

Estado Libre Asociado de Puerto Rico  
OFICINA DEL COMISIONADO DE SEGUROS  
Apartado 11217 - Est. Fdez. Juncos  
Santurce, Puerto Rico 00910

Carta Circular Núm. T-11-428-68  
13 de noviembre de 1968

A TODOS LOS ASEGURADORES DEL PAIS AUTORIZADOS  
A GESTIONAR SEGUROS DE PROPIEDAD

Estimados señores:

Nos referimos a nuestra Carta Circular T-9-426-68 del pasado 9 de septiembre, con la cual les enviamos copia del formulario de resguardo provisional (HUD 1600) que habíamos recibido del Departamento de Renovación Urbana y Vivienda de Estados Unidos para ser cumplimentado por las compañías que desearan acogerse al reaseguro federal contra pérdidas por motines y desórdenes civiles.

El título XI del "Housing and Urban Development Act of 1968", titulado "Urban Property Protection and Reinsurance Act of 1968", provee un período de resguardo provisional de 90 días que terminaron el 29 de octubre de 1968. No obstante, con fecha 9 de noviembre de 1968 se nos informó que el Departamento de Renovación Urbana y Vivienda continuaría ofreciendo reaseguro federal en Puerto Rico.

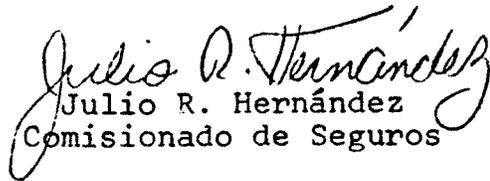
Para la acción que estimen pertinente, acompañamos copia de una comunicación de dicho Departamento informando sobre el nivel de primas y otros términos del reaseguro contra motines y desórdenes civiles y del contrato de reaseguro a utilizarse en estos casos.

Las compañías nativas autorizadas para gestionar seguros de propiedad que deseen acogerse al plan federal de reaseguro y que aún no lo hayan hecho deberán comunicarse lo antes posible con el Departamento de Renovación Urbana y Vivienda dirigiendo su comunicación como sigue:

Mr. William B. Ross  
Acting Federal Insurance Administrator  
451 Seventh St., S. W., Room 8224  
Department of Housing and Urban Development  
Washington, D. C. 20410

También pueden llamar a la Oficina del señor Ross,  
teléfono 202-755-5585.

Cordialmente,

  
Julio R. Hernández  
Comisionado de Seguros

HUD-No. 68-2305  
Phone (202) 755-6990

FOR IMMEDIATE RELEASE:  
Thursday, October 17, 1968

HUD ANNOUNCES PREMIUM RATE AND OTHER TERMS  
FOR RIOT AND CIVIL DISORDER REINSURANCE

Secretary Robert C. Weaver of the U. S. Department of Housing and Urban Development today announced the premium rate and other terms for the standard reinsurance contract to be offered the Nation's property insurers.

Such contracts, affording coverage against excessive losses from riots or civil disorders, will be written for a policy year ending April 30, 1969.

Standard reinsurance contracts will carry an annual premium rate of one and one-quarter percent (1.25%), pro-rated over the actual number of days for which protection is provided: thus, a company whose protection extends from August 1, 1968 (the earliest date on which coverage was available under a temporary binder) to April 30, 1969 would pay  $272/365$  of the annual rate, or approximately 0.93 percent.

The reinsurance contract, effective October 29, will replace the temporary binder coverage which has been in effect since August 1, 1968. The premium rate under the binder has been three-fourths of one percent (0.75%) and 450 insurance companies, representing about 70 percent of basic property coverage, have participated in the program.

### Application of Premium Rate

The premium rate will be applied essentially to direct premiums earned on reinsured lines in each State in which reinsurance is to be in effect. An initial premium will be calculated based upon direct premiums earned by each company in 1967, to be recalculated and adjusted on the basis of direct premiums earned in 1968 when final figures for the year are available.

Reinsurance protection will be available either as a continuation of the temporary binder coverage written on and after August 1, 1968, or as new coverage for those companies not currently participating. However, the contracts cannot be written after October 29, 1968, except in certain specific instances for new companies or companies entering new territories, until the next policy year beginning May 1, 1969.

It was emphasized that reinsurance will be available under the standard reinsurance contract after October 29, 1968, only in those States where there is in effect a State-wide plan providing fair access to insurance requirements (usually called a "FAIR plan") and only to companies which are participating in the plan in the State in which reinsurance is to be provided. More than half the States have established FAIR plans or are expected to do so by October 29.

The standard reinsurance contract will continue in effect the net retention feature of the temporary binder contract. The level of a company's net retention will be computed on a state-by-state basis at an amount equal to two percent (2%) of direct premiums earned in 1968. Net retention refers to the amount of aggregate losses from riots or civil disorders in a particular State which the company must bear on its own account before a claim for reinsurance may be filed.

#### Sharing of Aggregate Losses

Sharing of excess aggregate losses in each State-- the amount of claims over and above a company's net retention for that State -- will be on a sliding scale depending upon the magnitude of the loss.

For example, if a company suffered aggregate losses of \$4,000,000 in a particular State and its net retention in that State is \$100,000, losses would be shared as follows:

<u>Amount of Loss</u>	<u>Company Share</u>	<u>Reinsurance Share</u>
First        \$ 100,000	\$100,000	- 0 -
Next        1,000,000	100,000	\$ 900,000
Next        2,000,000	100,000	1,900,000
Balance <u>900,000</u>	<u>18,000</u>	<u>882,000</u>
Total      \$4,000,000	\$318,000	\$ 3,682,000

The standard reinsurance contract also will continue the assessment feature provided in the temporary binder contract with this important change: No assessment will be levied on a company operating in a particular State until reinsurance premiums collected in that State are exhausted by claims. The binder contract provided that the assessment could apply immediately without regard to the amount of premiums collected in the State. Each company's assessment is for an amount up to its net retention not absorbed by its riot or civil disorder losses.

Secretary Weaver also announced that the Department continues to work closely with State insurance authorities on the prompt development of FAIR plans so that they may be effective on October 29 and reinsurance coverage can be continued for participating companies.

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