

March 10, 2005

CIRCULAR LETTER NO: C-ES-3-1733-2005

TO ALL ELIGIBLE SURPLUS LINE INSURERS

2004 ANNUAL STATEMENT AND RELATED ITEMS

Dear ladies and gentlemen:

Section 10.071 (l) (c) of the Insurance Code of Puerto Rico, 26 LPRA section 1007a (l) (c), stipulates the following:

"(l) No surplus line insurance broker shall transact an insurance contract in an unauthorized insurer that is not an eligible surplus line insurer as provided in this section. No unauthorized insurer shall be or shall be considered an eligible surplus line insurer unless the Commissioner shall determine its eligibility according to the following conditions:

(a)...

(c) Before granting eligibility, the surplus line insurance broker or the unauthorized insurer shall present to the Commissioner a duly authenticated copy of its most recent annual financial statement, in English or Spanish, with all monetary values expressed in legal tender of the United States and containing such other additional information concerning the insurer as the Commissioner may require;"

In addition, Section 10.072 (l) of the Insurance Code of Puerto Rico, 26 LPRA section 1007b (l), states the following:

"(l) The Commissioner may, after a hearing, notice whereof shall be served on all surplus line brokers, withdraw the eligibility of an unauthorized insurer appearing on the list of surplus line eligible insurers upon determining that the insurer is insolvent, or that his financial situation is poor, or that he is no longer eligible under the conditions established in section 10.07a of this code."

Pursuant to Sections 10.07a(1)(c) and 10.07b(1), supra, and in order to determine the continuation of your eligibility as a surplus line insurer, your annual statement for calendar year ending December 31, 2004, must be filed in this Office **on or before March 30, 2005**. The same must be presented in the official form approved by the National Association of Insurance Commissioners (NAIC) and shall be verified by the oath of at least two of the insurer's principal officers. For complete instructions about these reports and the Annual Statement Checklist, visit our web page at www.ocs.gobierno.pr/forms/ia.htm and click in 2004 Surplus Lines Annual Report Package. The diskette filing for NAIC must be in the electronic format commonly known as the "**March.PDF Filing**" (in pdf format).

Eligible surplus lines **organized** in the United States, or with port of entry in one of a state of the United States, do not have to submit to this Office the hard copy and electronic filing of the annual statement. Instead of said filing, to comply with the aforementioned provisions, shall submit a hard copy of the following filings:

1. Affidavit of Filing and Financial Statement Attestation
2. Certificate of Deposit
3. Certificate of Investments in Puerto Rico Securities

Eligible surplus line insurers **not organized** in the United States which do not file electronically to the NAIC, must submit a hardcopy of their annual statement, including the information required on State Page of the convention statement, approved by the NAIC, with respect to Puerto Rico business. For those insurers that close their books on a date other than December 31 of each year, must fill out and submit the Report of Eligible Surplus Lines for Insurers not organized in the United States. To obtain this report, review the 2004 Not Organized Reinsurers & Surplus Lines Annual Package. In addition, you must fill out and send to this Office a hard copy the following reports:

1. Report of Eligible Surplus Lines Insurers not Organized in the United States and Authorized to Transact Insurance Business in Puerto Rico for the Year 2004.
2. Financial Statement for the Preceding Calendar or Fiscal Year.

Annual filings must follow all established instructions as specified in the *NAIC Annual Statement Instructions*. For more information regarding annual filings, please visit the NAIC web site at http://www.naic.org/financial_statement_filing/index.htm.

Strict compliance with the aforesaid provisions is hereby required.

Cordially,

Dorelisse Juarbe Jiménez
Commissioner of Insurance