



Country Fact Sheets

Zurich Facilities

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Licensed to write: all lines.

Compulsory Insurances

Motor Vehicles

Major Insurance Laws

Law 128, enacted by Congress on May 10, 1971:

- regulates the insurance industry. This was modified by Law 280, which introduced two important regulations: the first pertaining to the mandatory 30% local reinsurance for both treaty and facultative business, the second concerning the establishment of a maximum net retention equivalent to 10% of the insurer's assets and surplus.

All imports have to be insured with a Dominican Insurance Company. Retrocessions to foreign markets are free.

The Superintendency regulates and controls the insurance industry. All insurance companies, brokers and agents have to be licensed to operate by the Superintendency of Insurance. Tariffs (Fire and Allied Perils) and annual reports are approved by the Superintendency.

All policies must be written in local currency.

Non-admitted Insurance

Not allowed, unless local cover cannot be obtained.

Premium Taxes, Stamp Duties and Fees

Fire and allied perils policy premiums are charged with a 8% tax. Personal accident policies are charged with a 5.48% tax and all other types of policies are taxed with 6.6%. A 3% license tax on gross collected premiums is charged and 3.605% tax on gross premiums ceded abroad.

Exchange Controls

The Dominican Peso is freely convertible. Reinsurance remittances, which require the approval of the Central Bank, are settled according to the floating rate of the Dominican Peso.



ZURICH INSURANCE GROUP

INTERNATIONAL DIVISION

Other Information

The Dominican Market is mainly a broker market. However, companies also employ exclusive agents. Most of the large American brokers are represented by local brokers. All intermediaries have to be residents in the Dominican Republic.

The Superintendency of Insurance approves, in the Technical Council of Insurance, the rate manuals and the insurance plans in general (applies mainly to auto and fire).

With the compliments of:

ZURICH INSURANCE GROUP
International Division, Marketing & Information

Prepared March 1989

Latin American Presentation

Dominican Republic

May / June 1989

**Latin American Presentation
Dominican Republic**

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1. General Country Information

1.1. History

The island of Santo Domingo or La Espanola (Hispanola), called Haiti or Quisqueya by the Taino Indians, was discovered by Christopher Columbus on December 5, 1492.

The island was a Spanish colony up to 1697 when, by means of the Ryswick Treaty, the western portion was ceded to France. Thanks to another Franco-Hispanic peace treaty, this latter one signed at Basle in 1795, the island was then entirely granted to France.

In 1804, the western portion became independent, taking the name of Republic of Haiti. The other two thirds of the island achieved its independence as the Dominican Republic in 1844, although it was lost in 1861, when General Pedro Gantana, President of the Republic, annexed the country to Spain.

Independence was regained in 1865, ending a long campaign ("The Restoration War") which was won by the Dominican troops.

Half a century later, in 1916, the Dominican Republic was occupied by troops from the United States of America. "The occupation" came to an end in 1922, and a provisional Dominican government was left in charge of organising democratic elections. These were won by Horacio Vasquez.

A "coup d'état", organised by General Rafael Trujillo Molina, took place on February 23, 1930. He emerged as a dictator who ruled the country for over 30 consecutive years. In May of 1961, Trujillo was killed. Between this date and 1965, many "de facto" governments succeeded until a constitutional government, presided by Juan Bosch Gavino, took office. He was ousted seven months later and another "de facto" government, "El Triumvirato" (The Triumvirate), took the reigns of power.

In April of 1965, a civil revolution broke out which proclaimed the return to constitutional life. The bitter struggle between rival factions brought about the second U.S. military occupation, whose army, reinforced by soldiers from other countries, later became known as the Interamerican Peace Force.

After reinstatement of the democratic system in 1966, three men have occupied the Presidency of the Dominican Republic, Joaquin Balaguer Ricardo, Antonio Guzman Fernandez and Salvador Jorge Blanco, all of whom were democratically elected.

1.2. Population

Like so many of the Caribbean nations, the Dominican Republic has had diverse influences throughout its history; a fact that is reflected in its people and their customs.

The language spoken is Spanish and, indeed, the Spanish are the largest group of foreigners living in the country. Other European nations, Germany and France in particular, have also contributed to the political and social life. Ties with the United States are very strong; it is sometimes said that the second largest Dominican City is New York, because of the number of Dominicans who go to the United States to work and live. Many more are educated in North America and return to the Dominican Republic to live, and English is spoken.

The population of the Dominican Republic is estimated at 7 million.

1.3. Climate

The Dominican Republic has a warm tropical climate. Its average temperature throughout the year is 25C. The hottest month is August, and January is the coolest.

Practically every day is sunny and one can enjoy the beaches all year round. There are two rainy seasons; the longest one being from May to August, and the other from November to December. Both the dry and rainy seasons are more marked in the southwest.

1.4. Geography

The Dominican Republic occupies the eastern two thirds of the island of Hispaniola, named by its discoverer, Christopher Columbus. The western third of the island is occupied by the Republic of Haiti.

With an area of 48,442 sq km, the Dominican Republic is second in size, within the West Indies, only to Cuba. In the north, it is bordered by the Atlantic Ocean, to the south by the Caribbean Sea and to the east by the Mona Passage, which separates it from the neighbouring island of Puerto Rico.

The country is traversed by four mountain ranges, whose peaks often reach 1,500m, the highest peak being Pico Duarte, with a height of 3,075m.

The Republic has approximately 1,600 km of coast, with many excellent, though undeveloped, beaches. Fertile island valleys are spread over its central region.

With the great variety in its topography, from desert regions on certain coastal plains, to mountains, the vegetation is equally varied. In the dry areas, predominantly in the far southeast corner, one finds shrubs, scrub trees and cactus'. On the northeast coast, where there is heavy rainfall, one finds grasslands and rain forests. In the mountain regions, there are excellent stands of pine in the higher areas, descending to mahogany and hardwood on the lower slopes.

1.5. Political System

The Dominican Republic enjoys a democratic system, providing universal suffrage and separation of the executive, legislative and judicial powers. It resembles the United States' constitution to a large extent, with the executive having the President and Vice President elected by popular vote, the legislative branch comprising the

Senate and the Chamber of Representatives, and the Supreme Court having the justices appointed by the President prior to confirmation by the Senate.

1.5.1. Legal System

The Dominican legal system is based on the Napoleonic Code, although, in certain aspects, it is similar to the Spanish system.

The Civil, Penal and Commercial (1882 version) Codes follow strict translations from the French originals.

2. Economic Situation

2.1. Statistics

	1984	1985	1986
2.1.1. GDP (current price) (RD\$ Million)	10,705	14,487	16,964
Breakdown by sector:			
Industry	17.2%	17.1%	16.8%
Trade	15.9%	15.9%	15.3%
Farming	17.0%	16.8%	16.5%
Government	10.5%	10.6%	10.4%
2.1.2. Foreign Currency Reserves (In US\$ million)	303.1	397.3	429.6
2.1.3. Foreign Debt (In US\$ million)	3,271.7	3,493.2	3,676.8
2.1.4. Balance of Trade (In US\$ million)	- 389.0	- 547.0	- 544.1
2.1.5. Inflation	24.4%	37.5%	9.8%
2.1.6. Exports (In US\$ million)	868.1	738.5	722.1
2.1.7. Imports (In US\$ million)	1,257.1	1,285.9	1,266.2

2.2. Government Regulations

2.2.1 Exchange Controls

The Dominican Republic went from a dual exchange market, in which importers obtained foreign exchange from a "parallel market" and export proceeds were remitted to an "official market" controlled by the central bank, to a virtual state

monopoly of the foreign exchange business. All proceeds from exports and tourism, and remittances from foreign countries, must be forwarded directly to the Central Bank through the commercial banking system. In the same manner, all applications for foreign exchanges must be processed through the commercial banks.

Foreign companies established in the Dominican Republic wishing to repatriate dividends, theoretically qualify for up to 25% of their registered capital. However, according to the instructions of the Monetary Board ("Junta Monetaria"), the Central Bank will only furnish them depending upon their availability. The same rule applies to private foreign debt payments, royalties and payments for technical services.

2.2.2. Labour Laws

Dominican labour laws require that 70% of the employees of a corporation be of Dominican nationality (not including foreign executives and technicians).

The social security laws and regulations are administered by the Dominican Institute of Social Security. Payroll deductions for all employees earning less than RD\$ 790.00 per month amount to 2.5% of the salary earned, the employer is required to contribute an amount equal to 7% of the money earned by employees earning up to RD\$790.00.

All employees with one year of continuous service are entitled to two weeks paid vacation. An annual bonus is paid to all employees earning up to Dominican pesos RD\$ 200.00. However, in practice, all employees receive a gift from the employer at Christmas.

Law 288 of 1972 provides that all established companies have to pay their permanent employees 10% of their annual profit. This 10% shall not exceed one and a half months salary for employees with less than 3 years service, and two months salary for those with more than three years service.

Unions and/or employees may freely form labour bargaining associations. Under the law, 20 workers or more may constitute a trade union, and three or more corporations may constitute an employers' association. Both associations have a common goal to study, improve and safeguard their common interests.

2.3. Production

The Dominican Republic has, for many years, depended on sugar for the largest share of its export earnings. The government began large scale efforts to diversify the economy in the late 1970s and early 1980s with the introduction of several laws to promote investments in tourism, foreign investments, free zones and local import substitution manufacturers.

Today, the Dominican Republic is one of the most popular tourist destinations in the Caribbean, with thousands of hotel rooms offered in different parts of the country, and many thousands more in constructions.

The free zones ("maquiladoras") have more than 200 foreign companies, such as GTE, General Electric, Westinghouse and other multinational companies employing close to 100,000 workers throughout the country.

The service industries have grown dramatically as a consequence of the growth and diversification of the economy. There are 23 commercial banks in the Dominican Republic, including some large money-centre banks, such as The Chase Manhattan Bank and Citibank, approximately 20 savings and loan associations (providing long-term housing finance), 16 mortgage banks (which provide medium to long-term finance to builders and house owners) and approximately 26 development banks (providing medium to long-term loans to productive ventures such as business entities related to agriculture, tourist complexes and developing industries). There are, in addition, 56 insurance companies and 6 reinsurance companies in the Dominican Republic.

Communications and transportation are generally privately owned and provide an efficient and dependable service. Inter-urban transportation is also served with equal efficiency.

The Dominican Republic has a highly developed mining industry, which allows for the exploitation of the country's gold, nickel, bauxite, copper, salt and marble deposits. The country also exports coffee, cocoa and tobacco, which make up its chief agricultural products.

3. Insurance Market

3.1. Our Local Facilities

"Compania Nacional de Seguros", an affiliate of "Grupo Financiero Nacional", a financial services holding company, began its operations in 1964. It has achieved, since then, a leading position in the insurance market of the Dominican Republic, both in production and product development. Its main offices are in Santo Domingo, with a branch office in the city of Santiago, nine local agencies and agents spread around the country.

The company has 251 employees and 306 agents.

Insurance underwriting for property and life lines is performed at the head office by a staff of senior underwriters. A full time staff of engineers is available to inspect construction, fire and other associated perils. Claims handling is performed by B. Preetzman Aggerholm, a subsidiary of "Compania Nacional de Seguros", that has also represented the London insurers Commercial Union Assurance and the Royal Insurance Company for the past 60 years.

3.2. Regulations

3.2.1. Insurance Regulations

The insurance industry is regulated by Law 126, enacted by Congress on May 10, 1971. Law 126 sets forth the requirements for insurance and reinsurance companies, and intermediaries, and created the Superintendency of Insurance and the Insurance Advisory Council ("Junta Consultiva de Seguros").

Law 126 was modified by Law 280, which introduces two very important regulations, one pertaining to the mandatory 30% local reinsurance of both treaty and facultative business, and the establishment of a maximum net retention equivalent to 10% of the firm's surplus.

3.2.2. Insurance Supervision

The office of the Superintendency of Insurance is charged with overseeing various aspects of the insurance business. The superintendency audits all operations and practices of insurance, reinsurance and intermediaries. It has the power to grant authorisation to transact business in the Dominican Republic, to grant, suspend or deny brokers' and agents' licenses, revise and approve the wording of insurance coverages, as well as rates and other insurance documents.

The Insurance Advisory Council ("Junta Consultiva") is made up of members of local and foreign insurance and reinsurance companies operating in the life, health, property and casualty lines of business, as well as representatives from the insurance producers.

The Insurance Advisory Council has no executive or administrative powers, and solely advises the superintendency on any matters submitted for study or consideration relating to the insurance industry.

3.2.3. Insurance Requirements

Local companies requesting authorisation to engage in insurance must accompany their application with the following documents:

- Certified copy of their corporate by-laws
- Certification of the paid-in capital, as well as of the distribution of shares and shareholders
- Certification of bank deposit on the amount of paid-in capital.
- List of directors and officers of the company
- Statement of proposed insurance policies and related documents.
- Minimum paid-in capital of RD\$ 500,000.00

Foreign insurance companies requesting authorisation to do business in the Dominican Republic must provide the following information:

- Authenticated translation of corporate by-laws
- Certification of corporate domicile
- Balance sheet, and profit and loss statement for last 5 years
- Certification of domicile and nationality of principal officers

- Authenticated power of attorney as legal representative in the Dominican Republic
- Certification from authorised state entity in charge of supervising the insurance industry in the country of incorporation accrediting the company
- Certification by the corporation expressing the intention to transact business in the Dominican Republic according to local laws and regulations
- Sample policies and other insurance related documents
- Proof of paid-in capital
- Minimum required capital of RD\$ 1,000,000.00

Both local and foreign companies must post bonds in favour of the superintendency as follows:

- A. RD\$ 75,000.00 to operate in the life insurance business
- B. RD\$ 75,000.00 to operate in the bond line of business
- C. RD\$ 75,000.00 to operate in all other lines except life and bonds
- D. RD\$ 100,000.00 to operate in two of the above mentioned lines
- E. RD\$ 150,000.00 to operate in all lines

The bonds can be deposited with the National Housing Bank, state owned financial entities or in instruments guaranteed by the government.

3.2.4. State Owned Insurance Companies

There are two insurance companies in which the government participates; one is the "Compania San Rafael", where the State is the sole owner, and ADACA, in which there is also private participation.

ADACA is mainly involved in agriculture and crop insurance. There are no state owned reinsurance companies. Both companies participate freely in the market.

3.2.5. Non-Admitted Insurance

Package policies in both commercial and personal lines are not permitted in the Dominican Republic.

3.2.6. Taxes

Insurance companies must pay the following taxes on the total premiums collected:

Life and health	5.48%
Fire and allied lines	8.00%
Other lines	6.60%

There is also a 3% license tax levied on the gross premiums collected. Insurance companies are also subject to corporate income tax.

3.3. Statistics

3.3.1. List of Local Insurers

Seguros Patria	Autoseguros
Seguros America	Seguros Pepin
Federal de Seguros	La Alianza
La Mundial de Seguros	La Ideal de Seguros
La General de Seguros	Grupo Popular
Vanguardia de Seguros	La Peninsular de Seguros
Los Angeles de Seguros	Compania Dominicana de Seguros
La Ira Oriental	La Monetaria
Centro de Seguros La Popular	Seguros Panamericano
ADACA	Seguros Osaka
La Internacional de Seguros	La Monumental de Seguros
Seguros Dominico Hispano	Seguros H. y P.
Union de Seguros	Seguros del Caribe
La Tropicana de Seguros	Seguros Unidos
Centroamericana de Seguros	El Condor de Seguros
La Imperial de Seguros	Seguros Horizontes
La Real de Seguros	Inter-Oceanica de Seguros
El Sol de Seguros	Sud-America
Seguros Bancomercio	Seguros La Antillana
La Quisqueyana de Seguros	San Rafael
La Intercontinental Seguros	La Principal de Seguros
La Universal de Seguros	La Colonial
Compania Nacional de Seguros	Latinoamericana de Seguros

3.3.2. List of Local Reinsurers

Reaseguradora Nacional
Reaseguradora Internacional
Reaseguradora Santo Domingo
Reaseguradora Profesional
Centro de Reaseguradora Universal
Reaseguradora Central

3.3.3. Loss Ratio

	1984	1985	1986
Fire and allied perils	45.5%	29.9%	48.2%
Marine & aviation	(112.07)%	(104.59)%	110.9%
Inland marine	59.1%	26.9%	34.2%
Auto	66.0%	56.5%	57.5%
Bonds	16.7%	9.0%	30.6%
Other	48.9%	199.3%	62.0%

3.3.4. Premiums Written By Line of Business (In RD\$ Thousands)

	1984	1985	1986
Fire & allied perils	41,988	54,366	64,350
Marine & aviation	3,038	4,449	4,643
Inland marine	8,686	14,055	14,292
Auto	41,877	60,230	82,773
Bonds	5,128	7,110	8,742
Other	8,832	10,858	16,154

3.4. Associations**3.4.1. Associations**

There are presently three main associations in the country that are involved with the insurance industry. The most important is the Insurance and Reinsurance Chamber of the Dominican Republic ("Camara Dominicana de Aseguradores y Reaseguradores"). This body deals with matters involving government regulatory agencies, insurance companies, tariffs and other diverse matters.

There are two other associations, one for brokers and the other for insurance agents, these are the "Asociacion Dominicana de Corredores de Seguros" and the "Asociacion Nacional de Agentes Profesionales de Seguros".

3.4.2. Pools

There is one bond pool in which the largest insurance companies participate.

Companies participating in the pool are assigned a fixed percentage of the risk and premium. This pool was used extensively when capacity was limited, although its use is not so frequent now.

3.5. Intermediaries

Companies wishing to act as insurance brokers in the Dominican Republic must first obtain approval from the Superintendency of Insurance. Once approved, they must post a RD\$ 25,000 bond in favour of the superintendency.

Insurance agents must pass an examination prepared by the superintendency and must present their designated insurance company.

One must note the presence of some of the largest multinational brokers, such as Marsh and McLennan, Alexander and Alexander, Johnson and Higgins and others, who, through their local representatives, participate actively in the market. Maximum commissions are fixed by the superintendency and are as follows:

Dominican Republic

Risk	Agents	Brokers
Auto (mandatory)	10.0%	12.5%
Auto (others)	15.0%	17.5%
Fire	15.0%	17.5%
Accident	15.0%	17.5%
Marine	10.0%	12.5%
Bail bonds	15.0%	17.5%
Fidelity	7.5%	10.0%
Other bonds	10.0%	12.5%
Boilers	10.0%	12.5%
Constr. bonds	10.0%	12.5%
Other	12.5%	15.0%

3.6. Reinsurance

All insurance and reinsurance companies wishing to transact business in the Dominican Republic must obtain prior acceptance from the superintendency. Statutory reserves for unearned premiums are specific according to the following lines of business:

Bonds	60%
Marine	30%
Life and health	5%
All other insurance	40%

These reserves are maintained for one year and earn a specific interest rate. No reserves are maintained on facultative business. Prior certification from the superintendency, as well as approval from the Central Bank, is needed before transfer of ceded premiums is possible. Premiums ceded net of commissions pay a 3.605% reinsurance tax.

3.7. Underwriting Per Line of Business

3.7.1. Tariffs

Fire and allied lines, and automobile lines of business are the only lines with tariffs in the country. These were developed by the Dominican Insurance and Reinsurance Chamber and approved by the superintendency.

3.7.2. Mandatory Coverages

The only coverages required by law are automobile liability and third party property damages.

3.7.3. Coverages in Other Currencies

According to the insurance law, all coverages originating in the Dominican Republic must be expressed in RD\$.

3.7.4. Claims Handling

Claims adjusting is generally handled by the insurance companies themselves or by subsidiary companies, except on policies with claims control clauses, or in the case of large losses in which the leading reinsurer designates the adjuster.

4. Property Insurance

4.1. Underwriting

According to Dominican law, all insurance on properties based in the Dominican Republic must be placed through a company authorised to operate in the country. All imports must be insured under a marine policy issued by a company in the Dominican Republic.

4.1.1. Property Coverages

The standard property policy provides a basic coverage for fire and lightning perils. This coverage can be broadened through the following endorsements: Earthquake and fire as a consequence of hurricane, and fire as a consequence of water damage resulting from a hurricane, flood, tidal wave, riot or strike, and fire as a consequence of malicious damage, explosion, aircraft and motor vehicle damage, smoke damage, robbery or theft.

4.1.2. All Risk

All risk policies are not permitted by legislation.

4.1.3. Premium Calculation

There is a mandatory tariff for fire and allied lines, and automobile lines of business. In all other lines of business the tariff calculation is free from restriction.

4.2. Other Lines

4.2.1. Business Interruption

This coverage is normally taken by large clients, but is not so common for small to medium sized risks. It is normally sold with a 3 day deductible. The tariff is free and generally based on a percentage of the property rate. The percentage varies according to the kind of coverage selected and the period of indemnisation.

4.2.2. Boiler and Machinery

Although this does not amount to a large amount of business in the Dominican Republic, coverage is available under the wordings that combine coverages to the boiler and machinery itself, as well as third party liability as a consequence of boiler explosion or machinery malfunction. Wordings most commonly found are of the

Swiss Re and Munich Re type, but you can also find the North American Blanket type, such as the Mark II.

4.3. Catastrophe Exposure

The Dominican Republic is located in a zone which is heavily exposed to earthquakes. Hurricanes also constitute a special peril as, every year, a "hurricane season" occurs between May and October. Flood, tsunami, terrorism and hail, according to loss experience, are not considered as significant catastrophe exposure.

Deductibles for catastrophic risks are as follows:

- 0.5% of the value of the property at the time of loss
- 2.5% of the value of the loss or RD\$ 1,000.00, whichever is the greatest.

There are no deductibles for non-catastrophic perils. In case a client decides to take a deductible, a credit is granted for the fire and lightning rates only.

4.4. Various

4.4.1. Duration of Policies

Policies can be issued for one, two, three or five years with the following discounts:

One year	100.0% of the premium
Two years	87.5% of the premium
Three years	83.3% of the premium
Five years	80.0% of the premium

5. Casualty Insurance

5.1. Automobile

5.1.1 Motor Vehicle Laws

Law 241 states all regulations pertaining to motor vehicle transit in the Dominican Republic. It also states all penalties and prison sentences for motor vehicle violations and accidents.

Law 417 is the mandatory automobile law, which requires that all owners of motor vehicles secure a liability and third party damage coverage.

There is also a law creating the Special Transit Court in which all accident cases with no bodily injury are tried.

5.2. Workmen's Compensation

This coverage is not offered in the Dominican Republic. The Dominican Institute of Social Security covers all compensation for disabled workers earning up to RD\$ 790.00.

5.3. Liability (General & Products)

The general liability policy in use in the Dominican Republic was developed by the Dominican Chamber of Insurance and Reinsurance. It is based on the civil code of the Dominican Republic which is a translated version of the French original.

Product liability is offered as an endorsement of the general liability policy. Some companies offer the Comprehensive General Liability (CGL) coverage. Umbrella and excess liability policies are offered above primary general and auto liability coverages.

Experience is good as the level of "litigation consciousness" is low and awards are within permissible levels. There is no long tail exposure.

5.3.1. Accident

This coverage is offered on an individual and group basis. Policy limits are established according to annual income with the following maximum limits:

Accidental death	5 times annual salary
Permanent disability	2 times the death benefit
Monthly indemnisation	75% monthly salary
Medical expenses	10% of the death benefit sum

Tariffs are based on occupation and occupational hazards.

5.3.2. All Construction Risk

The conditions for all construction risks and machinery breakdown follow the Swiss Re and Munich Re conditions and tariffs.

5.3.3. Robbery and Theft

Bankers blanket bond (DHP84) format from Lloyds of London and the 3D American format are the most common commercial and institutional policies found in the market.

Theft and robbery can be sold through an endorsement of the 3D policy or it can be offered separately.

6. Marine and Aviation

6.1. Marine Cargo

Open cargo policies are the most common form of marine cargo insurance found in the Dominican Republic.

All risk W.A. and F.P.A. clauses are used by the majority of the companies in the market, although the new clauses A, B and C of the London Institute are beginning to be used by some companies, especially on individual certificates and new open cargo policies.

Ports in the Dominican Republic are administered by a port authority, which is involved in a major construction at the Haina Port, featuring a large containerized facility and warehouse. This facility will minimize damage to cargo by handling, moisture and pilferage.

6.2. Hull

There are no major fishing fleets and cargo ships in the country. The major hull insurance business comes from private sport fishing and pleasure craft. P & I coverage is offered in these cases. Most of these vessels are kept in private yacht clubs which offer proper protection and maintenance.

6.3. Aviation

The only airline is the "Compania Dominicana de Aviacion", a state owned company. The Civil Aeronautics Board requires that aircraft owners present a certificate acknowledging liability coverage. The largest portfolio is from private and industrial aircraft.

6.4. Inland Marine

Inland transport is basically made by trucks in the Dominican Republic, which are also used to transport cargo to the Republic of Haiti. There are no railroad systems or inland waterway transport.

Motorways are generally good and feeder roads traverse the country. The coverages offered are named and losses have to occur as a consequence of an accident in which the vehicle is involved.

6.5. War

This coverage is offered in the marine cargo insurance and is the same as the one used by the London market.

7. Future

7.1 Political

The Dominican Republic has enjoyed a stable democracy for the past 22 years, with power alternating between the "Partido Reformista" (PR), a christian democratic party, and the "Partido Revolucionario Dominicano" (PRD) a centrist social democratic party.

President Joaquin Balaguer, in his fourth term since 1966 (not consecutive), has given no indication as to his aspirations for a fifth term, and still remains an option for the elections to be held in 1990. The two contending parties remaining are the PRD, which has been plagued by internal problems but has a large following. The other party is the "Partido de Liberacion Dominicana" (PLD), a left wing party which had considerable support in the 1986 elections.

It is expected that democracy will continue to strengthen in the Dominican Republic, the military have been in a secondary role for some years and the election process has continued to produce alternative political choices, making the Dominican Republic a showcase for democracy to other countries in the area.

7.2. Social

The migration from rural to urban areas, a reality in many other countries, has begun to cause some problems in the areas of housing, transportation, sanitation and employment. This has particularly been the case in Santo Domingo, which now has over 1.5 million inhabitants.

The Dominican Republic has remained socially conscious, a result of past government employment practices, the development of new areas of employment, such as the tourist complexes and industrial free zones, the construction of large public projects, and private construction in the last two years. This attitude is expected to remain in the near future.

7.3. Economy

The country experienced one of the highest increases in the gross domestic product (GDP) of the countries in the region in 1987 (9%), and although inflation edged up during last year, efforts to curb inflation, while increasing production, are being initiated by the government.

The government budget for the fiscal year 1989 is almost double that of 1988. The main expenditure is in agriculture, public works and foreign debt payments. If the government does not control the money supply, it is possible inflation could get out of hand.

Another factor affecting inflation is the exchange rate for the US\$ dollar, the primary foreign currency. Since the government controls the foreign exchange market, it also sets priorities which could hinder growth of some sectors of the economy. Up to now, oil imports, by far the largest import, are subsidised with a preferential rate, but the government has announced that it will unify the exchange rate for such imports, which could bring another round of general price increases.

The Dominican Republic had a trade deficit of US\$ 700 million, up from US\$ 544 in 1986, mostly due to a surge in imports. It is expected the deficit will stabilise, given the rise in prices of most of the commodities that the country produces and the record sums brought into the country from the tourist industry (some US\$ 600 million in 1987).

It is expected that the economy will grow in 1989 for the reasons mentioned above, if cohesive measures are taken to continue the trend to diversify the economy and curtail government expenditure, as well as control the money supply.

7.4. Insurance Market

1988 was a year which saw some failures in the financial sector. Due to the structure of the legal system, these failures brought about the closure of some 5 insurance companies.

The top 5 insurance have companies continued to consolidate their position, notwithstanding the entry of additional competitors in the last 2 years. This has also caused a downward effect on the rates as the new companies are trying to gain a market share.

In 1989, it is expected that the situation will remain much the same, but public opinion has acknowledged the recent failures and this should have a positive affect on the established companies.

Overview of Perils Insured Against in Basic Fire Policy

Dominican Republic

a	Fire	c	Sprinkler Leakage
a	Lightning	c	Collapse
b	Explosion	b	Smoke
b	Aircraft	c	Sonic Boom
b	Windstorm	c	Molten Material
c	Hail	c	Radioactive Contamination
b	Vehicle Impact	b	Earthquake
b	Strike	c	Volcanic Eruption
b	Riot	b	Flood
b	Civil Commotion	c	Snow Pressure
b	Malicious Damage	c	Landslide
b	Vandalism	c	Tenants & Neighbours
b	Sabotage		Liability
c	Terrorism	c	All Risks available

- a Perils covered in a standard policy
- b Perils can be added by endorsement
- c Perils cannot be added by endorsement