COMMONWEALTH OF PUERTO RICO
OFFICE OF THE COMMISSIONER OF INSURANCE

February 7, 2014

RULING LETTER NO.: CN-2014-170-AF

TO ALL HEALTH SERVICES ORGANIZATIONS, DOMESTIC INSURERS, AND FOREIGN INSURERS AUTHORIZED TO WRITE RISK IN PUERTO RICO

SPECIAL TAX ON PREMIUMS

Dear Sirs and Madams:

In ruling letter CN-2014-168-AF, the Office of the Commissioner of Insurance ("OCI") set forth the standards that are applicable to the special tax on premiums as provided in Section 7.022, incorporated in the Insurance Code under Public Law No. 40-2013. The purpose of this letter is to supplement ruling letter CN-2014-168-AF with regard to the reinsurance adjustment, amend forms OCS-AF-07-01 and OCS-AF-07-02 for that purpose, and promulgate a new form OCS-AF-07-03 to be used by the entities that submit their financial information in the annual health report promulgated by the National Association of Insurance Commissioners (NAIC). We are clarifying that the amendments to forms OCS-AF-07-01 and 02 the new form OCS-AF-07-03 adjust the premium tax base for reinsurance related to taxable premium.

I. Alternative method for determining tax.

Instead of determining the special tax on premiums according to the enclosed forms, insurers or health services organizations may decide to use an alternative method for that purpose, based on the actual earned premium during the period from July 1, 2013 to December 31, 2013. For this method, in addition to using form OCS-AF-07-01, 02 or 03 as may be the case, the following reports should be filed to determine and show earned premium net of reinsurance for the second semester:

1. Annual property and casualty report - *"Premium Earned"* for the third and fourth quarters, using the *"Exhibit of Premium Earned -006"* from the annual report that only includes premium for insurance lines subject to taxation and related to Puerto Rico, as well as the respective reinsurance.

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2. Annual life and disability report - "Premium Earned" for the third and fourth quarters, using the *"Exhibit of Premium and Annuity Consideration-009,"* only including premium for insurance lines subject to taxation and related to Puerto Rico, as well as the respective reinsurance.

3. Annual health report - *"Premium Earned"* for the third and fourth quarters, using the *"Exhibit of Premium-008,"* only including premium for insurance lines subject to taxation and related to Puerto Rico, as well as the respective reinsurance.

The above reports that are filed by health services organizations or insurers that have chosen the alternative method for calculating the tax shall have supporting documentation in the insurers' records and be subject to examination by this Office.

II. Special tax on premiums form for entities that file their financial information in the annual health report.

All insurers or health services organizations that use the annual health report, as issued by the NAIC, shall file the special tax on premiums using form OCS-AF-07-003, according to the guidelines in this ruling letter and in ruling letter CN-2014-168-AF.

Payment to the Secretary of the Treasury shall be enclosed along with the corresponding form and be filed at the Office of the Commissioner of Insurance. In addition, a copy of the form shall be filed or mailed to the Internal Revenue and Collections Office of the Treasury Department, Suite 620, P.O. Box 9024140, San Juan, P.R. 00902-4140.

The enclosed forms will be used exclusively for this first year to report the corresponding tax on premium earned during the period from July 1, 2013 to December 31, 2013.

Strict compliance with the provisions of this ruling letter is hereby required.

Very truly yours,

SIGNED

Ángela Weyne-Roig
Commissioner of Insurance

Enclosures

Commonwealth of Puerto Rico
OFFICE OF THE COMMISSIONER OF INSURANCE

Special Premium Tax Calculation
Pursuant to Section 7.022 of the Insurance Code of Puerto Rico
For the period July 1, 2013 to December 31, 2013

Insurers name:_____ NAIC Code:_____
Mailing Address:_____ Email:_____

PROPERTY, CASUALTY, DISABILITY (A & H), SURETY AND TITLE PREMIUMS

Line	Source description	
1	2013 State Page-019 Puerto Rico, Col. Direct Premiums Earned, Line 35 (Title Insurers should use 2013 Schedule T-042, Col. Net Premiums Earned, Line 54)	
2	2013 State Page-019 Puerto Rico, Col. Direct Premiums Earned, Line 11 *	
3	Line 1 less Line 2 *	
4	2013 State Page-019 Puerto Rico, Col. Direct Premiums Written, Line 35 *	
5	Line 3/Line 4 **	
6	2013 QTR 2, Schedule T-010 Exhibit of Premium Written, Col. Current Direct Premium Written, Line 54	
7	Line 5 x Line 6	
8	Line 3 less Line 7 (For Title Insurers, Line 1 less Line 7)	
9	2013 Underwriting and Investment Exhibit Part I Premiums Earned-006, Col. Premiums Earned During Year, Line 35 *	
10	2013 Exhibit of Premiums and Losses (Statutory page 14) Grand Total, Col. Direct Premiums Earned, Line 35 *	
11	Line 9 / Line 10 *	
12	Line 8 x Line 11 * Net premium earned	
13	Line 12 x .01 (For Title Insurers, Line 8 x .01)	

Alternative method***

If you choose this method you must also complete lines 1-13.		
14	Net premium earned for applicable line of business	
15	Line 14 x .01	

PR domestic Insurers must exclude from this schedule Premiums on Mandatory Vehicle Insurance (Act 253-95)

'* Not Applicable to Title Insurers

'** Title Insurers shall use 2013 "Operations and Investment Exhibit", Part IB "Premiums Earned Exhibit-006" Line 3/Line 1.1

'*** For the alternative method submit evidence of 2013 Q3 and Q4 Premiums Earned for applicable lines related to Puerto Rico as per "Underwriting and Investment Exhibit", Part I "Premiums Earned-006".

This form must be filed at the OCS with the payment on or before March 31, 2014 and a copy sent to Internal Revenue Collections Office of the Treasury Department, Office 620, P.O. Box 9024140, San Juan, Puerto Rico 00902-4140.

I certify that the information presented in this return is true, correct and complete to the best of my knowledge and belief.

Date

Signature of Authorized Officer
Printed Name
Title

Commonwealth of Puerto Rico
OFFICE OF THE COMMISSIONER OF INSURANCE

Special Premium Tax Calculation
Pursuant to Section 7.022 of the Insurance Code of Puerto Rico
For the period July 1, 2013 to December 31, 2013

Insurers name:_____ NAIC Code:_____
Mailing Address:_____ Email:_____

LIFE, DISABILITY (A & H) PREMIUMS

Line	Source description	
1	2013 Schedule T -050, Col. Life Insurance Premiums, Line 54	
2	2013 Schedule T -050, Col. Accident and Health Insurance Premiums Direct, Line 54 *	
3	Line 1 plus Line 2	
4	2013 Life Insurance Part 1-024 for PR, Col. Total, Line 6.5	
5	2013 Life Insurance Part 1-024 for PR, Col. Dividends Paid or Credited on Direct Business, Line 26	
6	Line 4 plus Line 5	
7	Line 3 less Line 6	
8	2013 Schedule T -011 Quarter 2, Col. Life Insurance Premiums, Line 54	
9	2013 Schedule T -011 Quarter 2, Col. Accident and Health Insurance Premiums, Line 54	
10	Line 8 plus Line 9	
11	Line 7 less Line 10	
12	2013 Schedule T-050, Col. Life Insurance Premiums Direct plus Col. Accident and Health Insurance Premiums Direct, Line 99 *	
13	2013 Schedule T-050, Col. Life Insurance Premiums Direct plus Col. Accident and Health Insurance Premiums Direct, Line 95 *	
14	Line 12/ Line 13	
15	Line 11 x Line 14 Net premium earned	
16	Line 15 x .01	

Alternative method**

If you choose this method you must also complete lines 1-16.		
17	Net premium earned for applicable line of business	
18	Line 17x .01	

Notes:
'* This amount must be reported net of premiums related to Mi Salud, Medicare Advantage and Medicaid.
** For the alternative method submit evidence of 2013 Q3, Q4 Premium Earned for applicable Lines as per "Exhibit of Premium and Annuity Considetarion"-009

This form must be filed at the OCS with the payment on or before March 31, 2014 and a copy sent to Internal Revenue Collections Office of the Treasury Department, Office 620, P.O. Box 9024140, San Juan, Puerto Rico 00902-4140.

I certify that the information presented in this return is true, correct and complete to the best of my knowledge and belief.

Date

Signature of Authorized Officer
Printed Name
Title

Commonwealth of Puerto Rico
OFFICE OF THE COMMISSIONER OF INSURANCE

Special Premium Tax Calculation
Pursuant to Section 7.022 of the Insurance Code of Puerto Rico
For the period July 1, 2013 to December 31, 2013

Insurers name:_____ NAIC Code:_____
Mailing Address:_____ Email:_____

HEALTH PREMIUMS*

Line	Source description	
1	2013 Schedule T -038, Col. Total Columns 2 through 7, Line 54	
2	2013 Quarter 2 Schedule T -014, Col. Total Columns 2 through 7, Line 54	
3	Line 1 less Line 2	
4	2013 Underwriting and Investment Exhibit Part I, Premiums-008, Col. Net Premium Income, Line 12	
5	2013 Underwriting and Investment Exhibit Part I, Premiums-008, Col. Direct Business, Line 12	
6	Line 4 / Line 5	
7	Line 3 x Line 6 Net premium earned	
8	Line 7 x .01	

Alternative method**

If you choose this method you must also complete lines 1-8.		
9	Net premium earned for applicable line of business	
10	Line 9 x .01	

Notes:
* Premiums must be reported net of premiums related to Mi Salud, Medicare Advantage and Medicaid.
** For the alternative method submit evidence of 2013 Q3, Q4 "Exhibit of Premium-008" for applicable Lines.

This form must be filed at the OCS with the payment on or before March 31, 2014 and a copy sent to Internal Revenue Collections Office of the Treasury Department, Office 620, P.O. Box 9024140, San Juan, Puerto Rico 00902-4140.

I certify that the information presented in this return is true, correct and complete to the best of my knowledge and belief.

Date

Signature of Authorized Officer
Printed Name
Title