



PUERTO RICO: GATEWAY FOR INSURERS AND REINSURERS TO THE US AND LATIN AMERICA

Due to its many advantages, including direct access to the US and other international markets, Puerto Rico is a sound gateway for insurers and reinsurers wishing to enter the Latin American insurance and financial markets.

Since 2005, the international insurers and reinsurers division of the Office of the Commissioner of Insurance of Puerto Rico has sought to promote Puerto Rico as an important member of the international insurance arena. The Government of Puerto Rico adopted this initiative as part of its economic agenda.

LEGAL BACKGROUND

Act 399 and Act 400 in Chapter 61 of the Puerto Rico Insurance Code were adopted in order to establish the basis for the International Insurance Center (IIC), which provides a competitive environment for insurers and reinsurers to cover risks outside of Puerto Rico, under a secure and flexible regulatory system, with attractive tax benefits. Act 98 provides a long-term tax status that will guarantee the tax treatment of international insurers and reinsurers for an initial period of 15 years, renewable for two additional 15-year periods.

International insurance entities have various alternative ways to organize and operate within the IIC. These options include operating as an international insurance holding company, as an international insurer or a branch of an international insurer and protected cell arrangements.

TAX TREATMENT

Tax exemptions conferred under the International Insurers and Reinsurers Act of Puerto Rico include:

- Exemption from premium taxes
- Exemption on dividends and other profit distributions made by the International Insurer and International Insurer Holding Company
- Exemption on municipal franchise and real and personal property taxes
- Exemption from withholding taxes on payments of dividends and other profit distributions made to third parties, and from filing tax returns with the Puerto Rico Internal Revenue Service
- Isolation of the proceeds and benefits paid by international insurers because of liquidation procedures from income taxes
- \$1.2 million tax exemption on net income,

applicable at the individual cell level for Protected Cell Company arrangements and at the company level. Preferred 4 % tax rate on net income guaranteed by a decree effective over a renewable period of 15 years

BUSINESS OPPORTUNITIES

The International Insurance Center is a platform for the following business activities, among others:

- Alternative risk management strategies as captive or associated captives insurers
- Insurers or reinsurers' vehicle to enter Latin America or US markets
- Special purpose vehicles
- Vehicle for integrated insurance plans
- Corporate reorganization using international insurers holding companies
- Segregated assets plans to serve high net worth individual markets
- Securitization programs

For more information on the various incentives provided under the Puerto Rico laws, please visit

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and access our incentives alerts on the following topics:

- Cruise Industry Incentives Act
- Economic Incentives for the Development of Puerto Rico Act
- Export Services Incentives Act
- Film Industry Incentives Act
- Green Energy Incentives Act
- Incentives for Business Activity Performed in Vieques and Culebra
- Incentives for Rum Producers in Puerto Rico
- Individual Investors Act
- Manufacturing Incentives Act
- Municipal Economic Development and Tourism Incentives Act
- Puerto Rico Housing Incentives
- Tax Exemptions for Scientists
- Tourism Development Act