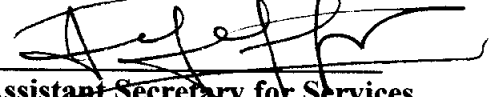


DEPARTMENT OF STATE

Regulation No. **7508**

Date: **May 19, 2008**

Approved: **Hon. Fernando J. Bonilla**  
Secretary of State

By:   
Assistant Secretary for Services

Commonwealth of Puerto Rico  
OFFICE OF THE COMMISSIONER OF INSURANCE

**RULE NO. 82**

**RULES GOVERNING THE OPERATIONS OF INTERNATIONAL  
INSURERS HOLDING COMPANIES**

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

RULE NO. 82

RULES GOVERNING THE OPERATIONS OF INTERNATIONAL INSURER  
HOLDING COMPANIES

ARTICLE 1. - GENERAL PROVISIONS

SECTION 1. - AUTHORITY

The Office of the Commissioner of Insurance of Puerto Rico and the Department of the Treasury of the Commonwealth of Puerto Rico hereby jointly adopt this Rule No. 82 of the Regulations of the Puerto Rico Insurance Code pursuant to Article 2.040 and 61.040 of Public Law No. 77 of June 19, 1957, as amended, 26 P.R. Laws Annot. Sects., *et seq.*, commonly known as the Puerto Rico Insurance Code, and Public Law No. 121 of October 31, 1994, as amended, commonly known as the Puerto Rico Internal Revenue Code of 1994, and Public Law No. 170 of August 12, 1988, as amended, 3 P.R. Laws Annot. Sects. 2101, *et seq.*, commonly known as the "Uniform Administrative Procedures Act".

SECTION 2. - PURPOSE AND SCOPE

This Rule is adopted with the purpose of establishing rules governing the creation, authorization, operation and supervision of an *International Insurer Holding Company* pursuant to Article 61.040 of the Puerto Rico Insurance Code and the applicable provisions of the Puerto Rico Internal Revenue Code of 1994, as amended and its Regulations, as such entity has been established and defined in Chapter 61 of the Puerto Rico Insurance Code.

This Rule shall apply to all International Insurers and Reinsurers that form an International Insurer Holding Company to form part of their corporate structure for transacting business through the Puerto Rico International Insurance Center.



**ARTICLE 2. – DEFINITIONS**

The following terms and phrases shall have the meanings set forth as follows:

1. "International Insurer Holding Company" means any legal entity that satisfies all of the following requirements:
  - (i) is organized under the laws of the Commonwealth of Puerto Rico;
  - (ii) owns stocks or other securities issued by an International Insurer or by an International Insurer Holding Company;
  - (iii) the assets of which, apart from the stocks or other securities issued by the International Insurer or by an International Insurer Holding Company, consist solely of any or all of the following:
    - (1) Stocks or other securities issued by insurers;
    - (2) Securities or assets necessary for the operations ("Operational Assets") of business incidental to the business of insurance;
    - (3) Cash, cash equivalents and portfolio investments;
    - (4) Other assets with an aggregate value as reflected in the financial statements of such holding company, that do not exceed five percent (5%) of the total assets of the holding company permitted by paragraphs 1(ii) and 1(iii)(1), (2) and (3) of this Article.

The definition of the term International Insurer Holding Company provided herein applies exclusively for purposes of this Rule, including for purposes of the tax exemptions provided for in Article 61.240 of the Puerto Rico Insurance Code.

2. "Business incidental to the business of insurance" has the meaning established in Article 61.020 (14) of the Puerto Rico Insurance Code. Assets will be considered as necessary for the operations of such businesses if the holding of such assets are "ordinary and necessary" to such businesses and the amount of the assets is "reasonable". Assets shall be considered "ordinary" if it is common and acceptable in that type of business. For an asset to be "necessary", it need not be vital to the operations or continuation of the business, but it must be appropriate or helpful to the business. The determination of whether the amount of an asset is "reasonable" depends on the facts and circumstances in the particular situation.
3. "Cash, cash equivalents and portfolio investments" means, for purposes of this Rule, currency, precious metals, deposits with persons carrying on the banking business, deposits or withdrawals accounts with savings institutions, amounts held by an insurance company under an agreement to pay interest thereon, debt obligations of any government or governmental agency or entity, marketable securities, receivables (whether or not evidenced by a written instrument), other equity or debt interests and similar investments, but marketable securities, receivables, other equity or debt interests and similar investments will not be considered cash, cash equivalents and portfolio investments if the holding company is a "Ten percent (10%) shareholder" of the issuer or obligor of such assets of the holding company.
4. "Ten percent (10%) shareholder" means, in the case of a corporation, any person that owns, directly or indirectly, ten percent (10%) or more of the total combined voting power of all classes of stock of such corporation entitled to vote, or, in the case



of a partnership, trust or any other entity, any person who owns or is entitled to a ten percent (10%) or more interest in the capital or profits of such partnership, trust or other entity.



In addition, for purposes of this Rule, all other terms already defined in Chapter 61 of the Puerto Rico Insurance Code and in Rules No. 80 and 81 of the Regulations of the Puerto Rico Insurance Code, dealing with International Insurers and Reinsurers, as well as with Protected Cells, shall have the same meaning in this Rule.

### **ARTICLE 3. – FINANCIAL STATEMENTS USED FOR COMPUTATION**

1. The financial statements referred to in paragraph 1(iii)(4) of Article 2 of this Rule, shall be the Holding Company's financial statements as of the close of the immediately preceding fiscal year. In the case of the Holding Company's first fiscal year, the assets of the Holding Company other than those permitted in paragraphs 1(ii) and 1(iii)(1)(2) and (3) of Article 2 of this Rule ("Other Assets") need not be equal to or less than five percent (5%) of the total assets, not including the Other Assets, of the Holding Company.
2. For purposes of the computation required by paragraph 1(iii)(4) of Article 2 of this Rule, the value of the stocks or other securities issued by an International Insurer shall be determined from the value of the net equity as reflected in the last Annual Report filed with the Commissioner of Insurance of Puerto Rico .
3. The value of the stocks or other securities of any other insurer, an International Insurer Holding Company or any other person, if publicly traded, shall be the price of such stocks or other securities at the close of trading on the last day of the Holding Company's preceding fiscal year on which those stocks or other securities were traded.

4. The value of the stocks or other securities of any other insurer, if not publicly traded, shall be derived from the value of the net equity of such insurer as reflected in the insurer's financial statements filed with its applicable insurance regulatory authority as of the end of its most recent fiscal year.
5. The value of the stock and securities issued by any other person shall be the value computed in accordance with Generally Accepted Accounting Principles (GAAP).

#### ARTICLE 4. – ASSETS

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1. For purposes of enjoying the tax treatment granted in Article 61.240 of the Puerto Rico Insurance Code, in addition to the requirements of paragraph 1 of Article 2 of this Rule, an International Insurer Holding Company is required to maintain assets of the types described in paragraph 2(c) of Article 61.040 of the Puerto Rico Insurance Code and paragraph 1(iii)(3) of Article 2 of this Rule (as further defined in paragraph 3 of said Article) in a proportion not greater than one to one (1:1) in relation to the sum of the assets that are described in paragraphs (1), (2)(a), 2(b) (as further defined in paragraph 2 of Article 2 of this Rule) and 2(d) of Article 61.040 of the Puerto Rico Insurance Code.
  2. For purposes of computing the proportion mentioned in paragraph 1 of this Article, the value of the stocks or other securities issued by an International Insurer shall be determined from the value of the net equity as reflected in the last Annual Report filed with the Office of the Commissioner of Insurance of Puerto Rico and the value of the stock and other securities issued by other persons, including portfolio investments in stock and other securities issued by other than an International Insurer, shall be the value computed in accordance with Generally Accepted Accounting Principles
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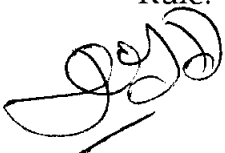
(GAAP) as reflected in the financial statements as of the end of the most recent fiscal year of the Holding Company, and the value of the stock or other securities of a Puerto Rico Person, as such term is defined in Article 5 of this Rule, controlled by the International Insurer Holding Company shall be excluded.

3. In the event that the value of the Holding Company's investment in assets described in paragraph 2(c) of Article 61.040 of the Puerto Rico Insurance Code and paragraph 1(iii)(3) of Article 2 of this Rule is in excess of the proportion described in paragraph (3) of Article 61.040 of the Puerto Rico Insurance Code and paragraph (i) of this Article, the International Insurer Holding Company will have a period of two (2) years to eliminate such excess from the date in which the International Insurer Holding Company is considered to have such an excess.
4. If the International Insurer Holding Company does not eliminate such excess by the end of that two (2) year period, the International Insurer Holding Company will cease to qualify for the tax treatment granted by Article 61.240 of the Puerto Rico Insurance Code as of the end of that two (2) year period; provided that the Commissioner of Insurance of Puerto Rico shall retain the discretion to grant or continue such tax treatment if it is determined that failure to eliminate such excess was due to good cause or that continuing such tax treatment would be consistent with the purposes of Chapter 61 of the Puerto Rico Insurance Code.

#### ARTICLE 5. – CONTROL

1. An International Insurer Holding Company shall cease to qualify as such upon acquiring control, directly or indirectly, through one or more intermediaries, of any Puerto Rico Person. For purposes of this

Rule:



a. The term "Puerto Rico Person" means any person organized under the laws of the Commonwealth of Puerto Rico, including any person that is dedicated to businesses incidental to the business of insurance and that conducts business in Puerto Rico (whether through a separate entity or as operations within an International Insurer Holding Company), except for:

- (1) International Insurers;
- (2) Other International Insurer Holding Companies, or
- (3) Businesses incidental to the business of insurance that provide services exclusively to International Insurers with which they maintain a relationship as subsidiaries or affiliates.

b. the term "businesses incidental to the business of insurance" has the same meaning established in Article 61.020(14) of the Puerto Rico Insurance Code; and,

c. the term "control" has the same meaning established in Article 6.020(15) of the Puerto Rico Insurance Code.

2. Notwithstanding paragraph 1 of this Article, the Commissioner of Insurance of Puerto Rico may approve the status of an entity (whether existing or prospective) as an International Insurer Holding Company despite such entity's control of any Puerto Rico Person, if:

a. such Puerto Rico Person and the income arising from such person and the holding thereof remain excluded from any tax exemption granted to the International Insurer and to the International Insurer Holding Company, and

b. a written request for approval of the entity's status as an International Insurer Holding Company is submitted to the Commissioner of Insurance of Puerto Rico :





- (i) prior to any acquisition of control or change in circumstance that would violate the prohibition of control over a Puerto Rico Person as provided in paragraph 1 of this Article;
- (ii) no later than the Annual Report filing date (as required by Article 61.100 of the Puerto Rico Insurance Code) first following any acquisition of control or change in circumstance that would violate the prohibition of control over a Puerto Rico Person as provided in paragraph 1 of this Article; or
- (iii) after the date specified in paragraph (2)(b)(ii) of this Article, but only upon a showing of good cause for such failure to file prior to such date; and
- c. The International Insurer Holding Company shall maintain separate accounting books that reflect the distributions made out of the income derived from the Puerto Rico Person, which should be subject to tax upon distribution. The applicable tax shall be deducted and withheld at source by the International Insurer Holding Company upon distribution.

#### ARTICLE 6. – INTERESTS

1. An International Insurer Holding Company shall present a Certification to the Commissioner of Insurance of Puerto Rico and the Secretary of the Treasury, no later than the last day of filing of the Annual Statement required by Article 61.100 of the Puerto Rico Insurance Code of any International Insurer in which the International Insurer Holding Company has a direct or indirect interest.
2. If the International Insurer Holding Company has an interest in more than one International Insurer or International Insurer Holding

Company, the due date for the presentation of the Certification shall be the last of the dates of filing of the Annual Statements of those companies.


3. The Certification must include the following information of the International Insurer Holding Company:
  - d. Name;
  - e. Address;
  - f. Identification Number;
  - g. Value of its assets by category (as described in paragraphs 1(ii) and 1(iii)(1), (2), (3) and (4) of Article 2 of this Rule); and,
  - h. A representation to the effect that the company qualifies under Chapter 61 of the Puerto Rico Insurance Code as an International Insurer Holding Company.
4. The Certification must be certified as correct to the best of the certifier's knowledge by a principal officer of the International Insurer Holding Company. A principal officer in the case of a corporation or limited liability company includes the president, vice-president, treasurer, assistant treasurer, secretary, assistant secretary, managing director, or any other officer or director authorized to sign such certification. A principal officer in the case of a partnership is any general partner and in the case of a trust, is the minimum number of trustees required to bind the trust.
5. The Certification is only required to the International Insurer Holding Company that is enjoying the tax exemptions provided under the provisions of Article 61.240 of the Puerto Rico Insurance Code.

#### **ARTICLE 7. – CORPORATE TRANSACTIONS**

If the Commissioner of Insurance of Puerto Rico determines that the International Insurer Holding Company has entered into a transaction or a series of transactions whose principal purpose is to obtain assets in excess of the limits

provided in Article 61.040(2)(d) and (3) of the Puerto Rico Insurance Code and paragraphs 1(iii)(4) and 2 of Article 2 of this Rule, or to otherwise avoid taxation upon any revenue, income, gain, asset, operation or transaction to which a Puerto Rico Person or its shareholders may be subject, such entity will not be entitled to receive the tax treatment provided in Article 61.240 of the Puerto Rico Insurance Code; provided, however that the Commissioner of Insurance of Puerto Rico shall retain the discretion to grant or continue such tax treatment if it is determined that, despite such purpose, such transaction or series of transactions also has a justifiable and substantial business purpose.

**ARTICLE 8. – DOMESTIC INSURER CONTROL**

 A domestic insurer that controls an International Insurer or an International Insurer Holding Company will not qualify to receive the tax treatment that is provided in Article 61.240 of the Puerto Rico Insurance Code, except that it shall qualify for those tax exemptions related to distributions received from an International Insurer or an International Insurer Holding Company as provided in Article 61.240 of the Puerto Rico Insurance Code.

**ARTICLE 9. – APLICABILITY OF OTHER RULES**

To the extent not inconsistent with this Rule, Rule No. 80 and Rule No. 81 of the Regulations of the Office of the Commissioner of Insurance of Puerto Rico of Insurance shall be applicable to an International Insurer Holding Company.

**ARTICLE 10. – POWERS OF THE COMMISSIONER OF INSURANCE OF PUERTO RICO**

The Commissioner of Insurance of Puerto Rico shall have the authority, provided by Article 2.030 and Article 61.260 of the Puerto Rico Insurance Code, to examine and investigate any person to whom this Rule applies in order to verify compliance with its provisions and the corresponding applicable provisions of the Puerto Rico Insurance Code.

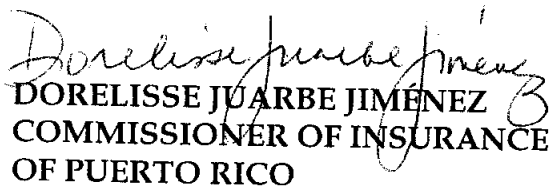


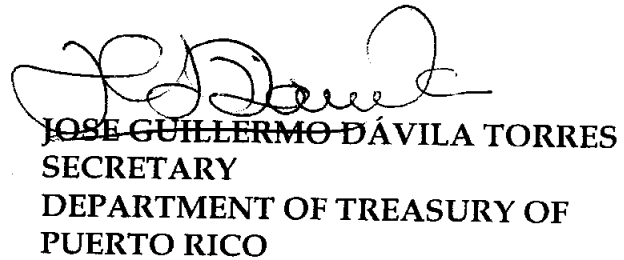
**ARTICLE 11. - SEVERABILITY**

Should any word, sentence, paragraph, clause, Article or part of this Rule be declared null or invalid by a court with competent jurisdiction, the order, issued by the latter shall not affect nor invalidate the remaining provisions of this Rule, that is, its effect shall be limited to the word, sentence, paragraph, clause, Article or part which has been so declared.

**ARTICLE 12. - EFFECTIVENESS**

The provisions of this Rule shall take effect thirty (30) days from the date of its filing with the Department of State of the Commonwealth of Puerto Rico, pursuant to the provisions of Public Law No. 170 of August 12, 1988, as amended, commonly known as the "Uniform Administrative Procedure Act."

  
**DORELISSE JUARBE JIMÉNEZ**  
 COMMISSIONER OF INSURANCE  
 OF PUERTO RICO

  
**JOSE GUILLERMO DÁVILA TORRES**  
 SECRETARY  
 DEPARTMENT OF TREASURY OF  
 PUERTO RICO

Date of Approval: *15 mayo de 2008*

Date of Filing with the  
 Department of State: