



COMMONWEALTH OF PUERTO RICO
OFFICE OF THE COMMISSIONER OF INSURANCE

November 23, 2015

RULING LETTER: CN-2015-191-AF

TO ALL DOMESTIC INSURERS AND HEALTH SERVICES ORGANIZATIONS

REPORTS TO BE SUBMITTED AT SHAREHOLDER OR PARTNER MEETINGS

The Office of the Commissioner of Insurance considers that it is of vital importance that the shareholders or members of domestic insurers be aware of the financial circumstances of the insurer or health services organization. The purpose of this ruling letter is to require that the boards of directors of insurers or health services organizations provide the information included in the Annual Report required by the Insurance Code and Rule 14 of the Code as part of the reports that are to be submitted to shareholders or members of the organization.

The provisions of Sections 29.140 and 34.100 of the Puerto Rico Insurance Code require annual meetings to consider the business reports submitted by officers of the insurer.¹ The reports that the Board of Directors shall submit to the shareholders or members shall include information shown in the Annual Report that the insurers submit to the Commissioner of Insurance pursuant to Section 3.310 of the Puerto Rico Insurance Code and Rule 14 of the Code.² These reports are drafted according to the most conservative

¹ Section 29.140 of the Insurance Code provides:

“(1) The regular annual meeting of the shareholders or members of an insurer shall be held in any town or city of Puerto Rico, as provided in the by-laws of the insurer. The meeting shall be notified at least twenty days in advance and in the manner provided in the by-laws. The annual meeting shall cover the vacancies in the Board of Directors, receive and consider the business reports submitted by the officers of the insurer, and decide on any matter brought up for consideration.”

Section 34.100 of the Insurance Code provides that:

“The general meeting of insurance cooperatives shall be held in any city or town in Puerto Rico where there are members. The meeting shall be notified... the regular annual meeting will cover any vacancies there may be in the Board of Directors, receive or consider the business reports of the members of the Board of the insurance cooperative, and decide on any other matter raised by the members...”

² Section 3.310 of the Insurance Code provides:

“(1) Every authorized insurer shall submit to the Commissioner, on or before March 31, a financial statement and balance sheet as of the preceding December 31. The statement shall be made on the forms provided by the Commissioner and shall provide the information required by this title and the Commissioner and shall be sworn to by at least two of the chief officers of the insurer. The annual statement of a mutual insurer or a Lloyd’s insurer shall be sworn to by an attorney-in-fact.”

statutory accounting principles provided by the National Association of Insurance Commissioners and that emphasize the financial situation of the organization, focusing on the solvency of the insurer and the capacity to meet its obligations. Because the information is prepared based on principles other than the GAAP principles used in financial statements, it will help shareholders and members of the organizations to understand regulatory actions that may affect them.

This Office will consider that a report submitted to the shareholders or members to be in compliance with this letter, if the report includes elements of the Annual Report that has been filed with or will be filed with this Office and contains at least the following parts of the report:

- a. Comparative Financial Statement
- b. Comparative Statement of Income and Expenses
- c. Cash Flow Statement
- d. Capital Statement
- e. Compliance with Risk-based Capital, under Chapter 45 of the Insurance Code

If the summary of the Annual Report that is provided does not misrepresent or modify any of the items of the Annual Report that has been filed or will be filed with this Office, it will be considered that this ruling letter has been complied with, in terms of facilitating the submission and interpretation of the report. Amendments to the Annual Report made in due course after the annual shareholders' or members' meeting will not be considered to be a failure to comply with this Letter.

The provisions of this Rule are enforceable with regard to the Annual Report for the calendar year 2015, to be submitted to the shareholders' and members' meetings during the 2016 calendar year and subsequent years.

Strict compliance with the guidelines in this letter is hereby required.

Very truly yours,

SIGNED

Ángela Weyne-Roig
Commissioner of Insurance

Rule 14 of the Insurance Code provides as follows:

"The insurer's annual statement shall be prepared on official forms approved by the National Association of Insurance Commissioners, as may be modified from time to time. The form shall be completed in all of its parts in a manner in which the financial circumstances and business transactions of the previous year may be easily determined."