

Government of Puerto Rico  
**OFFICE OF THE COMMISSIONER OF INSURANCE**

COOPERATIVA DE SEGUROS MÚLTIPLES DE PUERTO RICO  
Regular Examination as of December 31, 2009

AMENDED

**Maribel Figueroa-Díaz**  
**Lourdes E. Rivera-Fontánez**  
Examiners

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Government of Puerto Rico  
OFFICE OF THE COMMISSIONER OF INSURANCE

June 29, 2011

Mr. Ramón L. Cruz-Colón, CPCU, AU, ARe  
Commissioner of Insurance  
Office of the Commissioner of Insurance  
Guaynabo, Puerto Rico

Dear Commissioner:

Pursuant to the Notification, Order for Investigation and Request Number EX-2010-232, dated September 30, 2010 and in conformance with the provisions of Article 2.140 of the Puerto Rico Insurance Code, 26 LPRA, Section 214, a comprehensive risk focus examination and financial affairs was made of the books, records and financial condition of

**Cooperativa de Seguros Múltiples de Puerto Rico**

hereinafter referred to as "the Insurer."

**SCOPE OF THE EXAMINATION**

The examination covered financial transactions and operations between January 1, 2005 and December 31, 2009 and such subsequent transactions, which in the judgment of the examiner were relevant. The examination was performed at 38 Nevárez Street, San Juan, Puerto Rico.

We conducted our examination in accordance with the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook* (Handbook). The Handbook requires that the examination be planned and performed to evaluate the financial condition and identify prospective risks of the Insurer by obtaining information about the Insurer, including corporate governance, identifying and assessing inherent risks within the Insurer, and evaluating system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with Statutory Accounting Principles and Annual Statement Instructions, as applicable to the Puerto Rico Insurance Code and Regulations.

#### HISTORY

The Insurer was incorporated as a non-profit corporation on April 23, 1963, according to the provisions of Chapter 34 of the Puerto Rico Insurance Code, under the name of Cooperativa de Seguros Múltiples de Puerto Rico, beginning its operations on February 8, 1965. The Insurer is authorized by the Office of the Commissioner of Insurance "the Office" to engage in property, marine and transportation, title, casualty, and surety insurance business.

In 2003, the Insurer acquired 100% of the outstanding shares of Royal & Sun Alliance (Puerto Rico), Inc., known as the Real Legacy Assurance Company. In addition, the Insurer owns 100% of outstanding shares of CSM Investors, Inc. During

2008, the Insurer acquired 100% of the outstanding shares of Martingale National Insurance Company.

#### **BOARD OF DIRECTORS**

The Board of Directors will ensure that the purposes and ends of the Insurer are fulfilled, by making use of all powers vested in the Board by the Puerto Rico Insurance Code, the laws of Puerto Rico, its Articles of Incorporation, its By-laws, and the Manual of Practices. In addition, the Board is charged with the administration and general oversight of the business and activities of the Insurer and will adopt such rules and regulations as are consistent with the Puerto Rico Insurance Code and the Articles of Incorporation and its By-laws as may be necessary for its operation.

Section 3 of Article V of the Insurer's By-laws establishes that the Board of Directors will be comprised by thirteen (13) directors. Each director will be elected for a term of one (1) year and a maximum of three (3) years. As of December 31, 2009, the following were the members of the Board of Directors of the Insurer:

Mr. Luis A. Velázquez-Vera	Chairman of the Board
Mrs. Altigracia Peña-Suárez	Vice President
Mrs. Agnes Y. Quiñones-Figueroa	Second Vice President
Mr. Federico Rivera-Llopiz	Secretary
Mr. José A. Morales-Burgos	Treasurer
Mrs. Brenda J. Varela-García	Sub-secretary
Mr. Roberto Delgado-Jiménez	Sub-treasurer
Mr. Juan González-Feliciano	Fifth Member of the Executive Committee
Mr. Héctor L. Torres-Catalán, Esq.	Director
Mrs. Carmen E. Muñoz-Hernández	Director
Ms. Nancy Banrey-Aponte	Director
Mr. Román M. Velasco-González	Director
Mr. Edil E. Villarrubia-Román	Director

**COMMITTEES**

For the purpose of facilitating the work of the Board of Directors and ensuring fulfillment of the purposes of the Insurer, the Board of Directors appointed the Executive, Audit, Legislative and Regulatory, Investment, Education and Public Relations, Promotion and Development Committees. As of December 31, 2009, the following were the members of these committees:

**Executive Committee**

Mr. Luis A. Velázquez-Vera, Chair  
 Mrs. Altagracia Peña-Suárez  
 Mr. Federico Rivera-Llopiz  
 Mr. José A. Morales-Burgos  
 Mr. Juan González-Feliciano  
 Mr. Roberto Castro-Hiraldó, Esq.,  
 President of the Insurer

**Investment Committee**

Mr. José A. Morales-Burgos, Chair  
 Mr. Héctor L. Torres-Catalán, Esq.  
 Mr. Roberto Delgado-Jiménez  
 Mr. Eldil E. Villarrubia-Román  
 Mr. Juan González-Feliciano  
 Mr. Linda Viera-Orengo, CPA, Vice  
 President for Finance

**Legislative and Regulatory Affairs Committee**

Mrs. Altagracia Peña-Suárez, Chair  
 Ms. Nancy Banrey-Aponte  
 Mr. Héctor L. Torres-Catalán, Esq.  
 Mr. Juan González-Feliciano  
 Mr. Román M. Velasco-González  
 Mrs. Ruth E. Gómez-Arias, Esq. Vice  
 President of the Legal Division

**Education Committee**

Ms. Nancy Banrey-Aponte, Chair  
 Mr. Federico Rivera-Llopiz  
 Mr. José A. Morales-Burgos  
 Mrs. Brenda J. Varela-García  
 Mrs. Carmen E. Muñoz-Hernández  
 Mr. Risik Rosario-Peña, Manager of the  
 Educational Services Department

**Audit Committee**

Mrs. Agnes Y. Quiñones-Figueroa, Chair  
 Mr. Federico Rivera-Llopiz  
 Mr. Eldil E. Villarrubia-Román  
 Mr. Román M. Velasco-González  
 Mrs. Carmen E. Muñiz  
 Mr. Carlos E. Huertas-Pizarro, Director of  
 the Audit Division

**Public Relations, Promotion and Development Committee**

Mrs. Brenda J. Varela-García, Chair  
 Mrs. Altagracia Peña-Suárez  
 Mrs. Carmen E. Muñoz-Hernández  
 Mrs. Agnes Y. Quiñones-Figueroa  
 Mr. José A. Morales-Burgos  
 Mrs. Zulma Delgado-Pol, Vice President  
 for Marketing

**OFFICERS**

As of December 31, 2009, the following were the officers of the Insurer:

Roberto Castro-Hiraldo, Esq.	President
Ruth E. Gómez-Arias, Esq.	Secretary
Linda O. Viera-Orengo, CPA	Treasurer

**VICE PRESIDENTS**

Luis Vilaró	Vice President for Administration
Arleen Medina	Vice President for Operations
Manuel Sánchez	Vice President for Information Systems
Zulma Delgado	Vice President for Marketing
Linda O. Viera-Orengo, CPA	Vice President for Finance
Elvin Aponte	Vice President for Services Unit

**CAPITAL**

The Insurer amended Article VII of the Articles of Incorporation to increase the amount of authorized capital from \$50,000,000 to \$80,000,000, in order to address the limitations being confronted in terms of the margin of contribution to common funds that could be issued. The amendment was notified according to Article 34.060(3) of the Puerto Rico Insurance Code.

The authorized capital of the Insurer was \$80,000,000, represented by 100,000 Class A preferred stocks with a par value of \$1 each, 500,000 Class B preferred stocks with a par value of \$1 each, 1,940,000 Class C preferred stocks with a par value of \$10 each, and 6,000,000 shares of common stocks with a par value of \$10 each.

As of December 31, 2009, the paid-in capital of the Insurer was \$31,315,425 distributed as follows:

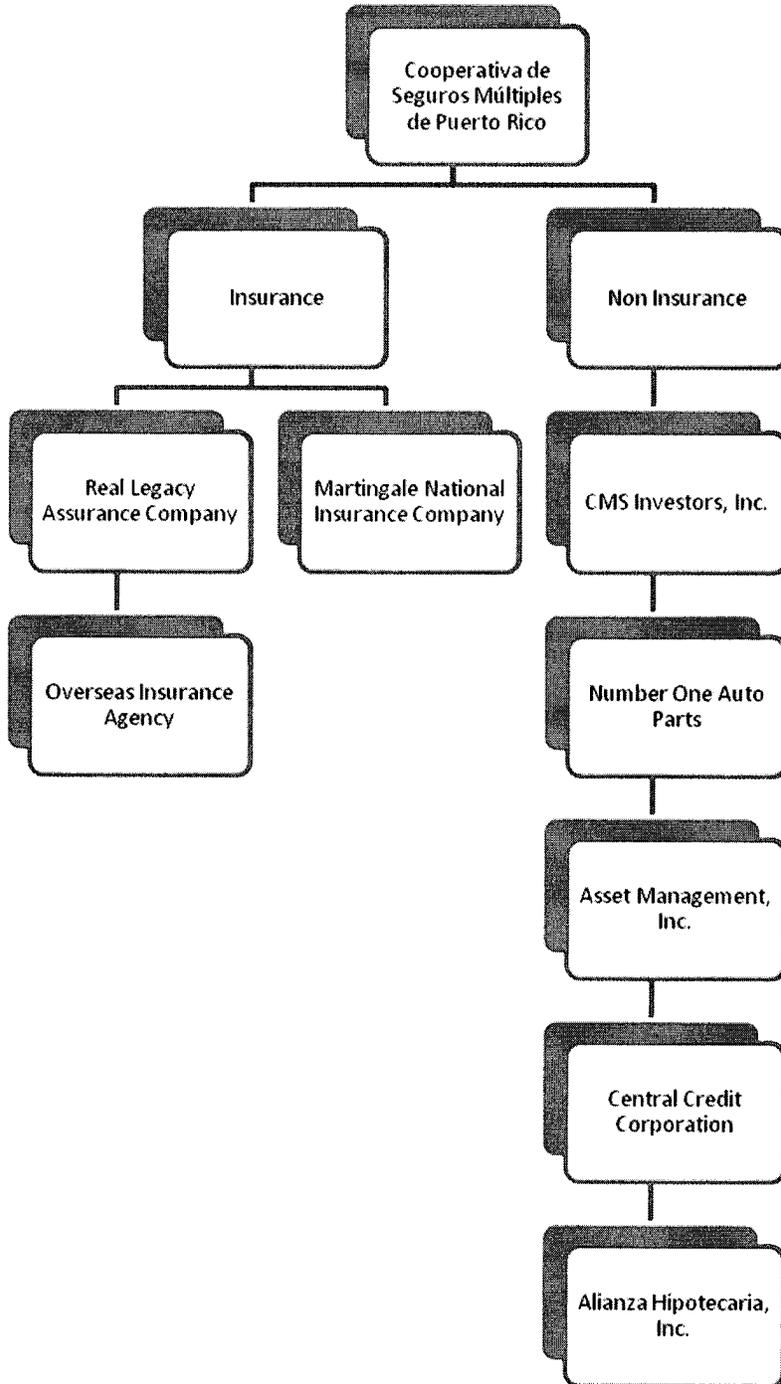
Description	Outstanding Shares	Par Value	Paid-in Capital
Common stocks	\$3,109,710	\$10	\$31,097,101
Class A Preferred Stock	34,456	1	34,456
Class B Preferred Stock	183,868	1	183,868
Total	<u>\$3,328,034</u>		<u>\$31,315,425</u>

A list of the shareholders of the Cooperativa de Seguros Múltiples de Puerto Rico is shown in Appendix I.

#### AFFILIATED AND RELATED COMPANIES

The Insurer owns 100% of the outstanding stocks of CSM Investors, Inc., which owns four (4) subsidiaries: Asset Management, Inc., Number One Auto Parts, Inc., Alianza Hipotecaria, and Central Credit Corporation. Asset Management owns the land leased by Number One Auto Parts, Inc. Number One Auto Parts, Inc., provides custody and auction services for automobiles and trucks obtained as salvage by the Insurer and the sale of used parts from these vehicles. Central Credit Corporation provides insurance financing, and Alianza Hipotecaria provides mortgage loans.

In addition, the Insurer owns 100% of the outstanding stocks of Real Legacy Assurance Company and its subsidiary, Overseas Insurance Agency, Inc. (Overseas) and Martingale National Insurance Company. Real Legacy Assurance Company is organized under the laws of Puerto Rico and is authorized by the Office to underwrite disability, property, title, marine and transportation, agricultural, vehicle, casualty, and surety insurance business. Martingale National Insurance Company was organized under the laws of the State of Illinois and underwrites property and contingency insurance in Illinois, Idaho, Indiana, Montana, North Dakota, Pennsylvania, and the District of Columbia, and has not operated since 2001.



## DIRECTORS & OFFICERS POLICIES AND OTHER INSURANCE

As of December 31, 2009, the Insurer and its subsidiaries maintain a Directors & Officers/Employment Practices liability policy issued by insurers authorized by the Commissioner of Insurance of Puerto Rico. The following is a summary of this coverage:

Coverage	Aggregate/ Limit per Coverage	Retention
Directors & Officers	\$7,500,000	\$50,000
Employment Practices	\$1,000,000	\$50,000
Professional Liability for Insurance Companies	\$3,000,000	\$50,000
Fiduciary Liability	Puerto Rico \$5,000,000 Florida \$1,000,000	\$50,000 \$10,000
ERISA Bond	\$560,000	\$0

The coverage exceeds the minimum amount for the level of exposure suggested by the National Association of Insurance Commissioners.

## OFFICER AND EMPLOYEE PENSION PLAN

The Insurer provides a Defined Benefit Pension Plan (Plan) for its employees. The Plan provides a monthly benefit based on Average Compensation and years of Accredited Service at the time of termination of employment. This benefit will be paid from the normal retirement date.

Employees begin to participate in the Plan the day they complete one year of service. All employees who participate in the Plan must contribute 4% of their compensation to the Plan. The contribution is made through payroll discounts. The Insurer pays for the total cost of the Plan not covered by the employee contributions.

The amount of the contributions paid by the Insurer will be determined by an actuary.

All contributions to the Plan will be held in trust.

#### **SUPPLEMENTARY RETIREMENT PLAN FOR CERTAIN EXECUTIVES**

In 2001, the Insurer created a Non-qualified Retirement Plan for Senior Executives. The purpose of this Plan is to provide this group of professionals with the opportunity to retire as soon as they qualify for a regular retirement plan, without affecting their financial level, in consideration of the fact that to a great degree their positions demand extraordinary effort, dedication, loyalty, and commitment that are not demanded from other personnel.

Participation in this Plan is subject to their own terms and conditions of continuous fulfillment, which include holding one of the covered positions, being in good standing, consistent performance of the employee's duties and obligations with the company, and voluntarily signing a non-competition agreement.

This Plan does not create any right in favor of the employees that perform and occupy executive positions, since it operates by invitation at the discretion of the Executive President, or at the discretion of the Board of Directors, when it is the President of the Insurer that will be invited to participate. On December 19, 2001, a trust was established by public deed to manage the funds of the Plan.

**HEALTH INSURANCE**

The Insurer provides its regular employees with a group health insurance plan. This plan offers coverage for medical services for employees and the members of their immediate family. Both, the Insurer and the employee contribute to paying for this coverage.

**LIFE INSURANCE**

The Insurer provides a Group Life Insurance Plan free of cost to employees. This is a benefit that the employee acquires on becoming a regular employee.

**LONG-TERM DISABILITY INSURANCE**

The Insurer provides employees with coverage equivalent to a certain percentage of the employee's monthly salary as long-term disability insurance for physical or mental disabilities, subject to the terms and conditions of the insurance.

**CAPITAL, DEPOSIT AND INVESTMENTS IN PUERTO RICO SECURITIES**

Article 3.090 of the Puerto Rico Insurance Code, as amended, requires the Insurer to maintain paid-in capital of \$2,800,000. In compliance with this Article of the law, the Insurer maintains paid-in capital of \$31,315,425.

Article 3.151 of the Puerto Rico Insurance Code requires all domestic insurers to maintain deposits in an amount not less than 50% of required capital. However, the Insurer maintained a minimum statutory deposit of \$1,378,024, instead of \$1,400,000. The Insurer had a deficiency of \$21,976, so that it failed to comply with the statutory deposit required in Article 3.151 of the Puerto Rico Insurance Code.

Article 3.160 of the Code also requires that all insurers have an amount that is not less than one half of the capital required in Section 3.090, which means, \$1,400,000, invested in Puerto Rico securities at their amortized value. The Insurer had the amount of \$2,023,249 invested in Puerto Rico securities. As of December 31, 2009, the Insurer was in compliance with Article 3.160 of the Puerto Rico Insurance Code.

#### **TERRITORY AND PLAN OF OPERATIONS**

The Insurer is authorized to operate in the territory of the Commonwealth of Puerto Rico and in the State of Florida, approved in letter E-333 (134), dated March 28, 2001.

#### **MISSION**

The Insurer was organized on April 23, 1963, and commenced operations in March 1965, with the support of the cooperative sector of Puerto Rico to address the property and contingency insurance needs of this sector itself and of the country at large.

The Insurer provides a clear statement of purpose that guides the daily work of its human resources. The statement clearly states the reasons for which the Insurer was created and what its primary function is: to provide exceptional protection services directed at personal security for individuals and organizations. These services are performed as efficiently as possible and at a price that allows for the continued financial solvency of the Insurer.

### UNCLAIMED FUNDS

In 2006 and 2007, the Insurer failed to comply with Article 26.040 of the Puerto Rico Insurance Code, by filing with this Office the Report of Unclaimed Funds as of December 31, 2006, on May 2, 2007 and the Report as of December 31, 2007, on May 5, 2008, instead of the 1st of May as required in said Article.

The Insurer failed to comply with Article 26.050 of the Puerto Rico Insurance Code, by publishing notices of unclaimed funds as of December 31, 2006 during the same week (August 21, 2007 and August 25, 2007) and not for two consecutive weeks as required by said Article.

The Insurer failed to comply with Article 26.050 of the Puerto Rico Insurance Code, by publishing notices of unclaimed funds as of December 31, 2007 during the same week (August 26, 2008 and August 29, 2008) and not for two consecutive weeks as required by said Article.

### ANNUAL REPORT

Article 3.310(1) of the Puerto Rico Insurance Code, establishes that before the 31st of March, every authorized insurer shall file with the Commissioner, a balance sheet, including its transactions as of the preceding 31st of December. However, the Insurer filed the 2009 Annual Statement with this Office on April 6, 2010. The Insurer failed to comply with Section 3.310(1) of the Code by filing the Statement after March 31, 2010.

In addition, the Insurer amended the Annual Statement and the amendment was not filed with this Office as required in Ruling Letter NE-3-74-94, which requires that

the amendment be sworn to by the two officers that swore to the report that was filed originally.

The Insurer did not file the Actuarial Opinion Summary required in Ruling Letter N-E-I-71-2006, dated January 25, 2006.

Ruling Letter 2008-89-AP, dated May 14, 2008, requires that not later than March 31<sup>st</sup> of every year the Insurer should file the following with this Office:

1. Information on all policies that are active as of December 31<sup>st</sup> of each year, that cover hurricane and earthquake risks, by business line, kind of policy and risk classification (for example, condominiums, walk-ups, homeowners, construction risks, business risks, dwelling, among others). For each of these, you should provide the following information:
  - Number of policies
  - Value amount insured
  - Premiums collected
2. Copy of the study or calculation of the Probable Maximum Loss (PML).
3. Summary of the current catastrophic reinsurance program. A copy of all treaties or notes of coverage should be included.

The Insurer failed to comply with this Ruling Letter by not filing the information required in the letter.

Article 45.030(1) of the Puerto Rico Insurance Code, requires that not later than the 31<sup>st</sup> of March of each year, all domestic insurers should prepare and file with the Commissioner a report of the insurer's risk-based capital at the close of the previous calendar year, with the information and in the manner required in the instructions on risk-based capital. The Insurer failed to comply with Article 45.030(1) of the Puerto Rico Insurance Code, by failing to file a report on capital levels with this Office.

**REINSURANCE PROGRAM**

As of December 31, 2009, the Insurer had several reinsurance, excess loss, facultative, and catastrophic contracts through the brokers Willis Faber and AON Re Caribbean<sup>1</sup>.

In reviewing the reinsurance contracts that were in effect as of December 31, 2009, it was observed that the Insurer reinsured part of its risk with insurers that are not authorized in Puerto Rico, without the previous approval of the Commissioner. These were the following:

ACE Global	Mapfre Reinsurance Corporation
Ariel Reinsurance Company Ltd.	Montpelier Reinsurance Ltd.
Axis Specialty Limited Bermuda	MS Frontier Reinsurance Ltd.
Canopius Underwriting Bermuda Ltd.	Munchener Ruckversicherungs- Gesellschaft
Catlin Insurance Company Ltd.	Nationwide Mutual Insurance Company
China International Reinsurance Company	Partner Reinsurance Company Ltd.
Converium Limited Zurich Switzerland	Platinum Underwriters Bermuda Ltd.
Employers Reinsurance Corp	Ruckversicherungs-Aktiengesellschaft
Flagstone Reinsurance Ltd.	Shelter Reinsurance Company Ltd.
Flagstone Underwriters Latin America Limited, A.I.	XL Re Latin America Ltd.
Korean Reinsurance Company	

The Insurer did not provide the information required in Ruling Letter N-AF-4-63-2005, in order to use unauthorized reinsurers, thereby failing to comply with Article 4.120 (1) of the Puerto Rico Insurance Code.

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<sup>1</sup> The contracts with unauthorized reinsurers are included in Appendix II.

### ACCOUNTING RECORDS

The Insurer's accounting is prepared on a combined cash and accrual basis for the purpose of preparing Financial Statements and the Annual Statement. Some of the reports observed were the general ledger, uncollected premiums subsidiaries, income and disbursement registers as well as automated journals.

During the period examined, the Insurer was audited by the external auditors KPMG LLP. For the year ended December 31, 2009, the Insurer retained the actuarial services of Tillinghast Tower Perrin.

### FINANCIAL STATEMENTS

The following financial statements are included below:

- Comparative balance sheets as of December 31, 2005 and December 31, 2009.
- Balance sheets showing examination adjustments and reclassifications as of December 31, 2009.
- Summary of Operations, as included in the Annual Statement as of December 31, 2009.
- Reconciliation Statement for Unassigned Surplus as of December 31, 2009.

**COOPERATIVA DE SEGUROS MÚLTIPLES DE PUERTO RICO**  
**COMPARATIVE BALANCE SHEETS**  
**AS OF DECEMBER 31, 2009 AND 2005**

	2009	2005	Increase or (Decrease)
<b>ASSETS</b>			
Bonds	\$226,838,916	\$282,486,186	(\$55,647,270)
Preferred stock	11,470,227	26,824,105	(15,353,878)
Common stock	117,786,662	134,761,418	(16,974,756)
Real estate	11,358,086	13,478,726	(2,120,640)
Cash	67,706,120	44,555,675	23,150,445
Other Investments	10,197,882	8,182,494	2,015,388
Uncollected Accrued Interest	2,180,050	3,368,860	(1,188,810)
Uncollected Premiums	5,760,037	5,882,227	(122,190)
Uncollected Reinsurance on Paid Losses	1,567,366	395,509	1,171,857
Net Deferred Assets	300,000	-	300,000
Electronic Equipment	1,053,248	525,191	528,057
Affiliates Accounts Receivable	1,477,246	58,631	1,418,615
Other Accounts Receivable	9,741,550	16,567,682	(6,826,132)
Total Assets	<u>\$467,437,390</u>	<u>\$537,086,704</u>	<u>(\$69,649,314)</u>
<b>LIABILITIES</b>			
Loss Reserve	\$34,545,188	\$34,531,908	13,280
Loss Adjustment Expenses	8,132,940	6,708,326	1,424,614
Other Expenses Payable	4,712,104	7,093,686	(2,381,582)
Unpaid Loans	683,317	-	683,317
Unearned Premiums	91,544,567	115,513,091	(23,968,524)
Premiums Paid in Advance	63,974,180	0	63,974,180
Premiums Assigned to Reinsurance Payable	2,744,000	2,549,977	194,023
Retained Amounts	1,253,170	1,237,545	15,625
Other Liabilities	46,551,574	160,934,981	(114,383,407)
Affiliate Accounts Payable	1,950	-	1,950
Total of Liabilities	<u>\$254,142,990</u>	<u>\$328,569,514</u>	<u>(74,426,524)</u>
<b>CAPITAL AND SURPLUS</b>			
Special Surplus	\$127,422,836	\$123,543,993	\$3,878,843
Paid-in Capital	31,315,425	18,605,327	12,710,098
Unassigned surplus	54,556,139	66,367,870	(11,811,731)
Total Capital and Surplus	<u>213,294,400</u>	<u>208,517,190</u>	<u>4,777,210</u>
<b>TOTAL LIABILITIES, CAPITAL AND SURPLUS</b>	<u>\$467,437,390</u>	<u>\$537,086,704</u>	<u>(\$69,649,314)</u>

**COOPERATIVA DE SEGUROS MÚLTIPLES DE PUERTO RICO**  
**ADJUSTED BALANCE SHEETS**  
**AS OF DECEMBER 31, 2009**

	<b>Annual Report Balance</b>	<b>Adjustments and/or Reclassifications</b>		<b>Examination Balance</b>
		<b>DR</b>	<b>CR</b>	
<b>ASSETS</b>				
Bonds	\$226,838,916			\$226,838,916
Preferred stock	11,470,227			11,470,227
Common stock	117,786,662			117,786,662
Real estate	11,358,086		212,325(A)	11,145,761
Cash	67,706,120			67,706,120
Other Investments	10,197,882			10,197,882
Uncollected Accrued Interest	2,180,050			2,180,050
Uncollected Premiums	5,760,037			5,760,037
Uncollected Reinsurance on Paid Losses	1,567,366			1,567,366
Net Deferred Assets	300,000			300,000
Electronic Equipment	1,053,248			1,053,248
Affiliates Accounts Receivable	1,477,246		297,806(A)	1,179,440
Other Aggregate Assets	9,741,550		74,580(A)	9,666,970
Total Assets	<u>\$467,437,390</u>		<u>\$584,711</u>	<u>\$466,852,679</u>
<b>LIABILITIES</b>				
Loss and Adjustment Expense Reserve	\$42,678,128		2,026,000(A)	\$44,704,128
Commissions Payable			964,878(R)	964,878
Other Expenses Payable	4,712,104	964,878(R)	174,598(A)	3,921,824
Unpaid Loans	683,317			683,317
Unearned Premiums	91,544,567			91,544,567
Premiums Paid in Advance	63,974,180			63,974,180
Premiums Assigned to Reinsurance Payable	2,744,000			2,744,000
Retained Amounts	1,253,170			1,253,170
Aggregate Liabilities	46,551,574		3,378(A)	46,554,952
Affiliate Accounts Payable	1,950			1,950
Total Liabilities	<u>\$254,142,990</u>	964,878	3,168,854	<u>\$256,346,966</u>
<b>CAPITAL AND SURPLUS</b>				
Special Surplus	\$127,422,836			\$127,422,836
Paid-in Capital	31,315,425			31,315,425
Unassigned surplus	54,556,139	2,788,687		51,767,452
Total Capital and Surplus	<u>213,294,400</u>	<u>2,788,687</u>		<u>\$210,505,713</u>
<b>TOTAL LIABILITIES, CAPITAL AND SURPLUS</b>	<u>\$467,437,390</u>	<u>\$3,753,565</u>	<u>\$3,168,854</u>	<u>\$466,852,679</u>

**COOPERATIVA DE SEGUROS MÚLTIPLES DE PUERTO RICO**  
**STATEMENT OF INCOME AND EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

**Income**

Earned Premiums	\$146,798,057
Other Income	
Income Net of Investments	12,873,652
Realized Loss	(6,684,383)
Net Profit	8,857
Finance Charges	102,582
Miscellaneous Income	2,465,453
Total Income	<u>\$155,564,218</u>

**Deductions**

Losses Incurred	90,255,529
Expenses of Losses Incurred	16,024,389
Other Underwriting Expenses Incurred	66,766,145
Subtotal	<u>173,046,063</u>
Net loss before dividends	(17,481,845)
Income Tax	<u>(550,685)</u>
<b>Net Profit or (Loss)</b>	<u><b>\$(16,931,160)</b></u>

**COOPERATIVA DE SEGUROS MÚLTIPLES DE PUERTO RICO**  
**RECONCILIATION OF UNASSIGNED SURPLUS**  
**AS OF DECEMBER 31, 2009**

	<b>EXAMINATION</b>	
	<b>ADJUSTMENTS</b>	<b>BALANCE</b>
	<hr/>	<hr/>
Annual Report Unassigned Surplus		\$54,556,139
Real Estate	\$212,325	
Affiliate Accounts Receivable	297,806	
Other Aggregate Assets	74,580	584,711
Loss And Adjustment Expense Reserve	\$2,026,000	
Other Expenses Payable	174,598	
Aggregate Liabilities	3,378	2,203,976
Adjustments According to Examination		2,788,687
Examination Unassigned Surplus		<u>\$51,767,452</u>

**COMMENTS AND FINDINGS OF EXAMINATION**

The following are comments and findings related to some of the items shown in the Insurer's Annual Statement as of December 31, 2009.

**BONDS** **\$226,838,916**

In the Insurer's Annual Statement as of December 31, 2009, the balance for this item was \$226,838,916. The balance of these assets represents the amortized value of investments acquired by the Insurer which complied with the provisions of Chapter 6 of the Puerto Rico Insurance Code, as amended. Investments are distributed as follows:

Description	Amount
Fed Agric	\$2,000,000
Federal Farm Credit Bank	2,200,000
Federal Home Loan Bank	24,653,523
FHLMC	45,092,464
FNMA	90,373,199
US AGENCY FICO	2,691,652
GNMA	26,696,899
Investments in Puerto Rico Securities	2,023,249
EU Territory	16,993,613
FNR	820,039
Industrial and Miscellaneous	11,246,346
Industrial and Miscellaneous Multi Class	2,047,932
<b>Total</b>	<b>\$226,838,916</b>

Investments as of December 31, 2009, were held by Banco Popular de Puerto Rico, UBS, and Banco Bilbao Vizcaya Argentaria.

Tests were performed on investments bought and sold during 2009. No irregularities were found. In addition, we selected a sample to verify the investments amortization of premiums and discounts and to ascertain compliance with SSAP No. 26

and No. 43 of the NAIC Accounting Practices and Procedures Manual. No irregularities were found.

**CASH** **\$67,706,120**

As of December 31, 2009, the Insurer had cash accounts at Banco Popular of Puerto Rico, Banco Cooperativo, Banco Santander, Western Bank, Scotiabank, Banco Popular North América, and Fifth Third Bank to handle cash transactions.

The bank reconciliations prepared by the Insurer were verified and it was found that the balance was reconciled and they were approved by a supervisor. We reviewed the outstanding checks as of December 31, 2009, which were paid during the months of January, February, and March of 2010. We also reviewed the outstanding deposits on the reconciliations as of December 31, 2009, which were also collected in the following year. No irregularities were observed. There were no outstanding checks for more than one year in the accounts. The portfolio of certificates of deposit was verified and no differences were found.

**UNCOLLECTED PREMIUMS** **\$5,760,037**

The balance shown by the Insurer in the Annual Statement was \$5,760,037, the uncollected balance for collection in October, November, and December, as required in SSAP No. 6 of the NAIC Accounting Practices and Procedures Manual. The Insurer presented the amount of \$3,495,102 as an unadmitted asset for over 90-day past due policies.

A sample of the Premiums Aging Report was selected to verify the effective dates of the policies and whether the uncollected amounts were correct. In addition, subsequent collections were reviewed and no differences were found.

In the Premiums Aging Report we observed credits in the amount of \$2,383,403 for pending premiums to be paid. The Insurer should establish a procedure for reconciling the Uncollected Premiums subsidiary and the general ledger within a reasonable period of time. The Insurer must ensure that cancellations and other transactions are posted and reconciled within a reasonable period of time.

**REAL ESTATE****\$11,145,761**

As of December 31, 2009, the Real Estate account consisted of the following:

Description	Amount
Land	\$3,675,484
Building – Main Offices Net of Depreciation	4,600,793
Structural Improvements	3,081,899
	\$11,358,176

Depreciation of the building was done correctly according to SSAP No. 40 of the NAIC Accounting Practices and Procedures Manual.

Paragraph 7 of SSAP No. 40, provides that the valuation of real estate shown in the accounts should include acquisition costs and capital improvements to the structure.

As of the date of the examination, the following capital improvements were made to the building:

2005	2006	2007	2008	2009
\$158,850	\$385,330	\$198,290	\$264,772	\$717,510

A sample of the improvements was selected and the invoices and cancelled checks for the improvements were reviewed. An adjustment was made in the amount of \$212,325 for the purchased and installation of a carpet, vertical blinds, the installation of a telephone exchange, power lines, and other expenses that are not considered capital improvements to the property as provided in Article 6.020(7)(a)(iii) of the Puerto Rico Insurance Code and Paragraph 7 of SSAP No. 40 of the NAIC Accounting Practices and Procedures Manual.

**AFFILIATES RECEIVABLES** **\$1,179,440**

As of December 31, 2009, the Insurer showed a balance of \$1,477,246 in the Affiliates Receivables account. The balance consisted of the following:

Description	Receivable Balance	Examination Adjustment	Examination Balance
Asset Magt Affiliates	\$14,025		14,025
CSM Affiliates	3,000		3,000
CCC Affiliates	42,628		42,628
Alianza Hipotecaria	1,700	1,700	-0-
Overseas Uncollected Premiums	1,105,256		1,105,256
Martingale National Insurance Company	310,637	296,106	14,531
Total	<u>\$1,477,246</u>	<u>\$297,806</u>	<u>\$1,179,440</u>

SSAP No. 25 of the NAIC Accounting Practices and Procedures Manual establishes, among other things, that accrued balances reported by the Insurer as overdue for more than ninety (90) days are considered unadmitted assets.

Further to reviewing the balance shown by the Insurer, we found that the balances included the amount of \$296,106 as an account receivable of the affiliate Martingale National Insurance Company, pertaining to services rendered by the Insurer in 2009, and due for more than ninety (90) days. The balance of \$1,700 refers to an uncollected balance since 2007 from Alianza Hipotecaria.

In this examination the amount of \$297,806 will be adjusted, according to SSAP No. 25 of the NAIC Accounting Practices and Procedures Manual, since these balances have been due for more than ninety (90) days.

During the examination, the Insurer showed as a subsequent event the partial collection of \$100,000 in 2011 from the subsidiary Martingale National Insurance Company.

**OTHER AGGREGATE ASSETS** **\$9,666,970**

As of December 31, 2009, the Insurer presented a balance of \$9,741,550 in its Annual Statement. The balance consisted of the following:

Account	Description	Amount
	Excess Deposit of Reinsurance	
11901000	Premiums	\$ 275,862
11905000	Accounts Receivable WYO Co.	81,506
	Accounts Receivable from	
11908000	Investments	4,599
11911000	Miscellaneous Reinsurance	640,335
11914000	Accounts Receivable	355
12207000	Goodwill	8,022,613

Account	Description	Amount
12209000	Goodwill MNIC	696,281
		<u>\$9,741,551</u>

The accounts were reviewed in detail as well as their subsequent collections. In addition, it was verified that Goodwill was recorded according to SSAP No. 68 of the NAIC Accounting Practices and Procedures Manual, which establishes that it may be amortized for 10 years.

The WYO- Co Accounts Receivable shown in the balance by the Insurer was subsequently adjusted in the amount of \$74,580 to correct the account balance as of December 31, 2009. The amount will be adjusted in this examination.

**RESERVE FOR LOSSES AND LOSS ADJUSTMENT EXPENSES** **\$44,704,128**

The Insurer has a reserve for reported losses and for incurred but not reported cases (IBNR) of \$34,545,188, and for loss adjustment expenses, the amount of \$8,132,940. In order to determine whether this estimate was calculated according to the provisions of Articles 5.020 and 5.050(2) of the Puerto Rico Insurance Code, we reviewed the development of the reserve in the quarterly and annual reports prepared by the Insurer for 2009 and September 2010. The analysis showed that the estimated should be increased in the amount of \$2,026,000.

**COMMISSIONS PAYABLE** **\$964,878**

The balance of \$964,878 is the result of the reclassification of the general expense account to commission's payable, in order to correctly reflect such balance. The account consisted of the following:

<u>Description</u>	<u>Balance</u>
Regular Commissions	\$746,252
Contingent Commissions	<u>218,626</u>
Total	\$964,878

The Insurer complied with the provisions of Rule No. 84 of the Regulations of the Puerto Rico Insurance Code by not exceeding the average established for the payment of contingent commissions. We reviewed 100% of the commissions paid and no exception was found.

**OTHER EXPENSES PAYABLE** **\$3,921,824**

As of December 31, 2009, the balance of this account was \$4,712,104. This account is comprised of several accrued expenses as of December 31, 2009, for water, electricity, telephone, rent, and others. We evaluated the report submitted by the Insurer in which there is a reserve for overhead expenses. In addition, we requested a cash disbursements report for the months of January to June 2010, in order to determine whether the Insurer had an adequate reserve for the other expenses payable account.

SSAP No. 5 of the NAIC Accounting Practices and Procedures Manual establishes among other things, that liabilities are obligations for services rendered in the present and accrued for subsequent events.

From this account we reclassified the amount of \$964,878 from the commission's payable account in order to present the correct account balance. In addition, the account balance was increased by \$174,598, which corresponds to payments made in 2010, which was not accrued on or before December 31, 2009.

Description	Non-reserved Balance	Reclassification	Examination Balance
2009 Annual Statement Balance			\$4,712,104
Reclassification		\$(964,878)	
Infokeepers of Puerto Rico	\$10,072		
Rene A. Campos	150,000	-0-	
CRIM	14,526		
	<hr/>		
	\$174,598	\$(964,878)	(790,280)
Total			<u>\$3,921,824</u>

**AGGREGATE UNPAID LIABILITIES****\$46,554,952**

In the 2009 Annual Statement the Insurer showed a balance of \$46,551,574. This balance consisted of unpaid expenses such as health insurance, vendor accounts payable, the unclaimed funds reserve, and others.

A detailed list was requested for the accrued accounts receivable as of December 31, 2009 and subsequent payments were verified. Analyzing the paid invoices in the subsequent months, we found payments corresponding to the period ending on December 31, 2009, that had not been accrued.

The balance on the Insurer's books was \$46,554,952 instead of \$46,551,574, so the account is being increased by \$3,378. The adjusted balance of the Aggregate Unpaid Liabilities as of December 31, 2009 was \$46,554,952.

**UNASSIGNED SURPLUS****\$51,767,452**

The unassigned surplus was affected by (\$2,788,697) for adjustments to assets and liabilities items discussed in this examination.

**CONCLUSION**

The financial condition of the Insurer, after examination adjustments, is the following:

Assets	<u>\$466,852,679</u>
Liabilities	\$256,346,966
Special Surplus	127,422,836
Paid-in Capital	31,315,425
Unassigned surplus	<u>51,767,452</u>
Total Liabilities, Capital and Surplus	<u>\$466,852,679</u>

Respectfully,



Maribel Figueroa Díaz  
Examiner

**RECOMMENDATIONS AND EXAMINATION ADJUSTMENTS**

1. The Insurer failed to comply with statutory deposit required in Article 3.151 of the Puerto Rico Insurance Code. The Insurer held a minimum statutory deposit of \$1,378,024, instead of \$1,400,000. Pages 11 and 12
2. For 2006 and 2007, the Insurer failed to comply with Article 26.040 of the Puerto Rico Insurance Code by submitting the Unclaimed Funds reports after May 1st. Page 13
3. The Insurer failed to comply with Article 26.050 of the Puerto Rico Insurance Code by publishing the notices of unclaimed funds as of December 31, 2006 and as of December 31, 2007 during the same week and not during two consecutive weeks as required in this Article. Page 13
4. The Insurer filed the 2009 Annual Statement with this Office on April 6, 2010. The Insurer failed to comply with Article 3.310(1) of the Puerto Rico Insurance Code by filing the report after March 31, 2010. Pages 13 and 14
5. The Insurer amended the Annual Statement and the amendment was not filed with this Office according to Ruling Letter NE-3-74-94 dated April 12, 1994. Pages 13 and 14
6. The Insurer failed to submit the Actuarial Opinion Summary required in Ruling Letter N-E-I-71-2006 dated January 25, 2006. Page 14
7. The Insurer failed to comply with Ruling Letter 2008-89-AP dated May 14, 2008, by not providing information on the hurricane and earthquake policies that were

in effect as of December 31, 2009, a Probable Maximum Loss (PML) study, and the summary of catastrophic reinsurance treaties. Page 14

8. The Insurer failed to comply with Article 45.030(1) of the Puerto Rico Insurance Code, by not providing this Office with a report of its RBC levels on or before March 31, 2010. Page 14
9. The Insurer used unauthorized reinsurers, without obtaining prior approval from the Commissioner, thereby failing to comply with Article 4.120 (1) of the Puerto Rico Insurance Code. In addition, the Insurer did not provide the information required in Ruling Letter N-AF-4-63-2005, in order to be able to use unauthorized reinsurers. Page 15
10. The Real Estate account will be adjusted in the amount of \$212,325 for the payment of the sale and installation of a carpet, vertical blinds, the installation of a telephone station, power lines, and other expenses that are not considered capital improvements to the property, as provided in Article 6.020(7) (a) (iii) of the Puerto Rico Insurance Code and SSAP No. 40, paragraph 7, of the NAIC Accounting Practices and Procedures Manual. Pages 23 and 24
11. The amount of \$297,806 of the Affiliates Accounts Receivable will be adjusted, which corresponds to the amount uncollected over ninety (90) days, as provided in SSAP No. 25 of the NAIC Accounting Practices and Procedures Manual. Pages 24 and 25
12. The Aggregate Assets account will be adjusted in the amount of \$74,580 to correct the balance as of December 31, 2009. Pages 25 and 26

13. The Reserve for Losses and Loss Adjustment Expenses was adjusted in the amount of \$2,026,000. Page 26
14. The amount of \$964,878 was reclassified from the Other Expenses Payable account to Commissions Payable account to show the correct commission's payable balance. Pages 26 and 27
15. The balance of the Other Expenses Payable account was increased in the amount of \$174,598 for payments made in 2010 which had not been accrued on or before December 31, 2009. Pages 27 and 28
16. The balance of the Aggregate Accounts Payable was increased in the amount of \$3,378 corresponding to a difference between the balance shown in the Annual Statement and the amount in the General Ledger. Page 28
17. The unassigned surplus was affected by (\$2,788,687) due to the adjustments to the Real Estate, Affiliates Accounts Receivable, Other Aggregate Assets, Loss and Loss Adjustment Expense Reserves, Other Expenses Payable, and Aggregate Liabilities, items that were discussed in this examination. Pages 28 and 29

Appendix I

COOPERATIVA DE SEGUROS MÚLTIPLES DE PUERTO RICO  
 List of Shareholders  
 As of December 31, 2009

MEMBER NUMBER	NAME OF COOPERATIVE	TOTAL	% OF TOTAL
003	Asoc. Action Soc. Cat.	630.36	0.002
004	Mayaguez	349,228.77	1.123
006	La Puertorriqueña	1,606,506.06	5.166
007	PR Department of Agriculture	26,529.06	0.085
008	Lares	29,114.38	0.094
012	Camuy	613,367.84	1.972
013	Consumidores del Noroeste	3,852.66	0.012
022	FHA Saving & Credit Union USDA	1,167.03	0.004
027	Aiboniteña	55,143.50	0.177
028	Vega Alta	419,352.43	1.349
034	Coopaca	59,390.82	0.191
035	Fed Pizarro	1,260.46	0.004
036	Arecibo	1,834,817.79	5.900
038	Agentes Lotería	11,282.90	0.036
042	Yauco	12,823.79	0.041
046	Carol Anne	1,260.46	0.004
048	Com Consumo Yauco	1,260.46	0.004
050	Manatí	27,560.25	0.089
053	Caguas	340,769.71	1.096
067	Ryder	583.57	0.002
071	Barceloneta	4,536.44	0.015
073	Public Service Commission	57.72	0.000
075	Empleados y Trabajadores Pepsi	6,689.80	0.022
076	Empleados Fondo Seguro del Estado	8,995.27	0.029
078	Empleados Cervecería India	8,923.95	0.029
079	Santa Isabel	15,829.06	0.051
080	Rafael Carrión Jr.	6,334.45	0.020
081	Aguada	11,695.74	0.038
082	Acueductos y Alcantarillados	109,503.20	0.352
084	Valencoop	613,007.05	1.971
087	Tres Monjitas	5,819.59	0.019
088	Holsum	12,314.79	0.040
089	Judicoop	56,258.40	0.181
090	Familiar Progresista	703,200.27	2.261
091	Empleados Empresas Díaz	54,382.95	0.175
092	Añasco	41,839.81	0.135
096	Sabaneña	791,624.18	2.546
097	Toa	630.36	0.002
099	Iglesia Luterano	567.34	0.002
100	Liga de Cooperativas	15,796.03	0.051

MEMBER NUMBER	NAME OF COOPERATIVE	TOTAL	% OF TOTAL
103	San Rafael	527,338.23	1.696
106	Seguros de Vida	959,040.99	3.084
113	Quebradillas	19,346.23	0.062
114	Aguadilla	1,404,161.03	4.515
115	Padre McDonald	136,524.04	0.439
117	Gas Choferil Río Grande	583.57	0.002
119	Empleados Dept de la Vivienda	36,879.25	0.119
121	Empleados Pueblo Supermarket	129,841.91	0.418
123	Empleados Liga Coops	126.29	0.000
124	Guanica	1,167.03	0.004
125	Asoc Parr Villalba	609.17	0.002
129	Postal Employees of PR	96,526.21	0.310
131	Dept de Instrucción Pública	59,729.53	0.192
132	Guaynabo	164,720.79	0.530
133	José Cortés Cord	1,084.61	0.003
134	Fed Coop Juveniles	126.29	0.000
135	Roosevelt Road Naval Station	31,600.43	0.102
139	Moca	5,202,826.52	16.731
140	Cabo Rojo	911,150.48	2.930
141	Isabela	3,189,436.64	10.256
143	Hatillo	1,149,137.48	3.695
145	Caribe Coop	78,724.14	0.253
147	Universidad Interamericana	31,767.73	0.102
149	Iglesia Evangélica Unida	252.23	0.001
155	La Sagrada Familia	62,042.82	0.200
158	Barrio Quebrada	5,170.83	0.017
159	Vegabajeña	318,644.59	1.025
165	Naguabeña	27,798.93	0.089
170	Nuestra Señora de la Candelaria	4,297.74	0.014
175	Cidreña	28,985.28	0.093
180	San Blas de Illescas	81,210.32	0.261
183	Moroveña	59,876.85	0.193
184	Educoop	167,556.96	0.539
186	Salinas	6,080.64	0.020
187	Maunabo	36,978.75	0.119
188	Crambar Corp	2,631.99	0.008
189	Las Piedras	7,815.12	0.025
191	Saulo D Rodríguez	157,853.07	0.508
196	Florida	4,067.14	0.013
201	Rim-Coop	14,345.52	0.046
202	Departamento de Hacienda	44,263.25	0.142
209	Fomento Económico	53,856.08	0.173
210	Finaciba	13,064.02	0.042
220	Oficiales de Custodia	36,966.93	0.119
223	First Federal Savings	11,705.42	0.038

MEMBER NUMBER	NAME OF COOPERATIVE	TOTAL	% OF TOTAL
228	Fundación Ana G. Méndez	2,260.38	0.007
229	Jayuya	594,598.67	1.912
237	Caparra Dairy	35,389.31	0.114
238	Empleados Autoridad de Energía Eléctrica	139,493.29	0.449
239	Hormigueros	53,177.36	0.171
247	Castañer	583.57	0.002
257	Castañer Salud	232.99	0.001
258	Las Navieras	7,262.21	0.023
265	Agencias Agrícolas UPR	166,330.64	0.535
266	Serv Empleados Depto del Trabajo	1,093.07	0.004
274	Cafetería AAA	116.90	0.000
282	Departamento del Trabajo	29,418.27	0.095
284	Dr. Manuel Zeno Gandía	71,835.19	0.231
286	Lomas Verdes	100,201.40	0.322
287	Nuestra Señora Altagracia	113.30	0.000
288	Ciales	82,356.76	0.265
289	Abraham Rosa	17,716.64	0.057
290	Adjuntas	61,282.03	0.197
293	Asociación Médica	2,120,920.53	6.820
294	Plaza Provision	13,047.80	0.042
300	Río Grande	10,961.07	0.035
306	Cristobal Rodríguez Hidalgo	40,217.33	0.129
312	San José	201,977.57	0.650
314	Juana Díaz	27,337.98	0.088
315	Yabucoña	19,041.30	0.061
321	Credicentro	1,431,690.08	4.604
322	Empleados Orbit	330.56	0.001
325	Corozal	494.54	0.002
330	Centro Gubernamental Minillas	51,670.00	0.166
331	Comunal de Aguas Buenas	126,132.96	0.406
332	Coop Rochdale	478.28	0.002
334	Jesús Obrero	294,024.94	0.946
337	Lajas Coop Crédito	389,345.66	1.252
338	Oriental Coop	158,023.70	0.508
339	Gasolinera San Cristobal	947.88	0.003
341	Empleados Universidad of Puerto Rico	10,608.57	0.034
345	Services Funebres	784.18	0.003
347	Rincón	78,580.77	0.253
350	Empleados Dupont	777.39	0.002
351	Cosecheros de Cidra	77.50	0.000
354	Hermanos Unidos	23,045.72	0.074
355	Bacardí	45,097.78	0.145
357	Los Vaqueros	415.46	0.001
358	Avon	15,026.75	0.048
360	Borinquen Ser Federal Credit	3,600.99	0.012

MEMBER NUMBER	NAME OF COOPERATIVE	TOTAL	% OF TOTAL
363	Vivienda Rolling Hills	833.84	0.003
364	Asociación de Empleados del ELA	812.98	0.003
366	Vivienda los Robles	633.64	0.002
368	Pepiniana	2,169.32	0.007
370	Jardines de Valencia	633.64	0.002
371	Jardines de San Ignacio	633.64	0.002
372	Gasolinera Hato Tejas	633.64	0.002
373	Cafetería Centro Gubernamental	617.17	0.002
374	Gerencial Autoridad de Energía Eléctrica	8,538.29	0.027
375	Vivienda La Ceiba	294.51	0.001
376	Coopemay	601.31	0.002
378	Comunas of De Dorado	14,607.87	0.047
379	Jardines de San Francisco	593.64	0.002
380	Comunidad Católica	605.71	0.002
381	Asoc Adventista Puertorriqueña	5,866.69	0.019
383	Agrícola Aguadeña	590.45	0.002
384	Farmacia Coop Las Marías	63.62	0.000
386	Vivienda Ciudad Universitaria	1,156.79	0.004
387	Universidad Inter Metro	3,005.82	0.010
389	Sup Coop del Este	609.13	0.002
391	El Alcazar	568.13	0.002
392	Serv de Equipaje	5,645.37	0.018
393	Federation de Maestros	1,494.83	0.005
396	Farmacia Coop Cabo Rojo	553.54	0.002
398	Viviendas Villa Victoria	535.70	0.002
399	Cafetería La Rotonda	546.68	0.002
401	Electro Coop	9,268.07	0.030
407	Empleados Sub Johnson & Johnson	570.12	0.002
408	Cupey Alto	29,061.72	0.093
409	Gasolinera Dorado	543.24	0.002
410	Familiar Ramentry	1,079.70	0.003
411	Farmacia Coop Lares	258.89	0.001
413	Empleados Centro Médico	2,823.86	0.009
414	La Comerieña	54,927.55	0.177
416	La Doradeña	512.54	0.002
417	Biopharma	2,361.33	0.008
419	Empleados Municipales Arecibo	487.00	0.002
420	Villa María	471.10	0.002
421	Aguirre Federal Credit Union	476.91	0.002
423	Casa First Federal Credit Union	916.30	0.003
424	Santa Juanita	453.88	0.001
426	Universal Coop Fed. Credit	710.00	0.002
427	Agustín Burgos Rivera	435.90	0.001
428	Philcore Federal Credit Union	4,177.77	0.013
430	Ramey Federal Credit Union	430.60	0.001

MEMBER NUMBER	NAME OF COOPERATIVE	TOTAL	% OF TOTAL
431	La Regla de Oro	430.33	0.001
432	Vivienda Torres Carolina	397.91	0.001
433	Golmar Federal Credit Union	420.76	0.001
434	Perimarg	462.01	0.001
438	Cubem	373.13	0.001
439	Vivienda La Hacienda	370.86	0.001
440	Taxi Cabs del Sur	368.43	0.001
441	Vivienda Jardines Trujillo	368.43	0.001
442	Glamour Federal Credit Union	387.04	0.001
443	Empleados Centro de Diagnostico	377.64	0.001
444	Ser Centro Judicial	347.54	0.001
446	Serv Mult APARI	345.43	0.001
447	Farmacia Santa Teresita	338.99	0.001
448	Agro-Comercial de PR	328.29	0.001
449	Cubuy/Lomas	321.81	0.001
452	Amapola	293.76	0.001
454	Empleados Ind Quebradillas	278.09	0.001
455	Grabaciones El Shadai	278.09	0.001
456	Braulio Duano Colón	267.09	0.001
457	Serv Rama Judicial Caf	265.16	0.001
458	Caribe Federal Credit Union	8,036.72	0.026
460	Industrial de Comercio	2,471.80	0.008
461	Comunal San Miguel	9,744.97	0.031
462	Empl Olympic Mills	25.93	0.000
463	Garage Sabana Grande	252.95	0.001
464	Empleados Municipales de Guaynabo	2,159.18	0.007
465	Vivienda Villa Kennedy	370.61	0.001
466	Methodistas Unidos	6,551.15	0.021
467	Colegio de Ingenieros	655.01	0.002
468	Educadores Puertorriqueños	2,090.24	0.007
470	Gasolinera Buena Vista	199.62	0.001
471	Rico Dairy	1,030.33	0.003
472	Vivienda Alejandro Tapia y Rivera	189.67	0.001
475	VAPR Federal Credit Union	12,012.27	0.039
477	Mayor Taxi Cabs	172.31	0.001
478	Mundi Coop	174.52	0.001
481	Mar Coop Molding	161.92	0.001
482	Dorado Tours	161.92	0.001
483	Gasolinera la Candelaria	152.44	0.000
484	Industrial N. Horizonte	1,461.48	0.005
486	Coopharma	138.93	0.000
487	Banco Cooperativo	1,307,867.02	4.206
488	Hermanos Pentecostales	1,023.14	0.003
489	Servicios Médicos de PR	122.48	0.000
490	Cultura Coop	100.00	0.000

## Appendix II

### SUMMARY OF ACTIVE REINSURANCE CONTRACTS WITH AUTHORIZED REINSURERS AT THE CLOSE OF 2009

Effective date: January 1, 2009  
 Type of insurance: Casualty Excess of Loss Cover Clash Layer  
 Limits and deductibles: \$1,250,000 per loss in excess of \$2,000,000

<b>Participating Reinsurers:</b>	<b>% Share</b>
Hannover Ruckversicherung AG	22.000%
Odyssey America Reinsurance Corporation	17.500%
QBE Reinsurance Corporation	14.000%
R & V Versicherung AG	7.500%
Everest Reinsurance Company	24.000%
Munchener Ruckversicherungs-Gesellschaft	15.00%
Total	<u>100.00%</u>

Effective date: April 1, 2009  
 Type of insurance: Quota Share Fire and Allied Lines Reinsurance  
 Original Limit: \$1,000,000  
 Section of the Treaty: .70% of the original limit  
 Retention: 99.30% of the limit  
 Limit per event: 100% - \$ 100,000,000

<b>Participating Reinsurers:</b>	<b>% Share</b>
XL Re Latin America, Ltd.	.007%
Total	<u>.007%</u>

Effective date: 1 April 2009  
 Type of insurance: Commercial Property Quota Share  
 Maximum Limit: \$15,000,000 in any risk  
 Section of the Treaty: 20% up to \$3,000,000 any risk  
 Retention: 80% up to \$12,000,000 in any risk  
 Limit per event: \$250,000,000

<b>Participating Reinsurers:</b>	<b>% Share</b>
American Agricultural Insurance Company	2.000%
Hannover Ruckversicherung AG	1.250%
QBE Reinsurance Corporation	3.750%
R & V Versicherung AG	2.000%
Reinsurera Patria S.A.	1.200%
Shelter Reinsurance Company	2.450%
XL Re Latin America Ltd.	.350%
Total	<u>13.00%</u>

Effective date: April 1, 2009  
 Type of insurance: Personal Lines Catastrophe Excess of Loss

**Limits and Deductibles:**

First Layer-\$5,000,000 in excess of \$5,000,000  
 Second Layer- \$20,000,000 in excess of \$10,000,000  
 Third Layer-\$25,000,000 in excess of \$30,000,000

<b>Participating Reinsurers:</b>	<b>% 1st</b>	<b>%2nd</b>	<b>%3rd</b>
Korean Reinsurance Company	1.000%	1.000%	1.000%
Odyssey America Reinsurance Corporation	15.000%	5.200%	4.000%
SCOR Reinsurance Company	15.000%	15.000%	15.000%
Canopius Underwriting Bermuda Ltd.		4.000%	4.000%
R & V Versicherung AG		7.500%	
Reinsurera Patria S.A.		4.000%	2.000%
Flagstone Reinsurance Ltd.			7.500%
Hannover Ruckversicherung AG			4.000%
Platinum Underwriters Bermuda Ltd			10.000%
Shelter Reinsurance Company			6.000%
Total	<u>31.000%</u>	<u>36.700%</u>	<u>53.500%</u>

Effective date: April 1, 2009

Type of insurance: Regional Catastrophe Excess of Loss (Umbrella)

Limit: \$110,000,000 for commercial and personal lines, per occurrence

Limit Total: \$220,000,000

Deductibles: \$65,000,000 for personal lines  
 \$80,000,000 for commercial lines and/or  
 \$50,000,000 for commercial lines of the  
 Quota Share Treaty

<b>Participating Reinsurers:</b>	<b>% Share</b>
Catlin Insurance Company	2.000%
China International Reinsurance Company	.600%
Flagstone Reinsurance Ltd.	7.500%
Lloyd's Underwriting Syndicate ADV 780	1.000%
Lloyd's Underwriting Syndicate AFB	1.500%
Lloyd's Underwriting Syndicate Hardy 382	.750%
Lloyd's Underwriting Syndicate MMX 2010	.600%
MS Frontier Reinsurance Ltd.	5.500%
Odyssey America Reinsurance Corporation	2.500%
Paris Re America Reinsurance Company	5.000%
Platinum Underwriters Bermuda Ltd.	3.000%
White Mountains Reinsurance Company of America	10.000%
Total	<u>39.950%</u>

Effective date: April 1, 2009

Type of insurance: Commercial Catastrophe Excess of Loss

Limits and Deductibles:

First layer- \$5,000,000 in excess of \$5,000,000

Second Layer- \$20,000,000 in excess of \$10,000,000

Third Layer- \$50,000,000 in excess of \$30,000,000

<b>Participating Reinsurers:</b>	<b>% 1<sup>st</sup></b>	<b>%2<sup>nd</sup></b>	<b>%3<sup>rd</sup></b>
American Agricultural Insurance Company	2.000%	1.000%	
Hannover Ruckversicherungs-Aktiengesellschaft	3.500%		
Lloyd's Underwriting Syndicate ADV 780	.500%	1.250%	1.000%
Lloyd's Underwriting Syndicate Liberty Syndicate/Paris	8.000%	10.000%	10.000%
Mapfre Reinsurance Corporation	3.000%	1.000%	1.000%
Odyssey America Reinsurance Company	2.000%	5.000%	3.000%
R & V Versicherung AG		7.500%	
Lloyd's Underwriting Syndicate MAP			3.000%
Reinsurera Patria S.A.			2.500%
<b>Total</b>	<u>19.000%</u>	<u>25.750%</u>	<u>20.500%</u>

Effective date: April 1, 2009

Type of insurance: Property Per Risk Excess of Loss

Limits and Deductibles:

First layer- \$750,000 in excess of \$250,000

Second Layer- \$2,000,000 in excess of \$1,000,000

Third Layer- \$7,000,000 in excess of \$3,000,000

Fourth Layer - \$5,000,000 in excess of \$10,000,000

Limits: \$10,000,000 of the Property Quota Share  
Excluding earthquake and hurricane

<b>Participating Reinsurers:</b>	<b>% 1<sup>st</sup></b>	<b>%2<sup>nd</sup></b>	<b>%3<sup>rd</sup></b>
Everest Reinsurance Company	15.000%	15.000%	15.000%
Odyssey America Reinsurance Corporation	15.000%	15.000%	15.000%
Platinum Underwriters Bermuda	20.000%	20.000%	20.000%
QBE Reinsurance Corporation	10.000%	10.000%	10.000%
SCOR Reinsurance Company	10.000%	10.000%	10.000%
XL Re - Latin America Ltd.	10.000%	10.000%	10.000%
<b>Total</b>	<u>80.00%</u>	<u>80.00%</u>	<u>80.00%</u>

Effective date: April 1, 2009

Type of insurance: Property Catastrophe Excess of Loss (Umbrella)

Limits: \$110,000,000 in Puerto Rico

Limit Total: \$220,000,000 in Puerto Rico

Deductibles: \$65,000,000 for personal lines  
\$80,000,000 for commercial lines and/or  
\$50,000,000 for commercial lines of the  
Quota Share Treaty

<b>Participating Reinsurers:</b>	<b>% Share</b>
Ariel Reinsurance Company Ltd	9.000%
Total	<u>9.000%</u>

Effective date: April 1, 2009  
 Type of insurance: Personal Lines Catastrophe Excess of Loss (Shortfall)

Limits and Deductibles:

Second Layer- \$20,000,000 in excess of \$10,000,000

Limit Total: \$40,000,000

<b>Participating Reinsurers:</b>	<b>% Share</b>
Flagstone Reassurance Suisse, SA	23.000%
Total	<u>23.000%</u>

Effective date: April 1, 2009  
 Type of insurance: Commercial Catastrophe Excess of Loss

Limits and Deductibles:

Third Layer- \$50,000,000 in excess of \$30,000

<b>Participating Reinsurers:</b>	<b>%Share</b>
Da Vinci Reinsurance Ltd.	10.000%
Renaissance Reinsurance Ltd.	10.000%
Total	<u>20.000%</u>

Effective date: April 1, 2009  
 Type of insurance: Commercial Catastrophe Excess of Loss

Limits and Deductibles:

First Layer- \$5,000,000 in excess of \$5,000,000

Second Layer- \$20,000,000 in excess of \$10,000,000

Third Layer- \$50,000,000 in excess of \$30,000,000

Limit Total:

First layer- \$10,000,000

Second Layer- \$40,000,000

Third Layer- \$100,000,000

<b>Participating Reinsurers:</b>	<b>% 1st</b>	<b>%2nd</b>
Munchener Ruckversicherung-Gesellschaft	34.500%	30.000%
Total	<u>34.500%</u>	<u>30.000%</u>

Effective date: April 1, 2009  
 Type of insurance: Commercial Catastrophe Excess of Loss

Limits and Deductibles:

First layer- \$5,000,000 in excess of \$5,000,000  
 Second Layer- \$20,000,000 in excess of \$10,000,000  
 Third Layer- \$50,000,000 in excess of \$30,000,000

Total Limits:

First Layer- \$10,000,000  
 Second Layer- \$40,000,000  
 Third Layer- \$100,000,000

<b>Participating Reinsurers:</b>	<b>% 1st</b>	<b>%2nd</b>	<b>%3rd</b>
Partner Reinsurance Company Limited		5.500%	21.500%
Total		5.500%	21.500%

Effective date: April 1, 2009  
 Type of insurance: Property Catastrophe Excess of Loss (Umbrella)  
 Limits: \$110,000,000 in Puerto Rico  
 Total Limits: \$220,000,000 in Puerto Rico  
 Deductibles: \$65,000,000 for personal lines  
 \$80,000,000 commercial lines and/or  
 \$50,000,000 commercial lines of the  
 Quota Share Treaty

<b>Participating Reinsurers:</b>	<b>% Share</b>
Da Vinci Reinsurance Ltd.	5.000%
Montpelier Reinsurance Ltd.	4.000%
Renaissance Reinsurance Ltd.	5.000%
Total	14.000%

Effective date: June 1, 2009  
 Type of insurance: Property Catastrophe Excess of Loss – Florida

First Excess	Third Excess
Retention: \$2,000,000	Retention: \$10,000,000
Limits per Occurrence: \$3,000,000	Limits per Occurrence: \$8,560,000
Limit Total: \$6,000,000	Total Limit: \$17,120,000
Second Excess	Fourth Excess
Retention: \$5,000,000	Retention: \$18,560,000
Limits per Occurrence: \$5,000,000	Limits per Occurrence: \$5,000,000
Total Limit: \$10,000,000	Total Limit: \$10,000,000

<b>Participating Reinsurers:</b>	<b>% 1st</b>	<b>%2nd</b>	<b>%3rd</b>	<b>%4th</b>
ACE Tempest Reinsurance	10.000%	10.000%	10.000%	10.000%
Ariel Reinsurance Company Ltd	15.000%	22.500%	25.000%	25.000%
Da Vinci Reinsurance Ltd	5.000%	5.000%	5.000%	5.000%
Flagstone Reassurance Suisse	35.000%	15.000%	22.500%	30.000%
Montpelier Reinsurance Limited	7.500%	7.500%	7.500%	.000%
Paris Re	5.000%	10.000%	10.000%	10.000%
QBE Reinsurance Corporation	12.500%	5.000%	.000%	.000%
Renaissance Reinsurance Ltd.	5.000%	5.000%	5.000%	5.000%
Shelter Mutual Insurance Company	5.000%	5.000%	5.000%	5.000%
Lloyd's Underwriter MAP2791	.000%	10.000%	10.000%	10.000%
Lloyd's Underwriter AML2001		5.000%		
Total	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>