



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

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IN ANSWERING  
PLEASE REFER TO:

November 20, 2002

**RULING LETTER NO.: N-E-11-18-2002**

**TO ALL DOMESTIC INSURERS AUTHORIZED TO TRANSACT  
PROPERTY INSURANCE IN PUERTO RICO**

Re: Catastrophe Reserve

Dear Sirs and Madams:

Section 25.030 of the Puerto Rico Insurance Code contains the provisions according to which domestic insurers must establish a Catastrophe Reserve. The Section requires, among other things, that each domestic insurer must annually calculate the catastrophe reserve by applying a percentage to net direct premium for the year in question as may be determined from time to time by the Commissioner. The reserve so calculated will be added to the reserves established in previous years.

Pursuant to paragraph (2) of the Section 25.030 of the Puerto Rico Insurance Code, we have established that for 2002 the amount will be ten (10) percent.

The information for determining net direct premium to which the percentages will be applied will be taken from the information included on page 15 of the insurer's annual report for 2002. To determine net direct premium, the following percentages will be used according to the respective coverage:

Coverage	% of premium written in 2002
1. Fire	100%
2. Earthquake	100%
3. Multiple Commercial Risk ("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%

It will be to the total of the amounts obtained by applying the above percentages to the respective net premium that the ten (10) per cent will be applied, and this will constitute the contribution to the reserve, and the deposit of assets with the fiduciary.

Paragraph (1) of the Section 25.040 of the Puerto Rico Insurance Code, requires domestic insurers to deposit with the fiduciary the amount equivalent to said reserve no later than January 31, 2003. With regard to the manner in which the amount should be submitted and accounted for, this will be done according to Ruling Letter No. N-E-2-68-95, dated March 10, 1995.

We must remind you that Rule 72 of the Regulations of the Puerto Rico Insurance Code establishes the procedure that will govern the accrual and exposure of the catastrophe reserve. Therefore, all insurers, prior to accruing the reserve for 2002, should ensure they are in compliance 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.

Strict compliance with the provisions of this Ruling Letter is required.

Very truly yours,

SIGNED

Fermin Contreras-Gómez  
Commissioner of Insurance