COMMONWEALTH OF PUERTO RICO

OFFICE OF THE COMMISSIONER OF INSURANCE

March 3, 1999

Circular Letter No. E-2-1527-99

TO ALL ELIGIBLE SURPLUS LINE INSURERS

1998 Annual Statement and Related Items

Dear Sirs:

Section 10.071(1)(c) of the Insurance Code of Puerto Rico, 26 L.P.R.A. sec. 1007a(1)(c), stipulates the following:

> "(1) No surplus line insurance broker shall transact an insurance contract in an unauthorized insurer that is not an eligible surplus line insurer as provided in this section. No unauthorized insurer shall be or shall be considered an eligible surplus line insurer unless the Commissioner shall determine its eligibility according to the following conditions:
>
> (a) ...
>
> (c) Before granting eligibility, the surplus line insurance broker or the unauthorized insurer shall present to the Commissioner a duly authenticated copy of its most recent annual financial statement, in English or Spanish, with all monetary values expressed in legal tender of the United States and containing such other additional information concerning the insurer as the Commissioner may require;"

In addition, Section 10.072(1) of the Insurance Code of Puerto Rico, 26 L.P.R.A. sec. 1007b(1), states the following:

> "(1) The Commissioner may, after a hearing, notice whereof shall be served on all surplus line brokers, withdraw the eligibility of an unauthorized insurer appearing on the list of surplus line eligible insurers upon determining that the insurer is insolvent, or that his financial situation is poor, or that he is no longer eligible under the conditions established in section 10.071 of this code."

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Pursuant to Sections 10.071(1)(c) and 10.072(1), supra, and in order to determine the continuation of your eligibility as a surplus line insurer, your annual statement for the calendar year ending December 31, 1998, must be filed in this Office **on or before March 30, 1999**. The same must be presented in the official form approved by the National Association of Insurance Commissioners and shall be verified by the oath of at least two of the insurer's principal officers. Pursuant to Circular Letter Number E-I-10-1242-91 of October 11, 1991, and to the amendments approved by the National Association of Insurance Commissioners, the size of the annual statement to be filed in this Office will be 9" x 14".

All insurers must also include with the regular annual statement the information required on page 15 of said statement, with respect to Puerto Rico business only, in the manner prescribed therein.

The annual statement of a foreign insurer not organized in the United States must include, with respect to Puerto Rico business only, the information required on page 15 (statutory page 14) of the convention statement approved by the National Association of Insurance Commissioners.

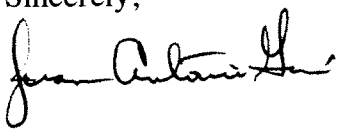
Notwithstanding the above, eligible surplus line insurers, not organized in the United States, which close their books on a date other than December 31 of each year, must submit, **on or before March 30, 1999,** a transmittal letter with the following information, in lieu of the aforesaid annual statement:

1. Contact person and mailing address.
2. Date on which the insurer closes its books of account.
3. Summary of insurance business transacted in Puerto Rico during calendar year 1998.
4. Summary of investments in Puerto Rico for that calendar year.
5. Balance Sheet for the preceding calendar or fiscal year.
6. Date on which it is estimated the insurer can submit its annual statement to this Office.

Please be advised that no additional time will be granted for the submission of the annual statement.

Strict compliance with the aforesaid provisions is hereby required.

Sincerely,



Juan Antonio García
Commissioner of Insurance

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