Secretaría

MANUEL A. TORRES NIEVES
SECRETARIO DEL SENADO

- ☐ Ver al dorso
- ☐ Para su información
- ☐ Notas
- ☐ Para mantenerle al día
- ☑ Expediente
- ☑ Dar Cuenta
- ☑ Registrar y Procesar

Senado
DE PUERTO RICO

EL CAPITOLIO
PO Box 9023431
San Juan, Puerto Rico
00902-3431

T: 787.722.3460
787.722.4012
F: 787.723.5413
E: mantorres@senadopr.us
W: www.senadopr.us

REFERIDO A:

COMISIONES PERMANENTES

- ☐ Hacienda
- ☐ Gobierno
- ☐ Seguridad Pública y Judicatura
- ☐ Salud
- ☐ Educación y Asuntos de la Familia
- ☐ Desarrollo Eonómico y Planificación
- ☐ Urbanismo e Infraestructura
- ☐ Jurídico Penal
- ☐ Jurídico Civil
- ☐ Agricultura
- ☐ Recursos Naturales y Ambientales
- ☐ Comercio y Cooperativismo
- ☐ Turismo y Cultura
- ☐ Trabajo, Asuntos del Veterano y Recursos Humanos
- ☐ Bienestar Social
- ☐ Asuntos Municipales
- ☐ Recreación y Deportes
- ☐ Banca, Asuntos del Consumidor y Corporaciones Públicc
- ☐ Desarrollo de la Región del Oeste de la Montaña
- ☐ Asuntos de la Mujer
- ☐ Asuntos Internos
- ☐ Reglas y Calendario
- ☐ Asuntos Federales
- ☐ Ética

COMISIONES ESPECIALES

- ☐ Puerto de las Américas
- ☐ Derecho de Autodeterminación del Pueblo de Puerto Ri
- ☐ Sobre Reforma Gubernamental

COMISIONES CONJUNTAS

- ☐ Informes Especiales del Contralor
- ☐ Donativos Legislativos de Puerto Rico
- ☐ Internado Córdova-Fernós
- ☐ Internado Pilar Barbosa
- ☐ Internado Ramos Comas
- ☐ Código Penal
- ☐ Revisión y Reforma del Código Civil

12156

GOBIERNO DE PUERTO RICO
OFICINA DEL COMISIONADO DE SEGUROS

RECIBIDO SECRETARIA
2010 JAN 13 PM 2:00

AL CONTESTAR
FAVOR DE REFERIRSE A: FI-10-025

HOJA DE ENVÍO

04 de enero de 2010

Hon. Thomas Rivera Shatz
Presidente
Senado de Puerto Rico
El Capitolio
San Juan, Puerto Rico

Honorable Presidente:

Incluimos Informe Financiero de la Oficina del Comisionado de Seguros correspondiente al año fiscal finalizado el 30 de junio de 2009.

Cualquier duda o pregunta, puede comunicarse a través del 787-304-8686.

Cordialmente,

Jaime D. Adorno Canales
Director
División de Finanzas

mca

Anejo

RECIBIDO
OFIC. PRESIDENTE SENADO
THOMAS RIVERA SCHATZ
2010 JAN 12 PM 3:35

B5 Calle Tabonuco Suite 216 • PMB 356 • Guaynabo, PR 00968-3029 •
Tel: (787) 304-8686 • Fax: (787) 304-0099
www.ocs.gobierno.pr

PO_7741

Gobierno de Puerto Rico
OFICINA DEL COMISIONADO DE SEGUROS

Ramón L. Cruz-Colón
Comisionado de Seguros

30 de diciembre de 2009

Hon. Thomas Rivera Schatz
Presidente
Senado
El Capitolio
San Juan, Puerto Rico

Honorable Presidente:

En armonía con el Artículo 2.040(2) del Código de Seguros de Puerto Rico, según enmendado, le incluimos copia del informe de los auditores externos sobre los fondos de la Oficina del Comisionado de Seguros, correspondiente al año fiscal que finalizó el 30 de junio de 2009.

Nos reiteramos a sus órdenes para contestar cualquier pregunta que al respecto usted pueda tener.

Cordialmente,

Ramón L. Cruz Colón, CPCU, Are, AU
Comisionado de Seguros

C1/grf/c571

Anejo

COMMONWEALTH OF PUERTO RICO
OFFICE OF THE COMMISSIONER OF INSURANCE

Statement of Cash Receipts and
Cash Disbursements for the
General Operational Fund
June 30, 2009
(with Auditors' Report thereon)

Carbonell & Co., LLP
Certified Public Accountants

Carbonell & Co., LLP

Certified Public Accountants
PO Box 270010
San Juan PR 00927-0010
Telephone: (787) 300-3777
Fax: (787) 300-3771

Commonwealth of Puerto Rico Office of the Commissioner of Insurance Statement of Cash Receipts and Cash Disbursements for the General Operational Fund and Required Supplementary Information For the year ended June 30, 2009 and Independent Auditors' Report

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Carbonell & Co., LLP

Certified Public Accountants
PO Box 270010
San Juan PR 00927-0010
Telephone: (787) 300-3777
Fax: (787) 300-3771

December 30, 2009

INDEPENDENT AUDITORS' REPORT

Commonwealth of Puerto Rico
Office of the Commissioner of Insurance
San Juan, Puerto Rico

We have audited the accompanying statement of cash receipts and cash disbursements for the general operational fund of the **Commonwealth of Puerto Rico Office of the Commissioner of Insurance** (the Office) for the year ended June 30, 2009. This financial statement is the responsibility of the Office's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the statement of cash receipts and cash disbursements for the general operational fund has been prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statement referred above presents fairly, in all material respects, the cash receipts and cash disbursements of the general operational fund of the Office for the year ended June 30, 2009 on the basis of accounting described in Note 1.

The management's discussion and analysis and budgetary comparison information on pages 2 through 5 and 10, respectively, are not a required part of the statement of cash receipts and cash disbursements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

This report is intended for the information and use of the **Commissioner of Insurance**, **the Commonwealth of Puerto Rico** and is not intended to be and should not be used by anyone other than these specified parties. However, this report is matter of public record and its distribution is not limited.

Carbonell & Co. LLP.

Carbonell & Co., LLP
Certified Public Accountants
License No. 211 Expires Dec. 1, 2010
Stamp #2460387 of the P.R. Society of Certified Public Accountants has been affixed to the original of this report.

Commonwealth of Puerto Rico Office of the Commissioner of Insurance
Management's Discussion and Analysis
For the year ended June 30, 2009

The Commonwealth of Puerto Rico Office of the Commissioner of Insurance (the Office) management provides this overview and analysis of the financial activities of the Office for the fiscal year ended June 30, 2009, within the limitation of the Office's cash basis of accounting. We encourage readers to consider the information presented here along with the financial statement taken as a whole.

1. Financial Highlights

The Office's General Operational Fund total cash receipts exceeded total cash disbursements, on the cash basis of accounting, by $1,464,806.

2. Using this Report

This report is presented in a format consistent with the presentation of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the Office's cash basis of accounting.

3. Report Components

This report consists of three parts as follows:

Statement of Cash Receipts and Cash Disbursements: The Statement of Cash Receipts and Cash Disbursements (the Statement) reports information about the Office's General Operational Fund and includes all receipts and disbursements resulting from cash transactions.

Notes to the Financial Statement: The notes to the financial statement are an integral part of the General Operational Fund financial statement and provide expanded explanation and detail regarding the information reported in the Statement.

Required Supplementary Information: This Management's Discussion and Analysis and the General Operational Fund Budgetary Comparison Schedule represent financial information required to be presented by accounting principles generally accepted in the United States of America. Such information provides users of this report with additional data that supplements the Statement and notes.

4. Basis of Accounting

The Office has elected to present its Statement of Cash Receipts and Cash Disbursements on a cash basis of accounting. This cash basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues and expenses. Under the Office's cash basis of accounting, revenues and expenses are recorded when they result from cash transactions.

Therefore, when reviewing the financial information and discussion within this report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

5. The Fund Financial Statement

The Office's basic services are reported in governmental funds, which focus on how money flow into and out of those funds and the balances left at year-end that are available for spending. These funds report the acquisition of capital assets and payments for expenditures and not as changes to asset and debt balances. The governmental fund provides a detailed short-term view of the Office's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Office's programs. The Office considers the General Operational Fund to be its significant or major governmental fund.

6. A Financial Analysis of the Office's General Fund

For the year ended June 30, 2009, on the cash basis of accounting, the Office's General Operational Fund reported cash receipts of $10,025,993 and cash disbursements of $8,561,187 resulting in an excess of $1,464,806. The following table, summarizes the results of operations between fiscal years ended June 30, 2009 and 2008:

			Change	
	2009	2008	in dollars	in %
Cash receipts:				
Licenses	$ 8,450,686	$ 7,902,537	$ 548,149	7 %
Testing fees	577,618	630,379	(52,761)	(8)%
Fines	852,422	1,260,835	(408,413)	(32)%
Sales of publications	92,350	119,886	(27,536)	(23)%
Interest	39,825	178,002	39,825	22 %
Collection of loan	-	3,000,000	(3,000,000)	(100)%
Other	13,092	154,606	(141,514)	(92)%
Total cash receipts	10,025,993	13,246,245	(3,220,252)	(24)%
Cash disbursements:				
Personal Services:				
Salaries and fringe benefits	5,548,604	5,673,884	(125,280)	(2)%
Professional services	409,939	598,512	(188,573)	(32)%
Other	818,106	818,028	78	- %
Total cash disbursements for personal services	6,776,649	7,090,424	(313,775)	(4)%
Non-personal services:				
Rent	1,059,181	1,033,245	25,936	3 %
Repairs and maintenance	15,209	68,477	(53,268)	(78)%
Materials	121,883	155,222	(33,339)	(21)%
Advertising	62,295	84,228	(21,933)	(26)%
Telephone and communication	108,973	167,181	(58,208)	(35)%
Equipment	90,498	316,536	(226,038)	(71)%
Travel	51,182	174,814	(123,632)	(71)%
Other	275,317	244,585	30,732	13 %
Total cash disbursements for non-personal services	1,784,538	2,244,288	(459,750)	(20)%
Total cash disbursements	8,561,187	9,334,712	(773,525)	(8)%
Excess of cash receipts over cash disbursements	$ 1,464,806	$ 3,911,533	$ (2,446,727)	

Total cash receipts decreased by $3,220,252 mostly as a result of the collection of the loan receivable from SIMED of $3,000,000 during the last fiscal year ended June 30, 2008. In addition, licenses increased because the Office collected, during the current year, licenses renewals of insurance companies that belong to prior year. Also, fines decreased because in prior year the Office received $881,000 from an insurance company from fines imposed due to irregularities in the collection of insurance premiums.

Overall decrease in personal and non-personal cash disbursement is due to the Executive Order OE-2009-004 made by the Governor of Puerto Rico on February 10, 2009, which established a strict policy of discipline, control and reduction of the expenses of the Agencies and Instrumentalities of the Government.

Total cash disbursements for personal services decreased by $313,775 mostly due to the reduction in professional services contracted. Also, salaries and fringe benefits decreased due to reduction in temporary employees.

Total cash disbursement for non-personal services decreased by $459,750 mostly as a result of the decrease in the acquisition of equipment and to the replacement of modular office cubicle recorded the year before. Also, telephone and communication disbursements decreased due to the reduction of mobile phones assigned to employees of the Office. Travel disbursements decreased due to reduction in seminars assisted outside of Puerto Rico. All the aforementioned cash disbursements reductions resulted mainly in response to the Executive Order made by the Governor of Puerto Rico.

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7. General Fund Budgetary Highlights

Over the course of the year, the Office revised the General Fund budget at various times. The final adjusted budget, however, was consistent with original budget. The only difference between the current and prior year budget was an overall decrease of $228,803 from prior year. The budgetary comparison of Receipts and Disbursements for the General Fund is as follows:

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
Cash receipts:				
Licenses	$ 7,983,353	$ 7,983,353	$ 8,450,686	$ 467,333
Testing fees	376,456	376,456	577,618	201,162
Fines	-	-	852,422	852,422
Sales of publications	80,000	80,000	92,350	12,350
Interest	78,000	78,000	39,825	(38,175)
Other	30,000	30,000	13,092	(16,908)
Total cash receipts	8,547,809	8,547,809	10,025,993	1,478,184
Cash disbursements:				
Salaries and fringe benefits	5,782,000	5,782,000	5,548,604	(233,396)
Professional services	678,000	678,000	409,939	(268,061)
Rent	1,078,000	1,078,000	1,059,181	(18,819)
Repairs and maintenance	23,000	23,000	15,209	(7,791)
Materials	105,000	105,000	121,883	16,883
Advertisement	190,000	190,000	62,295	(127,705)
Telephone and communication	112,000	112,000	108,973	(3,027)
Equipment	190,000	190,000	90,498	(99,502)
Travel	176,000	176,000	51,182	(124,818)
Other	1,117,000	1,117,000	1,093,423	(23,577)
Total cash disbursements	9,451,000	9,451,000	8,561,187	(889,813)
Excess of cash receipts over cash disbursements	$ (903,191)	$ (903,191)	$ 1,464,806	$ 2,367,997

8. Contacting the Office's Financial Management

This report is designed to provide general overview of the Office's financial information and to demonstrate the Office's accountability for the money it receives. Also, this report is intended solely for the information and use of management, the body or individuals charged with governance, others within the entity, specific legislative or regulatory bodies, federal awarding agencies, and if applicable, pass through entities and is not intended to be and should not be used by anyone other than these specified parties. If you have questions about this report or need additional information, contact the Office at B5 Tabonuco Street, PMB 356, Guaynabo PR 00968-3029 or telephone at (787)304-8686.

Commonwealth of Puerto Rico Office of the Commissioner of Insurance Statement of Cash Receipts and Cash Disbursements for the General Operational Fund and Required Supplementary Information For the Year Ended June 30, 2009

Cash receipts:	
Licenses	$ 8,450,686
Testing fees	577,618
Fines	852,422
Sales of publications	92,350
Interests	39,825
Other	13,092
Total cash receipts	10,025,993
Cash disbursements:	
Personal services:	
Salaries and fringe benefits	5,548,604
Professional services	409,939
Other	818,106
Total cash disbursements for personal services	6,776,649
Non-personal services:	
Rent	1,059,181
Repairs and maintenance	15,209
Materials	121,883
Advertising	62,295
Telephone and communication	108,973
Equipment	90,498
Travel	51,182
Other	275,317
Total cash disbursement for non-personal services	1,784,538
Total cash disbursements	8,561,187
Excess of cash receipts over cash disbursements	$ 1,464,806

See accompanying Notes to Financial Statements and Auditors' Report.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - The Commonwealth of Puerto Rico Office of the Commissioner of Insurance (the Office) is an executive department of the Commonwealth of Puerto Rico (the Commonwealth) created by Act No. 77 dated June 19, 1957, as amended. The Office has the authority to regulate, supervise, and oversee the insurance industry in Puerto Rico. In addition, it examines and licenses insurance personnel and companies, collects taxes over insurance premiums, advises the public and other government agencies about insurance issues, investigates, and resolves complaints and regulates the commercial practices and advertising of the insurance industry in Puerto Rico to avoid unfair and deceiving practices.

Basis of Accounting - The accompanying Statement of Cash Receipts and Cash Disbursements for the General Operational Fund has been prepared on the cash basis method of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. All transactions relating to the Office's participation in the General Operational Fund are recognized as either cash receipts or disbursements. Non-cash transactions are not recognized in the statement.

Basis of Presentation - The Office's fund is, as required by law, under the custody and control of the Secretary of the Department of Treasury of the Commonwealth of Puerto Rico and is-also accounted for in the Central Government Accounting System. The Office prepares its Statement of Cash Receipts and Cash Disbursements for the General Operational Fund on the cash basis method. A statement of net assets has not been presented because, as of June 30, 2009, the Office had no cash available.

2. RELATED PARTY

As of June 30, 2009, the Office collected taxes over insurance premiums and other funds on behalf of the Department of Treasury of the Commonwealth of Puerto Rico amounting to approximately $29 million. These collections are not reflected in the accompanying statement of cash receipts and cash disbursements since the Office only serves as a collector of these funds.

3. COMMITMENTS

On December 14, 2005, the Office entered into a non-cancelable operating lease agreement for a new location of the office facilities including common area maintenance charges, parking spaces and electricity expenses. The lease expires on December 31, 2010, with a renewal option period of 90 days. Also, the Office has several non-cancelable operating leases for equipment which are payable on a month-to-month basis.

The minimum rental commitments for leases in effect at June 30, 2009, are as follows:

Year Ending June 30,	Amount
2010	$ 1,200,354
2011	747,174
	$1,947,528

4. PENSION PLAN

The Employees Retirement System of the Government of the Commonwealth of Puerto Rico (the Retirement System), created pursuant to Act No. 447 dated May 15, 1951, as amended, is a cost-sharing multi-employer defined benefit pension plan sponsored by and reported as a component unit of the Commonwealth of Puerto Rico. All regular employees of the Office under the age of 55 at the date of employment become members of the System as a condition to their employment. No benefits are payable if the participant receives a refund of accumulated contributions.

The Retirement System provides retirement, death and disability benefits pursuant to legislation enacted by the Commonwealth Legislature. Death and disability retirement benefits are available to members for occupational and non-occupational death and disabilities. Retirement benefits depend upon age at retirement and number of years of credited service. Benefits vest after 10 years of plan participation.

Retirement benefits are determined by the application of stipulated benefit ratios to the member's average compensation. Average compensation is computed based on the highest 36 months of compensation recognized by the Retirement System. The annuity, for which a plan member is eligible, is limited to a minimum of $400 per month and a maximum of 75% of the average compensation.

Act No. 1 of 1990, made certain amendments applicable to new participants joining the Retirement System effective April 1, 1990. These changes consist principally of the establishment of contributions at 8.275% of their monthly gross salary, an increase in the retirement age to 65, a decrease in the annuity benefit to one and one-half percent of the average compensation for all years of creditable service, a decrease in the maximum disability and death benefits annuities from 50% to 40% average compensation, and the elimination of the Merit annuity for participants who have completed 30 years of creditable service.

On September 24, 1999 and amendment to Act No. 447 dated May 15, 1951, which created the Retirement System, was enacted with the purpose of establishing a new pension program (System 2000). System 2000 became effective on January 1, 2000. Employees participating in the Retirement System as of December 31, 1999, had the option to stay in the defined plan or transfer to System 2000. System 2000 is a hybrid defined contribution plan, also known as a cash balance plan. Under this new plan, there will be a pool of pension assets, which will be invested by the Retirement System, together with those of the current defined benefit plan. Benefits at retirement age will not be guaranteed by the Commonwealth of Puerto Rico. The annuity will be based on a formula which assumes that each year the employees contribution (with a minimum of 8.275% of the employee's salary up to a maximum of 10%) will be invested in a account which will either: (1) earn a fixed rate based on the two-year Constant Treasury Note or, (2) earn a rate equal to 75% of the return of the Retirement System's investment portfolio (net of management fees), or (3) earn a combination of both alternatives. Participants receive periodic accounts statements similar to those of defined contributions plans showing their accrued balances.

4. PENSION PLAN (continued)

Funding Policy

Contribution requirements are established by law and are as follows:

Commonwealth	9.275%	of gross salary
Employees:		
Hired on or before March 31, 1990	5.775%	of gross salary up to $6,600
	8.275%	of gross salary over $6,600
Hired on or after April 1, 1990	8.275%	of gross salary

Total contributions made during the year ended June 30, 2009, were as follows:

	Regular Plan	System 2000
Employer	$ 226,453	$ 204,379
Employee	$ 208,340	$ 177,310

Total covered payroll for the year ended June 30, 2009 was approximately $5 million. For the fiscal year ended June 30, 2009, the Office contributed 100% of total required contributions. Additional information on the System is provided in its financial statements for the year ended June 30, 2009, a copy of which can be obtain from Retirement System Administration, PO Box 42003, San Juan, Puerto Rico 00949.

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Commonwealth of Puerto Rico
Office of the Commissioner of Insurance
Budgetary Comparison Schedule of Receipts and Disbursements for the General Operational Fund
Year ended June 30, 2009

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
Cash receipts:				
Licenses	$ 7,983,353	$ 7,983,353	$ 8,450,686	$ 467,333
Testing fees	376,456	376,456	577,618	201,162
Fines	-	-	852,422	852,422
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Total cash receipts	8,547,809	8,547,809	10,025,993	1,478,184
Cash disbursements:				
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Professional services	678,000	678,000	409,939	(268,061)
Rent	1,078,000	1,078,000	1,059,181	(18,819)
Repairs and maintenance	23,000	23,000	15,209	(7,791)
Materials	105,000	105,000	121,883	16,883
Advertisement	190,000	190,000	62,295	(127,705)
Telephone and communication	112,000	112,000	108,973	(3,027)
Equipment	190,000	190,000	90,498	(99,502)
Travel	176,000	176,000	51,182	(124,818)
Other	1,117,000	1,117,000	1,093,423	(23,577)
Total cash disbursements	9,451,000	9,451,000	8,561,187	(889,813)
Excess of cash receipts over cash disbursements	$ (903,191)	$ (903,191)	$ 1,464,806	$ 2,367,997

See notes to budgetary comparison schedule of receipts and disbursements for the general operational fund.

Commonwealth of Puerto Rico Office of the Commissioner of Insurance
Notes to Budgetary Comparison Schedule of Receipts and Disbursements for the General Operational Fund
Year ended June 30, 2009

1. BASIS OF PRESENTATION

The Budgetary Comparison Schedule of Receipts and Disbursements for the General Operational Fund has been prepared using the cash basis method of accounting. It is drawn primarily from the Office's internal accounting records, which are the basis for the Commissioner's Statement of Cash Receipts and Cash Disbursements.

2. BUDGET AND BUDGETARY ACCOUNTING

The Office's budget system its primarily controled over expenditures. Budgets are prepared annually and revised semiannually as required. The budget is prepared on the same cash basis of accounting as applied to the governmental funds in the Statement of Governmental Funds Receipts and Disbursements. Budgetary control procedures require the obligation of funds before purchase orders can be placed; that is applicable appropriations must be reserved before purchase orders or contracts can be entered into. Obligated appropriations at year end carry over to the next fiscal year and are not reported as part of next fiscal year's budget. For budgetary purposes, encumbrances accounting is used. The encumbrances (that is, purchase order, contracts) are considered expenditures when paid.