



GOVERNMENT OF PUERTO RICO
Office of the Commissioner of Insurance

January 9, 2020

RULING LETTER NO.: CN-2020-255-EX

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

CATASTROPHE INSURANCE LOSS RESERVE

Dear Sirs and Madams:

Section 25.030 of the Puerto Rico Insurance Code contains the provisions according to which insurers that are constituted in Puerto Rico must establish the catastrophe loss reserve, hereinafter, “the reserve.” The Section requires, among other things, that every domestic insurer calculate the reserve annually by applying to the net direct premium for that year the ratio that may from time to time be set by the Commissioner. The reserve so calculated will be added to the reserves established in previous years.

As provided in paragraph (2) of Section 25.030 of the Puerto Rico Insurance Code, we have set this ratio for 2019 at one percent (1%).

The information for determining the net direct premium to which this ratio will be applied will be obtained from the information included on *Statutory Page 14* of the insurer’s annual report for 2019. To determine net direct premium the following percentages will be used for the respective insurance coverage:

<u>Coverage</u>	<u>% Written Premium-2019</u>
1. Fire	100%
2. Earthquake	100%
3. Multiple Commercial Risk (“Non-Liability”)	100%
4. Homeowners’ Multiple Risk	85%
5. Other Allied Lines	75%
6. Automobile Physical Damage	2%
7. Land Transportation	85%
8. Maritime Peril	75%

The ratio of one percent (1%) will be applied to the total amounts obtained by applying the above percentages to the respective net premium to determine the contribution to the reserve, and the deposit of assets **that shall be made to the Catastrophe Reserve Trust.**



Pursuant to paragraph (1) of Section 25.040 of the Puerto Rico Insurance Code, all insurers constituted in Puerto Rico are required to deposit the funds for this reserve with the trustee no later than February 10, 2020. The reserve shall be submitted and accounted for as provided in Rule 72 of the Regulations of the Puerto Rico Insurance Code, as amended, and 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, 2001, that are not incompatible with the provisions of said Rule.

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

Very truly yours,

Javier Rivera-Ríos
Commissioner of Insurance