



COMMONWEALTH OF PUERTO RICO

OFFICE OF THE COMMISSIONER OF INSURANCE

May 9, 1988

Circular Letter No. CA-4-1122-88

TO ALL INSURERS AUTHORIZED TO TRANSACT PROPERTY
AND CASUALTY INSURANCE IN PUERTO RICO

Re: Statutory Meeting of the
Insurers Syndicate for the
Joint Underwriting of
Medical-Hospital Professional
Liability Insurance

Gentlemen:

Section 41.040 of the Insurance Code of Puerto Rico, as amended by Act No. 4, approved on December 30, 1986, created the Insurers Syndicate for the Joint Underwriting of Medical-Hospital Professional Liability Insurance (the Syndicate) to provide said insurance to qualified applicants. The Syndicate shall be composed of all insurers authorized in Puerto Rico to contract insurance of the kinds defined in sections 4.040 (property), 4.050 (marine and transportation), 4.060 (agricultural), 4.070 (vehicle), 4.080 (casualty) and 4.090 (surety) of the Insurance Code of Puerto Rico. Said insurers shall be members of the Syndicate and their participation in the same shall be an indispensable condition to continue writing insurance in the Commonwealth of Puerto Rico.

Section 41.040(3) and (4) of the Insurance Code of Puerto Rico, stipulates that the Syndicate shall operate under the supervision and direction of a Board of Directors which shall consist of seven insurers elected by its members, and by two private citizens, representing the public interest, appointed by the Governor of Puerto Rico. The members of said board shall be elected annually in a meeting of the members, or their authorized representatives, on the date and place designated by the Commissioner of Insurance.

Pursuant to section 41.040(4), supra, a meeting of the members of the Syndicate is hereby called to take place on May

25, 1988 at 9:00 a.m. at the Office of the Commissioner of Insurance, Cobián's Plaza Building, Ponce de León Avenue 1607, Stop 23, Santurce, Puerto Rico. In said meeting two directors of the Syndicate will be elected; also several matters regarding the first year of operation of the Syndicate will be discussed, including the submission of the reports of the acting president, treasurer, and secretary, copy of which we enclose.

The votes of the members in said election shall have weight in the proportion that the net direct premiums written by each member during the preceding calendar year for the aforesaid kinds of insurance bear to the total net direct premiums written in Puerto Rico by all the members of the Syndicate in said year for such kinds of insurance. For this purpose, a distribution of the premiums written by all members of the Syndicate for the aforementioned kinds of insurance, as well as of the premiums written for Medical-Hospital Professional Liability Insurance during 1986 and 1987 will be distributed at the meeting.

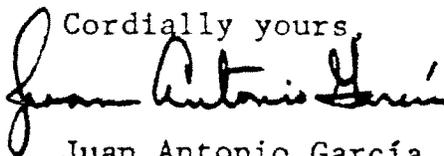
A Designation of Authorized Representative form is also enclosed. The same should be completed by your President or Secretary, or any other authorized representative, and returned to us in time for the meeting. In said designation form you may appoint any representative of your own. If you do not wish to designate a representative of your own, the selection of a representative may be made from one of the following persons, in which case the designation form must be executed and returned to us before the meeting:

Mr. José Enrique González
Chairman of the Board of Directors
Antilles Insurance Company

Mr. Edwin Quiñones, President
Cooperativa de Seguros Múltiples
de Puerto Rico

Due to the great importance of this matter, we strongly urge you to designate an authorized representative who shall vote on your behalf in said meeting.

Cordially yours,



Juan Antonio García
Commissioner of Insurance

Enclosure



COMMONWEALTH OF PUERTO RICO

OFFICE OF THE COMMISSIONER OF INSURANCE

Circular Letter CA-4-1122-88

DESIGNATION OF AUTHORIZED REPRESENTATIVE

WHEREAS, _____ is an
(Insurer's Name)
insurer duly authorized to write property, marine and transportation, agricultural, vehicle, casualty and surety insurance in the Commonwealth of Puerto Rico and thus is a member of the Insurers Syndicate for the Joint Underwriting of Medical-Hospital Professional Liability Insurance.

WHEREAS, a meeting shall be held on May 25, 1988 to elect the Board of Directors of said Syndicate pursuant to Section 41.040 of the Insurance Code of Puerto Rico.

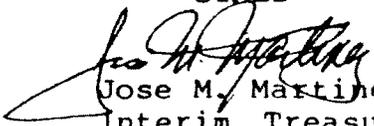
THEREFORE, _____ hereby
(Insurer's Name)
appoints and names Mr. _____ to be its representative and to vote on its behalf at said meeting and upon any question or questions which may come before such meeting.

This _____ day of _____ .

President or Vice President

Secretary

Corporate Seal

Box 4344 Old San Juan Station
San Juan, Puerto Rico 0090INDICATO DE ASEGURADORES
PARA LA SUSCRIPCION CONJUNTA
DE SEGUROS DE RESPONSABILIDAD
PROFESIONAL MEDICO-HOSPITALARIAEdificio Banco de Ponce
Oficina 805, Ave. Ponce de León
Santurce, Puerto RicoTO: All Members Insurers
SIMEDFROM: 
Jose M. Martinez
Interim Treasurer: On behalf of Cooperativa de Seguros
Múltiples de P.R.

DATE: May 3, 1988

SUBJECT: Treasurer's Report
For the year Ended December 31, 1987

According to our responsibility I would like to present a financial report for the Syndicate during the year 1987.

Income and disbursement:

For starting operations the Syndicate received a government fund of \$500,000. We assumed operations for the Joint Underwriters Association (JUA). From this entity we received the amount of \$235,306 in cash. We also assumed 8 court cases with a total reserve of \$233,463.00.

The total premiums written was \$1,488,058. From this amount \$342,177 constitutes premium earned during the year.

The investment income for the Syndicate was \$29,548. At the end of the year we had the following investments in Certificates of deposits.

First Federal Savings:	\$83,761
Banco de Ponce:	91,666
Bco. Santander:	141,666
Chase:	83,333
Bco. Popular:	274,335
Citibank:	91,667
Bayamón Federal:	8,000

Total: \$864,428

Our operating expenses for 1987 was \$236,369. The mayor account for this subject are:

Commission: \$101,020	Legal and Auditing: \$17,859
Salaries: 26,299	*Miscellaneous: 46,891
Advertising: 19,926	

*This includes: operation plan, actuarial service and temporary help.

The current account had a balance of \$335,130 at December 31, 1987.

We registered a statutory net loss of \$95,680 in the operation of the Syndicate for the last year, and combined loss and expense ratio of 83.4%.

Asset and Liabilities:

The total economic resources for the Syndicate was \$2,061,228. The majority consist of cash in Banks. The total of liability was \$1,525,727.00.

Policyholders Surplus:

The surplus as regards policyholders at December 31, 1987 was \$535,501.00.

We assigned the last year audit to Peat, Marwick & Mitchell Company. Copy of their report will be send to all of you.

fh
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Box 4344 Old San Juan Station
San Juan, Puerto Rico 00902

SINDICATO DE ASEGURADORES
PARA LA SUSCRIPCION CONJUNTA
DE SEGUROS DE RESPONSABILIDAD
PROFESIONAL MEDICO-HOSPITALARIA

Edificio Banco de Ponce
Oficina 805, Ave. Ponce de León
Santurce, Puerto Rico

/ MEMORANDUM /

DATE : May 4, 1988

TO : José E. González
Interine President
SIMED

FROM : Luis F. Montijo, Interine Secretary *Luis*
Representing
Universal Insurance Company

SUBJECT: Secretary's Report Covering Activities
of the Board of directors For Year
Ended December 31, 1987

During the Calendar Year 1987 your Board of Directors held twenty five (25) meetings, to wit:

<u>NO.</u>	<u>DATE</u>	<u>DIRECTORS PRESENT</u>
1	March 02, 1987	8
2	March 12, 1987	8
3	March 19, 1987	8
4	March 26, 1987	7
5	March 31, 1987	7
6	April 09, 1987	8
7	April 21, 1987	6
8	April 28, 1987	7
9	May 14, 1987	7
10	May 18, 1987	6
11	June 11, 1987	7
12	July 02, 1987	7
13	July 30, 1987	7
14	Aug. 20, 1987	7
15	Aug. 27, 1987	8

Cont./...

<u>NO.</u>	<u>DATE</u>	<u>DIRECTORS PRESENT</u>
16	Sept. 03, 1987	6
17	Sept. 17, 1987	8
18	Sept. 24, 1987	8
19	Oct. 01, 1987	7
20	Oct. 08, 1987	8
21	Oct. 22, 1987	8
22	Oct. 29, 1987	8
23	Nov. 05, 1987	5
24	Nov. 12, 1987	8
25	Dec. 10, 1987	8

Director's attendance, to meetings held during 1987, was as follows:

Antilles Insurance Company	25 of 25	100.0%
Puerto Rican American Insurance Co.	24 of 25	96.0%
Cooperativa de Seguros Múltiples de Puerto Rico	24 of 25	96.0%
Universal Insurance Company	25 of 25	100.0%
National Insurance Company	23 of 25	92.0%
American International Ins. Co.	24 of 25	96.0%
Nationwide Insurance Co.	20 of 25	80.0%
Public Interest	20 of 25	80.0%

Detailed minutes of all meetings were approved by the Board of Directors and are properly kept.

/noo



Box 4344 Old San Juan Station
San Juan, Puerto Rico 00901

SINDICATO DE ASEGURADORES
PARA LA SUSCRIPCIÓN CONJUNTA
DE SEGUROS DE RESPONSABILIDAD
PROFESIONAL MEDICO-HOSPITALARIA

M E M O R A N D U M

Edificio Banco de Ponce
Oficina 805, Ave. Ponce de León
San Juan, Puerto Rico

TO : Members of the Insurers Syndicate for the Joint Underwriting of
Medical and Hospital Professional Liability Insurance

FROM : Mr. José E. González, Interim President, On Behalf of Antilles
Insurance Company *JEG*

DATE : May 5, 1988

SUBJECT: **CRONOLOGICAL ORDER OF IMPORTANT EVENTS WHICH OCCURRED DURING THE
FIRST YEAR OF THE SYNDICATE'S OPERATIONS**

Dec. 30, 1986: The Insurers Syndicate for the Joint Underwriting of Medical
and Hospital Professional Liability Insurance is created by
Act No. 4, which establishes a new Chapter 41 in the Insur-
ance Code of Puerto Rico.

Feb., 1987 : A meeting of insurers, members of the Syndicate, is held at
the Office of the Commissioner of Insurance and the follow-
ing directors are elected:

<u>Insurer</u>	<u>Term</u>
Antilles Insurance Company	3 yrs.
Puerto Rican-American Insurance Co.	3 yrs.
American International Ins. Co. of P.R.	3 yrs.
Universal Insurance Company	2 yrs.
Nationwide Mutual Insurance Co.	2 yrs.
National Insurance Company	1 yr.
Cooperativa de Seguros Múltiples	1 yr.

Mar. 2, 1987 : The first official meeting of the Syndicate's Board of Di-
rectors is held, with the presence of the seven members in-
surers elected to the Board, plus Mr. Alfredo González and
Mr. Luis Berríos, appointed to the Board by the Governor of
Puerto Rico and representing the public interest (a few days
later Mr. Berríos resigned because of a conflict of inter-
est). At a later meeting, the following directors were
elected interim officers of the Syndicate:

President : Mr. José E. González, on behalf of Antilles
Insurance Company.

Vice President: Mrs. Milagros Cabrera, Esquire, on behalf of Puerto Rican-American Insurance Company.

Treasurer : Mr. José Martínez, on behalf of Cooperativa de Seguros Múltiples.

Secretary : Mr. L. Fernando Montijo, Esquire, on behalf of Universal Insurance Company.

- Mar. 24, 1987: A letter is received by the Interim President of the Syndicate from the law offices of Cancio, Nadal & Rivera, notifying the Board that Corporación Insular de Seguros had filed a complaint in the Federal District Court of Puerto Rico, challenging the constitutionality of Act No. 4, which created the insurers syndicate. In said letter, the following warning is made to the Board:
- "This is to caution you, as well as any other person who actively participates in the carrying out of the law, that you will have to respond for any losses or damages that may be caused by said acts."
- Mar. 26, 1987: A meeting of the Board is held to consider the preceding matter, which motivated the resignation of one member of the Board (Puerto Rican-American Insurance Company). It is agreed not to accept PRAICO's resignation, and to seek defense and immunity from the Secretary of Justice.
- Apr. 10, 1987: The Commissioner of Insurance receives a letter from the Secretary of Justice agreeing to provide defense and immunity to the members of the Board of Directors should a complaint be filed against them in the Federal District Court and/or the Superior Court of Puerto Rico.
- Apr. 28, 1987: PRAICO withdraws its resignation letter and agrees to rejoin the Board.
- May 14, 1987 : After considering other proposals, actuary Christina Morán and attorney Edmundo Vázquez Otero are selected by the Board and assigned the task of preparing the Operational Plan of the Syndicate.
- July 2, 1987 : A check in the amount of \$500,000 is received from the Commonwealth of Puerto Rico, as a non-interest bearing loan. In accordance with Act No. 4, this amount is to be used by the Syndicate, as initial capital to cover organizational and administrative expenses. The law provides that the Syndicate may solicit an additional \$500,000 from the Government of Puerto Rico, if said amount is needed, as certified by the Board and endorsed by the Commissioner of Insurance. This non-interest bearing loan will be paid-back to the Government of Puerto Rico when the Syndicate is financially able to do so, in the opinion of the Commissioner of Insurance. Repayment may be in one lump sum or in installments.

- Aug. 14, 1987: The Syndicate issues its first insurance binder to Doctor Jaime Fuster, President of Puerto Rico's Medical Association. Other binders follow.
- Aug. 27, 1987: Mr. Víctor López-Cepero is appointed Executive Director of the Syndicate. Commencing on September 1, 1987, Mr. López-Cepero is the Chief Operating Officer of the Syndicate, responsible to the Board and the President for its day-to-day operations.
- Sept. 3, 1987: At the request of PIA (Association of Professional Insurance Agents of Puerto Rico), the Board meets with several of its members, including its President, Mr. Ramón Sanabria. PIA expresses concern with the marketing practices of the Syndicate. The Board explains to PIA that according to the law (Act No. 4), the Syndicate must accept business from qualified doctors and hospitals who do not wish to use the services of a producer (agent or broker). In such cases, the Commissioner of Insurance has notified the Board that the Syndicate must reduce the amount of the producers' commission from the premium. Nevertheless, the Board informs PIA that the Syndicate will use all of its persuasive powers to discourage doctors and hospitals from approaching the Syndicate directly. In other words, all qualified clients will be encouraged to use the services of a professional agent or broker of their choice.
- Oct. 1987 : The Commissioner of Insurance approves the policy forms, applications, manual, rules, rates and rating plans filed by the Syndicate for the underwriting of medical malpractice liability insurance.
- Nov. 29, 1987: The Syndicate publishes in the leading newspapers of Puerto Rico a four-page add, notifying the general public of the premium rates to be charged for each classification of medical malpractice insurance.
- Dec. 31, 1987: As of December 31, 1987, the Syndicate has written the following volume of business:

<u>Line of Business</u>	<u>Direct Premiums Written</u>
Medical Malpractice	\$ 623,908
Hospital Malpractice	864,150
Total	<u>\$1,488,058</u>

We look forward to 1988, confident that it will be a year of significant premium growth and a year where we do expect to achieve a profit. We are very optimistic about the future because we have the right business plan, the backing of the medical profession, an excellent staff of employees, the financial backing of the entire insurance industry, and a very experienced, energetic and dedicated Board of Directors.

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