The Puerto Rico Chamber of Commerce Puerto Rico Insurance Summit Untapping New Opportunities

PR International Insurance Center:

Lessons and Opportunities

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• • Agenda

- Status
- Experiences
- Lessons
- SWOT Review
- Market Research ideas
- oQ&As

• • Historical Review

- Original Legislation 2004, Rules effective 2005
- o First II, 2006
- 2009 Law 7, 7 IIs authorized
- 2010 Amendment to Rule 80
- o 2011 Law 98, Ruling Letter on PC
- 2012 OCI NAIC Accreditation, Law 20

• • IIC Status

- 8 years of continuous operation
- 16 IIs authorized, 9 active 3 Holding Companies
- 39 Protected Cells (P & C), 52 Segreggated Assets (L & H)
- 5 new projects
- As of 2010 Over \$2 b in Assets, \$70 m
 GWP
- Entered Captive, IPPP market, UK, Latin America reinsurance markets

• • IIC: Experiences

- Access to new Plan of Operations
- Good compliance
- Created demand for services
- DEDC-OCI cooperation
 - Development of Law 20/22

• • IIC: Experiences

- Domestic industry had provided forum to present IIC
- Interruption of several application process
- Turnover of insurers
- Regulatory Actions

• • IIC: Lessons

- Need to confirm commitment of organizers/managers/owners with requirements.
- Choose our battles: target on specialized markets
- Deep knowledge of customers
- Cooperation with Principal Representative is Key.

• • SWOT Review

Strengths

- Flexible legislation, attractive to IPPP market, Protected Cell arrangements
- Well defined, experienced application process
- DEDC, OCI institutional coordination
- NAIC Accreditation
- ASSAL Membership
- Good relationships (Lloyds, UK market, Ryan LLC)

• • SWOT Review

<u>Weakness</u>

- Low awareness
- Capitalization requirements at Captive Market
- Infrequent participation in industry events
- Small population

• • Opportunities

- Captive market PC segment
- UK Market specialty insurers
- Law 20 entities-IIC synergies

• • Threats

- Traditional jurisdictions promotional efforts
- Disrupting of coordination DEDC/OCI
- Interruption of Regulator expertise development at the OCI

IIC: Opportunities for the locals

- Development of professional class oriented to II.
 Regulator/Industry/Academy effort
- Improve productivity of Capital, Human Resources, technology by providing services to IIs.
- Market Research: Early identification of markets, trends, emerging risks

Market Research: Schedule T, Aggregate Other Alien business, Insurers Authorized in PR (\$b)

Life Insurance	Annuity	Accident & Health	Property & Casualty	Total
6.8	.9	13.9	3.7	25.3

Market Research: US Reinsurance Unauthorized market

L & H (\$b)	Credits from Reinsurance	LOC	Trusts	Funds Withheld
Affiliated	43.0	9.7	22.1	14.7
Non Aff.	14.0	2.4	10.0	2.0

P & C (\$b)	Reinsurance Recoverables	LOC	Trusts	Funds Withheld
Affiliated	39.7	11.2	25.7	5.7
Non Aff.	14.0	10.0	3.0	1.0

Market Research: Insurance Linked Securities

(Source: Munich Re, Insurance Linked Securities Q1 Market Update)

Maturity	Q2	Q4	Q1	Q2
	2012	2012	2013	2013
\$ B	1.4	1.1	1.0	1.8

- \$5.3b in ILS maturities in the next year
- High demand for Non US Cat Bonds
- Portfolios rebalancing towards diversifying.

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Q & A