GOVERNMENT OF PUERTO RICO
OFFICE OF THE COMMISSIONER OF INSURANCE

February 25, 2011

RULING LETTER NO.: 2011-123-CIS

TO ALL INTERNATIONAL INSURERS AUTHORIZED PURSUANT TO CHAPTER 61 OF THE INSURANCE CODE OF PUERTO RICO WITH AUTHORITY CLASS 2, 3 OR 4 AND PRINCIPAL REPRESENTATIVES OF SAID INTERNATIONAL INSURERS.

FORM CIS-003-001 PROTECTED CELL COMPANIES

Dear Sirs and Madams:

Pursuant to Section 61.020 (16) of the Insurance Code of Puerto Rico, 26 L.P.R.A. §4302, a "Segregated Asset Plan means group of assets that are identified and managed separately in an integrated manner by an International Insurer with Class 2, Class 3, Class 4 and Class 5 authority for the purpose of paying a group of obligations that are identified and managed pursuant to an operational plan previously approved by the Commissioner." Section 61.160 of the Insurance Code of Puerto Rico requires the Commissioner's prior approval on the Operational Plan it intends to use with respect to the creation and administration of a Segregated Asset Plan.

Rule 81 of the Insurance Code of Puerto Rico establishes the norms governing the authorization, operation and supervision of Protected Cells companies pursuant to the aforementioned Section 61.160. A Protected Cell Company means an international insurer that has one or more protected cells. A Protected Cell means an identified pool of assets and liabilities of a Protected Cell company segregated and insulated as provided for in Chapter 61 of the Code from the remainder of the Protected Cells company assets and liabilities. In this regard, Section 3 of Rule 81 specifically, states the following:

> "A Protected Cell Company may establish one or more Protected Cells with the prior written approval of the Commissioner of a plan of operation or amendments submitted by the Protected Cell company with respect to each Protected Cell. Upon the written approval of the Commissioner of the plan of operation, which shall include, but is not

limited to, the specific business objective and investment guidelines of the Protected Cell, the Protected Cell company, in accordance with the approved plan of operation, may attribute to the Protected Cell insurance obligations and assets to fund the obligations with respect to insurance business and obligations relating to an insurance securitization or Participant contract."

In order to monitor and assure compliance with the above provisions, it is hereby required to every Protected Cell Company to submit Form CIS-003-001, copy attached, for every cell established or operated and for every amendment to said cell thereinafter. For amendments to a Cell, submit only the sections of Forms CIS-003-001 modified by the amendment or amendments.

Form CIS-003-001 must be submitted to the Commissioner not less than thirty (30) days after the establishment of a cell within an approved Operational Plan. For Cells in force as of the date of this letter it is granted a special period of sixty (60) days after said date to submit Form CIS-003-001 for all the cells. It shall be the responsibility of the Protected Cell Company's Principal Representative to make the submittal.

Copy of Form CIS-003-001, together with the approved plan of operation for the Protected Cell Company and the contract between the Protected Cell Company and the cell owner must be part of the Protected Cells Company records as well as of the Protected Cell Company's Principal Representative records.

Strict compliance with the above requirements is hereby required. Pursuant to Section 61.260, failure to comply could result in administrative actions under Section 61.060 and Chapter 2 of the Insurance Code of Puerto Rico.

Sincerely,

Ramón L. Cruz Colón, CPCU, ARe, AU
Commissioner of Insurance