

Commonwealth of Puerto Rico
OFFICE OF THE COMMISSIONER OF INSURANCE
P.O. BOX 11217-FERNANDEZ JUNCOS STA.
Santurce, Puerto Rico

Circular Letter No. AI-9-358-64

TO ALL PROPERTY, CASUALTY, TITLE AND SURETY INSURANCE
COMPANIES, GENERAL AGENTS AND BROKERS AUTHORIZED TO
DO BUSINESS IN PUERTO RICO.

Gentlemen:

At present there are in existence in Puerto Rico various financial institutions which operate financing plans for the payment of premiums of insurance contracts.

This office recognizes the validity of these plans if the contract contains nothing that might be construed as to violate any statutory provision regulating the insurance transaction.

However, we wish to call your attention to the fact that a plan for financing insurance premiums providing that the unearned premium, in cases where a policy cancellation is requested by the financial institution, is to be paid on a prorata basis, would violate the rules of the rating manuals filed with the Commissioner of Insurance, and therefore would be in violation of law.

These manual rules generally establish that when a policy is cancelled at the request of the insured, the unearned premium shall be paid on the short rate basis. It should be observed that the cancellation of the policy in these cases is requested by the financial institution in the name of the insured.

This matter was discussed originally in Circular Letter Number L-6-200-58 of this office dated June 13, 1953. It is brought to your attention once more due to the recent increase in financial institutions which are adopting these insurance premium financing plans.

Any additional information regarding this matter shall be furnished by this office to the members of the insurance industry upon request.

Cordially yours,


Jorge Soto García
Commissioner of Insurance