



**COMMONWEALTH OF PUERTO RICO
OFFICE OF THE COMMISSIONER OF INSURANCE**

Ruling Letter N-OE-07-53-92
July 28, 1992

**TO ALL DOMESTIC INSURERS AUTHORIZED TO TRANSACT
PROPERTY AND CASUALTY INSURANCE BUSINESS**

**RE: Request for comments
on the proposed Rule
54 of the Insurance
Regulations**

Dear Sirs:

We enclose a copy of the proposed Rule 54 (Procedure for Ceding Reinsurance to Eligible Non-Admitted Insurers) so that you may examine it and submit to this Office any comments you may see fit.

As you can see, the proposed Rule 54 will be a more flexible alternative to Ruling Letter N-E-2-17-88, dated April 5, 1988. Currently all activities in Puerto Rico of eligible non-admitted reinsurers are regulated under this letter. The procedure in the ruling letter will be in effect and available for the use by domestic insurers of eligible non-admitted reinsurers, by prior consent, in case of need or preference for said procedure.

Salient features of the proposed rule include the adoption of a list of non-admitted reinsurers that are considered eligible for transacting reinsurance in Puerto Rico. Subject to the conditions of the rule, the insurers that appear on the list will in effect be pre-approved.

The Report of the Senate Judicial Committee on the amendment to Public Law No. 119, enacted on July 12, 1986 states:

"[t]he project provides that the Commissioner of Insurance shall publish, update, and make available to the public a list of foreign non-admitted insurers that may accept reinsurance, so that all insurance companies and any interested party may have access to this list."

Section 4.120 of the Insurance Code included this provision of the Report:

PO Box 8330, Fdez. Juncos Station Santurce, Puerto Rico 00910-8330

" The Commissioner shall publish and keep updated and available to the public a list of all the insurers who are eligible to accept reinsurance [...]".

As you can see, the Insurance Code provides the mechanism for the creation of this list, although up to now it has not been adopted. The time has come to take action in this regard. The following is set forth in the Report:

"...it is recommended that the bill should establish certain conditions under which reinsurance with non-admitted reinsurers will be allowed and the faculty of the Commissioner to establish other conditions according to the world-wide situation of this business. This will ensure the necessary flexibility to address the needs and the availability of reinsurance at a global level."

The current world-wide situation and the existing lack capacity due to the limited number of admitted reinsurers has made it absolutely necessary to adopt the list for the purpose of attracting more and new foreign reinsurers to this market.

Under the proposed rule, eligible non-admitted reinsurers would submit an application for authorization upon reaching a certain share or after a certain numbers of years have elapsed. This will ensure that eventually all requirements for authorizing the reinsurer will be complied with, but in the meanwhile, the reinsurers will have the opportunity to do business in Puerto Rico.

The adoption of this rule is a result of the current situation of the reinsurance business. Therefore, it is provided that it will be reviewed in five years, and if it is not ratified by the Commissioner by resolution, it will be revoked under its own terms. The Commissioner hereby undertakes that the rule will be analyzed and revised according to the situation of the world markets at the time.

I view of the above, we are requesting that you to submit your comments and observations on the proposed rule in writing, as soon as possible. The notice required by law will be published in the press before formal adoption. If so requested, we will hold public hearings.

Very truly yours,

SIGNED

José A. Pagán
Interim Commissioner of Insurance