9)SEAL(

10 _____
11 Notary public in and for the territory
12 of Guam. My commission expires:
13 _____."
14

15 Section 2. The Rules and Regulations of the Guam Economic
16 Development Authority on the Issuance of Qualifying Certificates herein
17 (Bill Number 29), which was transmitted to the Guam Legislature on
18 January 10, 1997 is hereby rejected in its entirety pursuant to the Title 5
19 Guam Code Annotated §9303(b).



Office of the Speaker

Senator **Antonio R. Unpingco**
Speaker

155 Hesler Street, Agana, Guam 96910

Phones : (671) 472- 3455 / 56 / 57 • Fax : (671) 472-3400


May 13, 1997

MEMORANDUM

TO: Legislative Secretary
FROM: Acting Speaker
SUBJECT: Transmittal of Public Laws


The following Public Laws were transmitted to my office from the Governor which I am referring to you.

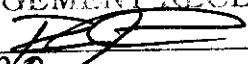
- **Public Law No. 24-21:** AN ACT TO ESTABLISH RULES AND REGULATIONS FOR THE CONTROL OF FISHERIES BY THE DEPARTMENT OF AGRICULTURE.
- **Public Law No. 24-22:** AN ACT TO ESTABLISH RULES AND REGULATIONS RELATIVE TO CAPTIVE INSURANCE PURSUANT TO PUBLIC LAW NO. 23-109 FOR THE GUAM ECONOMIC DEVELOPMENT AUTHORITY.


Anthony C. Blaz

attachments (2)

crd

OFFICE OF THE LEGISLATIVE SECRETARY
ACKNOWLEDGMENT RECEIPT
Received By: 
Time: 4:43pm
Date: 5-13-97
Clerk of the Legislature

ACKNOWLEDGEMENT RECEIPT
Received by: 
Time: 1320
Date: 5/14/97

Doc. 00201

PL-24-22

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Minaolek Guahan

Alberto "Tony" Cristobal Lamorena V
Senator
Twenty-Fourth Guam Legislature

April 30, 1997

**Chairman
Committee on**

The Honorable Antonio R. Unpingco
Speaker
Twenty-Fourth Guam Legislature
155 Hesler St.
Agana, Guam 96910

Tourism

Dear Mr. Speaker,

The Committee on Tourism, Economic Development and Cultural Affairs, to which was referred **Bill No. 29, "An Act to Establish Rules and Regulations Relative to Captive Insurance Pursuant to Public Law No. 23-109 for the Guam Economic Development Authority"**, has had the same under consideration, and now wishes to report back the same with the recommendation **To Pass**.

**Economic
Development**

The Committee votes are as follows:

and

To Pass	<u>5</u>
Not To Pass	<u>-0-</u>
Abstain	<u>-0-</u>
Inactive File	<u>-0-</u>

**Cultural
Affairs**

A copy of the Committee Report and all pertinent documents are attached for your information and file.

Sincerely,

ALBERTO C. LAMORENA, V

**Vice-Chairman
Committee on**

**Natural
Resources**





Senator Alberto "Tony" Cristobal Lamorena V

Chairman

**COMMITTEE ON TOURISM, ECONOMIC DEVELOPMENT
AND CULTURAL AFFAIRS**

Twenty-Fourth Guam Legislature

VOTING SHEET ON

BILL NO.29

**AN ACT TO ESTABLISH RULES AND
REGULATIONS RELATIVE TO CAPTIVE
INSURANCE PURSUANT TO PUBLIC LAW
NO. 23-109 FOR THE GUAM ECONOMIC
DEVELOPMENT AUTHORITY.**



RECOMMENDATION TO

Committee Members	Signature	To pass	Not to pass	Abstain	Place in Inactive File
Senator Alberto "Tony" Lamorena Chairperson		<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Senator Joanne Brown Vice-Chairperson		<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Speaker Antonio Unpingco		<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Vice-Speaker Anthony Blaz		<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Senator Mark Forbes		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Senator Carlotta Leon Guerrero		<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Senator Felix Camacho		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Senator Edwardo Cruz, M.D.		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Senator William Flores		<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Senator Mark Charfauros		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
TOTAL VOTES:					

1 by) APPLICATION FOR A QUALIFYING
 2) CERTIFICATE BY A DOMESTIC
 3 _____) INSURER, [§2404 *et seq.*, Article 4,
 4 a corporation, doing business as) Chapter 2, Title 12, Guam Code
 5 a Domestic Insurer under the name) Annotated]
 6 _____)
 7)
 8 Applicant.)
 9 _____

10 In accordance with Article 4, Chapter 2, Title 12, Guam Code Annotated (the 'QC
 11 Law') and Division 2, Title 22, Guam Code Annotated (the 'Insurance Law'),
 12 _____, a Guam corporation ('Applicant'),
 13 requests the issuance of a Qualifying Certificate ('QC') thereunder, and submits the
 14 following:

15 ARTICLE 1
 16 APPLICANT

17 §1.01. *Name of Applicant:* _____ (It will conduct its
 18 business under the fictitious name of _____.)

19 §1.02. *Address and telephone number of principal Guam office:*
 20 _____, municipality of _____ Guam
 21 969____; telephone #: (671) ____-_____.

22 §1.03. *Rent.* Annual rent to be paid for Guam office: \$_____.

23 §1.04. *Name, address and telephone number of Applicant's attorney or other*
 24 *representative, if any:* _____
 25 _____, municipality of _____, Guam 969____;
 26 telephone #: (671) ____-_____; fax #: (671) ____-_____.

27 ARTICLE 2
 28 TYPE OF INSURANCE BUSINESS

29 §2.01. *Corporate tax structure:* Indicate whether Applicant is a so-called
 30 'Subchapter S' corporation.

1 **§2.02. *Insurance business for which QC is sought:*** Mark each form of insurance
2 business which Applicant plans to undertake in Guam:

3 **[]** Commerical Insurance; **[]** Reinsurance; **[]** Captive Insurance.

4 **§2.03. *Licensed Guam broker:*** The name(s) and address(es) of the licensed Guam
5 insurance broker(s) through whom Applicant intends to issue insurance policies to
6 Guam policy holders and covering Guam risks: _____
7 municipality of _____, Guam 969____.

8 **ARTICLE 3**

9 **SUPPLEMENTAL FORMS AND DOCUMENTS**

10 **§3.01. *Certificate or License:*** A certified copy of the certificate of authority or
11 license issued by the Insurance Commissioner to Applicant. See Exhibit 1.

12 **§3.02. *Insurance documentation:*** A certified copy of Applicant’s application to
13 the Insurance Commissioner for a certificate of authority or license, as the case may be,
14 including (i) all exhibits and attachments thereto, and (ii) the Certificate of Compliance
15 set out in paragraph (3) of §2.408-2.05 of Chapter 2 of GEDA’s rules and regulations on
16 issuing QCs. See Exhibits 2-1 and 2-2.

17 **§3.03. *Affidavit of compliance:*** An affidavit of compliance with the QC Law on
18 or following GEDA Form QC-2I. See Exhibit 3.

19 **ARTICLE 4**

20 **INSURANCE SERVICES**

21 **§4.01. *Brief description of insurance services to be offered:***

22 _____
23 _____
24 _____
25 _____
26 _____

1 _____
2 _____
3 _____

4 §4.02. *Estimated annual premiums for insurance policies written at projected*
5 *rate of operations:* _____ Dollars
6 (\$ _____) (*first full year*); _____
7 Dollars (\$ _____) (*fifth year*).

8
9

ARTICLE 5
EMPLOYEES

10
11 §5.01. *Anticipated total number of Guam employees:* _____
12 (____) full-time employees, _____ (____) part-time.

13 §5.02. *Annual gross Guam payroll:* _____ Dollars
14 (\$ _____) (*fifth year*).

15 §5.03. *Classification of proposed Guam payroll for the first (1st) year of*
16 *operations:*

<i>Classification:</i>	<i>Number:</i>	<i>Annual gross payroll:</i>
_____ department,	_____	\$ _____
_____ department,	_____	\$ _____
_____ department,	_____	\$ _____
_____ department,	_____	\$ _____
_____ department,	_____	\$ _____
Total:	_____	\$ _____

24 §5.04. *Analysis of nationality of proposed total number of Guam employees after*
25 *first (1st) year of operations:*

26 Citizens or permanent residents of the United States: _____

1 Aliens: _____

2 ARTICLE 6

3 CONCLUSION

4 §6.01. *Entitlement:* [Brief summary of why Applicant qualifies for a QC as a
5 Domestic Insurer.]

6 _____
7 _____
8 _____
9 _____
10 _____
11 _____
12 _____

13 §6.02. *Request for QC:* On the basis of the information presented in this
14 application and the accompanying exhibits, Applicant requests the issuance of a QC by
15 the Governor of Guam, upon the recommendation of GEDA, granting to Applicant the
16 tax relief provided by §§2427.5 and 2428.4 of the QC Law, as follows:

<i>Nature of tax.</i>	<i>Periods requested:</i>	<i>Percentages requested:</i>
18 Corporate income tax,	_____ (___) years,	_____ percent (___%),
19 Gross receipts tax,	_____ (___) years,	_____ percent (___%),
20 *Income tax on corporate 21 dividends	_____ (___) years, **	_____ percent (___%).

22 * Only if the stockholder receiving the dividend is a Guam taxpayer.

23 ** Maximum is seventy-five percent (75%).

24 *Execution*

25 EXECUTED this ___ day of _____, 199__.

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30 Applicant,

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by _____,
_____ duly
authorized representative.

TERRITORY OF GUAM,) (ss.:
City of Agaña.)

On this ____ day of _____, 19__, before me, a notary public in and for the territory of Guam, personally appeared _____ known to me to be the duly authorized representative of _____ who executed the foregoing application, and he acknowledged to me that such corporation executed the same.

WITNESS my hand and official seal.

_____)SEAL(

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AFFIDAVIT OF COMPLIANCE WITH THE QC LAW BY A GUAM INSURER

TERRITORY OF GUAM,) (ss.:
City of Agaña.)

_____ being first duly sworn, states that he is the duly authorized representative of _____ a Guam corporation

1 ('Applicant'), which is applying, as a qualified Guam Insurer, for a Qualifying
2 Certificate ('QC') under the provisions of Article 4, Chapter 2, Title 12, Guam Code
3 Annotated and Division 2, Title 22, Guam Code Annotated, and that:

4 §1. *Fringe benefits.* The following fringe benefits will be given to all those
5 employees of Applicant who are employed in Guam:

6 _____
7 _____
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10 §2. *Transfer of benefits of QC:* GEDA's permission will be sought prior to any
11 transfer of (i) a majority of the voting stock of Applicant or (ii) a substantial part of
12 Applicant's assets by way of lease, sale, assignment or other transfer, either of which
13 constitutes a transfer of the benefits of the QC.

14 §3. *Commencement of Applicant's operations:* Applicant's insurance services
15 will be available in Guam within _____ (____) months from the date of
16 execution by the Governor of Applicant's QC.

17 §4. *No conflicts of interest:* No (i) GEDA employer or board member, (ii)
18 member of the Legislature, (iii) full-time employee of the executive branch of the
19 government of Guam from the level of first assistant to the agency head and up (iv)
20 employee of the Governor's office, (v) judge of any of the courts of Guam, nor (vi) the
21 spouse of any of the foregoing, has any financial interest, direct or indirect, in
22 Applicant.

23 §5. *Semi-annual employment reports.* Applicant shall furnish GEDA semi-
24 annual reports of the number of its Guam employees and its total gross Guam payroll,
25 broken down into all job titles, with rates of pay, with identification of all employees

1 not citizens or permanent residents of the United States, beginning six (6) months after
2 the date of the issuance of its QC. GEDA agrees that such reports shall be confidential.

3 §6. *All local insurance issued through Guam brokers.* All insurance policies to
4 be issued to Guam policy holder(s) covering Guam risk(s) shall not be issued by
5 Applicant directly to the Guam policy holder but only through a licensed Guam
6 insurance broker.

7 DATED this ____ day of _____, 199__.

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Applicant,

by _____
_____, affiant.

17 SUBSCRIBED and SWORN to before me, a notary public, this ____ day of
18 _____, 199__.

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)SEAL(
Notary public in and for the territory
of Guam. My commission expires:
_____."

**COMMITTEE ON TOURISM, ECONOMIC DEVELOPMENT
AND CULTURAL AFFAIRS**

Twenty-Fourth Guam Legislature
155 Hesler Street Agana, Guam 96910

COMMITTEE REPORT

ON

BILL NO. 29

“An Act to Establish Rules and Regulations Relative to Captive Insurance Pursuant to Public Law No. 23-109 for the Guam Economic Development Authority.”

COMMITTEE MEMBERS

Chairman: Senator Alberto C. Lamorena, V

Vice Chairperson: Senator Joanne S. Brown

Senator Anthony C. Blaz

Senator Edward J. Cruz, MD

Senator Felix P. Camacho

Senator William B.S.M. Flores

Senator Mark C. Charfauros

Senator Mark Forbes

Senator Carlotta A. Leon Guerrero

COMMITTEE REPORT

Bill No. 29

“An Act to Establish Rules and Regulations Relative to Captive Insurance Pursuant to Public Law No. 23-109 for the Guam Economic Development Authority”

INTRODUCTION

The Committee on Tourism, Economic Development and Cultural Affairs conducted a Public Hearing 9:45 a.m. Friday, February 21, 1997 in the Public Hearing Room of the Guam Legislature Temporary Bldg. In Agana.

Committee Members Present:	Senator Alberto C. Lamorena, V, Chairman Senator Edward J. Cruz, MD Senator William B.S.M. Flores Senator Mark Forbes Senator Carlotta A. Leon Guerrero
Other Senators Present:	Senator Frank B. Aguon, Jr.
Government Officials:	Mr. Ed Untalan, Administrator, GEDA Atty. Andrew Gayle, GEDA Legal Counsel J.R. Calvo, GEDA
Business Sector Officials:	Mr. Allen Pickens, Deloitte & Touche Mr. Joseph Zulka, Insurance Association of Guam Mr. Al Omari, Nissan Motor Corp.

SUMMARY OF TESTIMONY

Mr. Allen Pickens is the Managing Partner for Deloitte & Touche LLP for Guam and Micronesia, a member of the Governor's Economic Advisory Council, and Chairman of the Financial Services Sector Committee of Vision 2000. Mr. Pickens provided the committee with written testimony in support of the passage of Bill No. 29. Mr. Pickens explained that the passage of Public Law 23-109 placed Guam in a competitive position with other international venues of the insurance industry. He further testified that the enactment of the Rules and Regulations pursuant to Bill 29 will allow the immediate implementation of the Captive Insurance pursuant to Public Law 23-109, thereby enhancing Guam's opportunity to become the insurance hub in the Western Pacific region. Mr. Pickens highlighted §2408-2.01. of the bill, which allows for the issuance of a Qualifying Certificate

(QC) to a Domestic (Guam corporations) which has obtained a Guam Certificate or License issued by the insurance Commissioner. Under the draft Rules and Regulations, GEDA does not duplicate the effort of the Office of the Insurance Commissioner. Since the Captive Insurance businesses is relatively new on Guam, it is in Guam's best interest to provide a "user-friendly system" to accommodate applicants.

Mr. Joseph Zulka, Chairman of the Insurance Association of Guam, expressed 3 concerns in his letter to the committee. First, Section 2408.2.04. Which states "any domestic insurer shall be entitled to a Qualifying Certificate". Mr. Zulka is concerned that this implies automatic approval, but is not inconsistent with the ability of GEDA to make a recommendation other than to approve the application. If compliance with the application requirements is intended to allow automatic approval, the bill should say so. Secondly, if an applicant is disapproved based upon the factors or criteria set out in the law, the applicant is entitled to receive adequate explanation as to the reason for such disapproval within 30 days, and should be entitled to appeal. The bill needs to include this provision. Lastly, a minor breach of the law (e.g.: being a week late in filing the assigned risk report) could have a domestic ramification to a domestic insurer's QC. This needs to be addressed in the GEDA regulations.

Mr. Ed Untalan, Acting Administrator for the Guam Economic Development Authority, provided the committee with written testimony in support of the passage of Bill No. 29. He explained that under GEDA's enabling statute, the Authority is the primary catalyst in the economic development of Guam and that it is to assist specifically in the implementation of an integrated plan for the economic development of the island. Mr. Untalan explained that the enactment of P.L. 23-109 was the first in implementing the plan outlined in the Financial Services section of Vision 2001. According to the Administrator, before the end of calendar year 1996, GEDA, pursuant to P.L. 23-109 in conjunction with Vision 2001, amended its existing regulation, conducted a public hearing, and submitted its board approved changes to the Governor. Mr. Untalan further explained that with the leadership of Mr. Pickens, GEDA has been holding weekly meetings since the beginning of the year to ensure the proper implementation of the rules and regulations, and overall development of the industry. Additionally, Mr. Untalan stated that he and other key officers of GEDA will be attending a training course in risk management to be conducted in Los Angeles and Tucson, Arizona in preparation for seminars which will be conducted throughout the latter part of this year. Lastly, Mr. Untalan explained that the changes to the Qualifying Certificates are necessary to simplify the process and reduce the requirements under a normal application.

Atty. Andrew Gayle, Legal Counsel for the Guam Economic Development Authority, commented that Bill No. 29 is a good written bill and does not need to be amended. However, Mr. Gayle suggested that the title be amended by striking the word "Captive Insurance", and in lieu thereof replace it with "Qualifying Certificates". The line changed should read, "relative to Qualifying Certificates".

The Chairman in his preliminary statement, expressed that his primary concern is how the captive insurance affects employment, and other domestic insurance companies, like Calvo's Ins.,

Moylan's Ins. and Nanbo Ins. The Chairman is concerned that if Qualifying Certificates are issued to captive insurances that may be allowed to operate, domestic insurance companies may be placed at a disadvantage. The Chairman wants to be assured that there is an equal "playing field" between the captive insurance companies and the domestic insurance companies. Additionally, the Chairman is quite concerned about employment opportunities for our local people.

Mr. Pickens clarified to the Chairman that the captive insurance proposed market is Asia, and that it will not compete locally with domestic insurance companies such as, Calvo's Moylan's and Nanbo. Primarily, captive insurance will engage in reinsurance through underwriters such as, Zurich and Pacific Indemnity Insurance.

Mr. Zulka explained that with the introduction of the captive insurance industry, locally, it will provide financial strength to the local insurance companies so that when typhoons occur, the industry has the financial strength to respond. Mr. Zulka continued that right now, the insurance industry is growing slowly. The profit margin is not that great, and that financial strength is the key.

The Chairman reiterated that the bill does not preclude captive insurance companies from competing with local insurance companies. For example, Moylan's pays taxes for its profit, while Pacific Indemnity, if issued a Qualifying Certificate, will not be paying GRT on its income.

Mr. Pickens responded that premiums collected by Pacific Indemnity stays on island, whereas, on the other hand, a portion of the profits made by either Calvo's or Moylan's are sent off island to underwriters. There are only 2 underwriters on Guam. They are Zurich Insurance and Pacific Indemnity.

Senator Flores inquired if GEDA is willing to give Qualifying Certificates to local insurance companies. If so, Senator Flores foresees a reduction in insurance premiums. Secondly, other than job generation, what other foreseeable benefits.

In response to Senator Flores' first inquiry, Mr. Pickens responded that although lower premium rates is a realistic perception, the market is not geared up for Guam. Secondly, if the captive insurance industry is successful, the government of Guam can expect to see an \$18.8 billion dollar industry, with approximately \$130,000,000 in taxes.

Senator Cruz commented that domestic insurance is well defined, while captive insurance is not. Senator Cruz suggested that these technicalities be clarified.

Although not present at the hearing, the committee received written testimony from Mr. Kurt S. Moylan, President of Moylan's Insurance Underwriters Inc. In his testimony, Mr. Moylan stated that the Captive Insurance Law is a good opportunity for our community to benefit from an industry that already proven itself successful in Bermuda and other countries. Mr. Moylan commented however, that the law needs to be written more clearly so that everyone would understand the rules before we start. Mr. Moylan continued in his testimony that Captive Insurance companies should not

be allowed to appoint brokers to do business in the insurance market because of the fact that captive insurance companies have been granted tax rebates which are not given to the alien and foreign insurance carriers who have licensed themselves to conduct business in the local market. Mr. Moylan continues that if captive insurance companies decide to write business locally, they should pay the 4% GRT and corporate income taxes just like all the other carriers writing automobile, homeowners and other Guam risks. In summary, Moylan's Insurance strongly feels that the Captive Insurance Law needs to be re-examined and clarified so that there is no misunderstanding. Finally, Moylan's Insurance urges the committee not to approve Bill No. 29 unless the Captive Insurance law is made clear to the companies entering Guam and to the present insurance carriers doing business on Guam.

There being no further witnesses appearing on Bill No. 29, the Chairman adjourned the hearing at 11:00 a.m.

COMMITTEE FINDINGS

On Wednesday, February 25, 1997, the Committee on Tourism, Economic Development and Cultural Affairs conducted a Mark-Up Meeting on Bill No. 29. Upon reviewing the summary of testimonies submitted during the public hearing, the committee finds that there are certain questions that must be answered before pursuing the full implementation of the rules and regulations for Captive Insurance. The committee is quite concerned with the local insurance companies and how the Captive Insurance Law will affect them. The committee is also of the opinion that the Captive Insurance Law must be re-examined to ensure equality for all companies affected.

COMMITTEE RECOMMENDATIONS

The Committee on Tourism, Economic Development and Cultural Affairs hereby reports out Bill No. 29 to the Twenty-Fourth Guam Legislature with the recommendation **To Pass**.

received
3-10-97

FISCAL NOTE
BUREAU OF BUDGET AND MANAGEMENT RESEARCH

Bill No. 29 Date Received: 02/18/97
Amendatory Bill: No Date Reviewed: 02/28/97

Department/Agency Affected: Guam Economic Development Authority
Department/Agency Head: Edward Untalan
Total FY Appropriation to Date: N/A

Bill Title (preamble): AN ACT TO ESTABLISH RULES AND REGULATIONS RELATIVE TO CAPTIVE INSURANCE PURSUANT TO PUBLIC LAW NO. 23-109 FOR THE GUAM ECONOMIC DEVELOPMENT AUTHORITY.

Change in Law: N/A

Bill's Impact on Present Program Funding:

Increase _____ Decrease _____ Reallocation _____ No Change X

Bill is for:

Operations: _____ Capital Improvement: _____ Other: X

FINANCIAL/PROGRAM IMPACT

ESTIMATED SINGLE-YEAR FUND REQUIREMENTS (Per Bill)

Program Category	General Fund	OTHER	TOTAL
Autonomous			

ESTIMATED MULTI-YEAR FUND REQUIREMENTS (Per Bill)

FUND	1st	2nd	3rd	4th	5th	Total
GENERAL FUND						
OTHER						
TOTAL						

FUNDS ADEQUATE TO COVER INTENT OF THE BILL? N/A

IF NO, ADDITIONAL AMOUNT REQUIRED: N/A

AGENCY/PERSON/DATE CONTACTED: _____

ESTIMATED POTENTIAL MULTI-YEAR REVENUES (Per Bill)

FUND	1st	2nd	3rd	4th	5th	Total
GENERAL FUND						
OTHER						
TOTAL						1/

ANALYST: Paul Leon Guerrero

DATE: _____

DIRECTOR: Francisco Gallegos
Joseph E. Rivera, Acting

DATE: MAR 04 1997

FOOTNOTE:

1/ Bill No. 29 is for the submission of rules and regulations pursuant to the administrative adjudication act for the application and issuance of qualifying certificates for insurers. If the legislature does not act on it within the prescribed time period, the rules and regulations are approved. The economic activity to be generated from this program would be new offices set up on island for the new insurance companies.

bill no. 29

Bill 29 is the submission of rules and regulations pursuant to the administrative adjudication act for the application and issuance of qualifying certificates for insurers. If the legislature does not act on it within the prescribed time period, the rules and regulations are approved. The economic activity generated from this program would be new offices set up on island for the new insurance companies.

**TESTIMONY ON BILL NO. 29, AN ACT TO ESTABLISH RULES AND REGULATIONS
RELATIVE TO CAPTIVE INSURANCE PURSUANT TO PUBLIC LAW 23-109 FOR
THE GUAM ECONOMIC DEVELOPMENT AUTHORITY**

Mr. Chairman, Senators, my name is Allen A. Pickens. I am Managing Partner of Deloitte & Touche LLP for Guam and Micronesia, a member of the Governor's Economic Advisory Council and Chairman of the Financial Services Sector Committee of Vision 2001. I come to this public hearing to voice support for the passage of Bill No. 29, An Act to Establish Rules and Regulations Relative to Captive Insurance Pursuant to Public Law 23-109.

Public Law 23-109 places Guam in a competitive position with other international venues of the insurance industry. The Bill being discussed today provides the guidelines for implementation of Public Law 23-109. These Rules and Regulations will allow the immediate implementation of the promotional effort necessary to make Guam an insurance hub in the Western Pacific region.

A key section within Bill 29 is 2408-2.01 which allows "...the issuance of a Qualifying Certificate (QC) to a Domestic (Guam corporations) which has obtained a Guam Certificate or License issued by the Insurance Commissioner." This entails local incorporation as well as meeting all of the filing requirements and obtaining the approval of the Insurance Commissioner of Guam. The significant monitoring of compliance with insurance law will remain with the office of the Insurance Commissioner, as well it should. Only after receiving a license or certification therefrom may an insurance company file with GEDA for the benefits of Public Law 23-109. Under the draft Rules and Regulations GEDA does not duplicate the effort of the office of the Insurance Commissioner. GEDA is not obliged to maintain duplicate insurance technicians; rather, it is free to deal with economic issues.

The competition for this relatively new industry is keen throughout the world. However, Guam finds itself uniquely positioned in the Asian area to be a significant player. It is in Guam's best interest to provide a user-friendly system to accommodate applicants who wish to assist the Territory as it becomes a financial service center in the region.

Thank you for your time and interest in this important area.



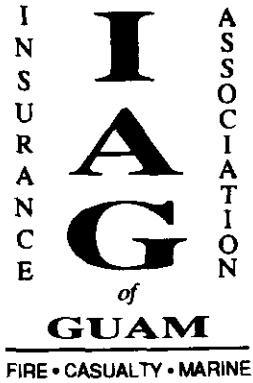
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2-24-97

1997 Officers

Joseph J. Zulka
Chairman
477-1663/4

Geoff Cutting
Vice Chairman
635-2823

Joe Barcinas
Secretary/Treasurer
472-3133/4



1997 Member Companies:

- American Home Assurance Company
- Chung Kuo Insurance Company, Ltd.
- Dai-Tokyo Fire & Marine Company, Ltd.
- Dongbu Insurance Company
- FAI (NZ) General Insurance Company Limited
- General Accident Insurance Asia, Ltd.
- Mitsui Marine & Fire Insurance Company
- National Union Fire Insurance Company
- New Hampshire Insurance Company
- Pacific Indemnity Insurance Company
- QBE Insurance (International) Ltd.
- Tokio Marine & Fire Insurance Company
- Zurich Insurance (Guam), Inc.

* Associate Member - Pacific Financial Corp.

February 21, 1997

Via Facsimile and Hand Delivery

Senator Alberto Cristobal Lamorena V
Twenty-Four Guam Legislature
Suite 314, Union Bank Building,
194 Hernan Cortez Avenue
Agana, Guam 96910

Re: Bill 29

Dear Senator Lamorena,

After my addressing the legislature this morning during the public hearing regarding the above captioned and listening to other testimony, on behalf of the Insurance Association of Guam, there are a few concerns we hope to have addressed before the passing of this legislation.

These concerns are as follows:

- 1) Section 2408-2.04 states any domestic insurer shall be entitled to a QC...this implies automatic approval, but it is inconsistent with the ability of GEDA to make a recommendation other than to approve an application. There are no guidelines or criteria against which the board of GEDA determine if an application for a QC will be approved or disapproved. If compliance with the application filing requirements is intended to allow automatic approval, the law should say so. If there are other factors which can influence GEDA's decision, those factors should be spelt out.
- 2) If an application is disapproved based upon factors or criteria set out in the law, the applicant should be entitled to receive adequate explanation as to the reasons for the disapproval within 30 days, and should further be entitled to an appeal. The law needs to include these provisions.



FIRE • CASUALTY • MARINE

1997 Member Companies:

- American Home Assurance Company
- Chung Kuo Insurance Company, Ltd.
- Dai-Tokyo Fire & Marine Company, Ltd.
- Dongbu Insurance Company
- FAI (NZ) General Insurance Company Limited
- General Accident Insurance Asia, Ltd.
- Mitsui Marine & Fire Insurance Company
- National Union Fire Insurance Company
- New Hampshire Insurance Company
- Pacific Indemnity Insurance Company
- QBE Insurance (International) Ltd.
- Tokio Marine & Fire Insurance Company
- Zurich Insurance (Guam), Inc.

* Associate Member - Pacific Financial Corp.

1997 Officers:

Joseph J. Zulka
Chairman
477-1663/4

Geoff Cutting
Vice Chairman
635-2823

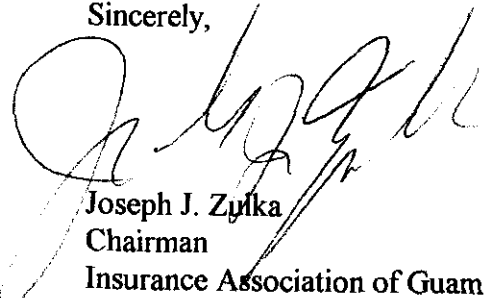
Joe Barcinas
Secretary/Treasurer
472-3133/4

3) A minor breach of the law (e.g. being a week late in filing the assigned risk report), could have major ramifications to a domestic insurer's QC - this needs to be addressed in the GEDA regulations, as they currently possess the potential to be excessively harsh.

As stated earlier in my testimony at the hearing the Insurance Association of Guam's largest concern is that the regulating of the Captives by the Insurance Department be strict. If the regulation remains as it is presently, the chance for scandal and damage to the entire industry is great. We do support Bill 29 and hope that our suggestions for possible revisions be strongly considered before passing this legislation.

If you have any questions regarding our position or any comments made herein please feel free to contact me at 477-8801. Thank you for your time in reviewing our recommendations.

Sincerely,



Joseph J. Zulka
Chairman
Insurance Association of Guam

TESTIMONY ON:

Bill No. 29 - An act to establish rules and regulations relative to Captive Insurance pursuant to Public Law 23-109 for the Guam Economic Development Authority

**Submitted by:
Ed Untalan
Acting Administrator
Guam Economic Development Authority**

February 21, 1997

Good morning Chairman Lamorena; esteemed members of the Committee on Tourism, Economic Development and Cultural Affairs; ladies and gentlemen:

My name is Ed Untalan, and I am the Acting Administrator for the Guam Economic Development Authority (GEDA). I am here on behalf of the Authority to provide testimony on Bill No. 29. The proposed legislation will establish rules and regulations that will govern the issuance of tax exemptions and rebates as authorized under GEDA's Qualifying Certificate (QC) Program relative to insurance, re-insurance, and captive insurance companies.

As you may be aware, GEDA's enabling statute directs the Agency to be the primary catalyst in the economic development of Guam. In doing so, we are to assist specifically in the implementation of an integrated plan for the economic development of the Island. The plan under this Administration is known as VISION 2001 (hereafter referred as the VISION).

The enactment of Public Law 23-109 (PL 23-109) was the first step in implementing the plan outlined in the Financial Services section of the VISION. It required both the Department of Revenue and Taxation (DRT) and GEDA to re-vitalize and establish rules and regulations, respectively. DRT has had rules and regulations established for insurance, reinsurance, and captive insurance. GEDA, on the other hand, had to modify its existing rules and regulations accordingly to comply with PL 23-109.

Before the end of calendar year 1996, GEDA made amendments to its existing regulations, conducted a public hearing, and submitted its Board approved changes to the Governor. GEDA also contracted Aon Risk Services as an insurance consultant, to assist in the development of the industry. In addition to providing assistance in the development and implementation of a marketing plan, they will: 1) conduct a thorough review of both GEDA's and DRT's rules and regulations; 2) make appropriate recommendations for changes that will make our Island more competitive and at the same time insure that controls and procedures are adequate and effective; 3) provide training for GEDA and DRT personnel in the area of risk management; and, 4) provide assistance in the application review process until personnel have been adequately trained.

With the leadership of Mr. Al Pickens, chairman of the Financial Services Task Force under the VISION, we have been holding weekly meetings since the beginning of this year to ensure the proper implementation of the rules and regulations and the overall development of the industry. We anticipate leaving to Los Angeles by the second week of March to undergo our first training course in risk management enroute to Tuscon, Arizona, for the Captive Insurance Companies Association (CICA) Conference. It is our objective to conduct several seminars in Asia throughout the latter part of this year.

More importantly, we are witnessing a growing interest in our new industry which is evidenced by the numerous inquires being received, the establishment of the first captive insurance company, and the receipt of two applications for tax exemptions for insurance companies. We have also received information of the potential establishment of a number of other captive companies.

In regard to the rules and regulations pertaining to QC's, the changes were to simplify the process by reducing the requirements under a normal application. PL 23-109 provides that the review of an applicant falls under the scrutiny of the DRT. Thus, the requirements for a QC has been reduced. Please keep in mind that the objective of the legislation is to provide incentives that would make Guam an attractive domicile. In keeping the requirements to a minimum during the early phase of the development of this industry, would keep Guam as an attractive investment destination.

In closing, on behalf of the GEDA Board of Director's, we strongly encourage the passage of Bill 29.



February 21, 1997

Honorable Alberto Lamorena V
Senator and Chairman,
Tourism, Economic Development, Cultural Affairs
24th Guam Legislature
Agana, Guam 96910

RE: BILL 29-GEDA CAPTIVE INSURANCE
RULES AND REGULATIONS

Hafa Adai, Senator Lamorena:

The Captive Insurance law is a good opportunity for our island community to benefit from an industry already proven successful in Bermuda and other countries.

The present Captive insurance law needs to be written more clearly so that everyone knows the ground rules before we start.

We do not agree that Captive Insurance companies should be allowed to appoint brokers to do business in the local insurance market because the captive insurance company has been granted tax rebates which are not given to the alien and foreign insurance carriers who have licensed themselves to conduct in the local market. Captive insurance companies should only do business with themselves or companies outside of Guam. If they decide to write business locally, they should pay the 4% GRT and the corporate income taxes just like all the other carriers writing automobile, homeowners and other Guam risks.

If the tax holidays are going to be offered to Captives who can also write business locally by merely appointing a "broker", we need to level the playing field by making tax exemptions to all insurance companies licensed in Guam.

We feel the present law is so vague that domestic commercial companies such as Zurich Insurance (Guam), Inc., Pacific Indemnity and Isla Insurance Company can qualify for GEDA tax exemptions. If they are granted tax holidays merely because they organized a local insurance company, what happens to the largest insurance companies in the world who have been servicing Guam for for 25 years are excluded from the 4% GRT and the corporate income taxes. There will be clearly an advantage domestic companies will have over these large carriers who have been licensed in Guam for many years. Is it the intention of the Legislature to force these companies out of Guam.

101 Agana Shopping Center, Agana, Guam 96910
Tel: (671) 477-8613, 8616, 7500, 8150 Fax: (671) 477-1837

PAGE 2



We are not against the domestic insurance companies seeking to be tax exempt...as a matter of fact, we would encourage them to seek the exemption. We just want to be sure that all the ground rules and regulations are clear and that everyone has the same opportunities.

We feel that the Captive Insurance Law needs to be re-examined and clarified so that there is no misunderstanding.

Enclosed is a copy of a notice by Zurich to apply for a GEDA qualifying certificate. We wish them well and certainly, we will be looking closely at whether they do receive the GEDA tax holidays.

We urge your committee to not approve any of the Rules and regulations unless the Captive Law is made clear to the companies entering Guam and to the present insurance carriers doing business on Guam.

Thank you.

Respectfully yours,


Kurt S. Moylan
President

Enclosures: