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AMENDMENTS TO THE REGULATIONS OF THE OFFICE OF THE  
COMMISSIONER OF INSURANCE OF PUERTO RICO

PROMULGATED IN ACCORDANCE WITH SECTIONS 2.040 OF THE  
INSURANCE CODE OF PUERTO RICO, ACT NO. 77 APPROVED  
JUNE 19, 1957

Rule XXXIII is hereby added to the Regulations of the Office  
of the Commissioner of Insurance which will read as follows:

RULE XXXIII

MUTUAL AID AND RELIEF ASSOCIATIONS  
LEGAL AUTHORITY - SECTIONS 1.070; 2.040

Section 1. Annual Report

The Annual Report required by Section VII of Act 152 of May 9, 1942, as subsequently amended, shall be prepared in accordance with said Section in the form which the Commissioner of Insurance will design and furnish, except that the 1958 annual report may be rendered in the usual form in which the association has prepared its annual reports for the preceding years. The 1959 annual report will cover the period October 1, 1958 to December 31, 1959.

Section 2. Examinations

(a) Every mutual aid and relief association shall keep books and records in accordance with generally accepted accounting principles and practices.

(b) It shall keep those indispensable and necessary statistics for the management of this type of associations and produce those statistics and statements of income and expenses which the Commissioner of Insurance may require.

(c) The accounting system shall include, in addition to those books and records prescribed in subsection (a) above, those that may be required by the Commissioner of Insurance so that the latter, through his examiners, may carry out the examinations called for by law.

Section 3. Contingency Reserve Fund

(a) Every association shall maintain a contingency reserve fund which shall amount to 35% of all direct and indirect costs related to services rendered to the members during the immediate preceding year. The determination of such costs shall be subject to review by the Commissioner of Insurance.

(b) Said reserve fund will be constituted in the following manner:

1. By the separation, on or before December 31, 1959, of \$50,000 in cash or in acceptable investments.
2. By the separation, in subsequent months, of 4% of all dues accrued or collected from the members of the association until the amount stipulated in subsection (a) of this section is accumulated.

(c) Said reserve fund will be deposited in one or more special accounts against which accounts no drawing may be made without the previous authorization of the Commissioner of Insurance, and only for the following purposes:

1. To cover the costs incurred in cases of epidemic or catastrophe.
2. To cover extraordinary expenses, not related to epidemics or catastrophes, duly justified to the Commissioner of Insurance, and only in accordance with the plan that he may authorize for the disbursement and reimbursement to the fund.

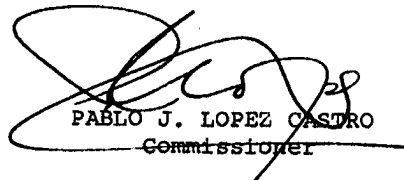
(d) It shall be understood that above-described reserve is in addition to all reserves necessary for known and existing liabilities, indeterminate, such as reserves for dues collected in advance, reserves for claims incurred not reported, and others.

(e) The reserve fund may be constituted only by cash deposited in banks or by investments of the same type and quality as those required by the Insurance Code of Puerto Rico from life insurance companies.

(f) In case the reserve fund is created and maintained in the form of bonds or similar investments, said bonds or investments shall be deposited with the Secretary of the Treasury of Puerto Rico, through the Office of the Commissioner of Insurance. Registered securities or titles included in any such deposit shall be registered in the name of the Secretary of the Treasury of Puerto Rico, in trust for the purpose contemplated by this section, and all securities payable to bearer shall be accompanied by assignment to such Secretary in trust for such purpose.

I CERTIFY that the above amendment to the Regulation of the Office of the Commissioner of Insurance has been enacted pursuant to the provisions of the Insurance Code of Puerto Rico and the Regulations Law of 1958.

At San Juan, Puerto Rico, May 28, 1959.

  
PABLO J. LOPEZ CASTRO  
Commissioner