



GOVERNMENT OF PUERTO RICO
OFFICE OF THE COMMISSIONER OF INSURANCE

January 25, 2017

RULING LETTER NO.: CN-2017-213-EX

TO ALL DOMESTIC INSURERS AUTHORIZED IN PUERTO RICO TO TRANSACT
PROPERTY AND HAZARD INSURANCE BUSINESS

CATASTROPHE LOSS RESERVE

Dear Madams and Sirs:

Section 25.030 of the Puerto Rico Insurance Code contains the provisions under which authorized insurers in Puerto Rico shall establish a catastrophe loss reserve, hereinafter "the reserve." This Section requires, among other things, that all domestic insurers shall calculate each year the reserve by applying to the direct net premium for that year the rate that may be determined by the Commissioner from time to time. The reserve that is calculated with this rate shall be added to the reserves established during previous years.

Pursuant to paragraph (2) of Section 25.030 of the Puerto Rico Insurance Code we have established that for 2016 the rate will be one percent (1%).

The information for determining the direct net premium to which the rate is to be applied will be obtained from the information to be included on Statutory Page 14 of the annual report of the insurer for 2016. The following rates will be used in determining direct net premium, for the respective coverage:

<u>Coverage</u>	<u>% Written Premium - 2016</u>
1. Fire	100%
2. Earthquake	100%
3. Multiple Commercial Peril ("Non-Liability")	100%
4. Homeowners Multiple Peril	85%
5. Other Allied Lines	75%
6. Automobile Physical Damage	2%
7. Land Transport	85%
8. Maritime Peril	75%

One percent (1%) will be applied to the amounts obtained by applying the above percentages to the respective amounts of net direct premium, which will be the contribution to the reserve and the deposit of assets to be made to the Catastrophe Reserve Trust.

Pursuant to paragraph (1) of Section 25.040 of the Puerto Rico Insurance Code, domestic insurers are required to deposit with the trustee the respective funds in this reserve no later than January 31 every year. Nevertheless, in view of the fact that this date is approaching soon, this Office has granted up to February 10, 2017 for all insurers that have not reached the required level in the Catastrophe Reserve to make the deposit in the trust. With regard to the manner of filing and accounting for the reserve, the procedure established in Rule 72 of the Regulations of the Puerto Rico Insurance Code, as amended, is to be followed, as well as the provisions of Ruling Letter N-E-2-68-95, dated March 10, 1995, as amended in Circular Letter E-06-1611-2001, dated September 14, 2011, that are not incompatible with the provisions of that Rule.

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

Very truly yours,

Javier Rivera-Ríos
Commissioner of Insurance