

**Commonwealth of Puerto Rico
OFFICE OF THE COMMISSIONER OF INSURANCE
Guaynabo, Puerto Rico**

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Approved: Hon. David E. Bernier-Rivera
Secretary of State

By: Francisco J. Rodríguez-Bernier
Assistant Secretary for Services

RULE NO. 100

**STANDARDS TO REGULATE REINSURANCE THAT MAY BE CONTRACTED BY
INTERNATIONAL INSURERS ON RISKS RESIDENT, LOCATED OR TO BE
EXECUTED IN PUERTO RICO**

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SECTION 1. - LEGAL BASIS

The Office of the Commissioner of Insurance of Puerto Rico hereby adopts Rule No. 100 of the Regulations of the Puerto Rico Insurance Code, under the provisions of Sections 2.030 and 61.260 of Public Law No. 77, enacted on June 19, 1957, as amended, known as the Puerto Rico Insurance Code, and Public Law No. 170, enacted on August 12, 1988, as amended, known as the Uniform Administrative Procedures Act.

SECTION 2. - PURPOSE

The Office of the Commissioner of Insurance of Puerto Rico adopts this Rule for the purpose of establishing guidelines and additional requirements that are applicable to international insurers who intend to assume or accept reinsurance on risks resident, located or to be executed in Puerto Rico, as allowed under Section 61.020(4)(c) of the Puerto Rico Insurance Code. This Rule provides the parameter to be used by the Office of the Commissioner of Insurance to distinguish between, a) international insurers organized according to Chapter 61 of the Insurance Code, that reinsure risks resident,

located or to be executed in Puerto Rico, and b) domestic insurers with international business under the provisions of Section 29.320 of the Insurance Code.

The parameter used to distinguish between these two kinds of insurers is whether or not the international business represents fifty-one percent (51%) or more of the total premium assumed before the ceded reinsurance.

The purpose of this Rule is to protect the interests of the insured, claimants, ceding insurers, international reinsurers that assume insurance, and the general public, by applying authorization and compliance requirements in a uniform manner to all insurers that assume reinsurance on risks resident, located or to be executed in Puerto Rico.

Class 1 international insurers may not assume risks resident, located or to be executed in Puerto Rico under reinsurance, so that the remaining Sections of this Rule will not be applicable to such insurers.

SECTION 3. - DEFINITIONS

The following terms and phrases will have the meanings set forth below:

- A. "Domestic insurer" -Insurers organized under the provisions of Chapter 28 of the Insurance Code and authorized under the provisions of Chapter 3 of the Code.
- B. "International Insurer" - Means an international insurer as defined in Chapter 61 of the Puerto Rico Insurance Code.
- C. "Special Category Authorization to assume or accept risks resident under reinsurance" - Means a special authorization granted to International Insurers and that is shown in the certificate of authority as a distinction to assume or

accept risks resident, located or to be executed in Puerto Rico under reinsurance, according to this Rule.

SECTION 4. - GENERAL REQUIREMENTS

- A. An International Insurer with a Class 2, 3, 4 or 5 authorization may apply for and obtain authorization to assume or accept in reinsurance risks resident, located or to be executed in Puerto Rico, under the provisions of this Rule. The certificate of authority of the International Insurer that is so authorized will indicate that the insurer has a "special category authorization to assume or accept risks resident under reinsurance" pursuant to the provisions of Section 61.260 of the Insurance Code.
- B. Domestic insurers may cede risks resident, located or to be executed in Puerto Rico under reinsurance to international insurers that hold a special category authorization to assume or accept risks resident under reinsurance, and may take credit for reinsurance under the provisions of Rule 98 of the Regulations of the Insurance Code; titled "Credit for Reinsurance."
- C. In order to obtain and maintain the special category authorization to assume or accept risks resident, located or to be executed Puerto Rico under reinsurance, 51% or more of the total premium written by the international insurer that holds Class 2, 3, 4 or 5 Authority shall be for insurance or reinsurance of risks other than resident, located or to be executed in Puerto Rico. The written premium used for the

calculation of this percentage was without considering any business that the International Insurer may have ceded under reinsurance.

If the International Insurer fails to comply with the 51% criterion established in this Subsection, the Insurer may not write new reinsurance business for risks resident, located or to be executed in Puerto Rico, until the insurer complies with these provisions. The insurer will submit for approval by the Commissioner an action plan to achieve compliance. If the international insurer fails to comply with the provisions of this subsection, the insurer will be subject, at the discretion of the Commissioner, to the revocation of the special authorization to assume or accept risks resident under reinsurance and/or to the actions set forth in paragraphs (2) and (3) of the Section 61.060. The international insurer may request that the Commissioner consider the insurer to be a domestic insurer for the purpose of writing direct risks and/or reinsurance, for which the insurer must meet the requirements designated by the Commissioner and the Puerto Rico Insurance Code for this purpose.

D. Any International Insurer that initially applies for Class 2, 3, 4, or 5 authorization and that as part of its business plan intends to assume in reinsurance risks resident, located or to be executed in Puerto Rico shall submit in the application for authorization as an international insurer a five (5) year financial projection, indicating expectations with regard to the distribution of written premium related to risks in Puerto Rico and premium related to risks outside of Puerto Rico.

SECTION 5. - INTERNATIONAL INSURERS AUTHORIZED IN PUERTO RICO

1. To be authorized in the special category to reinsure risks resident, located or to be executed in Puerto Rico, Class 2, 3, 4 or 5 (or for any combination of these classes) International Insurers, shall comply with the following:

a. Maintain paid in or minimum surplus capital that pursuant to Section 3.090 of the Insurance Code is applicable to the classes of insurance equivalent to the Class 2, 3, 4 or 5 Authority held by the international insurer. The equivalence between the Authorization Class of the International Insurer and the classes of insurance provided in Section 3.090 is set forth in the following table:

Table of Equivalencies to Determine Minimum Paid in or Surplus Capital required of International Insurers having Special Authority to Reinsure Risks Resident	
Class of Authority of the international insurers pursuant to Chapter 61 of the Insurance Code	Compatible Classes of Insurance pursuant to Section 3.090
Class 2, Class 3, and Class 4	Property, only Farm, Maritime and Transportation, Accident, Vehicle only, Guaranty and Fidelity, Title, Mortgage Loans
Class 5	Life, Disability, Consumer Credit

Compliance with the minimum paid in capital requirement as provided in Section 3.090 of the Insurance Code will be considered as a substitute for

- compliance required under Sections 61.080(1) and (2) of the Code.
- b. Maintain surplus funds, in the form of an additional paid in surplus, at the time of the original authorization in Puerto Rico, as provided in Section 3.120 of the Insurance Code.
 - c. Deposit and maintain a fiduciary deposit as provided in Section 3.151 of the Insurance Code. This deposit will be accepted as partial or total or partial compliance, as the case may be, with the requirement for Puerto Rico assets as provided in Section 61.080(6) of the Insurance Code and Section 8 of Rule 80 of the Regulations of the Insurance Code known as "Standards to Regulate the Operations of International Insurers and Reinsurers."
 - d. Maintain investments in Puerto Rico securities as provided in Section 3.160 of the Insurance Code. This investment will be accepted as partial or total compliance, as the case may be, with the Puerto Rico assets requirement as provided in Section 61.080(6) of the Insurance Code and Section 8 of said Rule 80 of the Regulations of the Insurance Code.
 - e. File with the Commissioner before the 31st of March of every year a true financial statement including business transacted as of December 31 of the preceding year, as provided in Section 3.310 of the Insurance Code and Rule 14 of the Regulations of the Code. The statement required herein will be filed in substitution for the report required in Section 61.100 of the Insurance Code and Section 10 of Rule 80 of the Regulations of the Insurance Code.

f. Renew the certificate of authority as an international insurer, as provided in Section 61.050 of the Insurance Code and Section 13 of Rule 80 of the Regulations of the Insurance Code. Compliance with the requirements of authorization identified in this Rule does not release International Insurers from compliance with the remaining requirements provided in Chapter 61 of the Insurance Code and Rule 80 of the Regulations of the Code, except as otherwise provided in this Rule.

SECTION 6. - INTERNATIONAL INSURERS ACCREDITED IN PUERTO RICO

International Insurers that comply with the provisions of this Rule, as accredited reinsurers, may accept risks resident, located or to be executed in Puerto Rico under reinsurance, pursuant to the provisions of Rule 98 of the Regulations of the Insurance Code.

SECTION 7. - INTERNATIONAL INSURERS WITH FUNDS HELD IN TRUST

International Insurers that do not comply with the authorization requirements and do not maintain accreditation status pursuant to the provisions of Rule 98 of the Insurance Code Regulations may, with regard to funds held in trust, accept risks resident, located or to be executed in Puerto Rico under reinsurance, according to the provisions of Rule 98 of the Regulations of the Insurance Code.

SECTION 8. - SEVERABILITY

If any word, sentence, paragraph, subsection, section, or part of this Rule were found to be null and void by a court of competent jurisdiction, the order of the court will not

affect or invalidate any of the remaining provisions of this Rule and the effect of such order is limited to such word, sentence, paragraph, subsection, section or part that has been ruled to be void.

SECTION 9. - EFFECTIVE DATE

This Rule will enter into effect thirty (30) days after filing at the Department of State of Puerto Rico, pursuant to Public Law No. 170, *supra*.

SIGNED

**ANGELA WEYNE-ROIG
COMMISSIONER OF INSURANCE**

Date of Approval: September 19, 2013.

Date of Filing
at the Department of State:

Date of Filing
at the Legislative Library: