

**FINANCIAL OVERSIGHT AND MANAGEMENT BOARD  
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BY ELECTRONIC MAIL

May 22, 2020

Carlos M. Yamín  
Deputy Executive Director  
Fiscal Agency and Financial Advisory Authority

**Re: Voluntary Transition Program - State Insurance Fund Corporation**

Dear Mr. Yamín:

In accordance with the rules, regulations and orders review policy of the Financial Oversight and Management Board for Puerto Rico (“FOMB”) established pursuant to Section 204(b)(4) of PROMESA, we have reviewed the proposed Administrative Order establishing the Voluntary Transition Program (VTP) for the State Insurance Fund Corporation (“SIFC”).

After reviewing the proposed Administrative Order, the FOMB concludes “Rejected”, since the VTP program as proposed provides that eligible employees shall receive compensation in excess of six months, which is inconsistent with previously approved VTP programs. Once the FY2021 budget of the Commonwealth of Puerto Rico is certified by the Board, the proposed Administrative Order should be resubmitted capping employee payout incentives at six months of compensation.

Please note that our review is solely limited to the compliance of the proposed Administrative Order with the applicable fiscal plan and budget and no other matters. For the avoidance of doubt, the review performed by the FOMB does not cover a legal review under applicable laws, rules, and regulations, both federal and local, including without limitation, compliance with any applicable labor laws, rules and regulations. Any material change to the proposed Administrative Order must be submitted beforehand to the FOMB for its review.

This review was conducted on the basis of information submitted by the Government of the Commonwealth of Puerto Rico. The FOMB has not independently verified the information included in the submission. Should FOMB become aware of any inaccuracies or misrepresentations – whether intentional or not – it would re-evaluate its assessment.

This letter is delivered as of the date hereof and we reserve the right to provide additional observations and modify this letter based on information not available when the review was conducted. In addition, during the course of our review, we may receive information which we may determine to refer to the relevant authorities.

This letter is issued only to AAFAF and solely with respect to the proposed Administrative Order.

Sincerely,

Jaime A. El Koury  
General Counsel