



COMMONWEALTH OF PUERTO RICO  
OFFICE OF THE COMMISSIONER OF INSURANCE

IN YOUR ANSWER\_  
PLEASE REFER TO:

December 29, 2003

**RULING LETTER NO. N-E-12-39-2003**

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

Re: Catastrophe Risk Reserve

Dear Sirs and Madams:

Section 25.030 of the Puerto Rico Insurance Code includes provisions under which domestic insurers shall reserve a catastrophe risk reserve, hereinafter "the reserve." Said Section requires, among other things, that every domestic insurer calculate the reserve annually by applying the percentage that the Commissioner may determine from time to time to the net direct premium for that year. The reserve amount calculated in this manner will be added to the reserves established in previous years.

Pursuant to paragraph (2) of Section 25.030 of the Puerto Rico Insurance Code we have established that for 2003 the percentage will be one (1) percent.

The information used to determine net direct premium to which the percentage will be applied will be derived from the information included on page 15 of the insurer's annual report for 2003. The following percentages will be used to determine net direct premium for the respective types of coverage:

<u>Coverage</u>	<u>% of premium written in 2000</u>
1. Fire	100%
2. Earthquake	100%
3. Commercial Multiple Peril ("Non-liability")	100%

PO Box 8330 San Juan Puerto Rico 00910-8330  
Tel. (787) 722-8686 Fax (787) 722-4400  
[www.ocs.gobierno.pr](http://www.ocs.gobierno.pr)

4. Multiple Peril Homeowners	85%
5. Other Allied Lines	75%
6. Physical Damage to Vehicles	2%
7. Land transportation	85%
8. Maritime Risk	75%

The one (1) percent will be applied to the totals obtained by applying the above percentages to the respective amounts of net direct premium, which will constitute the contribution to the reserve, and the deposit of assets with the fiduciary.

Pursuant to paragraph (1) of section 25.040 of the Puerto Rico Insurance Code, domestic insurers are required to deposit with the fiduciary the monetary equivalent to such reserve, no later than January 31, 2004. In terms of the method used to file and account for the reserve, the provisions of Ruling Letter No. N-F-2-68-95, dated March 10, 1995, should be followed.

We remind you that Rule 72 of the Regulations of the Puerto Rico Insurance Code establishes the procedure to be used for reserve accumulation and exposure. Therefore, all insurers, before accumulating the reserve for 2003, should ascertain that it complies with the provisions of said Rule, particularly with regard to the proportion that should be maintained between the reserve and the policyholders' surplus, as defined in the Rule.

If an insurer on verifying compliance with Rule 72 should determine that it is not in compliance with the provisions of the Rule, and the remedies established in the Rule itself have been applied, the insurer will have twenty (20) days, to be counted from the date of this Ruling Letter to submit to this Office the circumstances that have prevented the insurer from complying with the Rule along with a compliance plan as set forth in Chapter 25 of the Puerto Rico Insurance Code and Rule 72 of the Regulations of the Code.

Strict compliance with the provisions of this Ruling Letter is hereby ordered.

Very truly yours,

Dorelisse Juarbe-Jimenez  
Deputy Commissioner of Insurances