



COMMONWEALTH OF PUERTO RICO

OFFICE OF THE COMMISSIONER OF INSURANCE

Circular Letter No. C-5-1355-94
May 17, 1994

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

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

Gentlemen:

Section 41.040 of the Insurance Code of Puerto Rico 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 June 20, 1994 at 9:30 am at the Office of the Commissioner of Insurance, Cobian's Plaza Building, 1607 Ponce de León Avenue, Stop 23, Santurce,

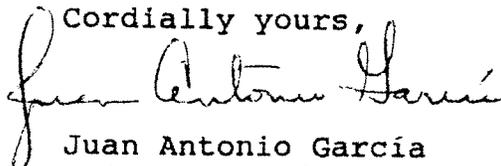
Puerto Rico. In said meeting two directors of the Syndicate will be elected, and several matters regarding the preceding year of operation of the Syndicate will be discussed, including the submission of the corresponding reports from the Board of Directors, copy of which we enclose.

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 1993 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, you may appoint Mr. Manuel Rodríguez, President of American International Insurance Company of Puerto Rico as your representative, in which case the designation form must be executed and returned to us before the meeting.

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 No. C-5-1355-94
May 13, 1994

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 member of the Insurers Syndicate for the Joint Underwriting of Medical-Hospital Professional Liability Insurance.

WHEREAS, a meeting shall be held on May 26, 1994, 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



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

ASAMBLEA ANUAL DE SIMED

26 DE MAYO DE 1994

A G E N D A

- I. Registro y determinación de quorum**
- II. Bienvenida**
- III. Aprobación de Minutas de Asamblea anterior**
- IV. Informes del Presidente, Secretario y Tesorero**
- V. Tratamiento contable de pérdidas o ganancias atribuibles a la participación en el Sindicato.**
- VI. Entrega y explicación de Tablas Estadísticas**
- VII. Elección Comité de Nominaciones**
- VIII. Elección Comité de Escrutinio**
- IX. Elección de Nuevos Directores**
- X. Asuntos Nuevos**
- XI. Cierre**



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

PRESIDENT'S MESSAGE TO THE STATUTORY MEETING OF THE INSURERS SYNDICATE FOR THE JOINT UNDERWRITING OF MEDICAL-HOSPITAL PROFESSIONAL LIABILITY INSURANCE (SIMED)

On the financial aspect, SIMED continued an increasing trend on its total admitted assets and, as in prior years the majority of such increase was allocated in the Syndicate's reserves for losses and loss adjustment expenses. Regarding the results of operations, SIMED suffered a slight decrease in premiums of 6.5% basically due to the exit of some hospitals to the primary excess lines market, fact that will be explained subsequently in this message. Lastly, it should be mentioned that, although SIMED's underwriting loss of \$442,139 is lower than of 1992, there is an increasing trend in the last three years on the report year loss ratio, from 70% in 1991 to 105% in 1993.

During the year, SIMED experience the loss of certain hospital accounts due to their exit to the primary excess lines market. The financial impact of this situation was approximately \$1,000,000 in lost premiums. Since we understand this action constitutes a violation to the Puerto Rico Insurance Code, SIMED duly notified the Office of the Insurance Commissioner of Puerto Rico.

SIMED was involved in two legislative projects in 1993, as follows:

1. **P. de la S. 183 - Objective:** To establish an specific period in which the Medical Board of Examiners should assess disciplinary sanctions to doctors who have incurred in professional malpractice.

SIMED attended various legislative hearings supporting the above mentioned project as it was conceived. As of today, there have been no further actions.

2. **P. de la S. 138 - Objective:** To amend Act No. 4 of December 30, 1986 (law creating SIMED) to reduce from 50% to 20% the distribution of SIMED's profits and losses for companies participating in the open market.

This amendment was duly approved by the legislative bodies and the Governor.

Toward the end of the year, the Board of Directors of SIMED received a letter from the Insurance Commissioner of Puerto Rico asking for our position regarding the remaining \$500,000 of the total initial assignment of \$1,000,000 made by the government of the Commonwealth of Puerto Rico for organization and administrative expenses, half of which the Syndicate received at its inception. During January 1994, the Board of Directors, represented by the undersigned, sent a letter to the Insurance Commissioner addressing the need of such remaining amount based on financial and operational reasons.

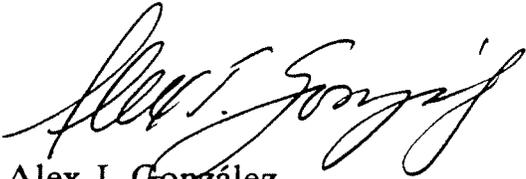
Another significant issue recently discussed was the interpretation by the Puerto Rico Guaranty Fund of Article 3812 of the Puerto Rico Insurance Code. Said article gives authoritative guidelines for those instances in which both SIMED and the Guaranty Fund are codefendant in the same claim. The latter sustains that in those cases, the policy limits of the other insurance companies should be depleted before reaching the Guaranty Fund \$150,000 per claim limit cap. SIMED's Board of Directors requested a formal legal opinion on such issue which reaffirmed our standpoint and contradicted theirs.

Finally, there were two matters that were mentioned in prior year's message: the actuarial studies for rate-filing purposes and the Supreme Court decision as to provide coverage to public hospitals.

■ **Actuarial Study** - the study was not accepted by the Insurance Commissioner Office based on the fact that we submitted data for three (3) years and they were asking for at least five (5). We immediately started the update process and already furnished the one affecting hospitals. The doctor's study is in process and should be finished shortly.

■ **Public Hospitals** - the Supreme Court ratified the Superior Court previous resolution and, according, SIMED is obliged to provide such coverage.

The year 1993 has been active and challenging for SIMED. Based in our operational results I would like to once again congratulate all directors, advisors and specially, the executive director, officers and employees of SIMED for their performance and efforts displays during the year.



Alex J. González
President of the Board of Directors - SIMED
Representing National Insurance Company

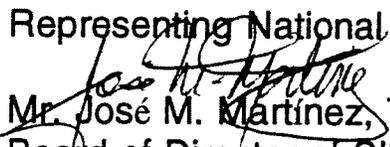
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SINDICATO DE ASEGURADORES PARA LA SUSCRIPCION CONJUNTA
DE SEGUROS DE RESPONSABILIDAD PROFESIONAL MEDICO-HOSPITALARIA

April 20, 1994

Mr. Alex González, President
Board of Directors of SIMED
Representing National Insurance Company


Mr. José M. Martínez, Treasurer
Board of Director of SIMED
Representing Cooperativa de Seguros Múltiples

HIGHLIGHTS FROM THE STATUTORY FINANCIAL STATEMENTS AS OF NOVEMBER 30, 1993

I. STATUTORY BALANCE SHEET

A. Admitted Assets

Total admitted assets show an increase of \$9,431,602 or 30% for a balance of \$40,532,480 as of year end. Generally speaking, such accretion is attributed to the positive cash inflow situation experienced in SIMED operations during the year, although the premium level remained stable.

As in the past, the increase was concentrated on the invested assets (debt securities and short-term investments) which increased by \$9,703,400. Regarding the investment portfolio, although no changes as to the quality of the securities

held were made, our combine yield on the invested assets decreased from 8.25% to 7.74% basically due to bond market conditions prevailing throughout the year in form of interest rate reduction. Fluctuations in the remaining components of SIMED's admitted assets were not significant.

B. Liabilities, Contributions and Surplus

Increase in total liabilities of \$8,059,033 raised its total balance to \$36,542,267. Once again, said increase was concentrated on the reserves for indemnity and loss adjustment expenses which increased by \$7,444,214. These reserves include a bulk portion for possible future development of \$8,108,000 and were certified by independent actuaries as of year-end. In terms of the claims outstanding as of November 31, there were 630 for 1993 versus 715 for 1992. The only other account that suffered a significant change was the "excess statutory reserves over statement reserves", which increase from zero to \$802,000 as a result of a decrease in the loss ratio for report year 1991 under the 80% benchmark.

Regarding contributions and surplus, only the latter experienced changes and those were of usual nature (net income, net change in non-admitted assets and the schedule P liability)

II. STATUTORY STATEMENT OF OPERATIONS

SIMED's suffered a slight decrease in premiums written of \$893,958 or 6.5% from 13.7 MM to \$12.8 MM. Such reduction can be principally attributed to the exit of some hospitals from SIMED's to the primary excess lines market at the end of the year. These hospital represented approximately \$1 MM in premiums.

Mr. Alex González
April 20, 1994
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Loss and loss adjustment expenses (LAE) also experienced a small decrease of \$643,317 or 5.4%. Although said decrease in incurred encompassed a reduction in the calendar-year loss ratio, it should be highlighted that the report year loss ratio shows a steady increase in the three most recent years from 70% in 1991 to 105% in 1993.

Commission expense decreased by \$92,670 or 11% principally due to the related reduction in premiums written, while other underwriting expenses increased by \$183,314 or 16%. Such increase in expenses was mainly concentrated on rent of leased premises and salaries due to the moving to the new facilities. The net effect of the above mentioned fluctuations propiciated an underwriting loss of \$442,139.

Regarding the investment income, its total balance amounted to \$2,644,079, which means an increase of \$636,542 or 32% when compared with 1992. This balance includes net capital gains of \$536,933, taking advantage of certain market conditions during the year. In addition, and as mentioned before, the combined yield on invested assets was 7.74%.

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

MEMORANDUM

**ALEX J. GONZALEZ, PRESIDENT
BOARD OF DIRECTORS OF SIMED
REPRESENTING NATIONAL INSURANCE CO.**

**ADRIAN ORTIZ, SECRETARY
REPRESENTING UNIVERSAL INSURANCE CO.**

SECRETARY'S REPORT COVERING MEETINGS OF THE BOARD OF DIRECTORS

During your period as President from May 27, 1993 to May 3, 1994 the Board of Director of SIMED held eight (8) meetings.

Number	Date	Directors Present
1	May 27, 1993	7
2	August 19, 1993	6
3	October 21, 1993	7
4	December 6, 1993	6
5	January 18, 1994	5
6	February 7, 1994	8
7	March 29, 1994	8
8	May 3, 1994	6

Secretary's Report
May 4, 1994

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Director Attendance to said meetings was as follows:

Nationwide Mutual Insurance Co.	8 of 8	100 %
National Insurance Company	7 of 8	87.5%
Cigna Insurance Company	7 of 8	87.5%
Royal Insurance Company	7 of 8	87.5%
Puerto Rican-American Insurance Co.	7 of 8	87.5%
Universal Insurance Company	6 of 8	75 %
Cooperativa Seguros Múltiples de PR	6 of 8	75 %
Public Interest Representative	5 of 8	62.5%
* Vacancy	-----	-----

*** This position still to be appointed by the Governor of Puerto Rico**

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