



GOVERNMENT OF PUERTO RICO
Office of the Commissioner of Insurance

January 16, 2018

RULING LETTER NO. CN-2018-232-EX

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

CATASTROPHE LOSS INSURANCE RESERVE

Dear Sirs and Madams:

Section 25.030 of the Puerto Rico Insurance Code contains the provisions under which authorized insurers in Puerto Rico shall establish a catastrophe insurance loss reserve, hereinafter, “the reserve.” The Section requires, among other things, that each domestic insurer shall annually calculate the reserve by applying to the net direct premium for that year the percentage that the Commissioner may determine from time to time. The amount of the reserve that is so calculated will be added to the reserve established in previous years.

According to paragraph (2) of Section 25.030 of the Puerto Rico Insurance Code, we have established that for 2017 the percentage will be one percent (1%).

The information for determining the direct net premium to which the percentages will be applied will be the information that shall be included on Statutory Page 14 of the insurer’s annual report for 2017. The following percentages will be used to determine the net direct premium for the respective type of coverage:

Coverage	% Written Premium 2017
Fire	100%
Earthquake	100%
Commercial Multiple Risk (“Non-Liability”)	100%
Homeowners Multiple Risk	85%
Other Allied Lines	75%
Automotive Physical Injury	2%
Land Transportation	85%
Maritime Perils	75%



The amount of one percent (1%) will be applied to the foregoing net premium, which will be the contribution to the reserve, and the deposit of assets that should be made to the Catastrophe Reserve Trust.

Under paragraph (1) of Section 25.040 of the Puerto Rico Insurance Code, authorized insurers in Puerto Rico that have not reached the required limit for the Catastrophe Reserve, must deposit with the trustee an amount equivalent to the reserve no later than January 31, 2018. As to the manner of submission and accounting treatment of the reserve, the provisions of Rule 72 of the Regulations of the Puerto Rico Insurance Code, as amended shall be applied, as well as the provisions of Ruling Letter N-E-2-68-95, dated March 10, 1995, as amended, and Circular Letter E-06-1611-2001, dated September 14, 2001, 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, LUTCF
Commissioner of Insurance