



COMMONWEALTH OF PUERTO RICO
OFFICE OF THE COMMISSIONER OF INSURANCE

December 21, 2005

RULING LETTER NO.: N-E-12-69-2005

TO ALL DOMESTIC INSURERS AUTHORIZED TO TRANSACT PROPERTY
INSURANCE BUSINESS

CATASTROPHE INSURANCE RESERVE

Dear Sirs and Madams:

Section 25.030 of the Puerto Rico Insurance Code contains provisions under which domestic insurers shall establish a catastrophe loss reserve, hereinafter "the reserve." The Section requires, among other things, that every domestic insurer calculate the reserve by applying the net direct premiums in the proportion that the Commissioner may determine from time to time. The amount of the reserve so calculated will be added to the reserve established in previous years.

Pursuant to paragraph (2) of Section 25.030 of the Puerto Rico Insurance Code, we have established that for 2005 the proportion of this reserve will be one (1%) per cent.

The information used to determine the net direct premiums to which this proportion will be applied will be the information shown on page 15 of the annual report of the insurer for 2005. The following percentages should be used to determine net direct premiums, according to the kind of coverage:

<u>Coverage</u>	<u>% premium written in</u>	<u>2005</u>
1. Fire		100%
2. Earthquake		100%
3. Commercial Multiple Peril ("Non-Liability")		100%

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

The one percent (1%) rate will be applied to the amounts obtained by applying the above percentages to the net direct premiums, which will be the contribution to the reserve, and the assets deposited with the fiduciary.

In accordance with paragraph (1) of Section 25.040 of the Puerto Rico Insurance Code, domestic insurers are required to deposit with the fiduciary the cash equivalent of the reserve no later than January 31, 2006. With regard to the method of filing and accounting of the reserve, the provisions of Ruling Letter No. N-E-2-68-95 dated March 11, 1995 are to be followed.

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

Cordially,

SIGNED

Dorelisse Juarbe-Jiménez
Commissioner of Insurance