

Commonwealth of Puerto Rico
OFFICE OF THE COMMISSIONER OF INSURANCE
P.O. Box 11217 - Fernández Juncos Station
Santurce, Puerto Rico

Circular Letter No. L-2-368-65
February 25, 1965

TO ALL CASUALTY AND PROPERTY INSURANCE COMPANIES

Re: Interpretation of the phrase "finance and
other carrying charges"

Dear Sirs:

This office has been approached, by both insurance and finance companies, as to the correct interpretation of Item "C", Condition 7, Automobile Finance Master Policy Form - Single Interest Fire and Theft Coverage, NAUA No. 89, (Finance Form No. 6), which reads as follows:

"The Company's liability for loss of or damage to any automobile insured hereunder shall not exceed the limits specified in this Master Policy and the individual policies, certificates or memoranda issued thereunder nor exceed the lowest of the following limits:

a)...

b)...

c) The amount of any impairment of the insured's interest as represented by the Purchaser's or Borrower's unpaid balance not more than sixty days past due less interest, insurance, finance and other carrying charges computed pro rata as of the date of loss. Such

carrying charges shall be deemed to accrue in equal installments on the payment dates fixed by the purchase contract or loan agreement and shall not include penalties or other charges which may have been added to such unpaid balance after the inception date of such contract or loan agreement. (Subrayado nuestro)

...

After lengthy consideration and study, this office has come to the conclusion that the phrase "such carrying charges", as used in the above quoted Item, refers only to "finance and other carrying charges", and does not, therefore, include (interest) nor insurance charges.

In view of our interpretation and of the manner in which interest accrues in a decreasing obligation, it follows, as a logical consequence, that any interest charged to a purchaser cannot be apportioned or deemed to accrue in equal installments in the process of adjusting a claim.

Cordially yours,


Jorge Soto Garcia
Commissioner of Insurance