

Puerto Rico's Business Proposal and Invitation to [Syndicate]

OFFICE OF THE COMMISSIONER
OF INSURANCE

COMMONWEALTH OF
PUERTO RICO

2013

- Ángela Weyne Roig, Commissioner of Insurance
- Alberto Bacó, Secretary of Economic Development & Commerce
- Under special appointment by
- Governor Hon. Alejandro García Padilla



COMMONWEALTH OF
PUERTO RICO
Economic Development

Topics

- Puerto Rico Reinsurance & Surplus Lines Markets
- United States Surplus Lines Market
- Latin America Market
- Puerto Rico's Unique Offering
- Proposal
- Invitation



Executive Summary

- **[Syndicate]** has growth potential in Puerto Rico, United States Surplus Lines, United States Admitted and Latin America markets
- Puerto Rico International Insurance Center's platform provides accessibility to all named markets, at unmatched conditions
- Puerto Rico's underwriting costs are considerably lower than United Kingdom and other insurance hubs in America
- Puerto Rico's Government proposes that **[Syndicate]** benefit from unique opportunities in our jurisdiction



Puerto Rico Property & Casualty Profitable Market

- 60.3% Aggregate loss ratio as compared to United States benchmark of 65%
- 5 year Property & Casualty loss ratio reinsurance business of 27%, Cat loss ratio less than 1%
- 2012 Lloyd's surplus lines in Puerto Rico: 55% paid claims to premiums
- Non-Admitted and Reinsurance Reform Act will increase size of surplus lines market
- Additional Puerto Rico profitable business available to **[Syndicate]**



[Syndicate] United States Surplus Lines

- 2012 United States Market: \$34.8 b
- Amendments to law as per Non-Admitted and Reinsurance Reform Act will increase size of surplus lines market
- “4% property & casualty industry growth expected, positive pricing trends”
- “Investment environment will continue to grow with realized capital gains returning as a profit center”
- Puerto Rico is a National Association of Insurance Commissioners accredited jurisdiction and a member of the Association of Insurance Supervisors of Latin America (ASSAL)
- **[Syndicate]** will capitalize both in growth of property & casualty market and capital gains by having a Puerto Rico platform



The Latin American Insurance Market

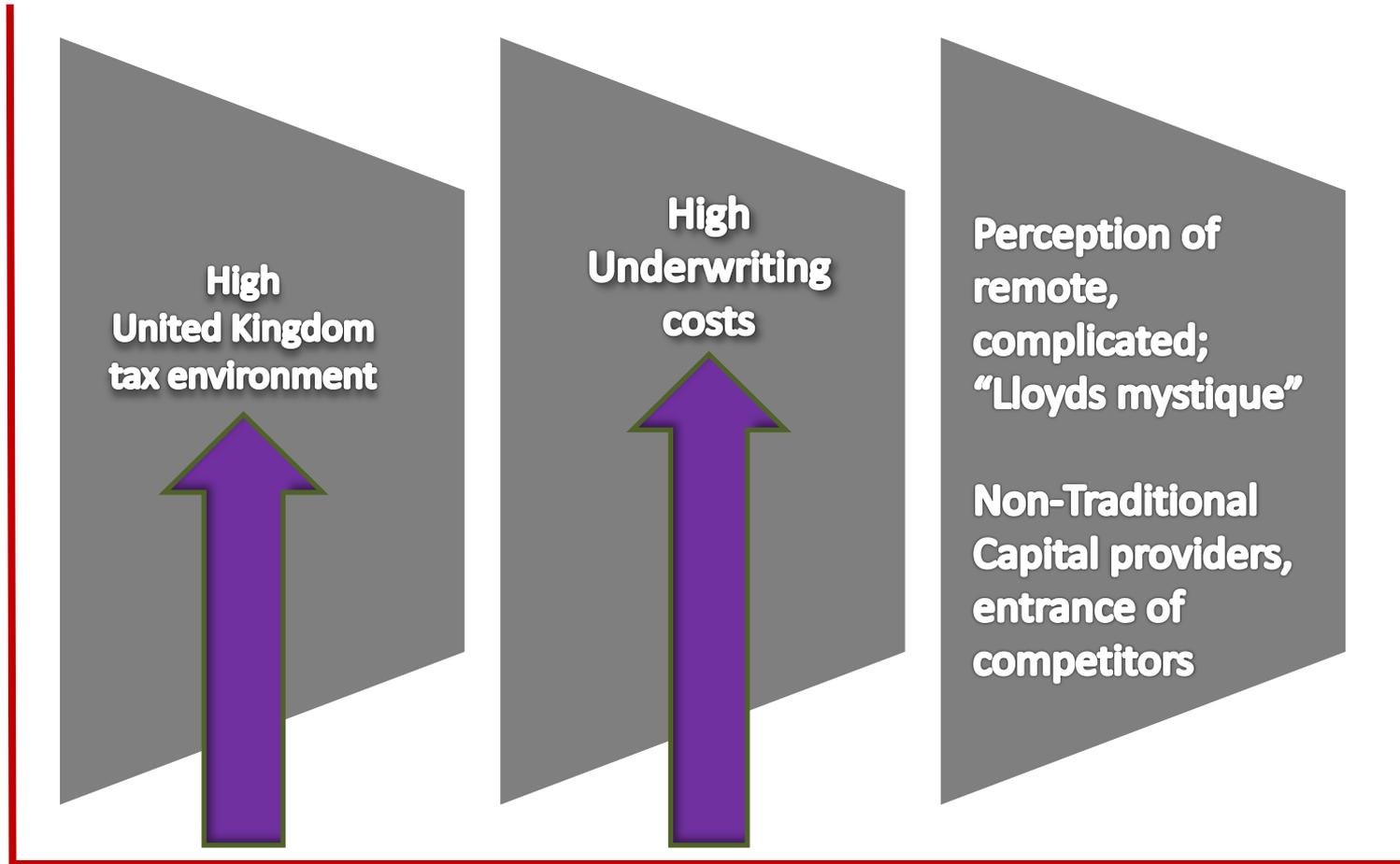


The Latin American Insurance Market

Latin America is a source of long term growth for [Syndicate]. An adequate platform is a must to insure access to every Latin American country



[Syndicate] Challenges

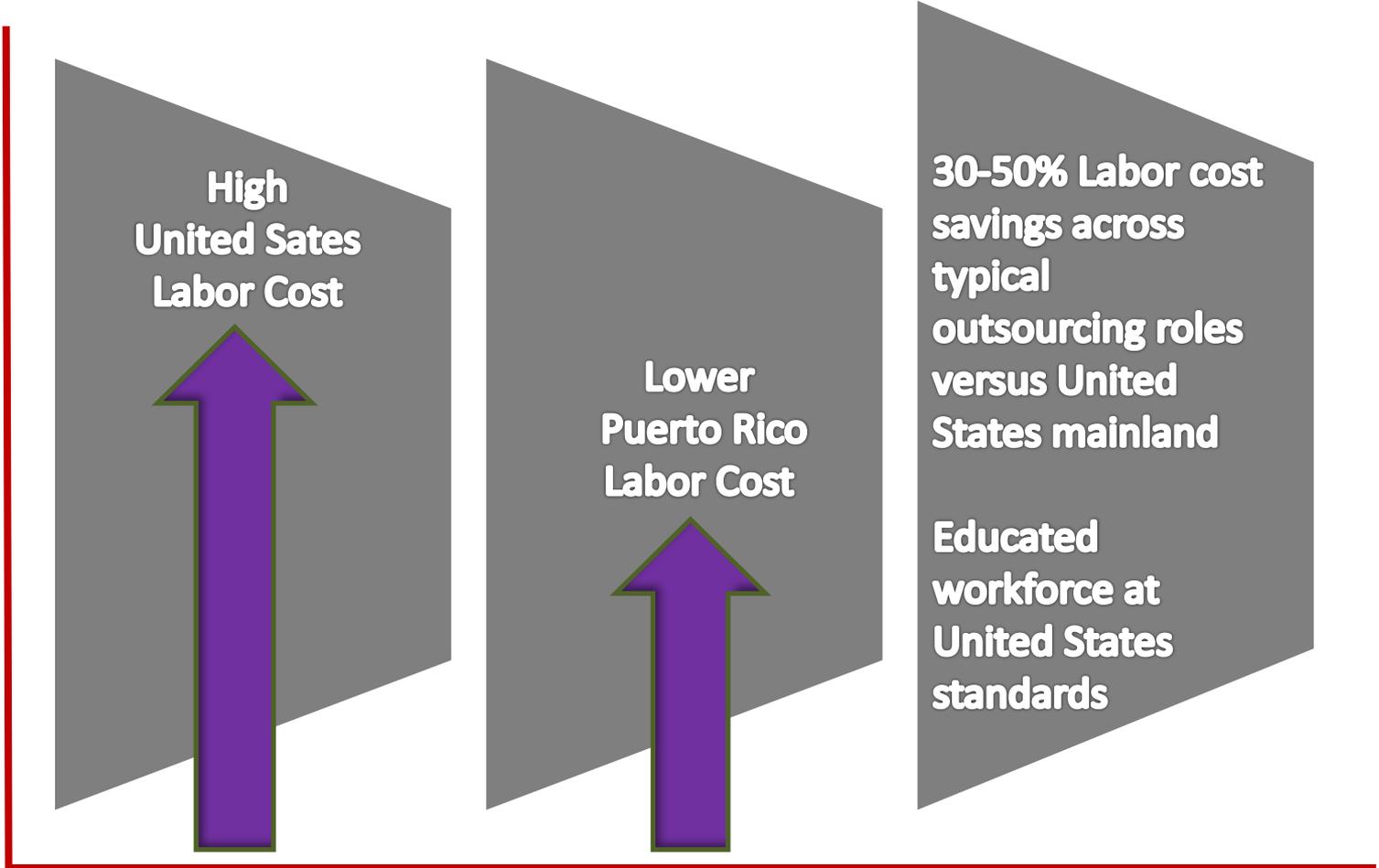


Puerto Rico Offshore Center for [Syndicate]

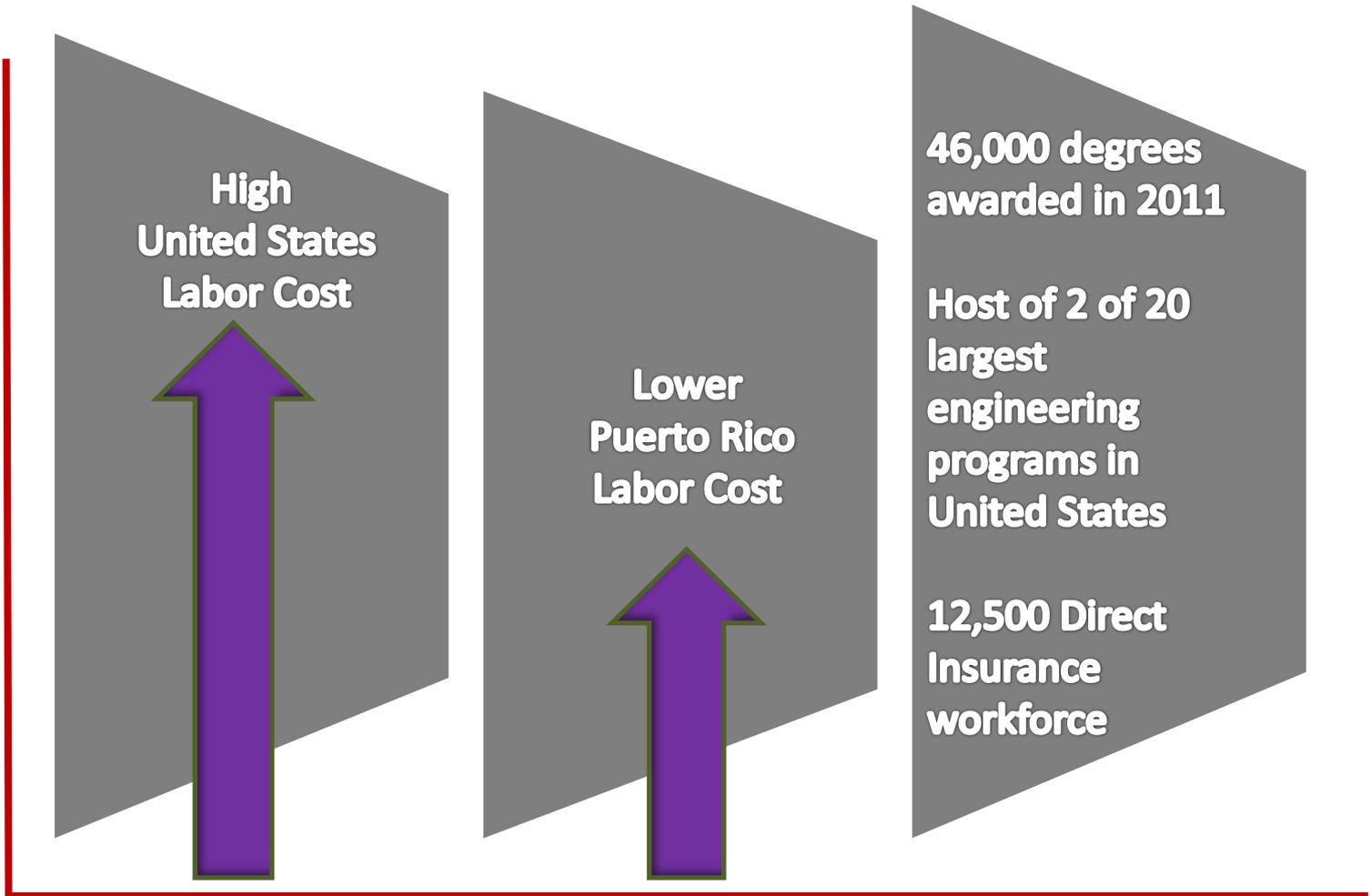
- No United States taxation for Non-United States Sources (Latin America, Asia, etc.)
- Federal excise tax exemption for United Kingdom insurers operating in Puerto Rico via branches
- 4% of tax over \$1.2m of net income, on a syndicate basis. Total exemption from other taxes including property tax. Guaranteed tax treatment
- Lower underwriting and administration cost
- National Association of Insurance Commissioners accredited status, admittance to states negotiable



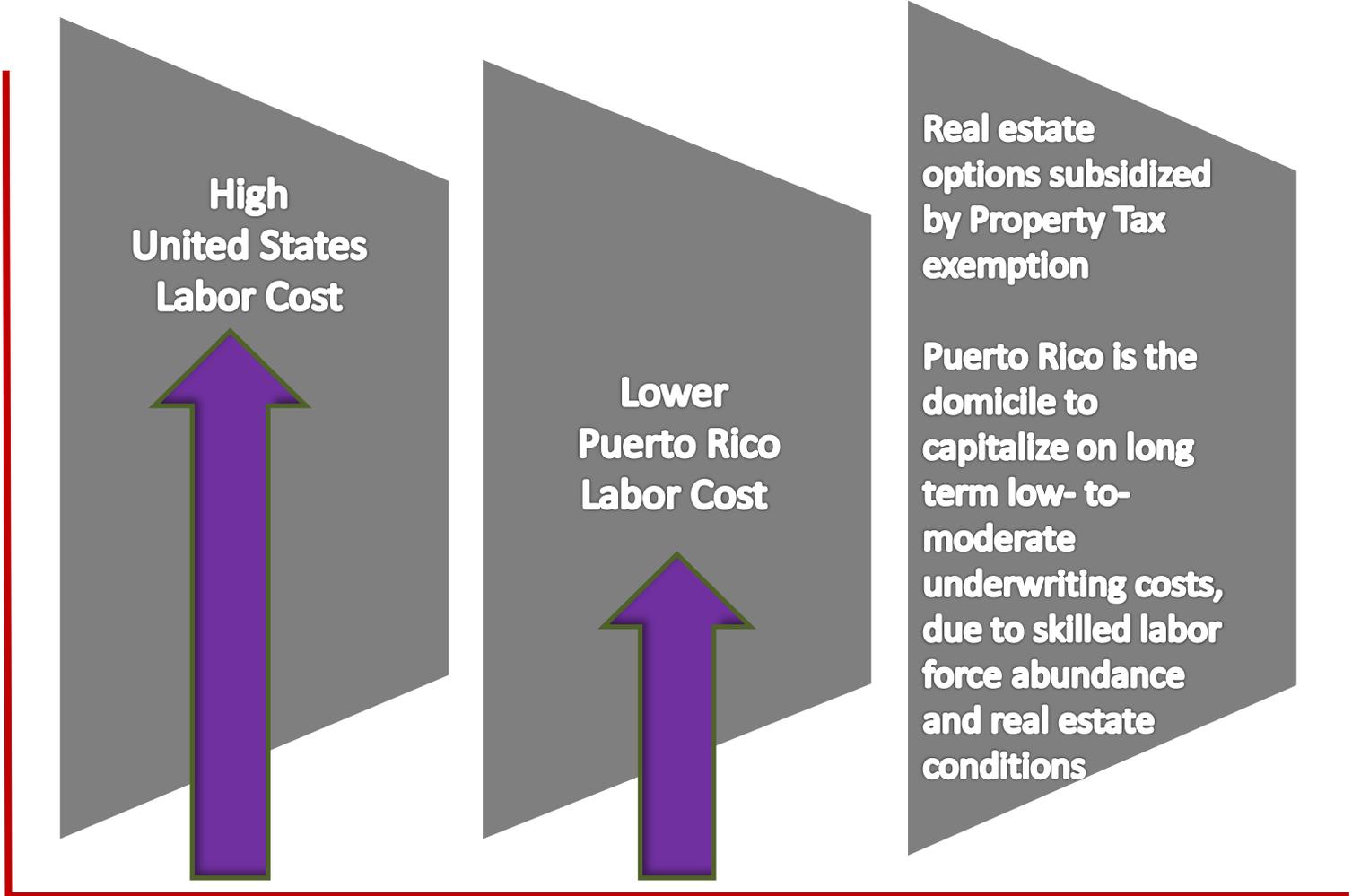
Underwriting Costs in Puerto Rico



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Underwriting Costs in Puerto Rico

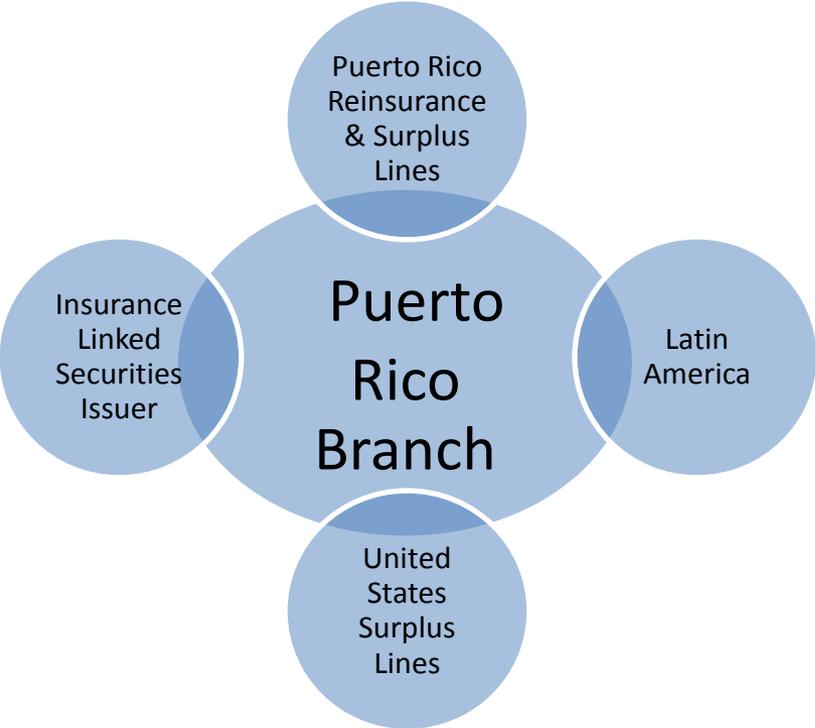


Preferred Tax Regime in Puerto Rico

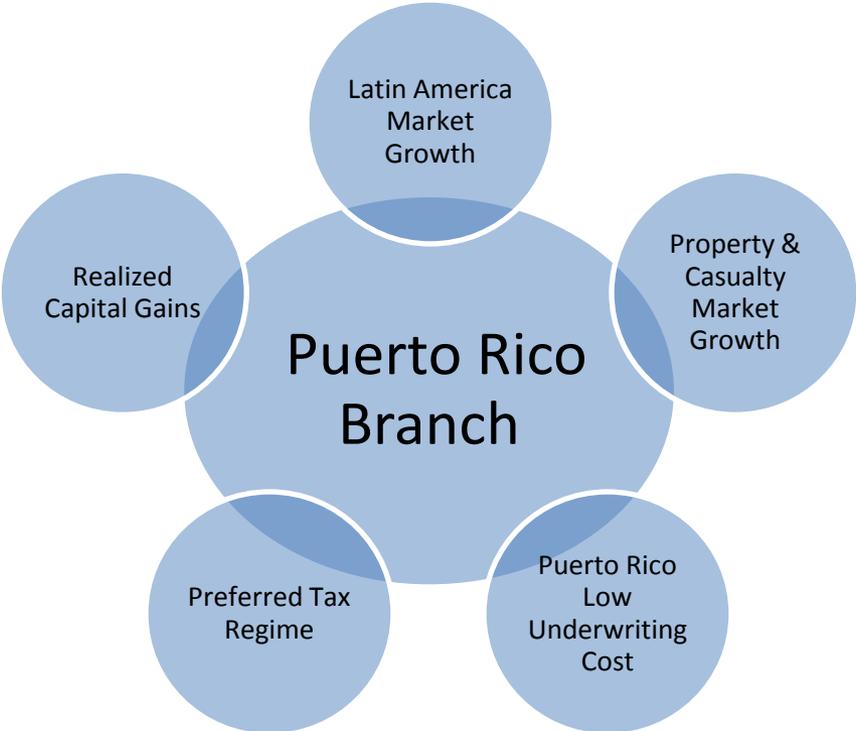
- 1) Tax free United States risks if properly structured
- 2) Non United States taxes for Non United States sources of income
- 3) Low tax, secured at Puerto Rico
- 4) No premium, property, withholding taxes



Multiple Market Access Facility: International Insurance Center Puerto Rico Branch



[Sindicate] Multiple Capitalization Facility: International Insurance Center Puerto Rico Branch



Business Proposal

- **[Syndicate]** establishes a Branch in the International Insurance Center
- Branch will be able to access additional business not currently available for competitive reasons.
- Branch will insure Non United States risks under competitive taxation
- Branch will insure United States risks, tax free if properly structured.



Invitation



The Government of Puerto Rico extends
an invitation for further discussions in
Puerto Rico, when convenient to
[Syndicate] Directorship



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Thank You

Rubén N. Gely Rodríguez
Deputy Commissioner of Supervision and Compliance

