



# PUERTO RICO FINANCIAL SERVICES FORUM

## PUERTO RICO: A WORLD-CLASS INTERNATIONAL INSURANCE CENTER

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Puerto Rico Commissioner of Insurance



# BACKGROUND

- Since 2004, Puerto Rico gained prominence positioning our island as a world-class International Insurance Center.
- Chapter 61 of the Puerto Rico Insurance Code, known as “International Insurers and Reinsurers Act”, set forth the legal framework for the establishment of the international insurer and reinsurer operation through the International Insurance Center.
- Government of Puerto Rico adopted the International Insurance Center as part of the 21st Century government economic agenda to develop Puerto Rico as important component in the global financial services sector.





# **PR**opósito Strategic Framework

Department of Economic Development and Commerce (DDEC) and InvestPR work together in promoting and position the International Insurance Center as a world-class business destination.

## VISION 2035

Puerto Rico: The world's favorite island to live, visit and do business.

The “PRopósito” strategic framework proposes the **INTEGRATION** of the island's companies in the globalized economy.

The focus areas to promote includes the bioscience, aerospace, agro-industry, tourism and visitor economy, information technology, local businesses, and emerging sectors through the exporting of their products and services.



# WHY CONSIDER PUERTO RICO AN IDEAL LOCATION?

As an International Insurance Center, Puerto Rico offers unique advantages for international insurers that establish their domicile on the island:

- ✓ Experienced and High Qualified Professional Resources
- ✓ Well Developed Financial Services Industry
- ✓ Reliable and Effective Regulatory Framework
- ✓ Modern Communications Infrastructure
- ✓ Access to US Monetary System
- ✓ Privileged Geographical Location





# TAX INCENTIVES

- To stimulate the development of the International Insurance Center, Puerto Rico Tax Incentives Code "Act 60" offers attractive tax incentives for international insurers, reinsurer, branches, and international holding companies such are:

- ✓ 4% income tax rate on the excess of \$1,2 Million of net income
- ✓ 100% exemption from branch profit tax
- ✓ 100% exemption on dividends or profit distributions, or distributions in liquidation
- ✓ 75% exemption on property taxes
- ✓ 50% exemption on municipal taxes



## What's in it for you?

**4%**

fixed income  
tax on eligible  
income

**0%**

tax on Capital  
Gains, Dividends,  
Interest, Crypto  
Gains<sup>(1)</sup>

**Up to 50%**

back in  
tradeable tax  
credits on R&D  
expenditures

**Up to 75%**

off select municipal taxes

**15 yrs**

standard tax  
exemption grant  
period<sup>(2)</sup>





## **Puerto Rico's 2022 Insurance Market**

- 372 traditional insurers, reinsurers, and health services organizations.
- \$19.13 Billion written premium.
- 16.9% of the GDP.
- 11,703 intermediaries licensed individual or entities.

WELL DEVELOPED FINANCIAL SERVICES INDUSTRY





Puerto Rico has an open access to the mainland United States and Latin America.

Luis Muñoz Marín International Airport (SJU) receives more than 8 million passengers annually, serving as the main airport to domestic and international destinations.

Puerto Rico has 120+ daily nonstop flights to major cities throughout the United States.



## PRIVILEGED GEOGRAPHICAL LOCATION



## Supporting Regulators and Insurance Standards in America since 1871

We assist state insurance regulators, individually and collectively, in serving the public interest. Together, we protect consumers and ensure fair, competitive, and healthy insurance markets.

The NAIC Financial Regulation Standards and Accreditation (F) Committee voted to re-accredited Puerto Rico at the Fall National Meeting in December 2022.

The NAIC Accreditation demonstrates that Puerto Rico meets the uniform standards of solvency insurance regulation and authority to regulate insurers business, particularly on multi-state basis.



## RELIABLE AND EFFECTIVE REGULATORY FRAMEWORK





Puerto Rico is active member of the Association of Insurance Supervisors of Latin America (ASSAL).

ASSAL constitutes a formal framework for cooperation and exchange of information among members on insurance company supervisory issues in matters that transcend their own borders.

XXI Conferencia sobre Regulación y Supervisión de Seguros en América Latina ASSAL-IAIS



**Ciberseguridad: Nuevos Retos para Supervisión y el Mercado.** El riesgo de ciberseguridad presenta un creciente desafío para el sector asegurador y la estabilidad financiera y, por lo tanto, debería tener la respuesta adecuada por parte de los supervisores y las compañías de seguros. En este sentido, varias jurisdicciones han emitido la normativa para monitorear este riesgo y promover la gestión de este por parte de los aseguradores. Los panelistas discutirán sobre los avances en las acciones coordinadas público-privadas en manejo de ciberseguridad, considerando la nueva realidad de los mercados globales.



**Panelistas:**

- Ricardo Lara, Comisionado de Seguros, Departamento de Seguros de California, Estados Unidos.
- Alexander Adams Vega, Comisionado de Seguros, Oficina del Comisionado de Seguros, Puerto Rico.
- Mónica González Perfiguero, Jefa de Relaciones Internacionales, Dirección General de Seguros y Fondos de Pensiones, España.

**Moderador:** Gustavo Araujo Caldas, Analista Técnico, Superintendencia de Seguros Privados, Brasil.



# RELIABLE AND QUALIFIED REGULATORY FRAMEWORK

## ACCESS TO US MONETARY SYSTEM

U.S. monetary system and commercial federal regulation applies in Puerto Rico.

Federal Trade Commission and the US Department of Justice and the anti-trust laws prohibits mergers and acquisitions when the effect of such acquisition may be substantially to lessen competition, or tend to create a monopoly .

Financial Crimes Enforcement Network (FinCEN) is responsible for monitoring and regulating Anti Money Laundering (AML) activities in Puerto co.





## OPERATION STRUCTURE

The Commissioner of Insurance may authorize international insurers to operate through the International Insurance Center insurance or related services business, subject to compliance with the requirements set forth in Chapter 61, under Class 1, Class 2, Class 3, Class 4, Class 5, or Class 6 authorization, or combination of such classes.

International entities have different alternatives to organize and operate, such as:

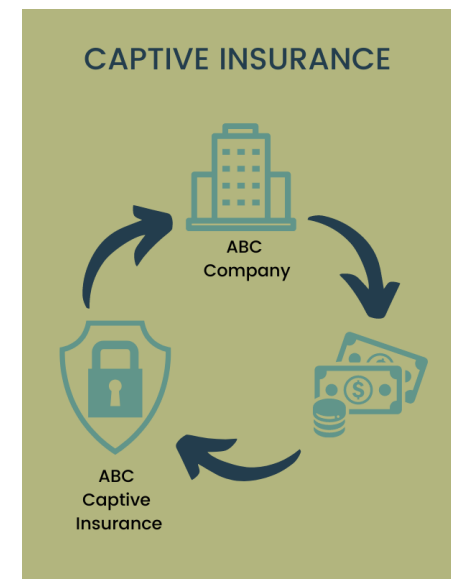
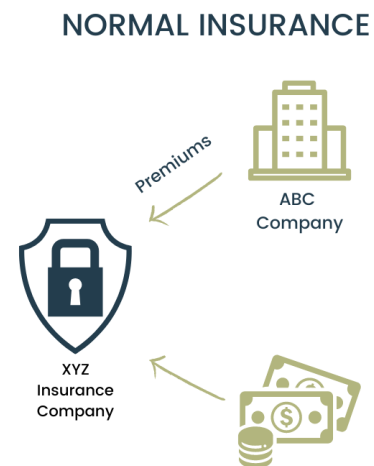
- ✦ Insurer
- ✦ Reinsurer
- ✦ Surplus Insurer
- ✦ Holding Company
- ✦ Branch of an Insurer and
- ✦ Captives or Protected Cell arrangement



# CAPTIVE INTERNATIONAL INSURERS

Captive international insurers are considered to be those with Class 1 and Class 2 authority. There are also Class 3 authorized international insurers with an operational plan authorized to create Segregated Assets Plans ("SAPs") known also in the market as "protected cells."

"SAPs" are quite comparable to small captive solutions.



# LEGAL FRAMEWORK



## CHAPTER 61

"International Insurers and Reinsurers Act of Puerto Rico," established the principal legal basis for developing Puerto Rico as an **International Insurance Center**.



## RULE 80

Established the norms that govern the creation, authorization, operation, and oversight of **International Insurers**.



## RULE 81

Established the standards for regulating the authorization, operation and oversight of **Segregated Assets Plan Companies**.



## RULE 82

Established the norms that govern the creation, authorization, operation, and oversight of **International Insurer Holding Companies**.



## RULE 100

Standards to regulate **reinsurance assumed or ceded** by international insurers on risks located or to be executed in Puerto Rico.



COMPLIANCE

GO





## INTERNATIONAL INSURANCE CENTER-OUTLOOK

There are currently 32 international insurers distributed among the following classes:

	Class 1	Class 2	Class 3	Class 3 and 5	Class 5	Total
<b>Authorized International Insurer (AI)</b>	7	1	7	4	13	32
<b>AI with Segregated Assets Plans (SAPs)</b>	-	-	5	3	6	14
<b>Number of SAPs*</b>	-	-	168	250	3	421
<b>Total Premium Per Class*</b>	\$5,449,614	\$2,362,547	\$141,862,834	\$171,521,702	\$1,330,328,282	\$1,651,524,979
<b>Total Assets per Class*</b>	\$96,238,743	\$1,461,844	\$59,315,437	\$564,049,498	\$6,182,808,834	\$6,903,874,356

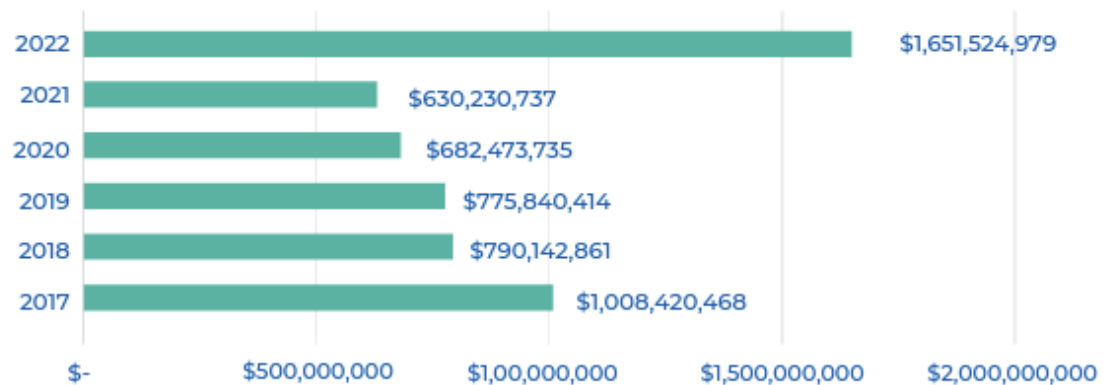
\*Data from Unaudited Financial Statements



## INTERNATIONAL INSURANCE CENTER-OUTLOOK

Total written and assumed premium for 2022 was \$1.65 billion. As compared to previous year, international business showed an **increase of 162% percent in 2022.**

### Total Written and Assumed Premium

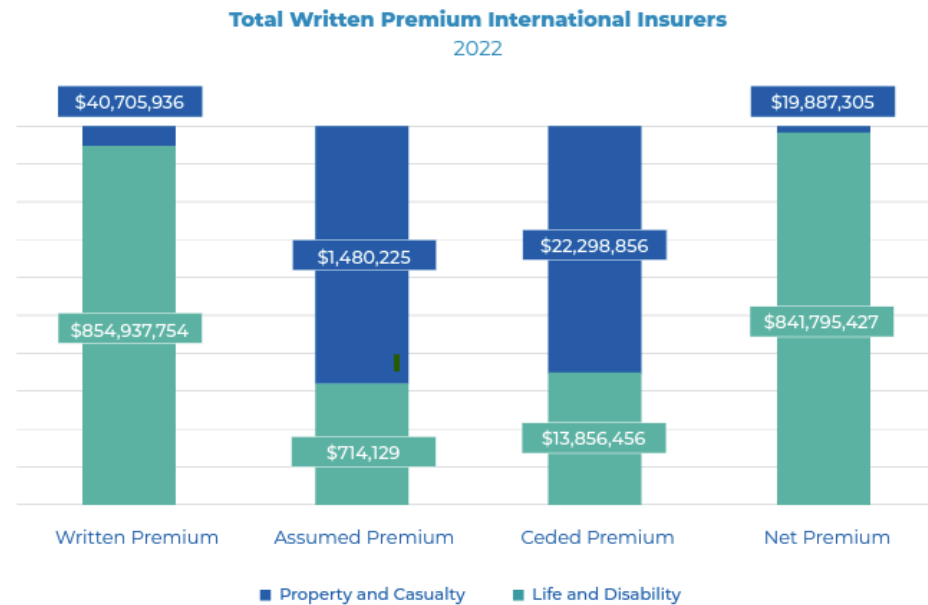


\*Data from Unaudited Financial Statements



## INTERNATIONAL INSURANCE CENTER-OUTLOOK

For Written Premium in 2022, in the international sector, 87% of risk was covered by Life and Disability insurance and 13% by Property and Casualty.





## AREAS OF GROWTH

Promote the creation of captive international insurers and “captive management”, as an ancillary service to captive insurance domicile in Puerto Rico.

As a characteristic of self-insurance vehicles, captives remain as a reliable and effective risk management tool for businesses.

## US DOMICILES ACCOUNT FOR 52.4% (3,133) OF ALL GLOBAL CAPTIVES



# AREAS OF GROWTH

HB 334 authorizes the Delaware Insurance Commissioner to issue Conditional Certificates of Authority ("COA") to captive insurance company applicants.

Conditional Certificates of authority will be issued only upon receipt of evidence of the minimum capital and surplus and a certification from the captive owner that the application materials comply with the requirements of Delaware Insurance Code .

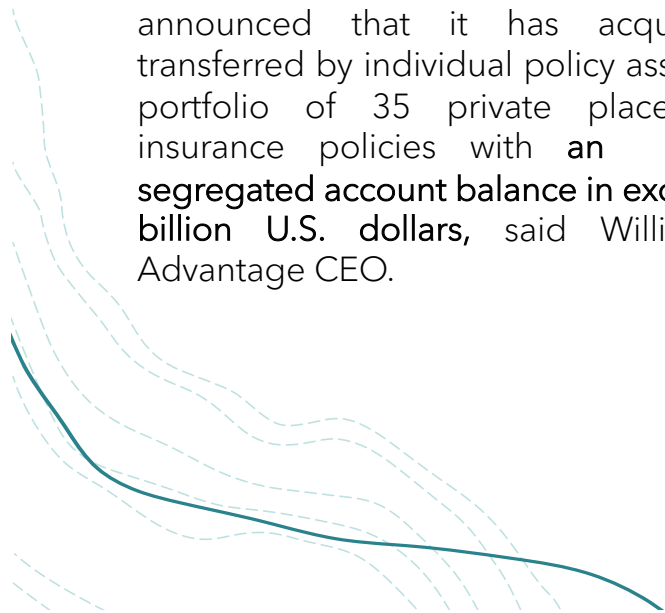
"Delaware is the first in the nation to electronically offer on the same day a Conditional Certificate of Authority".



Stephen Taylor, Director  
Bureau of Captive & Financial Insurance Products  
Delaware Department of Insurance

# BUSINESS SUCCESS STORIES

In September 1, 2023. Advantage Insurance Inc., a global market leader in Private Placement Life Insurance solutions, announced that it has acquired and transferred by individual policy assumption a portfolio of 35 private placement life insurance policies with **an aggregate segregated account balance in excess of one billion U.S. dollars**, said William Buell, Advantage CEO.



## Advantage Insurance

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### Recent News

#### Advantage Insurance Announces Acquisition of \$1bn Portfolio of PPLI Policies

SEPTEMBER 1, 2023

Advantage Insurance Inc., a global market leader in Private Placement Life Insurance solutions announced today that it has acquired and transferred by individual policy assumption a portfolio of 35 private placement life insurance policies... [Read More](#)



## Business Success Stories

BMIIC II is a newly formed entity domiciled in Puerto Rico. This entity was established for the re-domestication of the business written through Best Meridian International Insurance Company SPC (BMIIC) in the Cayman Islands.

### AM Best Assigns Credit Ratings to Best Meridian International Insurance Company, I.I.



Business Wire

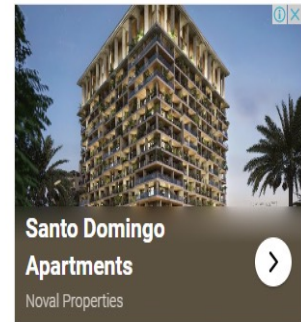
July 13, 2023 · 3 min read



[www.ambest.com](http://www.ambest.com)

OLDWICK, N.J., July 13, 2023--(BUSINESS WIRE)--AM Best has assigned a Financial Strength Rating of A- (Excellent) and a Long-Term Issuer Credit Rating of "a-" (Excellent) to Best Meridian International Insurance Company, I.I. (BMIIC II) (San Juan, PR). The outlook assigned to these Credit Ratings (ratings) is negative.

The ratings reflect BMIIC II's balance sheet strength, which AM Best assesses as very strong, as well as its adequate operating performance, neutral business profile and appropriate enterprise risk management.



Quote Lookup



#### TRENDING

1. Disney cuts park ticket prices for kids in new promotion
2. Apple iOS update, Tilray results: Trending Tickers
3. New England states join to buy offshore wind power as US industry struggles

# Business Success Stories

IICG further stated that this strategic alliance represents a 'significant milestone' in maintaining **Puerto Rico's position as a leading jurisdiction for international insurance**.(...). Through this partnership, IICG and Principal Rep aim to provide a fortified compliance framework, promising significant benefits to international insurers operating in Puerto Rico and beyond.



14 August 2023 | News

## IICG & Principal Rep announce Puerto Rico partnership

The International Insurance Consulting Group (IICG) and Principal Rep have announced a strategic partnership to boost compliance officer services for international insurers.

The advanced services include individual client verifications, Know Your Customer (KYC) & client onboarding process management, and Anti-Money Laundering (AML) monitoring and reporting.

According to IICG, which provides captive insurance consulting solutions, this initiative underlines the commitment to sustain Puerto Rico's International Insurance Center at the apex of regulatory compliance.

"The joint venture capitalizes on the core strengths of both entities, combining IICG's industry experience and Principal Rep's innovative technology," said IICG in a statement. "Principal Rep's cutting-edge risk assessment tools will now be a part of IICG's robust service suite. This fusion of expertise will lead to increased efficiency and precision in KYC and AML processes, setting new standards in the industry."

# Business Success Stories

Grupo Empresarial VUMI®

VUMI®



Nuevo hogar de VUMI  
Puerto Rico



People who wonder if  
the glass is half empty or  
half full, miss the point.  
The glass is refillable.



AN ENTREPRENEUR MAKES  
THINGS HAPPEN. YOU  
CREATE A VISION, LAY OUT  
THE PLAN AND FOLLOW THE  
NEEDED STEPS TO MAKE THE  
BUSINESS SUCCESSFUL.