

Government of Puerto Rico
OFFICE OF THE COMMISSIONER OF INSURANCE
Guaynabo, Puerto Rico

[Stamped:
DEPARTMENT of STATE
Number: 7966
Date: December 27, 2010
Approved: Hon. Kenneth D. McClintock
Secretary
By: (Signed)
Eduardo Arosemena-Muñoz
Assistant Secretary for Services]

RULE NUM. 83

**STANDARDS AND PROCEDURES TO REGULATE HOLDING COMPANIES OF
INSURERS AND HEALTH SERVICES ORGANIZATIONS
AND CRITERIA FOR EVALUATING CHANGES IN CONTROL**

Government of Puerto Rico
OFFICE OF THE COMMISSIONER OF INSURANCE
Guaynabo, Puerto Rico

TABLE OF CONTENTS

RULE NUM. 83

**STANDARDS AND PROCEDURES TO REGULATE HOLDING COMPANIES OF
INSURERS AND HEALTH SERVICES ORGANIZATIONS
AND CRITERIA FOR EVALUATING CHANGES IN CONTROL**

SECTION 1. LEGAL BASIS	1
SECTION 2. PURPOSE.....	1
SECTION 3. DEFINITIONS.....	1
SECTION 4. FORMS: GENERAL REQUIREMENTS	2
SECTION 5. FORMS: INCORPORATION BY REFERENCE, SUMMARIES, AND OMISSIONS.....	3
SECTION 6. FORMS: UNKNOWN OR UNAVAILABLE INFORMATION AND EXTENSION OF TIME TO FURNISH.....	3
SECTION 7. ADDITIONAL INFORMATION AND EXHIBITS.....	4
SECTION 8. SUBSIDIARIES OF DOMESTIC INSURERS .. .	4
SECTION 9. ACQUISITION OF CONTROL, FILING OF FORM A	4
SECTION 10. AMENDMENTS TO FORM A	4
SECTION 11. ACQUISITION OF CONTROL OF A DOMESTIC INSURER OR HEALTH SERVICES ORGANIZATION	4
SECTION 12. PRE-ACQUISITION OR MERGER NOTIFICATION, FILING OF FORM E	5
SECTION 13. ANNUAL REGISTRATION, FILING OF FORM B	5
SECTION 14. SUMMARY OF REGISTRATION, FILING OF FORM C	5
SECTION 15. AMENDMENTS TO FORM B	5
SECTION 16. ALTERNATE AND CONSOLIDATED REGISTRATION	6
SECTION 17. DISCLAIMER OF AFFILIATION AND REQUEST FOR CANCELLATION OF REGISTRATION	6
SECTION 18. TRANSACTIONS SUBJECT TO PRIOR NOTIFICATION, FILING OF FORM D	7

SECTION 19. EXTRAORDINARY DIVIDENDS AND OTHER DISTRIBUTIONS	7
SECTION 20. ADEQUACY OF SURPLUS.....	8
SECTION 21. SEVERABILITY	9
SECTION 22. EFFECT	9
FORM A.....	10
FORM B	15
FORM C.....	19
FORM D.....	21
FORM E	25

Government of Puerto Rico
OFFICE OF THE COMMISSIONER OF INSURANCE
Guaynabo, Puerto Rico

RULE NO. 83

**STANDARDS AND PROCEDURES TO REGULATE HOLDING COMPANIES OF
INSURERS AND HEALTH SERVICES ORGANIZATIONS
AND CRITERIA FOR EVALUATING CHANGES IN CONTROL**

SECTION 1- LEGAL BASIS

The Office of the Commissioner of Insurance of Puerto Rico adopts Rule No. 83 of the Regulations of the Puerto Rico Insurance Code, under the provisions of Sections 2.030 of Public Law No. 77, enacted on June 19, 1957, as amended, known as the Puerto Rico Insurance Code, and the provisions of Public Law No. 170, enacted on August 12, 1988, as amended, known as the Puerto Rico Uniform Administrative Procedures Act.

SECTION 2 - PURPOSE

This Rule is adopted for the purpose of establishing the standards and procedures that the Office of the Commissioner of Insurance of Puerto Rico will use to regulate the activities of Insurer and Health Services Organization Holding Company Systems operating in Puerto Rico, and to establish the criteria to be used by the Office of the Commissioner of Insurance to approve or refuse to approve any transaction that may constitute a change in control of a domestic insurer or health services organization, and to identify, restrict, and prevent all activities or transactions of said systems that may endanger the financial stability of any insurer or affiliated health services organization. The information required under this Rule is necessary and appropriate for the adequate regulation of the insurance industry and the protection of the public interest.

SECTION 2 - DEFINITIONS

The following terms shall have the meanings set forth below, except as another meaning may be derived from the text of any other provision of this Rule:

- A. "Affiliate" - means an entity that directly, or indirectly through any of its intermediaries, controls or is controlled by or is under the control of a specific entity.
- B. "Control." The term "control" (including the terms "controlling," "controlled by" and "under common control with") means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract other than a commercial contract for goods or nonmanagement services, or otherwise, unless the power is the result of an official position held by the person. Control shall be presumed to exist if

any person, directly or indirectly, owns, controls, holds ten percent (10%) or more of the voting securities with the power to vote, or holds proxies representing such amount, of any other person. This presumption may be rebutted by means of a disclaimer of affiliation established under this Rule. The commissioner may determine that control exists in fact, after notifying all persons in interest, holding a hearing, and making specific findings of fact to support the determination, notwithstanding the presumption to the effect that control exists.

- C. "Person"- means any natural person, insurer, health services organization, association, labor union, body, company, corporation, partnership, corporate entity, trust, legal person or entity.
- D. "Person having control" means the person who controls other persons, and who in turn, is not controlled by others.
- E. "Executive officer" - means the chief executive officer, the chief operations officer, the chief financial officer, the treasurer, the secretary, the comptroller or any other officer who performs similar functions as those performed by said officers under whatever title.
- F. "Health services organization" - means any person offering or undertaking to provide one or more health care plans under Chapter 19 of the Code.
- G. "Holding Company System" means two (2) or more affiliated persons, one or more of which is an insurer or health services organization, organized under the laws of the Commonwealth of Puerto Rico.
- H. "Subsidiary" - means an affiliate controlled directly or indirectly by one or more intermediaries.

SECTION 4 - FORMS: GENERAL REQUIREMENTS

- A. Forms A, B, C, D and E are guides for preparing the statements required under this Rule. The statements required under this Rule shall include the numbers and titles of all of the sections of said forms, but the text of any of the sections may be omitted, provided that the answers are prepared so that their scope and content is clearly stated. All instructions shall be omitted in preparing the statements, whether those included in the sections or in any other part of the form. Except as expressly provided otherwise, if any section is not applicable or the answer is negative, it shall be so stated.
- B. The statements required herein shall be filed with the Commissioner in an original, along with any other exhibit or document that may be required, by personal delivery or by regular mail, at the official address of the Office. A copy of Form C, shall be filed in any state in which the insurer is authorized to do business, if the Commissioner of said state should so request in writing, in which case the insurer will have thirty (30) days to file the form, to be counted from the date of the request. If the signature is not handwritten,

because of an existing power of attorney, or similar authority, a copy of such power of attorney or authority shall be included with the statement.

- C. The statements shall be prepared on 8 ½" x 11" paper, preferably held together at the upper left corner. The exhibits and financial statements, unless they have been prepared specifically for the statement, shall be submitted in their original size. All copies of any statement, financial statements or exhibits, must be clear, legible and appropriate for photocopying. Debits in credit categories and credits in debit categories must be clearly distinguishable in photocopies. The statements must be written in English or Spanish and monetary values must be shown in US currency. If any exhibit, text, or document included with the statement is written in a foreign language, a translation into Spanish or English must be included and monetary values shown in foreign currency must be converted into US currency.

SECTION 5 - FORMS: INCORPORATION BY REFERENCE, SUMMARIES AND OMISSIONS

- A. Any information required in any section of Forms A, B, D or E may be incorporated by reference as an answer, or partial answer, to any other section. Any information required in any section of Forms A, B, D or E may be incorporated by reference when answering completely or partially any other section. Information contained in any financial statement, annual report, power of attorney, statement filed with a government entity, or any other document may be included by reference in answering completely or partially any section of Forms A, B, D or E, provided that the document or text is included as an exhibit to the statement. Extracts of the referenced documents may be attached if the documents are lengthy. It will not be necessary to include as exhibits documents that have been previously filed with the Office of the Commissioner, provided that they have been filed within the past three (3) years. References to information included in the exhibits or documents that were previously filed shall be clearly identified and clearly state that such material shall be included by reference as an answer to the section. No information shall be included by reference if such inclusion will result in an incomplete or confusing statement.
- B. Where an item requires a summary, an outline or a brief description of the provisions of a document, only a brief statement regarding the pertinent provisions of the document will be furnished. In addition to the statement, the summary or outline may include by reference specific parts of an exhibit or document that are currently on file with the Office of the Commissioner as of the past three (3) years, and through such reference the document or exhibit will be accepted in its entirety. If two (2) or more documents that must be filed as exhibits are substantially identical in all of their relevant sections, except for the

parties thereto, the dates of execution and other details, only a copy of one of the documents will be filed with a schedule identifying the omitted documents and stating the pertinent sections of the documents that are different.

SECTION 6 - FORMS: UNKNOWN OR UNAVAILABLE INFORMATION AND EXTENSION OF TIME TO FURNISH

- A. All of the information required in the forms must be furnished, if known and reasonably available to the person filing the statement. If the required information is unknown or is not reasonably available for the person making the filing, whether because obtaining the information would require an unreasonable effort or expense or because the information is held by a third party not affiliated with the person making the filing, such information may be omitted subject to the following conditions:
- (1) The person making the filing shall provide such information as is reasonably available on the subject or that the person may obtain through available resources without an unreasonable effort or expense, and,
 - (2) The person making the filing shall include a statement indicating what unreasonable efforts or expenses would be required to obtain the information, or, if it should be the case, the person shall indicate that there is no affiliation with persons having knowledge of the required information. In that case, the person shall document the efforts made to request the information and the outcome of those efforts.
- B. If it is not feasible to provide any particular information, document or report that is required, a separate document may be filed with the Office of the Commissioner:
- (1) Identifying the information, document, or report in question;
 - (2) Establishing the reason why it is not possible to file such by the required deadline; and
 - (3) Requesting an extension of time for submitting such information, document or report for a specific date. It shall be deemed that the extension of time has been granted unless the Commissioner has denied the request in writing, within 60 days from the receipt of the request for an extension of time.

SECTION 7 - ADDITIONAL INFORMATION AND EXHIBITS

In addition to the information that is expressly required in Forms A, B, C, D and E, the Commissioner may require any further information deemed necessary to ensure a correct understanding of the information contained in the forms. The person making the filing may submit such other additional exhibits as the person may wish to, in addition to those that have been required. The exhibits included with the statements

shall be clearly marked to specify the referenced materials. Forms A, B, C, D, and E containing changes shall show the phrase: "Change No. ___" on the upper part of the first page and indicate the date of the change and not the date of the original filing.

SECTION 8. SUBSIDIARIES OF DOMESTIC INSURERS

The authority to invest in subsidiaries under the Puerto Rico Insurance Code is additional to any other authority to invest in subsidiaries that may have been established in any other provision of law.

SECTION 9. ACQUISITION OF CONTROL, FILING OF FORM A

Any person, proposing to effect an acquisition or a merger agreement with an insurer or health services organization shall provide the information required in Forms A and E, which are made a part of this Rule.

SECTION 10. AMENDMENTS TO FORM A

Any person who has filed a statement of acquisition of control or merger with an insurer or health services organization shall immediately inform the Commissioner with regard to any change in the information provided on Form A that may have arisen after the filing and before the date of notification of the Commissioner's determination regarding the application.

SECTION 11. ACQUISITION OF CONTROL OF A DOMESTIC INSURER OR HEALTH SERVICES ORGANIZATION

If the person acquired or merged is considered to be a "domestic insurer" or a "domestic health services organization," the first page of the form shall show the name of the person who will have control as indicated below:

"Insurer or Health Services Organization ABC," a
subsidiary of Controlling Person XYZ"

- B. When an acquisition or a merger agreement is being effected with a domestic insurer or health services organization, the provisions set forth in Form A regarding said insurer or health services organization must include its name as a subsidiary of the person who will hold control, as indicated above.

SECTION 12. PRE-ACQUISITION OR MERGER NOTIFICATION, FILING OF FORM E

Any person proposing to effect an acquisition or a merger with a domestic insurer or health services organization shall file Form E, which refers to pre-acquisition or merger notification.

All insurers or health services organizations authorized to transact insurance business in Puerto Rico proposing to effect an acquisition or a merger with a domestic insurer or health services organization shall file Form E, which refers to pre-acquisition or merger notice.

In addition to the information required in Form E, the commissioner may request expert opinion to establish the competitive impact of the proposed acquisition.

SECTION 13. ANNUAL REGISTRATION, FILING OF FORM B

All insurers or health services organizations authorized to transact insurance business in Puerto Rico and who are part of a holding company system shall make an annual filing with the information required on Form B, which is made a part of this Rule.

SECTION 14. SUMMARY OF REGISTRATION, FILING OF FORM C

All insurers or health services organizations authorized to transact insurance business in Puerto Rico and who are part of a holding company system shall also have the obligation to make an annual filing with the information required on Form C, which is made a part of this Rule. Insurers or health services organizations shall file a copy of Form C in every state where they are authorized to transact insurance business, if so required by the commissioner of that state.

SECTION 15. AMENDMENTS TO FORM B

- A. If needed, any amendment to Form B shall be filed within fifteen (15) days, counted from the last day of the month in which there is a material change to the information provided in the annual registration form.
- B. The amendments shall be submitted in the format of Form B and information shall only be furnished for the Sections that are being amended. The upper portion of the first page of all amendments shall be marked "Amendment No. [insert the number] to Form B for [insert the year]" and shall indicate the effective date of the change and not the date of the original filing.

SECTION 16. ALTERNATE AND CONSOLIDATED REGISTRATION

- A. Any authorized person belonging to a holding company system may file a statement of registration on behalf of the insurer or health services organization to which it is affiliated. The Commissioner may request that information be provided on the statement of registration that is not expressly required in the Puerto Rico Insurance Code with regard to an insurer or health services organization that is part of a holding company system, even when such is not authorized to transact insurance business in Puerto Rico.

In lieu of filing a registration statement under Form B, the authorized person may file a copy of the registration statement or a similar report, as may be required in the person's state of domicile, provided that:

- (1) The statement or report contains information that is substantially similar to the information required in Form B of this Rule, and
 - (2) The person filing the statement is the principal insurer or health services organization in an insurance holding company system.
- B. The determination regarding whether the person filing the statement or report is the principal insurance company or health services organization in the insurance holding company system is a question of fact. The person who files the statement or report shall include a brief statement of the facts that evidence that the person is the principal insurance company or health services organization in the insurance holding company system.
- C. If authorized by the Commissioner, a person who has not been authorized but belongs to a holding company system, may carry out the registration procedure that could have been performed by an authorized insurer under paragraph A.
- D. The Commissioner may allow two (2) or more affiliated insurers or health services organizations to file a consolidated registration form. Nevertheless, the Commissioner reserves the right to require that separate filings be made if the Commissioner deems it necessary for purposes of clarity, to facilitate administrative procedures or for reasons of public interest.

SECTION 17. DISCLAIMER OF AFFILIATION AND REQUEST FOR TERMINATION OF REGISTRATION

- A. A disclaimer of affiliation or a request for termination of registration in which a person claims that the person no longer controls, or than once a certain event occurs or a certain action is taken, the person will no longer control another person (hereinafter, "the subject"), shall contain the following information:
- (1) The number of authorized, issued and outstanding voting securities of the subject.
 - (2) With respect of the person whose control is denied and all the affiliates of said person, the number and percentage of the subject's voting securities which are held of record or that are known to be beneficially owned and the number of shares for which there is a preferential right of acquisition, whether directly or indirectly.

- (3) Any material relationships and bases for affiliation between the subject and the person whose control is being denied and all affiliates of said person.
 - (4) A statement explaining why the person should not be considered to control the subject.
- B. A request for termination of registration shall be deemed to have been granted if after thirty (30) days from the receipt of the request the Commissioner has not denied the request made by the entity.

SECTION 18. TRANSACTIONS SUBJECT TO PRIOR NOTIFICATION, FILING OF FORM D

Insurers and health insurance organizations have the obligation to notify a proposed transaction within a holding company system, and to such effect shall provide the required information on Form D, which is made a part of this Rule.

SECTION 19. EXTRAORDINARY DIVIDENDS AND OTHER DISTRIBUTIONS

- A. The request for approval of an extraordinary dividend or distribution shall include the following:
- (1) The amount of the proposed dividend.
 - (2) The date established for the payment of the dividend.
 - (3) A statement as to whether dividends will be paid in cash or in kind. If payment is in kind, include a description of the assets, their cost, and their fair market value, along with an explanation of how the valuation was performed.
 - (4) A copy of the calculations performed to determine that the proposed dividends are extraordinary. The work paper should include the following information:
 - (a) The amounts, dates and form of payment of all dividends or distributions (including regular dividends but excluding distributions of the insurer's own securities) paid within the period of twelve (12) consecutive months ending on the date fixed for payment of the proposed dividend for which approval is sought and commencing on the day after the same day of the same month in the last preceding year;
 - (b) Surplus as regards policyholders (total capital and surplus) as of the 31st day of December next preceding;

- (c) If the insurer is a life insurer, the net gain from operations for the 12-month period ending the 31st day of December next preceding;
 - (d) If the insurer is not a life insurer and in the case of health services organizations, the net income less realized capital gains for the 12-month period ending the 31st day of December next preceding and the two preceding 12-month periods; and
 - (e) If the insurer is not a life insurer, the dividends paid to stockholders excluding distributions of the insurer's own securities in the preceding two (2) calendar years;
- (5) A balance sheet and statement of income for the period intervening from the last annual statement filed with the Commissioner and the end of the month preceding the month in which the request for dividend approval is submitted; and
- (6) A brief statement as to the effect of the proposed dividend upon the policyholders' surplus and the reasonableness of the surplus in relation to the insurer's outstanding claims and the adequacy of the surplus relative to the insurer's or financial needs.

- B. All insurer or health services organizations registered in a holding company system shall inform the Commissioner the payment of dividends and other distributions to be made to shareholders within fifteen (15) days of the declaration thereof, including the information required in subsection A(4).

No insurer or health services organization may pay extraordinary dividends or make any other extraordinary distribution to shareholders until 30 days after notifying the Commissioner and the Commissioner has not disapproved said payment or has expressly approved such payment within said 30-day period

SECTION 20. ADEQUACY OF SURPLUS

For the purposes of this Rule, the reasonability of the insurer's or health services organization's surplus may be determined based on the following factors, but not limited to these:

- (1) The size of the insurer, which will be measured by its assets, capital and surplus, reserves, underwritten premiums, active policies, and other appropriate criteria.
- (2) The diversification of the insurer with regards to lines of insurance;
- (3) The number and amount of risk in each insurance line;
- (4) The geographic extension of the insurer's insured risk;
- (5) The nature and scope of the insurer's reinsurance program;
- (6) The quality, diversification, and liquidity of the insurer's investment portfolio;
- (7) Recent past trends and future projections for the size of the insurer's investment portfolio;
- (8) Surplus with regard to policyholders held by comparable insurers;
- (9) Adequacy of the insurer's reserves and the quality and liquidity of the affiliate's investments. The Commissioner may treat each investment as an asset not taken into account in determining the adequacy of surplus with regard to policyholders, when in the judgment of the Commissioner the investment so warrants.

The above factors are not an exhaustive list of factors to be considered in determining the adequacy of the surplus. On the contrary, the Commissioner may take into account the net effect of all of these factors in addition to other factors that the Commissioner may reasonably deem could affect the financial situation of the insurer or health services organization. No factor in and of itself shall necessarily be determinant to establish the adequacy and reasonability of the surplus of an insurer or health services organization. In comparing the surplus of an insurer or health services organization with that of another, the Commissioner may take into account the variations that may exist in each of these factors from company to company. Likewise, in determining the quality and liquidity of investments in subsidiaries, the Commissioner may take into account the individual subsidiary and discount or disallow its valuation to the degree the investments so warrant.

SECTION 21. SEVERABILITY

If any word, sentence, paragraph, sub-paragraph, Section or part of this Rule were found to be null and void by a court of competent jurisdiction, the judgment or order of such court shall not affect or invalidate the remaining provisions of this Rule, and the effect of such order shall be limited to the word, sentence, paragraph, sub-paragraph,

Section or part that has been found to be null and void.

SECTION 22 - EFFECT

The provisions of this Rule shall enter into effect thirty (30) days after filing with the Department of State of Puerto Rico, under the provisions of Public Law No. 170, enacted on August 12, 1988, as amended.

(Signed)

RAMON L. CRUZ-COLON
COMMISSIONER OF INSURANCE

Date of approval: December 21, 2010

Date of Filing:

at the Department of State:

Date of Filing

at the Library of the Legislature:

Government of Puerto Rico
OFFICE OF THE COMMISSIONER OF INSURANCE
Guaynabo, Puerto Rico

FORM A

**STATEMENT REGARDING A CHANGE OF CONTROL OR MERGER OF A
DOMESTIC INSURER OR HEALTH SERVICES ORGANIZATION**

Name of the Domestic Insurer or Health Services Organization

By

Name of the Acquiring Party (Applicant)

Date: _____

(State of domicile of the insurer being acquired)

Name, title, address and telephone number of the individual to whom notices and correspondence concerning this statement should be addressed:

ITEM 1- METHOD OF ACQUISITION

State the name and address of the domestic insurer or health services organization to which this statement or application refers and a brief description of how control is to be acquired.

ITEM 2 - IDENTITY AND BACKGROUND OF THE APPLICANT

- (a) State the name and address of the Applicant seeking to acquire control of the domestic insurer or health services organization

- (b) If the Applicant is not a natural person, state the nature of business operations for the past five (5) years, or if operations have been for a shorter time, the time during which said person and any predecessor thereof has been in existence. Briefly describe the business in which the Applicant and any subsidiary intend to engage.

- (c) Furnish a chart or list that clearly illustrates the relationships between the Applicant and all of the affiliates of the Applicant. Indicate in said chart or list the percentage of voting securities owned or controlled by the Applicant or any other owner or controlling person. If control is held over a person other than by ownership or control of voting securities, indicate the basis of such control. For each person specified in the chart or list, state the type of organization, (e.g., corporation, trust, partnership, etc.) and the State or jurisdiction of domicile. If any of the persons included in the chart or list has any pending case related to a reorganization or liquidation, specify the identity of such person and provide the name of the court, the nature of the case, and the date when commenced.

ITEM 3 - IDENTITY AND BACKGROUND OF INDIVIDUALS ASSOCIATED WITH THE APPLICANT

State the following with regard to (1) the Applicant, if the Applicant is a natural person, or (2) all of the directors, officers, executives or shareholders who own more than ten percent (10%) of voting securities of the Applicant, if the Applicant is not a natural person:

- (a) Name and address of the business

- (b) Current principal business activity, occupation or employment, including the position held and the name, principal business, and address of any corporation or other organization in which such employment was held.

- (c) For the past five (5) years, the positions, occupations or employment held; the initial and final dates of employment; the name, address, principal business activity of any corporation or other organization in which the individual held a position or carried on an occupation or employment. State whether any position, employment or occupation required a license from any federal, state or municipal agency and the current status of such license or registration, as well as an explanation of any surrender, revocation, suspension or

disciplinary procedure related to any such license or registration.

- (d) State whether or not the person has been convicted in criminal proceedings (with the exception of minor traffic violations) during the past ten (10) years. If the answer is affirmative, furnish the date, nature of the sentence, name and address of the court, the fine or any other penalty imposed.

ITEM 4 - NATURE, SOURCE AND AMOUNT OF CONSIDERATION

- (a) Describe the nature, source and amount of funds or other consideration to be used to acquire control or in the merger. If all or part of said funds are borrowed or were obtained in any other manner for the purpose of acquiring, maintaining or exchanging securities, furnish a description of the transaction, the names of the parties involved, the relationship between the lender and the borrower, if any, the amount borrowed, and copies of all agreements, promissory notes and security agreements related to the transaction.
- (b) Describe the criteria used to determine the nature and amount of the consideration.
- (c) If the source of funds is a loan made in the ordinary course of business, and the Applicant wishes to keep the identity of the lender confidential, the Applicant must request permission to do so.

ITEM 5 - FUTURE PLANS OF THE INSURER

Describe any plan or proposal which the Applicant may have to declare an extraordinary dividend, liquidate the insurer or health services organization, sell assets of or merge with another person or persons or make any other material change in the operations of the business, corporate structure or the administration of the insurer.

ITEM 6 - VOTING SECURITIES TO BE ACQUIRED

State the share of voting securities of the insurer or health services organization that the Applicant, its affiliates or any other person mentioned in Item 3 intend to acquire, and the terms of the offer, tender, agreement or acquisition and a statement regarding the method used to determine the fairness of the proposed transaction.

ITEM 7 - OWNERSHIP OF VOTING SECURITIES

Furnish the number of each class of voting securities to which the Applicant or its affiliates or the persons listed in Item 3 hold beneficial ownership or have a right to acquire such ownership.

ITEM 8- CONTRACTS, AGREEMENTS OR UNDERSTANDINGS REGARDING VOTING SECURITIES OF THE INSURER

Give a full description of any contracts, agreements or understandings with regard to voting securities of the insurer, in which the Applicant, its affiliates or any other person mentioned in Item 3, including, but not limited to, the transfer of securities, joint ventures, loans, option agreements, puts or calls, guarantees of loans, guarantees against losses or guarantees of profits, division of profits or losses, or the granting or withholding of proxies.

Said description shall identify the entities with whom said contracts, agreements or understandings have been entered into.

ITEM 9 RECENT PURCHASES OF VOTING SECURITIES

Describe all purchases of voting securities of the insurer or health services organization made by the Applicant, its affiliates or any person listed in Item 3 during the previous 12 calendar months before the filing of this statement. Include a description of the purchase dates, the names of the purchasers and the consideration paid or agreed on. State whether the securities purchased were used as security for a loan.

ITEM 10 RECENT PURCHASE RECOMMENDATIONS

Describe all recommendations to purchase voting securities of the insurer or health services organization made by the Applicant, its affiliates or any person listed in Item 3, or by any other person based on interviews with the Applicant or as suggested by the Applicant, its affiliates or any other person listed in Item 3 during the previous 12 calendar months before the filing of this statement

ITEM 11- AGREEMENTS WITH SECURITIES TRADERS

Describe the terms of any agreement, contract or memorandum of understanding entered into with any securities trader regarding the tender for voting securities of the insurer or health services organization, and the amount of any fee, commission or other compensation to be paid to the securities trader related to such tender.

ITEM 12 - FINANCIAL STATEMENTS AND EXHIBITS

- (a) Include financial statements, exhibits, and financial projections of the insurer or health services organization for the next three years and attach the corresponding documents to this form.
- (b) Annual financial statements, shall be included for the persons named in Item 2(c) for the past 5 years (or for a shorter period according to the time the Applicant, its affiliates or predecessors may have been operating), and similar information from the period from the closing of the fiscal year of the person, if the information is available. The statements may be prepared on an individual basis, unless the Commissioner requires that they be consolidated, if consolidated financial statements are prepared in the normal course of business.

The Applicant's annual financial statements shall be certified by a CPA to be a true representation of the financial condition of the Applicant and the operations of the closing year on a GAAP basis or insuring accounting principles or as required by law. If the Applicant is an insurer or a health services organization currently transacting insurance or health care plan business, the financial statements need not be certified, provided that they are based on the annual report filed by the insurer or health services organization with the Office of the Commissioner of Insurance of the insurer's state of domicile and are prepared according to statutory accounting principles as provided or allowed by the laws or regulations of said state.

- (c) The statement shall include as an exhibit a copy of all public proposals, tenders or calls for bids, offers to exchange, and agreements to acquire or exchange any voting securities of the insurer or of the health services organization and of any material related to such proposals, any proposal of employment, consultancy or advisory capacity or administrative contracts involving the insurer or the health services organization, annual shareholders' reports of the insurer or the health services organization and the Applicant, all of which shall be for the prior two (2) years and any other additional document that may be required in Form A or in Sections 4 and 6 of the Rule.

ITEM 13 - SIGNATURE AND CERTIFICATION OF SIGNATURE

Signature and certification are required as set forth below:

Pursuant to the requirements of Section 3 of Public Law _____, this application has been duly signed, in the city of _____, in the state of _____, this ___ day of _____, 20__.

(Seal)

Applicant's Name

By _____
(Name) (Title)

IN WITNESS WHEREOF:

Signature of the Officer

Title

Government of Puerto Rico
OFFICE OF THE COMMISSIONER OF INSURANCE
Guaynabo, Puerto Rico

FORM B

ANNUAL REGISTRATION FOR HOLDING COMPANY SYSTEMS

Name of Applicant

Principal Company

On behalf of the following insurers or health services organizations

Name and Address

Date: _____

Name, title, address and telephone number of the person to whom notices and correspondence related to this statement should be sent:

ITEM 1 - IDENTITY AND CONTROL OF THE REGISTRANT

Furnish the exact name of each insurer and health services organization that is filing the registration or on behalf of whom the registration is being filed, hereinafter "the Registrant," the home office address and principal executive offices of each; the date on which each affiliate became a part of the Holding Company System, how each affiliate was acquired, and the manner of control of each affiliate.

ITEM 2 - ORGANIZATIONAL CHART

Furnish an organizational chart or list in which the entities that are affiliated with the

Holding Company System and the relationships among them are clearly identified. It will not be necessary to include affiliates whose assets comprise less than one half of one percent (1%) of the total assets of the "Ultimate Controlling Entity" within the Holding Company System, unless such assets are valued at more than (\$ amount). The organizational chart or list shall include the percentage of each class of voting securities of each affiliated entity owned directly or indirectly by another affiliate. If an entity within the Holding Company System is controlled in a manner other than through ownership or control of the voting securities, state in what other manner control is exercised. State the type of organization (e.g., corporation, trust, partnership, etc.) for each person listed in the organizational chart or list and state the State or jurisdiction of domicile of said entity.

ITEM 3 - ULTIMATE CONTROLLING PERSON

Furnish the following information regarding the ultimate controlling person in the Holding Company System:

- (a) Name;
- (b) Address of home office;
- (c) Address of main offices;
- (d) Organizational structure of the person, e.g., corporation, partnership, individual, trust, etc.;
- (e) Principal business of the person;
- (f) Name and address of any entity that holds or owns 10% or more of any class of voting securities, the classes of such securities, the number of shares held of record or known to be beneficially owned and the percentage of each class of shares held or owned by the entity;
- (g) If there are any pending legal proceedings related to reorganization or liquidation, state the court, the nature of the proceedings and the date such were commenced.

ITEM 4 - BIOGRAPHICAL INFORMATION

Furnish the following information on the directors and executive officers of the ultimate controlling person: the name and the address of the person, the person's principal occupation, and all of the positions and appointments held during the past 5 years, as well as any conviction for an offense, if any, during the past 10 years, other than minor traffic infractions.

ITEM 5 - TRANSACTIONS AND AGREEMENTS

Briefly describe agreements that are currently in effect and transactions that are under negotiation or have been effected during the previous calendar year between the Holding Company System and its affiliates:

- (a) Loans, other investments, and purchases, sales or exchanges of securities of the affiliates by the Registrant or of the Registrant by the affiliates.
- (b) Purchases, sales, or exchanges of assets.
- (c) Extraordinary transactions.
- (d) Guarantees or obligations made for the benefit of an affiliated entity that may result in the contingent exposure or the Registrant's assets, other than contracts that are entered into during the normal course of business.
- (e) Administrative agreements, service contracts, and cost-sharing agreements.
- (f). Reinsurance agreements
- (g) Dividends and other distributions to shareholders
- (h) Consolidated agreements on the distribution of tax liability.
- (i) Any pledge of the voting securities of the Registrant or affiliated entities arising from a loan made to a member of the Holding Company System.

No information need be disclosed if such information is not material to the registration of an insurer or health services organization.

Sales, purchases, exchanges, loans, extensions of credit, investments or guarantees with a value of less than one half of 1% of the admitted assets of the Registrant as of the 31st day of December next preceding shall not be considered material.

The description of these transactions shall be done in a manner that will allow the Commissioner to evaluate them adequately and shall include at least the following: the nature and purpose of the transaction, the nature and amount of any payment or transfer of assets between the parties, the identity of all of the parties to the transaction and the relationship between the affiliates and the Registrant.

ITEM 6 - LITIGATION OR ADMINISTRATIVE PROCEEDINGS

Furnish a brief description of any litigation or administrative proceedings of the nature described below, that may be pending or have been concluded during the preceding fiscal year, to which the ultimate controlling person or any of its directors or officers executives were parties or the subject of which was the property of said person; state the names of the parties and the court or agency in which the litigation or administrative proceedings were or are pending:

- (a) Criminal prosecution or administrative proceedings brought by a government agency or authority that could be relevant to the trustworthiness of any of the parties involved in the case; and
- (b) Proceedings which may have a material effect on the solvency or capital structure of the ultimate controlling person, including, but not limited to, bankruptcy, trusteeship, or any other kind of corporate reorganization.

ITEM 7 - NEGATIVE STATEMENT REGARDING THE EXISTENCE OF A PLAN OR SERIES OF TRANSACTIONS

The insurer or health services organization shall file an annual statement certifying that the transactions entered into after the date of filing of the registration statement for the previous year are not part of a plan or series of similar transactions having as their purpose avoiding statutory threshold amounts and the review that would occur due to exceeding such amounts.

ITEM 8 - FINANCIAL STATEMENTS AND EXHIBITS

- (a) Include the financial statements and exhibits required for this statement as an appendix, and list in this item the financial statements and exhibits that are being included.
- (b) The financial statements shall include the annual financial statements of the ultimate controlling person in a Holding Company System at the close of the previous calendar year.

If at the time of the initial registration the annual financial statements for the most recent calendar year are not available, the annual statements for the year before may be filed and similar financial information for all later periods will be provided if such information is available. Said financial statements may be prepared on an individual basis, or, unless the Commissioner requires otherwise, by filing consolidated financial statements if these statements are prepared in the normal course of business.

Unless the Commissioner provides otherwise, financial statements shall be accompanied by a certification by an independent CPA to the effect that the financial statements are a reliable representation of the financial condition of the ultimate controlling person and the results of the operations of such Entity for the year ending on that date, according to GAAP or statutory accounting requirements. If the ultimate controlling person is an insurer or health services organization that is authorized in Puerto Rico, the financial statements need not be certified, provided that they are based on the annual report filed by the insurer with the Office of the Commissioner of Insurance of the insurer or health services organization's state of domicile and are prepared according to accounting principles applicable to the insurance industry, or otherwise, as provided in or allowed by the laws or regulations of said state.

- (c) The exhibits shall include copies of the latest annual reports to the shareholders of all ultimate controlling persons and the proxies used by the ultimate controlling person, in addition to any additional document required in Form B or

in Sections 4 and 6.

ITEM 9 - FORM C REQUIRED

Submission of Form C, Summary Statement of Registration, shall be filed along with Form B.

ITEM 10 - SIGNATURE AND CERTIFICATION SIGNATURE:

Signature and certification are required as set forth below:

Pursuant to the requirements of Section 4 of Public Law _____, this annual registration statement has been duly signed, in the city of _____, in the state of _____, this ___ day of _____, 20____.

(Seal)

Applicant's Name

By _____
(Name) (Title)

IN WITNESS WHEREOF:

Signature of the Officer

Title

Government of Puerto Rico
OFFICE OF THE COMMISSIONER OF INSURANCE
Guaynabo, Puerto Rico

FORM C

SUMMARY OF THE REGISTRATION STATEMENT

Filed by

Name of Applicant

On behalf of the following insurers and/or health services organizations

Name

Address

Date: _____

Name, title, address, and telephone number of the individual to whom notice and correspondence related to this statement should be addressed:

Furnish a brief description of all Items of the Annual Registration Statement that constitute changes to the registration statement of the previous year. The description shall be made in a manner that will allow the Commissioner to evaluate the statement adequately and shall include specific references to the Item numbers of the registration statement and the terms contained therein.

Changes in Item 2 of Form B regarding the share of each class of voting securities shall only be included if there is a 10% or more change of the holdings of each affiliated entity, loss or exchange of control, acquisition or loss of partnership interest.

Changes in Item 4 of Form B must only be included in cases in which the individual is appointed for the first time as a director or executive officer of the ultimate controlling person; the duties and responsibilities of a director or executive officer with regard to the ultimate controlling person are terminated; or an individual is named president of the ultimate controlling person.

If a transaction that was disclosed in the Registration Statement of the previous year has changed, the nature of such change shall be included. If a transaction that was disclosed in the Registration Statement of the previous year has been effectuated, report the manner in which the transaction was effectuated and any flow of funds between the affiliates arising from said transaction.

The insurer shall file a statement certifying that transactions entered into subsequent to the filing of the Registration Statement for the previous year are not part of a plan or series of other transactions directed at avoiding statutory threshold amounts and the review that would occur due to exceeding such amounts.

SIGNATURE AND CERTIFICATION:

Signature and certification are required as set forth below:

Pursuant to the requirements of Section 4 of Public Law _____, this application has been duly signed, in the city of _____, in the state of _____, this ___ day of _____, 20__.

(SEAL) _____
Name of Applicant
BY _____
(Name) (Title)

IN WITNESS WHEREOF:

(Signature of the officer)

Title

CERTIFICATION:

The undersigned deposes and states that he or she executed the attached Annual Registration Statement dated this _____ day of _____, 20__ , on behalf of _____ (Name of the Applicant); that he or she is the _____ (Title of Officer) of said company and is authorized to execute and file this document. Deponent further states that he or she is familiar with the document and the content thereof and to the best of the deponent's knowledge and belief the facts

set forth herein are true.

Signature: _____

(Typewrite or print the name)

: _____

Government of Puerto Rico
OFFICE OF THE COMMISSIONER OF INSURANCE
Guaynabo, Puerto Rico

FORM D

PRIOR NOTICE OF A TRANSACTION

Filed by

Name of Applicant

On behalf of the following insurers or health services organizations

Name and Address

Date: _____

Name, title, address, and telephone number of the individual to whom notice and correspondence related to this statement should be addressed:

ITEM 1 - IDENTITY OF THE PARTIES TO THE TRANSACTION

Furnish the following information for each of the parties to the transaction:

- (a) Name;
- (b) Address of home office;
- (c) Address of main offices;
- (d) Organizational structure of the person, e.g., corporation, partnership, individual, trust, etc.;
- (e) Description of the nature of the parties' business operations;
- (f) The relationship, if any, among the parties involved in the transaction with the affiliate submitting the notice, including any ownership or

debtor/creditor relationship with said parties;

- (g) When the transaction is with a nonaffiliate, the names of the affiliates that will receive a substantial amount or the total amount of the proceeds of the transaction.

ITEM 2 - DESCRIPTION OF THE TRANSACTION

Furnish the following information for each transaction for which notice is being submitted:

- (a) A statement that the notice is being submitted under paragraphs 5A(2(a), (b), (c), (d), or (e) of the Law;
- (b) A statement regarding the nature of the transaction; and
- (c) the effective date proposed for the transaction.

ITEM 3 - SALES, PURCHASES, EXCHANGES, LOANS, EXTENSIONS OF CREDIT, GUARANTEES OR INVESTMENTS

Furnish a brief description of the amount and source of funds, securities, property or other consideration for the sale, purchase, exchange, loan, extension of credit, guarantee or investment if there is any provision regarding a purchase by the insurer or health services organization filing notice, or by any parties to the transaction, or by any affiliate of the insurer or health services organization filing notice, a description of any securities being received, if any, and a description of any other agreements relating to the transaction such as contracts or agreements for services, consulting agreements and the like. If the transaction includes consideration other than cash, furnish a description of said consideration, its cost and fair market value, together with an explanation of the basis for evaluation.

If the transaction involves a loan, extension of credit or guarantee, furnish a description of the maximum amount which the insurer or health services organization will be obligated to pay under said loan, extension of credit or guarantee, the date on which the credit or guarantee will terminate, and any provisions for the accrual or deferral of interest.

If the transaction involves an investment, guarantee or other arrangement, state the time period during which the investment, guarantee or other arrangement will remain in effect, together with any provisions for extensions or renewals of such investments, guarantees or arrangements. Furnish a brief statement as to the effect of the transaction upon the insurer's or health services organization's surplus.

No notice need be furnished if the maximum amount outstanding or for which the insurer can be legally obligated under the loan, extension of credit or guarantee is less than (a) in the case of non-life insurers and health services organizations, the lesser of 3% of the insurer's admitted assets or 10% of surplus, or (b) in the case of life insurers, 3% of the insurer's admitted assets, in both cases, as of the 31st day of December next preceding.

ITEM 4 - LOANS OR EXTENSIONS OF CREDIT TO A NON-AFFILIATE

If the transaction involves a loan or extension of credit to any person who is not an affiliate, furnish a brief description of the agreement or understanding whereby the proceeds of the proposed transaction, in whole or in substantial part, are to be used to make loans or extensions of credit to, to purchase the assets of, or to make investments in, any affiliate of the insurer or health services organization making such loans or extensions of credit, and specify in what manner the proceeds are to be used to loan to, extend credit to, purchase assets of or make investments in any affiliate. Describe the amount and source of funds, securities, property or other consideration for the loan or extension of credit and, if the transaction is one involving consideration other than cash, a description of its cost and its fair market value together with an explanation of the basis for evaluation. Furnish a brief statement as to the effect of the transaction upon the insurer's or health services organization's surplus.

No notice need be given if the loan or extension of credit is one which equals less than, in the case of non-life insurers and health services organizations, the lesser of 3% of the insurer's admitted assets or 10% of surplus; or, with respect to life insurers, 3% of the insurer's admitted assets, each as of the 31st day of December next preceding.

ITEM 5 - REINSURANCE

If the transaction is a reinsurance agreement or modification thereto, in which the reinsurance premiums or the change in the insurer's liabilities is equal to or greater than 5% of the policyholders' surplus, furnish a description of the known or estimated amount of liability to be ceded and/or assumed in each calendar year, the period of time during which the agreement will be in effect, and a statement whether an agreement or understanding exists between the insurer or health services organization and the non-affiliate to the effect that any portion of the assets constituting the consideration for the agreement will be transferred to one or more of the insurer's or health services organization's affiliates. Furnish a brief description of the consideration involved in the transaction, and a brief statement as to the effect of the transaction upon the insurer's or health services organization's surplus.

No notice need be given for reinsurance agreements or modifications thereto if the reinsurance premium or the change in the insurer's or health services organization's liabilities in connection with the reinsurance agreement or modification thereto is less than 5% of the surplus, as of the 31st day of December next preceding.

ITEM 6 - MANAGEMENT AGREEMENTS, SERVICE AGREEMENTS AND COST-SHARING ARRANGEMENTS

For management and service agreements, furnish:

- (a) A brief description of the managerial responsibilities, or services to be performed;
- (b) A brief description of the agreement, including a statement of its duration, together with brief descriptions of the basis for compensation and the terms under which payment or compensation is to be made.

For cost-sharing arrangements, furnish a brief description of:

- (a) the purpose of the agreement;
- (b) the period of time during which the agreement is to be in effect;
- (c) each party's expenses or costs covered by the agreement;
- (d) the accounting basis to be used in calculating each party's cost under the agreement.

ITEM 7 - SIGNATURE AND CERTIFICATION

Signature and certification are required as set forth below:

Pursuant to the requirements of Section 5 of Public Law _____, this application has been duly signed, in the city of _____, in the state of _____, this ___ day of _____, 20__.

(SEAL) _____
Name of Applicant
BY _____
(Name) (Title)

IN WITNESS WHEREOF:

(Signature of the officer)

Title

CERTIFICATION:

The undersigned deposes and states that he or she executed the attached application dated this _____ day of _____, 20____, on behalf of _____ (Name of the Applicant); that he or she is the _____ (Title of Officer) of said company and is authorized to execute and file this document. Deponent further states that he or she is familiar with the document and the content thereof and to the best of the deponent's knowledge and belief the facts set forth herein are true.

Signature: _____

(Typewrite or print the name)

: _____

Government of Puerto Rico
OFFICE OF THE COMMISSIONER OF INSURANCE
Guaynabo, Puerto Rico

FORM E

**PRE-ACQUISITION NOTIFICATION FORM REGARDING THE POTENTIAL
COMPETITIVE IMPACT OF A MERGER OR CHANGE OF CONTROL OF AN
INSURER OR HEALTH SERVICES ORGANIZATION AUTHORIZED TO
TRANSACT INSURANCE BUSINESS IN PUERTO RICO**

Filed by:

Applicant's Name

Name of Other Person Involved in the Merger or Acquisition

Date: _____

Name, title, address and telephone number of the person making this statement:

ITEM 1- NAME AND ADDRESS

State the name and the address of the persons who are hereby notifying their participation in the acquisition or change of corporate control.

ITEM 2 - NAME AND ADDRESS OF THE AFFILIATED ENTITIES

State the name and the address of the entities that are affiliated with the persons listed in Item 1. Describe the nature of said affiliation.

ITEM 3 - NATURE AND PURPOSE OF THE PROPOSED MERGER OR ACQUISITION

State the nature and purpose of the proposed merger or acquisition.

ITEM 4 - NATURE OF THE BUSINESS

State the nature of the business of each entity identified in the answer provided in Items 1 and 2.

ITEM 5 - MARKET AND MARKET SHARE

Specifically state the market and the market share data in Puerto Rico of each entity listed in Items 1 and 2. Furnish historical market and market share data of each entity listed in Items 1 and 2 for the past five (5) years and identify the source of said data.

For the purposes of this question, market means direct premium volume written in this state for each line of business, as stated in the annual report required to be filed by insurers that are authorized to do business in this state.