



COMMONWEALTH OF PUERTO RICO
OFFICE OF THE COMMISSIONER OF INSURANCE
INTERNATIONAL & OFFSHORE INSURANCE CENTER



WHAT IS THE INTERNATIONAL & OFFSHORE INSURANCE CENTER ("CENTER") OF PUERTO RICO?

The idea of transforming Puerto Rico into an international insurance center had been under evaluation for approximately 10 years. The Commissioner of Insurance, Dorelisse Juarbe, after careful review and study, decided to continue with the initiative begun by her predecessor and a group of representatives from the private sector. This joint effort resulted in the adoption of the laws and regulations that established the legal basis for developing Puerto Rico into an international insurance center.

The Governor of Puerto Rico, the Honorable Aníbal Acevedo Vilá, adopted this new initiative and incorporated it as part of his economic agenda for Puerto Rico for the 21st Century.

Puerto Rico Public Laws No. 399 and 400, went into effect last March 2005 in order to establish the International & Offshore Insurance Center, thereby propelling itself as an important player in the international insurance arena. Due to its strategic geographical location, Puerto Rico is gearing to become the logical portal for insurers and reinsurers wishing to enter into the Latin American insurance and financial markets with direct access to other international markets and to the United States.

The organization of the First Puerto Rico Symposium on International and Offshore Insurance, under a collaboration agreement between the Central Government of Puerto Rico and the private sector, confirms that the moment has arrived for Puerto Rico to participate in the modern trends to which global financial services markets are being directed. The experience in other jurisdictions close to Puerto Rico, has demonstrated that the

development of international business centers, such as offshore venues, have provided viable opportunities for efficient and effective economic growth for countries and economies similar to the Commonwealth of Puerto Rico.

LEGAL BACKGROUND

Chapter 61 of the Puerto Rico Insurance Code was adopted with the purpose of establishing the basis for creating an International Insurance Center in Puerto Rico, which would provide a competitive environment within which insurance companies and reinsurers could cover risks in and out of Puerto Rico, under a secure and flexible regulatory scheme, which includes attractive tax benefits.

The Center's structure will allow insurers and reinsurers divided into five (5) different classes according to the types of risks to be written; from pure captives - Class 1, association captives - Class 2, property and casualty (other than catastrophe insurance and certain high-limit liability risks) - Class 3, unrestricted property and casualty - Class 4, and, unrestricted life and disability - Class 5.

Interested international insurance entities have various alternatives to organize and operate within the Center, including: an international insurer holding company, an international insurer, a branch of an international insurer. Chapter 61 of the Puerto Rico Insurance Code also permits the formation of protected cell arrangements and the creation of "rent-a-captives".

The key incentive for international insurers and reinsurers to utilize Puerto Rico as a viable alternative for their domicile, is the exemption from all Puerto Rico taxation.



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WHY PUERTO RICO?

Puerto Rico has one of the most solid economies of the Caribbean, showing consistent growth during the last decade. As of 2005, the estimated Gross Domestic Product (GDP) may amount to \$69.3 billion. Betting on the advantages poised by fully bilingual corporate cultures, the government of Puerto Rico has attracted and retained high technology, capital intensive manufacturers and oriented industries.

Puerto Rico has recently dedicated billions of dollars to local infrastructure which features state of the art communications and technology, as well as transportation and shipping systems. It follows then, that Puerto Rico's services industries has become one of its fastest growing sectors. In 2005, people employed in banking, accounting and insurance, amongst other service oriented industries, amounted to 26.5% of Puerto Rico's work force.

A US Commonwealth, Puerto Rico's free market economy is subject to both federal and state regulations designed to protect free market-competition; specifically, but not limited to the insurance and banking industries. Along with the use of US currency and general allowance of a free flow of funds abroad, this regulatory structure guarantees sound credit and investment practices. Legal protection is provided under both federal and state constitutions, with legal redress venues in federal or commonwealth courts should individual requirements be met.

Puerto Rico's membership to the National Association of Insurance Commissioners ("NAIC") and the Office of the Commissioner of Insurance's (OCI) long history of regulatory expertise are further enticements for Puerto Rico to be considered as a viable alternative to transact insurance business. At this time, the OCI is working on becoming fully NAIC

accredited. The regulatory basis of the Center, in fact, calls for prudent but more expedient-based regulation. In addition, the OCI is also a participating member of the Association of Insurance Superintendents of Latin America (ASSAL).

It is also important to note that the OCI regulates 54 domestic insurers, 1 reinsurer corporation and 284 foreign insurers, with an expected volume subscription of \$6.7 billion for 2005. Puerto Rico constitutes the fourth largest insurance market in Latin America. Only Argentina, Brazil and Mexico have larger markets.

FUTURE SYMPOSIUMS

The OCI, along with the Government of the Commonwealth of Puerto Rico and the private sector, plan to hold the Symposium on International and Offshore Insurance on subsequent years. The OCI, the Center and Puerto Rico look forward to your continued participation in the development of Puerto Rico as an International & Offshore Insurance Center.

Copies of the Center's laws and regulations, as well as application for authorization forms and instructions can be found on our website at <http://www.ocs.gobierno.pr>. You can also contact the Center's staff at (787) 722-8686, ext. 2202.